

Regional Resources Ltd.
Annual Report 1983/84

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Silver Tip

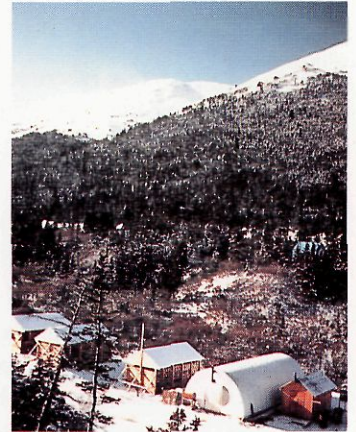


Regional Resources Ltd.

Annual Report 1983/84

Pictured on the cover is the exploration camp at the Midway silver-zinc-lead property located 75 road miles west of Watson Lake, Yukon Territory.

The 1983 diamond drilling program at the Midway silver-zinc-lead property identified new potential deposits and added 25% to geological reserves, which now stand at 4.6 million tons grading 10.2 oz/ton silver, 12.3% zinc and 5.1% lead. Regional has controlling interest in the property, enabling management to move forward with an extensive \$4.3 million surface drilling and underground exploration program to begin in mid-May.



Report to Shareholders

Right overleaf:
John Stollery (left)
with geologist
George Gorzynski
examining miner-
alized core from
1983 Midway
diamond drilling
program.

The past year's progress on our Midway Property, now widely recognized as one of the premier precious/base metal discoveries of recent years, was followed with great interest by both the mining and investment communities.

The 1983 Midway drilling program surpassed all reasonable expectations with its successful confirmation of earlier discoveries and its identification of new potential deposits, Silver Creek and Silvertip Hill, within an extensive massive sulphide system.

In all, one million tons were added to Midway's geological reserves, which now stand at 4.6 million tons grading 10.2 oz/ton silver and 17.4% combined zinc-lead. Just as important, the 1983 drilling results suggest that all indicated deposits remain open and, with the property still largely unexplored, excellent potential exists for the identification of additional reserves.

The year's results were so positive that management commissioned a preliminary technical and economic analysis by Wright Engineers Limited whose findings point

to the potential of a highly profitable mining operation at Midway.

Exploration success in 1983 has also encouraged management to proceed with an ambitious \$4.3 million field program for 1984. As announced recently, the program will include underground exploration and surface diamond drilling to expand geological reserves.

Of equal importance to Regional shareholders was the decision of our joint venture partners, Canamax Resources Inc. and Procan Exploration Company, not to exercise their option to acquire an additional 11% interest in the Midway Property by paying \$2.6 million and a 4% net smelter return from 60% of production. Their reasons were outlined in the 1983 Canamax Annual Report, as follows: "... This decision was made because the high cost of such a small incremental interest could not be justified. Nevertheless, Canamax continues to view Midway as a prime exploration project and intends to participate fully in the 1984 programs to maintain its interest."

As a result, Regional remains operator and manager, initiating and directing exploration programs. Also, retaining the 51% interest improves our ability to invite outside participation from other major mining groups.

Regional's share of 1984 expenditures is estimated to be

\$2.7 million and preparations are well advanced for a \$3.5 million flow-through share offering to help the Company meet its exploration commitments.

Our past year's successes and our solid working capital position (\$2.3 million) have been reflected in the marketplace where your stock has received solid broker support as witnessed by recent "buy" recommendations from three leading firms, Dean Witter Reynolds (Canada) Inc., Midland Doherty Limited and Richardson Greenshields of Canada Limited. Thanks to this kind of support, Regional shares remained stable throughout what was generally a dreary year for mining stocks.

The 1983 drilling results, our retention of the 51% interest and Regional's healthy balance sheet are not the only factors contributing to investor confidence; 1983 proved a good year for zinc prices and Midway,

known primarily as a silver situation (with an indicated 46 million ounces), is equally valuable for its vast zinc reserves – a gross worth of over \$500 million based on a \$.50/lb zinc price. This fact illustrates the unique character of Midway, a property exceptionally rich in both precious and base metals. With long-range indicators looking relatively strong for both silver and zinc, the future of the property looks very promising.

The future, however, is not altogether contingent upon Midway. Regional holds varying interests in several other quality properties in northern British Columbia and southern Yukon Territory including a 20% net profits royalty interest in the Logjam Creek tungsten-molybdenum property. The Logjam agreement with Canamax calls for preproduction advance royalty payments to Regional totalling \$1 million over a ten-year period, to be paid in quarterly instalments beginning June 29, 1984. The year 1983 also saw the completion of another active regional exploration program by Cordilleran Engineering, the Company's grass roots exploration specialists, and several interesting prospects were added to the Company's portfolio.

Our properties under option increased through the amendment of the Meister option agreement with Getty Canadian Metals, Limited to include the Blue and Logan prospects. Getty may earn a 50% interest by paying the



Company a total of \$1.3 million and incurring minimum cumulative property expenditures ranging from \$1 million by December 31, 1984 to \$4.5 million by December 31, 1988. An option payment of \$100,000 was received from Getty in April, bringing to \$300,000 the total option payments made to date.

To all the staff at Cordilleran Engineering go our thanks for their efforts in a very successful 1983; and to our shareholders, our thanks for your continued support. All

of us associated with Regional can take pride in our involvement with the Company and the Midway Property, which appears to have every chance of becoming a major silver and zinc producer.

On behalf of the Board:

John W. Stollery, P.Eng.
President

March 30, 1984

Midway Property

Far right: Plan view photo of Midway with proposed drilling locations and underground development for 1984; Bottom: Section view photo of Midway development area.

Straddling the British Columbia/Yukon border 75 road miles west of Watson Lake, Yukon Territory, the Midway silver-zinc-lead property was staked for Regional Resources by Cordilleran Engineering in 1980. The property covers some 70,000 acres and is accessible by road from the Alaska Highway.

At Midway, an overlying shale sequence rests unconformably upon Mid-to-Late Devonian limestone characterized by collapse and solution breccias. These breccias host massive sulphide deposits similar in character to those found in the Gilman District of Colorado.

Exploration initially indicated potential for shale-hosted zinc-lead deposits and, in 1981, a program of geophysical surveys, mapping, geochemical sampling, prospecting, trenching and limited diamond drilling outlined three strongly mineralized zones in the Discovery area. However, work conducted during the following year dramatically increased the significance of the Midway discovery when holes drilled

Summary of Lower Zone Intersections

DDH	Inclination	Azimuth	FROM-TO (ft.)	LENGTH (ft.)	ZINC %	LEAD %	ZINC-LEAD %	SILVER oz./ton
81-1	-70°	330°	406.0- 410.0	4.0	6.92	4.06	10.98	4.89
81-2	-70°	300°	465.9- 469.0	3.1	3.02	1.70	4.72	2.91
81-3	-70°	300°	373.1- 381.1	8.0	5.24	11.80	17.04	16.18
81-5	-70°	300°	386.6- 390.9	4.3	1.87	0.86	2.73	1.27
82-7	-70°	270°	633.6- 650.0	16.4	4.85	3.07	7.92	11.05
82-8	-70°	270°	671.3- 700.5	29.2	15.80	10.58	26.38	20.15
			743.1- 746.4	3.3	10.10	14.15	24.25	24.00
82-9	-70°	270°	650.6- 651.9	1.3	13.31	1.25	14.56	3.44
82-10*	-70°	270°	823.2- 841.9	18.7	5.95	7.95	13.90	11.30
			805.8- 813.3	7.5	6.30	0.86	7.16	4.55
82-11	-80°	270°	1037.1-1046.0	8.9	15.54	7.80	23.34	17.40
82-12	-70°	270°	935.0- 940.0	5.0	6.95	7.48	14.43	12.98
82-13	-90°		1723.4-1723.9	0.5	11.00	5.25	16.25	8.37
82-16	-80°	270°	1257.9-1281.8	23.9	18.96	5.63	24.59	9.52
82-17	-80°	270°	1584.1-1588.7	4.6	21.39	1.78	23.17	13.80
82-18	-80°	270°	1015.8-1024.0	8.2	7.40	2.38	9.78	4.75
82-20	-80°	270°	532.5- 534.8	2.3	12.00	1.85	13.85	2.76
83-21	-70°	270°	761.0- 774.6	13.6	7.45	5.90	13.35	8.13
			861.9- 876.8	14.9	14.07	17.44	31.51	25.15
83-23	-80°	270°	1694.3-1696.9	2.6	9.55	0.19	9.74	1.64
83-24	-70°	270°	671.8- 673.9	2.1	8.30	11.20	19.50	19.80
			687.7- 693.6	5.9	6.80	4.60	11.40	7.31
83-26	-80°	270°	1853.7-1860.3	6.6	31.00	0.05	31.05	0.45
83-27	-80°	270°	1254.3-1259.5	5.2	1.92	3.01	4.93	4.75
83-29	-80°	270°	212.9- 223.4	10.5	14.92	11.43	26.35	18.10
83-30	-80°	270°	901.2- 904.8	3.6	11.10	0.30	11.40	5.28
83-31	-80°	270°	1545.0-1548.9	3.9	3.55	4.20	7.75	5.05
83-40	-80°	270°	1043.0-1049.7	6.7	6.60	4.34	10.94	10.10
			1454.1-1455.0	0.9	1.69	48.27	49.96	68.20
83-43	-80°	270°	64.6- 77.7	13.1	1.35	10.15	11.50	14.10
83-44	-80°	270°	433.2- 438.8	5.6	7.32	1.65	8.97	3.80
83-50	-80°	270°	157.1- 195.5	38.4	0.50	1.51	2.01	3.31
			208.0- 217.2	9.2	11.05	0.23	11.28	0.39

*Assay based on 9.5 feet of core recovered

through the target shales and sandstones encountered high-grade silver and zinc mineralization in the underlying limestone. With these Lower Zone intersections ranging up to 30 feet in thickness over an area of 1,500 feet by 2,000

feet, the 15-hole 1982 diamond drilling program identified a silver-zinc-lead bearing massive sulphide deposit of major proportions. These results shifted the exploration focus from the shales to the limestone which had received only limited attention up to that time.

By the end of the 1982 program geological reserves of 3.6 million tons grading 12 oz/ton silver and 19% combined zinc-lead were indicated.

Preliminary exploration in 1982 also identified six other favourable silver-zinc-lead targets on the Midway Property. As well, seven miles north of the Discovery area, trenching and diamond drilling on a bedded barite occurrence





East-West Section

North-South Section

Coreshack
Camp

Midway Diamond Drill Plan

Legend

- Diamond Drill Hole Locations
- Proposed Diamond Drill Hole Locations
- - - Proposed Decline

1:10,000



Right: The Midway diamond drilling program for 1983 totalled 38,500 feet in 32 holes and employed up to five rigs around the clock; Bottom right: Cordilleran geologist logging core



indicated 200,000 tons of high-grade barite readily accessible to surface mining.

The 1983 drilling program, entailing expenditures of \$2.2 million, totalled 38,500 feet in 32 holes. Eight of 12 step-out holes intersected Lower Zone mineralization, of which three returned grades comparable to those encountered in the Discovery area.

Follow-up drilling was successful in identifying new mineralized zones – Silver Creek and Silvertip Hill. The drilling results also added approximately one million tons to Midway's reserves. Of the 53 holes (58,645 feet) drilled to date on the Midway Property 37 (69.8%) have encountered Lower Zone massive sulphides. Nineteen of these have high-grade intersections which

were used in the tonnage calculations. This success rate is remarkable for exploration of a blind deposit of this type by wide-spaced grid drilling.

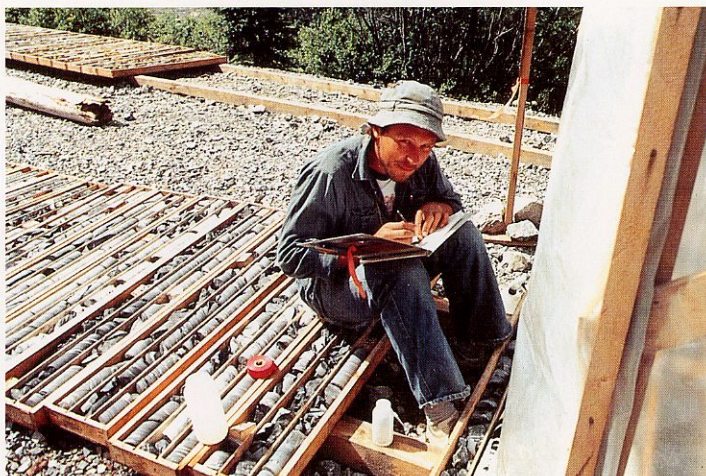
To date, only 1,000 acres – a small portion of the favourable carbonate unit – have been explored, resulting in a geologically inferred mineral reserve of 4.6 million tons grading 10.2 oz/ton silver and

17.4% combined zinc-lead. In addition to carbonate rocks that remain to be tested, there is potential also present in the overlying shales (the Upper and Discovery Zones) which host some silver-zinc-lead mineralization.

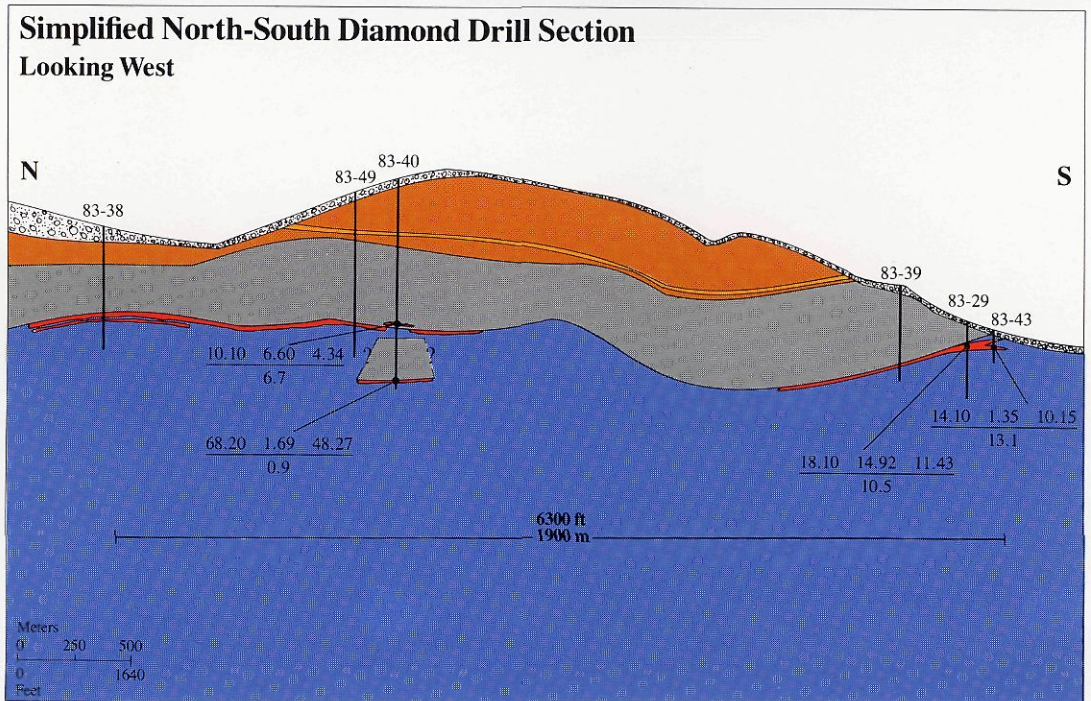
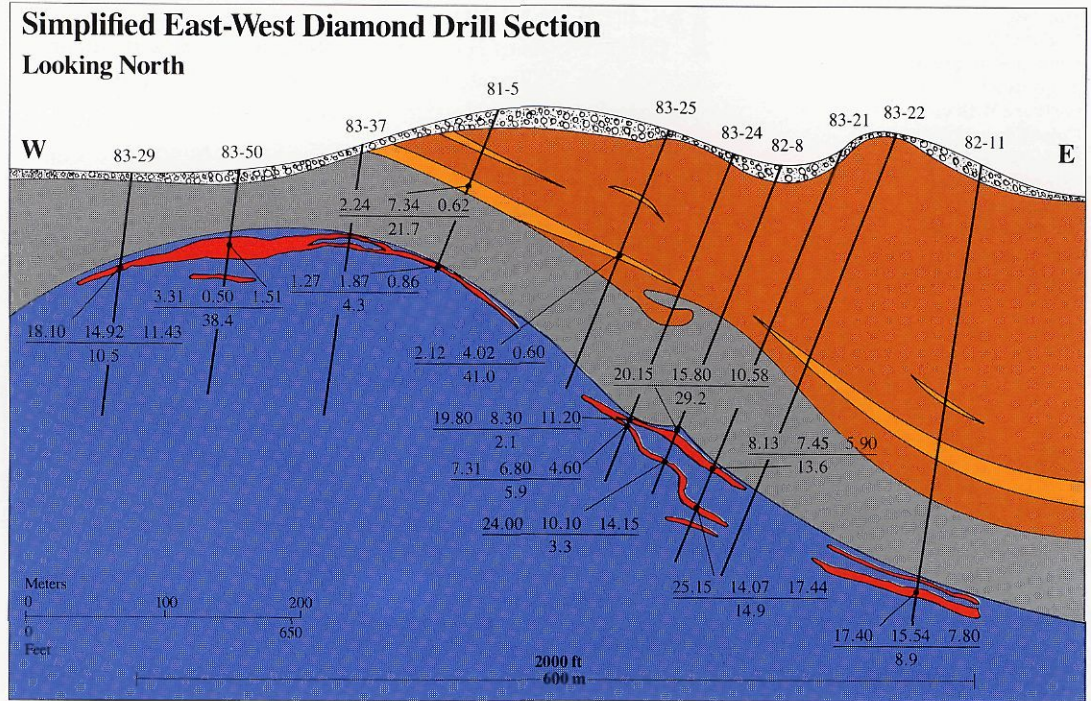
Following completion of the 1983 Midway field program, Wright Engineers Limited was commissioned to provide a preliminary technical and economic analysis of Midway's production potential. The results of this study are very encouraging.

A major exploration commitment will be undertaken in 1984. The \$4.3 million program will include diamond drilling from surface and underground exploration.

In total, some 18,400 feet of diamond drilling is proposed for the Silver Creek, Discovery and other areas. Preliminary plans call for 3,050 feet of underground exploration in the Silver Creek area.



Right: Two simplified diamond drill sections, one looking north and one west, indicating significant silver-zinc-lead intersections



Legend

- Sylvester Group**
- Unit 2 Shale, Sandstone Conglomerate
 - Unit 1 Shale, Sandstone Conglomerate
- McDame Group**
- Limestone, Dolostone

- Mineralization**
- Exhalites
 - Lower Zone Massive Sulphides
- silver (oz/ton) zinc (%) lead (%)
core intercept (ft.)

Other Mineral Properties

Map below: Regional holds a number of mineral properties in northern British Columbia and the Yukon as well as two new precious metal prospects in the Horsefly Lake region of central British Columbia.

PROPERTIES UNDER OPTION: As of February 28, 1984, the 1982 agreement optioning Regional's Meister Property to Getty Canadian Metals, Limited was amended to include the Company's Blue and Logan properties.

Under this new agreement, Getty may acquire a 50% interest in the properties and may maintain its interest by making a series of payments to Regional totalling \$1.3 million and incurring property expenditures of \$4.5 million by the end of 1988.

Getty paid Regional \$200,000 in option payments in 1983 and another \$100,000 in April

1984. Until Getty exercises its option, Regional will remain the operator for all three properties.

A total of \$540,000 has been expended on exploration to date. During 1984 the Meister, Blue and Logan properties will be actively explored.

Meister (Zinc, lead, silver – 390 Yukon claims) Seven miles from the Alaska Highway, with Midway 25 miles to the south, these claims host significant silver-bearing zinc and lead mineralization.

Extensive backhoe trenching conducted during 1983 exposed oxidized mineralization along a

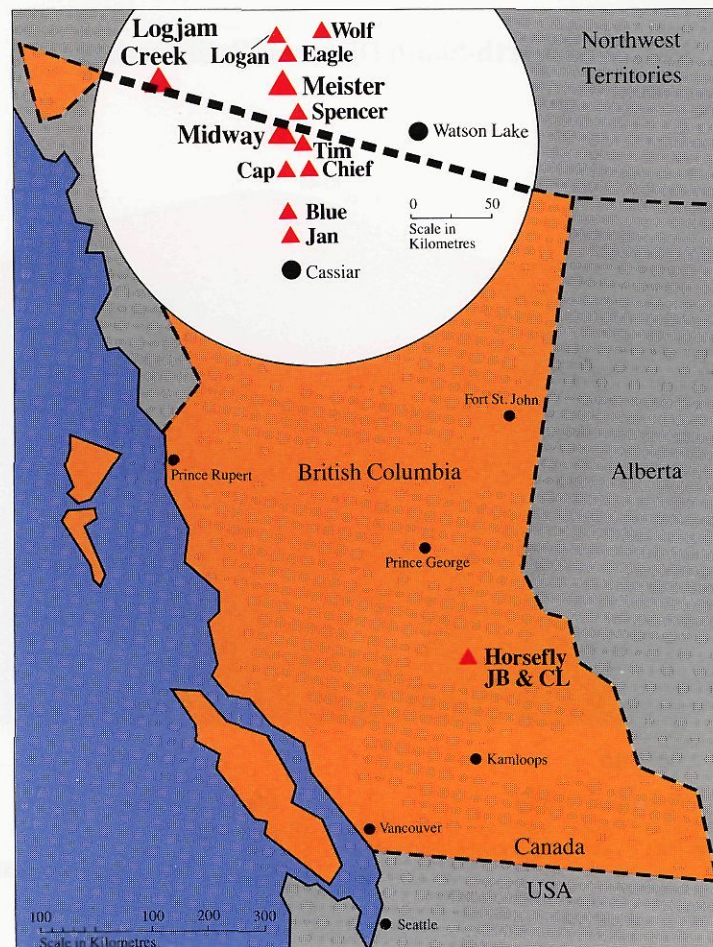
strike length of 3,300 feet, with a maximum true thickness of 60 feet. Sampling across 30 feet of the zone averaged 12.01% zinc, 0.32% lead and 1.39 oz/ton silver. A grab sample from a lens of fresh lead sulphide exposed in one trench assayed 76.0 oz/ton silver and 67.32% lead.

Five diamond drill holes tested the down-dip extension of the zone. Only minor oxide mineralization was encountered in the holes, suggesting that the zone either narrows quickly with depth or is displaced by faulting and folding.

Geochemical and geophysical anomalies in two other areas on the property, scheduled for exploration in 1984, indicate excellent potential for the location of additional mineral zones.

Blue (Zinc, lead, silver – 81 B.C. claim units) Situated 18 miles north of Cassiar, B.C., this property contains shale-hosted massive sulphides and potential for carbonate-hosted mineralization similar to that found on the Midway Property. A backhoe trenching program will be undertaken in 1984 to further explore its potential.

Logan (Silver, zinc, copper, lead, tin – 36 Yukon claims) On this property, silver-zinc-copper-lead-tin mineralization in a major vein system is hosted by altered granitic rocks. Strong soil geochemical anomalies extend over a length of 2,500 feet and a width of 500 feet. Thus far, selected mineral samples have yielded high metal values and vein widths up to four feet have been exposed. Geophysical



Right: The 1983 prospecting program resulted in the staking of four new prospects, the Tim and Spencer in the Yukon and the JB and CL claims in central British Columbia.



and geochemical surveys are planned for 1984.

OTHER MINERAL INTERESTS: The Regional portfolio includes several other mineral holdings, all but one of which are 100% owned by the Company. They are:

Chief (Zinc, lead, silver, barite – 392 B.C. claim units) Massive sulphide boulders and coincident airborne geophysical anomalies confirm an attractive exploration target on this property. High-grade bedded barite has also been located.

Cap (Gold – 160 B.C. claim units) Under a 1983 agreement, Regional sold this property for a payment of \$50,000 and issuance of 100,000 shares of a junior resource company, with Regional retaining a 10% net profits interest. Geochemically anomalous gold values, which appear to be associated with quartz veins, have been located.

Eagle (Zinc, lead, silver, copper – 32 Yukon claims) Exploration to date has revealed boulders of massive

sulphides, extensive soil geochemical anomalies and coincident geophysical conductors pointing to the potential for locating stratiform mineralization.

Jan (Zinc, lead, silver – 45 B.C. claim units) Zinc oxide cemented carbonate breccia and coincident soil geochemical anomalies indicate potential for carbonate-hosted mineralization similar to the Lower Zone on the Midway Property.

Wolf (Zinc, lead, silver, gold, copper, tungsten – 52 Yukon claims) Stratiform zinc-lead-silver-copper mineralization occurs in outcrop. An overlying pyritic bed contains gold and tungsten.

NEW ACQUISITIONS: The following properties were staked as part of the 1983 regional exploration program.

Tim (Silver, lead, zinc – 160 Yukon claims) This new property is located 12 miles northeast of the Midway Discovery area. Extensive geochemical anomalies and local boulders of silver-and-lead-rich iron oxide mineralization indicate excellent potential for locating carbonate-hosted massive sulphides similar to the Lower Zone on the Midway Property.

Spencer (Silver, lead, zinc – 60 Yukon claims) Anomalous stream sediment samples and silver-rich, lead-zinc replacement mineralization were

obtained on the property during 1983. Further exploration will be conducted during the 1984 field program.

JB and CL (Gold, silver – 20 & 17 B.C. claim units) South of Horsefly Lake in central British Columbia, these two properties are situated in an area of active gold exploration. Reconnaissance geochemical sampling in 1983 returned several anomalous gold and silver results from the claims; as well, gold-silver-lead mineralization has been located in a quartz vein.

EXPLORATION PROGRAM 1984:

Regional has engaged Cordilleran Engineering to continue its mineral exploration program in British Columbia during 1984 with the focus on gold, silver, zinc and lead targets.

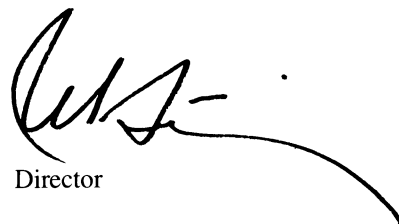
Consolidated Balance Sheet

As at January 31, 1984

Regional Resources Ltd.
(Incorporated under the laws of Canada)

Assets	1984	1983
Current assets		
Cash and term deposits	\$2,377,789	\$2,081,522
Accounts receivable	3,962	31,646
Marketable securities (quoted market value \$41,000)	40,826	—
Prepaid expenses	—	2,383
	<hr/> 2,422,577	<hr/> 2,115,551
Long-term investment	—	10,000
Resource properties (note 2)	2,411,184	2,745,724
	<hr/> \$4,833,761	<hr/> \$4,871,275
 Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 548,165	\$ 13,118
Unrealized foreign exchange gain	5,485	4,358
Deferred income taxes	53,873	74,573
Minority interests	21,070	21,070
	<hr/> 21,070	<hr/> 21,070
 Shareholders' Equity		
Capital stock (note 3)		
Issued		
4,053,100 common shares (3,958,100 shares in 1983)	4,924,406	4,758,156
Deficit	719,238	—
	<hr/> 4,205,168	<hr/> 4,758,156
	<hr/> \$4,833,761	<hr/> \$4,871,275

Approved by the Board


Director


Director

Consolidated Statement of Deferred Exploration, Development and Administration Expenditures

Year ended January 31, 1984

	1984	1983
Exploration and development expenditures	\$1,060,951	(unaudited) \$593,647
Administration expenditures		
Advertising and promotion	13,734	3,654
Audit and accounting	12,750	24,625
Capital tax	3,209	8,942
Consulting fees	2,290	2,400
Donations	2,500	—
Dues and subscriptions	1,268	1,161
Insurance	1,638	142
Interest and bank charges	122	6,129
Legal	93,222	57,520
Management fees	—	21,500
Office rent and services	36,000	43,873
Printing, stationery and office expenses	46,211	24,991
Stock exchange fees	24,989	945
Telephone and postage	7,122	1,956
Transfer fees	18,172	18,595
Travel	15,304	5,159
	278,531	221,592
Total expenditures	1,339,482	815,239
Deduct		
Option payments received	715,000	175,000
Interest	229,809	272,919
Deferred income taxes — reduction	20,700	—
	965,509	447,919
	373,973	367,320
Balance at beginning of year	960,911	593,591
	1,334,884	960,911
Write-off of		
Deferred exploration, development and administration expenditures on resource properties abandoned	254,981	—
General exploration expenditures	269,982	—
	524,963	—
Balance at end of year	\$ 809,921	\$960,911

Consolidated Statement of Deficit

Year ended January 31, 1984

	1984	1983
Balance at beginning of year	—	—
Write-off of		(unaudited)
Acquisition costs of resource properties abandoned	\$184,275	—
Deferred exploration, development and administration expenditures on resource properties abandoned	254,981	—
General exploration expenditures	269,982	—
Long-term investment	10,000	—
Balance at end of year	\$719,238	—

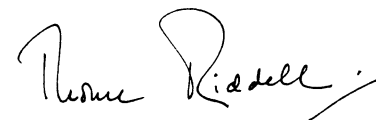
Auditors' Report

To the Shareholders of
Regional Resources Ltd.

We have examined the consolidated balance sheet of Regional Resources Ltd. as at January 31, 1984 and the consolidated statements of deferred exploration, development and administration expenditures, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at January 31, 1984 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 applied on a basis consistent with that of the preceding year.

Vancouver, Canada
February 28, 1984


Chartered Accountants

Consolidated Statement of Changes in Financial Position

Year ended January 31, 1984

	1984	1983
		(unaudited)
Working capital derived from		
Shares issued		
For cash	\$ 166,250	—
To acquire subsidiary	—	\$3,058,500
For 1981 Canadian Exploration		
Expenditure program	—	87,248
Proceeds from partial disposition of		
oil and gas interests	—	56,098
Increase in unrealized foreign exchange gain	1,127	—
	167,377	3,201,846
Working capital applied to		
Additions to resource properties		
Acquisition of oil and gas interests	725	3,302
Exploration, development and administration		
expenditures, net of recoveries		
Mineral interests	399,191	368,830
Oil and gas interests	(4,518)	(1,510)
Acquisition of subsidiary, less working		
capital of \$1,289,153 acquired	—	1,769,347
	395,398	2,139,969
Increase (Decrease) in working capital	(228,021)	1,061,877
Working capital at beginning of year	2,102,433	1,040,556
Working capital at end of year	\$1,874,412	\$2,102,433

Notes to Consolidated Financial Statements

Year ended January 31, 1984

1. Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary companies, Logtung Resources Ltd., Regional Resources, Inc. and Swift River Resources Ltd.

(b) Foreign exchange

All accounts in foreign currencies have been translated to Canadian dollars using the exchange rate in effect as at the year end. Gains or losses on translation are deferred.

(c) Resource properties

The company is in the development stage and defers all exploration, development and administration expenditures less recoveries relating to resource properties until such time as the properties are put into commercial production, sold or abandoned. The acquisition cost and deferred exploration, development and administration expenditures of resource properties abandoned are written-off. Exploration expenditures which do not relate to specific resource properties (general exploration) are written-off in the year incurred.

The amounts shown for resource properties represent costs to date less recoveries and are not intended to reflect present or future values. The company does not accrue the estimated future costs of maintaining its resource properties in good standing.

2. Resource Properties

(a) Midway property — Watson Lake Mining District, Yukon Territory and Liard Mining Division of British Columbia

The company holds a 51% interest in the Midway property which is being developed under a joint venture agreement with Canamax Resources Inc. and Procan Exploration Company. At January 31, 1984 approximately \$5,025,000 had been expended on exploration of the property. The company will fund exploration expenditures on the basis of its interest in the property.

(b) Logjam Tungsten property — Watson Lake Mining District, Yukon Territory and Atlin Mining District of British Columbia

The company holds a 20% net profits royalty interest in the Logjam property and will, as a result of an agreement with Canamax Resources Inc., receive preproduction advance royalty payments totalling \$1,000,000 in quarterly instalments of \$25,000 commencing June 29, 1984.

(c) Meister, Blue and Logan properties — Watson Lake Mining District, Yukon Territory and Liard Mining Division of British Columbia

The company granted Getty Canadian Metals, Limited an option to earn a 50% interest and a second option to earn a further 10% interest in the properties. Under the terms of the agreement, amended February 28, 1984, Getty has paid the company \$200,000 in option payments and expended approximately \$540,000 in exploration on the Meister property. Getty may earn a 50% interest in the Meister, Blue and Logan properties by making additional option payments to the company of \$100,000 on April 13, 1984 and February 1, 1985 and a further \$100,000 for each of the Meister, Blue or Logan properties retained by Getty on February 1, 1986, 1987 and 1988, and by incurring total expenditures of \$4,500,000 by December 1, 1988. Getty may earn a further 10% interest in the properties by paying the company an additional \$200,000 and funding 100% of exploration expenditures on the properties until a production decision is made.

Resource properties consist of the following:

	1984	1983
Acquisition cost of		
Mineral interests	\$1,601,263	\$1,684,681
Oil and gas interests	—	100,132
	<u>1,601,263</u>	<u>1,784,813</u>
Deferred exploration, development and administration expenditures		
Mineral interests	809,921	961,796
Oil and gas interest	—	(885)
	<u>809,921</u>	<u>960,911</u>
	<u>\$2,411,184</u>	<u>\$2,745,724</u>

3. Capital Stock

On May 25, 1983 the company was Continued under the Canada Business Corporations Act. The authorized capital consists of an unlimited number of preference and common shares without par value.

220,000 common shares are reserved for director options and 5,000 common shares are reserved as field exploration incentive options exercisable until May 31, 1987 at \$1.75 per share. During the year 95,000 shares were issued for cash consideration of \$166,250.

On a cumulative basis capital stock has been issued for the following consideration:

	Shares	Net consideration
Resource properties	605,000	\$ 423,286
Cash	2,159,600	3,343,370
Shares of Logtung Resources Ltd.	2,039,000	3,058,500
	<u>4,803,600</u>	<u>6,825,156</u>
Less shares held by subsidiary company	750,500	1,900,750
	<u>4,053,100</u>	<u>\$4,924,406</u>

4. Income Taxes

Certain resource properties were acquired in exchange for the issuance of shares at a deemed consideration of \$411,439 pursuant to the provisions of subsection (85)(1) of the Income Tax Act. As a consequence of acquiring the properties in this manner, the adjusted cost base of the resource properties at the date of acquisition is nil for income tax purposes.

5. Related Party Transactions

Two directors are partners in the engineering firm retained by the company for exploration and development. The engineering firm received \$219,528 as management and consulting fees during the year.

A director is a partner in the law firm retained by the company which received \$70,983 for legal services provided during the year.

Corporate Data

Directors & Officers

John W. Stollery
President & Director

Kenneth G. Hanna
Secretary

Vaughan S. Bruneau
Director

Owen S. Hairsine
Director

Garth Olmstead
Director

Head Office

1980 Guinness Tower
1055 West Hastings Street
Vancouver, B.C.
V6E 2E9
Telephone (604) 669-3398

Registered & Records Office

720 - 999 West Hastings Street
Vancouver, B.C.
V6C 2W2

Auditors

Thorne Riddell
1177 West Hastings Street
Vancouver, B.C.
V6E 2L9

Registrar & Transfer Agent

Guaranty Trust Company
Vancouver, Regina,
Winnipeg, Toronto

Geological Consultants

Cordilleran Engineering
1980 Guinness Tower
1055 West Hastings Street
Vancouver, B.C.
V6E 2E9

Solicitors

Hanna, Forth & Scott
720 - 999 West Hastings Street
Vancouver, B.C.
V6C 2W2

Bank

Bank of Montreal
Marine Building Branch
385 Burrard Street
Vancouver, B.C.
V6C 2J4

Share Listings (RGL)

The Toronto Stock Exchange
Vancouver Stock Exchange

Capitalization

Authorized:
15,000,000 common shares
50,000,000 preferred shares
Issued:
4,053,100 common shares
(consolidated)
Preferred — nil

Annual General Meeting

Thursday, June 28, 1984
2:00 p.m.
Holiday Inn Harbourside
Penticton Room — 3rd Floor
1133 West Hastings Street
Vancouver, B.C.
V6E 3T3

Regional Resources Ltd.
1980 - 1055 West Hastings
Vancouver, B.C.
V6E 2E9