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JUL 25 1988

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Mt. Washington

BETTER RESOURCES LIMITED



Annual Report 1987

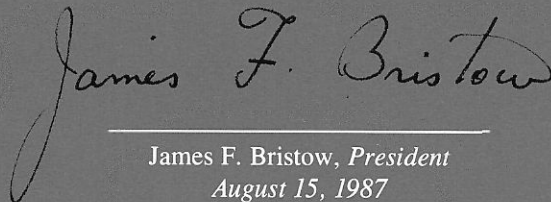
The Mt. Washington Gold Project on Vancouver Island has significant drill indicated tonnages of economic gold bearing mineralization.



REPORT TO THE SHAREHOLDERS

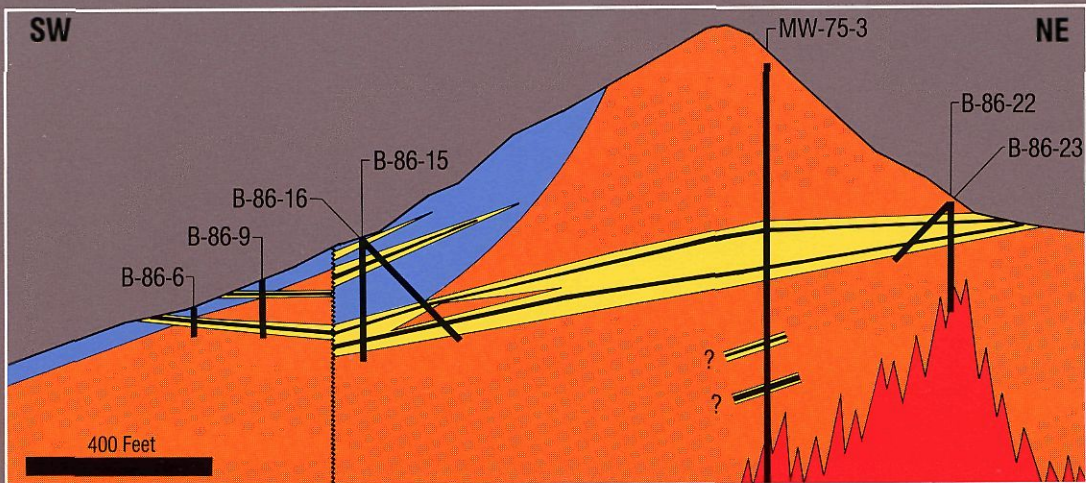
■ ■ ■ On behalf of the Board of Directors, I am pleased to present the Annual Report for the fiscal year ended April 30, 1987. ■ ■ ■ This past year has been one of substantial achievements both in the development of our Mt. Washington Gold Project on Vancouver Island, British Columbia, and in your Company's financial posture. ■ ■ ■ The 1986 exploration program at Mt. Washington was particularly successful in that we were able to establish significant drill indicated and inferred tonnages of economic gold bearing mineralization in the Lakeview and Domineer zones. ■ ■ ■ Your Company is in a strong financial position having raised in excess of \$2.6 million in exploration funding through the facilities of Canarim Investment Corp. and N.I.M. Resource-1987 Partnership. With current working capital of approximately \$2 million the Company is adequately financed. The Company anticipates an exciting 1987 exploration program at Mt. Washington, where there is excellent potential for expanding the existing mineral inventory. ■ ■ ■ I would like to take this opportunity to thank the shareholders for their ongoing support and the Company's staff for their continued splendid efforts.

On behalf of the Board of Directors



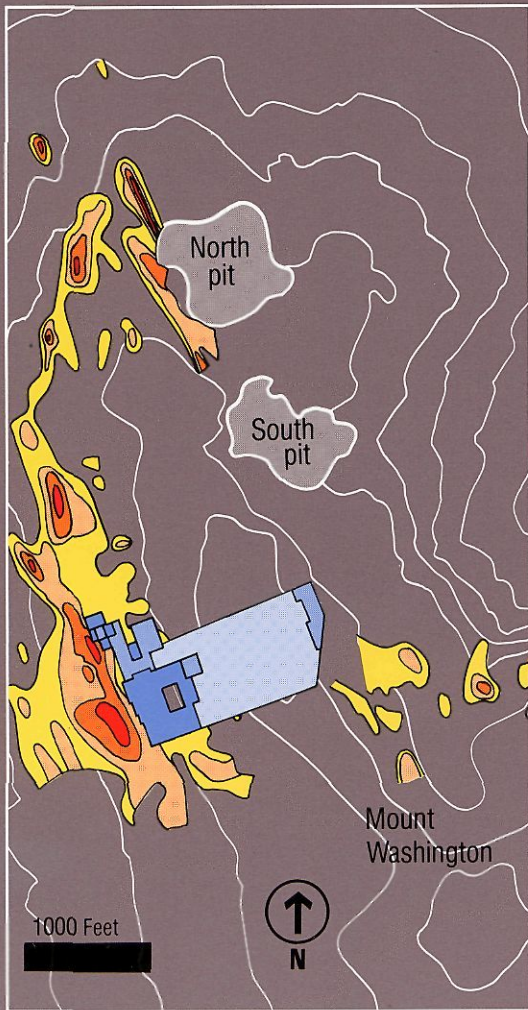
James F. Bristow, *President*
August 15, 1987

Mt. Washington Project Cross Section



Washington Breccia Murray Breccia Comox Formation Alteration Sulphides

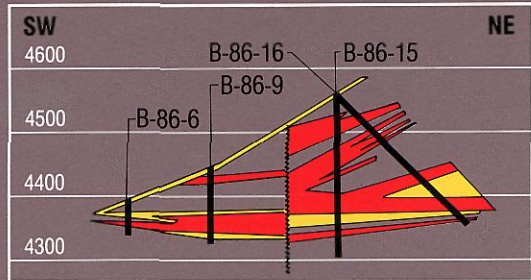
Gold Soil Geochemistry



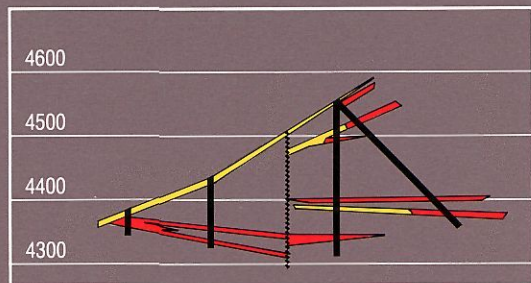
1000 p.p.b. gold
500 p.p.b. gold
200 p.p.b. gold
100 p.p.b. gold

Inferred
Drill indicated low grade
Drill indicated high grade

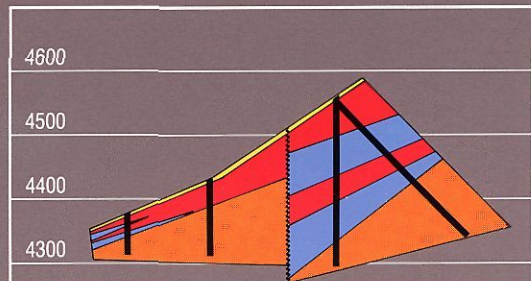
Lakeview Zone Cross Section



Kaolinite Alteration Irregular Pervasive



Gold Content 0.05 oz/T > 0.10 oz/T



Geology Overburden Argillite Sandstone Murray Breccia

MT. WASHINGTON GOLD PROJECT VANCOUVER ISLAND, B.C.

■ ■ ■ Since 1983 the Company has been exploring its 100% owned gold and silver property at Mt. Washington on Vancouver Island. At the end of the 1986 program 235,900 tons of drill indicated ore grading .23 ounce gold per ton and 485,700 tons of inferred ore of similar grade had been established in the Lakeview and Domineer zones. ■ ■ ■ The property, which covers some 12,000 acres on the northern, eastern, and western slopes of Mt. Washington, on the east central side of Vancouver Island, is approximately 18 miles by paved and gravel roads from the town of Courtenay. This property is ideally situated with regard to access and proximity to a good sized town for labor and services as well as electric power and water.

GENERAL GEOLOGY AND STRUCTURE

■ ■ ■ The general geology of the Mt. Washington area consists of Triassic Karmutsen volcanics overlain by sediments of the Cretaceous Comox formation. Both sequences are cut by dykes and sills of feldspar porphyry of Tertiary age. Diapiric polymictic breccias piercing both formations are of various sizes, shapes, and possibly different ages, and are diversely mineralized. ■ ■ ■ Mapping and diamond drilling have indicated a strong, usually continuous, gently west-dipping structure that appears to control mineralization in the copper pits and in the Domineer and Lakeview-West Grid gold zones. This structure, which could be a thrust fault, has possibly acted as a capping control to alteration and silicification with attendant mineralization that has spread out as a manto deposit from some unknown source. The source could be a late stage breccia zone beneath the Mt. Washington ridge between the Domineer and Lakeview zones. There is a possibility of bonanza type mineralization in the Tertiary breccia source zone.

MINERALIZATION

DOMINEER AND LAKEVIEW-WEST GRID

■ ■ ■ This is perhaps the most extensively mineralized zone, and to date has been the major focus

of the Company's exploration effort. At present soil geochemistry, prospecting, trenching, and limited diamond drilling (38 drill holes) suggest that this high level hydrothermal system extends at least 2.7 miles in a northwest-southeast direction. ■ ■ ■ There appears to be a distinct zonation southward in this gently dipping structure from copper mineralization to gold-silver mineralization. It is believed that this zone — which is a mineralized sheet consisting of a 3 foot to 30 foot thick, siliceous, sulphide-rich band of gold mineralization — is possibly a detachment zone, which controls the location of the mineralization.

PRELIMINARY ORE RESERVES

■ ■ ■ The 1986 drill program results in the Lakeview and Domineer zones, together with the 1983 and 1984 drilling by the Company and previous operators, enabled the Company's staff to calculate preliminary ore reserves. ■ ■ ■ Reserves were calculated at 0.1 ounce gold ton and 0.05 ounce gold ton cutoffs over a minimum 6 foot thickness in this gently dipping deposit. A tonnage factor of 10 cu. ft./short ton (t) was used for this preliminary calculation. Drill indicated reserves are:

		Short tons	Gold oz/t	Silver oz/t
Lakeview-West Grid	(0.1 oz/t cutoff)	194,700	0.23	0.98
Domineer	(0.1 oz/t cutoff)	41,200	0.21	1.94
Total drill indicated	(0.1 oz/t cutoff)	235,900	0.23	1.15

■ ■ ■ In addition to the above, the drill indicated low grade reserves (0.05 ounce ton cutoff) partially available by open pit mining methods, mostly in the West Grid Zone, are:

	Tons	Gold oz/t	Silver oz/t
	131,300	0.07	0.45

Inferred Reserves	Tons	Gold oz/t
Central Zone	485,770	0.18

■ ■ ■ In the Central Zone between the Lakeview-West Grid and Domineer zones two diamond drill holes by previous operators indicate the mineralized structure is continuous through the ridge. ■ ■ ■ Based upon these two previous drill holes, the Domineer and Lakeview zones likely represent a continuous

ore body. Assuming this can be demonstrated, a reasonable expectation for this area should be approximately 485,000 tons. ■ ■ ■ Drilling to date in the Lakeview, Domineer, and Central zones has only tested approximately 10-15% of the large gold soil geochemical anomaly and less than 5% of the indicated favorable geological structure. The probable expansion of the present mineral inventory is therefore considered excellent.

MUREX BRECCIA ZONE

■ ■ ■ This breccia represents the largest mineralized area of the property. Disseminated and veined sulphides infilling the voids between breccia clasts occur over an area of roughly (700 feet by 700 feet).

■ ■ ■ One drill hole drilled by the Company in 1986 intersected (42 feet) of .22 ounce gold per ton.

■ ■ ■ Although subject to changes in abundance and habit, the mineralization consists of varying amounts of pyrrhotite, pyrite, chalcopyrite, and magnetite in filling voids between breccia clasts. Quartz, often vuggy, accompanies the sulphide mineralization, generally enveloping the sulphides within the interstices.

OYSTER BRECCIA ZONE

■ ■ ■ Perhaps the most conspicuous feature of this breccia is the intense sericite alteration of the clasts and vuggy nature of the quartz in the matrix. Soil sampling and prospecting over this breccia has revealed the presence of an elongated gold anomaly of some 7,500 feet long. Numerous character samples taken along this anomaly range from .151 to 1.69 ounces gold per ton.

THE 1987 WORK PROGRAM

■ ■ ■ The Company's largest exploration program ever on Mt. Washington is currently underway. The 1987 program will include approximately 25,000 feet of diamond drilling, mostly in the Lakeview and Domineer zones with approximately 10,000 feet of drilling on other areas of this large property. In addition to the drilling the Company is proposing a 1,000 foot underground program in the Lakeview Zone. The cost of the 1987 program is estimated to be \$1.3 million.

AUDITORS' REPORT

To the Shareholders of Better Resources Limited

■ ■ ■ We have examined the balance sheet of Better Resources Limited as at April 30, 1987 and the statement of 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, 1987 and the 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.

Deloitte Haskins & Sells

Chartered Accountants

Vancouver, B.C.

Canada

May 29, 1987 (except as to Note 8
for which the date is June 17, 1987)

BETTER RESOURCES LIMITED

Balance Sheet
April 30, 1987

<u>Assets</u>	<u>1987</u>	<u>1986</u>
Current Assets		
Cash	\$ 26,533	\$ 3,761
Term deposits	633,000	—
Prepaid expenses and accrued interest	2,998	—
	<u>662,531</u>	<u>3,761</u>
Mineral Claims (Note 2)	233,741	220,410
Deferred Exploration and Development Costs — Schedule	730,937	268,404
	<u>\$1,627,209</u>	<u>\$492,575</u>
 Liabilities		
Current Liabilities		
Trade accounts payable	\$ 43,700	\$ 13,731
Loan payable (Note 3)	107,630	—
	<u>151,330</u>	<u>13,731</u>
 Shareholders' Equity		
Share Capital (Note 4)	1,475,879	478,844
	<u>\$1,627,209</u>	<u>\$492,575</u>

Approved by the Board:

James F. Brustow
Director

[Signature]
Director

BETTER RESOURCES LIMITED

Statement of Changes in Financial Position
Year ended April 30, 1987

	1987	1986
Changes in Working Capital Components		
Trade accounts payable	\$ 38,437	\$ 1,690
Payable to shareholders	(8,468)	530
Prepaid expenses and accrued interest	(2,998)	—
	26,971	2,220
Cash Provided by Financing Activities		
Issue of shares	997,035	15,790
Loan payable	107,630	—
	1,104,665	15,790
Cash Used in Investing Activities		
Exploration and development costs	(462,533)	(18,111)
Mineral claims	(13,331)	—
	(475,864)	(18,111)
Increase (Decrease) in Cash	655,772	(101)
Cash, Beginning of Year	3,761	3,862
Cash and Term Deposits, End of Year	\$ 659,533	\$ 3,761

BETTER RESOURCES LIMITED

Notes to the Financial Statements

April 30, 1987

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles and reflect the following policies:

Deferred exploration and development costs

The company operates in Canada and is in the exploration stage with respect to its investment in mineral claims and accordingly follows the practice of capitalizing all costs, including administration expenses, relating to the acquisition of, exploration for and development of mineral claims and crediting all revenues received against the costs of related claims. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on estimated recoverable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment.

The carrying values of exploration and development costs represent costs incurred to date and are not intended to reflect present or future values.

The ultimate realization of these costs is dependent upon the development or sale of commercially exploitable mineral claims.

Options

Where the company enters into an option agreement for the acquisition of interests in mineral claims which provides for periodic payments, such amounts unpaid are not recorded as a liability since they are payable entirely at the company's discretion. Such payments, when made are recorded as an option cost until title has passed on the property. If unpaid such nonpayment will result in the write-off of the related investment in options.

2. MINERAL CLAIMS

	1987	1986
(a) Mineral claims in the Nicola Mining Division, British Columbia, acquired for 750,000 shares at \$.01 per share from directors and shareholders of the company	\$ 7,500	\$ 7,500
(b) Mineral claim in the Nicola Mining Division, British Columbia, acquired at nominal value of \$3 from a shareholder of the company	3	3
(c) Mineral claims staked in the Nanaimo Mining Division, British Columbia	10,830	2,499
(d) Mineral claims on Mount Washington in the Nanaimo Mining Division, British Columbia, acquired for cash of \$11,300 and 398,216 shares at an attributed value of \$0.50 per share	210,408	210,408
(carried forward)	228,741	220,410

	1987	1986
(brought forward)	\$228,741	\$220,410
(e) Mineral rights for base metals on Mount Washington in the Nanaimo Mining Division, British Columbia, acquired from Fording Coal Ltd. for cash of \$5,000	5,000	—
	<u>\$233,741</u>	<u>\$220,410</u>

No survey has been made of the company's located mineral claims and therefore in accordance with the mineral laws of the Province of British Columbia, in which the claims are situated, their existence and location could be in doubt.

3. LOAN PAYABLE

The loan is unsecured and bears interest at 11.75% per annum and is repayable from the proceeds of the public offering (Note 8) no later than August 31, 1987.

4. SHARE CAPITAL

(a) Authorized — 10,000,000 shares without par value

(b) Issued and outstanding

	Number of shares	Issue price or attributed value
Balance, April 30, 1986	2,138,217	\$ 478,844
Issued pursuant to agreements for private placements	1,150,000	835,625
Options	113,000	27,450
Warrants	225,000	123,750
Repayment of liabilities	51,050	10,210
Balance, April 30, 1987	<u>3,677,267</u>	<u>\$1,475,879</u>

(c) During the year the company entered into a number of agreements as follows:

- (i) The company issued 100,000 shares for a cash consideration of \$0.20 per share together with non-transferable warrants for 50,000 shares at \$0.25 per share exercisable on or before November 27, 1986. 50,000 of these warrants were exercised by the due date.
- (ii) The company issued 51,050 shares in satisfaction of amounts aggregating \$10,210 included in current liabilities in 1986.
- (iii) The company offered to issue 550,000 shares for a cash consideration of \$0.60 per share together with non-transferable warrants for 275,000 shares at \$0.70 per share. All of these shares were subscribed for with 125,000 of the warrants still exercisable on or before August 7, 1987.
- (iv) The company entered into agreements with certain investors for private placements of 500,000 shares for net proceeds of \$485,625 after deducting commission of \$39,375.

- (d) Options for 80,000 shares at \$0.24 per share granted in previous years were exercised in the current year. In addition, the company granted additional directors' and employees' incentive share stock options for 133,000 shares at \$0.25 and \$0.80. Options were exercised for 33,000 shares at \$0.25. The balance of options outstanding aggregate 100,000 shares at \$0.80 expiring on or before December 21, 1988.
- (e) 525,000 shares are held in escrow at April 30, 1987 pursuant to an order of the Superintendent of Brokers of British Columbia.

5. INCOME TAXES

As at April 30, 1987 the company had exploration and development expenses of approximately \$582,000 (net of \$150,000 incurred on behalf of certain investors) available to reduce taxable income in future years. The potential future tax benefits which may arise from these deductions have not been reflected in these financial statements.

6. FAME GRANT

The company was awarded a grant of \$50,000 under British Columbia's Financial Assistance for Mineral Exploration. This grant has been shown in the schedule of deferred exploration and development costs.

7. RELATED PARTY TRANSACTIONS

Deferred exploration and development costs include \$143,400 (1986 — \$8,884) charged directly or indirectly by shareholders for contract work in the ordinary course of business.

8. SUBSEQUENT EVENTS

- (a) The company has entered into an agency agreement with Canarim Investment Corporation Ltd., offering to sell to the public 400,000 common shares at a minimum price of \$1.50 per share within thirty days of regulatory approval of the statement of material facts. An agent's fee of 7½% of the selling price is payable. In consideration of the agent agreeing to purchase any shares of the company not subscribed for upon completion of the offering, the agent has been granted 150,000 non-transferable share purchase warrants entitling them to purchase 150,000 shares at a price to be determined, exercisable within 180 days of completion of this offering. The funds will be used to continue the company's exploration program and repay the loan payable (Note 3).
- (b) The company has entered into two private placements to issue shares in consideration for incurring \$2,000,000 of eligible exploration expenditures. The shares are to be issued at an agreed upon premium over the average closing price for twenty trading days prior to the closing of the offerings. The issuance of shares is subject to regulatory approval.

BETTER RESOURCES LIMITED

Schedule of Deferred Exploration and Development Costs
Year ended April 30, 1987

	1987	1986
Costs		
Data analysis	\$ 15,247	\$ 4,334
Field data collection	153,694	4,110
Laboratory analysis	20,417	—
Project site	1,824	90
Surface penetration	256,772	3,770
Ownership and holding	16,734	132
Corporate	59,488	5,947
	524,176	18,383
Deduct — Interest income	(11,643)	(272)
— FAME grant	(50,000)	—
	462,533	18,111
Deferred Exploration and Development Costs, Beginning of Year	268,404	250,293
Deferred Exploration and Development Costs, End of Year	\$730,937	\$268,404

BETTER RESOURCES LIMITED

Corporate Directory

CORPORATE OFFICE

201-717 West Pender Street
Vancouver, B.C., Canada
(604) 684-4320

DIRECTORS

James F. Bristow, P. Eng.
Clifford C. Rennie, P.Eng.
Dennis W. Milburn, C.A.
Richard E. Kucera, PhD
Dennis C. Baxter

TRANSFER AGENT

Pacific Corporate Services Limited
830-625 Howe Street
Vancouver, B.C., Canada

SOLICITORS

McInnes & Newmann
1620-701 West Georgia Street
Vancouver, B.C., Canada

BANKERS

Bank of Montreal
First Bank Tower
595 Burrard Street
Vancouver, B.C., Canada

AUDITORS

Deloitte Haskins & Sells
2000-1055 Dunsmuir Street
Four Bentall Centre
Vancouver, B.C., Canada

SHARE LISTING

Vancouver Stock Exchange
Trading symbol — BRZ

CAPITALIZATION

Common Shares
Authorized: 10,000,000
Issued: 4,202,267

NEWS

Better Resources Ltd.

FOR RELEASE:

June 13, 1988

CONTACT:

Dennis C. Baxter

Trading Symbol: "BRZ"

MT. WASHINGTON GOLD PROJECT, VANCOUVER ISLAND, B.C.**HIGHLIGHTS**

New higher grade reserve calculation shows 472,000 tons of 0.257 oz/T gold and 1.27 oz/T Ag.

Metallurgical testing now underway is expected to show 90% + overall recoveries.

An initial 15,000 foot drilling program is now underway utilizing two drill rigs.

Major companies active on adjacent properties.

In January 1988 Better Resources Limited calculated a mineral inventory for their 100% owned Mt. Washington property, using an 0.03 oz Au per ton cut-off to illustrate the potential of the property. This resulted in a drill indicated tonnage of 1,527,300 tons of 0.112 oz gold per ton and 0.69 oz silver per ton, with 419,000 tons of the above at 0.116 oz gold per ton available by a possible open pit.

In order to illustrate the distribution of gold in the ore zone a second calculation has been completed using a 0.1 oz gold per ton cut-off, a minimum 6 ft. thickness, and the same ore blocks around drill holes. Raising the cut-off grade often reduced thickness, thereby reducing tonnage by eliminating lower grade footwall material.

Drill indicated reserves at 0.10 gold per ton cut-off are

	TONS	OZ GOLD/TON	OZ SILVER/ TON
Possible Open Pit	168,500	.233	.89
Underground	303,500	.270	1.48
Total:	472,000	.257	1.27

The underground tonnage has been reduced and grade raised from the January published figures of 559,600 tons at .163 oz/T gold at 0.1 oz/T gold cut-

over

The Vancouver Stock Exchange neither approved
nor disapproved the information
contained herein.



off by eliminating internal and footwall low grade. While the open pit tonnage is drilled at 50 ft. centres the underground tonnage is indicated by wider spaced holes and requires additional confirmatory drilling.

Metallurgical testing is continuing with differential flotation of sulphide concentrates from a representative sample produced very encouraging results. Some gold would go into a marketable concentrate and the bulk of the gold would be largely recoverable by cyanidation of the other concentrate. **Present indications are that total recovery may exceed 90%.** A summary metallurgical report is expected in one month.

An initial program of 15,000 ft. of NQ drilling has been budgeted at an estimated cost of \$500,000, to be expanded as required by results. Drilling has begun on the northern continuation of the Lakeview zone on 100 ft. centers to enlarge the open pit reserves. **A large soil geochemistry anomaly extends continuously 3500 ft. north of the previously drilled area with values ranging from 100 to 6300ppb gold.** The first three holes have cut the zone and assays are expected within two weeks and continuing on a regular basis thereafter. A second drill is being added immediately to drill exploration targets.

The flow-through share agreement with NIM and Company, Limited Partnership-1988 has been amended to extend the \$1.1595 share price for the remaining \$600,000 flow-through commitment to the end of 1988, rather than reducing it at July 1. **The proposed program is well financed with the flow-through commitment and \$1,000,000 in term deposits.**

Two major companies are active on immediately adjacent properties with substantial budgets to search for similar epithermal gold deposits in this Tertiary environment.