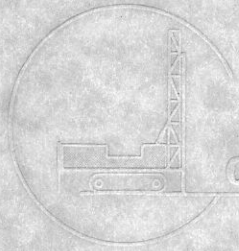


763

Lac La Hache

884733



GWR RESOURCES INC.

# Message from the President

I would like to take this opportunity to thank the shareholders of GWR Resources Inc. for their interest in and support of the Company in the past year. We are thankful that the Company has progressed so well over the seven years since it was listed on the VSE.

This year has been the most exciting in the history of the Company!

The Company spent in excess of \$365,000 on its exploration work in the four months after Regional Resources Ltd. interrupted its work program. Regional Resources Ltd. spent \$615,000 on exploration work up to May, 1994. The results of the work on the Ann claims were beyond expectations in that the copper values were overshadowed by the excellent gold values.

The work on the Peach Lake claims also proved to be very successful. Previously, work had been done on only the "North" zone. We expanded the exploration to the south and east. The copper-gold values in these new zones give us reason to believe that this property is related to the Miracle\Murphy porphyry system a couple of kilometers away. That is a very exciting theory that we hope to prove a reality in the next year.

Drilling on the Miracle\Murphy anomaly resulted in the best copper-gold intersections in the area to date. There are also indications that there may be a much larger system nearby.

We are also pleased with the success of the renegotiated agreement between GWR Resources Inc. and Regional Resources Ltd. whereby Regional will spend \$4 million to earn a 60% interest in the Lac LaHache Project.

The Spring Lake project, owned 100% by GWR, is also showing indications of being a good exploration target for copper. There are strong hematite alterations with fractures containing chalcopyrite, bornite and some native copper.

We have gained an enormous amount of insight and understanding of the geology of the Lac LaHache area through the systematic exploration work headed by our geologist David Blann. He has gathered the information on a comprehensive compilation map which gives invaluable data and a clear picture of the results gathered to date.

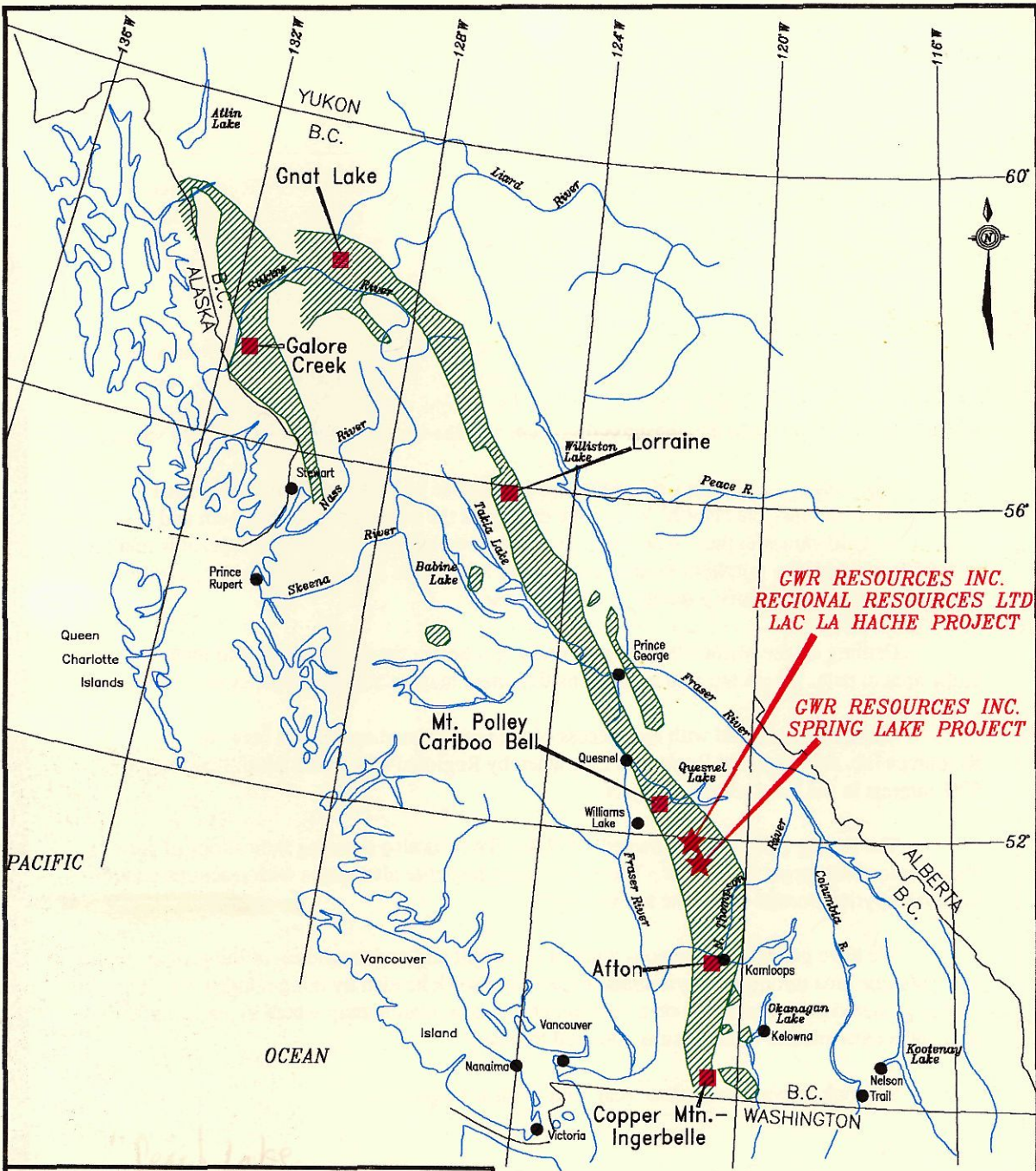
We look forward to another year with great anticipation.

Yours truly,



Irvin Eisler, President







GWR RESOURCES INC.  
 REGIONAL RESOURCES LTD.

General Location Map  
 Upper Triassic-Lower Jurassic  
 Alkalic Intrusive/Volcanic Belt  
 and Property Locations

Drawn By: IBEX

0 400  
 km

 Upper Triassic-Lower Jurassic  
 Alkalic Intrusive/Volcanic Belt

 Significant Copper/Gold Deposit



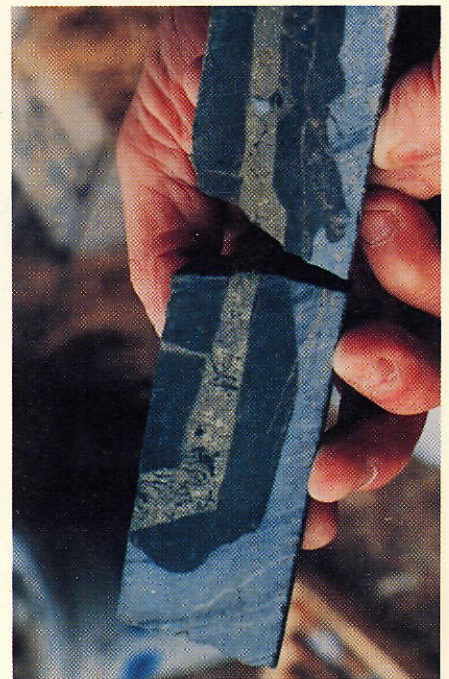
## *in summary . . .*

### Achievements in 1994:

- ◆ successfully raised funds to carry on the Company's exploration programs
- ◆ staked 108 mineral claim units at Spring Lake
- ◆ carried out 5-hole diamond drilling program on Spring Lake
- ◆ renegotiated agreement with Regional Resources Ltd by which Regional will spend \$4 million to earn a 60% interest in the properties. This agreement was formally signed on January 25, 1995
- ◆ carried out an 11-hole drill program on Miracle/Murphy claims
- ◆ drilled two holes on Ann claims resulting in excellent gold values
- ◆ renegotiated NSR provision with Peach Lake Resources Inc. from 5% Net Profits to 1% NSR
- ◆ renegotiated NSR provision on Miracle claims from 5% NSR to 1% NSR

### Goals for 1995:

- ◆ continue to enhance the integrity of the Company by sound Board and management decisions
- ◆ introduce the Company to a wider scope of investors and analysts
- ◆ continue to seek interest in good mineral properties - gold, copper, molybdenum



*Chalcopyrite "hockey stick" from  
Miracle property*



## History of GWR Resources Inc.

GWR Resources Inc. was incorporated on February 13, 1987, under the Company Act of British Columbia. On June 28, 1988 the Company was listed on the Vancouver Stock Exchange.



"Peach Lake skarn"

In 1988 the Lac LaHache property consisted of the four Miracle claims totalling 52 units. The area around these claims was held by different companies, both private and public. Over the next seven years, GWR acquired various interests in the surrounding claims until it had control over the area in order to effectively carry on comprehensive exploration.

The **Lac LaHache** group of claims is situated within the Quesnel Trough, an assemblage of volcanic sedimentary and intrusive rocks of Upper Triassic Jurassic age, which extends from Washington State to north-central British Columbia. This belt of rocks hosts skarn and porphyry copper and copper-gold deposits such as Highland Valley, Afton, Craigmont, Similkameen to the south, and Gibraltar, Mount Poly, Kemess, Mt. Milligan to the north.

Some of the claims held in the previous year have been dropped in an effort to consolidate the properties that have shown good potential, all in the north Spout Lake area. A new block of claims approximately 20 kms. southeast of the LacLaHache project was staked late in the year, near Spring Lake consisting of 108 units over a large regional aeromagnetic high anomaly.

During the 1992/1993 season, most of the work by GWR concentrated on the "**Peach Lake**" claims resulting in the discovery of a high-grade magnetite-chalcopryrite zone of mineralization. The high grade sections range from 5 metres to 12 metres, true width, with 30% to 80% magnetite, 1% to 3% copper, and 0.1 grams to 0.6 grams gold per tonne. Three to five million tonnes of this mineralization have been inferred and roughly **595,000 tonnes** grading **1.79% copper**, **50.5% magnetite**, and **0.12 g/t gold** have been drill indicated in the "**North**" zone. It has been estimated that the reserve could contain 10 to 12 million tonnes. Only **twelve holes** were drilled in that season.

In July, 1993, GWR entered into an agreement with Regional Resources Ltd. who were to spend \$3 million for a 50% interest



in the Lac LaHache properties with an option to increase their interest to 75% by spending an additional \$1.5 million. Their work included reconnaissance surveys on most of the claims, but work focused on three main areas, i.e. Nemrud, Ann 1 and Murphy. A total of 128 kilometres of line cutting, 121 kilometres of induced polarization surveys and 73 kilometres of magnetic surveys were conducted in these areas, together with geological mapping and geochemical sampling. The IP survey done on the Miracle/Murphy claims resulted in the outlining of a 15-50 millisecond chargeable anomaly 1.3 kilometres long and 1.0 kilometre wide.

The 1993 Lloyd Geophysics report on the Murphy claims, in which the Miracle anomaly lies, stated: "The IP survey on the Murphy grid outlined a large anomalous zone of increased chargeability having a width of about 1200 metres and an overall length of about 1450 metres". Lloyd Geophysics concluded "Based on the geophysical data described in this report, one large zone of increased chargeability has been interpreted as having potential as bulk tonnage, low grade copper-gold porphyry system covering over one square kilometre." Most of the anomaly lies under a swamp and had not been drill tested.

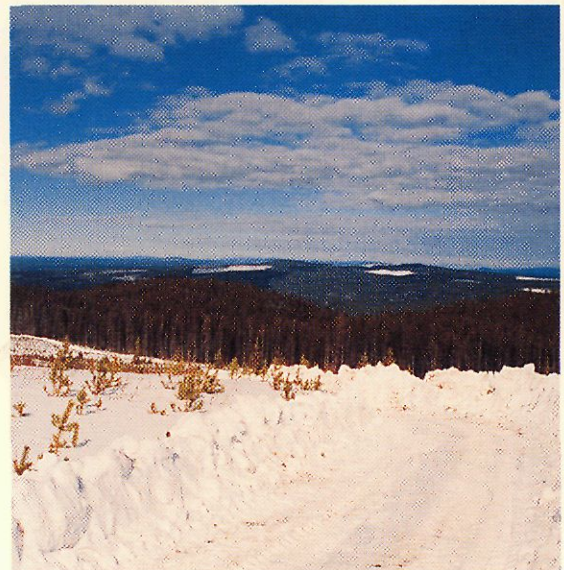
Work done previously to this time appears to have concentrated on the outer edge of this anomaly. In May of 1994, GWR took over the exploration work, mainly for the purpose of fulfilling underlying agreement requirements. Further drilling was done defining the area as a complex porphyry copper-gold system. The results were encouraging and further work is planned for 1995.

A new zone, collectively referred to as the Nemrud claims, was located and staked by Regional east of the claim blocks which showed patches of bornite-covelite-chalcopyrite mineralization. An induced polarization geophysical survey was done which outlined an anomaly approximately 600 metres long by 150 metres wide and dominantly beneath overburden and swamp. An erratic copper soil geochemical anomaly roughly coincides with the IP anomaly and surface showing. The Nemrud zone provides several targets for drilling and further induced polarization surveys. No drilling was done in the 1993/1994 season.

In 1993, an exploration program consisting of 35 kilometres of

line cutting, geological mapping, prospecting, silt and rock sampling, 31 kilometres of magnetometer surveys and 28 kilometres of induced polarization surveys was performed on the Ann claims. The exploration in that year was concentrated on the Ann 1 claim, which had minimal exploration done in the past. The work resulted in the definition of four zones of anomalous chargeability, of which two have associated chalcopyrite mineralization in outcrop. Regional Resources, who were in charge of the program, decided to postpone further work in favour of exploration on other claims in the area.

GWR took over the exploration work from Regional Resources in May, 1994, and drilled two holes on the Ann claims mainly to fulfill underlying agreement requirements. The resulting gold values were very encouraging. Previous work had concentrated on copper values but it has become evident that the gold values on the Ann claims are of more interest at this time. More details of this program are discussed in the Report to Shareholders.



*Overlooking Nemrud claims*



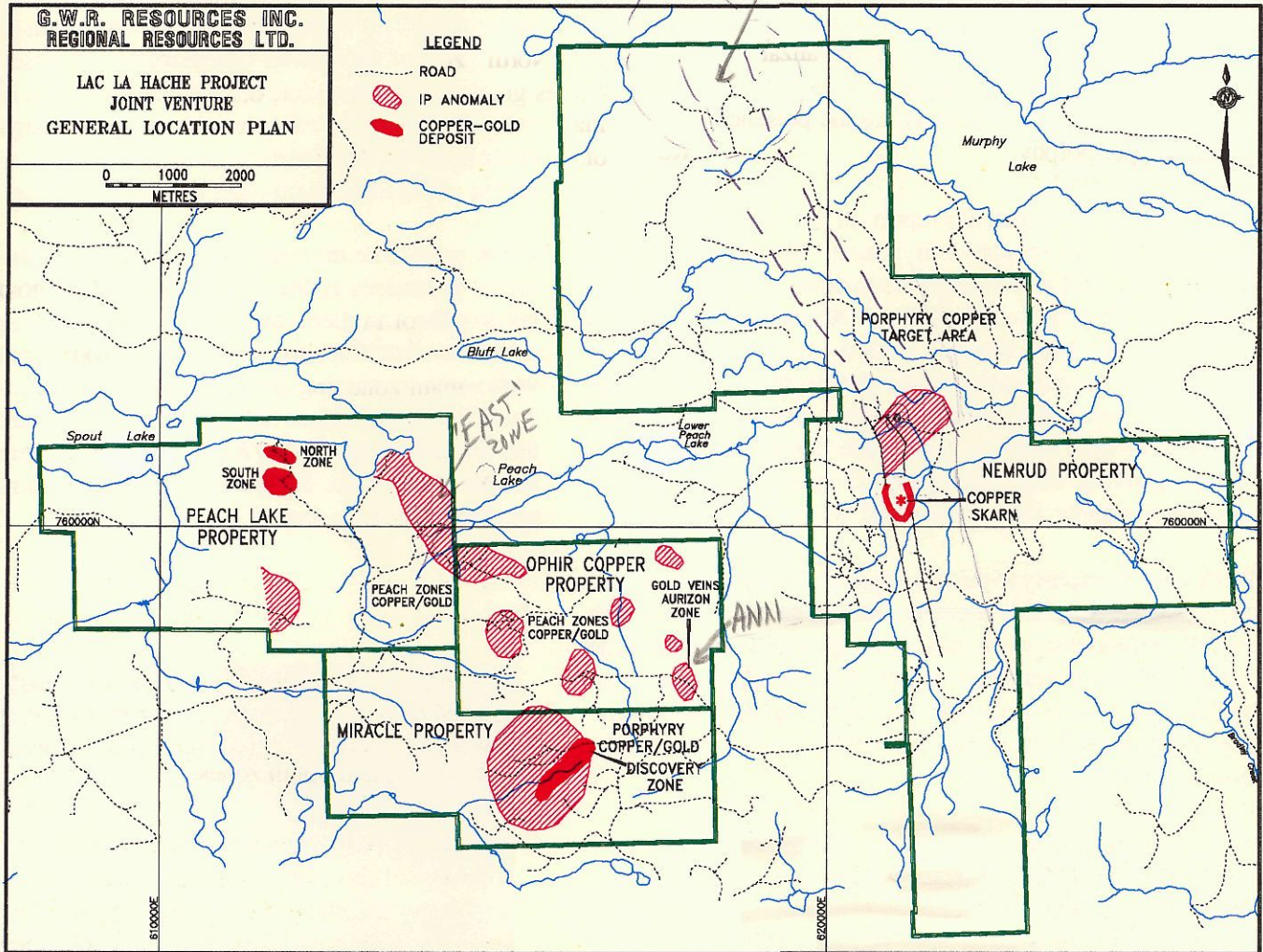
G.W.R. RESOURCES INC.  
REGIONAL RESOURCES LTD.

LAC LA HACHE PROJECT  
JOINT VENTURE  
GENERAL LOCATION PLAN

0 1000 2000  
METRES

LEGEND

- ROAD
- IP ANOMALY
- COPPER-GOLD DEPOSIT



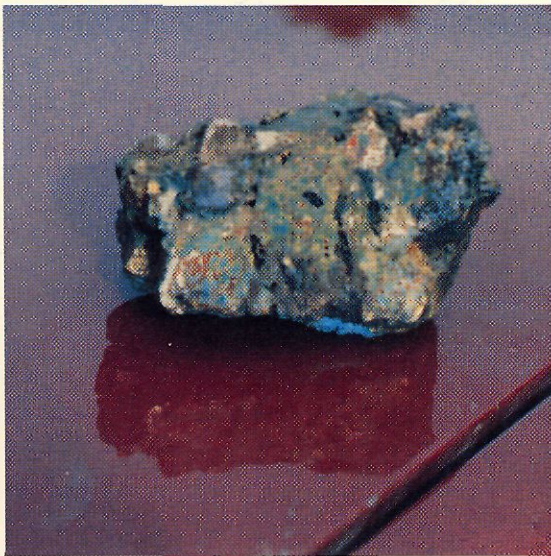
~ 20 km  
(Spring prop.)



# Report to the Shareholders

## PROJECT SUMMARY

During 1994, GWR Resources Inc. established the presence of an alkalic copper-gold porphyry system on the Miracle property, significant gold mineralization on the Ann property, and brought the Spring Lake project from a grass roots property to one where the presence of an alkalic copper porphyry/skarn system is indicated. Regional Resources Ltd., under a joint venture agreement with GWR's Lac LaHache Project, initiated a 1,500 metre drill program as well as induced polarization survey on the Nemrud bornite skarn, late in the year.



Rock sample from Miracle assaying 70.9 g/t gold

## PEACH LAKE COPPER-MAGNETITE PROJECT

With the completion of the 1992-1993 work program on the "North" zone, a drill indicated reserve of 595,000 tonnes grading 1.79% copper, 0.12g/t gold and 50.5% magnetite was established with an estimated gross value of about \$62 million (Cdn).

Two drillholes were then conducted as down dip stepouts. The results were excellent with drillhole 93-13 intersecting 24.4 metres grading 1.22% copper and 0.26 g/t gold over a true width of 11 to 13 metres, and drillhole 93-14 intersecting a parallel zone near surface, about 100 metres north of the main zone grading 0.18% copper over 30 metres, and 0.86% copper over 9.6 metres in the main zone at a vertical depth of about 250 metres. This zone is open along strike and to depth. These values certainly add to the previous reserve values.

The North and South chalcopyrite-magnetite "skarn" zones on the Peach Lake property are probably related to alkalic, porphyritic subvolcanic intrusions. Disseminated chalcopyrite and the recent discovery of native copper with hematite altered porphyritic volcanic rocks suggest the potential for a porphyry copper-gold deposit to occur just east of the North and South zones.

The East zone (previously called the "pyrite zone") consists of a copper-gold enriched potassic altered magnetite-pyrite zone forming a 2 kilometer long and 1.5 kilometer wide IP anomaly. This area contains strong copper soil anomalies on the hillside south of Peach Lake.

The geology, alteration and mineralization suggest this "East" zone may very well be related to the "North-South" magnetite-chalcopyrite skarn-porphyry, the Ann property and the Miracle/Murphy porphyry system to the south.

More drilling will be done on this property in the new year.



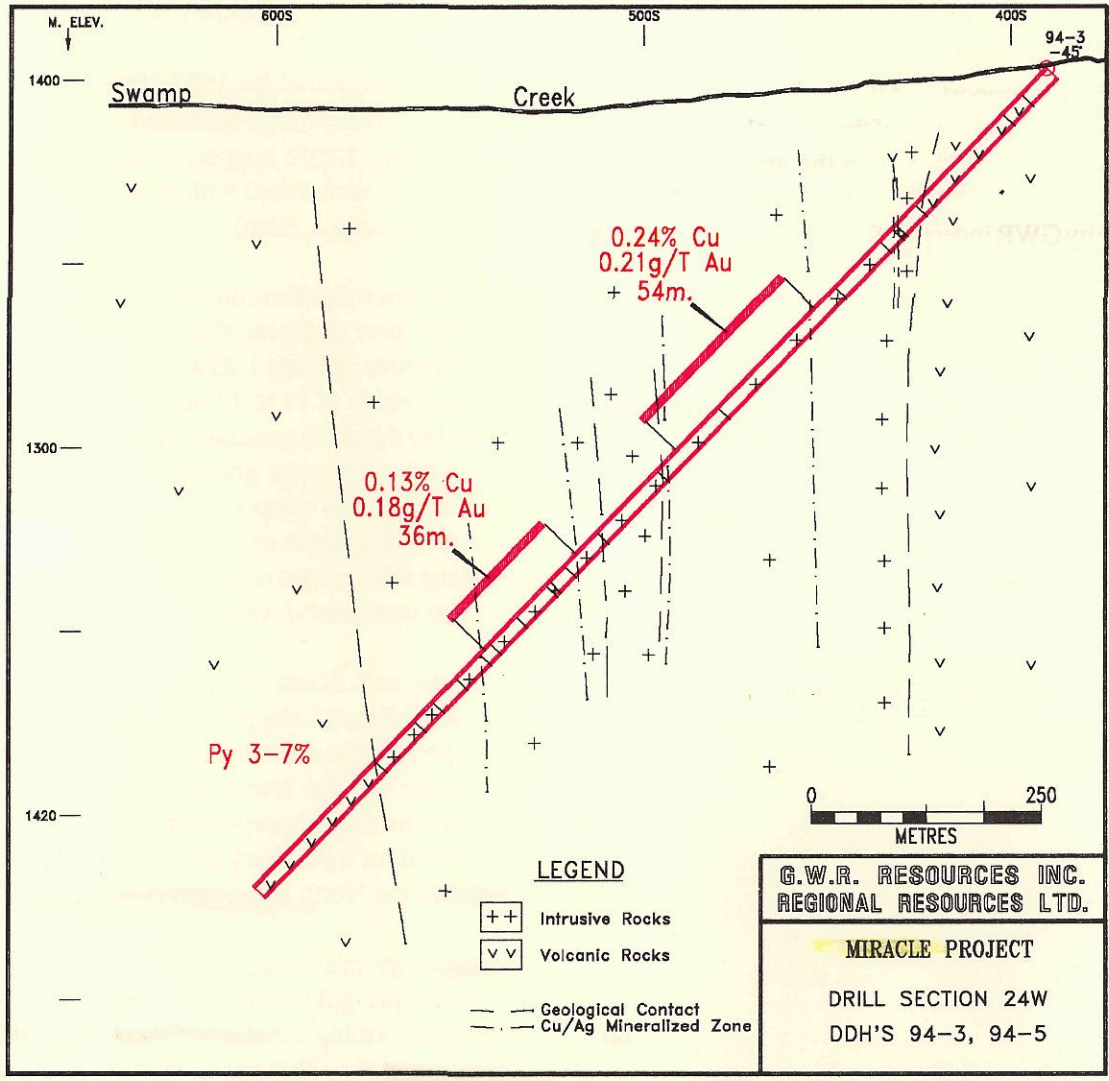


Diagram showing hole #3 with sections of elevated mineralization

## THE MIRACLE/MURPHY COPPER-GOLD PORPHYRY

The Miracle anomaly discovered in 1993 has provided the Company with interesting drill targets in its search for the complex porphyry copper-gold system referred to in the Lloyd Geophysics report. All work done previously concentrated on the outer edge of the anomaly and not until this year was any drilling done in the area of increased chargeability. The results of the widespread diamond drilling done by GWR indeed defined the area as a complex porphyry copper-gold system. Drillhole M94-1 returned 72 metres grading 0.17% copper and 0.21 g/t gold. Approximately 200 metres east, drillhole M94-3 returned 54 metres grading 0.24% copper and 0.21 g/t gold. Another 200 metre stepout east of M94-3, drillhole M94-6 returned six metres grading 1.29% copper and 5.96 g/t gold. This drilling program has returned the best copper-gold intersections in the area to date, and also indicated the potential of a much larger system nearby. Strong gold mineralization also occurs throughout the property providing additional targets.

The Miracle anomaly will be more extensively drill tested in 1995.



*Clearing roads for winter drilling*



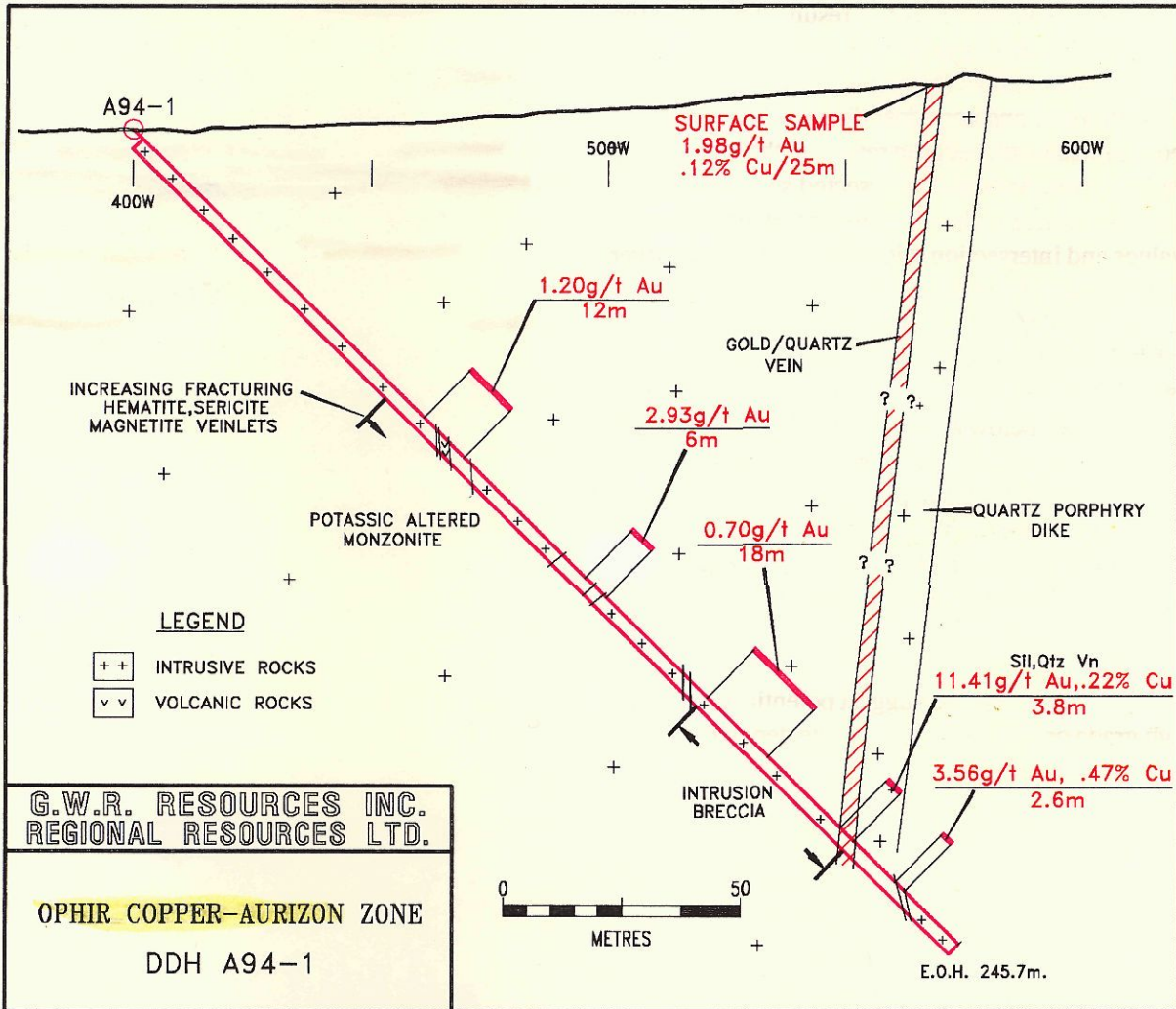


Diagram showing drillhole 94-1 on Ann claims showing sections of elevated gold and copper values

## ANN PROPERTY

Some work was done by Regional Resources Ltd. on Ann 1 claim during 1993. After GWR resumed work on the claims, two drillholes were conducted in order to fulfill underlying agreement requirements. They were drilled on a weak IP anomaly and corresponding weak copper-gold soil geochemical anomaly. The results of the assays were surprising. Drillhole A94-1 intersected several zones of elevated gold mineralization. In order from the collar, the gold values and intersection widths are: 1.3 g/t gold over 18 metres; 11.41 g/t gold over 3.8 metres; 3.56 g/t gold over 2.6 metres. Drillhole A94-2 was collared 200 metres west of hole A94-1 and returned 0.30 g/t gold over 9 metres and 4.11 g/t gold over 0.6 metres. The first hole occurs 150 metres below a surface sample grading 1.98 g/t gold over 2.5 metres, and appears associated with the contact of a quartz-feldspar porphyry dike. The gold values were associated with good copper values as well, such as 0.22% copper over 3.8 metres, 0.47% copper over 2.4 metres, 0.59% copper over 2.6 metres, over the two holes drilled.

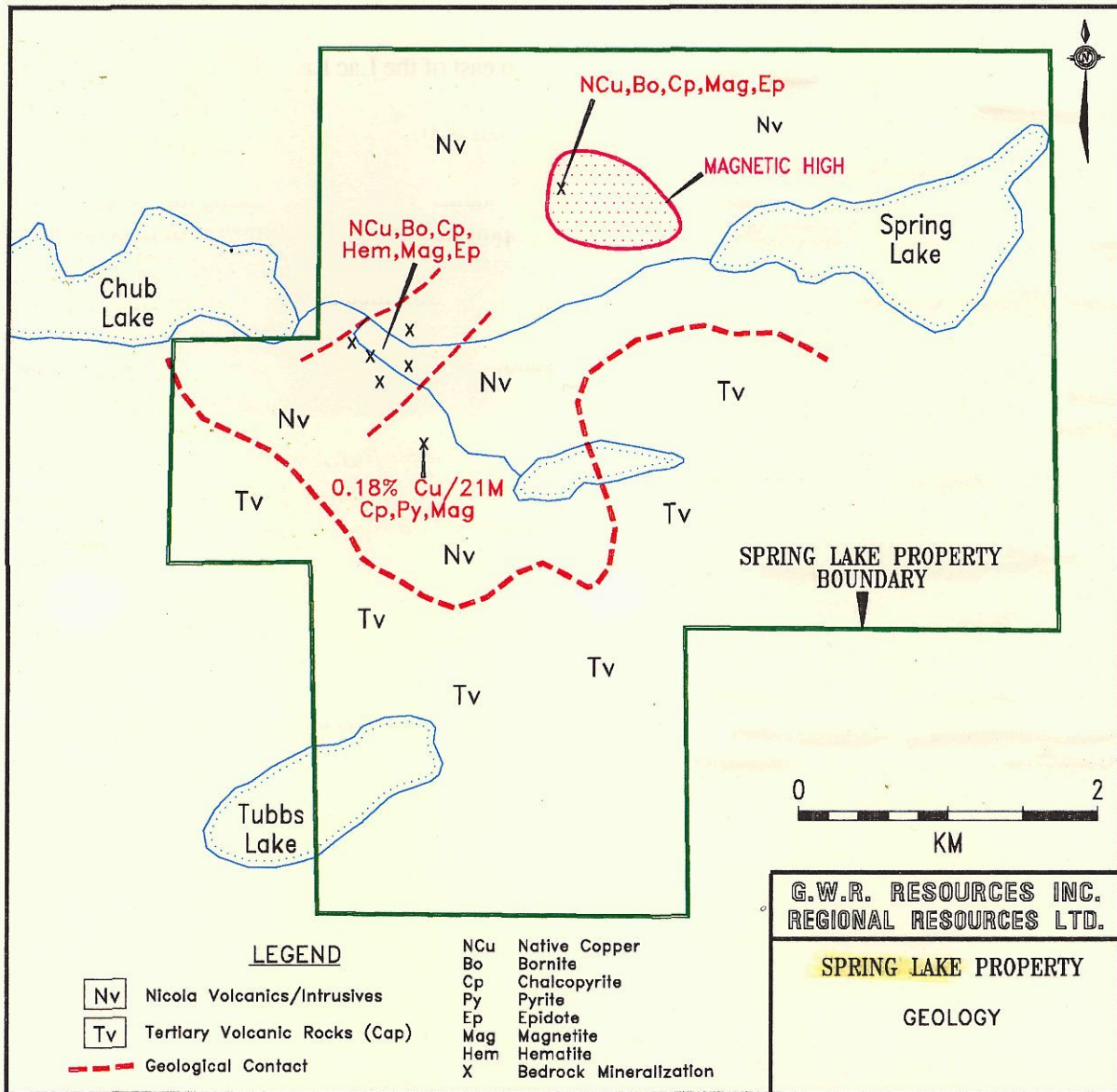
The multiple gold intercepts suggest potential for a selective high grade or open pit bulk tonnage deposit. Further drilling is planned in the new year.



*Core sample from Ann claim containing over 11 g/t gold*







Map of Spring Lake claims

## SPRING LAKE PROPERTY

The Spring Lake property is located about 20 kilometers south east of the Lac LaHache Project. It is not included in the joint venture agreement with Regional Resources Ltd. but is 100% owned by GWR Resources Inc.

The claims were staked during the year. Geological mapping, sampling, 18 kilometres of linecutting, induced polarization and magnetic surveys, and 5 drillholes totalling about 500 metres were conducted over the property after year-end. The drilling was widespread and was conducted to determine the geology, alteration and mineralization in an area dominated by glacial overburden with thicknesses between 16 and 60 metres. According to our geologist, David Blann, this work has determined the presence of a potassically altered monzodiorite intrusion cutting Nicola volcanic rocks. Strong hematite alteration of the intrusive and volcanic rocks are accompanied by zones of fracture controlled chalcopyrite, bornite, and minor native copper mineralization. A very strong magnetic anomaly occurs on the northern portion of the grid.

Exploration work is continuing on these claims.



*GWR geologist, Dave Blann examining core samples*



*Chalcopyrite in core from Spring Lake*



## LOCATION/INFRASTRUCTURE

The Lac La Hache Project is located approximately 30 kilometers northeast of Lac LaHache, on highway 97, in south central British Columbia. The project area has a mining supportive infrastructure and labour force nearby in the town of 100 Mile House, 24 kilometers from Lac La Hache. A B. C. Rail line connects Lac La Hache with the deep water port of Squamish. Suitable energy sources may be obtained from trans-provincial natural gas and power lines at Lac La Hache. As most of the project is already logged, excellent road access to the property occurs over easy to moderate terrain.

GWR Resources Inc., with the services of our geologist, David Blann, has gained a strong understanding of the economic geology of the Lac La Hache District, and demonstrated expertise in operating efficient and effective exploration programs.



*Road into the Spring Lake claims area*



## Officers of GWR Resources Inc.

Mr. Eisler has been on the Board of Directors from the incorporation of the Company in 1987. He is responsible for getting the listing on the Vancouver Stock Exchange. Besides being the driving force behind the acquiring of the property claims, making agreements with the various companies in the vicinity of our original claims, making decisions on the effectively and efficiently carried out work programs, he has used his expertise in raising the necessary funds to carry out the work programs since the beginning. His effectiveness is due in part to his "hands-on" and "team" approach in regards to the exploration programs.

For over 30 years, Mr. Eisler has been involved in corporate formation and development as well as financing with great success. He has experience with both the Vancouver and the Alberta Stock Exchanges.

In his early years, Irvin Eisler worked as a labourer on oil drilling rigs. When he was 23 years of age he was already in a management position, being responsible for 14 oil well drilling and servicing rigs.

For many years he owned and operated a construction company which provided services primarily in oil field development, and highway and railway construction. Subsequent to that, he spent twelve years from the late 1960's through 1981 as the president of Northland Commercial Sales Ltd., a retail outlet for new and used heavy construction equipment. By 1981 his companies employed over 100 people and had combined gross annual sales of \$65 million.

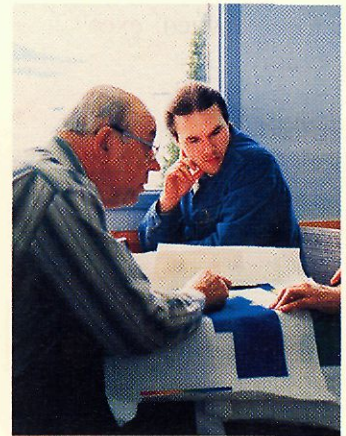
Mr. Eisler is also President and Director of First International Ventures Inc., a B C company incorporated under the Company Act as well as of Pannex Industries Inc., an Alberta incorporated company listed on the Alberta Stock Exchange.

Miss Glimhagen has been in public practice accounting for 30 years, and received her Certified Management Accountant (formerly RIA designation) in 1981. Since 1988 she has been working with First International Ventures Inc. and is now part of the senior management team.

In 1989, she was appointed to the Board of Directors of GWR Resources Inc. and the following year was appointed Secretary/Treasurer of the Board, a position she still holds.

On January 6, 1995, Miss Glimhagen was voted to the Board of Pannex Industries Inc., where she serves as Secretary of the Board.

**IRVIN EISLER**  
*President and Director*



*Irvin Eisler*

**MARGARET U. GLIMHAGEN**  
*Secretary and Director*



**DOUGLAS B. JAMES**  
*Vice-president and Director*

Since 1982, Mr. James has held a position as General Manager of Lance Bissett Fasteners Ltd., a company which distributes several product lines relating to construction and industrial fasteners, sealants, and caulks. He has acquired through this background, a number of years of senior management experience in sales, distribution, credit and customer relations. Mr. James has also been on the Board of Directors of First International Ventures Inc. since 1987 and of GWR Resources Inc. since that same year. He is currently Vice-president of GWR Resources Inc. He has also been on the Board of Directors of Pannex Industries Inc. since 1988.



*Snow clearing for winter access to claims*

# Corporate Information

## OFFICERS

Irvin Eisler, President  
Douglas B. James, Vice-president  
Margaret U. Glimhagen, Secretary

## DIRECTORS

Gordon R. Eisler  
Irvin Eisler  
Margaret U. Glimhagen  
Douglas B. James  
Allan L. Smith

## ATTORNEY

Godinho Sinclair  
Suite 1020, 510 Burrard Street  
Vancouver, B. C.  
V6C 3A8

## AUDITORS

BDO Dunwoody  
Chartered Accountants  
Suite 220, 19916 64th Avenue  
Langley, B. C.  
V2Y 1A2

## TRANSFER AGENT

Pacific Corporate Trust Company  
Suite 830 - 625 Howe Street  
Vancouver, B. C.  
V6C 3B8

## TRADING SYMBOL

Vancouver Stock Exchange - GWQ

## CORPORATE ADDRESS

204 - 20641 Logan Avenue  
Langley, B. C.  
V3A 7R3  
Telephone: (604) 530-2124  
Facsimile: (604) 533-2770

## ANNUAL MEETING

The Annual Meeting of the Shareholders  
will be held at 10:00 am on March 30, 1995  
at Suite 1020, 510 Burrard Street, Vancouver, B. C.

## FOR INFORMATION CONTACT:

Scott Berkey  
Public Relations Director  
1108 East Trans Canada Hwy.  
Cache Creek, B. C.  
V0K 1H0

Telephone: (604) 457-9771  
Facsimile: (604) 457-6710



*Scott Berkey*





**BDO Dunwoody**  
Chartered Accountants

Suite 220  
19916 - 64th Avenue  
Langley, BC, Canada V2Y 1A2  
Telephone: (604) 534-8691  
Telefax: (604) 534-8900

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## Auditors' Report

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**To the Shareholders of  
G W R Resources Inc.**

We have audited the balance sheet of G W R Resources Inc., as at September 30, 1994 and the statements of operations and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the British Columbia Companies Act, we report that, in our opinion, these principles have been applied on a consistent basis.

The comparative figures were reported upon by other auditors. Their report covered the year ended September 30, 1993, contained no reservations and was dated December 10, 1993.

Chartered Accountants


Langley, British Columbia  
December 20, 1994



**G W R Resources Inc.  
Balance Sheet**

| September 30  | 1994         | 1993         |
|---|--------------|--------------|
| <b>Assets</b>   |              |              |
| <b>Current</b>  |              |              |
| Cash and term deposits  | \$ 365,906   | \$ 171,339   |
| Accounts receivable   | 27,188       | 26,316       |
| Prepaid expenses  | 6,584        | -            |
|   | 399,678      | 197,655      |
| Capital (Note 1)  | 11,091       | 13,629       |
| Mineral Properties (Note 2)                                     | 454,501      | 191,413      |
| Deferred Exploration and<br>Development Expenditures (Schedule) | 1,444,834    | 1,137,244    |
| Incorporation Costs   | 1,800        | 1,800        |
|   | \$ 2,311,904 | \$ 1,541,741 |
| <b>Liabilities and Shareholders' Equity</b>                     |              |              |
| <b>Current</b>  |              |              |
| Accounts payable and accrued liabilities                        | \$ 19,198    | \$ 20,530    |
| Due to related parties  | 85,567       | 70,645       |
|   | 104,765      | 91,175       |
| Debt Subsequently Settled for Shares                            | -            | 53,050       |
|   | 104,765      | 144,225      |
| <b>Shareholders' Equity</b>                                     |              |              |
| Share capital (Note 3)  | 3,241,545    | 2,140,219    |
| Deficit   | (1,034,406)  | (742,703)    |
|   | 2,207,139    | 1,397,516    |
|   | \$ 2,311,904 | \$ 1,541,741 |

On behalf of the Board:

|   |          |
|---|----------|
|  | Director |
| M. J. Limhagen  | Director |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**G W R Resources Inc.**  
**Statement of Operations and Deficit**

| <b>For the year ended September 30</b>            | <b>1994</b>           | <b>1993</b>         |
|---|-----------------------|---------------------|
| <b>Revenue</b>                                    |                       |                     |
| Interest  | \$ 2,797              | \$ -                |
| <b>Expenses</b>                                   |                       |                     |
| Abandonment of mineral properties                 | 66,795                | 24,660              |
| Amortization                                      | 2,574                 | 2,000               |
| Consulting  | 68,143                | 70,038              |
| Entertainment and promotion                       | 2,896                 | 690                 |
| Exploration advances written off                  | 15,458                | -                   |
| Insurance, licence and dues                       | 15,362                | 8,346               |
| Interest and bank charges                         | 62                    | 125                 |
| Legal and audit                                   | 37,470                | 31,424              |
| Office and general                                | 51,894                | 61,132              |
| Rent  | 6,000                 | 4,659               |
| Telephone and utilities                           | 9,318                 | 5,610               |
| Transfer and listing fees                         | 4,491                 | 11,001              |
| Travel  | 9,484                 | 3,658               |
| Vehicle   | 4,553                 | 1,636               |
|   | <u>294,500</u>        | <u>224,979</u>      |
| <b>Net loss for the year</b>                      | <b>(291,703)</b>      | <b>(224,979)</b>    |
| <b>Deficit, beginning of year</b>                 | <b>(742,703)</b>      | <b>(517,724)</b>    |
| <b>Deficit, end of year</b>                       | <b>\$ (1,034,406)</b> | <b>\$ (742,703)</b> |
| <b>Loss per share based upon weighted average</b> |                       |                     |
| <b>of shares outstanding during the year</b>      | <b>\$ (.04)</b>       | <b>\$ (.03)</b>     |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.



**G W R Resources Inc.**  
**Statement of Changes in Financial Position**

| For the year ended September 30                      | 1994                     | 1993                     |
|--|--------------------------|--------------------------|
| <b>Cash provided by (used in)</b>                    |                          |                          |
| <b>Operating activities</b>                          |                          |                          |
| Net loss for the year                                | \$ (291,703)             | \$ (224,979)             |
| Items not involving cash                             |                          |                          |
| Amortization   | 2,848                    | 2,342                    |
| Loss on abandonment of mineral properties            | 66,795                   | 24,660                   |
|  | <u>(222,060)</u>         | <u>(197,977)</u>         |
| Change in non-cash working capital balances          | (61,838)                 | (39,818)                 |
|  | <u>(283,898)</u>         | <u>(237,795)</u>         |
| <b>Financing activities</b>                          |                          |                          |
| Due from (to) related parties                        | 14,922                   | (24,765)                 |
| Issue of share capital for cash                      | 808,479                  | 658,065                  |
| Issue of share capital for settlement of debts       | 54,347                   | 125,550                  |
| Issue of share capital for mineral properties        | 238,500                  | 107,500                  |
|  | <u>1,116,248</u>         | <u>866,350</u>           |
| <b>Investing activities</b>                          |                          |                          |
| Purchase of capital assets                           | (310)                    | (4,254)                  |
| Expenditures on mineral properties                   | (273,000)                | (167,412)                |
| Expenditures on deferred exploration and development | (364,473)                | (288,573)                |
|  | <u>(637,783)</u>         | <u>(460,239)</u>         |
| <b>Increase in cash and equivalents</b>              |                          |                          |
| <b>during the year</b>                               | <b>194,567</b>           | <b>168,316</b>           |
| <b>Cash and equivalents, beginning of year</b>       | <u><b>171,339</b></u>    | <u><b>3,023</b></u>      |
| <b>Cash and equivalents, end of year</b>             | <u><b>\$ 365,906</b></u> | <u><b>\$ 171,339</b></u> |
| <b>Represented by</b>                                |                          |                          |
| Cash   | \$ 213,529               | \$ 169,051               |
| Term deposits  | 152,377                  | 2,288                    |
|  | <u>\$ 365,906</u>        | <u>\$ 171,339</u>        |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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**G W R Resources Inc.**  
**Summary of Significant Accounting Policies**

**September 30, 1994**

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**Nature of Business  
and Operations**

The Company is incorporated under the laws of British Columbia and is engaged, directly and through joint ventures, in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and future profitable production or proceeds from the disposition thereof.

The Company is a development stage enterprise and its ability to generate cash and continue as a going concern depends solely on public share offerings since there are no active projects which are likely to generate cash in the near future.

**Capital Assets**

Capital assets are recorded at cost and are amortized as follows:

|                                |                                 |
|--------------------------------|---------------------------------|
| Field equipment                | - 20% diminishing-balance basis |
| Office furniture and equipment | - 20% diminishing-balance basis |

**Mineral Properties**

The Company capitalizes all costs directly related to acquiring mineral properties. No gain or loss is recognized until the mineral properties are abandoned or sold. The net costs of mineral properties surrendered or abandoned are written-off in the year of surrender or abandonment. Upon attainment of commercial production these costs will be amortized on a unit-of-production method. The amount shown for mineral properties represent costs incurred to date and do not necessarily reflect present or future values.

**Deferred Exploration and  
Development Expenditures**

The Company defers all exploration and development expenditures until such time as the resource property commences production on a commercial basis, is sold or abandoned. Upon attainment of commercial production, related deferred expenditures will be depleted on a unit-of-production method, based upon the property's total estimated reserves. Upon sale or abandonment of a property, the net gain or loss arising from the disposal will be charged to earnings.



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**G W R Resources Inc.**  
**Summary of Significant Accounting Policies (continued)**

**September 30, 1994**

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**Loss per Share**

The loss per share has been calculated on the weighted average number of shares outstanding during the year. The full exercise of share options referred to in note 3(f) is anti-dilutive and consequently the loss per share on a fully diluted basis has not been presented.

**G W R Resources Inc.**  
**Notes to Financial Statements**

September 30, 1994

**1. Capital Assets**

|                                   | 1994             |                             | 1993      |                             |
|-----------------------------------|------------------|-----------------------------|-----------|-----------------------------|
|                                   | Cost             | Accumulated<br>Amortization | Cost      | Accumulated<br>Amortization |
| Field equipment                   | \$ 5,593         | \$ 4,497                    | \$ 5,593  | \$ 4,224                    |
| Office furniture<br>and equipment | <u>35,371</u>    | <u>25,376</u>               | 35,061    | 22,801                      |
|                                   | <u>\$ 40,964</u> | <u>\$ 29,873</u>            | \$ 40,654 | <u>\$ 27,025</u>            |
| Net book value                    |                  | <u>\$ 11,091</u>            |           | <u>\$ 13,629</u>            |

**2. Mineral Properties**

|                                       | 1994              | 1993              |
|---------------------------------------|-------------------|-------------------|
| Lac La Hache                          |                   |                   |
| Miracle/Murphy (note 2(a))            | \$ 24,001         | \$ 24,001         |
| Peach Lake (note 2(b))                | 169,000           | 55,000            |
| Ann (note 2(c))                       | 167,000           | 102,500           |
| Spout Lake North (note 2(d))          | <u>94,500</u>     | <u>-</u>          |
|                                       | 454,501           | 181,501           |
| Leeward - abandonment during the year | <u>-</u>          | <u>9,912</u>      |
|                                       | <u>\$ 454,501</u> | <u>\$ 191,413</u> |

***Lac La Hache***

On July 13, 1993, the Company entered into an option and joint venture agreement with Regional Resources Ltd. In May 1994, the Company terminated this agreement alleging a breach by Regional Resources Ltd. In September 1994, the two companies resumed negotiations and reached an agreement in principal on a fresh option and joint venture agreement. Under the terms of the new agreement, Regional Resources Ltd., would earn a 60% interest in the Lac La Hache area of British Columbia by spending \$4,000,000 over five years (through December 1998) on exploration of claims which the Company currently owns or has an option to purchase. Five percent of the total expended in each year must be made in cash (option payments). This 1994 agreement has not yet been signed but Regional Resources Ltd., resumed work on the aforementioned property in December 1994 and has acknowledged the terms of the new agreement.



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**G W R Resources Inc.**  
**Notes to Financial Statements**

**September 30, 1994**

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**2. Mineral Properties (continued)**

*Lac La Hache (continued)*

(a) *Miracle/Murphy*

The Company owns a 100% interest in four mineral claims situated in the Clinton Mining Division located in Lac La Hache, British Columbia. Under the terms of an agreement dated April 25, 1987 and subsequently amended June 9, 1987, July 24, 1987 and October 27, 1994, the claims are subject to a 2% net smelter return due to the original vendor. Pursuant to the new agreement dated October 27, 1994, net smelter returns will be reduced to 1% upon an aggregate total payment of \$1,500,000 to the original vendor.

(b) *Peach Lake*

By an agreement dated October 14, 1992 and amended March 10, 1993, the Company has acquired an option to purchase an 80% interest in certain mineral claims located in the Cariboo and Lillooet Mining Divisions of British Columbia, near 100 Mile House. Under the terms of the agreement, the Company issued 100,000 common shares on December 10, 1993. The exercise of the option was completed during the year when the Company issued a further 50,000 shares on June 10, 1994 and together with Regional Resources Ltd., incurred the required minimum exploration expenditures of \$400,000.

Under a new agreement dated December 1, 1994, the claim is subject to a 1% net smelter return to a maximum of \$3,000,000.

(c) *Ann*

Pursuant to an agreement dated January 4, 1993, the Company acquired an option to purchase a 65% interest in certain mineral claims in the Clinton Mining Division of British Columbia, near 100 Mile House. The Company issued 50,000 shares on March 10, 1994 and together with Regional Resources Ltd., incurred the required minimum exploration costs of \$125,000 to exercise the option.

(d) *Spout Lake North*

Under the terms of two agreements, both dated June 3, 1993, the Company acquired options to purchase a 100% interest in certain mineral claims in the Cariboo Mining Division of British Columbia, near 100 Mile House. During the year the Company paid \$34,500 under the agreement and issued 50,000 common shares. The options shall be deemed to have been exercised when the Company issues 50,000 common shares

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**G W R Resources Inc.**  
**Notes to Financial Statements**

**September 30, 1994**

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**2. Mineral Properties (continued)**

(d) *Spout Lake North* (continued)

after completing each of phases I, II and III of an exploration program, subject to an engineering or geological report recommending further exploration or development after each phase. In addition, the Company agreed to issue another 300,000 shares when it is confirmed that an ore body exists and the plans to commence commercial production are in place. The Company is to pay under each agreement, a royalty of 3% of the net smelter return to a maximum of \$1,000,000.

*Spring Lake*

In 1994 the Company staked five mineral claims in the Clinton Mining Division of British Columbia.

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**3. Share Capital**

(a) Authorized

40,000,000 common shares without par value.

(b) Issued

|                                | <u>1993</u>                 |               |
|--------------------------------|-----------------------------|---------------|
|                                | <u>Number of<br/>Shares</u> | <u>Amount</u> |
| Balance, beginning of year     | 5,768,727                   | \$ 1,249,104  |
| Issued for cash                | 1,306,276                   | 658,065       |
| Issued for settlement of debts | 173,872                     | 125,550       |
| Issued for mineral properties  | 100,000                     | 107,500       |
|                                | <hr/>                       | <hr/>         |
| Balance, end of year           | 7,348,875                   | \$ 2,140,219  |



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**G W R Resources Inc.**  
**Notes to Financial Statements**

**September 30, 1994**

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**3. Share Capital (continued)**

|  | <u>1994</u>                 |                     |
|--|-----------------------------|---------------------|
|  | <u>Number of<br/>Shares</u> | <u>Amount</u>       |
| Balance, beginning of year                     | 7,348,875                   | \$ 2,140,219        |
| Issued for cash                                | 651,439                     | 668,439             |
| Issued for settlement of debts                 | 54,345                      | 54,347              |
| Issued for mineral properties                  | 250,000                     | 238,500             |
| Balance, end of year                           | 8,304,659                   | \$ 3,101,505        |
| Allocated but not issued (Notes 3(d) and 8(b)) | 109,406                     | 140,040             |
|  | <u>8,414,065</u>            | <u>\$ 3,241,545</u> |

During the year, the Company issued 50,000 shares towards the acquisition of the Spout Lake North mineral interest.

During the year, the Company issued 50,000 shares to exercise its option in the Ann mineral claims.

During the year, the Company issued 150,000 shares to exercise its option to purchase an 80% interest in the Peach Lake mineral claims.

(c) 375,000 shares were held in escrow at the balance sheet dates.

(d) Share Subscriptions

The Company has received share subscriptions totalling \$140,040 from the private placement of 109,406 shares at \$1.28 each. The shares were issued on November 14, 1994.

(e) Share Issue Commitments

The Company is required to issue a total of 150,000 shares after completing three phases of any exploration program to exercise its option agreement on the Spout Lake North mineral claims. When it is confirmed an ore body exists and the plans to commence commercial production are in place, the Company has agreed to issue another 300,000 shares.

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**G W R Resources Inc.**  
**Notes to Financial Statements**

**September 30, 1994**

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**3. Share Capital (continued)**

- (f) At the 1994 balance sheet date, stock options were outstanding to certain directors and employees in respect of 745,600 shares of the Company as follows:

| Options        | Exercise price | Expiry Date      |
|----------------|----------------|------------------|
| 124,000        | \$ 0.51        | December 7, 1994 |
| 356,600        | \$ 0.70        | August 18, 1998  |
| <u>265,000</u> | \$ 1.02        | February 1, 1999 |
| <b>745,600</b> |                |                  |

At the 1993 balance sheet date, stock options were outstanding to certain directors and employees in respect of 730,600 shares of the Company at prices ranging from \$0.51 to \$0.85, expiring from December 7, 1994 to September 22, 1998.

- (g) At the 1994 balance sheet date, warrants were outstanding in respect of 1,027,836 shares of the Company as follows:

| Warrants         | Price<br>Year 1 | Price<br>Year 2 | Expiry Date      |
|------------------|-----------------|-----------------|------------------|
| 143,355          | \$ 0.42         | \$ 0.48         | October 11, 1994 |
| 123,759          | \$ 1.01         | \$ 1.16         | January 15, 1995 |
| 126,337          | \$ 1.12         | \$ 1.29         | March 4, 1996    |
| 196,429          | \$ 1.12         | \$ 1.29         | March 14, 1996   |
| 100,000          | \$ 1.24         | \$ 1.43         | March 21, 1996   |
| <u>337,956</u>   | \$ .96          | \$ 1.10         | May 24, 1996     |
| <b>1,027,836</b> |                 |                 |                  |

At the 1993 balance sheet date there were 393,451 warrants outstanding at prices from \$0.42 to \$1.29, expiring October 27, 1994 to March 4, 1995.



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**G W R Resources Inc.**  
**Notes to Financial Statements**

**September 30, 1994**

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**4. Commitments**

A 2% net smelter royalty will be paid out of production on the Miracle/Murphy mineral claims. These royalties will be reduced to 1% upon an aggregate total payment of \$1,500,000.

A 1% net smelter royalty will be paid out of production on the Peach Lake mineral claims to a maximum of \$3,000,000.

A 3% net smelter royalty will be paid out of production on the Spout Lake mineral claims to a maximum of \$1,000,000.

The Company is required to spend \$10,000 per year on the Spring Lake mineral claims.

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**5. Income Taxes**

As at September 30, 1994, the Company had available for deduction against future taxable income the following approximate amounts:

|  |              |
|--|--------------|
| Canadian development expense                 | \$ 49,000    |
| Canadian exploration expenditures            | \$ 2,014,000 |
| Mining earned depletion allowance            | \$ 50,000    |
| Share issue expenses                         | \$ 11,500    |
| Non-capital loss carry-forward, expiring in: |              |
| 1996 and prior                               | \$ 17,700    |
| 1997   | \$ 28,100    |
| 1998   | \$ 10,700    |
| 1999   | \$ 11,100    |
| 2000   | \$ 26,300    |
| 2001   | \$ 92,000    |

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**G W R Resources Inc.**  
**Notes to Financial Statements**

**September 30, 1994**

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**6. Related Party Transactions**

During the year the Company had transactions with related parties as follows:

|   | <u>1994</u> | <u>1993</u> |
|---|-------------|-------------|
| Accounting  | \$ 24,000   | \$ 22,946   |
| Consulting  | 30,000      | 36,959      |
| Office  | 44,453      | 58,361      |
| Rent  | 6,000       | 6,000       |
| Deferred exploration and development expenditures | 40,286      | 23,596      |
| Purchase of capital assets                        | -           | 3,119       |

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**7. Comparative Figures**

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

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**8. Subsequent Events**

- a) On October 17, 1994, the Company issued 143,355 shares on the exercise of warrants by a director at \$0.48 per share for \$68,810.
- b) On November 14, 1994, the Company completed a private placement with the issue of 111,719 shares for \$143,000. As at September 30, 1994, the Company had received subscriptions for 109,406 of these shares.
- c) On December 6, 1994, the Company issued 124,000 shares on the exercise of stock options by an employee at \$0.51 per share for \$63,240.



**G W R Resources Inc.**  
**Schedule of Deferred Exploration and Development Expenditures**

**September 30, 1994**

Year ended September 30, 1994

|                       | Cumulative<br>Expenditures<br>September 30,<br>1993 | Net<br>Expenditures | Write-off<br>of Lapsed<br>Claims | Cumulative<br>Expenditures<br>September 30,<br>1994 |
|-----------------------|---|---------------------|----------------------------------|---|
| Miracle/Murphy        | \$ 887,729  | \$ 243,771          | \$ -                             | \$ 1,131,500  |
| Peach Lake            | 248,234   | 4,725               | -                                | 252,959   |
| Ann                   | 1,281   | 40,143              | -                                | 41,424  |
| Spout Lake North      | -   | 1,739               | -                                | 1,739   |
| Spring Lake           | -   | 17,212              | -                                | 17,212  |
| Leeward               | -   | 1,386               | 1,386                            | -   |
| Spout Lake Peripheral | -   | 23,996              | 23,996                           | -   |
| General               | -   | 31,501              | 31,501                           | -   |
|                       | <b>\$ 1,137,244</b>                                 | <b>\$ 364,473</b>   | <b>\$ 56,883</b>                 | <b>\$ 1,444,834</b>                                 |

Year ended September 30, 1993

|                | Cumulative<br>Expenditures<br>September 30,<br>1992 | Net<br>Expenditures | Write-off<br>of Lapsed<br>Claims | Cumulative<br>Expenditures<br>September 30,<br>1993 |
|----------------|---|---------------------|----------------------------------|---|
| Miracle/Murphy | \$ 873,331  | \$ 14,398           | \$ -                             | \$ 887,729  |
| Peach Lake     | -   | 248,234             | -                                | 248,234   |
| Ann            | -   | 1,281               | -                                | 1,281   |
| General        | -   | 24,660              | 24,660                           | -   |
|                | <b>\$ 873,331</b>                                   | <b>\$ 288,573</b>   | <b>\$ 24,660</b>                 | <b>\$ 1,137,244</b>                                 |