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Better Resources Limited

Suite 201 - 717 West Pender Street,
Vancouver, British Columbia V6C 1G9

Better Resources Ltd.

ANNUAL REPORT
1988



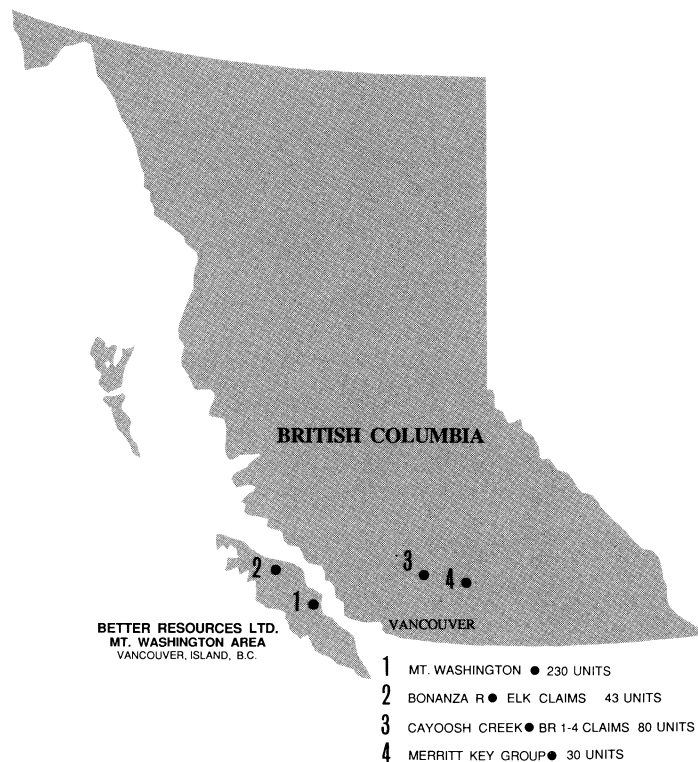
COMPANY PROPERTIES

The Company holds four blocks of claims in British Columbia: the Mt. Washington property, the Key Group at Merritt, the Elk claims on Bonanza River, Vancouver Island and the BR claims on Cayoosh Creek near Lillooet. The Mt. Washington property is our major activity and will be reviewed in detail.

The Key Group at Merritt is the original property of the Company and covers a similar geologic setting to the famous Craigmont Mine immediately to the east, where high grade copper ore is hosted by skarn adjacent to the Guichon batholith. A limited program of assessment drilling is proposed for 1988. This property should be an attractive joint venture for copper if copper prices stabilize at higher levels.

The Elk claims were staked in 1987 to cover the projected source of fine placer gold in the Bonanza River. Prospecting of the area shows a major contact between volcanics and intrusives crossing the claims, which may be the gold source.

The BR claims were staked to cover sheared and altered sediments and volcanics that cross the Cayoosh Creek and host some old gold occurrences. This property has yet to be prospected, but an evaluation is planned in 1988.



BETTER RESOURCES LTD.

LETTER TO THE SHAREHOLDERS

On behalf of the Board of directors, we are pleased to present the Annual Report for the fiscal year ended April 30th, 1988. This past year has been our most active on the Mt. Washington Gold Project on Vancouver Island, British Columbia.

Better Resources has raised over \$2.0 million through the facilities of Canarim Investment Corporation, and NIM Resource-1987 and Company, Limited Partnership; NIM and Company, Limited Partnership-1987; and NIM and Company, Limited Partnership-1988.

In 1987, the Company spent \$1.5 million on the Mt. Washington Gold Project. The 1987 exploration and development program included extension of soil sampling, road and site building, 29,000 feet of diamond drilling and 912 feet of 8 ft. by 8 ft. underground incline to explore the gold and silver deposit. Ore reserves were extended and confirmed. Metallurgical testing of the ore now underway indicates potential high gold recoveries by flotation, bio-oxidation and cyanidation. A joint venture on a 39 claim portion of the property was negotiated with Noranda Exploration Company, Limited in 1987.

In addition, we are pleased to report that the Company is adequately financed with NIM and Company-1988 Flow Through Shares. This funding will support the extensive confirmatory exploration program in 1988 and will allow the Mt. Washington Gold Project to reach the feasibility stage by year end.

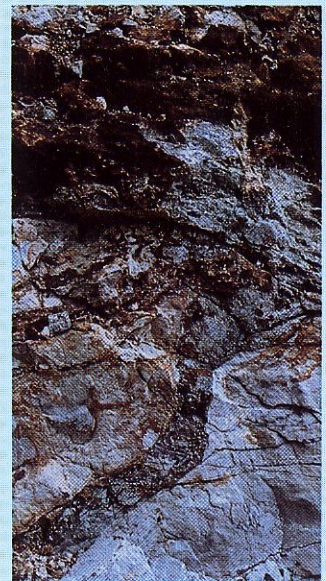
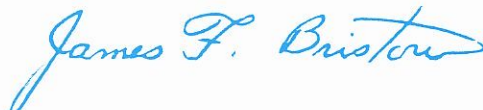
We would like to express our appreciation for the support of our shareholders. We would also like to commend the splendid work of the Company's staff and contractors who have made maximum efforts in the successful exploration of the Mt. Washington ore deposits.

On behalf of the Board of Directors

Clifford C. Rennie, P.Eng.
Chairman of the Board



James F. Bristow, P.Eng.
President



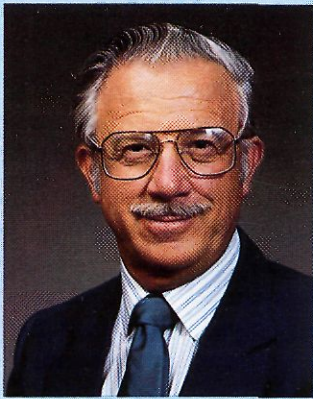


BETTER RESOURCES LTD.

DIRECTORS

Better Resources Ltd. was incorporated in British Columbia in May, 1981 and became a public company in March, 1983. The name, Better Resources, was selected because it was the intent of your Directors to select, acquire and explore only above average mineral projects, thereby providing you, our shareholders, with a "better" portfolio. We believe our successful gold program at Mt. Washington on Vancouver Island reflects this policy. Your Board of Directors have extensive knowledge in mineral exploration, mine geology, mining and finance, and decades of collective experience with major companies.

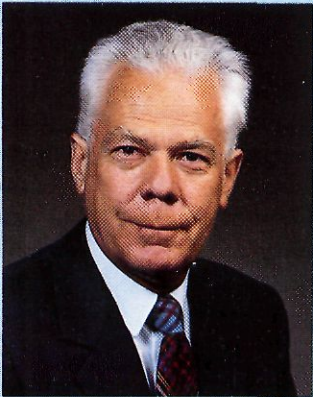
*C.C. Rennie, B.A.Sc., P.Eng.
Director & Chairman of the Board*



Cliff Rennie has 38 years of experience in mine geology, mining, and exploration. During his 35 years with Placer Development, he served as senior geologist at the Jersey lead-zinc and Emerald tungsten mines at Salmo and the Craigmont Copper Mine at Merritt, B.C.

Cliff was involved in exploration on numerous properties including Gibraltar Mines. Cliff was in exploration overseas, in Queensland, Australia on Lady Annie copper and Lady Loretta lead-zinc deposits and in Surinam, South America on gold deposits. He is actively involved in every phase of Better Resources' successful mining and corporate projects.

*James F. Bristow, B.A., P.Eng.
Director and President*



Jim Bristow has been President of Better Resources since its incorporation in 1981. He has mine geology and supervisory experience at Salmo and Craigmont Mines in B.C., and he has exploration experience in South Africa, and in New Brunswick and British Columbia with Placer Development. In 1979, Jim established his own consulting practice, and also worked for the B.C. Department of Mines. Jim directs all Better Resources field programs, and supervises a very dedicated and competent crew on Mt. Washington.



Dennis W. Milburn, B.A., C.A.
Director and Secretary-Treasurer

Dennis Milburn is a Chartered Accountant and a Fellow of the Geological Association of Canada with extensive experience in North America as a geological consultant. In addition to his consulting, Mr. Milburn was associated with Deloitte, Haskins & Sells, and was admitted to the Institute of Chartered Accountants of British Columbia.

Dennis Milburn is Vice-President of NIM Management Ltd., and is actively involved in projects related to mining.

Dennis C. Baxter
Director

Dennis Baxter became Director in 1986 and arranged the financing that permitted an accelerated exploration program at Mt. Washington. This resulted in further funding that put Better Resources in a secure financial position. Dennis is former President of Colony Pacific. His exploration activities and participation in financing the Blue Moon project in California resulted in development of this massive sulfide project. Dennis has established many contacts in the financial and brokerage community.

Richard E. Kucera, Ph.D.
Director

Dick Kucera is a consulting geologist with 29 years of experience in geological exploration from the Arctic to the southwestern United States, as well as in British Columbia and the northern Rocky Mountains. Dick has produced a comprehensive photo-geological map of the Mt. Washington area. Dick taught geology and air photo interpretation for engineers at U.B.C. for two decades. His experience in photo geology will be used to evaluate new properties for Better Resources.

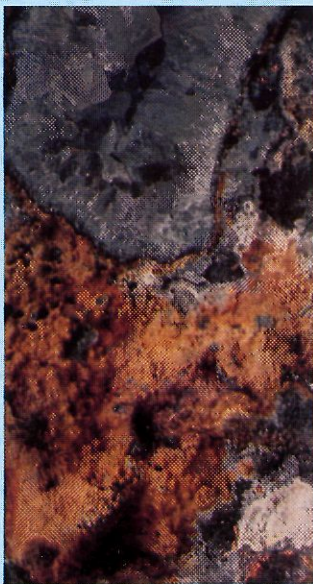




MT. WASHINGTON GOLD PROJECT

VANCOUVER ISLAND, B.C.

Since 1983, the Company has been exploring its 100% owned gold and silver property at Mt. Washington on Vancouver Island. The property, which covers some 12,000 acres, lies on the northern, eastern and western slopes of Mt. Washington, on the east central side of Vancouver Island. The area lies approximately 18 miles by paved and gravel roads from the town of Courtenay. This property is ideally situated with regard to access to 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, generally west-dipping structure that appears to control mineralization in the copper pits and in the Domineer and Lakeview gold zones. This structure, which could be a thrust fault, has 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 this Tertiary breccia zone.

UNDERGROUND EXPLORATION

The 1987 underground exploration program was successful in all objectives. The program established continuity of mineralization, checking grades of ore against drill holes, establishing ground conditions for underground mining and provided metallurgical samples. The 8 ft. by 8 ft. heading section required minimal support beyond the weathered surface section indicating that low cost room and pillar mining would be effective and safe. A 6,000 ton stockpile of ore grade material has been established at the portal and covered for environmental protection.

METALLURGICAL TESTING

Metallurgical testing, under the direction of Gary Hawthorn, P.Eng., of Westcoast Mineral Testing, Inc., is progressing with very encouraging results. The approach used has been to extract a potentially marketable sulfide flotation concentrate containing approximately 25% of the gold, then bio-oxidizing the flotation tailings to liberate the remaining gold for extraction by cyanidation. This bio-oxidation is carried out in a few days and adds primarily to the capital cost of holding tanks. Overall indicated gold recovery is 92%. Capital and operating costs of this system will be studied in a feasibility report, but are not expected to be high. Tests so far have shown that gold recoveries are technically feasible with the possibility of improvement in operating practice.

MINERALIZATION

OYSTER BRECCIA ZONE

The Oyster Breccia zone is a 1200 ft. diameter collapse breccia with Comox breccia fragments collapsed at least 700 feet into the surrounding Karmutsen volcanics. Seven short drill holes in 1987 explored a shear zone dipping northward toward the breccia that was mineralized with arsenic minerals and some gold, but no ore grade was found. This breccia is characterized by intense sericite alteration of the clasts and vuggy quartz in the matrix. Geochemical sampling shows a gold-arsenic-antimony geochemical anomaly on the south-east side of the breccia that warrants extensive exploration.



DOMINEER AND LAKEVIEW

This is perhaps the most extensively mineralized zone, and to date has been the major focus of the Company's exploration effort. The Domineer zone describes the original discovery area on the east side of the northern ridge of Mt. Washington and its extensions, while the Lakeview zone refers to the outcropping structure on the west side of the ridge. Continuity of the structure through the ridge has been generally established by diamond drilling. The 1987 program of 29,000 ft. of drilling in 110 holes was mainly concentrated on the southern 1500 ft. of the Domineer/Lakeview zone to expand and confirm reserves, but included some exploratory holes on the Central Ridge and Oyster Breccia Zone. Soil geochemistry indicates the zone extends a further 3000 ft. north to the vicinity of the copper pits and this area will be explored in 1988.

1987 ORE RESERVES

The 1987 drill program results in the Lakeview and Domineer zones, together with the 1983, 1984 and 1985 drilling by the Company and previous operators, enabled the Company's staff to calculate new ore reserves.

In January, 1988 an interim "Mineral Inventory" was calculated based on the results of 22,073 feet NQ diamond drilling in 89 holes of the 1987 program, and previous drilling of 7,838 feet in 57 NQ holes in the Lakeview/Domineer area using 0.03 oz Au/ton cutoff.

Drill Indicated Tonnages are:

Location	Tons	oz Au/ton	oz Ag/ton
Possible open pit	419,900	.116	.58
Underground (+ .1 oz Au/ton)	559,600	.163	.73
Subtotal	979,500	.142	.67
Underground (0.05 to .099 oz Au/ton)	330,700	.069	.73
Underground (0.03 to .049 oz Au/ton)	217,100	.040	.72
Total Inventory	1,527,300	.112	.69

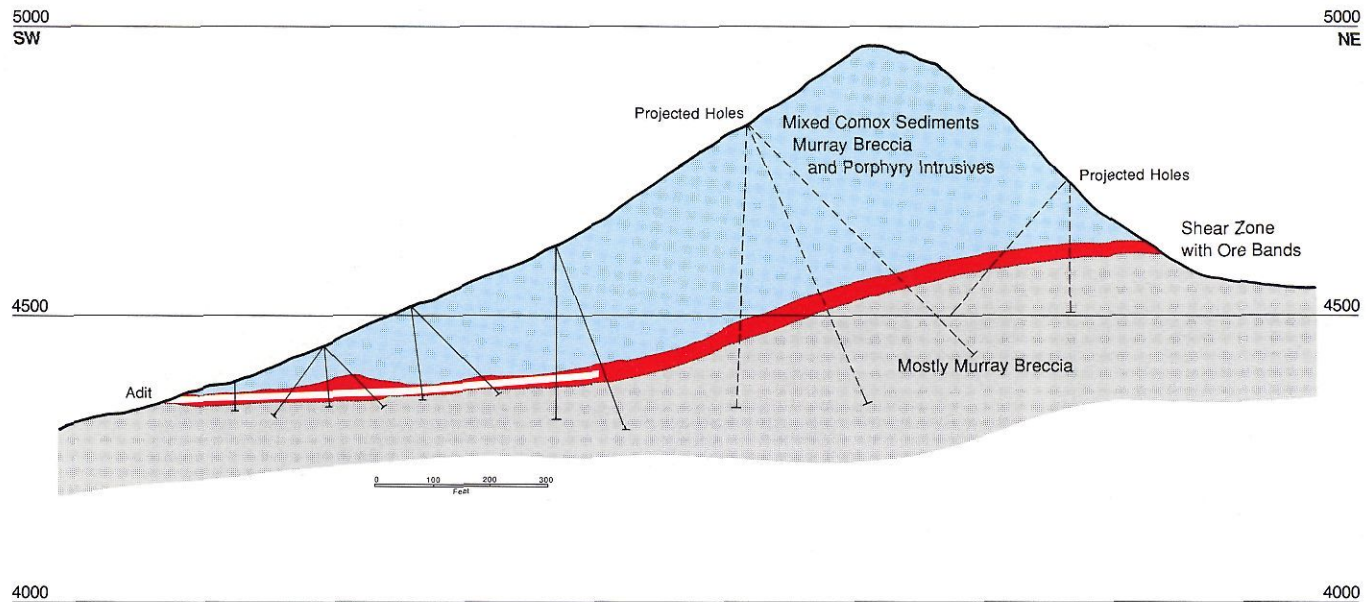
This represents a gross inventory of 171,500 ounces of gold and 1,052,000 ounces of silver, of which 48,800 ounces of gold and 243,000 ounces of silver could be available to open pit mining.

A second reserve calculation was prepared to illustrate the higher grade available by more selective mining by using a 0.10 oz gold/ton cutoff and a minimum 6 foot thickness, often eliminating footwall low grade material included in the above calculation. The drill indicated reserves at 0.10 oz gold per ton cut-off are:

Possible Open Pit	168,500	.233	.89
Underground	303,500	.270	1.48
Total	472,000	.257	1.27

Open pit and underground reserves are yet to be optimized, but ultimate mining tonnages and grade are expected to range between the two calculations. The initial mining from the Lakeview outcropping mineralized would be expected to provide above average grade for capital redemption.





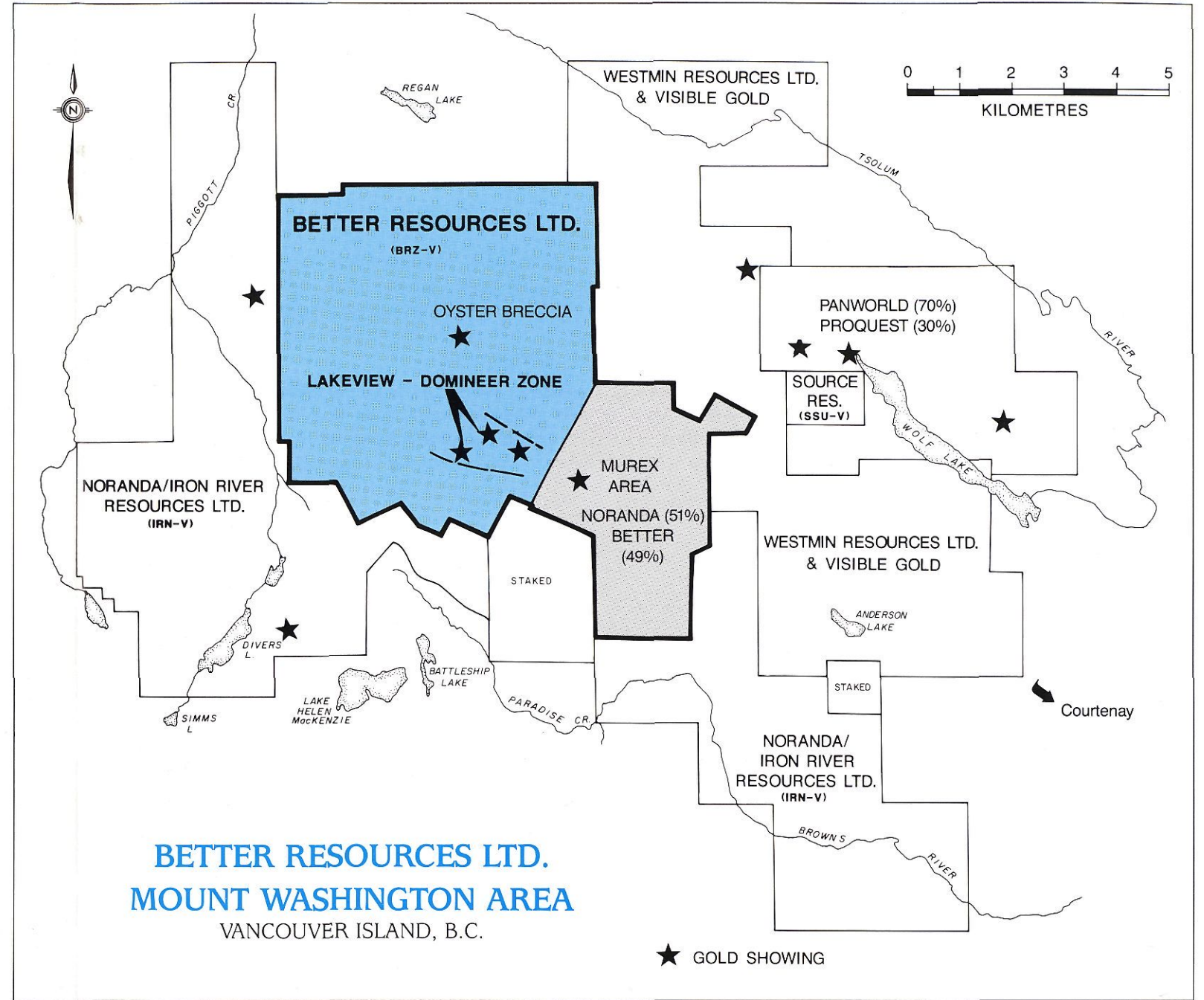
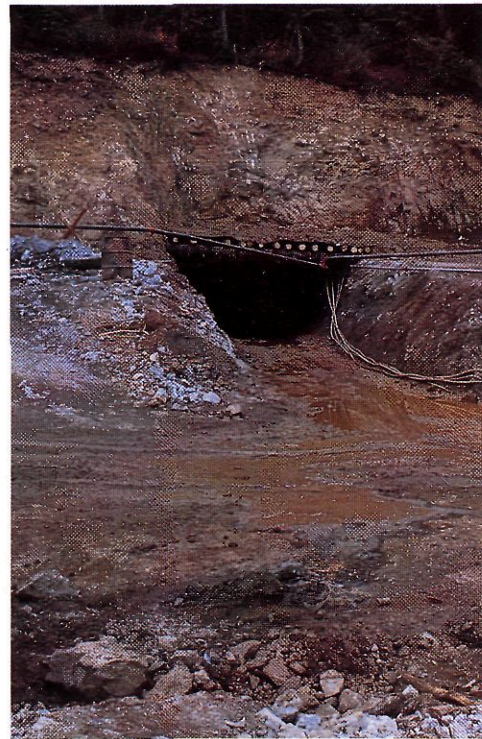
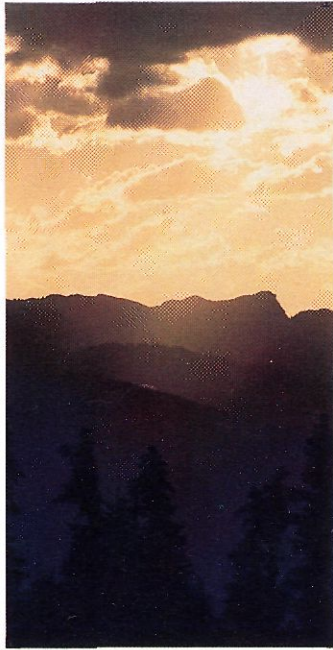
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MUREX BRECCIA ZONE-NORANDA JOINT VENTURE

In September 1987, a joint venture agreement was signed with Noranda Exploration Company, Limited for the exploration of 39 claims covering the Murex Breccia Zone, whereby Noranda can spend a total of \$2,500,000 on exploration by December 31, 1990 and pay Better Resources a total of \$100,000 to earn 51% interest in the claim block.

The Murex breccia is a large area of variable fragment breccia, mineralized with varying amounts of pyrite, pyrrhotite, chalcopyrite and magnetite in the breccia filling. Gold content varies; one hole drilled by our crews in 1986 intersected 42 feet of 0.22 oz gold per ton.

Noranda have established four target zones, with co-incident geochemical and geophysical anomalies, and will be drilling selected targets in 1988.



THE 1988 WORK PROGRAM

The 1988 program, initially budgeted at \$600,000, will extend and confirm the ore reserves in the Lakeview/Domineer area; extend the geochemical surveys; and drill other targets.

Sufficient data will be available on ore reserves, mining conditions and metallurgy to permit the commissioning of a feasibility study by year end.



BETTER RESOURCES LTD.

AUDITOR'S REPORT

To the Shareholders of
Better Resources Limited:

We have examined the balance sheet of Better Resources Limited as at April 30, 1988 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, 1988 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

Vancouver, Canada
July 28, 1988

Chartered Accountants



BETTER RESOURCES LTD.

BALANCE SHEET

for the year ended APRIL 30, 1988
(Canadian Dollars)

ASSETS	1988	1987
Current Assets		
Cash	\$ 140,696	\$ 26,533
Short-term investments	1,014,958	633,000
Prepaid expenses and accrued interest	112	2,998
	1,155,766	662,531
Mineral Claims (Note 2)	220,816	233,741
Deferred Exploration and Development Costs - Schedule	2,267,840	730,937
	\$3,644,422	\$1,627,209
LIABILITIES		
Current Liabilities		
Trade accounts payable	\$ 12,573	\$ 43,700
Loan payable	—	107,630
	12,573	151,330
SHAREHOLDERS' EQUITY		
Share Capital (Note 3)	3,631,849	1,475,879
	\$3,644,422	\$1,627,209

Approved by the Board:

C. G. Bennis Director
D. W. Millman Director



BETTER RESOURCES LTD.

STATEMENT OF CHANGES IN FINANCIAL POSITION

*for the year ended APRIL 30, 1988
(Canadian Dollars)*

	1988	1987
Changes in Working Capital Components		
Trade accounts payable	\$ (31,127)	\$ 38,437
Payable to shareholders	—	(8,468)
Prepaid expenses and accrued interest	2,886	(2,998)
	<u>(28,241)</u>	<u>26,971</u>
Cash Provided By (Used In) Financing Activities		
Issue of shares	2,155,970	997,035
Loan payable	(107,630)	107,630
	<u>2,048,340</u>	<u>1,104,665</u>
Cash Provided By (Used In) Investing Activities		
Exploration and development costs	(1,536,903)	(462,533)
Mineral claims	12,925	(13,331)
	<u>(1,523,978)</u>	<u>(475,864)</u>
Increase in Cash and Short-Term Investments		
	496,121	655,772
Cash and Short-Term Investments		
Beginning of Year	659,533	3,761
End of Year	<u>\$1,155,654</u>	<u>\$659,533</u>



BETTER RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENT

APRIL 30, 1988

1. SIGNIFICANT ACCOUNTING POLICIES

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

Short-term investments

Investments in term deposits and treasury bills are carried at cost.

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 relating to abandoned mineral claims will be charged to operations at the time of 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 development or sale of commercially exploitable mineral claims.

Flow-through shares

Share premiums from issues of flow-through shares are indicated in share capital.

2. MINERAL CLAIMS

	1988	1987
(a) Mineral claims in the Nicola Mining Division, British Columbia, acquired for 750,000 shares at \$0.01 per share from directors and shareholders of the Company	\$7,500	\$7,500
(b) Mineral claims 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	10,830
(carried forward)	18,333	18,333



BETTER RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENT

Notes, continued

2. MINERAL CLAIMS *continued*

	1988	1987
(brought forward)	18,333	18,333
(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 (net of option proceeds received of \$20,000; 1987 - \$Nil)	190,408	210,408
(e) Mineral rights for base metals on Mount Washington in Nanaimo Mining Division, British Columbia, acquired from Fording Coal Ltd. for cash of \$5,000	5,000	5,000
(f) Mineral claims staked on Bonanza River, Nanaimo Mining Division, British Columbia	5,775	—
(g) Mineral claims staked on Cayoosh Creek, Lillooet Mining Division, British Columbia	1,300	—
	<u>\$220,816</u>	<u>\$233,741</u>

During the year, the Company entered into an agreement with Noranda Exploration Company Ltd. ("Noranda") whereby, in consideration for option payments of \$20,000, Noranda may expend an aggregate of \$2,500,000 in pre-participation expenditures and make further option payments of \$80,000 by December 31, 1990, in order to acquire at least a 51% interest in certain of the claims described in (d) and (e) above.

3. SHARE CAPITAL

(a) Authorized - 10,000,000 shares per value

(b) Issued and outstanding

	<u>Number of Shares</u>	<u>Issue Price or Attributed Value</u>
Balance, April 30, 1987	3,677,267	\$1,475,879
Private placements	400,000	592,000
Flow-through shares	924,464	1,476,470
Exercise of warrants	125,000	87,500
	<u>5,126,731</u>	<u>\$3,631,849</u>

BETTER RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENT



3. SHARE CAPITAL *(continued)*

(c) During the year, the Company entered the following agreements:

- (i) The Company entered into private placement of 400,000 shares for net proceeds of \$592,000 after deducting commission of \$48,000.
- (ii) The Company entered into two flow-through share issues whereby 924,464 shares were issued at a price of \$1,476,470 in consideration for incurring eligible exploration expenditures in the same amount.

Under the terms of one of the flow-through share agreements, the Company may incur a further \$605,530 of eligible exploration expenditures by December 31, 1988, to be financed by a further issue of flow-through shares.

- (d) Warrants for 125,000 shares at \$0.70 per share granted in previous years were exercised in the current year. In addition, the Company granted directors' and employees' incentive share options for 180,000 shares at \$1.20. At April 30, 1988, the balance of options consisted of 100,000 shares at \$0.80 and 180,000 shares at \$1.20. All options expire on or before November 3, 1989.
- (e) Subsequent to April 30, 1988, the Company cancelled directors' and employees' share options for 100,000 shares at \$0.80 per share and issued options for 160,000 shares at \$0.65 per share, expiring on or before June 26, 1990.
- (f) 525,000 shares were held in escrow at April 30, 1988 pursuant to an order of the Superintendent of Brokers of British Columbia.

4. INCOME TAXES

The Company has exploration and development expenses approximating \$900,000 (net of expenses incurred on behalf of flow-through shareholders) available to reduce taxable income in future years. No recognition has been given in these financial statements to the potential tax benefits associated with these losses.

5. FAME GRANT

During the year, the Company was awarded a grant of \$70,000 (1987 -\$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.

6. RELATED PARTY TRANSACTIONS

Deferred exploration and development costs include \$82,135 (1987 -\$143,400) charged directly or indirectly by directors for professional services in the ordinary course of business.

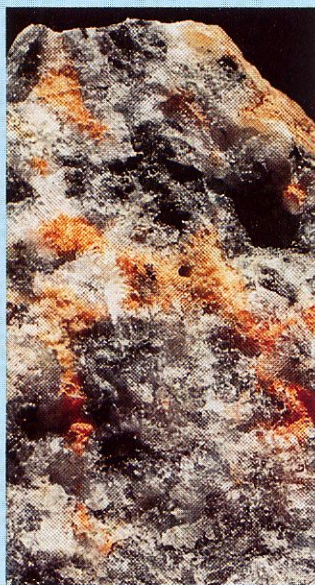


BETTER RESOURCES LTD.

SCHEDULE OF DEFERRED EXPLORATION AND DEVELOPMENT COSTS

for the year ended APRIL 30, 1988

	1988	1987
COSTS		
Data Analysis	\$ 24,655	\$ 15,247
Field data collection	185,971	153,694
Laboratory analysis	66,670	20,417
Project site	61,619	1,824
Surface penetration	1,231,914	256,772
Ownership and holding	17,132	16,734
Corporate	76,040	59,488
	<hr/> 1,664,001	<hr/> 524,176
DEDUCT		
- Interest income	(57,098)	(11,643)
- FAME grant	(70,000)	(50,000)
	<hr/> 1,536,903	<hr/> 462,533
DEFERRED EXPLORATION AND DEVELOPMENT COSTS		
Beginning of Year	730,937	268,404
	<hr/>	<hr/>
End of Year	\$2,267,840	\$730,937



BETTER RESOURCES LTD.

CORPORATE DIRECTORY

CORPORATE OFFICE
201-717 WEST PENDER STREET
VANCOUVER, BRITISH COLUMBIA, CANADA
(604) 684-4320

DIRECTORS

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

OFFICERS

Clifford C. Rennie, P.Eng. - *Chairman of Board*
James F. Bristow, P.Eng. - *President*
Dennis W. Milburn, C.A. - *Secretary/Treasurer*

TRANSFER AGENT

Pacific Corporation Services Limited
830-625 Howe Street
Vancouver, British Columbia, Canada

SOLICITORS

McInnes & Neumann
1620-701 West Georgia Street
Vancouver, British Columbia, Canada

BANKERS

Bank of Montreal
First Bank Tower
595 Burrard Street
Vancouver, British Columbia, Canada

AUDITORS

Deloitte, Haskins & Sells
2000-1055 Dunsmuir Street
Four Bentall Centre
Vancouver, British Columbia, Canada

SHARE LISTING

Vancouver Stock Exchange
Trading symbol - BRZ

CAPITALIZATION

Common Shares
Authorized: 10,000,000
Issued: 5,126,731



NEWS

Better Resources Ltd.

FOR RELEASE: September 13, 1988

CONTACT: Dennis C. Baxter (604) 684-4320

Trading Symbol "BRZ"

The Company is continuing diamond drilling on the southern extension of the Lakeview-Domineer zone in an area 1000ft. to 1600ft. east of the portal and extending 200ft. north and 800ft. south of the portal with the southern extension open. This area could add considerably to the previously reported reserves of 472,000 tons of 0.257oz/T gold and 1.27oz/T silver. Metallurgical testing indicates a 92% recovery, or more than 110,000 ounces gold recoverable with excellent potential for increasing this reserve.

Recent drill hole intersections in this southern area are:

HOLE No.	INTERSECTION (feet)	OZ/TON GOLD	OZ/TON SILVER
88-183	5.2	.105	.84
88-184	7.5	.202	.49
88-185	11.5	.222	.34
88-186	7.1	.266	1.27
88-187	14.3	.050	.31
88-188	1.1	.089	1.51
88-189	6.4	.117	.29
88-190	4.9	.272	.55

Later holes now in for assay have intersected wide zones of alteration with significant mineralized sections that show the zone continuing to the south. Assays will be reported when available.

Better Resources claims are not in Strathcona Park and are not affected by the Strathcona Park decision to exclude mining from the Park. Better Resources have been assured by the Ministry of Energy Mines and Petroleum Resources that permit applications under the Mine Review process will receive normal processing to meet environmental standards. The Ministry has begun corrective measures on the old Mt. Washington Copper dumps to control acid drainage. Better Resources have contributed many suggestions to improve the effectiveness of this abatement. The Ministry has also sponsored a post-doctorate research geologist to study the intriguing flat-lying gold-bearing structures on Mt. Washington. Noranda Explorations have begun drilling on the co-incident gold geochem and geophysical anomaly on the 39 claims under joint venture from Better Resources. Initial analyses are expected soon.



The Vancouver Stock Exchange has neither approved nor disapproved this news release.