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Western Canadian

MINING CORPORATION

FIRST ANNUAL REPORT 1987

CORPORATE PROFILE ..

Western Canadian Mining Corporation is a Vancouver-based mineral resource exploration and development company that was created and became a publicly traded company in January 1987 through the combination of Western Canadian Mining (WCM) Ltd. and Equine Resources Ltd. The Company is engaged in exploration and development in Canada and currently holds varying interests in 21 mineral exploration properties. These properties are at different stages of evaluation and include gold, base-metal, uranium, and industrial mineral deposits.

During its first year of operations the Company has managed several major exploration programs funded principally through the issuance of flow-through shares.

The goal of Western Canadian Mining Corporation is to become a diversified producing mining company.

As at June 30, 1987 6,723,330 Common Shares were issued and outstanding. The Company is listed on the Vancouver Stock Exchange under the symbol WCD. Western Canadian will prove attractive to prospective shareholders interested in participating in a vigorous, growing company.

ANNUAL MEETING

The Annual General Meeting of Shareholders will be held on December 29, 1987 in the Shuswap Room, Four Seasons Hotel, 791 West Georgia Street, Vancouver, B.C. commencing at 11:00 o'clock in the forenoon (Vancouver time). Shareholders are encouraged to attend the Annual Meeting. Those unable to do so are asked to sign and return the form of proxy mailed with the Annual Report.

DIRECTORS REPORT TO THE SHAREHOLDERS

It is with pleasure and enthusiasm that the first Annual Report of Western Canadian Mining Corporation is presented. This report gives a review of the year's activities including Financial Statements to June 30, 1987.

The first half of 1987 has been an exciting period. Western Canadian Mining Corporation is a financially strong, growth-oriented gold exploration company operating a portfolio of mineral holdings, which include a number of highly attractive gold properties.

Top priority during 1987 has been given to the Kerr gold-silver-copper and the Gossan gold properties in the Sulphurets Creek and Iskut River areas of Northwestern B.C.

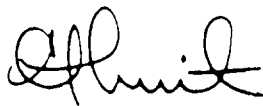
The 1987 exploration and development budget is \$1.75 million, of which \$1.5 million is being spent on exploration surveys and extensive drilling on the Kerr and Gossan gold properties. Our total exploration exposure, combined with joint venture partner contributions, exceeds \$2.5 million. Work in 1987 has produced promising mineralization and assay results on both the Kerr and Gossan properties, and major drilling programs are anticipated for 1988.

The initial financial support to launch the Company and to complete the 1987 exploration programs was provided through a private placement early in the year and the raising of \$1.7 million in flow-through funding from NIM Management Ltd. and The Mintax Group.

A budget of \$1.5 million has been approved for the Company's 1988 exploration programs. This will be funded by the issue of common shares by way of a flow-through agreement with NIM Management Ltd.

The Board of Directors, management, and technical team bring extensive experience to all aspects of exploration, development, mining and financing. Our highly skilled exploration team is constantly looking for new acquisitions and are actively pursuing properties in British Columbia, Ontario and Quebec.

We look forward to an exciting and promising 1988!



C.A. Smith
Chairman



J.D. Little
President

October 30, 1987.

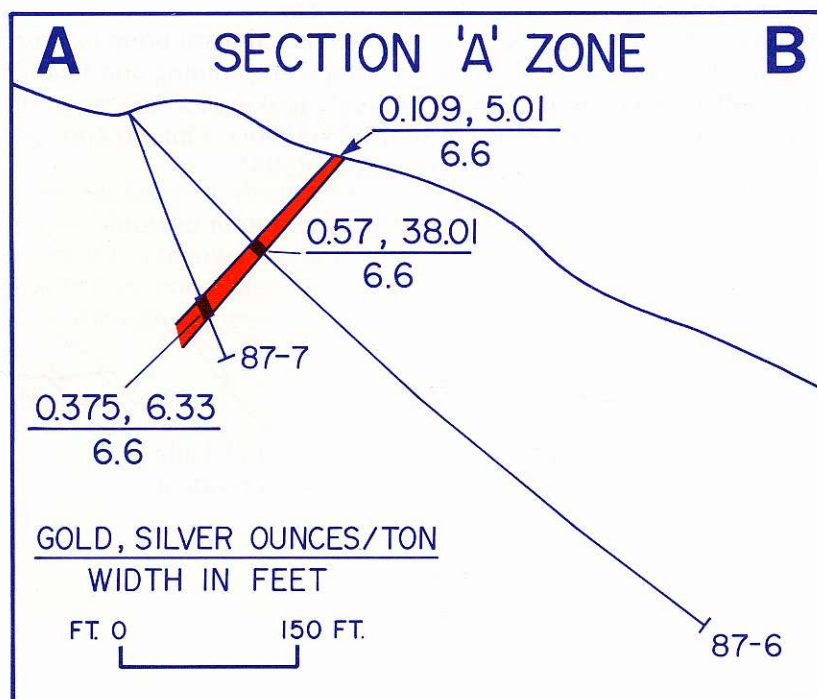
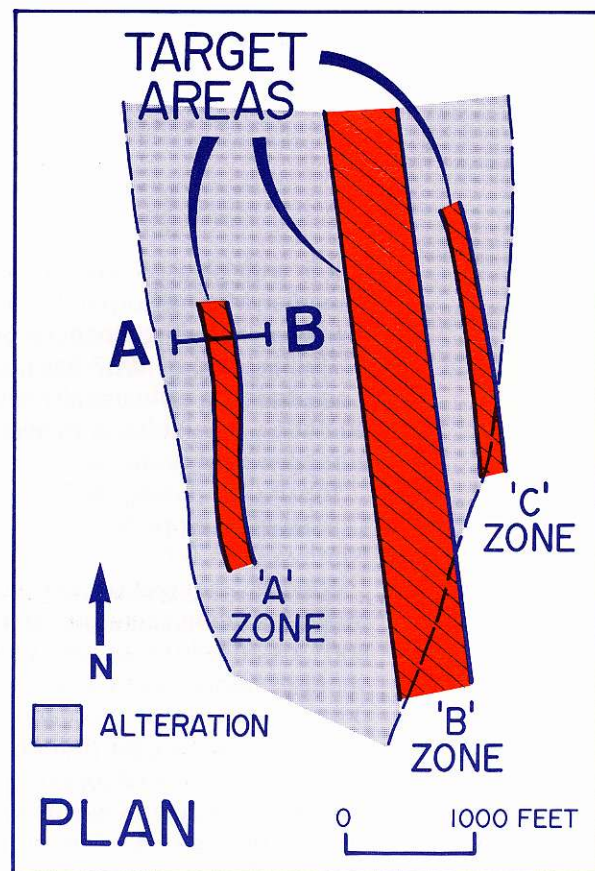
KERR PROPERTY, British Columbia

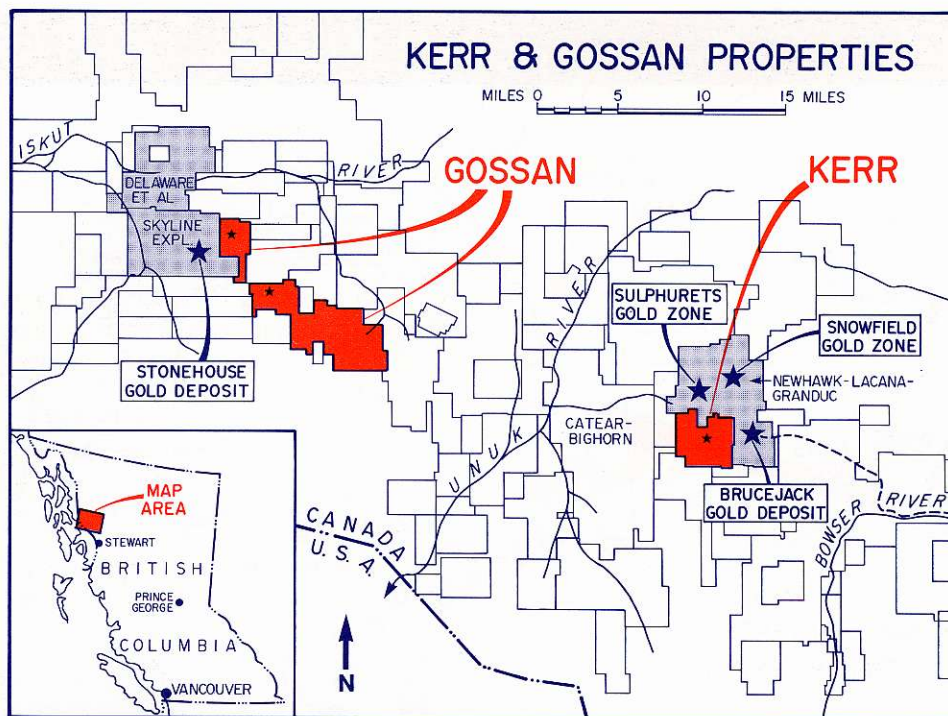
A successful 1987 exploration program has been completed on the Kerr gold property. Diamond drilling, trenching and geochemical surveys have identified three principal and two secondary target areas. The most advanced at this time, Zone A, contains good values of gold and silver in rock chips and diamond drill core.

High grade gold mineralization in Zone A is traced on surface for 1000 feet. Values from surface samples are up to 2.22 ounces gold per ton with 9.13 ounces silver per ton and 0.7% copper. Drilling has intersected the Zone at depth and gold values may vary from 0.573 ounces per ton to 0.234 ounces per ton over 6.6 feet. Two diamond drill holes have followed the gold mineralization down dip for 200 feet with assays averaging 0.474 ounces gold per ton, 22.17 ounces silver per ton and 2.86% copper across 6.6 feet.

A second gold zone, C Zone, 2000 feet to the east, contains up to 0.23 ounces gold per ton across 19.7 feet within a target area 2300 feet long and 300 feet wide.

Between the two gold zones a geophysical survey and trench sampling have identified a copper target, known as B Zone, 3000 feet long and 600 feet wide. One hole has been drilled within the zone and returned 0.95% copper over 284 feet – the length of the hole. A second hole, 500 feet to the west, just reaching the zone, is 0.61% copper over the last 266 feet. Gold content is 0.01 ounce per ton. A potential large tonnage open-pit copper deposit with gold credit exists.



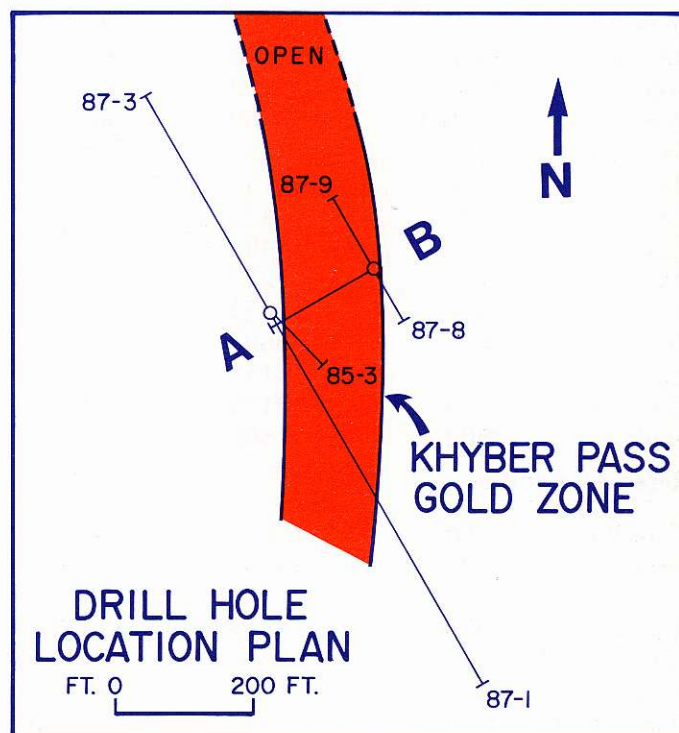
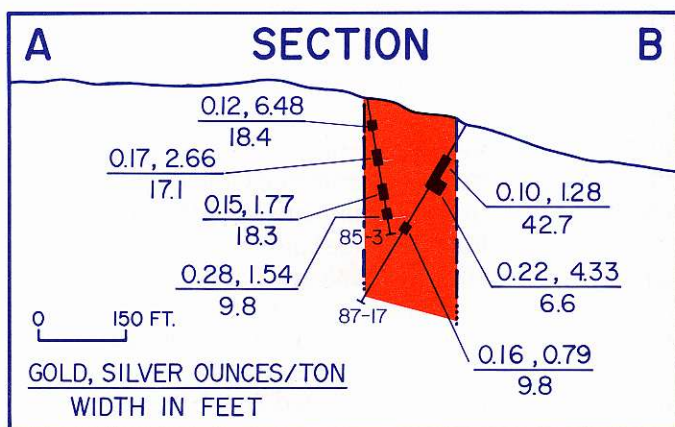


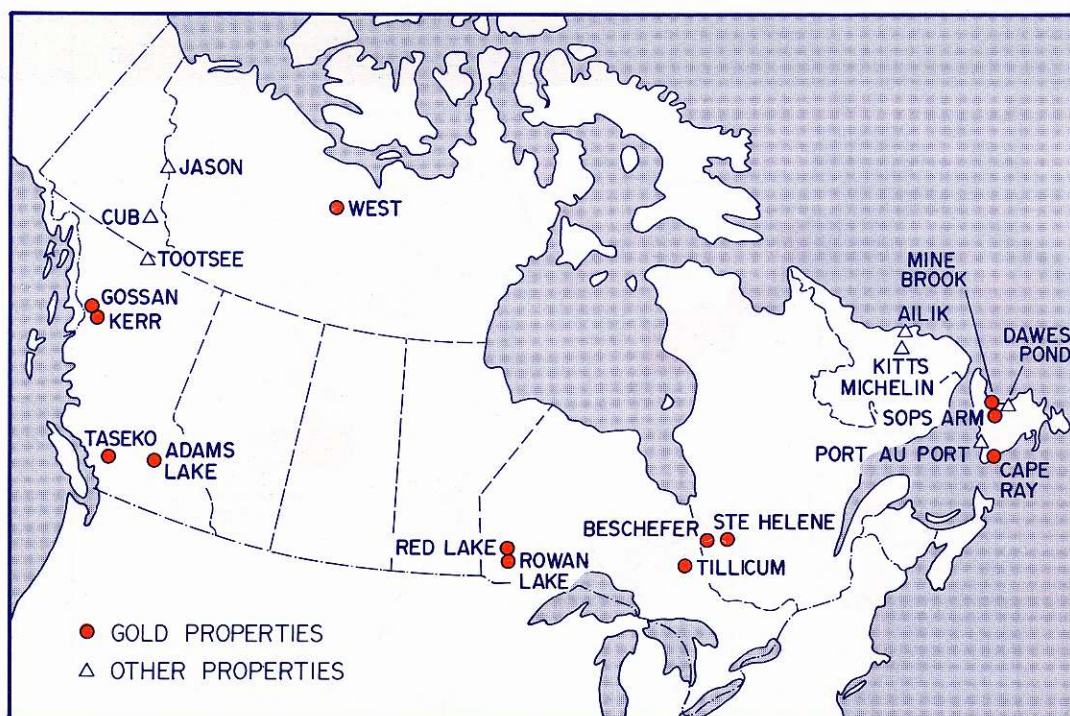
GOSSAN PROPERTY, British Columbia

A comprehensive 1987 exploration program including diamond drilling of 7278 feet over 18 holes, mapping, and extensive rock and soil sampling has been completed. The most significant target is the Khyber Pass Gold Zone which is 150 feet thick, northerly striking and steeply dipping. The Zone contains several parallel gold-bearing massive sulphide zones associated with silver, copper, and zinc. Numerous high grade values repeat within the Zone giving an average of 0.10 ounces

gold per ton, 1.28 ounces silver per ton, and 0.30% copper over 42.7 feet. The Zone is open to the north and further drilling will be required to define its extent.

A further 7 gold target areas on the Gossan property remain to be evaluated. A prime gold target known as Pyramid Hill is characterized by extensive skarn alteration and base- and precious-metal geochemical anomalies.





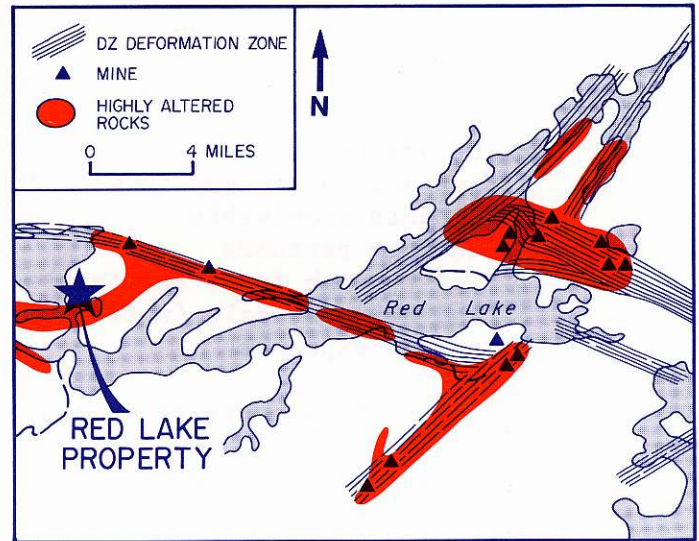
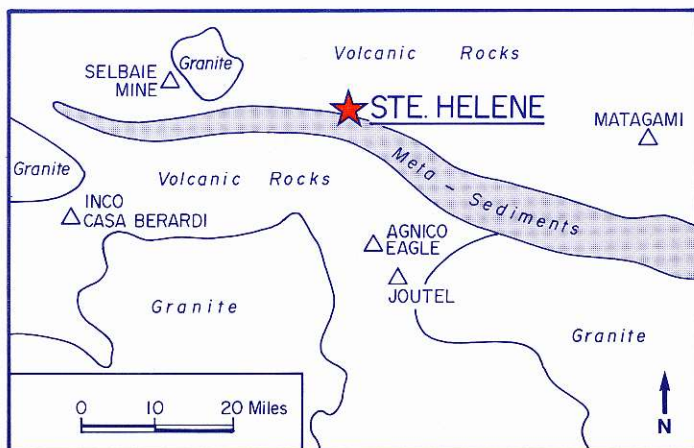
CANADIAN PROPERTIES

Property	Location	Gross Acreage	Commodity	% Interest	Exploration Target
Priority Properties					
Kerr	B.C.	7225	Au, Ag	70	High Grade Vein Gold Deposit
Gossan	B.C.	19019	Au	Earning 60	Medium Grade Bulk Tonnage Gold Deposit
Exploration Properties					
Mine Brook	Nfld.	1186	Au	100	Vein Gold Deposit
Red Lake	Ont.	550	Au	Earning 50	Vein Gold Deposit
Sop's Arm	Nfld.	8892	Au	100	Vein/Disseminated Gold Deposit
West	N.W.T.	2169	Au	25	Iron Formation Gold Deposit
Ste. Helene	Que.	2450	Au	39.5	Vein/Disseminated Gold Deposit
Beschefer	Que.	4150	Au	25	Vein/Disseminated Gold Deposit
Tillicum	Ont.	432	Au	4 NSR	Vein/Disseminated Gold Deposit
Taseko	B.C.	21489	Au	100	Bulk Tonnage Epithermal Gold Deposit
Adams Lake	B.C.	1729	Au	Earning 50	High Grade Vein Gold Deposit
Rowan Lake	Ont.	2253	Au	15	Vein Gold Deposit
Tootsie	B.C.	6607	Ag, Zn, Pb	44	Manto Silver/Base Metal Deposit
Cub	Y.T.	13153	W	33.33	Tungsten Skarn Deposit
Goose Arm	Nfld.	2175	Zn, Pb	50	Carbonate Hosted Zn/Pb Deposit
Sop's Arm	Nfld.	1580	Zn, Pb	10 NPI	Carbonate Hosted Zn/Pb Deposit
Reserve Properties					Reserves
Cape Ray	Nfld.	10060	Au	0.5 NSR	695,000 tons of 0.233 oz Au/ton
Jason	Y.T.	14565	Zn, Pb, Ag	21	11.98 million tons 7.12% Zn, 6.76% Pb, 2.25 oz Ag/ton
Kitts-Michelin	Nfld.	5745	U	60	26.3 million lbs U ₃ O ₈ in 5 Deposits
Dawes Pond	Nfld.	2726	Cu, Zn, Ag	52.36	1.2 million tons of 1.23% Cu
Ailik	Nfld.	247	Mo	100	2.0 million tons of 0.27% MoS ₂
Port au Port	Nfld.	4110	Limestone	100	330 million tons High Grade Limestone

EXPLORATION PROPERTIES

Exploration programs in 1987 were conducted on 11 gold properties and 1 limestone property in which Western Canadian Mining Corporation has an interest.

- In Newfoundland, a diamond drilling project is planned for November to trace gold mineralization on the **Mine Brook** property. Previous exploration programs obtained up to 1.25 ounces gold per ton over 2 feet in a trench and 0.24 ounces gold per ton over 5 feet in a drill hole.
- Two properties were worked in southwestern Newfoundland. A 2.1 mile access road was constructed to allow removal of a bulk sample from the **Port au Port** limestone property. This material will be used for quality testing and market studies.
- Joint Venture partners are spending \$4 million on the **Cape Ray** gold property located 42 miles west of the new Hope Brook gold mine owned by B.P. Selco. The property was explored in the late 1970s and early 1980s when mineable reserves of 695,000 tons of 0.233 ounces gold per ton were defined. Surface drilling and underground drifting are underway to increase reserves and obtain sufficient information for a feasibility study.
- In Labrador on the Kitts-Michelin properties, where reserves are 26.3 million pounds of uranium oxide, in excess of \$20 million has been spent on exploration and development. The company has obtained Ore Removal Permits from the Atomic Energy Control Board for the period 1986 - 1991.
- In northwestern Quebec, a 1500 foot diamond drilling program will commence this fall on the **Ste. Helene** gold property located 36 miles east of the Inco-Golden Knight Casa Berardi gold discoveries.



- Joint Venture partners are planning a major diamond drilling program on the **Tillicum** gold property in Ontario, to pursue previous results of 0.21 ounces gold per ton over 12 feet in a drill hole.
- Also in Ontario is the **Red Lake** gold property on the western end of Red Lake within a geological setting hosting 14 past and present producing mines. Gold values from 0.14 to 0.39 ounces gold per ton over 6 to 23 feet were obtained by drilling in the 1940s. The Company is funding a 1000 foot drill program in November to test targets defined by geological mapping and geophysical surveying.
- The **West** property, adjacent to the Lupin Gold Mine owned by Echo Bay in the Northwest Territories, was the site of a \$300,000 exploration program during the summer. The program was funded by Joint Venture partners who are evaluating and compiling results.
- More than \$1.5 million was spent on the **Kerr** and **Gossan** properties in northwestern British Columbia and results have been very exciting. High grade values of gold occur on both properties and a long intersection of copper and gold occurs on the Kerr. Exploration programs are being planned for 1988.
- Elsewhere in British Columbia, the Company has recently acquired the rights to earn an interest in the **Adams Lake** property located 5 miles north of the gold deposit on the Rea property.

Western Canadian Mining Corporation is continuing an aggressive program of property assessment and acquisition and is striving to bring a number of projects to the development stage.

WESTERN CANADIAN MINING CORPORATION

CONSOLIDATED BALANCE SHEET

June 30, 1987

Assets

Current assets:

Cash and short-term investments	\$ 605,321
Accounts receivable	83,208
Due from partners	25,080
Flow through funds receivable	179,451
Land held for sale (note 5)	75,000
Prepaid expenses	<u>10,402</u>

Total current assets 978,462

Long-term investment, at cost (note 8) 268,000

Fixed assets, at cost less accumulated depreciation 315,000

Mining properties (note 4) 5,001,565

Deferred exploration and administrative expenditures,
per accompanying statement 476,219

\$ 7,039,246
=====

Liabilities and Shareholders' Equity

Current liabilities:

Accounts payable	\$ 113,336
Deposit on land (note 5)	<u>10,000</u>

Total current liabilities 123,336

Deferred income taxes 524,893

Shareholders' equity:

Share capital (note 6)	6,211,566
Commitment to issue shares	<u>179,451</u>

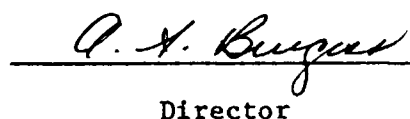
Total shareholders' equity 6,391,017

Commitments (note 9) \$ 7,039,246
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See accompanying notes to consolidated financial statements.

Approved by the Board of Directors:


Director


Director

WESTERN CANADIAN MINING CORPORATION

CONSOLIDATED STATEMENT OF DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENDITURES

Period ended June 30, 1987 (Note 1)

Exploration:

Assays and geological	\$ 22,230
Engineering and surveys	213,752
Field and camp supplies	<u>71,115</u>

307,097

Less costs recovered and recoverable
from partners

60,549

246,548

Administrative:

Legal and consulting fees	140,887
Administration	73,830
Office facilities	16,053
Travel and promotion	3,607
Filing, transfer agent and registration fees	3,376
Other	<u>4,167</u>

241,920

Less interest income

12,249

229,671

Deferred exploration and administrative expenditures,
end of period

\$ 476,219

=====

See accompanying notes to consolidated financial statements.

WESTERN CANADIAN MINING CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Period ended June 30, 1987 (Note 1)

Investing activities:

Deferred exploration and administrative expenditures	\$ (476,219)
Cash acquired upon business combinations, net of consideration given	793,039
Additions to mining properties	(23,100)
Purchase of fixed assets	(841)
Investing activity not requiring use of cash:	
Acquisition of long-term investment	(268,000)
Deferred income taxes	524,893
Net changes in non-cash working capital balances relating to investment activities	<u>(392,451)</u>
Cash provided from investing activities	157,321

Financing activities:

Issue of share capital	<u>448,000</u>
Increase in cash during the period	605,321
Cash and short-term investments, beginning of period	<u>-</u>
Cash and short-term investments, end of period	\$ 605,321 =====

See accompanying notes to consolidated financial statements.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Western Canadian Mining Corporation as at June 30, 1987 and the consolidated statements of deferred exploration and administrative expenditures and changes in financial position for the sixteen month 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 June 30, 1987 and the changes in its financial position for the sixteen month period then ended in accordance with generally accepted accounting principles.

September 15, 1987

Vancouver, Canada

Pest Munnick

Chartered Accountants

WESTERN CANADIAN MINING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1987

1. Incorporation and nature of operations:

The company was incorporated on January 16, 1987, under the Company Act of the Province of British Columbia upon amalgamation of Western Canadian Mining (WCM) Ltd. ("Western") and Equine Resources Ltd. ("Equine") (note 2(a)). The nature of the company's business and operations is the exploration, development and, ultimately, the exploitation of Canadian mineral properties. The operations of the companies included in the financial statements are those of Western from Western's date of incorporation, February 24, 1986, to January 16, 1987 and those of the company from January 16, 1987 to June 30, 1987.

2. Business combination:

(a) On January 16, 1987 Western entered into an amalgamation with Equine under which Western exchanged all of its capital stock for 5,142,584 common shares of the company and Equine exchanged all of its capital stock for 1,180,746 common shares of the company. As a result of the share exchange, control of the company passed to the former shareholders of Western which is deemed to be the acquirer for accounting purposes.

The share exchange was accounted for by the purchase method and accordingly for financial reporting purposes the net assets of Western are included in the balance sheet at book values and the net assets of Equine are recorded at fair market value at the date of acquisition.

The fair market value of the assets and liabilities of Equine as at January 16, 1987 was as follows:

Cash and short term investments	\$ 451,587
Accounts receivable	3,603
Mineral properties	18,265
Office equipment	5,159
Accounts payable	(12,610)
Advances from Western	<u>(46,638)</u>
	\$ 419,366
	=====

(b) On September 25, 1986, Western acquired all the issued and outstanding capital stock of 151634 Canada Inc. The acquisition has been accounted for as a purchase. The fair market value of the assets and liabilities of 151634 Canada Inc. as at September 25, 1986 was as follows:

Cash	\$ 341,462
Accounts receivable	183,441
Liabilities assumed	<u>(524,893)</u>
Consideration given	<u>10</u>
	=====

WESTERN CANADIAN MINING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

June 30, 1987

3. Significant accounting policies:

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, 151634 Canada Inc.

(b) Joint Venture accounting:

Substantially all of the company's exploration activities are conducted jointly with others and, accordingly, the accounts reflect only the company's proportionate interest in such activities.

(c) Mining properties:

The company capitalizes the cost of acquiring mining properties and exploration and administrative expenditures directly related to specific mining properties until such time as the extent of mineralization has been determined and mining properties are either developed or the company's mineral rights are allowed to lapse.

The cost of mining properties will be depleted and deferred costs will be amortized over the useful life of the properties upon commencement of commercial production or written off if the properties are abandoned or if there is an impairment in value.

The amounts shown for mining properties and deferred exploration and administrative expenditures represent costs spent to date and do not necessarily reflect present or future values.

4. Mining properties:

During the period, Western acquired interests in 21 mining properties located in various provinces of Canada, field equipment, a technical library, and land in Newfoundland. Consideration for the assets acquired was the issue of 534,400 redeemable preferred shares of Western, in equal proportions, to Consolidated Brinco Limited and to Cassiar Mining Corporation. These shares were later exchanged for 5,142,584 common shares of the company (see note 2(a)). The values assigned to these assets were as follows:

Mineral properties	\$ 4,960,200
Technical library	150,000
Field equipment	159,000
Land held for sale	<u>75,000</u>
	\$ 5,344,200
	=====

5. Land held for sale:

The company has entered into an agreement to sell a portion of the land acquired as per note 4. The purchaser has paid \$10,000 to June 30, 1987 and has agreed to pay \$15,000 on each of February 1, 1988 and February 1, 1989. As title will pass to the purchaser when final payment is received, no gain on sale has been recorded to date.

WESTERN CANADIAN MINING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

June 30, 1987

6. Share capital:

(a) Authorized:

10,000,000 preferred shares without par value, issuable in series.

90,000,000 common shares without par value.

(b) Issued:

	<u>Number of common shares</u>	<u>Amount</u>
For cash (note 6(c))	400,000	\$ 448,000
In exchange for Western shares (note 2(a))	5,142,584	5,344,200
In exchange for Equine shares (note 2(a))	<u>1,180,746</u>	<u>419,366</u>
	6,723,330	\$ 6,211,566
	=====	=====

(c) Placements:

During the period, through a private placement, the company issued 400,000 common shares for cash.

(d) Shares held in escrow:

As at June 30, 1987, 225,000 common shares are held in escrow, their release being subject to approval of regulatory authorities.

(e) Options:

During the period, the company granted to officers and directors options to purchase 475,000 common shares at a price of \$1.00 per share and to one director options to purchase 50,000 common shares at a price of \$1.40 per share. All options are exercisable on the basis of one-third March 10, 1988 or the date of shareholder approval, whichever is earlier; one-third March 10, 1989; and the balance up to March 10, 1990.

7. Income taxes:

As a result of transactions with respect to flow through shares, at June 30, 1987 the amount of deferred exploration and administrative expenditures recorded in the accounts exceeds the amount available for income tax purposes by approximately \$180,000.

8. Related party transaction:

The company acquired 291,304 units of Pedco Energy Limited ("Pedco"). Each unit consists of one common share and one share purchase warrant entitling the holder to acquire a further common share for \$1.12 at any time prior to November 21, 1987. Three directors of the company are also directors of Pedco.

WESTERN CANADIAN MINING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

June 30, 1987

9. Commitments:

(a) Flow through common share placements:

During the period, the company entered into agreements with three limited partnerships whereby the limited partnerships receive flow-through common shares of the company in return for financing Canadian Exploration Expenditures ("CEE"). Total amounts committed to be spent on CEE to December 31, 1987 are \$1,700,000. At June 30, 1987 the company was committed to issue 150,546 flow-through common shares representing \$179,451, the amount spent to date relating to these agreements.

The deduction for income tax purposes of CEE arising from the expenditure of these exploration funds will be renounced in favour of the limited partnerships.

(b) Attached to one of the properties acquired as in note 4 is an agreement to acquire a 60% interest in 608 mining claims. Consideration for the acquisition is annual cash payments to the vendor made to 1990 totalling \$175,000. In addition, a total of \$1,500,000 in exploration expenditures must be incurred by the company on the property by December 31, 1990.

(c) Lease payments:

During the period the company entered into lease agreements for office and warehouse space. The future minimum lease payments to 1991 are as follows:

<u>Year</u>	<u>Minimum lease payment</u>
1987	\$ 20,146
1988	37,892
1989	37,892
1990	44,444
1991	<u>44,444</u>
	\$ 184,818
	=====

10. Subsequent events:

Subsequent to June 30, 1987 the company received \$950,000 from a limited partnership in consideration for the issue of 710,663 common shares (note 9(a)).

CORPORATE INFORMATION

Directors

C. Alan Smith, Calgary, Alberta
J. Douglas Little, Vancouver, British Columbia
Winslow W. Bennett, Vancouver, British Columbia
Thomas N. Dirks, Calgary, Alberta
Gordon D. Ewart, Toronto, Ontario
Andrew S. Burgess, Calgary, Alberta

Officers and Senior Personnel

C.A. Smith, Chairman
J.D. Little, President
A.A. Burgoyne, Vice President and General Manager
W.H. Smith, Secretary
R.S. Hewton, Exploration Manager

Audit Committee

J.D. Little
A.S. Burgess
T.N. Dirks

Corporate Office

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Telecopier (604) 684-3178

Solicitors

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Calgary, Alberta
T2P 3S8

Freeman & Company
19th Floor, 885 West Georgia St.
Vancouver, B.C.
V6C 3H4

Auditors

Peat Marwick
Chartered Accountants
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V6E 3P3

Registrar and Transfer Agent

Guaranty Trust Company of Canada
800 West Pender Street
Vancouver, British Columbia
V6C 2V7

Stock Exchange Listing

Vancouver Stock Exchange
Symbol WCD

Metric (SI) Conversion Table

To Convert Imperial Units (IU) to Metric (SI)

1 Acre (ac)	=	0.40469 Hectare (ha)
1 Foot (ft)	=	0.305 Metre (m)
1 Mile (mi)	=	1.609 Kilometre (km)
1 Ounce (troy)	=	31.1035 Grams (gr)
1 Ton (t)	=	0.9072 Tonnes (t)
1 Ounce (troy)/ton	=	34.2857 Grams/tonne

Western Canadian Mining Corporation

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