ERICKSON GOLD

ANNUAL REPORT 1982

ERICKSON
GOLD

Erickson Gold Mines Ltd. is a significant Canadian Gold Producer with operations in northern British Columbia.

The company has a successful four years operating history. Following the recent consolidation of mine ownership, Erickson Gold has built a strong foundation to challenge the future and develop its expanding potential.

To the Shareholders

ERICKSON GOLD MINES LTD.

(formerly Nu-Energy Development Corp.)

This is the first annual report to the shareholders of Erickson Gold Mines Ltd. It is for the six month period ended December 31st, 1982; the financial statements present comparative data for the twelve month period ended June 30th, 1982. Commencing in 1983 quarterly reports will be mailed to shareholders and information material on the Corporation's affairs will be disseminated as appropriate.

Erickson Gold Mines Ltd. is headquartered in Vancouver, British Columbia, Canada, and is incorporated under the laws of the Province of British Columbia. As now constituted, it comprises the assets and operations of the following entities:

Nu-Energy Development Corp.
Agnes & Jennie Mining Co. Ltd.
Erickson Gold Mining Corp.
Erickson Gold Mine Joint-Venture
AJM Metals Ltd.

The corporate re-organization was carried out to consolidate the interests of each entity in the Erickson Gold Mine. The transaction was approved at a meeting of the shareholders of Nu-Energy Development Corp. held on December 23rd, 1982. The name of the resultant parent corporation, Nu-Energy Development Corp. was changed to Erickson Gold Mines Ltd. to better identify the new corporation with its principal asset and business.

The Erickson Gold Mine is located 12 miles southeast of Cassiar, 1½ miles south of Highway No. 37, the main transportation and supply link through north-western British Columbia.

Since the inception of production at the end of 1978 a total of 141,003 tons of ore have been milled from which 70,659 ounces of gold and 61,808 ounces of silver have been received; the overall average recovered grades were 0.527 ounces of gold and 0.487 ounces of silver per ton of ore milled.

Financial

Net loss for the six month period ended December 31st, 1982 was $1,490,542. Included therein were charges of $706,089 and $188,895 to write-off certain deferred exploration costs and to provide for anticipated losses in disposing of marketable securities respectively. Non-recurring business combination expenses of $365,962 were charged to retained earnings.

Capital Expenditures

Capital expenditures for the calendar year ending December 1982 for Erickson Gold Mine Joint Venture were $1,680,443. Of this total, the major portion, $1,440,932, was spent on mine development and associated surface facilities; the remaining $239,511 was expended on expansion of the Erickson mill.

The 1982 capital programme completed the expenditures required to expand the mill facility by approximately 60%. In January 1983, the planned milling rate of 5,000 tons per month was achieved, within budget, one month ahead of schedule.

TO THE SHAREHOLDERS *(Continued)*

Operations

The following table shows production and metallurgical data for each of the years 1979 through 1982:

		1982	1981	1980	1979
Tons Milled		38,724	38,245	32,189	31,845
Mill Feed Grade	oz. gold/ton	0.57	0.38	0.57	0.61
	oz. silver/ton	0.47	0.20	0.69	0.68
Metal Recovered	gold oz.	21,084	13,539	17,536	18,500
	silver oz.	16,790	6,650	19,651	18,717
Metal Recovery	gold %	95.1	94.4	95.6	95.3
	silver %	92.3	87.0	88.4	86.5

Unit operating costs for the 1982 calendar year were reduced about 2% despite strong inflationary pressures. Cost for 1982, compared to the previous two years, are shown below:

Unit Operating Cost per Ton of Ore Milled

	1982	1981	1980
Mining	$ 90.46	$ 83.08	$ 59.65
Milling	37.82	36.78	44.80
Mine Overhead and Exploration	33.16	42.02	39.91
Total unit operating cost	$161.44	$161.88	$144.36

Mining costs in 1982 were higher than in 1981, largely as a result of increased development. Milling costs increased marginally and mine overhead and exploration costs were reduced. Exploration has become more cost efficient as additional geological understanding of the Erickson ore bodies has been developed.

It is expected that the increased production rate planned for 1983 will make it possible to reduce unit operating costs significantly below the 1982 level.

Marketing expenses, including refinery recoveries, have been the subject of intense scrutiny over the past eighteen months. As a result of re-negotiation of refinery, smelter and transportation contracts, the overall product marketing cost has been reduced by about 36%.

Labour turn-over at the property during the year was minimal. The mine geologist resigned early in the year and two surveyors resigned later in the year. All were replaced with competent, qualified personnel.

Hourly paid employees continue to work on the basis of ten weeks in and two weeks out and no unusual turn-over was noted in this area. The average number of production employees in 1982 was 65.

Mine safety continued to receive priority attention during the year. No serious accidents were reported in 1982. The Mine First-Aid Team won the B.C. Provincial Championship in September 1982 and five more employees received their Industrial First-Aid tickets.

Ore Reserves and Exploration Summary

The successful 1982 exploration programme at the Erickson Gold Mine combined diamond drilling, underground development and geological mapping and resulted in increasing ore reserves from 58,000 tons at January 1st, 1982 to 83,000 tons at the end of the year. The estimated grade is 0.54 oz. gold per ton.

The 1982 programme has established that the Erickson Mine has multiple gold-bearing veins in a variety of structural environments. It has also become apparent that the ore potential at depth in the mine area is greater than previously anticipated.

The 1983 exploration programme will include drilling to delineate targets that have been identified by work carried out in 1982 and previous years.

General

The year 1982 has been one of considerable achievement:

- The corporate structure of Erickson has been rationalized and continuity of management and control has been established.
- Ore reserves have continued to increase.
- Milling capacity has been expanded by approximately 60% at low cost.

It is intended that the corporation will henceforth direct its efforts primarily to mining, in which it has demonstrated competence and in which it has been successful.

Erickson begins 1983 with an increased production rate, expanding ore reserves and exploration and development targets which can reasonably be expected to result in further expansion of reserves.

Appreciation

The directors particularly wish to acknowledge the loyal and highly competent performance of all who are involved in the Corporation's operations.

On behalf of the Board of Directors of Erickson Gold Mines Ltd.

A. D. Ross

A. DAVID ROSS,
Chairman of the Board.

North Vancouver, British Columbia, March 15, 1983.

ERICKSON GOLD MINES LTD.
(formerly Nu-Energy Development Corp.)

ASSETS	December 31, 1982	June 30, 1982
		(Note 2)
Current assets:		
Cash and term deposits	$ 78,145	$ 295,366
Accounts receivable	867,847	1,472,959
Amounts owing by shareholder and related company	61,204	—
Marketable securities (Note 4)	908,242	31,901
Inventories	415,570	338,235
Resource taxes recoverable	64,125	64,125
Prepaid expenses	106,208	39,865
	2,501,341	2,242,451
Property, plant and equipment:		
Buildings, plant and equipment, at cost net of accumulated depreciation of $1,520,106 (June 30, 1982 — $1,243,611)	5,346,698	5,082,489
Mining properties and development (Note 5)	4,299,177	4,922,865
Oil and gas interests	651,563	1,729,734
	10,297,438	11,735,088
	$12,798,779	$13,977,539

Approved by the Board:

A.D. Ross
Director

P.L. Whittall
Director

CONSOLIDATED BALANCE SHEET

(Note 1)

LIABILITIES		December 31, 1982	June 30, 1982
			(Note 2)
Current liabilities:			
Bank operating loans (Note 6)		$ 1,206,370	$ 2,608,850
Accounts payable and accrued liabilities		2,503,043	2,504,289
Amounts owing to shareholders and related parties		—	616,827
Current portion of long-term debt (Note 6)		480,000	648,000
Income and resource taxes payable		320,520	266,037
		4,509,933	6,644,003
Deferred income and resource taxes		2,724,913	2,894,913
Long-term debt (Note 6)		1,520,000	58,000
		8,754,846	9,596,916
SHAREHOLDERS' EQUITY			
Share capital (Notes 1 and 7):			
Authorized — 10,000,000 shares with a par value of $.01 each	$100,000		
Issued (including 4,209,274 shares to be issued) — 8,190,046 shares		81,901	81,901
Contributed surplus		5,144,013	2,864,604
Less: 264,102 shares held by the Company and a subsidiary (June 30, 1982 — 572,602)		(339,688)	(380,093)
		4,886,226	2,566,412
(Deficit) retained earnings		(842,293)	1,814,211
		4,043,933	4,380,623
Commitments (Note 10)			
Contingent liability (Note 11)			
		$12,798,779	$13,977,539

CONSOLIDATED STATEMENT OF OPERATIONS

(Note 1)

Periods ended	December 31, 1982	June 30, 1982
		(Note 2)
Revenue:		
Gold concentrate sales	$4,410,675	$10,604,412
Interest and other income	82,241	291,359
	4,492,916	10,895,771
Expenses:		
Cost of concentrate sales	3,136,066	6,397,975
Exploration	305,355	728,287
Depreciation and depletion	454,375	783,315
Selling, administration and general	818,825	1,614,509
Interest	484,411	1,178,548
Write-off of deferred exploration costs	706,089	199,400
Loss on decline in value of marketable securities	188,895	—
	6,094,016	10,902,034
Loss before income taxes and extraordinary and other items	1,601,100	6,263
Income and resource taxes:		
Current (recovery)	59,442	(21,639)
Deferred (reduction)	(170,000)	(319,906)
	(110,558)	(341,545)
Loss (income) before extraordinary and other items	1,490,542	(335,282)
Write-down of oil and gas interests (Note 8)	—	1,521,620
Extraordinary item, net of deferred income tax reduction of $120,000 (Note 12(c))	—	555,411
Loss for the period	$1,490,542	$ 1,741,749
Loss per share	$ 0.18	$ 0.21

CONSOLIDATED STATEMENT OF DEFICIT

(Note 1)

Periods ended	December 31, 1982	June 30, 1982
		(Note 2)
Retained earnings, beginning of period	$ 1,814,211	$3,555,960
Business combination expenses	(365,962)	—
Loss for the period	(1,490,542)	(1,741,749)
Stock dividend (Note 7(b))	(800,000)	—
(Deficit) retained earnings, end of period	$ (842,293)	$1,814,211

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(Note 1)

Periods ended	December 31, 1982	June 30, 1982
		(Note 2)
Financial resources were provided by:		
Reclassification of investment and deferred exploration costs to current assets	$1,290,304	$ —
Proceeds on sale of fixed assets	4,370	350,343
Proceeds on sale of shares of Nu-Energy Development Corp. held	1,241,175	—
Proceeds of common shares of Agnes & Jennie Mining Company Limited issued	278,639	3,000
Term bank loan	1,520,000	—
	4,334,488	353,343
Financial resources were applied to:		
Operations —		
Loss before extraordinary item	1,490,542	1,066,338
Items not affecting working capital —		
Deferred income and resource taxes reduction	170,000	439,906
Depreciation and depletion	(454,375)	(783,315)
Gain on sale of fixed assets	—	34,208
Write-down of oil and gas interests	—	(1,521,620)
Write-off of deferred exploration costs	(706,089)	(199,400)
	500,078	(963,883)
Mining rights, deferred mine development and deferred exploration expenditures	471,643	1,472,838
Buildings, machinery and equipment	545,845	280,440
Oil and gas interests	—	1,269,921
Conditional sales contracts	—	57,492
Long-term debt	58,000	648,000
Combination expenses	365,962	—
Loss on settlement of receivable from former related party	—	1,487,911
Purchase of Company shares	—	26,244
	1,941,528	4,278,963
(Increase) decrease in working capital	(2,392,960)	3,925,620
Working capital deficiency, beginning of period	4,401,552	475,932
Working capital deficiency, end of period	$2,008,592	$4,401,552

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1982

1. Business combination:

Pursuant to an agreement dated November 10, 1982, which is effective December 31, 1982, Nu-Energy Development Corp. ("Nu-Energy") is to issue 4,209,274 common shares, with a par value of $.01 each, in exchange for all of the outstanding shares in the capital of Agnes & Jennie Mining Company Ltd. ("Agnes & Jennie"). Both Companies are primarily engaged in the exploration and development of mineral properties and their principal asset is the Erickson Gold Mine Joint Venture, an operation in which each company holds a 50% interest. The transaction has been accounted for under the pooling of interests method.

Changes in the share capital of the combining companies is summarized as follows —

	Shares	Share capital	Contributed surplus
Issued share capital of the combining companies at December 31, 1982 —			
Nu-Energy	3,980,772	$ 39,808	$2,034,267
Agnes & Jennie	1,996,737	329,326	2,822,513
	5,977,509	369,134	4,856,780
Nu-Energy shares to be issued on combination	4,209,274		
Less: Agnes & Jennie shares exchanged	(1,996,737)		
Excess of combined share capital over par value		(287,233)	287,233
Issued share capital of the combined company, at December 31, 1982	8,190,046	$ 81,901	$5,144,013

The 4,209,274 shares of Nu-Energy to be exchanged for shares of Agnes & Jennie have not been issued at December 31, 1982. Their issue was approved by the Company's shareholders at an annual general meeting held on December 23, 1982. Upon the approval by the Superintendent of Brokers for British Columbia the share certificates representing the shares to be issued will be issued from treasury. These certificates will bear a legend restricting their sale or other disposition in the United States, or to a United States citizen, without registration under the applicable securities laws or receipt of an opinion from the Company's United States lawyer that exemption from registration is available. The intended recipients of the shares have given letters of undertaking to the Vancouver Stock Exchange to not trade the shares until the legend has been removed. The Company will be registering these shares under the United States Securities Exchange Act of 1933 in the near future. Of the shares to be issued, 175,495 shares are to be held by a Trustee for three years as security for the satisfaction of any liability that may be imposed under warranty provisions of the agreement. A further 228,502 shares will be held by a trustee as collateral under an indemnification from any loss incurred with respect to a guarantee by Agnes & Jennie of a bank loan of a previously related company (see Note 11).

Summarized below are the results of operations of the two companies from the start of their fiscal years to December 31, 1982 and their net assets as at that date, excluding each company's 50% interest in the Erickson joint venture which is shown in total separately.

	Nu-Energy (six months)	Agnes & Jennie (ten months)	Erickson* (six months)	Combined
Operating data —				
Revenues	$ 3,941	$ 80,005	$4,408,970	$ 4,492,916
Net income (loss)	$ (55,544)	$(1,220,563)	$ (214,435)	$(1,490,542)
Balance sheet as at December 31, 1982 —				
Total assets	$1,643,965	$ 1,692,529	$9,462,285	$12,798,779
Total liabilities	2,171,291	2,223,781	4,359,774	8,754,846
Net assets	$ (527,326)	$ (531,252)	$5,102,511	$ 4,043,933

*Erickson Gold Mining Corp. and Erickson Gold Mine Joint Venture on a combined basis.

The combining companies and their subsidiaries changed their respective year-ends to December 31, effective in 1982.

Nu-Energy changed its name to Erickson Gold Mines Ltd. on February 15, 1983.

2. Comparative figures:

For comparative purposes the accompanying consolidated financial statements give effect to the combination of Nu-Energy and Agnes & Jennie by combining the financial position and results of operations of the combining companies for their prior fiscal years. The comparative figures represent a combination of the audited financial statements of Agnes & Jennie for the year ended February 28, 1982 which were reported on by other auditors adjusted to reflect that company's 50% interests in the Erickson Gold Mine Joint Venture and Erickson Gold Mining Corp. on a twelve-month basis to June 30, 1982, and the audited consolidated financial statements of Nu-Energy for the year ended June 30, 1982.

3. Significant accounting policies:

(a) Principles of consolidation —

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, Agnes & Jennie Mining Company Ltd., AJM Metals Ltd., Erickson Gold Mining Corp., Nu-Energy Oil and Gas Inc. and its 100% interest in the Erickson Gold Mine Joint Venture.

(b) Foreign exchange —

The financial statements of Nu-Energy Oil and Gas Inc., a company incorporated in the United States, are translated into Canadian dollars on consolidation as follows —

Current assets and liabilities, at the year-end exchange rate. All other assets and liabilities, and revenues and expenses, at the exchange rates prevailing at the dates of the transactions. Gains or losses, which have not been significant, are included in income.

(c) Inventories —

Gold concentrate is valued at the lower of cost of production, on a first-in, first-out basis, and net realizable value. At December 31, 1982, approximately 296 troy ounces (June 30, 1982 — 181 troy ounces) of gold was on hand in concentrate inventory.

(d) Property, plant and equipment —

Depreciation is provided on the cost of the assets over their estimated useful lives on the following bases —

Building and machinery on a straight-line basis at rates of 5% to 8.3%,
Computer and other equipment on a straight-line basis at rates of 10% to 30%, and
Mobile equipment on a declining-balance basis at the rate of 30%.

NOTES *(Continued)*

(e) Property and deferred exploration and administration costs —

The Company capitalizes and defers all costs related to the exploration and development of mineral properties until such time as commercial production commences or the property is abandoned. Following commencement of commercial production, amortization of these costs is provided on a straight-line basis over the estimated life of the orebody.

The Erickson Gold Mine commenced commercial production in April 1979. The Company has (and continues to) charge depletion and amortization of the cost of its mining property interest, related deferred exploration and administration costs, and development costs incurred during the pre-production period over a twelve-year period from that date, notwithstanding that it has not had proven and probable reserves equivalent to twelve years' production. However, the results of drilling and other exploration programmes on the property in 1982 have been favourable.

The costs of construction for new access adits and related portal facilities started after the commencement of commercial production are capitalized as mine development and amortized on a straight-line basis over the estimated life of the orebody.

(f) Oil and gas interests —

The successful efforts method of accounting is followed for oil and gas expenditures. Under this method geological, geophysical and exploratory dry-hole costs are expensed as incurred. Property and lease acquisition and development drilling costs are capitalized. On abandonment of an area or impairment in value of an undeveloped property, the capitalized costs are expensed.

Depletion of the costs of producing properties and development will be provided on the unit-of-production basis using proven reserves for each property.

(g) Income and resource taxes —

Income and resource taxes are accounted for by the tax allocation method. Under this method, income and resource taxes reflect the deferral of such taxes to future years. The deferral is a result of timing differences which arise when certain costs, principally depreciation and deferred exploration and administration expenses, are claimed for tax purposes in different time periods than the related amounts amortized in the accounts.

(h) Revenue —

Revenue is recognized at the time of sale. Gold concentrate sales for which prices have not been finalized at year-end have been recorded at prices estimated to be in effect on the finalization dates.

4. Marketable securities:

Marketable securities at December 31, 1982 are as follows —

	Number of shares	Cost	Market value and carrying value
Canusa Resources Ltd.	314,820	$1,070,388	$900,385
Other..................................	2,822	26,749	7,857
		$1,097,137	$908,242

5. Mining properties and development:

Mining rights and deferred mine development costs comprise the following —

	December 31 1982	June 30 1982
Relating to the Erickson Gold Mine:		
Mine rights — option payments	$ 733,153	$ 692,912
New portal construction costs	2,548,354	2,311,465
Deferred exploration expenditures	948,421	950,159
Deferred administration expenditures	275,533	275,533
	4,505,461	4,230,069
Less: Accumulated depletion	885,508	708,400
	3,619,953	3,521,669
Relating to other properties:		
Deferred exploration expenditures —		
Sharbot Lake, Elan and Engineer	679,224	519,861
Other	—	881,335
	$4,299,177	$4,922,865

Under a 1979 agreement, the Company has granted Esso Resources Canada Limited ("Esso") an option to earn an interest in the property surrounding that currently being mined by the Erickson Gold Mine Venture.

Esso can earn an undivided 25% interest in the property through the expenditure of sums aggregating $1,000,000 for development work and option payments during the period to March 31, 1985. A further 30% interest can be earned through the expenditure of an additional $1,200,000 on exploration, development or pre-production work on the property and the delivery to the Company of an economic analysis of the production returns anticipated from the property on or before December 31, 1986. The agreement also provides for the participation of the Company and Esso in the further development of and production from the property thereafter.

The Company has granted an option to Nu-Lady Gold Mines Ltd. ("Nu-Lady") to earn an 80% interest in the Engineer Gold Mine Property by performing work on the property to a minimum value of $1,000,000 and completing a feasibility study of the property before December 31, 1985. The Company has been granted the first right of refusal to finance the property into production after presentation of a favourable feasibility study. As consideration for the option, Nu-Lady issued 600,000 escrowed shares to the Company which are carried at an elected nominal value of $1.

6. Bank indebtedness:

The Company has entered into a loan agreement dated November 10, 1982 with a Canadian bank for total credit facilities of $4,250,000. The agreement makes available a first term demand loan of $2,000,000, a revolving line of credit of $1,500,000 and a second demand term loan of $750,000. Interest on the term loans is at the bank's prime rate plus 2%, and on the revolving line of credit at the bank's prime rate plus 1.5%. At December 31, 1982, the Company has fully drawn down the first term loan and utilized $545,000 of the revolving credit. The term loan is to be repaid by fifty consecutive monthly instalments of $40,000 each, commencing February 26, 1983.

The loans are secured by a $5,000,000 demand debenture providing a first fixed charge over mineral leases and claims, a first floating charge over all the assets of the Erickson Gold Mine, a general assignment of accounts receivable and an assignment of fire insurance carried on the mine assets.

Additionally, Agnes & Jennie has outstanding at December 31, 1982 a demand bank loan of $661,000 with another Canadian bank, secured by hypothecation of accounts receivable and marketable securities, a personal guarantee of a related person and a pledge of its shares held by a subsidiary.

7. Share capital:

(a) Authorized —

At the Annual General Meeting of the Company on December 23, 1982, the shareholders approved an increase in the Company's authorized share capital from 5,000,000 to 10,000,000 shares with a par value of one cent.

(b) Issued —

Changes in share capital of Agnes & Jennie during the periods are summarized as follows —

	Common shares	
	Number	**Value of consideration**
Balance as at February 28, 1981	2,155,003	$ 52,315
Redeemed and cancelled on settlement of receivable from related party (Note 12(c))	(250,000)	(4,628)
Issued for cash	6,000	3,000
Balance as at February 28, 1982	1,911,003	50,687
Issued for cash	10,000	32,500
Issued for equipment	30,590	99,420
Issued for mining interests	45,144	146,719
Common shares as at December 31, 1982	1,996,737	$329,326
800,000 second preference shares issued as a stock dividend on common shares declared July, 1982		$800,000

The value of the second preference shares issued as a stock dividend has been included in contributed surplus in combining the financial statements under the pooling of interests method.

There were no changes in the issued share capital of Nu-Energy during the periods ended June 30 and December 31, 1982, other than in connection with the combination of the businesses (see Note 1).

(c) Contributed surplus —

Changes in contributed surplus under the pooling of interests method during the periods are summarized as follows —

	Nu-Energy	Agnes & Jennie	Pooling Adjustment*	Combined total
Period ended June 30, 1982 —				
Balance, beginning of period	$2,034,267	$1,629,615	$ 10,222	$3,674,104
Additions (deletions) —				
Redeemed and cancelled common shares	—	(807,872)	(4,628)	(812,500)
Common share issues (net)	—	—	3,000	3,000
Balance, end of period	2,034,267	821,743	8,594	2,864,604
Period ended December 31, 1982 —				
Additions —				
Disposal of Nu-Energy shares held	—	1,200,770	—	1,200,770
Common share issues	—	—	278,639	278,639
Second preference shares issued as stock dividend	—	800,000	—	800,000
Balance, at December 31, 1982	$2,034,267	$2,822,513	$287,233	$5,144,013

**Represents excess of Agnes & Jennie issued common share capital over the par value of Nu-Energy shares to be issued in exchange under the combination transaction.*

(d) Shares held by the Company and a subsidiary —

	Shares	Cost
Company	35,600	$311,569
Agnes & Jennie	228,502	28,119
Balance at December 31, 1982	264,102	$339,688

The shares held by the Company were purchased in the open market in the years ended June 30, 1982 and 1981.

The holdings of Agnes & Jennie represent the balance of shares originally received in 1976 as consideration for the sale of an interest in the Erickson Gold Mine property to the Company. Dispositions of the shares over the succeeding years have occurred and gains arising have been included in contributed surplus. Disposals in the period ended December 31, 1982 (June 30, 1982 — Nil) are summarized as follows —

	Number of shares	Cost	Gain on disposal
Balance, beginning of period	557,002	$68,524	
Disposals —			
To shareholders and related parties in repayment of loans	(120,000)	(14,759)	$ 485,240
As settlement of a lawsuit	(41,000)	(5,043)	191,758
For cash	(167,500)	(20,603)	523,772
	228,502	$28,119	1,200,770
Less: Deferred income taxes			300,000
			$ 900,770

The shares held by Agnes & Jennie are pledged as security for a bank demand loan (see Note 6) and for performance under a contingent guarantee of indebtedness of a previously related company (see Note 11).

8. Oil and gas interests:

The Company wrote-down by $900,199 the carrying value of oil and gas interests to estimated net realizable value at June 30, 1982. Subsequently, the Company has determined a change in its participating interests in certain properties which reduced the write-down required by $116,205. This reduction has been reflected in income in the period ended December 31, 1982.

9. Remuneration of directors and senior officer:

The Company paid to a senior officer, who is also a director, direct remuneration in the amount of $13,800 for the period ended December 31, 1982 (June 30, 1982 — $27,600). In addition directors' fees totalling $8,400 were paid during the period (June 30, 1982 — $11,400).

10. Commitments:

The Company and its subsidiaries are committed under various option agreements to acquire or earn interests in mineral claims. These agreements generally require periodic cash payments (or other consideration) to maintain the options and provide for further payments on a basis related to production should the properties be developed.
The agreements also provide for cancellation of the options in the event of default in payments or on thirty days notice by the optionee. At December 31, 1982, the Company was mining from one group of mineral claims under option and paying 5% of the net smelter returns on production therefrom (to a maximum total consideration of $500,000, of which $91,000 had been paid to date) and had minimum annual payments under other agreements of approximately $75,000, of which $30,000 is recoverable from others under assignments of option interests.

11. Contingent liability:

Agnes & Jennie is contingently liable for a guarantee in the maximum amount of $1,500,000 given on a bank loan of a previously related company, AJM Vieri Gold and Silver Refining Corp ("AJM Vieri"). The loan is in default, and the bank has demanded payment from Agnes & Jennie on the guarantee. Agnes & Jennie has an indemnification from the purchaser of its interest in AJM Vieri with respect to the guarantee, and is currently involved in litigation to enforce the indemnification.

Subsequent to December 31, 1982, the former major shareholders of Agnes & Jennie agreed with the bank to indemnify and save harmless the Company from any loss which may be incurred on the guarantee. In addition, the bank agreed not to pursue payment by Agnes & Jennie prior to enforcing certain other security for its loan and not to pursue payment by Agnes & Jennie prior to December 31, 1983.

12. Related party transactions:

(a) The Erickson Gold Mine Joint Venture pays AJM Exploration Ltd. ("AJM"), a company affiliated with Agnes & Jennie, for the services rendered by certain employees of that company and for a portion of the cost of shared premises and equipment. Total charges were $181,000 for the period ended December 31, 1982 (June 30, 1982 — $224,000).

Additionally, during the period ended December 31, 1982, Agnes & Jennie terminated an arrangement with AJM whereby they jointly explored and developed mining properties. A subsidiary of Agnes & Jennie, AJM Metals Ltd. ("Metals"), acquired the interest of AJM, and the profits interests of its employees, in two properties for $146,719 settled by the issue of 9,000 common shares of Metals. Subsequently, Agnes & Jennie acquired these shares by the issue of 45,144 of its common shares. Additionally, the company sold two other property interests to AJM for $10,000.

(b) Agnes & Jennie acquired computer equipment from Alaskex Mining Corporation Ltd. (N.P.L.), a shareholder, at an appraised value of $99,420. The purchase was effected through the issue of 30,590 common shares during the period ended December 31, 1982.

(c) Agnes & Jennie was formerly a shareholder of AJM Vieri Gold and Silver Refining Corp. ("AJM Vieri"). An amount receivable of approximately $1,500,000 from AJM Vieri was written off during the period ended December 31, 1982 under terms of an agreement by which the other shareholders of AJM Vieri acquired the shares in AJM Vieri held by Agnes & Jennie and surrendered their shares in Agnes & Jennie.

Additionally, Agnes & Jennie has guaranteed a $1,500,000 bank loan of AJM Vieri (see Note 11).

(d) Shareholders and related parties —

Liabilities to certain shareholders and related parties were settled during the period ended December 31, 1982 for 100,000 shares of the Company valued at the existing market price of $4.50 per share and for a further 20,000 shares at a previously agreed price of $2.50 per share.

The Company and a bank reached agreement that certain former shareholders of Agnes & Jennie shall indemnify and save harmless the Company from any loss which may be incurred under the guarantee referred to in Note 11.

AUDITORS' REPORT

To the Shareholders of Erickson Gold Mines Ltd.
(formerly Nu-Energy Development Corp.):

We have examined the consolidated balance sheet of Erickson Gold Mines Ltd. as at December 31, 1982 and the consolidated statements of operations, deficit and changes in financial position for the period 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 December 31, 1982 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the business combination as described in Note 1, on a basis consistent with that of the preceding period.

Price Waterhouse

Chartered Accountants

March 2, 1983
Vancouver, B.C.

CORPORATE INFORMATION

Directors

C.S. Walker	J.E. Prothroe
J.B. Abernethy	P.J. Furlong
K.R. Beedie	R.D. Armstrong
P.L. Whittall	A.D. Ross
A.J. Wallrap	K. Ross

Officers

A.D. Ross, Chairman
C.S. Walker, President
K. Ross, Vice-President and Chief Executive Officer
F.W. Davidson, Secretary-Treasurer

Audit Committee

R.D. Armstrong (Chairman)
J.E. Prothroe C.S. Walker P.L. Whittall

Senior Operating Personnel

R. Somerville, P.Eng. — Exploration Manager and Chief Geologist
A.T. Fisher, P.Eng. — General Manager, Mining
A. Beaton, P.Eng. — Mine Manager

Annual General Meeting

May 10, 1983, 10 a.m., Hyatt Regency Hotel, Vancouver, B.C.

Solicitor and Registered Records Office

Douglas M. Norby
700 - 925 West Georgia St., Vancouver, B.C. V6C 1R8 Telephone (604) 683-7454

Corporate Offices

1217 East 4th Street, North Vancouver, B.C. V7J 1G8 Telephone (604) 986-5661

Transfer Agent

Montreal Trust Company, 466 Howe St., Vancouver, B.C. V6C 2A8

Auditor

Price Waterhouse, 1075 West Georgia St., Vancouver, B.C. V6E 3G1

Listings

Canada - Vancouver Stock Exchange — Symbol — EGM. U.S.A. - NASDAQ — Symbol — ERGMF

Capitalization

10,000,000 shares of one cent par value authorized. 8,190,046 shares issued.*

**264,102 of these held by the company or its subsidiaries.*

ERICKSON
GOLD

ERICKSON GOLD MINES LTD.

1217 East 4th Street, North Vancouver, B.C., V6C 1R8
Telephone (604) 986-5661