Consolidated Statements of Operations

	Year Ended March 31, 1984	1983	1982	Cumulative From Inception (March 22, 1979) To March 31, 1984
Income:				
Sales commissions	$ 24,250	$ —	$ —	$ 184,250
Management fees (Note 3)	—	42,372	409,354	640,726
Royalty (Note 3)	433,920	353,474	296,639	1,084,033
Interest and other	128,854	273,095	413,258	889,706
Total income	587,024	668,941	1,119,251	2,798,715
Costs and expenses:				
Exploration	558,431	169,512	453,737	1,497,068
General and administrative	627,146	658,521	726,873	2,646,973
Interest	29,788	66,737	60,809	190,583
Registration (Note 9)	54,877	—	—	211,472
Total costs and expenses	1,270,242	894,770	1,241,419	4,546,096
Net loss before share of loss in exploration and development partnerships	683,218	225,829	122,168	1,747,381
Share of loss in exploration and development partnerships (Note 3)	116,759	186,168	332,751	652,752
Net loss	$ 799,977	$ 411,997	$ 454,919	$2,400,133
Loss per common share	$ .10	$ .06	$. 06	

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Financial Position

	Year Ended March 31, 1984	1983	1982	Cumulative From Inception (March 22, 1979) To March 31, 1984
Sources (Uses) of Cash:				
Operations:				
Net loss	**$ (799,977)**	$ (411,997)	$ (454,919)	$(2,400,133)
Deferred income not included in net loss	**14,583**	—	111,256	724,339
Non-cash items included in net loss:				
Reduction of deferred income	**(360,313)**	(166,423)	—	(526,736)
Impairment of undeveloped mineral properties	**347,467**	61,458	138,889	547,814
Provision for deferred income taxes	**—**	—	14,700	—
Depreciation and amortization	**5,673**	21,330	4,365	48,167
Share of loss in partnerships	**116,759**	186,168	332,751	652,752
Other	**—**	20,243	18,590	38,833
Cash provided (used) by operations	**(675,808)**	(289,221)	165,632	(914,964)
Investment activities:				
Deposits on purchases of undeveloped mineral properties	**—**	—	125,000	—
Acquisition of undeveloped mineral properties	**(797,908)**	(43,813)	(349,781)	(2,281,061)
Acquisition of equipment	**(4,004)**	—	(3,261)	(87,945)
Investments in partnerships, net	**77,874**	(2,738,705)	(906,318)	(3,567,149)
Other, net	**1,565**	(15,841)	62,959	(25,399)
Cash used for investment activities	**(722,473)**	(2,798,359)	(1,071,401)	(5,961,554)
Working capital, exclusive of cash and current debt:				
Due from affiliates	**58,589**	1,013,234	(1,322,018)	(251,485)
Prepaid expenses	**(601)**	11,862	(145)	(9,268)
Accounts payable and accrued expenses	**(279,829)**	(554,400)	512,370	35,207
Advances from affiliates in excess of costs incurred	**(139,017)**	(403,871)	81,278	2,762
Cash provided (used) for working capital	**(360,858)**	66,825	(728,515)	(222,784)
Financing activities:				
Increase in long-term debt	**—**	—	299,672	1,379,195
Payments on long-term debt, net of current portion	**(190,416)**	(147,206)	(260,786)	(1,222,144)
Net proceeds from issuance of common stock	**1,000,503**	1,185,330	4,753,059	8,124,960
Redemption of common stock	**—**	—	—	(100,000)
Cash provided from financing activities	**810,087**	1,038,124	4,791,945	8,182,011
Increase (decrease) in cash	**(949,052)**	(1,982,631)	3,157,661	1,082,709
Cash, beginning of year	**2,031,761**	4,014,392	856,731	—
Cash, end of year	**$ 1,082,709**	$ 2,031,761	$ 4,014,392	$ 1,082,709

See Notes to Consolidated Financial Statements

Consolidated Statements of Stockholders' Equity
for the years ended March 31, 1984, 1983, 1982, 1981 and 1980

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Deficit Accumulated During the Exploration and Development Stages	Subscriptions Receivable	Treasury Stock
Issuance of common stock:						
For cash:						
at $.01 per share	1,205,000	$12,050	$ —	$ —	$ (8,928)	$ —
at $.50 per share	62,500	625	30,625	—	—	—
at $.775 per share	400,000	4,000	306,000	—	—	—
at $1.00 per share	10,000	100	9,900	—	—	—
at $2.00 per share	50,000	500	99,500	—	—	—
For services:						
at $.016 per share	34,767	348	202	—	—	—
Net loss for year ended March 31, 1980	—	—	—	(11,553)	—	—
Balances as of March 31, 1980	1,762,267	17,623	446,227	(11,553)	(8,928)	—
Issuance of common stock:						
For cash:						
at $1.00 per share	100,000	1,000	99,000	—	—	—
at $1.66 per share	300,000	3,000	497,000	—	—	—
at $2.00 per share (post-split)	50,000	500	99,500	—	—	—
Stock split	1,085,233	10,852	(10,852)	—	—	—
Employee stock plan	142,468	1,425	220,035	—	(221,460)	—
Cash redemption of common stock at $2.00 per share	(97,500)	(975)	(99,025)	—	—	—
Cancellation of subscription on 200,000 shares	(200,000)	(2,000)	200	—	1,800	—
Receipts on subscriptions receivable	—	—	—	—	31,146	—
Accrued interest on employee subscriptions	—	—	4,312	—	(4,312)	—
Net loss for year ended March 31, 1981	—	—	—	(721,687)	—	—
Balances as of March 31, 1981	3,142,468	31,425	1,256,397	(733,240)	(201,754)	—
Issuance of common stock:						
For cash at $5.00 per share	50,000	500	249,500	—	—	—
Stock split	3,557,532	35,575	(35,575)	—	—	—
Public offering at $7.00 per share	750,000	7,500	4,480,500	—	—	—
Receipts on subscriptions receivable	—	—	9,869	—	4,440	—
Issuance of common stock warrants	—	—	750	—	—	—
Net loss for year ended March 31, 1982	—	—	—	(454,919)	—	—
Balances as of March 31, 1982	7,500,000	75,000	5,961,441	(1,188,159)	(197,314)	—
Issuance of common stock:						
For cash at $4.00 per share	255,000	2,550	1,017,450	—	—	—
For services at $4.00 per share	31,250	313	124,687	—	—	—
Receipts on subscriptions receivable	—	—	5,124	—	38,606	—
Treasury Stock	—	—	—	—	73,314	(76,714)
Net loss for year ended March 31, 1983	—	—	—	(411,997)	—	—
Balances as of March 31, 1983	7,786,250	77,863	7,108,702	(1,600,156)	(85,394)	(76,714)
Issuance of common stock:						
For cash at $3.00 per share	65,832	658	196,838	—	—	—
For limited partnership interests at $4.00 per share	200,752	2,007	801,000	—	—	—
Net loss for year ended March 31, 1984	—	—	—	(799,977)	—	—
Balances as of March 31, 1984	8,052,834	$80,528	$8,106,540	$(2,400,133)	$ (85,394)	$(76,714)

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies:

Principles of Consolidation
The consolidated financial statements include the accounts of Stan West Mining Corp., its wholly-owned subsidiaries and, subsequent to April 30, 1983, its proportionate share of two majority-owned partnerships (the "Company"). All material intercompany balances and transactions are eliminated in consolidation. Investments in other partnerships are accounted for by the equity method.

Basis of Presentation
The Company is in the development stage and has been engaged in the acquisition, exploration and development of mineral deposits since inception. The accompanying financial statements are presented in the format prescribed by Statement of Financial Accounting Standards No. 7 issued by the Financial Accounting Standards Board.

Undeveloped Mineral Properties
Undeveloped mineral properties are carried at cost. Upon commencement of production, the cost is transferred to mineral properties and depleted over the estimated life of the reserves. If exploration is not successful, the cost is written down to estimated net realizable value. Production has not commenced on any of the Company's properties.

Advance Royalties
Advance royalties received are deferred for income recognition until such time as either production is commenced or a decision is made by management that production of ore in commercial quantities is not economically feasible.

Minimum Royalties
Minimum royalties received are recognized as revenue ratably over the lease period.

Exploration Costs
Exploration costs are charged to operations as incurred and include provision for impairment of exploitable properties not being developed currently.

Income Taxes
For income tax reporting purposes, certain amounts of income and expense are reported in different periods than for financial statement reporting purposes. The principal timing differences arise from the recognition of royalty income and equity in partnership losses. Investment tax credits are recognized as a reduction of the provision for Federal income taxes in the year the credits are realized.

Loss Per Share
Loss per share of common stock is computed based on the weighted average number of shares outstanding during each year, after giving effect to stock splits. The effect on loss per share for the outstanding stock options and warrants are excluded from the loss per share computation as they are antidilutive.

2. Due From Affiliates:

Due from affiliates consists of the following:

	1984	1983
Costs in excess of advances	$216,073	$280,650
Accrued royalties	5,750	13,042
Other	29,662	16,382
	$251,485	$310,074

Costs in excess of advances represent amounts paid by the Company in excess of funds advanced by the limited partnerships under the terms of exploration contracts.

3. Investments In Partnerships:

The Company currently finances its exploration and development programs through limited partnerships in which the Company is managing general partner. In several of these partnerships, the Company invests as a limited partner. During fiscal 1984, the Company acquired additional limited partnership interests in two of these partnerships. The Company's consolidated financial statements include their proportionate share of those partnerships subsequent to the acquisition (Note 5). Summarized financial information for the unconsolidated partnerships are presented below:

	1984	1983
Current assets	$ 65,294	$ 300,876
Non current assets	7,322,099	7,195,278
	$7,387,393	$7,496,154
Current liabilities	$ 215,469	$ 86,974
Net assets	$7,171,924	$7,409,180
Costs and expenses (net loss)	$ 357,231	$1,052,995
Percentage owned	1–44%	1–39%
Number of partnerships	3	6

As managing general partner, the Company receives a 1% equity participation which increases to a maximum of up to 84% after the limited and other general partners receive certain levels of distribution.

Substantially all management fees and royalty income earned by the Company are a result of transactions involving these partnerships. Certain directors and shareholders of the Company are general or limited partners of the partnerships.

4. Undeveloped Mineral Properties:

The Company has acquired and staked various patented and unpatented mining claims in Yavapai County, Arizona. Some of the acquisition agreements require periodic payments under a fixed term and, accordingly, the liability is recorded. Other agreements can be terminated at any time without additional payments required. These payments are capitalized as incurred.

The ultimate value of the undeveloped mineral properties is dependent upon the discovery and development of ore reserves in commercial quantities. If it is determined that commercially profitable operations cannot be developed, all related capitalized costs for that property are written off at that time. During fiscal 1984, the Company wrote off capitalized costs of $347,467 on undeveloped mineral properties which management determined could not be economically developed. Those costs are included in exploration costs in the 1984 consolidated statement of operations.

Undeveloped mineral properties consist of the following:

	Costs Capitalized	
	1984	**1983**
McCabe/Gladstone Claims: Following a surface drilling program, a new 1,050 foot shaft was sunk, the old workings were dewatered and an underground development program was completed. During fiscal 1984, the final feasibility study for the McCabe/Gladstone Mine was successfully completed.	**$ 254,464**	$ 254,464
Rebel/Little Kicker Claims: The surface drilling program was completed. Further development is planned from underground once the McCabe Mine is operational.	**659,763**	104,871
Henrietta Claims: The initial surface drilling program was completed. Further development is planned from underground once the McCabe Mine is operational.	**351,961**	88,132
Claims not under current exploration/development.	**492,623**	812,090
	$1,758,811	$1,259,557

5. Acquisitions:

Henrietta Associates and Rebel Associates
On April 30, 1983, Stan West Mining Corp. acquired additional limited partnership interests in two of its exploration and development partnerships, Henrietta Associates and Rebel Associates (Note 3). The partnership interests were acquired through issuance of 200,752 shares of common stock valued at $803,007 and 40,151 warrants in Stan West Mining Corp. The warrants have an exercise price of $4 per share until November 1, 1984 and $5 per share until May 1, 1986.

The Company previously had a 44% interest in Henrietta Associates and a 42% interest in Rebel Associates, included in investments in partnerships (Note 3). The Company acquired an additional 41% interest in both Henrietta Associates and Rebel Associates. The acquisition has been accounted for as a purchase and the consolidated financial statements include the Company's proportionate share of operations since the acquisition. The purchase price in excess of the net book value of the interests acquired was allocated to undeveloped mineral properties (Note 4).

Proforma earnings for 1983 and 1982 have not been presented because management believes the exploration costs incurred by Henrietta Associates and Rebel Associates during this period would have been funded by sources outside the Company.

Rock Island Mining Corp.
On May 10, 1982, the Company acquired for $1,700,000 all the stock of Rock Island Mining Corp. whose assets consist of property interests in certain of the Company's exploration projects. The purchase price was allocated to the Company's investments in these partnerships (Note 3).

Proforma earnings for 1982 have not been presented because management believes the exploration costs incurred by Rock Island during this period would have been funded by sources outside the Company.

The Company also received an option to purchase Rock Island Refining Corp.'s 674,575 shares of Stan West Mining Corp. common stock for $3 per share until May 10, 1984 and $5 per share until May 10, 1986.

For accounting purposes, no value was assigned to the option.

6. Long-Term Debt:

Long-term debt consists of the following:

	1984	1983
Mortgage on undeveloped mineral properties, net of unamortized discount (based on an imputed interest rate of 17%) of $22,659 and $42,083, respectively, payable in annual payments through January 1985.	**$ 86,797**	$104,873
Mortgage on undeveloped mineral property, due in semi-annual payments of $9,000 through May 1984 and $37,840 due November 1984, including 6% interest.	**44,400**	60,464
Mortgages on undeveloped mineral properties, net of unamortized discount (based on an imputed interest rate of 15%) of $6,683 in 1983, paid in full during 1983.	—	148,317
Other notes payable	**18,446**	26,405
	149,643	340,059
Less current portion	**135,395**	195,131
	$ 14,248	$144,928

Aggregate payments as of March 31, 1984 on long-term debt for the next five years are:

1985	$135,395
1986	4,062
1987	3,828
1988	4,180
1989	2,178
	$149,643

7. Deferred Income:

Deferred income consists of the following:

	1984	1983
Advance royalties	**$175,000**	$475,000
Minimum royalties	**22,603**	68,333
	$197,603	$543,333

8. Commitments and Contingencies:

Commitments
The Company leases office facilities and equipment under various operating leases. Total rental expense under these leases was $40,737, $42,112 and $29,243 in 1984, 1983 and 1982, respectively. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of March 31, 1984:

1985	$ 31,688
1986	17,600
	$ 49,288

Contingencies
The Company was named defendant in a lawsuit which commenced on August 26, 1981 in which a previous shareholder claimed that he was entitled to 674,577 shares of the Company's common stock. On January 31, 1984, after trial, a judgment was filed against the Company awarding the plaintiff $409,000, including costs and interest. The plaintiff has filed an appeal, which is currently pending.

Certain shareholders of the Company have placed shares in escrow in order to satisfy the claim through sale or transfer of the shares. As a result, it is the opinion of legal counsel that the judgment will not have a material adverse impact on the Company's financial position.

On August 4, 1981, two former shareholders of the Company filed suit in the Federal District Court of Southern New York against the Company and several directors and shareholders of the Company. The complaint seeks entitlement to 160,000 shares of the Company's common stock, an option to purchase 14,000 shares of the Company's common stock for $100,000, punitive damages of $1,000,000 and recovery of attorney's fees, costs and disbursements.

In the opinion of counsel, the possibility that punitive damages will be awarded against the Company is unlikely. However, certain shareholders of the Company have placed shares in escrow and have agreed to transfer shares to these individuals if they are successful in establishing their claim to such shares.

9. Stockholders' Equity:

Public Stock Offering
In September 1981, the Company concluded a public offering of 750,000 shares of its common stock at a price of $7.00 per share. Costs of this offering of $762,000 were charged to additional paid-in-capital. Costs incurred in 1984 in connection with a registration that was not completed are included in operations.

Stock Warrants
In connection with the 1981 public offering, the Company sold to the underwriter for $750 warrants to purchase 75,000 shares of common stock of the Company. The warrants are exercisable for a five-year period at a price of $8.40 per share.

The following is a summary of warrants outstanding:

	Number of Warrants		Exercise Price	
Outstanding as of March 31, 1982 and 1981	75,000		$ 8.40	
Issued in 1983	110,900	(A)	4.00 – 5.00	(B)
Outstanding as of March 31, 1983	185,900		4.00 – 8.40	
Issued in 1984	221,605	(A)	4.00 – 5.00	(B)
Outstanding as of March 31, 1984	407,505		$4.00 – 8.40	

(A) Issued primarily in connection with issuance of common stock and purchase of partnership interests.

(B) $4.00 per share through November 1, 1984
$5.00 per share through May 1, 1986

Stock Options
During September 1980, the Company granted an option to a director to purchase 53,302 shares of the common stock of the Company at $2.82 per share exercisable at any time prior to September 1985. As of March 31, 1984, these options had not been exercised.

In May 1982, the Company granted to the limited partners of Sooner Associates 253,333 options to purchase shares of the Company's common stock. The options are exercisable at a price of $3.00 per share until May 1, 1984 and $5.00 per share thereafter until May 1, 1986. Several of the limited partners are directors and/or shareholders of the Company. During fiscal 1984, 65,832 shares of common stock were issued as a result of options exercised.

Employee Stock Purchase Plan
The Employee Stock Purchase Plan provides for the award of shares of the Company's common stock to certain key employees of the Company in amounts and prices to be determined by the Board of Directors. Shares issued under the Plan may contain certain restrictions which are determined by the committee.

During 1981, 303,753 shares were issued at prices ranging from $.59 to $1.41 per share. The employees paid 10% of the purchase price or $24,146 upon subscription and the balance of $201,626 is payable over 10 years with interest at 6%.

During 1983, 64,278 shares were repurchased by the Company at the grant price. Consideration included cancellation of subscriptions receivable in the amount of $73,314 and a cash payment of $3,400, shown as treasury stock.

No shares were issued under the Plan in 1984 or 1983. As of March 31, 1984, the Company has reserved 186,941 shares of common stock for issuance under the Plan.

Compensation for Services
On March 27, 1983, the Board of Directors authorized the issuance of 31,250 shares of the Company's common stock to the Company's Chairman and President (15,625 shares each) in lieu of their salary for the six months ended March 31, 1983. The shares have a stated value of $4 per share and include 6,250 warrants to purchase common stock at $4 per share.

10. Income Taxes:

The Company files a consolidated Federal income tax return. Consolidated net operating loss carryovers are as follows:

Expiring March 31	Tax Reporting	Financial Reporting
1996	$ 133,000	$742,000
1997	$ 172,000	$455,000
1998	$1,086,000	$412,000
1999	$1,426,000	$800,000

11. Transactions With Related Parties:

The Company and affiliated partnerships paid legal fees of $183,000, $163,000 and $330,000 in 1984, 1983 and 1982, respectively, to a law firm in which a director and officer of the Company is a partner.

During 1984, the Company received commissions from an affiliated partnership of $24,250, resulting from partnership units sold by the Company.

Accountants' Report

The Board of Directors and
Stockholders of
Stan West Mining Corp.

We have examined the consolidated balance sheets of Stan West Mining Corp. and subsidiaries (Companies in the Development Stage) as of March 31, 1984 and 1983 and the related consolidated statements of operations, stockholders' equity and changes in financial position for the years ended March 31, 1984, 1983 and 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The consolidated balance sheet at March 31, 1984 includes investments in partnerships of $2,865,584 and undeveloped mineral properties of $1,758,811. Recovery of the Company's investment in these assets is dependent upon either the future development of profitable operations from such assets or a sale of the Company's interest therein.

In our opinion, subject to the effects on the consolidated financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainties referred to in the preceding paragraph been known, the aforementioned consolidated financial statements present fairly the financial position of Stan West Mining Corp. and subsidiaries as of March 31, 1984 and 1983 and the results of their operations and the changes in their financial position for the years ended March 31, 1984, 1983 and 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Phoenix, Arizona
May 11, 1984

Management's Discussion and Analysis

Liquidity and Capital Resources

During fiscal 1984, SWMC's cash position was reduced by its operating loss and the reduction of its short and long-term liabilities. However, the Company's year-end ratio of current assets to current liabilities is 7.7. This working capital ratio is very favorable and improved over the prior year-end. Consequently, the Company's liquidity position is believed to be adequate.

The Company expanded its capital base during the year through two common stock transactions. First, 65,832 stock options were exercised and provided approximately $197,000 for working capital. Secondly, SWMC issued 200,752 shares of stock in exchange for selected limited partnership interests in the Rebel and Henrietta properties that are contiguous to the McCabe Mine. This transaction is consistent with the Company's stated strategy of increasing its commitment and ownership along the McCabe/Iron King belt.

During fiscal 1985, the Company's liquidity will be reduced by projected operating deficits and expenditures for corporate exploration and development programs. The ultimate cash-generating ability of the Company depends on its success in bringing its development projects into production. The McCabe Mine is the most advanced project and should be operational eight months after the production financing is arranged.

Results of Operations

SWMC's net loss in 1984 increased to $799,977 compared to a loss of $411,997 in 1983. Although the Company recognized over $300,000 of deferred income in 1984, net revenues declined by $81,917 primarily because of lower management fees and reduced interest income. Corporate expenses increased because of the costs associated with pursuing production financing and the write-off of $347,467 on abandoned mineral properties.

SWMC incurred a net loss of $411,997 in 1983 compared to $454,919 in 1982. Income declined by $450,310 because of reduced management fees from drilling programs and lower interest earnings on invested funds. The lower income was more than offset by a reduction of $493,232 in total expenses. Expense reductions were primarily attributable to lower exploration expenses and smaller losses in the exploration partnerships.

Because the Company is in the development stage, it does not have any operating mines. Consequently, the impact of inflation was negligible.

Selected Financial Data

	1984	1983	1982	1981	1980
Income	**$ 587,024**	$ 668,941	$1,119,251	$ 261,561	$ 161,938
Net Operating Loss	**799,977**	411,997	454,919	721,687	11,553
Loss per Common Share	**.100**	.055	.063	.107	.002
Total Assets	**6,010,042**	6,764,508	7,270,483	2,245,627	1,526,830
Long Term Obligations	**14,248**	144,928	330,597	238,073	—
Average Shares Outstanding	**8,017,000**	7,475,000	7,183,000	6,750,000	6,750,000

Corporate Information

Directors and Officers

Frank H. Crerie*
Chairman of the Board

Stephen B. Browne
President —
Browne Investment Co.

Harold L. Hodges
President — Bill Hodges
Trucking Co., Inc.

Stanley W. Holmes*
President

Bernard H. Fishman*
Attorney

Robert P. Lammerts
President — Lammerts Oil

Scott Norris*
Vice-President Finance and
Treasurer

French Peterson
Private Investor

Joe Dan Trigg
President — Trigg Drilling
Company, Inc.

*executive officers

Corporate Offices

Stan West Mining Corp.
2701 East Camelback Road
Suite 260
Phoenix, Arizona 85016

General Counsel

Fishman Forman & Landau
New York, New York

Auditors

Coopers & Lybrand
Phoenix, Arizona

Transfer Agent

Continental Stock Transfer &
Trust Company
New York, New York

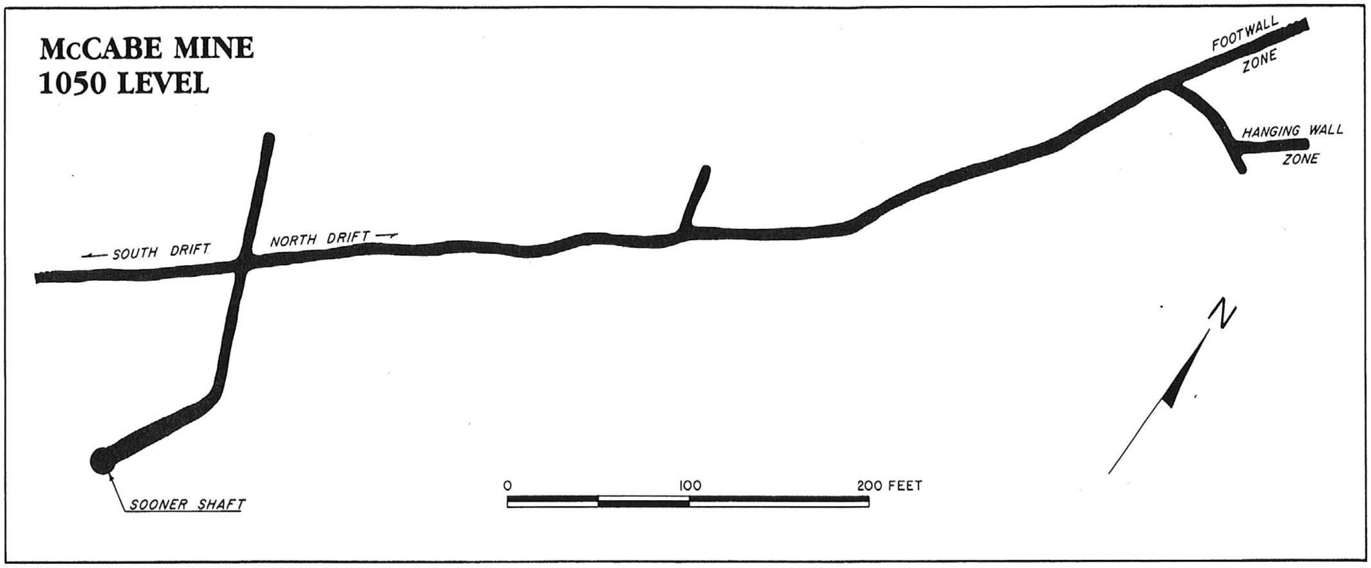
FORM 10-K IS AVAILABLE UPON WRITTEN REQUEST

Common Stock Information

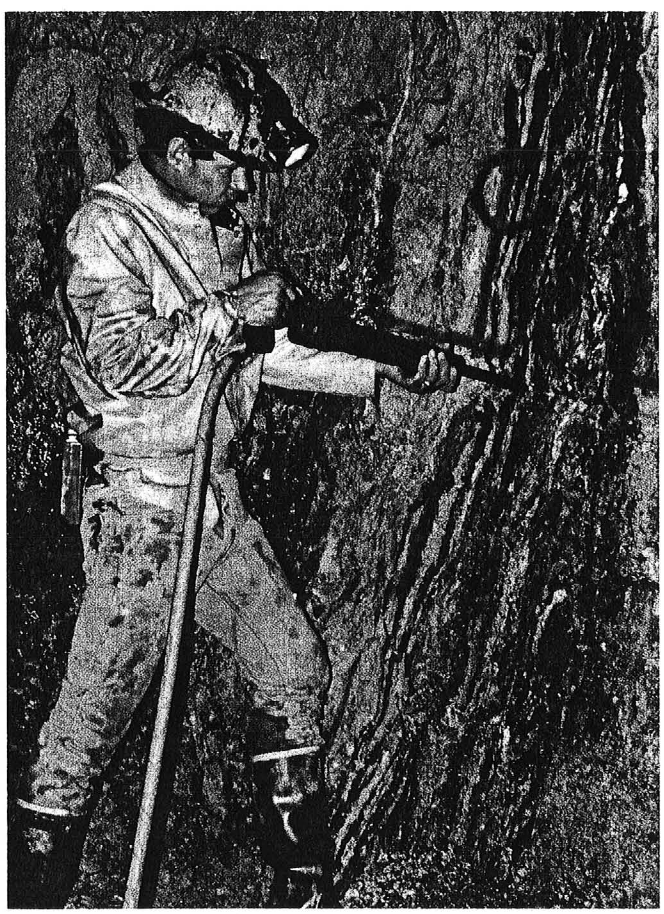
The Company's Common Shares have been traded in the over-the-counter market since the Company's public offering on September 2, 1981, and are quoted on the National Association of Securities Dealers' Automated Quotation System (NASDAQ) under the symbol SWMC. The following table sets forth the range of high and low closing bid prices of the Company's Common Shares for the fiscal period indicated as reported by NASDAQ Market Information.

Fiscal Year	Bid Price	
1983:	High	Low
First Quarter	4½	2¾
Second Quarter	4	1⅝
Third Quarter	3⅝	3
Fourth Quarter	6¼	3½
1984:		
First Quarter	6¾	5¾
Second Quarter	6¼	5
Third Quarter	5¾	4¾
Fourth Quarter	5	3⅝

The Company has paid no dividends nor anticipates paying dividends in the near future. Based on the transfer agent's listing as of May 31, 1984, the Company had approximately 600 shareholders.



On The Cover
The cover shows an enlarged section from the detailed geology and assay plan on the 1050′ level at the McCabe Mine. The above diagram shows the entire plan view of the drifting on the 1050′ level. The drift on the 1050′ level encountered strong, persistent mineralization over its entire length. Systematic channel assays covering 650 feet of the drift averaged .41 ounces of gold/ton and 2.6 ounces of silver/ton. Subsequently, the McCabe's proven and probable reserve tonnage was increased 30% to 498,000 tons. This is approximately five years production. These reserves represent a relatively small portion of the property's overall geological potential.



Richard Pape, mine geologist, is shown cutting a channel sample from the north face (N 664.8) on the 1050′ level of the McCabe Mine.

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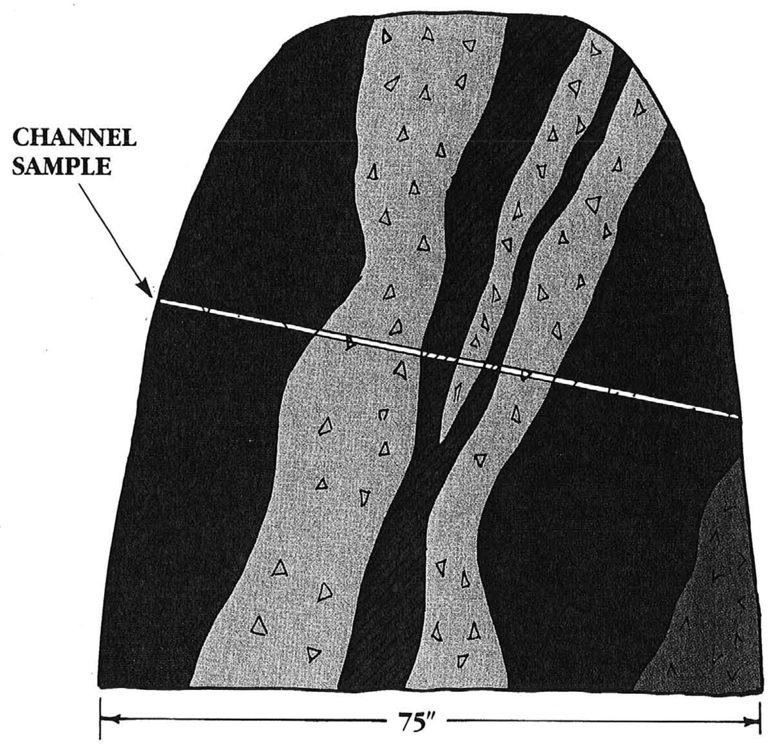
McCABE MINE
TYPICAL DRIFT FACE
(Looking southwest)

- Massive sulfide zone (pyrite-chalcopyrite-sphalerite galena) with quartz-calcite-barite gangue. (gold/silver)
- Quartz-carbonate breccia with 1%–5% sulfides. (gold/silver)
- Pyritic andesite. (gold/silver)
- Barren footwall andesite.



The above diagram shows the typical mineralized structure found in the face of a 6' x 7' drift on the 1050' level at the McCabe Mine. Detailed geological mapping and channel samples were carried out every 6–8 feet over the entire length of the drift.

Stan West Mining Corp. controls approximately 72 contiguous claims that comprise the McCabe Mining Unit. To date, over $11,000,000 has been invested in exploring and developing these properties.

The Sooner Shaft and the central mill site were located in order to serve an integrated mining unit. The shaft has a hoisting capacity of approximately 750 tons/day. Consequently, as each mineralized zone is developed, it can be quickly brought into production using the existing shaft and the centralized mill facilities. This efficiency will greatly reduce the capital costs and accelerate the time frame required to develop the McCabe Mining Unit.

The following mineralized zones comprise the McCabe Mining Unit (see illustration below):

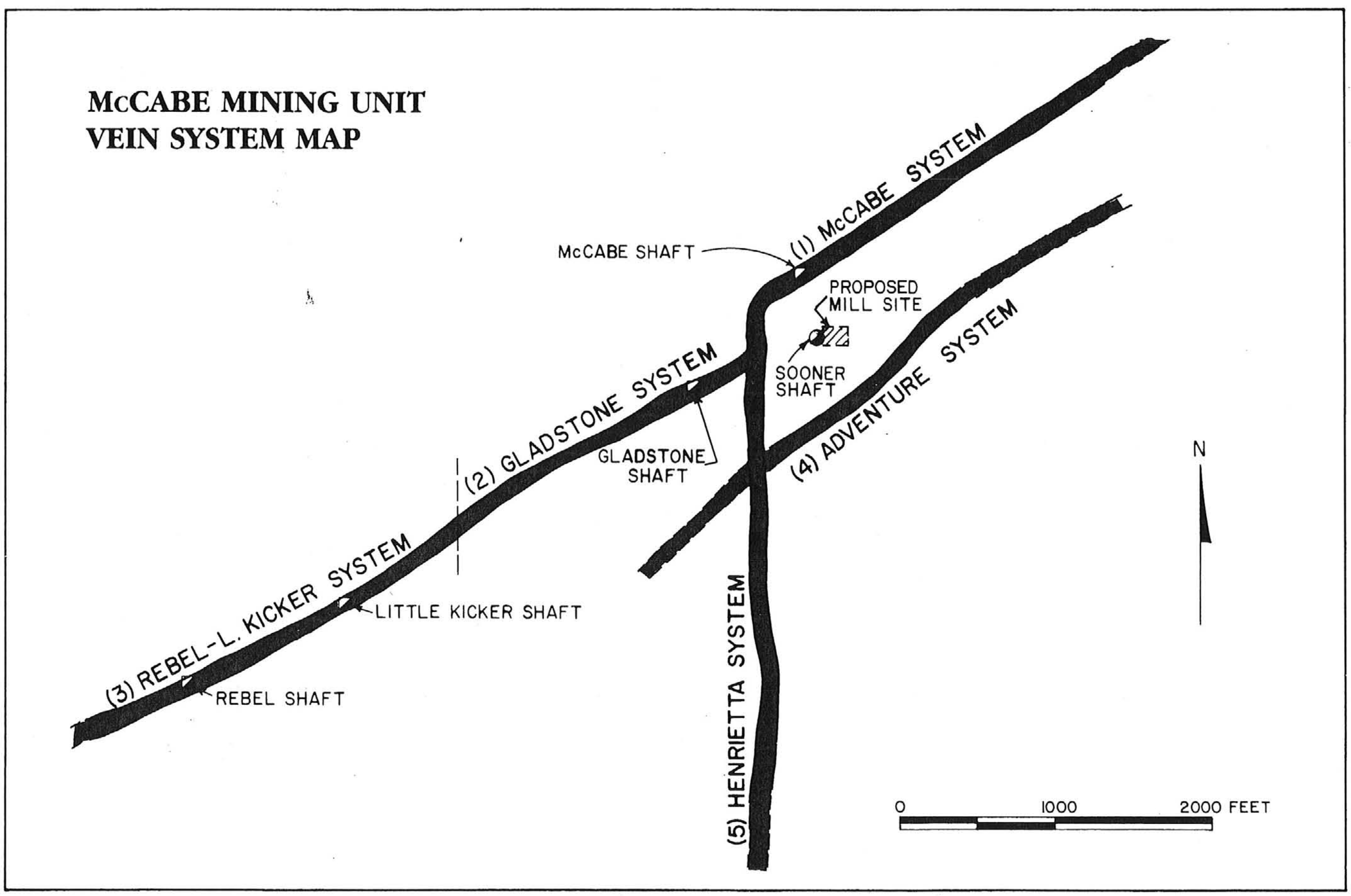
■ *McCabe/Gladstone Zone* — This zone has a strike length over 3000 feet and previously supported high grade gold and silver production down to the 1000′ level. The underground development program has delineated proven and probable reserves sufficient for five years of production. Independent engineering studies have certified that these reserves contain 153,000 ounces of gold and 960,000 ounces of silver. This ore block represents only a small portion of the property's mineral potential.

■ *Rebel/Little Kicker Zone* — This zone is adjacent to the McCabe/Gladstone and extends for 2600 feet. Following a detailed geological review, a surface drilling program costing $1,300,000 was completed and discovered mineralization similar to the McCabe/Gladstone. Further drilling was terminated, since this property can be most effectively developed using the underground workings from the McCabe/Gladstone Mine. The drilling did show approximately 24,000 tons of drill proven and probable reserves with an average grade of .40 ounces gold/ton.

■ *Henrietta Zone* — The Henrietta is a mineralized zone that extends for approximately 4,000 feet and intersects the McCabe/Gladstone properties. Historically, the Henrietta's copper-gold-silver bearing zone was mined on a limited basis to 450 feet. The primary ore zone has not been worked.

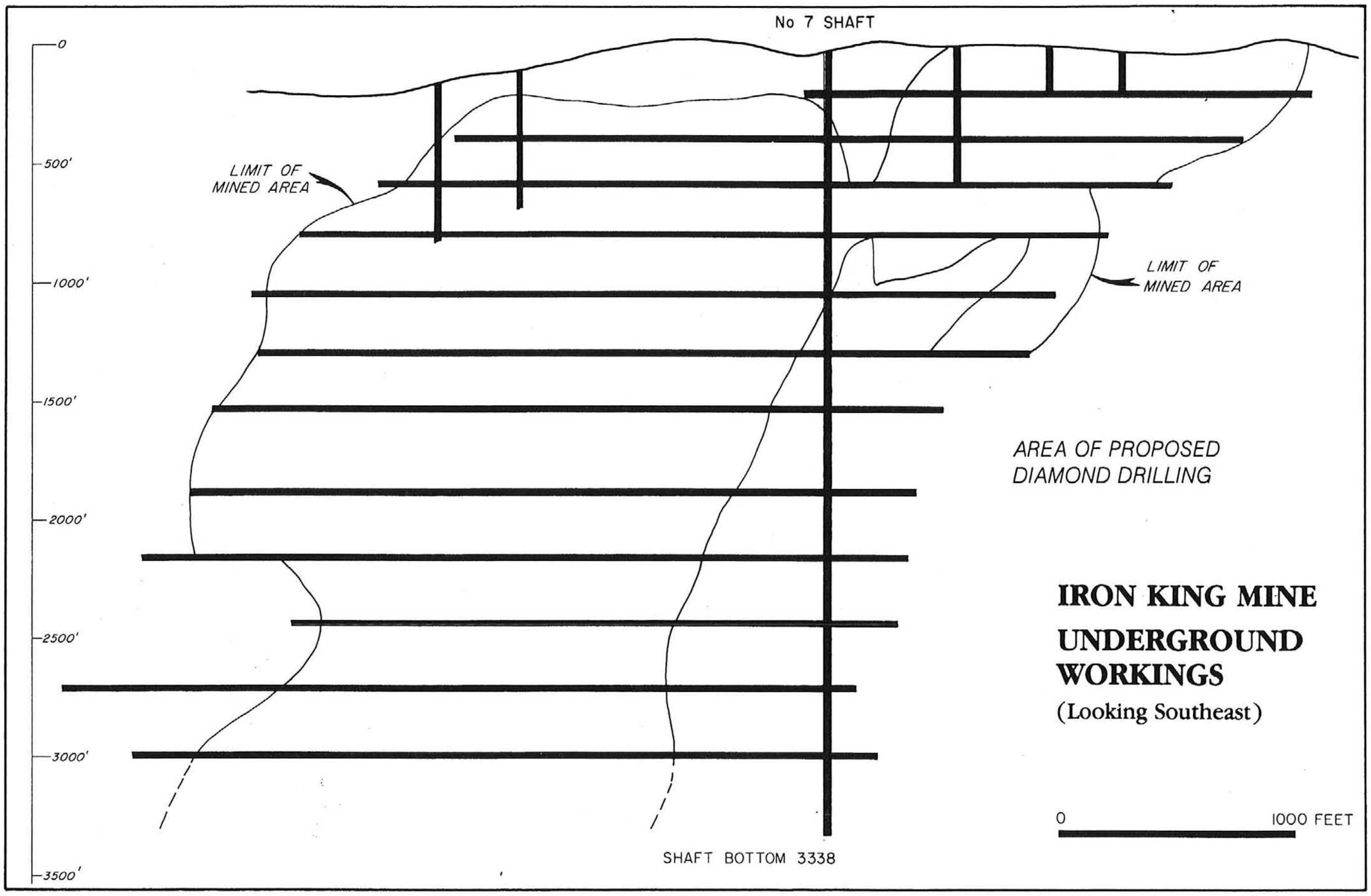
A preliminary surface drilling program was terminated due to difficult core recovery. The Henrietta will be explored from the McCabe/Gladstone's underground workings.

■ *Adventure Zone* — The Adventure zone is approximately 600 feet south and east of the McCabe/Gladstone properties and extends for over 3,000 feet. Although the property has never been mined, surface geology, geochemical and geophysical surveys indicated several anomalous zones. The most favorable drill hole assayed 1.07 ounces/ton of gold and 9.0 ounces/ton of silver over the core length of 3.20 feet. Geologically, the Adventure zone exhibits many characteristics similar to the McCabe/Gladstone Zone.



The Iron King Mine includes 54 claims that extend for approximately three miles by one mile. The original Iron King Mine produced 5,000,000 tons of massive sulphide ore with an average grade of 7.34% zinc, 2.50% lead, 3.60 ounces/ton silver and .123 ounces/ton gold. The mine bottomed in mineralization (3300 feet) when it closed in 1967.

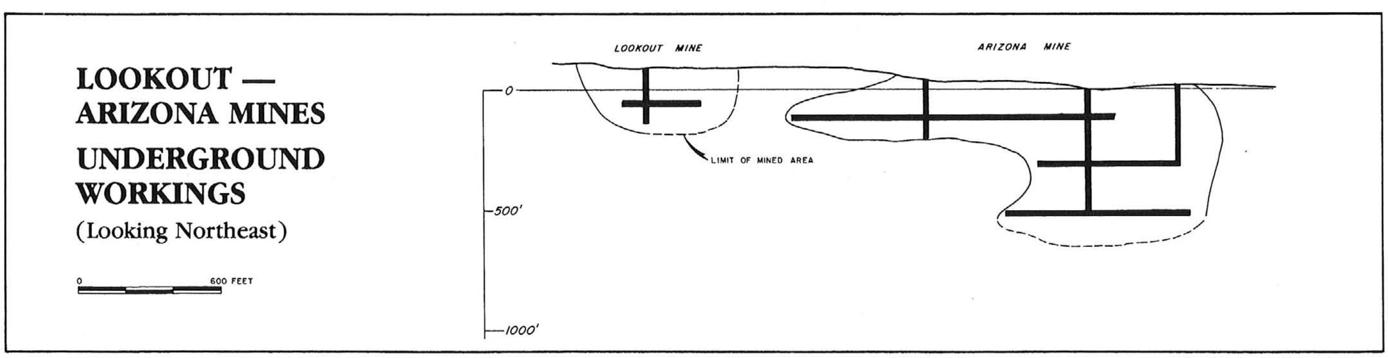
Because the Iron King is a polymetallic, massive sulphide deposit of volcanogenic origin, the possibility of mineralized extensions is considered good. A surface geology study and comprehensive geophysical study have obtained favorable results. The Company is currently planning a program of diamond drilling.

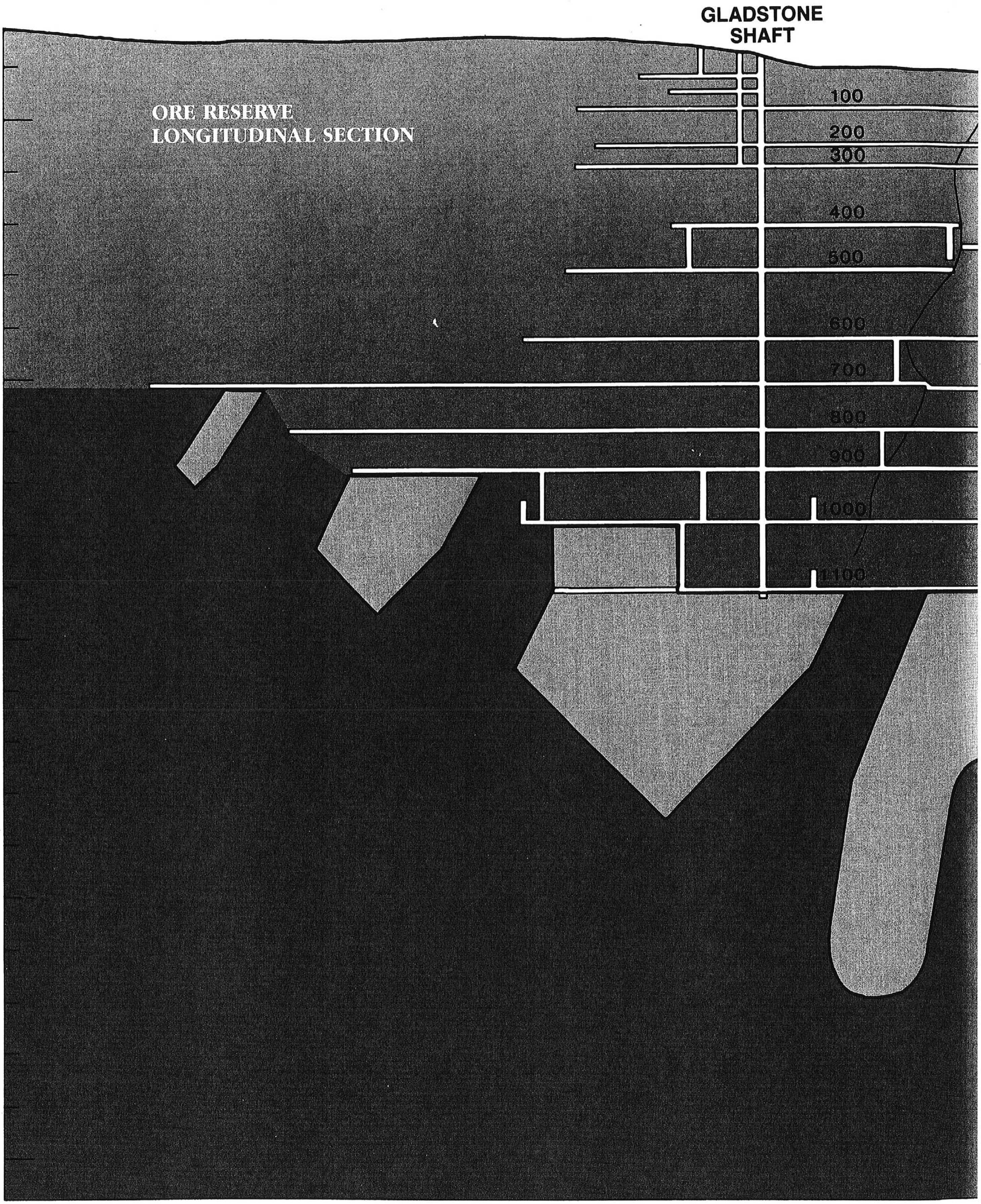


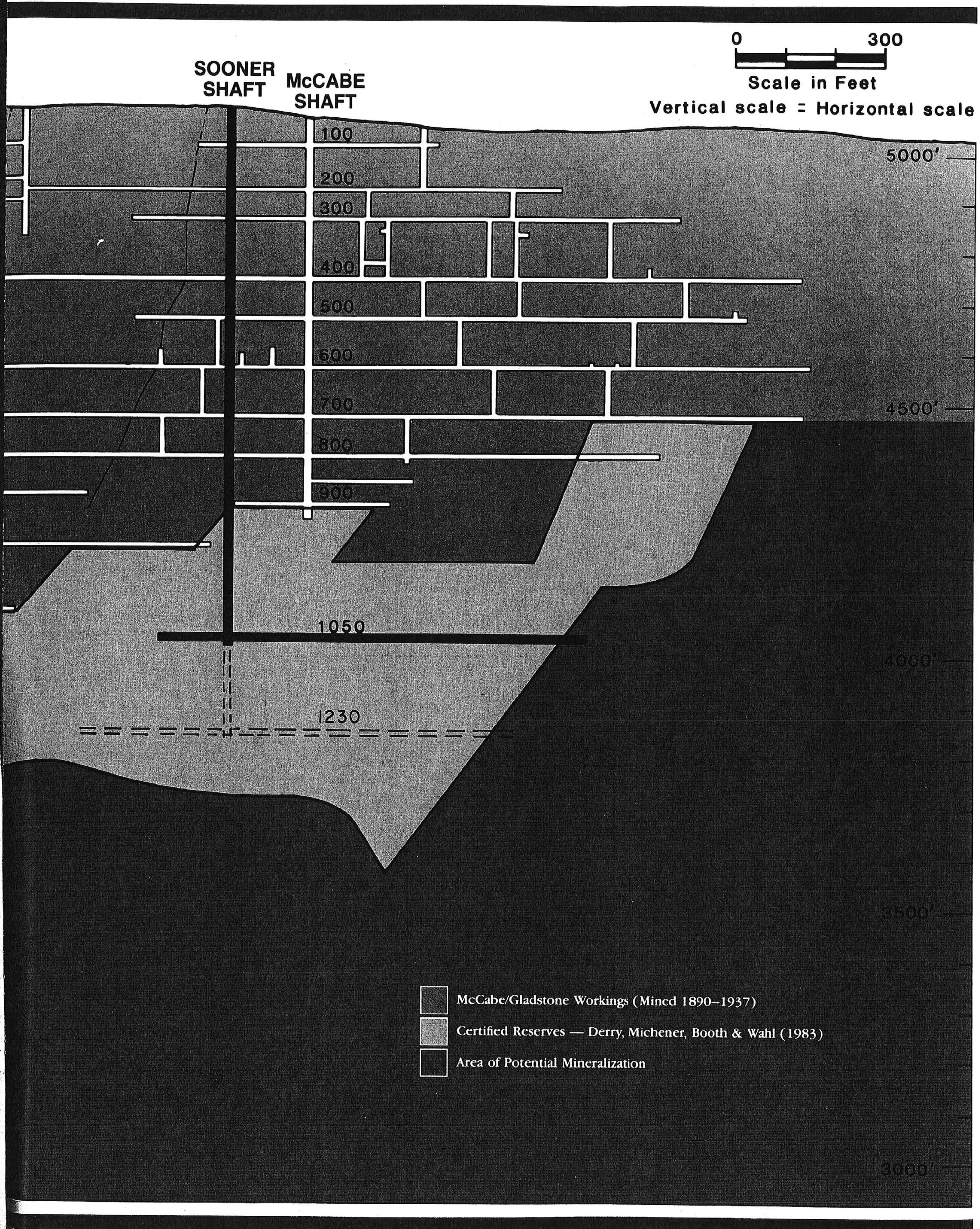
Arizona/Lookout (Silver) Mines

The Arizona/Lookout Mines lie between the Iron King Mine and the McCabe/Gladstone properties in the same belt of Precambrian volcanic mineralization. Both the Arizona and Lookout Mines have supported past production from underground workings that extend to 200–500 feet in depth. Old shipping records from 1930 exist for only the Arizona Mine and indicate that the massive sulphide ore averaged 15 ounces/ton of silver with 3% lead, 4% zinc and minor gold.

Surface geochemical and geophysical studies as well as approximately 1,000 feet of preliminary diamond drilling have had very encouraging results. The Company is currently designing a detailed exploration program.




GLADSTONE
SHAFT
ORE RESERVE
LONGITUDINAL SECTION
100
200
300
400
500
600
700
800
900
1000
1100



0
300
Scale in Feet
Vertical scale = Horizontal scale
SOONER SHAFT
McCABE SHAFT
100
200
300
400
500
600
700
800
900
1050
1230
5000'
4500'
4000'
3500'
3000'
McCabe/Gladstone Workings (Mined 1890–1937)
Certified Reserves — Derry, Michener, Booth & Wahl (1983)
Area of Potential Mineralization

Consolidated Balance Sheets

	March 31, 1983	March 31, 1982
ASSETS		
Current assets:		
Cash	$2,031,761	$4,014,392
Due from affiliates (Note 2)	310,074	1,323,308
Prepaid expenses	8,667	20,529
Total current assets	2,350,502	5,358,229
Investments in partnerships (Note 3)	3,109,030	556,493
Undeveloped mineral properties (Note 4)	1,259,557	1,300,451
Other assets	45,419	55,310
Total assets	$6,764,508	$7,270,483
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 315,036	$ 869,436
Advances from affiliates in excess of costs incurred	141,779	545,650
Current portion of long-term debt (Note 6)	195,131	164,076
Total current liabilities	651,946	1,579,162
Long-term debt, net of current portion (Note 6)	144,928	330,597
Deferred income (Note 7)	543,333	709,756
Commitments and contingencies (Note 8)		
Stockholders' equity (Note 9):		
Common stock, par value $.01 per share; authorized 10,000,000 shares	77,863	75,000
Additional paid-in capital	7,108,702	5,961,441
Deficit accumulated during the exploration and development stages	(1,600,156)	(1,188,159)
Less: Subscriptions receivable	(85,394)	(197,314)
	5,501,015	4,650,968
Less: Treasury stock, at cost (64,278 shares)	(76,714)	—
Total stockholders' equity	5,424,301	4,650,968
Total liabilities and stockholders' equity	$6,764,508	$7,270,483

See Notes to Consolidated Financial Statements

Consolidated Statements of Operations

	Year Ended March 31, 1983	1982	1981	Cumulative From Inception (March 22, 1979) To March 31, 1983
Income:				
Sales commissions				$ 160,000
Management fees (Note 3)	$ 42,372	$ 409,354	$ 189,000	640,726
Royalty (Note 3)	353,474	296,639	—	650,113
Interest and other	273,095	413,258	72,561	760,852
Total income	668,941	1,119,251	261,561	2,211,691
Costs and expenses:				
Exploration	169,512	453,737	266,467	938,637
General and administrative	658,521	726,873	512,012	2,019,827
Interest	66,737	60,809	33,249	160,795
Registration (Note 9)	—	—	156,595	156,595
Total costs and expenses	894,770	1,241,419	968,323	3,275,854
	225,829	122,168	706,762	1,064,163
Share of loss in exploration and development partnerships (Note 3)	186,168	332,751	14,925	535,993
Loss before provision for income taxes	411,997	454,919	721,687	1,600,156
Provision (benefit) for income taxes:				
Current	—	(14,700)	(94,300)	—
Deferred	—	14,700	94,300	—
	—	—	—	—
Net loss	$ 411,997	$ 454,919	$ 721,687	$1,600,156
Loss per common share	$ .06	$. 06	$. 11	

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Financial Position

	Year Ended March 31, 1983	1982	1981	Cumulative From Inception (March 22, 1979) To March 31, 1983
Sources (Uses of Cash):				
Operations:				
Net loss	$ (411,997)	$ (454,919)	$ (721,687)	$(1,600,156)
Deferred income not included in net loss	—	111,256	298,500	709,756
Non-cash items included in net loss:				
Reduction of deferred income	(166,423)	—	—	(166,423)
Impairment of undeveloped mineral properties	61,458	138,889	—	200,347
Provision for deferred income taxes	—	14,700	94,300	—
Depreciation and amortization	21,330	4,365	15,179	42,494
Share of loss in partnerships	186,168	332,751	14,925	535,993
Other	20,243	18,590	—	38,833
Cash provided (used) by operations	(289,221)	165,632	(298,783)	(239,156)
Investment activities:				
Deposits on purchases of undeveloped mineral properties	—	125,000	(125,000)	—
Acquisition of undeveloped mineral properties	(43,813)	(349,781)	(710,092)	(1,483,153)
Acquisition of equipment	—	(3,261)	(55,113)	(83,941)
Investment in partnerships	(2,738,705)	(906,318)	—	(3,645,023)
Other, net	(15,841)	62,959	(17,782)	(26,964)
Cash used for investment activities	(2,798,359)	(1,071,401)	(907,987)	(5,239,081)
Working capital, exclusive of cash and current debt:				
Due from affiliates	1,013,234	(1,322,018)	467,100	(310,074)
Prepaid expenses	11,862	(145)	(19,024)	(8,667)
Accounts payable and accrued expenses	(554,400)	512,370	80,005	315,036
Advances from affiliates in excess of costs incurred	(403,871)	81,278	124,612	141,779
Cash provided (used) for working capital	66,825	(728,515)	652,693	138,074
Financing activities:				
Increase in long term debt	—	299,672	686,009	1,379,195
Payments on long term debt, net of current portion	(147,206)	(260,786)	(394,713)	(1,031,728)
Net proceeds from issuance of common stock	1,185,330	4,753,059	731,146	7,124,457
Redemption of common stock	—	—	(100,000)	(100,000)
Cash provided from financing activities	1,038,124	4,791,945	922,442	7,371,924
Increase (decrease) in cash	(1,982,631)	3,157,661	368,365	2,031,761
Cash, beginning of year	4,014,392	856,731	488,366	—
Cash, end of year	$ 2,031,761	$ 4,014,392	$ 856,731	$ 2,031,761

See Notes to Consolidated Financial Statements

Consolidated Statements of Stockholders' Equity

for the years ended March 31, 1983, 1982, 1981 and 1980

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Deficit Accumulated During the Exploration and Development Stages	Subscriptions Receivable	Treasury Stock
Issuance of common stock:						
For cash:						
at $.01 per share	1,205,000	$12,050	$ —	$ —	$ (8,928)	$ —
at $.50 per share	62,500	625	30,625	—	—	—
at $.775 per share	400,000	4,000	306,000	—	—	—
at $1.00 per share	10,000	100	9,900	—	—	—
at $2.00 per share	50,000	500	99,500	—	—	—
For services:						
at $.016 per share	34,767	348	202	—	—	—
Net loss for year ended March 31, 1980	—	—	—	(11,553)	—	—
Balances as of March 31, 1980	1,762,267	17,623	446,227	(11,553)	(8,928)	—
Issuance of common stock:						
For cash:						
at $1.00 per share	100,000	1,000	99,000	—	—	—
at $1.66 per share	300,000	3,000	497,000	—	—	—
at $2.00 per share (post-split)	50,000	500	99,500	—	—	—
Stock split	1,085,233	10,852	(10,852)	—	—	—
Employee stock plan	142,468	1,425	220,035	—	(221,460)	—
Cash redemption of common stock at $2.00 per share	(97,500)	(975)	(99,025)	—	—	—
Cancellation of subscription on 200,000 shares	(200,000)	(2,000)	200	—	1,800	—
Receipts of subscription receivable	—	—	—	—	31,146	—
Accrued interest on employee subscriptions	—	—	4,312	—	(4,312)	—
Net loss for year ended March 31, 1981	—	—	—	(721,687)	—	—
Balances as of March 31, 1981	3,142,468	31,425	1,256,397	(733,240)	(201,754)	—
Issuance of common stock:						
For cash at $5.00 per share	50,000	500	249,500	—	—	—
Stock split	3,557,532	35,575	(35,575)	—	—	—
Public offering at $7.00 per share	750,000	7,500	4,480,500	—	—	—
Receipts on subscriptions receivable	—	—	9,869	—	4,440	—
Issuance of common stock warrants	—	—	750	—	—	—
Net loss for year ended March 31, 1982	—	—	—	(454,919)	—	—
Balances as of March 31, 1982	7,500,000	75,000	5,961,441	(1,188,159)	(197,314)	—
Issuance of common stock:						
For cash at $4.00 per share	255,000	2,550	1,017,450	—	—	—
For services at $4.00 per share	31,250	313	124,687	—	—	—
Receipts on subscriptions receivable	—	—	5,124	—	38,606	—
Treasury Stock	—	—	—	—	73,314	(76,714)
Net loss for year ended March 31, 1983	—	—	—	(411,997)	—	—
Balances as of March 31, 1983	7,786,250	$77,863	$7,108,702	$(1,600,156)	$ (85,394)	$(76,714)

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies:

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries (the "Company"). All material intercompany balances and transactions are eliminated in consolidation. Investments in partnerships are accounted for under the equity method.

Basis of Presentation
The Company is in the development stage and since inception has been engaged in the acquisition, exploration and development of mineral deposits. The accompanying financial statements are presented in the format prescribed by Statement of Financial Accounting Standards No. 7 issued by the Financial Accounting Standards Board.

Undeveloped Mineral Properties
Undeveloped mineral properties are carried at cost. Upon commencement of production, the cost is transferred to mineral properties and depleted over the estimated life of the reserves. If exploration is not successful, the cost is written down to estimated realizable value. Production has not commenced on any of the Company's properties.

Advance Royalties
Advance royalties received are deferred for income recognition until such time as either production is commenced or a decision is made by management that production of ore in commercial quantities is not economically feasible.

Minimum Royalties
Minimum royalties received are recognized as revenue ratably over the lease period.

Management Fees
Management fees are recognized as revenue ratably over the term of the exploration or development programs on the basis of exploration or development costs incurred.

Exploration Costs
Exploration costs are charged to operations as incurred and includes provisions for impairment of exploitable properties not being developed currently.

Loss Per Share
Loss per share of common stock is computed based on the weighted average number of shares outstanding during each year, after giving effect to stock splits. The effect on loss per share for the outstanding stock options and warrants are excluded from the loss per share computation as they are antidilutive.

2. Due From Affiliates:

Due from affiliates consists of the following:

	1983	1982
Costs in excess of advances	$ 280,650	$1,278,618
Accrued management fees	—	39,083
Accrued royalties	13,042	—
Other	16,382	5,607
	$ 310,074	$1,323,308

Costs in excess of advances represent amounts paid by the Company under the terms of the exploration contracts with limited partnerships which exceeds funds advanced by the limited partnerships.

3. Investments In Partnerships:

The Company currently finances its exploration and development programs through limited partnerships. The Company is the managing general partner in each of these partnerships. In several, the Company invests as a limited partner. Summarized financial information for the partnerships at March 31, 1983 and 1982 and for the years then ended is presented below.:

	1983	1982
Current assets	$ 300,876	$ 832,576
Non current assets	7,195,278	2,914,479
	$7,496,154	$3,747,055
Current liabilities	$ 86,974	$1,238,365
Net assets	$7,409,180	$2,508,690
Costs and expenses (Net loss)	$1,052,995	$2,170,594
Percentage owned	1–39%	1–35%
Number of partnerships	6	5

As managing general partner, the Company receives a 1% equity participation which increases to a maximum of 84% after the limited and other general partners receive certain levels of distribution.

Substantially, all management fees and royalty income earned by the Company are a result of transactions involving these partnerships. Certain directors and shareholders of the Company are general or limited partners of the partnerships.

4. Undeveloped Mineral Properties:

The Company has acquired and staked various patented and unpatented mining claims in Yavapai County, Arizona. Some of the acquisition agreements require periodic payments under a fixed term and, accordingly, the liability is recorded. Other agreements can be terminated at any time without additional payments required. These payments are capitalized as incurred.

The ultimate value of the undeveloped mineral properties is dependent upon the discovery and development of ore reserves in commercial quantities. If it is determined that commercially profitable operations cannot be developed, all related capitalized costs for that property will be written off at that time.

Undeveloped mineral properties consist of the following:

	Costs Capitalized 1983	Costs Capitalized 1982
McCabe/Gladstone Claims: Following a surface drilling program, a new 850 foot shaft was sunk, the old workings were dewatered and an underground drilling program was completed. During fiscal 1983, the shaft was deepened to 1,050 feet to continue the pre-production development.	$ 254,464	$ 254,464
Rebel/Little Kicker Claims: The initial surface drilling program was completed. Further development is planned from underground once the McCabe Mine is operational.	104,871	104,871
Henrietta Claims: The initial surface drilling program was completed. Further development is planned from underground once the McCabe Mine is operational.	88,132	88,132
Claims not under current exploration/development.	812,090	852,984
	$1,259,557	$1,300,451

5. Acquisition of Rock Island Mining Corp.

On May 10, 1982, the Company acquired for $1,700,000 in cash all the stock of Rock Island Mining Corp. whose assets consist of property interests in certain of the Company's exploration projects. The purchase price was allocated to the Company's partnership interests. See Note 3 for a summary of these partnerships.

Proforma earnings for 1982 and 1981 have not been presented because management believes the exploration costs incurred by Rock Island during this period would have been funded by sources outside the Company.

The Company also received an option to purchase Rock Island Refining Corp.'s 674,575 shares of Stan West Mining Corp. common stock for $3 per share until May 10, 1984 and $5 per share until May 10, 1986.

For accounting purposes, no value was assigned to the option.

6. Long-Term Debt:

Long-term debt consists of the following:

	1983	1982
Mortgages on undeveloped mineral properties, net of unamortized discount (based on an imputed interest rate of 15%) of $6,683 and $36,345, respectively, payable in periodic payments expiring through 1983, cancelable by the Company upon reasonable notice and surrender of the underlying properties to the seller	$148,317	$263,952
Mortgage on undeveloped mineral properties, net of unamortized discount (based on an imputed interest rate of 17%) of $42,083 and $64,831, respectively, payable in three annual payments through 1985	104,873	111,669
Mortgage on undeveloped mineral property, net of unamortized discount (based on an imputed interest rate of 15%) of $4,376 and $9,304, respectively, with semi-annual payments of $9,000 through May 1984 and a $37,840 payment due November 1984 including 6% interest	60,464	73,536
Other notes payable	26,405	45,516
	340,059	494,673
Less current portion	195,131	164,076
	$144,928	$330,597

Aggregate payments on long-term debt for the next five years are:

1984	$195,131
1985	130,679
1986	4,061
1987	3,828
1988	4,180
Thereafter	2,180
	$340,059

7. Deferred Income:

Deferred income consists of the following:

	1983	1982
Advance royalties	**$475,000**	$475,000
Minimum royalties	**68,333**	131,948
Management fees	—	102,808
	$543,333	$709,756

8. Commitments and Contingencies:

Commitments
The Company leases office and warehouse facilities which are classified as operating leases. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of March 31, 1983:

1984	$ 49,219
1985	23,449
	$ 72,668

Contingencies
On August 4, 1981, two former shareholders of the Company filed suit in the Federal District Court of Southern New York against the Company and several directors and shareholders of the Company. The complaint seeks entitlement to 160,000 shares of the Company's common stock, an option to purchase 14,000 shares of the Company's common stock for $100,000, punitive damages of $1,000,000 and recovery of attorney's fees, costs and disbursements.

In the opinion of counsel, the possibility that punitive damages will be awarded against the Company is unlikely. However, selected shareholders of the Company have placed shares in escrow and have agreed to transfer shares to these individuals if they are successful in establishing their claim to such shares.

9. Stockholders' Equity:

Public Stock Offering
In September 1981, the Company concluded a public offering of 750,000 shares of its common stock at a price of $7.00 per share. Costs of this offering of $762,000 were charged to additional paid-in-capital. Costs incurred in 1981 in connection with a Registration that was not completed are included in operations.

Stock Warrants
In connection with the 1981 public offering, the Company sold to the underwriter for $750 warrants to purchase 75,000 shares of common stock of the Company. The warrants are exercisable for a five-year period at a price of $8.40 per share.

During 1983, the Company granted 110,900 warrants to purchase one share of the Company's common stock for $4.00 per share until May 1, 1984 and $5.00 per share thereafter until May 1, 1986.

No warrants have been exercised as of March 31, 1983.

Stock Options
During September 1980, the Company granted an option to a director to purchase 53,302 shares of the common stock of the Company at $2.82 per share exercisable at any time prior to September 1985. As of March 31, 1983, these options had not been exercised.

In May 1982, the Company granted to the limited partners of Sooner Associates 253,333 options to purchase shares of the Company's common stock. The options are exercisable at a price of $3.00 per share until May 1, 1984 and $5.00 per share thereafter until May 1, 1986. Several of the limited partners are directors and/or shareholders of the Company.

Employee Stock Purchase Plan
The Employee Stock Purchase Plan provides for the award of shares of the Company's common stock to certain key employees of the Company in amounts and prices to be determined by the Board of Directors. Shares issued under the Plan may contain certain restrictions which are determined by the committee.

During 1981, 303,753 shares were issued at prices ranging from $.59 to $1.41 per share. The employees paid 10% of the purchase price or $24,146 upon subscription and the balance of $201,626 is payable over 10 years with interest at 6%.

During 1983, 64,300 shares were repurchased by the Company at the grant price. Consideration included cancellation of subscriptions receivable in the amount of $73,314 and a cash payment of $3,400. At March 31, 1983, these shares are reflected as treasury stock.

No shares were issued under the Plan in 1983 or 1982. As of March 31, 1983, the Company has reserved 186,941 shares of common stock for issuance under the Plan.

Compensation for Services
On March 27, 1983, the Board of Directors authorized the issuance of 31,250 shares of the Company's common stock to the Company's Chairman and President (15,625 shares each) in lieu of their salary for the six months ended March 31, 1983. The shares have a stated value of $4 per share and include 6,250 warrants to purchase common stock at $4 per share.

10. Income Taxes:

The Company files a consolidated Federal income tax return with its subsidiaries. The Company has consolidated net operating loss carryovers as follows:

Expiring March 31	Tax Reporting	Financial Reporting
1996	$ 133,000	$742,000
1997	$ 172,000	$455,000
1998	$1,027,000	$412,000

The difference between tax and financial reporting operating loss carryovers relates principally to timing differences in the recognition of royalty income and equity in partnership losses.

11. Transactions With Related Parties:

The Company and affiliated partnerships paid legal fees of $163,000, $330,000 and $185,000 in 1983, 1982 and 1981, respectively, to a law firm in which a director and officer of the Company is a partner.

12. Offer to Acquire Limited Partnership Interests:

On March 27, 1983, the Board of Directors offered to acquire the limited partnership interests in Rebel Associates and Henrietta Associates in exchange for 282,385 shares of common stock and 56,475 warrants in Stan West Mining Corp. The warrants have an exercise price of $4 per share until May 1, 1984 and $5 per share until May 1, 1986. Management expects that most of the partners will elect to exchange their limited partnership interests.

Accountants' Report

The Board of Directors and
Stockholders of
Stan West Mining Corp.

We have examined the consolidated balance sheets of Stan West Mining Corp. and subsidiaries (Companies in the Development Stage) as of March 31, 1983 and 1982 and the related consolidated statements of operations, stockholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statements of Stan West Mining Corp. and subsidiaries for the year ended March 31, 1981 was examined by other auditors whose report expressed an unqualified opinion on those statements.

The consolidated balance sheets at March 31, 1983 include investments in partnerships of $3,109,030, and at March 31, 1983 and 1982 include Undeveloped Mineral Properties of $1,259,557 and $1,300,451, respectively. Recovery of the Company's investment in these assets is dependent upon either the future development of profitable operations from such assets or a sale of the Company's interest therein.

In our opinion, subject to the effects on the consolidated financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainties referred to in the preceding paragraph been known, the aforementioned consolidated financial statements present fairly the financial position of Stan West Mining Corp. and subsidiaries as of March 31, 1983 and 1982 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Phoenix, Arizona
May 31, 1983

Management's Discussion and Analysis

Liquidity and Capital Resources

During the year, the Company's liquidity was reduced primarily because of its aggressive investment of over $700,000 in its developmental partnerships and the purchase of existing partnership interests at a cost of approximately $2,000,000. Because of the favorable results from the surface drilling and underground development programs, management decided to increase its direct ownership interests in the McCabe Mining Unit properties (see page 4). The Company's share of the McCabe Mining Unit's future earnings potential has been significantly increased.

The Company expanded its capital base through the issuance of approximately $1,185,000 of common stock. Additional capital funds may be realized from the issuance of 253,333 stock options and 110,900 warrants that are exercisable through May 1, 1986.

During fiscal 1984, the Company's liquidity will be reduced by projected operating deficits and expenditures for corporate exploration and development programs. The ultimate cash-generating ability of the Company depends on its success in bringing its development projects into production. The McCabe Mine is the most advanced project and should be operational eight months after the production financing is arranged.

The production financing at the McCabe Mine could require as much as $9,000,000. The Company is currently evaluating several project financing alternatives. SWMC may be required to sign a limited completion guarantee with the limited partnerships in order to obtain the production monies.

Results of Operations

SWMC incurred a net loss of $411,997 in 1983 compared to $454,919 in 1982. Income declined by $450,310 because of reduced management fees from drilling programs and lower interest earnings on invested funds. The lower income was more than offset by a reduction of $493,232 in total expenses. Expense reductions were primarily attributable to lower exploration expenses and smaller losses in the exploration partnerships.

Income in fiscal 1982 increased $857,690 over 1981. Enlarged royalty payments and management fees resulted from the Company's expanded exploration programs. In addition, the Company realized interest income by investing its net proceeds from the sale of common stock.

Costs and expenses also increased in fiscal 1982 primarily because of the higher cost structure from the Company's new corporate headquarters in Phoenix, Arizona and the Company's increased exploration expenses. The Company's loss in exploration and development partnerships also increased substantially during 1982. This reflects the increasing trend for the Company to invest directly in its exploration programs.

Because the Company is in the development stage, it does not have any operating mines. Consequently, the impact of inflation was negligible.

Selected Financial Data

	1983	1982	1981	1980
Income	**$ 668,941**	$1,119,251	$ 261,561	$ 161,938
Net Operating Loss	**411,997**	454,919	721,687	11,553
Loss per Common Share	**.055**	.063	.107	.002
Total Assets	**6,764,508**	7,270,483	2,245,627	1,526,830
Long Term Obligations	**144,928**	330,597	238,073	—
Average Shares Outstanding	**7,475,124**	7,183,000	6,750,000	6,750,000

Corporate Information

Directors and Officers

Ira U. Cobleigh
Economist/Author

Frank H. Crerie*
Chairman of the Board

Stephen B. Browne
President — Fine Candy Company

Harold L. Hodges
President — Bill Hodges Trucking Co., Inc.

Stanley W. Holmes*
President

Bernard H. Fishman*
Attorney

Robert P. Lammerts
President — Lammerts Oil

Scott Norris*
Vice-President Finance and Treasurer

Joe Dan Trigg
President — Trigg Drilling Company, Inc.

*executive officers

Corporate Offices

Stan West Mining Corp.
2701 East Camelback Road
Suite 260
Phoenix, Arizona 85016

General Counsel

Fishman Forman & Landau
New York, New York

Auditors

Coopers & Lybrand
Phoenix, Arizona

Transfer Agent

Continental Stock Transfer & Trust Company
New York, New York

FORM 10-K IS AVAILABLE UPON WRITTEN REQUEST

Common Stock Information

The Company's Common Shares have been traded in the over-the-counter market since the Company's public offering on September 2, 1981, and are quoted on the National Association of Securities Dealers' Automated Quotation System (NASDAQ) under the symbol SWMC. The following table sets forth the range of high and low closing bid prices of the Company's Common Shares for the fiscal period indicated as reported by NASDAQ Market Information.

Fiscal Year	Bid Price	
1982:	High	Low
Third Quarter	6⅜	4¾
Fourth Quarter	5	4
1983:		
First Quarter	4½	2¾
Second Quarter	4	1⅝
Third Quarter	3⅝	3
Fourth Quarter	6¼	3½

The Company has paid no dividends nor anticipates paying dividends in the near future. The Company had approximately 600 shareholders as of June 7, 1983.

STAN WEST MINING CORP.
DEVELOPMENT HIGHLIGHTS

Despite depressed metal prices and a difficult financial environment for natural resource projects, Stan West has posted the following track record of growth and progress:

- 1985 Stan West Mining Corp. signed a $15,000,000 joint venture agreement with Santa Fe Mining, Inc. to bring the McCabe Mine into production.

- 1984 An independent engineering and feasibility study was completed. The McCabe Mine's operating cost per ounce of gold produced is projected to be approximately $216 (per ounce).

- 1983 Private investors advanced over $3,000,000 to deepen the Sooner Shaft at the McCabe Mine and drift underground. The actual ore grades were 40% higher than originally projected.

- 1982 Private investors advanced $4,700,000 to sink the Sooner Shaft to 833′ at the McCabe Mine. Approximately $2,000,000 was funded for additional surface drilling in the McCabe Mining Unit. By year-end, 500,000 tons (five years) of reserves had been blocked out.

- 1981 Stan West Mining Corp. was listed on the NASDAQ exchange and raised approximately $5,000,000 in its initial public stock offering. Surface drilling at the McCabe cut commercial mineral zones at depth.

- 1980 The McCabe Mine in central Arizona was acquired and $2,000,000 in initial exploration funds were raised for the property.

TO OUR SHAREHOLDERS:

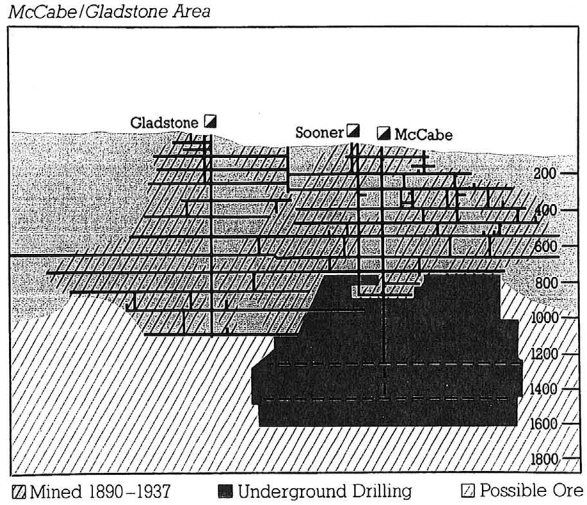
In an age of fluctuating monetary standards and uncertain currency values, the precious metals—gold chief among them—have provided a hedge against inflation and an investment medium whose real value has increased consistently while that of paper currencies has declined.

Fiscal 1985 was a pivotal year of accomplishment for Stan West Mining Corp. Your Company successfully completed its initial era of exploration and development by signing a $15,000,000 joint venture agreement to bring the McCabe Mine in central Arizona into production. With this project financed, the Company is positioned financially and operationally to aggressively pursue new growth opportunities in the southwest U.S. and Canada. Our master plan of building a major precious metal mining company is on-track and moving forward. We proudly direct your attention to the following accomplishments that your Company achieved in 1985:

GLADSTONE File

McCabe Production Financing—Stan West's underlying philosophy has been to concentrate its assets and energies in order to successfully bring its first gold property into production. Consequently, based on the initial surface geology and diamond drilling at the McCabe Mine in 1980, your Company was determined that it would develop the McCabe Mine until it was brought into production. Stan West and its investors subsequently invested over a five-year period approximately $12,000,000 to establish the viability of the ore reserves at the McCabe Mining Unit.

LONGITUDINAL PROJECTION
McCabe/Gladstone Area



During 1985, Santa Fe Mining, Inc., a subsidiary of Santa Fe Southern Pacific Corporation, thoroughly evaluated the McCabe Mining Unit and verified the properties' reserve study and independent feasibility study. After lengthy negotiations, a joint venture agreement was signed to bring the McCabe into production. Under the terms of the joint venture, Santa Fe can earn a 50% interest in the mine and become the operator by completing the following tasks:

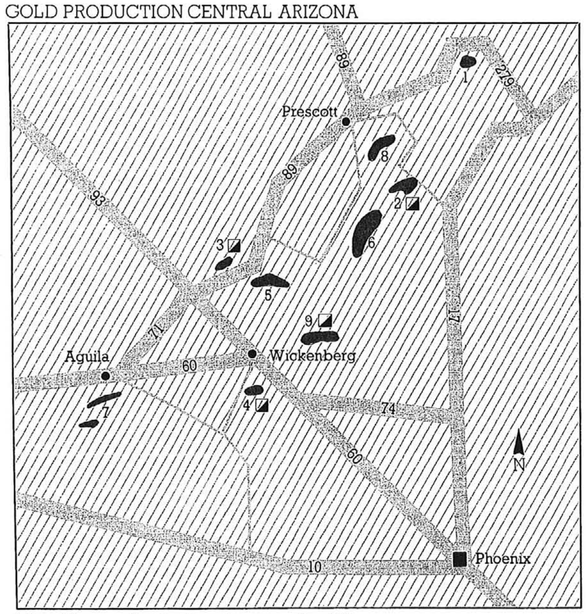
- Construct a 500-ton/day mill and tailings pond
- Perform approximately $6,000,000 in underground development
- Advance $1,000,000 to Stan West Mining Corp.
- Fund $2,000,000 in initial working capital

Jewelry of gold and precious metals has long symbolized romance and the commitment of enduring love. Throughout the ages, it has also been worn as a personal statement of taste, and commitment to value that increases for succeeding generations.

This work program is currently underway. If Santa Fe does not complete the provisions of the contract, they retain no equity interest in the property according to the terms of the joint venture agreement. The McCabe Mine is scheduled to be in production at an initial rate of 300 tons/day by September, 1986. At this production rate, the McCabe will produce approximately 40,000 ounces of gold and 125,000 ounces of silver per year. Santa Fe is also committed to spend $3,000,000 on expanding the operation to 500 tons per day once additional reserves are developed.

Exploration Agreement—Adjacent to the McCabe Mining Unit, Stan West holds two large claim blocks that have supported past production. Santa Fe has evaluated these claims and entered into an exploration agreement on these adjacent properties. Santa Fe can earn a 60% interest in these claims by expending $650,000 in exploration over the next two years. If this initial program is successful a further two years of exploration will be carried out. At year four, a production decision will be made. Stan West may elect to be a joint working partner or revert to a 40% non-assessable carried interest.

GOLD PRODUCTION CENTRAL ARIZONA

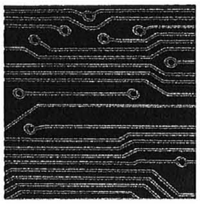


Mine/Area—**Production (ounces of gold)**

1. Jerome Area	1,579,000	6. Crown King Area	124,630
2. Big Bug District (McCabe)	462,000	7. Aquila Area	149,000
3. Congress Mine	388,000	8. Walker Area	65,000
4. Vulture Mine	350,000	9. Gold Bar Area	9,700
5. Rich Hill Area	203,000		

This agreement accelerates Stan West's exploration funding for precious metal properties in the Southwest. Santa Fe also provides the financial strength and stability to rapidly develop these properties if the exploration results are favorable.

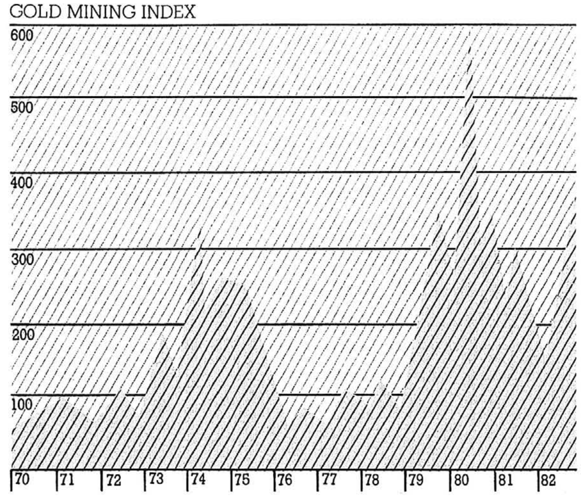
Property Acquisitions—Since the signing of the joint operating and exploration agreements with Santa Fe Mining, Stan West's management team has concentrated on the evaluation and acquisition of additional promising precious metal claims. The Company has used its background and working familiarity in the Southwest to identify a number of Pre-Cambrian properties with precious metal potential. In addition,



The precious metals are essential elements in computers, telecommunications equipment and other sophisticated electronic devices. Gold is used in applications that range from increasing the insulation qualities of glass in high-rise buildings to ensuring the lasting performance of satellites and space exploration probes.

Stan West is actively pursuing a joint venture agreement with a major industry partner on a Canadian precious metal property. These properties are consistent with the Company's geological philosophy of minimizing exploration risks by avoiding grass roots projects. These opportunities complement the current activities at the McCabe and will expand the Company's bright future as an aggressive precious metal mining company.

GOLD MINING INDEX



Financial Base—During the year, Stan West greatly improved its financial base and liquidity. The Santa Fe joint venture generated $1,350,000 in cash during 1985. Because of the Company's substantial cash reserve and only nominal liabilities, Stan West's balance sheet is strong and structured to finance the Company until the McCabe is brought into production.

In addition, the Company's balance sheet strength was enhanced by the acquisition of the outstanding limited partnership interests in four partnerships that invested in the McCabe Mining Unit. These transactions significantly increased the Company's asset base and will dramatically improve the operating cash flow once the McCabe is in production.

Despite depressed metal prices and a difficult banking and financing environment, your Company has successfully financed and developed its first property. We believe that the Company is well positioned for new growth that should continue to build excellent asset value for our shareholders. We deeply appreciate the loyal support we have received from our investors and shareholders.

FRANK H. CRERIE
CHAIRMAN OF THE BOARD

STANLEY W. HOLMES
PRESIDENT

CONSOLIDATED BALANCE SHEETS

STAN WEST MINING CORP. AND SUBSIDIARIES

	March 31, 1985	1984
ASSETS		
Current assets:		
Cash	$ 1,812,657	$1,082,709
Due from affiliates		221,823
Prepaid expenses and other assets	35,952	38,930
Total current assets	1,848,609	1,343,462
Investments in partnerships (Note 2)	12,399	2,865,584
Undeveloped mineral properties (Note 3)	11,913,120	1,758,811
Other assets	24,787	42,185
Total assets	$13,798,915	$6,010,042
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 74,731	$ 35,207
Advances from affiliates in excess of costs incurred		2,762
Current portion of long-term debt (Note 5)	4,292	135,395
Total current liabilities	79,023	173,364
Long-term debt, net of current portion (Note 5)	10,188	14,248
Deferred income (Notes 2 and 6)	1,000,000	197,603
Commitments and contingencies (Note 7)		
Stockholders' equity (Note 8):		
Common stock, par value $.01 per share; authorized 20,000,000 shares	104,431	80,528
Additional paid-in capital	15,493,013	8,106,540
Deficit accumulated during the exploration and development stages	(2,736,232)	(2,400,133)
Less: Subscriptions receivable	(74,794)	(85,394)
	12,786,418	5,701,541
Less: Treasury stock, at cost (64,278 shares)	(76,714)	(76,714)
Total stockholders' equity	12,709,704	5,624,827
Total liabilities and stockholders' equity	$13,798,915	$6,010,042

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

STAN WEST MINING CORP. AND SUBSIDIARIES

	Year Ended March 31, 1985	1984	1983	Cumulative From Inception (March 22, 1979) to March 31, 1985
Income:				
Royalty (Note 10)	$116,063	$ 433,920	$353,474	$1,200,096
Interest and other (Note 2)	441,083	128,854	273,095	1,330,789
Sales commissions		24,250		184,250
Management fees			42,372	640,726
Total income	557,146	587,024	668,941	3,355,861
Costs and expenses:				
Exploration	297,315	558,431	169,512	1,794,383
General and administrative	534,077	627,146	658,521	3,181,050
Interest	26,105	29,788	66,737	216,688
Registration (Note 8)	29,115	54,877		240,587
Total costs and expenses	886,612	1,270,242	894,770	5,432,708
Net loss before share of loss in exploration and development partnerships	329,466	683,218	225,829	2,076,847
Share of loss in exploration and development partnerships (Note 2)	6,633	116,759	186,168	659,385
Net loss	$336,099	$ 799,977	$411,997	$2,736,232
Loss per common share	$.04	$.10	$.06	

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

STAN WEST MINING CORP. AND SUBSIDIARIES

	Year Ended March 31, 1985	1984	1983	Cumulative From Inception (March 22, 1979) to March 31, 1985
Sources (Uses) of Cash:				
Operations:				
Net loss	$ (336,099)	$ (799,977)	$ (411,997)	$(2,736,232)
Deferred income not included in net loss		14,583		724,339
Non-cash items included in net loss:				
Reduction of deferred income	(197,603)	(360,313)	(166,423)	(724,339)
Impairment of undeveloped mineral properties		347,467	61,458	547,814
Depreciation and amortization	8,896	5,673	21,330	57,063
Share of loss in partnerships	6,633	116,759	186,168	659,385
Other	20,270		20,243	59,105
Cash used by operations	(497,903)	(675,808)	(289,221)	(1,412,865)
Investment activities, including acquisition and consolidation of partnership net assets in 1985 and 1984:				
Advance from joint venture	1,000,000			1,000,000
Acquisition of undeveloped mineral properties	(10,154,309)	(797,908)	(43,813)	(12,435,370)
Acquisition of equipment		(4,004)		(87,945)
Investments in partnerships, net	2,846,552	77,874	(2,738,705)	(732,365)
Other, net	(11,768)	1,565	(15,841)	(25,399)
Cash used for investment activities	(6,319,525)	(722,473)	(2,798,359)	(12,281,079)
Working capital, exclusive of cash and current debt:				
Due from affiliates	221,823	58,589	1,013,234	(35,952)
Prepaid expenses	2,978	(601)	11,862	
Accounts payable and accrued expenses	39,524	(279,829)	(554,400)	74,731
Advances from affiliates in excess of costs incurred	(2,762)	(139,017)	(403,871)	
Cash provided (used) for working capital	261,563	(360,858)	66,825	38,779
Financing activities:				
Increase in long-term debt				1,379,195
Payments on long-term debt, net of current portion	(135,163)	(190,416)	(147,206)	(1,357,309)
Net proceeds from issuance of common stock	7,420,976	1,000,503	1,185,330	15,545,936
Redemption of common stock				(100,000)
Cash provided from financing activities	7,285,813	810,087	1,038,124	15,467,822
Increase (decrease) in cash	729,948	(949,052)	(1,982,631)	1,812,657
Cash, beginning of year	1,082,709	2,031,761	4,014,392	
Cash, end of year	$1,812,657	$1,082,709	$2,031,761	$ 1,812,657

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

STAN WEST MINING CORP. AND SUBSIDIARIES (Companies in the Development Stage)

for the six years ended March 31, 1985	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Deficit Accumulated During the Exploration and Development Stages	Subscriptions Receivable	Treasury Stock
Issuance of common stock:						
For cash:						
at $.01 per share	1,205,000	$ 12,050			$ (8,928)	
at $.50 per share	62,500	625	$ 30,625			
at $.775 per share	400,000	4,000	306,000			
at $1.00 per share	10,000	100	9,900			
at $2.00 per share	50,000	500	99,500			
For services:						
at $.016 per share	34,767	348	202			
Net loss for year ended March 31, 1980				$ (11,553)		
Balances as of March 31, 1980	1,762,267	17,623	446,227	(11,553)	(8,928)	
Issuance of common stock:						
For cash:						
at $1.00 per share	100,000	1,000	99,000			
at $1.66 per share	300,000	3,000	497,000			
at $2.00 per share (post-split)	50,000	500	99,500			
Stock split	1,085,233	10,852	(10,852)			
Employee stock plan	142,468	1,425	220,035		(221,460)	
Cash redemption of common stock at $2.00 per share	(97,500)	(975)	(99,025)			
Cancellation of subscription on 200,000 shares	(200,000)	(2,000)	200		1,800	
Receipts of subscription receivable					31,146	
Accrued interest on employee subscriptions			4,312		(4,312)	
Net loss for year ended March 31, 1981				(721,687)		
Balances as of March 31, 1981	3,142,468	31,425	1,256,397	(733,240)	(201,754)	
Issuance of common stock:						
For cash at $5.00 per share	50,000	500	249,500			
Stock split	3,557,532	35,575	(35,575)			
Public offering at $7.00 per share	750,000	7,500	4,480,500			
Receipts on subscriptions receivable			9,869		4,440	
Issuance of common stock warrants			750			
Net loss for year ended March 31, 1982				(454,919)		
Balances as of March 31, 1982	7,500,000	75,000	5,961,441	(1,188,159)	(197,314)	
Issuance of common stock:						
For cash at $4.00 per share	255,000	2,550	1,017,450			
For services at $4.00 per share	31,250	313	124,687			
Receipts on subscriptions receivable			5,124		38,606	
Treasury stock					73,314	$(76,714)
Net loss for year ended March 31, 1983				(411,997)		
Balances as of March 31, 1983	7,786,250	77,863	7,108,702	(1,600,156)	(85,394)	(76,714)
Issuance of common stock:						
For cash at $3.00 per share	65,832	658	196,838			
For limited partnership interests at $4.00 per share	200,752	2,007	801,000			
Net loss for year ended March 31, 1984				(799,977)		
Balances as of March 31, 1984	8,052,834	80,528	8,106,540	(2,400,133)	(85,394)	(76,714)
Issuance of common stock:						
For limited partnership interests at $1.79 per share	70,476	705	125,448			
For limited partnership interests at $3.14 per share	2,319,816	23,198	7,261,025			
Receipts on subscriptions receivable					10,600	
Net loss for year ended March 31, 1985				(336,099)		
Balances as of March 31, 1985	10,443,126	$104,431	$15,493,013	$(2,736,232)	$(74,794)	$(76,714)

See Notes to Consolidated Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

The consolidated financial statements include the accounts of Stan West Mining Corp. and its wholly owned subsidiaries and its proportionate share of majority-owned partnerships (the "Company"). All material intercompany balances and transactions are eliminated in consolidation. Investments in partnerships are accounted for by the equity method.

Basis of Presentation

The Company is in the development stage and has been engaged in the acquisition, exploration and development of mineral deposits since inception. The accompanying financial statements are presented in the format prescribed by Statement of Financial Accounting Standards No. 7 issued by the Financial Accounting Standards Board.

Undeveloped Mineral Properties

Undeveloped mineral properties are carried at cost. Upon commencement of production, the cost is transferred to mineral properties and depleted over the estimated life of the reserves. If exploration is not successful, the cost is written down to estimated net realizable value. Production has not commenced on any of the Company's properties.

Minimum Royalties

Minimum royalties received are recognized as revenue ratably over the lease period.

Exploration Costs

Exploration costs are charged to operations as incurred and include provision for impairment of exploitable properties not being developed currently.

Income Taxes

For income tax reporting purposes, certain amounts of income and expense are reported in different periods than for financial statement reporting purposes. The principal timing differences arise from the recognition of royalty income and equity in partnership losses.

Investment tax credits are recognized as a reduction of the provision for Federal income taxes in the year the credits are realized.

Loss Per Share

Loss per share of common stock is computed based on the weighted average number of shares outstanding during each year, after giving effect to stock splits. The effect on loss per share for the outstanding stock options and warrants are excluded from the loss per share computation as they are antidilutive.

2. INVESTMENTS IN PARTNERSHIP AND JOINT VENTURE:

During fiscal year 1985, the Company issued 2,390,292 shares of common stock in exchange for all limited partnership interests in four limited partnerships which the Company was managing general partner and through which the Company had been financing its exploration and development programs (Note 4).

At March 31, 1985, the Company has a 1% limited and 1% general partnership interest in an unconsolidated partnership.

In March 1985, the Company entered into a joint operating agreement with Santa Fe Mining, Inc. (Santa Fe) to finance mine development programs and to bring the mine into production. Under the agreement, Santa Fe is required to provide all funding of the estimated $6,000,000 development program and construct a mill. In consideration for its investment, Santa Fe will receive a 50% undivided interest in the joint mining properties and will become the mine operator. Subject to approval of both parties, Santa Fe also will be responsible for the funding of an additional $3,000,000 mine expansion program. Santa Fe can terminate the agreement any time subsequent to its funding a minimum of $4,000,000 in the development program with forfeiture of its interest in the properties and advances made to the Company.

As provided in the agreement, Santa Fe advanced the Company $1,000,000 which has been classified as deferred income which will be recognized by the Company through its share of the net proceeds from the mine production.

The joint venture is obligated to pay royalties of approximately $500,000 annually along with payments of approximately $3,000,000 over a four year period to limited partners of an unconsolidated partnership who retain an interest in certain of the mining properties.

In addition to the joint operating agreement, the Company entered into an exploration agreement with Santa Fe. The exploration agreement covers an area immediately adjacent to the above property. Santa Fe can earn a 60% interest in these claims by expending $650,000 in exploration over the next two years.

Included in other income in 1985 is $350,000 received from Santa Fe and other potential investors for exclusive negotiation rights granted by the Company.

3. UNDEVELOPED MINERAL PROPERTIES:
The Company has acquired and staked various patented and unpatented mining claims in Yavapai County, Arizona. Some of the acquisition agreements require periodic payments under a fixed term and, accordingly, the liability is recorded. Other agreements can be terminated at any time without additional payments required. These payments are capitalized as incurred.

Recovery of the Company's investment in the undeveloped mineral properties is dependent upon either the future development of profitable operations from such assets or a sale of the Company's interest therein. If it is determined that commercially profitable operations cannot be developed, all related capitalized costs for that property are written off at that time.

Undeveloped mineral properties consist of the following:

	Costs Capitalized 1985	1984
McCABE/GLADSTONE CLAIMS: Following a surface drilling program, a new 1,050 foot shaft was sunk, the old workings were dewatered and an underground development program was completed. A final feasibility study for the McCabe/Gladstone Mine has been successfully completed.	**$10,185,677**	$ 254,464
REBEL/LITTLE KICKER CLAIMS: The surface drilling program has been completed. Further development is planned from underground once the McCabe Mine is operational.	**765,250**	659,763
HENRIETTA CLAIMS: The initial surface drilling program has been completed. Further development is planned from underground once the McCabe Mine is operational.	**386,570**	351,961
Claims not under current exploration/development.	**575,623**	492,623
	$11,913,120	$1,758,811

4. ACQUISITIONS:

Partnerships

During fiscal 1985, Stan West Mining Corp. acquired all of the remaining limited partnership interests in four of its exploration and development partnerships through the issuance of common stock and warrants of the Company.

On March 28, 1985, the Company acquired the partnership interests in Sooner Associates and Stan West Associates through issuance of 2,319,816 shares of common stock valued at $7,284,223. The Company previously had a 44% interest in Sooner Associates and a 19% interest in Stan West Associates.

The remaining partnership interests in previously consolidated Henrietta Associates and Rebel Associates were acquired December 28, 1984 through issuance of 70,476 shares of common stock valued at $126,153 and 14,095 warrants.

In fiscal 1984, the Company had acquired an additional 41% interest in Henrietta Associates and Rebel Associates which resulted in an 85% and 83% interest at March 31, 1984. The additional interests were acquired through issuance of 200,752 shares of common stock valued at $803,007 and 40,151 warrants. All warrants have an exercise price of $5 per share until May 1, 1986.

The acquisitions have been accounted for as purchases and the purchase price in excess of the net book value of the interests acquired was allocated to undeveloped mineral properties (Note 3).

Proforma earnings for 1985 and 1984 have not been presented because management believes the exploration costs incurred by the partnerships during this period would have been funded by sources outside the Company.

Rock Island Mining Corp.

On May 10, 1982, the Company acquired for $1,700,000 all of the stock of Rock Island Mining Corp. whose assets consist of property interests in certain of the Company's exploration projects. The purchase price was allocated to the Company's investments in these partnerships.

The Company also received an option to purchase Rock Island Refining Corp.'s 674,575 shares of Stan West Mining Corp. common stock for $5 per share until May 10, 1986.

For accounting purposes, no value was assigned to the option.

5. LONG-TERM DEBT:

Long-term debt consists of the following:

	1985	1984
Mortgage on undeveloped mineral properties, net of unamortized discount (based on an imputed interest rate of 17%) of $22,659 in 1984, balance paid in full in 1985		$ 86,797
Mortgage on undeveloped mineral property, balance paid in full in 1985, including 6% interest		44,400
Other notes payable	**$14,480**	18,446
	$14,480	149,643
Less current portion	**4,292**	135,395
	$10,188	$ 14,248

Maturities on long-term debt are:

1987	$ 3,830
1988	4,180
1989	2,178
	$10,188

6. DEFERRED INCOME:

Deferred income consists of the following:

	1985	1984
Advance from Joint Venture	**$1,000,000**	
Advance royalties		$175,000
Minimum royalties		22,603
	$1,000,000	$197,603

7. COMMITMENTS AND CONTINGENCIES:

Commitments

The Company leases office facilities and equipment under various operating leases. Total rental expense under these leases was $37,084, $40,737 and $42,112 in 1985, 1984 and 1983, respectively. Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of March 31, 1985 are:

1986	$29,678
1987	3,724
1988	1,499
	$34,901

Contingencies

In August 1981, the Company was named as a defendant in two lawsuits. The plaintiffs claimed they were entitled to shares of the Company's common stock.

During fiscal 1985, one of the lawsuits was settled by the Company. Under an indemnification agreement the Company was reimbursed by certain shareholders for the amount of the judgment and legal fees of $528,000.

In connection with the remaining lawsuit, in November 1984 a judgment was filed against the Company awarding the plaintiff shares in the Company. Certain shareholders have agreed to transfer shares to the plaintiffs in settlement of the judgment.

8. STOCKHOLDERS' EQUITY:

Public Stock Offering

In September 1981, the Company concluded a public offering of 750,000 shares of its common stock at a price of $7.00 per share. Costs of this offering of $762,000 were charged to additional paid-in capital. Costs incurred in 1985 and 1984 in connection with a registration that was not completed are included in operations.

Stock Warrants

In connection with the 1981 public offering, the Company sold, to the underwriter for $750, warrants to purchase 75,000 shares of common stock of the Company. The warrants are exercisable for a five-year period at a price of $8.40 per share.

The following is a summary of warrants outstanding:

	Number of Warrants	Exercise Price
Outstanding as of March 31, 1982 and 1981	75,000	$8.40
Issued in 1983	110,900 (A)	5.00 (B)
Outstanding as of March 31, 1983	185,900	5.00–8.40
Issued in 1984	220,355 (A)	5.00 (B)
Outstanding as of March 31, 1984	406,255	5.00–8.40
Issued in 1985	14,095 (A)	5.00 (B)
Outstanding as of March 31, 1985	420,350	$5.00–8.50

(A) Issued primarily in connection with issuance of common stock and purchase of partnership interests.
(B) $5.00 per share through May 1, 1986.

Stock Options

During September 1980, the Company granted an option to a director to purchase 53,302 shares of common stock of the Company at $2.82 per share exercisable at any time prior to September 1985. As of March 31, 1985, these options had not been exercised.

In May 1982, the Company granted 253,333 options to purchase shares of the Company's common stock to the limited partners of Sooner Associates. The options are exercisable at a price of $5.00 per share until May 1, 1986. Several of the limited partners are directors and/or shareholders of the Company. During fiscal 1984, 65,832 shares of common stock were issued as a result of options exercised at the prior exercised price of $3.00 per share.

Employee Stock Purchase Plan

Under an Employee Stock Purchase Plan, which was terminated in 1985, 303,753 shares were issued in 1981 at prices ranging from $.59 to $1.41 per share. The employees paid 10% of the purchase price or $24,146 upon subscription and the balance of $201,626 is payable over 10 years with interest at 6%.

During 1983, 64,278 shares were repurchased by the Company at the grant price. Consideration included cancellation of subscriptions receivable in the amount of $73,314 and a cash payment of $3,400, shown as treasury stock.

No shares were issued under the Plan in 1985 or 1984.

Employee Stock Option Plan

During the fiscal year 1985, the Company adopted an Employee Stock Option Plan which provides for the award of options to purchase shares of the Company's common stock to certain key employees and non-employee Directors of the Company in amounts and at option prices determined by the Board of Directors.

In September 1984, the Company granted 455,000 stock options to officers, directors and employees of the Company pursuant to the stock option plan. The options are exercisable at a price of $2.81 per share and expire ten years from the date of issuance.

During 1985 no options were exercised. As of March 31, 1985, the Company has reserved 800,000 shares of common stock for issuance under the Plan.

9. INCOME TAXES:

The Company files a consolidated Federal income tax return. Consolidated net operating loss carryovers are as follows:

Expiring March 31	Tax Reporting	Financial Reporting
1996	$ 133,000	$742,000
1997	$ 172,000	$455,000
1998	$1,086,000	$412,000
1999	$1,388,000	$800,000
2000	$ 476,000	$336,000

10. TRANSACTIONS WITH RELATED PARTIES:

The Company and affiliated partnerships paid legal fees of $60,000, $183,000, and $163,000 in 1985, 1984 and 1983, respectively, to a law firm in which a former director and officer of the Company is a partner.

During 1984, the Company received commissions from an affiliated partnership of $24,250, resulting from partnership units sold by the Company.

Royalty income of $116,063, $433,920 and $353,474 in 1985, 1984 and 1983, respectively, was received from related partnerships of which the Company is the general partner (Notes 2 and 4).

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

The joint venture agreement with Santa Fe Mining, Inc. has significantly strengthened the liquidity position of Stan West Mining Corp. The Company received $1,350,000 in cash as a result of the joint venture agreement. The Company's ratio of current assets to current liabilities as of March 31, 1985, exceeds 23:1.

The capital base of the Company was also enhanced during the year by the acquisition of various limited partnership interests in the McCabe Mining Unit in return for approximately $7,400,000 in Stan West common stock. This larger ownership interest will increase the Company's operating cash flow once the McCabe is in production.

The Company does not anticipate any major capital expenditure programs other than the possible acquisition of additional undeveloped mineral properties.

RESULTS OF OPERATIONS

The fiscal 1985 net loss was reduced by $464,000 compared to 1984. Income was down $30,000 to $557,000. However, corporate expenses and losses from partnerships were reduced by approximately $494,000 in 1985. The reduced expense structure reflects the effect of the joint venture agreement and the lower financing activity for the Company.

Stan West's net loss in 1984 increased to $799,977 compared to a loss of $411,997 in 1983. Although the Company recognized over $300,000 of deferred income in 1984, net revenues declined by $81,917 primarily because of lower management fees and reduced interest income. Corporate expenses increased because of the costs associated with pursuing production financing and the write-off of $347,467 on abandoned mineral properties.

Because the Company is in the development stage, it does not have any operating mines. Consequently, the impact of inflation was negligible.

ACCOUNTANTS' REPORT

The Board of Directors
and Stockholders of
Stan West Mining Corp.

We have examined the consolidated balance sheets of Stan West Mining Corp. and subsidiaries (Companies in the Development Stage) as of March 31, 1985 and 1984 and the related consolidated statements of operations, stockholders' equity and changes in financial position for each of the three years in the period ended March 31, 1985. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The consolidated balance sheets include investments in partnerships and undeveloped mineral properties. Recovery of the Company's investment in these assets is dependent upon either the future development of profitable operation from such assets or a sale of the Company's interest therein.

In our opinion, subject to the effects on the consolidated financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainties referred to in the preceding paragraph been known, the aforementioned consolidated financial statements present fairly the financial position of Stan West Mining Corp. and subsidiaries as of March 31, 1985 and 1984 and the results of their operations and the changes in their financial position for each of the three years in the period ended March 31, 1985, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Phoenix, Arizona
May 24, 1985

Designed and Produced by Libera and Associates/Los Angeles

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

Frank H. Crerie*
Chairman of the Board

Stephen B. Browne
President—Browne Investment Co.

Harold L. Hodges
President—Bill Hodges Truck Co., Inc.

Stanley W. Holmes*
President

Robert P. Lammerts
President—Lammerts Oil

Scott Norris*
Executive Vice President of Finance and Treasurer

French Peterson
Private Investor

Joe Dan Trigg
President—Trigg Drilling Co., Inc.

Bud W. Worley, Jr.*
Executive Vice President of Operations

*executive officers

CORPORATE OFFICES

Stan West Mining Corp.
2701 East Camelback Road
Suite 260
Phoenix, Arizona 85016

GENERAL COUNSEL

Lewis and Roca
Phoenix, Arizona

AUDITORS

Coopers & Lybrand
Phoenix, Arizona

TRANSFER AGENT

Continental Stock Transfer & Trust Company
New York, New York

FORM 10-K

is available upon written request.

COMMON STOCK INFORMATION

The Company's Common Shares have been traded in the over-the-counter market since the Company's public offering on September 2, 1981, and are quoted on the National Association of Securities Dealers' Automated Quotation System (NASDAQ) under the symbol SWMC. The following table sets forth the range of high and low closing bid prices of the Company's Common Shares for the fiscal period indicated as reported by NASDAQ Market Information.

Fiscal Year	High	Low
1983:		
First Quarter	4½	2¾
Second Quarter	4	1⅝
Third Quarter	3⅝	3
Fourth Quarter	6¼	3½
1984:		
First Quarter	6¾	5¾
Second Quarter	6¼	5
Third Quarter	5¾	4¾
Fourth Quarter	5	3⅝
1985:		
First Quarter	4½	3
Second Quarter	3½	2½
Third Quarter	4¼	2
Fourth Quarter	4⅛	2¼

The Company has paid no dividends nor anticipates paying dividends in the near future. Based on the transfer agent's listing as of February 8, 1985, the Company had approximately 800 shareholders.

SELECTED FINANCIAL DATA

	Year Ended March 31				
	1985	1984	1983	1982	1981
Income	$ 557,146	$ 587,024	$ 668,941	$1,119,251	$ 261,561
Net Operating Loss	336,099	799,977	411,997	454,919	721,687
Loss per Common Share	.040	.100	.055	.063	.107
Total Assets	13,798,915	6,010,042	6,764,508	7,270,483	2,245,627
Long Term Obligations	10,188	14,248	144,928	330,597	238,073
Average Shares Outstanding	8,083,000	8,017,000	7,475,000	7,183,000	6,750,000

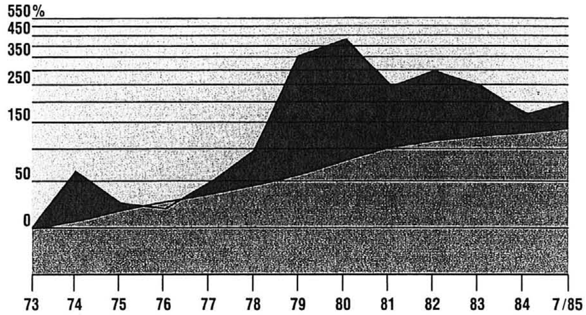
Highlights

1986 was highlighted by Stan West Mining Corp's international expansion into Canadian, precious metal exploration. The following accomplishments were recorded:

- Stan West Mining obtained a listing on The Toronto Stock Exchange

- Stan West Mining entered into a major joint venture agreement with Noranda Exploration Company

- Stan West Mining sold $1,500,000 in Canadian "flow through shares" with premium prices of 27–50% above market values



How gold has compared with Inflation (cumulative change) 12/73–7/85
■ Gold (London PM fixing)
▒ Inflation (Comsumer Price Index)

To Our Shareholders:

As promised, 1986 was a year of aggressive and diversified gold exploration for Stan West Mining Corp. The following major developments were accomplished during fiscal 1986:

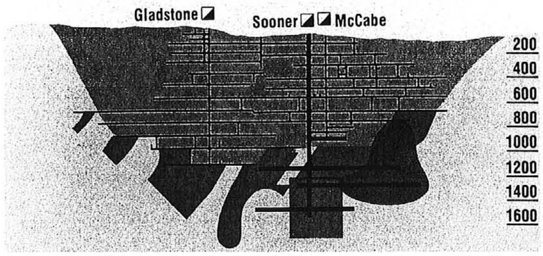
Noranda Joint Venture

Your Company has invested approximately $1,500,000 (Cdn) to earn a 50% interest in a new joint venture with Noranda Exploration at the Mountjoy project in Timmins, Ontario. The magnitude of the Mountjoy land position and the production history of the famous Timmins mining camp dramatically expands Stan West's opportunities.

The results of the 1985 exploration program were most encouraging. The majority of the monies were spent on drilling targets Noranda had previously delimited. The most favorable results were at the De Santis Mine, a former producer, (200,000 tons @ 0.18 ounces/gold/ton) which produced 36,000 ounces of gold. Deep drilling 500 feet below the bottom levels (1,000 feet) showed that the mineralization continued at depth and that multiple gold-bearing zones were developing. Four holes cut the zone, the best of which was MJD #12 (0.25 ounces/gold/ton over 20.9 feet). It should be emphasized that the Mountjoy holdings are directly west of the Dome, Aunor, Ankerite, Preston, East Dome and Hollinger mines, which produced millions of ounces of gold.

McCabe Mine

Your Company also received an unexpected opportunity and windfall profit when Santa Fe Mining, Inc. terminated the joint venture contract at the McCabe Mine in central Arizona. As a result of this development, Stan West retained a 100% ownership interest in the McCabe Mine, realized $1,000,000 in income from advance payments that Santa Fe forfeited and benefited from the $5,200,000 in development and exploration work that Santa Fe invested in the McCabe properties.



Composite Reserve Longitudinal/McCabe Mine
Old Workings ■ Main McCabe Reserves ■ Footwall Reserves
■ Hangingwall Reserves Potential Ore Extension ■ New Workings

As previously reported by Santa Fe, their decision to terminate the joint venture was not because of engineering or geological considerations related to the McCabe Mine. Rather, in the opinion of Santa Fe, the McCabe project would not result in a commercial operation of a size consistent with Santa Fe's investment criteria.

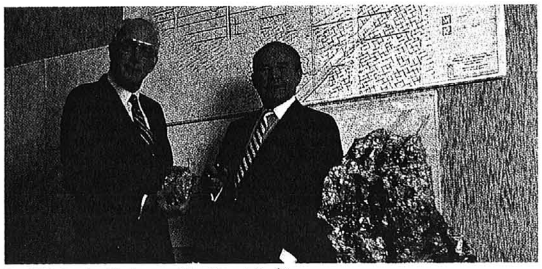
Based on Santa Fe's underground development work, the McCabe Mine's reserves were increased and the projected cost to produce an ounce of gold at the McCabe remains approximately $200/oz. Consequently, the McCabe Mine continues to project as one of the lower cost gold mines being developed in North America.

Stan West is proceeding with plans to be the operator for the McCabe Mine at an initial production rate of 300 tons/day. The mine should be operational 12 months after the production financing is completed. Negotiations for raising the $8–9,000,000 in production funds are now underway.

Corporate Finance

In addition to the Company's progress in precious metal exploration and development, Stan West continued to broaden and strengthen its financial base. During 1986, Stan West successfully obtained a listing on The Toronto Stock Exchange and completed two "flow-through" share offerings in Canada. These successful financings provided the funds necessary for Stan West to earn its 50% interest in the Noranda joint venture.

The "flow-through" shares are a unique financing technique for Canadian exploration projects. Canadian citizens can obtain a tax deduction by purchasing qualified "flow-through" shares. In return, the Company can sell its shares at a premium above market prices. Stan West's offerings were completed at premium prices of approximately 27–50% above market. These issues are cost-effective and expand the Company's financial base in Canada.



Frank H. Crerie, Chairman of the Board (Left)
Stanley W. Holmes, President (Right)

Looking Ahead

The management team at Stan West has never been more enthusiastic about the Company's opportunities. The initial results from the Mountjoy project are encouraging and the joint management committee between Noranda Exploration and Stan West has decided to proceed with the next stage of surface drilling and exploration. Stan West has already arranged the "flow-through" shares in Canada to fund its 50% interest in this work.

In addition, Stan West has regained its 100% ownership interest in the McCabe and is prepared to bring the property into production when the production financing is arranged.

We believe Stan West made great strides in 1986 toward its primary objective of discovering and developing substantial gold reserves in North America. We appreciate the loyal support of our employees and stockholders who have made this progress possible.

Sincerely

Frank H. Crerie
Chairman of the Board

Stanley W. Holmes
President

	March 31, 1986	1985
Assets:		
Current assets:		
Cash	$ 1,187,979	$ 1,812,657
Prepaid expenses and other assets	26,596	35,952
Total current assets	1,214,575	1,848,609
Undeveloped mineral properties (Note 3)	11,927,816	11,913,120
Other assets	57,014	37,186
Total assets	$13,199,405	$13,798,915
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 91,418	$ 74,731
Current portion of long-term debt (Note 5)	4,064	4,292
Total current liabilities	95,482	79,023
Long-term debt, net of current portion (Note 5)	6,358	10,188
Deferred income (Note 2)		1,000,000
Commitments (Note 6)		
Stockholders' equity (Note 7):		
Common stock, par value $.01 per share; 20,000,000 shares authorized; 10,693,589 and 10,443,126 shares issued and outstanding	106,936	104,431
Additional paid-in capital	16,302,625	15,493,013
Deficit accumulated during the exploration and development stages	(3,165,910)	(2,736,232)
Subscriptions receivable	(69,372)	(74,794)
	13,174,279	12,786,418
Treasury stock, at cost (64,278 shares)	(76,714)	(76,714)
Total stockholders' equity	13,097,565	12,709,704
Total liabilities and stockholders' equity	$13,199,405	$13,798,915

See Notes to Consolidated Financial Statements.

Consolidated Statements of Operations

Stan West Mining Corp. and Subsidiaries (Companies in the Development Stage)

	Year Ended March 31, 1986	1985	1984	Cumulative From Inception (March 22, 1979) to March 31, 1986
Income:				
Royalty (Note 9)	$	$116,063	$ 433,920	$1,200,096
Interest and other (Note 2)	1,102,749	441,083	128,854	2,433,538
Sales commissions			24,250	184,250
Management Fees				640,726
Total income	1,102,749	557,146	587,024	4,458,610
Costs and expenses:				
Exploration	991,631	297,315	558,431	2,786,014
General and administrative	540,708	534,077	627,146	3,721,758
Interest	88	26,105	29,788	216,776
Registration		29,115	54,877	240,587
Total costs and expenses	1,532,427	886,612	1,270,242	6,965,135
Loss before share of loss in exploration and development partnerships	429,678	329,466	683,218	2,506,525
Share of loss in exploration and development partnerships (Note 2)		6,633	116,759	659,385
Net loss	$ 429,678	$336,099	$ 799,977	$3,165,910
Loss per common share	$ .04	$ .04	$ .10	

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

Stan West Mining Corp. and Subsidiaries (Companies in the Development Stage)

for the seven years ended March 31, 1986	*Common Stock* *Shares*	*Common Stock* *Amount*	*Additional Paid-in Capital*	*Deficit Accumulated During the Exploration and Development Stages*	*Subscriptions Receivable*	*Treasury Stock*
Issuance of common stock:						
For cash:						
at $.01 per share	1,205,000	$ 12,050			$ (8,928)	
at $.50 per share	62,500	625	$ 30,625			
at $.775 per share	400,000	4,000	306,000			
at $1.00 per share	10,000	100	9,900			
at $2.00 per share	50,000	500	99,500			
For services:						
at $.016 per share	34,767	348	202			
Net loss for year ended March 31, 1980				$ (11,553)		
Balances as of March 31, 1980	1,762,267	17,623	446,227	(11,553)	(8,928)	
Issuance of common stock:						
For cash:						
at $1.00 per share	100,000	1,000	99,000			
at $1.66 per share	300,000	3,000	497,000			
at $2.00 per share (post-split)	50,000	500	99,500			
Stock split	1,085,233	10,852	(10,852)			
Employee stock plan	142,468	1,425	220,035		(221,460)	
Cash redemption of common stock at $2.00 per share	(97,500)	(975)	(99,025)			
Cancellation of subscription on 200,000 shares	(200,000)	(2,000)	200		1,800	
Receipts of subscription receivable					31,146	
Accrued interest on employee subscriptions			4,312		(4,312)	
Net loss for year ended March 31, 1981				(721,687)		
Balances as of March 31, 1981	3,142,468	31,425	1,256,397	(733,240)	(201,754)	
Issuance of common stock:						
For cash at $5.00 per share	50,000	500	249,500			
Stock split	3,557,532	35,575	(35,575)			
Public offering at $7.00 per share	750,000	7,500	4,480,500			
Receipts on subscriptions receivable			9,869		4,440	
Issuance of common stock warrants			750			
Net loss for year ended March 31, 1982				(454,919)		
Balances as of March 31, 1982	7,500,000	75,000	5,961,441	(1,188,159)	(197,314)	

See Notes to Consolidated Financial Statements.

for the seven years ended March 31, 1986	*Common Stock* *Shares*	*Amount*	*Additional Paid-in Capital*	*Deficit Accumulated During the Exploration and Development Stages*	*Subscriptions Receivable*	*Treasury Stock*
Balances as of March 31, 1982	7,500,000	75,000	5,961,441	(1,188,159)	(197,314)	
Issuance of common stock:						
For cash at $4.00 per share	255,000	2,550	1,017,450			
For services at $4.00 per share	31,250	313	124,687			
Receipts on subscriptions receivable			5,124		$ 38,606	
Treasury stock					73,314	$(76,714)
Net loss for year ended March 31, 1983				$ (411,997)		
Balances as of March 31, 1983	7,786,250	77,863	7,108,702	(1,600,156)	(85,394)	(76,714)
Issuance of common stock:						
For cash at $3.00 per share	65,832	658	196,838			
For limited partnership interests at $4.00 per share	200,752	2,007	801,000			
Net loss for year ended March 31, 1984				(799,977)		
Balances as of March 31, 1984	8,052,834	80,528	8,106,540	(2,400,133)	(85,394)	(76,714)
Issuance of common stock:						
For limited partnership interests at $1.79 per share	70,476	705	125,448			
For limited partnership interests at $3.14 per share	2,319,816	23,198	7,261,025			
Receipts on subscriptions receivable					10,600	
Net loss for year ended March 31, 1985				(336,099)		
Balances as of March 31, 1985	10,443,126	104,431	15,493,013	(2,736,232)	(74,794)	(76,714)
Issuance of common stock:						
For services at $2.43 per share	15,000	150	36,300			
For cash at $3.53 per share	205,762	2,058	637,882			
For cash at $4.56 per share	29,701	297	135,430			
Net loss for year ended March 31, 1986				(429,678)		
Receipts on subscriptions receivable					5,422	
Balances as of March 31, 1986	10,693,589	$106,936	$16,302,625	$(3,165,910)	$ (69,372)	$(76,714)

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Financial Position

Stan West Mining Corp. and Subsidiaries (Companies in the Development Stage)

	1986	Year Ended March 31, 1985	1984	Cumulative From Inception (March 22, 1979) to March 31, 1986
Sources (uses) of cash:				
Operations:				
Net loss	$ (429,678)	$ (336,099)	$ (799,977)	$ (3,165,910)
Deferred income not included in net loss			14,583	724,339
Non-cash items included in net loss:				
Reduction of deferred income	(1,000,000)	(197,603)	(360,313)	(1,724,339)
Impairment of undeveloped mineral properties			347,467	547,814
Depreciation and amortization	7,419	8,896	5,673	64,482
Share of loss in partnerships		6,633	116,759	659,385
Other		20,270		59,105
Cash used by operations	(1,422,259)	(497,903)	(675,808)	(2,835,124)
Investment activities, including acquisition and consolidation of partnership net assets in 1985 and 1984:				
Advance from joint venture		1,000,000		1,000,000
Acquisition of undeveloped mineral properties	(14,696)	(10,154,309)	(797,908)	(12,450,066)
Acquisition of equipment	(8,022)		(4,004)	(95,967)
Investments in partnerships, net		2,846,552	77,874	(732,365)
Other, net	(19,225)	(11,768)	1,565	(44,624)
Cash used for investment activities	(41,943)	(6,319,525)	(722,473)	(12,323,022)
Working capital, exclusive of cash and current debt:				
Prepaid expenses and other assets	9,356	224,801	57,988	(26,596)
Accounts payable and accrued expenses	16,687	39,524	(279,829)	91,418
Advances from affiliates in excess of costs incurred		(2,762)	(139,017)	
Cash provided (used) for working capital	26,043	261,563	(360,858)	64,822
Financing activities:				
Increase in long-term debt				1,379,195
Payments on long-term debt, net of current portion	(4,058)	(135,163)	(190,416)	(1,361,367)
Net proceeds from issuance of common stock	817,539	7,420,976	1,000,503	16,363,475
Redemption of common stock				(100,000)
Cash provided from financing activities	813,481	7,285,813	810,087	16,281,303
Increase (decrease) in cash	(624,678)	729,948	(949,052)	1,187,979
Cash, beginning of year	1,812,657	1,082,709	2,031,761	
Cash, end of year	$ 1,187,979	$ 1,812,657	$1,082,709	$ 1,187,979

See Notes to Consolidated Financial Statements.

1. **Summary of Significant Accounting Policies:**

Principles of Consolidation

The consolidated financial statements include the accounts of Stan West Mining Corp., its wholly owned subsidiaries and its proportionate share of a majority-owned partnership (the "Company"). All material intercompany balances and transactions are eliminated in consolidation.

Basis of Presentation

The Company is in the development stage and has been engaged in the acquisition, exploration and development of mineral deposits since inception. The accompanying financial statements are presented in the format prescribed by Statement of Financial Accounting Standards No. 7 issued by the Financial Accounting Standards Board.

Undeveloped Mineral Properties

Undeveloped mineral properties are carried at cost. Upon commencement of production, the cost will be transferred to mineral properties and depleted over the estimated life of the reserves. If exploration is not successful, the cost is written down to estimated net realizable value. Production has not commenced on any of the Company's properties.

Minimum Royalties

Minimum royalties received are recognized as revenue ratably over the lease period.

Exploration Costs

Exploration costs are charged to operations as incurred.

Income Taxes

For income tax reporting purposes, certain amounts of income and expense are reported in different periods than for financial statement reporting purposes. The principal timing differences arise from the recognition of royalty income and equity in partnership losses.

Investment tax credits are recognized as a reduction of the provision for Federal income taxes in the year the credits are realized.

Loss Per Share

Loss per share of common stock is computed based on the weighted average number of shares outstanding during each year, after giving effect to stock splits. The effect on loss per share for the outstanding stock options and warrants are excluded from the loss per share computation as they are antidilutive.

2. **Investments in Partnership and Joint Venture:**

During the year ended March 31, 1985, the Company issued 2,390,292 shares of common stock in exchange for all limited partnership interests in four limited partnerships which the Company was managing general partner and through which the Company had been financing its exploration and development programs (Note 4).

At March 31, 1986 the Company has a 1% limited and 1% general partnership interest in an unconsolidated partnership.

During March 1985, the Company entered into a joint operating agreement with Santa Fe Mining Inc. (Santa Fe) to complete the underground mine development, to construct a mill, and to bring the mine into production, in return for 50% undivided interest in the joint mining properties. As provided in the agreement, Santa Fe could terminate the agreement any time subsequent to its funding a minimum of $4,000,000 in the development program with forfeiture of its interest in the properties and its $1,000,000 advance made to the Company.

In March 1986, after funding the required minimum $4,000,000, Santa Fe Mining made the decision to terminate the joint operating agreement. As a result of the termination, the $1,000,000 advance, classified in 1985 as deferred income, has been recognized as other income in fiscal 1986.

The Company also entered into an exploration agreement with Santa Fe for an area immediately adjacent to the above property. Santa Fe can earn a 60% interest in these claims by expending $650,000 in exploration prior to April 1, 1987 and paying the Company $817,000 in accumulated costs.

Included in other income in 1985 is $350,000 received from Santa Fe and other potential investors for exclusive negotiation rights granted by the Company.

In June, 1985, the Company entered into an exploration agreement with Noranda Exploration Company Limited, (Norex) whereby, the Company may earn a 50% participating interest in a joint venture to explore and develop certain Canadian mineral properties. The Company must provide (Cdn) $1,500,000 in exploration funds to Norex on or before December 31, 1986 to earn the participating interest. As of March 31, 1986, the Company has provided approximately (Cdn) $1,200,000 of the required funding.

3. Undeveloped Mineral Properties:

The Company has acquired and staked various patented and unpatented mining claims in Yavapai County, Arizona. Some of the acquisition agreements require periodic payments under a fixed term and, accordingly, the liability is recorded. Other agreements can be terminated at any time without additional payments required. These payments are capitalized as incurred.

Recovery of the Company's investment in the undeveloped mineral properties is dependent upon either the future development of profitable operations from such assets or a sale of the Company's interest therein. If it is determined that commercially profitable operations cannot be developed, all related capitalized costs for that property are written off at that time.

Undeveloped mineral properties consist of the following:

	Costs Capitalized	
	1986	*1985*
McCabe Mining Unit	$11,337,497	$11,337,497
Other claims under exploration and drilling program	590,319	575,623
	$11,927,816	$11,913,120

4. Partnerships Acquisitions:

During fiscal 1985, the Company acquired all of the remaining limited partnership interests in four of its exploration and development partnerships through the issuance of common stock and warrants of the Company.

On March 28, 1985, the Company acquired the partnership interests in Sooner Associates and Stan West Associates through issuance of 2,319,816 shares of common stock valued at $7,284,223. The Company previously had a 44% interest in Sooner Associates and a 19% interest in Stan West Associates.

The remaining partnership interests in previously consolidated Henrietta Associates and Rebel Associates were acquired December 28, 1984 through issuance of 70,476 shares of common stock valued at $126,153 and 14,095 warrants.

The acquisitions have been accounted for as purchases and the purchase price in excess of the net book value of the interests acquired was allocated to undeveloped mineral properties (Note 3).

Pro forma earnings for 1985 and 1984 have not been presented because management believes the exploration costs incurred by the partnerships during this period would have been funded by sources outside the Company.

5. Long-Term Debt:

Long-term debt consists of the following:

	1986	*1985*
Mortgage on undeveloped mineral properties	$10,422	$14,480
Less current portion	4,064	4,292
	$ 6,358	$10,188

Maturities on long-term debt are:

1988	$ 4,180
1989	2,178
	$ 6,358

6. Commitments:

The Company leases office facilities and equipment under various operating leases. Total rental expense under these leases was $57,288, $37,084 and $40,737 in 1986, 1985 and 1984, respectively. Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of March 31, 1986 are:

1987	$21,218
1988	6,982
	$28,200

Under its principal cancelable purchase agreement, the Company is obligated to pay $150,000 annually through calendar year 1991 and $300,000 annually for the six years thereafter. Additionally, the Company is obligated under other cancelable purchase agreements to make annual payments of approximately $60,000.

In addition, upon commencement of production, the Company is obligated to make payments of approximately $3,375,000 over a four-year period to limited partners of an unconsolidated partnership who retain an interest in certain of the mining properties and has committed to pay performance bonuses aggregating approximately $200,000 to certain officers and employees.

7. **Stockholders' Equity:**

Issue of Common Shares

During the year ended March 31, 1986, Canadian partnerships agreed to purchase 362,576 shares of the Company's common stock for (Cdn) $2,000,000 provided the proceeds are used for exploration expenditures on Canadian mineral properties prior to December 31, 1986. Through March 31, 1986 235,463 shares were issued for (US) $863,627. The private placement costs of (US) $87,960 were charged to additional paid-in capital.

Stock Warrants

The following is a summary of common shares issuable under warrants outstanding:

	Number of Shares Issuable	*Exercise Price*
Outstanding, March 31, 1983	185,900	$4.00–8.40
Issued	220,355	4.00
Outstanding, March 31, 1984	406,255	4.00–8.40
Issued	14,095	4.00
Outstanding, March 31, 1986 and 1985	420,350	$4.00–8.40

Effective April 30, 1986, the exercise price of 345,350 warrants previously exercisable at $4.00 was increased to $5.00 and the exercise period extended to December 1, 1986. The 75,000 warrants are exercisable until September 1, 1986 at $8.40.

Stock Options

Options to purchase 187,501 shares of the Company's common stock, outstanding at March 31, 1986, expired on May 1, 1986.

Employee Stock Option Plan

During fiscal 1985, the Company adopted an Employee Stock Option Plan which provides for the award of options to purchase shares of the Company's common stock to certain key employees and non-employee Directors of the Company in amounts and at option prices determined by the Board of Directors.

Following is a summary of outstanding options:

	Number of Shares	*Option Price Per Share*
Balance March 31, 1985	455,000	$2.81
Granted	68,302	2.81–$2.82
Balance, March 31, 1986	523,302	$2.81–$2.82

The options are exercisable on the date of grant and expire ten years from date of issuance. As of March 31, 1986, the Company has reserved 800,000 shares of common stock for issuance under the Plan.

8. **Income Taxes:**

The Company files a consolidated Federal income tax return. Consolidated net operating loss carryovers are as follows:

Expiring March 31	*Tax Reporting*	*Financial Reporting*
1996	$ 133,000	$742,000
1997	172,000	455,000
1998	1,086,000	412,000
1999	1,388,000	800,000
2000	487,000	336,000
2001	477,000	430,000

9. **Transactions With Related Parties:**

The Company paid legal fees of $9,500, $60,000 and $183,000, in 1986, 1985 and 1984, respectively, to a law firm in which a former director and officer of the Company is a partner.

Royalty income of $116,063 and $433,920 in 1985 and 1984, respectively, was received from related partnerships of which the Company was the general partner (Notes 2 and 4). No amounts were received in 1986.

Management's Discussion and Analysis

Liquidity and Capital Resources

The Company's cash balances were reduced during fiscal 1986 by $624,678. Continuing operating deficits and property acquisition costs contributed to the decrease in the Company's liquidity. However, the year-end cash balance of $1,187,000 is adequate to meet the Company's current operating needs. The Company's ratio of current assets to current liabilities exceeds 12:1.

The Company expanded its capital resources by approximately $773,000 when it completed two "flow-through" share offerings in Canada. The proceeds from these share offerings were contractually obligated to fund the Company's joint venture with Noranda at Timmins, Ontario. The Company expects to raise up to $1,400,000 in fiscal 1987 using additional "flow-through" share offerings to fund its 50% interest in the ongoing exploration cost of the joint venture.

Operating Results

During fiscal 1986, the Company incurred an operating loss of $429,678 ($0.04 per share) compared to $336,099 ($0.04 per share) in 1985. Revenues increased because Santa Fe forfeited its advanced payment of $1,000,000 when it terminated the joint venture agreement at the McCabe Mine. Corporate expenses increased because of exploration expenditures of $991,000 which were primarily incurred under the joint venture with Noranda.

For fiscal 1985, the net loss of the Company decreased to $336,099 compared to a net loss of $799,977 in fiscal 1984. Revenues were down $30,000 to $557,000 in fiscal 1985. Corporate expenses and loss from partnerships were reduced by approximately $494,000 in fiscal 1985. The reduced expense reflects lower corporate expenses and reduced exploration expenses and losses during the period of negotiation of the joint operating agreement with Santa Fe.

The Company's net loss for fiscal 1984 increased to $799,997 compared to a loss of $411,997 in fiscal 1983. Although the Company recognized over $300,000 of deferred income in fiscal 1984, net revenues declined by $81,917 primarily because of lower management fees and reduced interest income. Corporate expenses increased because of the cost associated with pursuing production financing and the write off of $347,467 on abandoned mineral properties.

Accountants' Report

The Board of Directors and Stockholders of Stan West Mining Corp.

We have examined the consolidated balance sheets of Stan West Mining Corp. and subsidiaries (Companies in the Development Stage) as of March 31, 1986 and 1985 and the related consolidated statements of operations, stockholders' equity and changes in financial position for each of the three years in the period ended March 31, 1986. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The consolidated balance sheets include investments in undeveloped mineral properties. Recovery of the Company's investment in these assets is dependent upon either the future development of profitable operations from such assets or a sale of the Company's interest therein.

In our opinion, subject to the effects on the consolidated financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the preceding paragraph been known, the aforementioned consolidated financial statements present fairly the financial position of Stan West Mining Corp. and subsidiaries as of March 31, 1986 and 1985 and the results of their operations and the changes in their financial position for each of the three years in the period ended March 31, 1986, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Phoenix, Arizona
May 5, 1986

Corporate Information

Directors and Officers

Frank H. Crerie*
Chairman of the Board

Stephen B. Browne
Private Investor

Harold L. Hodges
President—Bill Hodges Truck Co., Inc.

John A. Hall
Senior Vice President of Mines Noranda, Inc.

Stanley W. Holmes*
President

Charles E. Michener
Geological Consultant

Scott Norris*
Executive Vice President of Finance and Treasurer

Birl W. Worley, Jr.
Geological Consultant

**executive officers*

Corporate Offices

Stan West Mining Corp.
6045 Scottsdale Road
Suite 101
Scottsdale, Arizona 85253

General Counsel

William C. Jones
Dallas, Texas

Auditors

Coopers & Lybrand
Phoenix, Arizona

Transfer Agent

Continental Stock Transfer & Trust Company
New York, New York

Form 10-K

is available upon written request

Common Stock Information

The Company's Common Shares have been traded in the over-the-counter market since the Company's public offering on September 2, 1981, and are quoted on the National Association of Securities Dealers' Automated Quotation System (NASDAQ) under the symbol SWMC. On October 21, 1985 the Company obtained a listing on The Toronto Stock Exchange and is traded under the symbol SWMC·TO. The following table sets forth the range of high and low closing bid prices of the Company's Common Shares for the fiscal period indicated as reported by NASDAQ Market Information.

Fiscal Year	*High*	*Low*
1984		
First Quarter	6¾	5¾
Second Quarter	6¼	5
Third Quarter	5¾	4¾
Fourth Quarter	5	3⅝
1985:		
First Quarter	4½	3
Second Quarter	3½	2½
Third Quarter	4¼	2
Fourth Quarter	4⅛	2¼
1986		
First Quarter	4⅛	2¾
Second Quarter	3 7/16	2⅝
Third Quarter	3 15/16	2½
Fourth Quarter	4⅞	3⅛

The Company has paid no dividends nor anticipates paying dividends in the near future. Based on the transfer agent's listing as of May 16, 1986 the Company had approximately 1,028 shareholders.

Selected Financial Data

	Year Ended March 31				
	1986	*1985*	*1984*	*1983*	*1982*
Income	$ 1,102,749	$ 557,146	$ 587,024	$ 668,941	$1,119,251
Net Operating Loss	429,678	336,099	799,977	411,997	454,919
Loss per Common Share	.040	.040	.100	.055	.063
Total Assets	13,199,405	13,798,915	6,010,042	6,764,508	7,270,483
Long Term Obligations	6,358	10,188	14,248	144,928	330,597
Average Shares Outstanding	10,530,000	8,083,000	8,017,000	7,475,000	7,183,000

attn: Riyal

Stan West Mining Corp.

2701 EAST CAMELBACK ROAD, PHOENIX, ARIZONA 85016, 602/957-8707

August 1, 1985

Dear Shareholder:

After signing the joint venture agreement with Santa Fe Mining, Inc. on the McCabe Mine, Stan West Mining Corp. has been actively pursuing additional precious metal properties in Canada and the southwest U.S.

I am pleased to announce that Stan West has signed an exploration agreement with Noranda Exploration Company, Limited on the Mountjoy project in Timmins, Ontario, Canada. The Timmins mining camp has supported several of the largest precious metal mines in North America. The Mountjoy property lies on strike with other gold properties such as the Dome, Ankerite, Aunor and Delnite mines.

Stan West will fund its initial $1,000,000 (Cdn) commitment by issuing approximately 240,000 shares of common stock in Canada at $4.20 (U.S.) per share to the CMP 1985 Mineral Partnership and Company, Limited. As a part of this financing, Stan West has made an application to list its common stock on the Toronto Stock Exchange. After Stan West has expended a total of $1,500,000 (Cdn), the Company will be a 50/50 joint venture partner with Noranda Exploration Company on the property.

We believe the size and favorable geological environment of this project make it unusually attractive. This type of exploration target complements the pre-production work at the McCabe Mine and dramatically expands the upside potential of your company.

Sincerely,

Frank H. Crerie
Chairman of the Board

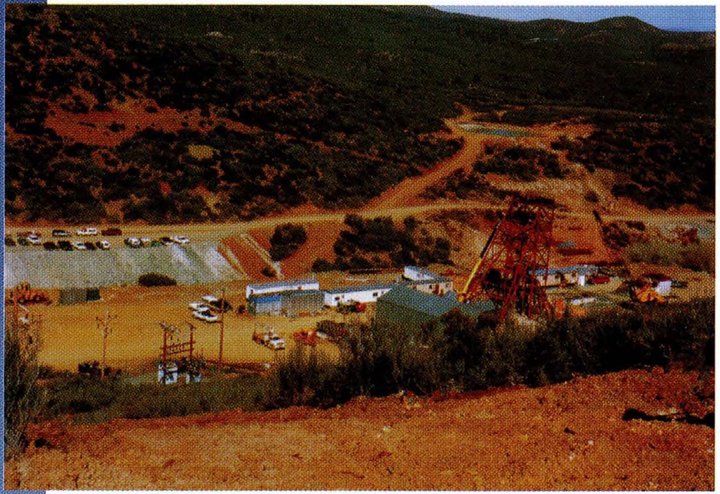
8 KING STREET EAST, SUITE 1905A, TORONTO, CANADA M5C 1B5, 416/364-0424

BHP

Global Leader in Environmental Reclamation

GLADSTONE MCCABE (F)
2/1999

BHP



Mine site in full operation, early 1990s

Who is BHP?

BHP is a division of The Broken Hill Proprietary Company Ltd. (BHP). BHP is a global diversified resources company with four main businesses: copper, minerals, petroleum and steel. BHP has operations and offices in more than 70 countries, including Australia, North and South America, Europe and Asia. At BHP, we are committed to being a low cost copper producer while maintaining a high level of safety and environmental responsibility.

BHP Copper has an extraordinary commitment to environmental rehabilitation, and the McCabe Mine showcases how mines and mine tailings can be reclaimed into land that has rich environmental and economic value.

A Historical Perspective

The McCabe Gold Mine is located in northern Arizona, near the community of Humbolt. Gold has been mined in this area since the 1870s, although modern mining operations began at the site in 1981 and continued through 1993. The McCabe mining operation involved both private land and land owned by the U.S. Bureau of Land Management. A predecessor of BHP (Magma Copper Company) operated the mine for almost two years before closure activities were initiated. The closed mine was acquired by BHP when it purchased Magma Copper in 1996.

The Mining Process

The ore was extracted from two deep mine shafts. It was crushed and processed through a milling operation which used a cyanide solution to dissolve the gold out of the rock. The finely ground rock that is left after the ore is processed is called tailings, and was deposited in large piles known as "impoundments." When Magma acquired the mine in late 1990, it changed the operation to eliminate the use of cyanide at the facility and began to extract copper and silver as well as gold.

Reclamation Efforts

Closure and reclamation activities began in 1993. The Arizona Mine Inspector and the Arizona Department of Environmental Quality (ADEQ) regulated the reclamation through a Mining Plan of Operation and permits to control groundwater and surface water quality.

A number of tests were conducted to determine the acid and mineral content of the waste rock piles and tailings, and several groundwater monitoring wells were drilled to assess any environmental impacts from past mining operations.

Early revegetation of mine site

Cover photo inset: completed reclamation of tailings

THE TORONTO STOCK EXCHANGE

REVIEW

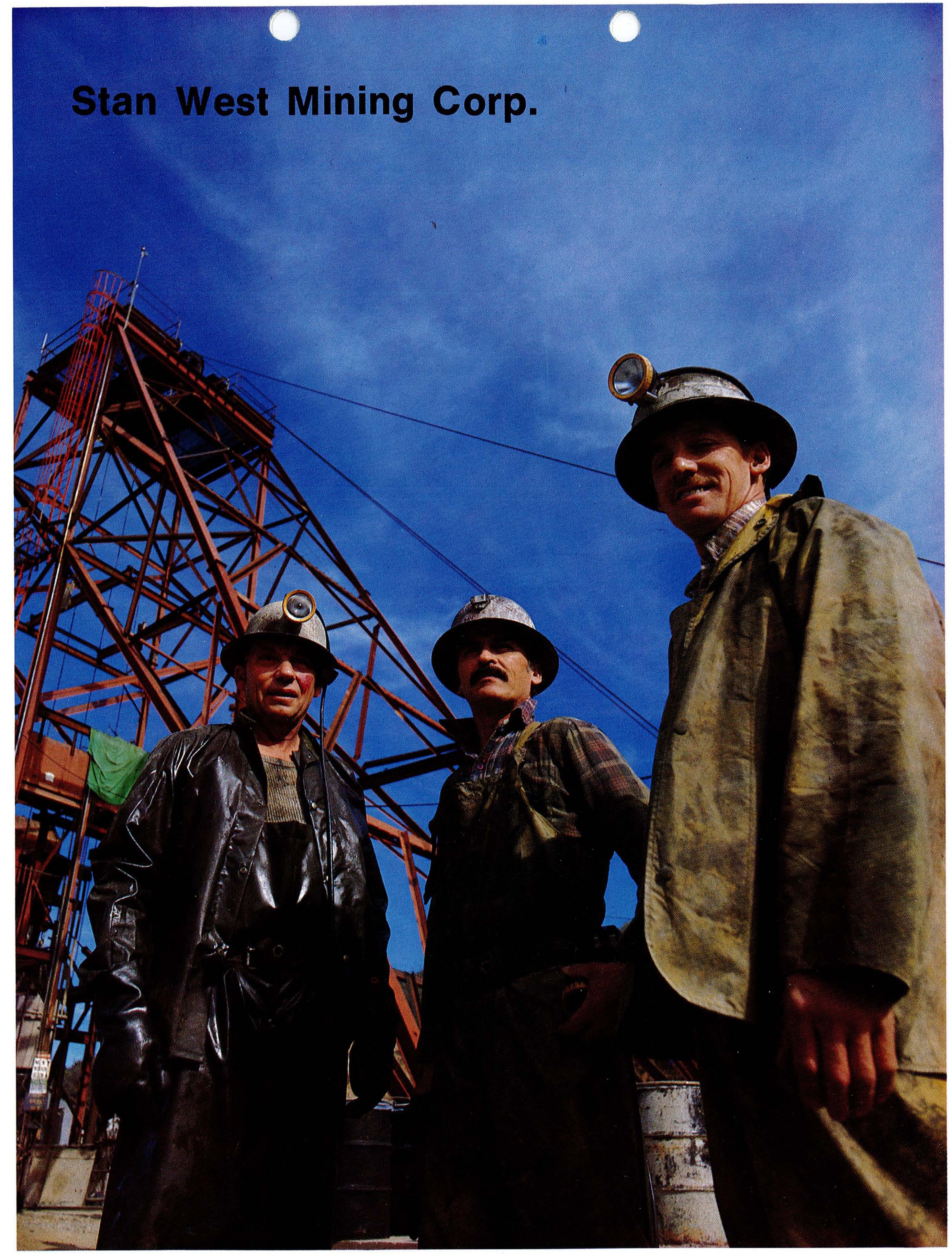
Stan West Mining Corp.

MARCH 1986

***COVER PHOTOGRAPH** — The Henriett ne, McCabe Mine, on the 1,050-foot level, showing American Mine Services drilling crew Howard Last and John Glenn.*

HIGHLIGHTS

• 1986 — March	Stan West regained 100 per cent control of the McCabe Mine. Financing is being finalized to bring the mine into production.
• 1986 — February	Stan West Mining Corp. enters into an agreement with the C.M.P. gold fund for an additional $1 million (Canadian) underwriting to fund the Noranda/SWMC joint-venture in Timmins.
• 1985 — December	The results of drilling in the Noranda/SWMC Timmins venture are positive. Extension of the program into 1986 is recommended and approved.
• 1985 — October	SWMC enters into an agreement with the C.M.P. gold fund for a $1 million (Canadian) underwriting to fund the Noranda/SWMC joint-venture in Timmins.
• 1985 — October	SWMC is listed for trading on The Toronto Stock Exchange, Ontario, Canada.
• 1985 — August	SWMC enters into a $1.5 million (Canadian) exploration agreement with Noranda Explorations to explore one of Noranda's holdings in the famous Timmins gold camp, Ontario.
• 1985	Stan West Mining Corp. signed a $15 million joint-venture agreement with Santa Fe Mining, Inc. to bring the McCabe Mine into production.
• 1983	Private investors advanced over $3 million to deepen the Sooner Shaft at the McCabe Mine and drift underground. The actual ore grades were 40 per cent higher than originally projected.
• 1982	Private investors advanced $4.7 million to sink the Sooner Shaft to 833 feet at the McCabe Mine. Approximately $2 million was funded for additional surface drilling in the McCabe Mining Unit. By year-end, 400,000 tons (five years) of reserves had been established, grading 0.37 ounces/ton gold and 2.5 ounces/ton silver. Inferred reserves were 600,000 tons of 0.31 ounces/ton gold.
• 1981	Stan West Mining Corp. was listed on the NASDAQ exchange and raised approximately $5 million in its initial public stock offering. Surface drilling at the McCabe cut commercial mineral zones at depth.
• 1980	The McCabe Mine in central Arizona was acquired, and $2 million in initial exploration funds were raised for the property.



Above — Stanley W. Holmes, Ph.D., President of Stan West Mining Corp., and Frank H. Crerie, Chairman of the Board.

Previous page — McCabe Mine headframe at Humbolt, Arizona, with mining crew from American Mine Services at shift change.

In 1979 Frank H. Crerie, a financier from New York City, and Dr. Stanley W. Holmes, a geologist of international repute, formed Stan West Mining Corp. to explore and develop precious metal mines in the South-West United States. Crerie had met Holmes in the Elliot Lake uranium boom of the 1950s where he was financing Stan Rock Uranium Mines into production and Holmes was the Chief Geologist of Consolidated Denison Uranium Mines. Holmes had previously been the Chief Geologist at Pronto Mines and had pioneered much of the early work with the Hirshhorn-Joubin group in the Blind River area.

Crerie went on to a successful career in the oil and gas industry, being one of the founders of White Shield Corp. (now Basix Corporation — NYSE) which raised over $100 million for oil and gas exploration and development. Holmes moved into the United Kingdom and Continental Europe, forming the EXMINESA Syndicate (Cominco, Union Corp., and Gunnar) which found the Rubiales Mine, a major lead, zinc, silver mine in Northern Spain which is now in production. He also formed Intermine, which acquired the Parys-Mona base metal deposit in Wales now being explored and developed by Imperial Mines Ltd.

In the late 1970s Crerie and Holmes initiated discussions about gold exploration in the U.S.A. In 1979 they formed Stan West Mining Corp., a syndicate to explore and develop precious metal properties in the South-West United States. Holmes conceptualized that the properties should have (1) a past history of production, (2) that they should have a Pre-Cambrian (Archean) geological environment, and (3) they should be strata-bound volcanogenic in origin. Initial research indicated that a belt of favourable Pre-Cambrian volcanic formations formed the Bradshaw Mountains two hours' drive North of Phoenix, Arizona. Old production records showed that the famous United Verde Mine and extension was located at Jerome. Past production of base and precious metals was in excess of $5 billion. Further to the South-West was the Iron King Mine, a gold/silver/base metal deposit with production in excess of five million tons. Holmes decided that this was the area to commence acquisition and exploration. Numerous other past gold producers also exist in the belt.

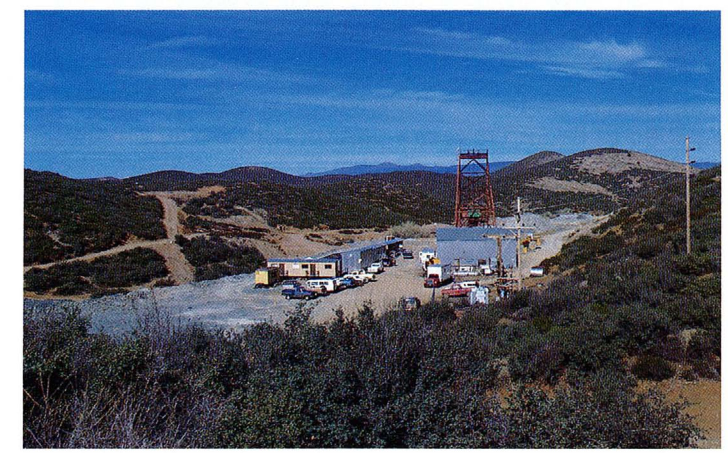
Holmes indicated to Crerie that the initial money needed was $1-2 million for acquisition and exploration. Crerie had raised over $100 million in tax shelter monies for the oil and gas industry and he realized that there was an immense untapped source of tax dollars with excellent "write-offs" that would, likewise, be available for exploration in the mining field. Crerie also recognized that the Wall Street Houses lacked technical and financial expertise in this field and that he would have to seek out the knowledgeable oil people

Richard Pape, McCabe Mine geologist, examining core from the underground drilling program.

who understood this type of venture financing. Crerie subsequently raised $10 million in tax shelters from 12 investors which financed the early stages of Stan West Mining's exploration programs. In 1981 Stan West went public with an underwriting through James J. Duane & Co., and subsequently became listed for trading on NASDAQ. This underwriting was for 750,000 shares at $7.00 per share and raised $5.25 million (U.S.). The initial tax shelter investors recently "swapped-out" their limited partnership interest for common stock, which resulted in a debt-free Stan West.

The monies that Stan West Mining raised through shelters and the public underwriting were spent almost exclusively on the McCabe-Gladstone Mine. During its property acquisition period Stan West had tied up or staked a total of 260 claims covering a belt approximately four miles by two miles in size. Within that belt are former producers or prospects, i.e., Iron King, Silver Belt, Arizona, Lookout, Idaho, Adventure, and Little Kicker. The McCabe-Gladstone, a former gold-silver producer, had been mined to a depth of 1,000 feet. Production and smelter records indicated that 250,000-350,000 tons had been mined with grades in excess of 0.30 ounces of gold and 2.9 ounces of silver per ton.

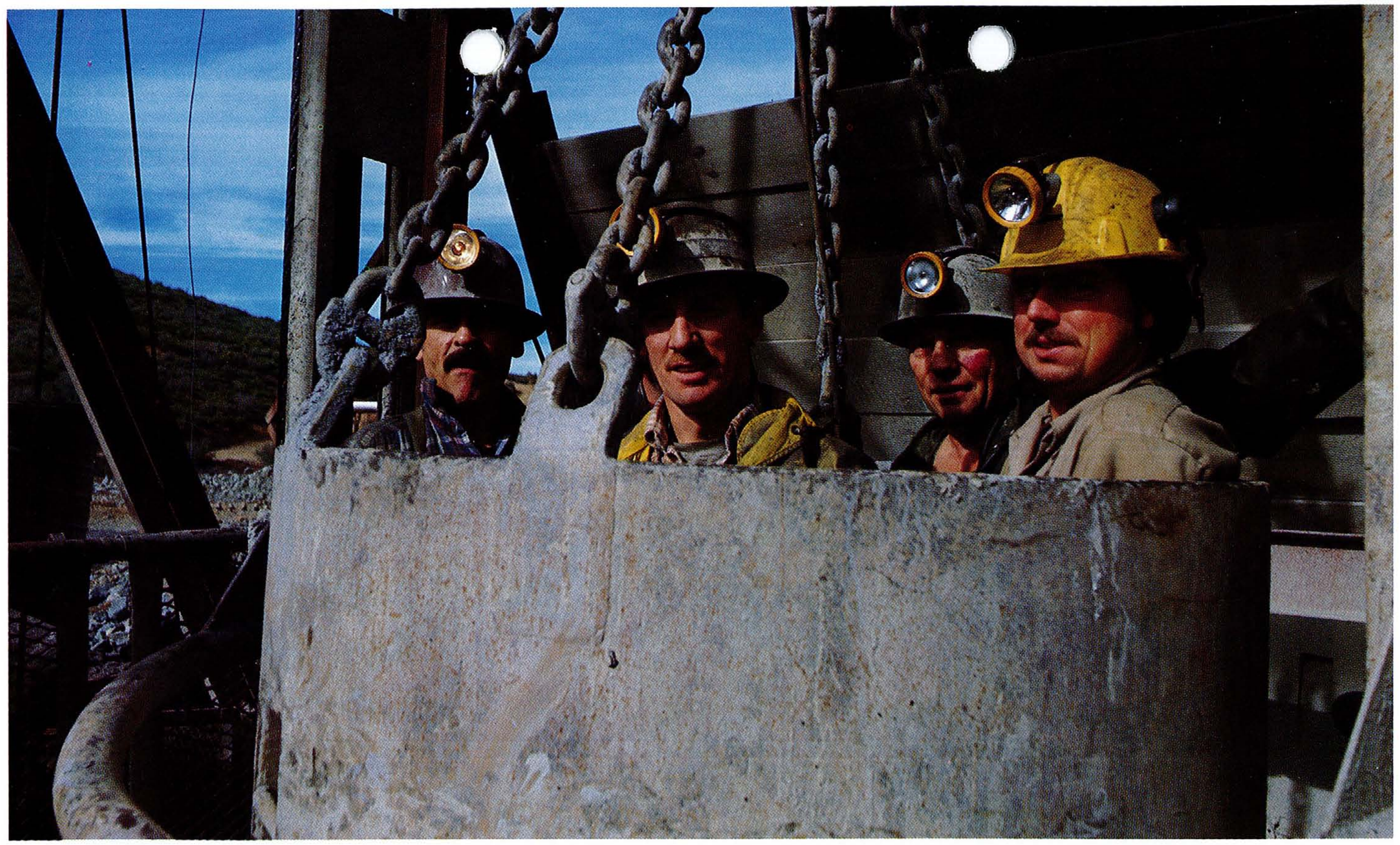
Following geological, geochemical, and geophysical surveys, deep drilling of 30 holes totalling 50,000 feet



View of McCabe Mine site, Humbolt, Arizona.

showed extensions of the ore-bearing zone 300-500 feet below the old workings. This program showed drill-indicated reserves of 400,000-500,000 tons with a grade of 0.30 ounces/ton gold and 2.5 ounces/ton silver. On the basis of this work, a 14-foot concrete-lined, circular shaft was sunk in 1982 to 1,050 feet, and a drift was driven on the ore at the 1,050-foot level for 900 feet. This averaged 0.42 ounces/ton gold over a width of 4.9 feet. Drilling from the 833-foot level on 200-foot centres confirmed the presence of the drill-indicated reserves to a confidence level of proven and probable. Inferred reserves are in excess of 1,000,000 ounces of gold and 2,500,000 ounces of silver.

Gold prices declined in 1983 and 1984 and financing



American Mine Services mining crew descending in the sinking bucket at the McCabe Mine.

interest came to a standstill. Crerie and Holmes decided to find an industry partner who would provide the remaining funds necessary to bring the McCabe into production. In March, 1985, Stan West Mining entered into a joint-venture agreement with Santa Fe Mining, Inc., a subsidiary of Santa Fe Southern Pacific Corporation. Santa Fe would match the $15 million spent by Stan West in order to earn a 50 per cent interest in the McCabe. Their commitment involved putting the property into production (300 tons/day) by the end of 1986 and boosting production to 500 tons/day within 18 months. They could terminate their option after the expenditure of $5 million either in work or by payment of the balance to Stan West.

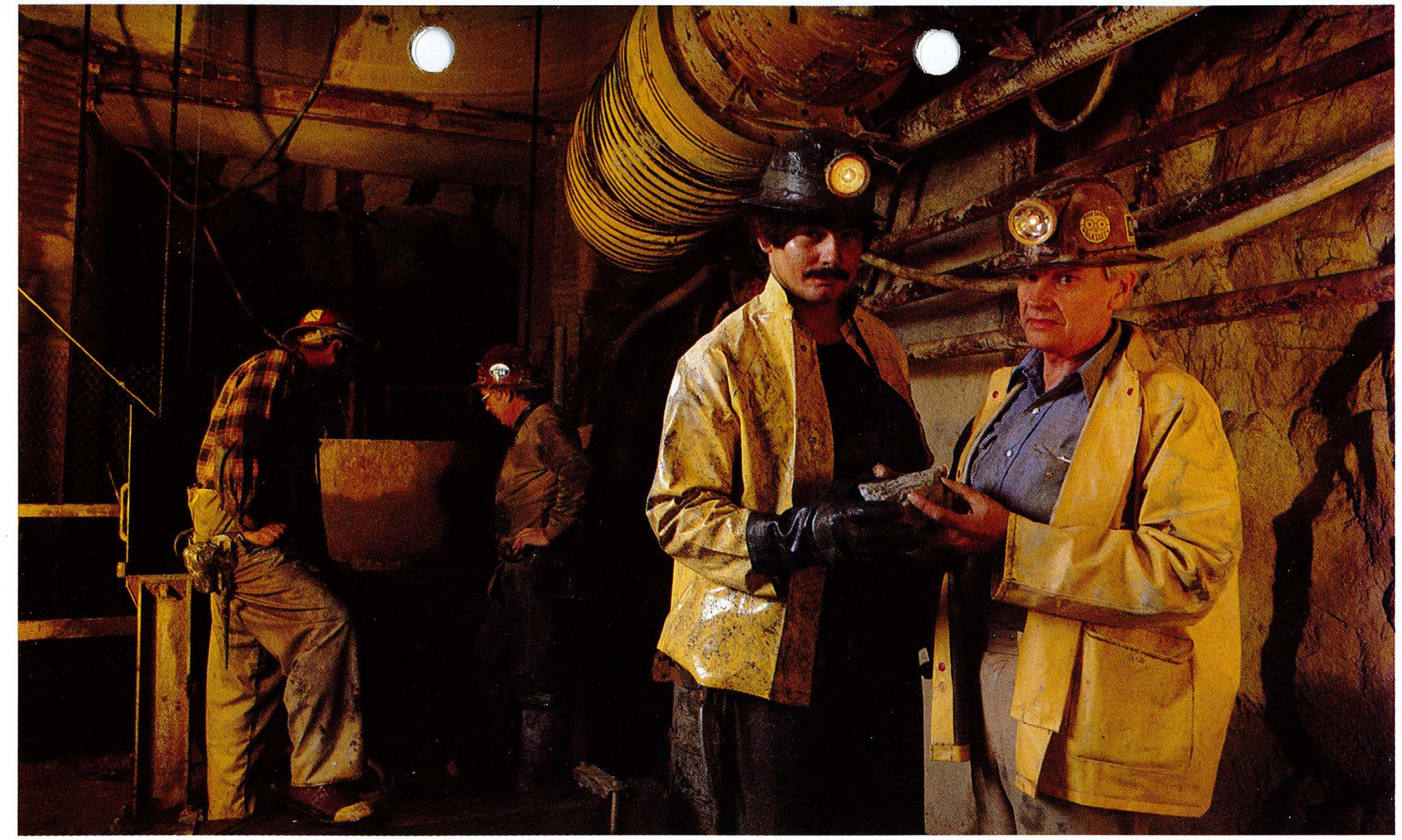
In March, 1986, Santa Fe, after expenditures of $6 million, made a decision to return the property to Stan West. This decision was not because of engineering or geological considerations, but in their opinion the continuation of the project would not result in a commercial operation of a size consistent with Santa Fe's investment criteria.

During its program, Santa Fe sank the shaft from 1,050 feet to 1,460 feet and established production stations. Drifting (1,460 feet) on the 1,250-foot level and (1,168 feet) on the 1,450-foot level. Much of this was on the ore zone. Three diamond drills were active on both levels delimiting the gold-bearing zones. There is evidence at the present time that a second gold-bearing zone parallel to the McCabe has been found. Drilling below the 1,450-foot level has shown the ore to continue at depth. Drifting to the North-East on the 1,250-foot level past the "East Fault" that terminated previous mining had discovered ore grade mineralization. This is a significant discovery and could add appreciably to the ore reserves.

The underground work carried out by Santa Fe Mining validated the following reserve estimates: Proven and probable — 430,000 tons with a recoverable grade of 0.385 ounces gold/ton, and inferred and drill indicated of 700,000 tons with a recoverable grade of 0.317. A 10 per cent dilution factor is included with a 0.20 cut-off and a 85 per cent recovery.

Stan West has concluded that it is economically feasible to bring the McCabe into production as soon as financing is arranged. This is being negotiated at the present time. Stan West will now have a 100 per cent interest in the mine and, with $200 per ounce cost, the property looks very attractive. A production level has not been specified, but a 300 tons/day plant will yield 40,000 ounces of gold per year and 125,000 ounces of silver. Engineering studies are under way.

Santa Fe will retain its interest in the outside holdings that Stan West has in Arizona, and will continue its exploration program. The exploration option gives Santa Fe four years to make a production decision, after which they earn 60 per cent, with Stan West having a 40 per cent working interest. If Stan West elects not to



Grant Morin, miner, and Birl W. Worley, Vice-President of Operations, at the 1,050-foot-level station, McCabe Mine.

proceed, they revert to a 40 per cent non-assessable carried interest in net proceeds after payback. Exploration work, including geology, geophysics, and geochemistry has been carried out by Santa Fe over much of the claim group. Drilling, including reverse circulation and diamond drilling, is under way at the Iron King and Arizona-Lookout-Silver Belt properties.

The most important former producer within the Stan West holdings is the Iron King Mine. Between 1930 and 1968 this mine produced five million tons of sulphide ore grading 0.22 ounces/ton gold, 4.0 ounces/ton silver, 7 per cent zinc, 4 per cent lead, and 0.5 per cent copper. The ore body consisted of 14 massive sulphide lenses in a typical acid volcanogenic environment. Mining terminated in 1968 at a depth of 3,800 feet, in ore, because of low metal prices.

The Arizona-Lookout-Silver Belt zone of silver mineralization occurs in the centre of the claim group. The zone is two miles long, and was mined to depths of 500 feet. The total tons removed is approximately 250,000 with a grade of 15 ounces/ton silver, 3 per cent zinc, 3 per cent lead, and .05 ounces/ton gold. Mining terminated because of low metal prices.

In addition to the above prospects and producers, numerous other "mineralized showings" exist on the property. Some of these are direct extensions of known past producers, and some are virgin prospects. All, or nearly all, are strata-bound occurrences in acid volcanogenic host rocks similar to the McCabe.

It is evident from the above that Stan West's presence in Arizona will be one of much activity over the next twelve months. The McCabe Mine will be brought on stream, producing 40,000 ounces of gold and 125,000 ounces of silver per year. Exploration of the Iron King, Arizona-Silver Belt, and other properties will continue at a high pace. In addition, exploration and acquisition by Stan West of other known precious metal properties will continue aggressively.

In 1985 Holmes and Crerie made a decision to move Stan West into the Canadian exploration and mining scene. An office was opened in Toronto with Peter W. Holmes, geologist, as the exploration manager. Application for listing the Company on The Toronto Stock Exchange for trading in Canada was made. This was achieved in October 1985. The benefits from this were obvious. It would give a greater distribution of shareholders, allow the Company to be involved in the Canadian gold-play and, perhaps most important, allow the Company to participate in exploration financing by the issuance of "flow-through" shares.

In July 1985, Stan West entered into an agreement with Noranda Explorations to jointly explore a favourable zone of gold mineralization in the famous Timmins gold camp. The area, comprising around 264 contiguous

Peter W. Holmes, Exploration Manager, Canada.

Winter drill program, De Santis Mine, Noranda-Stan West joint-venture, Timmins, Ontario, Canada.

claims, covers a favourable belt of volcanics immediately West of such mines as Aunor, Delnite, Buffalo Ankerite, Dome, and other past producers. Stan West should earn a 50 per cent interest in the area by spending $1.5 million (Canadian) over 18 months, after which a joint-venture would be established with Noranda.

In October 1985, Stan West was underwritten by C.M.P., a major Canadian gold fund, for $1 million (Canadian) to carry out the initial stages of the Timmins (Mountjoy) Project. Under the regulations governing "flow-through" shares, 205,761 shares were sold at a premium price of $4.86 (Canadian) per share. These funds were spent on the 1985 Mountjoy program.

The results of the 1985 program were most encouraging. The majority of the monies was spent on drilling targets Noranda had previously delimited. The most favourable results were at the De Santis Mine, a former producer, (200,000 tons @ 0.18 grade) which produced 36,000 ounces. Deep drilling 500 feet below the bottom levels (1,000 feet) showed that the mineralization continued at depth and that multiple gold-bearing zones were developing. Four holes cut the zone, the best of which was MJD #12 (.025 ounce/Au/ton over 20.9 feet).

Noranda is encouraged by these results, and additional drilling (1986 program) is under way. In order to fund this program, C.M.P. underwrote another $1 million (Canadian) in Stan West shares through the "flow-through" method. Initial results of this drilling are encouraging. At the completion of this program of drilling, the next stage will involve dewatering the De Santis shaft and carrying out underground drilling and exploration development. This will cost approximately $1 million and will be funded jointly by Noranda and Stan West. Stan West has the monies for this work from the recent C.M.P. funding. The Mountjoy Project covers a large area. Numerous other excellent targets exist. They will be tested in the immediate future.

In conclusion, Stan West has accomplished a great deal for a junior mining company over the past five years. This has been the result of an active and aggressive management who understand the risk-oriented nature of the exploration industry. One of the greatest of mine finders in the industry stated "mine finding takes time, money, and guts — and the last is the most important". Stan West is convinced that it is highly endowed with this characteristic. The Company believes that there is every reason to believe that as a highly motivated company it will take its place in the ranks of successful precious metal producers.

McCabe Mine and Mill plant at turn of century — this photo was obtained from the Prescott Historical Archives.

Stan West Mining Corp.

Annual Report 1982

Requested Form 10-K 1/11/83 - 08

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The headframe and hoist house of the Sooner shaft located at the McCabe property in central Arizona. Following a successful diamond drilling program, the new circular, concrete lined shaft was sunk to a depth of 850 feet below surface.

To Our Stockholders:

During the fiscal year 1982, Stan West Mining Corp. ("SWMC") capitalized on its strengths to emerge as a rapidly developing junior American mining company. SWMC recorded the following accomplishments during the last year.

Public Stock Offering
The Company's initial stock offering raised $5,250,000 by selling 750,000 shares of common stock to the public. SWMC stock is currently traded on the NASDAQ exchange.

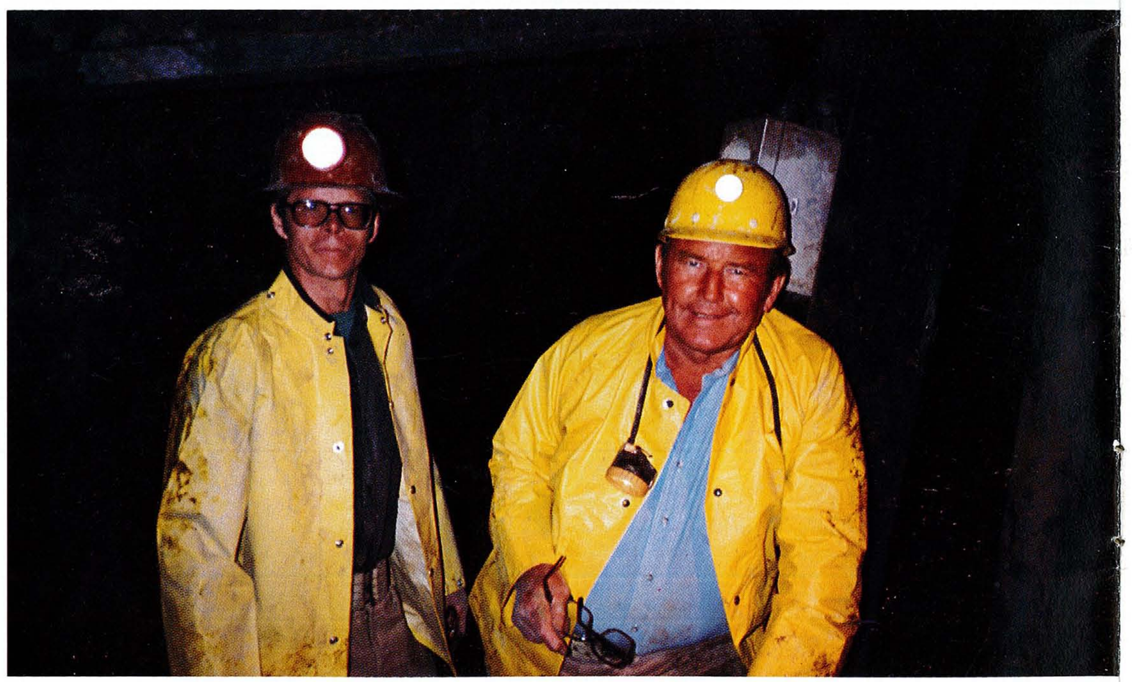
Exploration Results:
The Company completed 40,000 feet of surface core drilling at the McCabe-Gladstone property to test for extensions of the mineralized zone at depth. The results of this drilling indicated 500,000 tons with an average grade of 0.39 oz/ton gold, 2.7 oz/ton silver, 0.6% copper, 0.7% lead and 1.6% zinc. The deepest holes showed the mineralized structure to be strong and persistent indicating that the potential for extensions at depth are very promising.

The surface drilling program at the Rebel/Little Kicker properties adjoining the McCabe-Gladstone immediately to the southwest is underway and has intersected ore grade mineralization similar to that at the McCabe-Gladstone. The drilling indicates that the probability of the Gladstone mineralized zone extending for an additional 2,000 feet along strike to the southwest is good. The tonnage potential could be increased substantially.

Development Work:
Based on the surface drilling results at McCabe-Gladstone, SWMC engaged American Mine Services of Denver, Colorado, to sink a 14 foot diameter, concrete-lined, circular shaft. This shaft will initially be used for underground drilling and development drifting. The shaft is capable of supporting a mining operation of at least 750 tons per day and was recently bottomed at 850 feet below surface. The underground development work and drilling is now underway. Following a production decision, the shaft will be deepened to 1,350 feet and development of the mineral zone will be initiated so as to prepare for production.

Dewatering Program – McCabe-Gladstone Workings:
Dewatering of the McCabe workings has been completed. An examination of the old workings has shown the stopes to be in good condition after being under water for the last 50 years. The wall rocks (hanging and footwall) enclosing the ore zone are smooth, competent and stand well showing no signs of stress. The 850 foot level is being prepared for bulk sample work required for metallurgical testing.

Acquisitions:
SWMC continued its efforts to acquire promising precious metal properties in the southwestern United States. Specifically, the Company was successful in acquiring a number of additional patented and unpatented claim groups along the McCabe/Iron King belt. These acquisitions give SWMC effective control over 116 claims and 2,300 acres.



Allan St. James — Project Manager (left) and Stanley Holmes — President (right) inspect McCabe's underground workings following the Company's recent dewatering program. Underground inspection has confirmed the mine survey plans, geological structure and assay maps.

This progress was achieved because the Company has established a very strong technical and financial base during its three year development period. This base consists of the following elements which are the essential strengths of your Company.

Management Team:
We have expanded our technical exploration group to include five full-time geologists who blend diverse exploration and underground backgrounds and international experience. In addition, the exploration effort is now complemented by a multi-disciplined corporate staff. The Company's geological and professional staff average 37 years old, which forms an ideal blend of youth and experience.

Investor Support:
SWMC is fortunate to have a strong group of loyal investors who have funded the Company's aggressive exploration projects. As the enclosed chart illustrates, the Company's exploration budgets have virtually doubled every year and now aggregate more than $12,330,000. We believe our exploration expenditures make SWMC one of the most active exploration companies in the United States.

Properties:
Because of our work over the last three years, SWMC has one of the most promising precious metal land positions in the southwest. Our largest and most developed properties along the McCabe/Iron King belt are described on pages 4–8.

Because of this base of of strength, SWMC could producing at the McCabe-Gladstone Mine and possibly on adjacent properties within 18–24 months. This major milestone will enable the Company to strengthen its financial base and provide for even greater development.

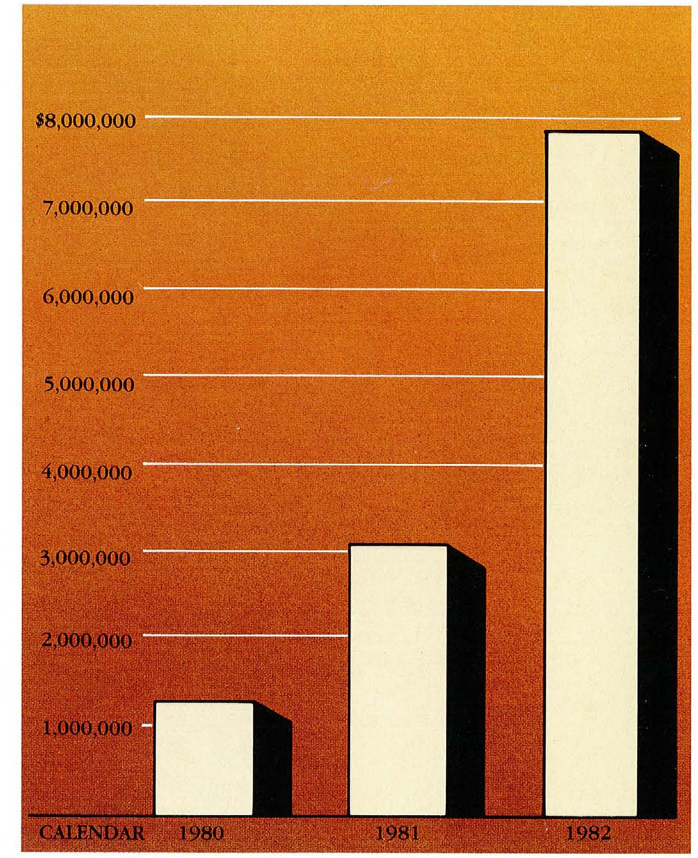
We look forward to your continued participation during this important phase of the Company's development. We thank you for your support.

Frank H. Crerie
Chairman of the Board

Stanley W. Holmes
President

Cumulative Expenditures	
1980	1,280,000
1981	4,440,000
1982	12,330,000

Annual Exploration and Development Expenditures



The McCabe/ Iron King Belt:

The Company's most developed properties include 116 claims and 2,300 acres along the McCabe/Iron King Belt that lies in the Bradshaw Mountains approximately 80 miles northwest of Phoenix. To date over $9,500,000 has been spent on extensive geo-chemical, geo-physical, diamond drilling and underground development activities in the area. The following exhibits illustrate the Company's property map, the McCabe's underground workings and area geology.

PROPERTY MAP

McCABE – GLADSTONE AREA

YAVAPAI CO., ARIZONA

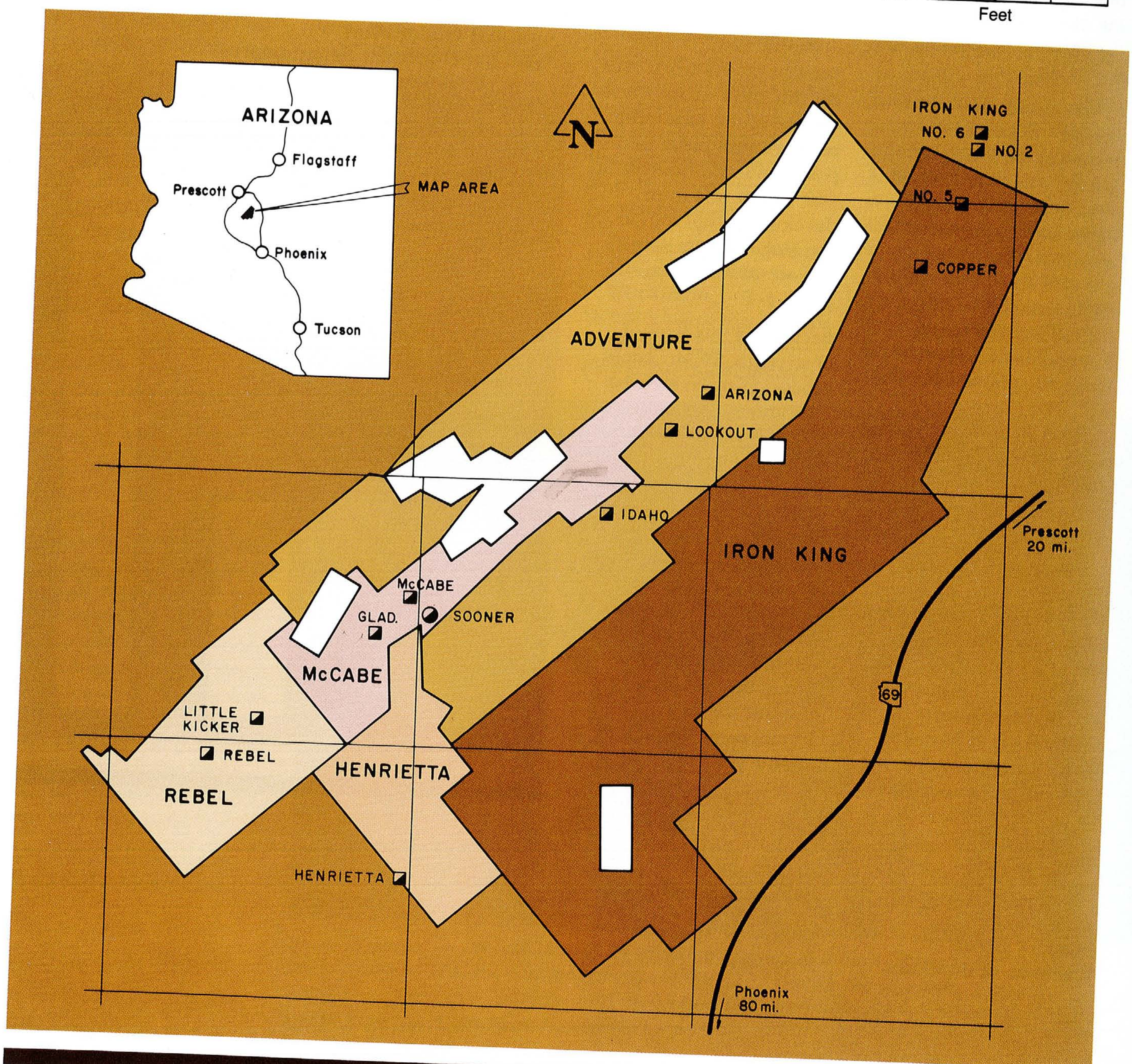
Company Owned Claim Groups:

- McCabe Property
- Iron King Property
- Adventure Property
- Rebel-Little Kicker Property
- Henrietta Property

- Other Owners
- Shaft
- Section Lines
- Highway

0 2000 4000

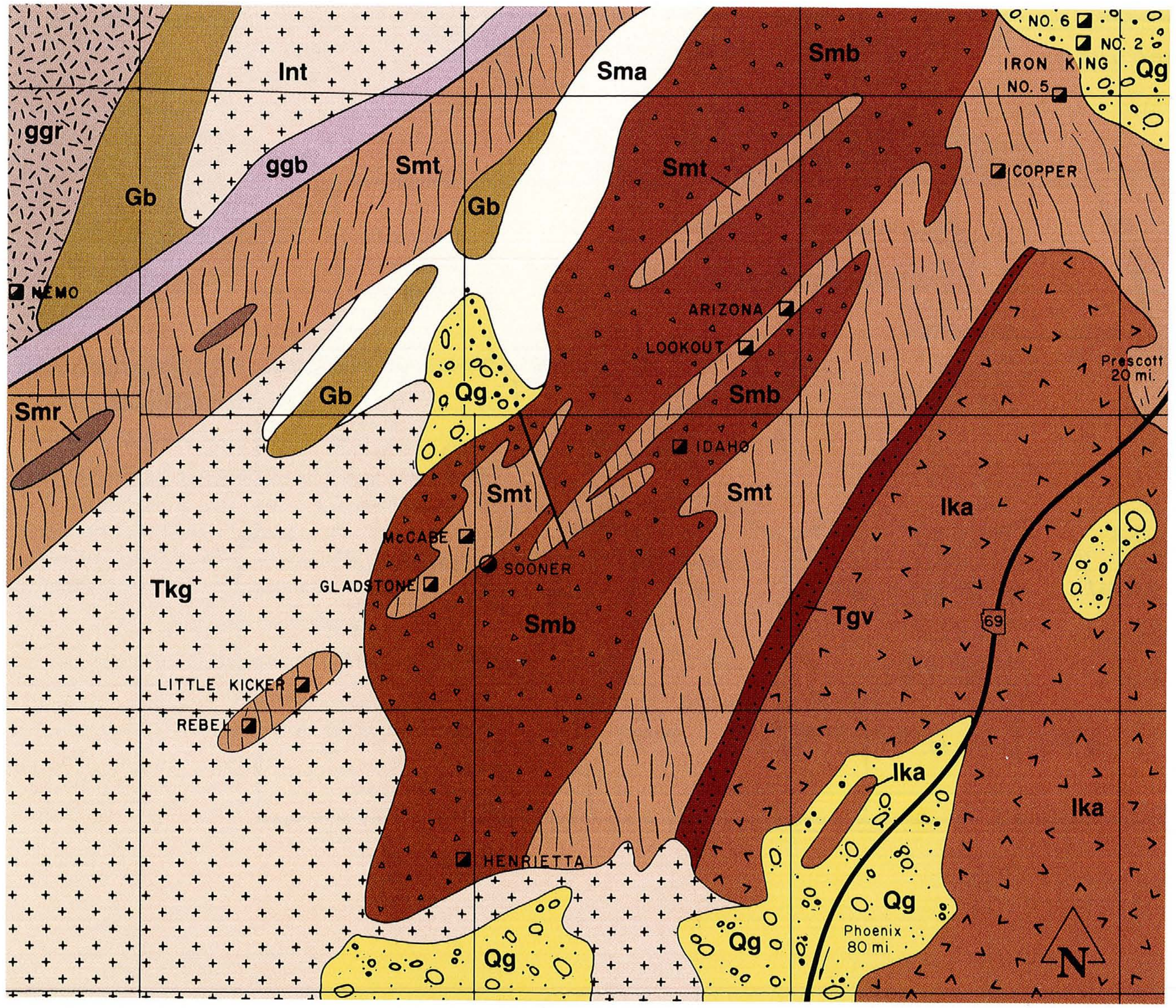
Feet



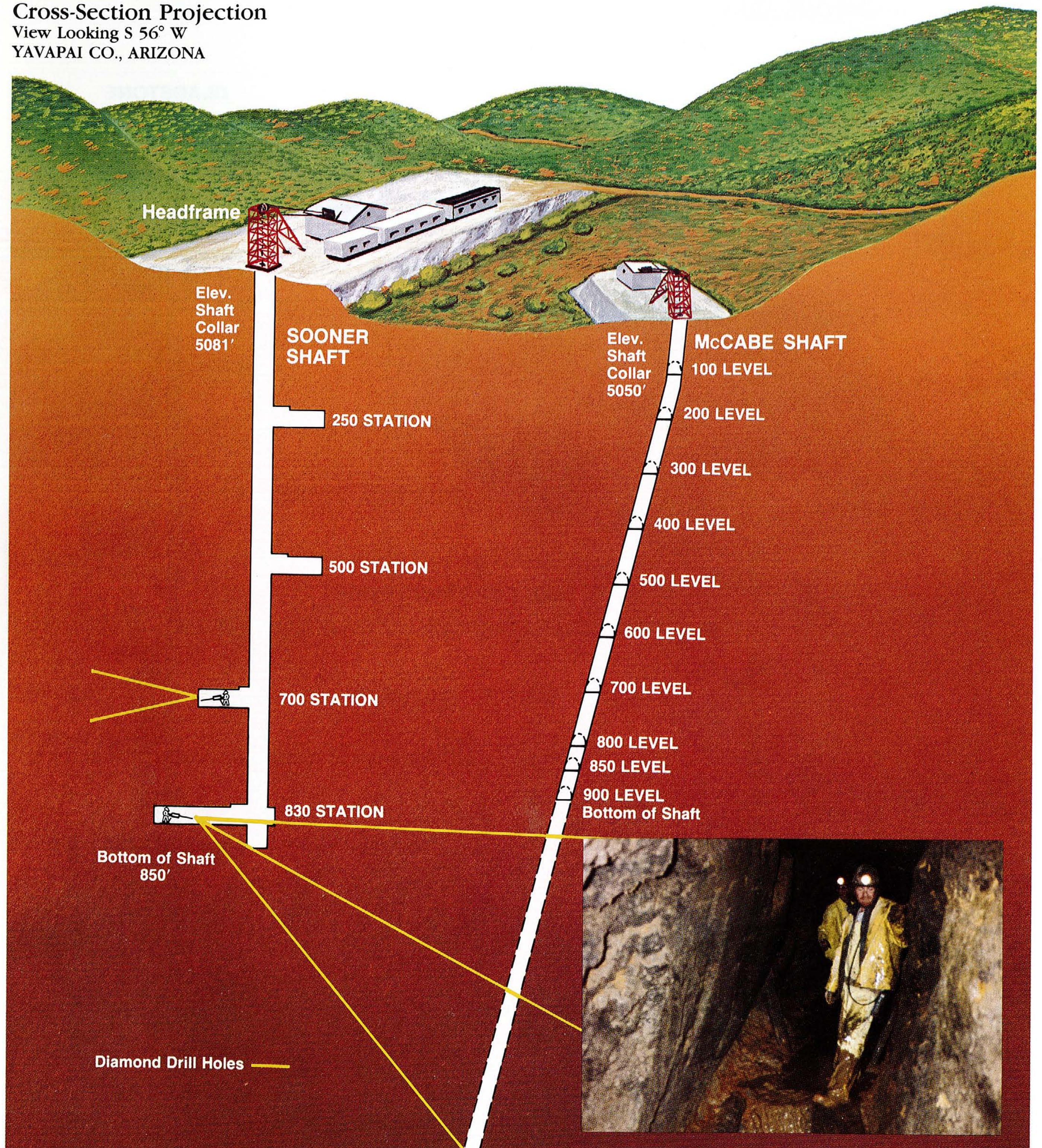
McCABE – GLADSTONE AREA
YAVAPAI CO., ARIZONA

0 2000 4000
Feet

- Gravels
- Granodiorite
- Texas Gulch Volcanics
- Gabbro
- Iron King Andesite
- Spud Mountain Rhyolite
- Spud Mountain Andesite
- Spud Mountain Tuff
- Spud Mountain breccia
- Rhyolite Tuffs
- Basalt
- Shaft
- Section Lines
- Highway



Cross-Section Projection
View Looking S 56° W
YAVAPAI CO., ARIZONA



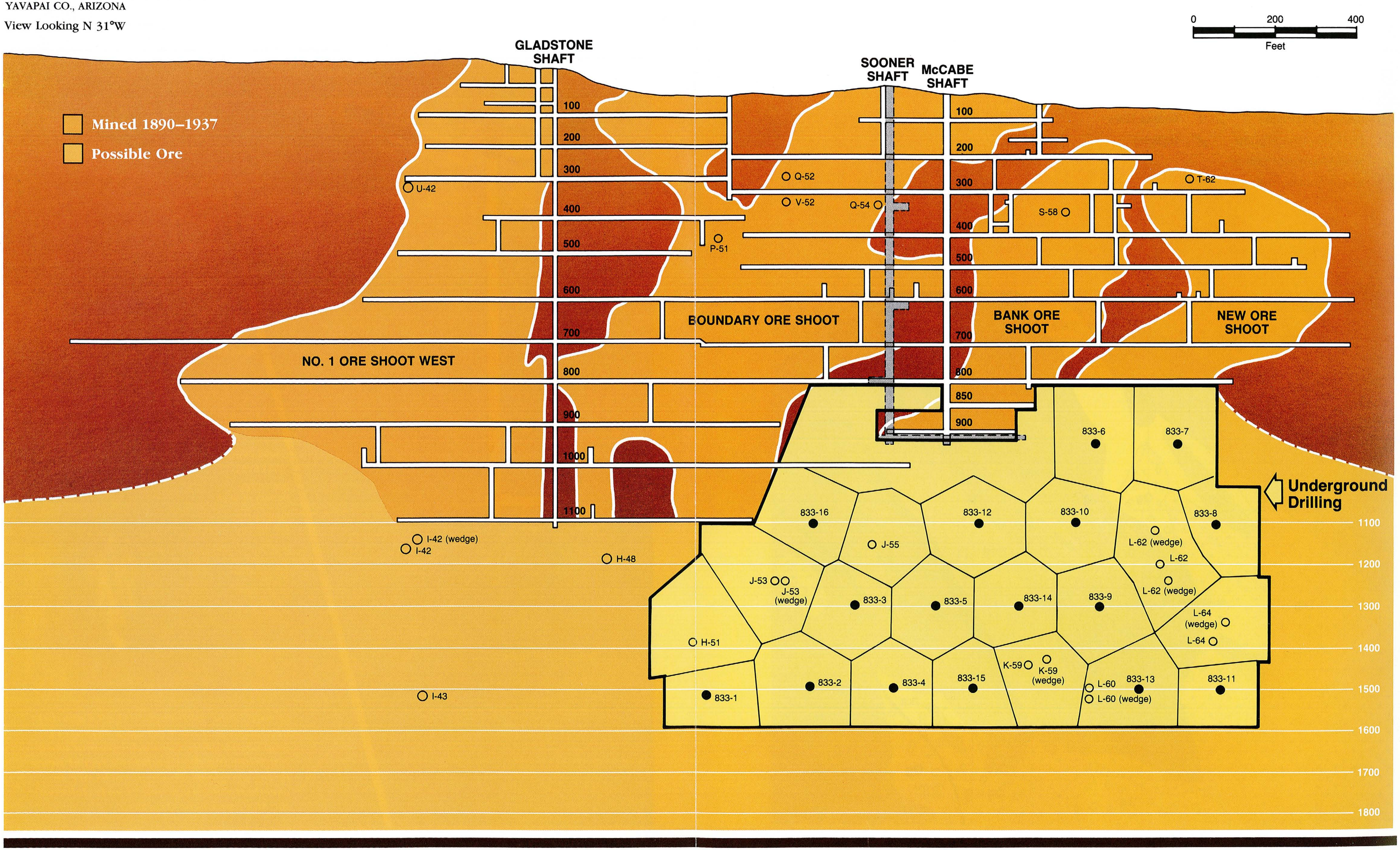
Dennis "Red" Blanchette (Shaft Captain) and Allan St. James (Project Manager) inspect McCabe's old underground working following the Company's recent dewatering program. The wall rocks are in excellent condition and clearly delineate the McCabe's vein structure.

Stan West Mining Corp.

McCABE – GLADSTONE AREA

YAVAPAI CO., ARIZONA

View Looking N 31°W



Consolidated Balance Sheets

	March 31, 1982	March 31, 1981
ASSETS		
Current assets:		
Cash	$4,014,392	$ 856,731
Due from affiliates (Note 3)	1,323,308	1,290
Prepaid expenses	20,529	20,384
Total current assets	5,358,229	878,405
Deposits on purchases of undeveloped mineral properties	—	125,000
Investments in partnerships (Note 4)	556,493	—
Undeveloped mineral properties (Note 5)	1,300,451	1,089,559
Equipment (Note 6)	48,134	66,401
Other assets	7,176	86,262
Total assets	$7,270,483	$2,245,627
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 869,436	$ 357,066
Advances from affiliates in excess of costs incurred	545,650	464,372
Current portion of long-term debt (Note 7)	164,076	217,714
Total current liabilities	1,579,162	1,039,152
Long-term debt, net of current portion (Note 7)	330,597	238,073
Deferred income (Note 8)	709,756	615,574
Commitments (Note 9)		
Stockholders' equity (Note 10):		
Common stock, par value $.01 per share; authorized 10,000,000 shares	75,000	31,425
Additional paid-in capital	5,961,441	1,256,397
Deficit accumulated during the exploration and development stages	(1,188,159)	(733,240)
Less: subscriptions receivable	(197,314)	(201,754)
Total stockholders' equity	4,650,968	352,828
Total liabilities and stockholders' equity	$7,270,483	$2,245,627

See Notes to Consolidated Financial Statements

Consolidated Statements of Operations

	Year Ended March 31, 1982	1981	1980	Cumulative From Inception (March 22, 1979) To March 31, 1982
Income:				
Sales commissions	$ —	$ —	$ 160,000	$ 160,000
Management fees (Note 4)	**409,354**	189,000	—	598,354
Royalty (Note 4)	**296,639**	—	—	296,639
Interest and other income	**413,258**	72,561	1,938	487,757
Total income	**1,119,251**	261,561	161,938	1,542,750
Costs and expenses:				
Exploration	**453,737**	266,467	48,921	769,125
General and administrative	**726,873**	512,012	122,421	1,361,306
Interest	**60,809**	33,249	—	94,058
Registration (Note 10)	—	156,595	—	156,595
Total costs and expenses	**1,241,419**	968,323	171,342	2,381,084
	122,168	706,762	9,404	838,334
Share of loss in exploration and development partnerships (Note 4)	**332,751**	14,925	2,149	349,825
Loss before provision for income taxes	**454,919**	721,687	11,553	1,188,159
Provision (benefit) for income taxes:				
Current	**(14,700)**	(94,300)	109,000	—
Deferred	**14,700**	94,300	(109,000)	—
	—	—	—	—
Net loss	**$ 454,919**	$ 721,687	$ 11,553	$1,188,159
Loss per common share	**$.063**	$.107	$.002	

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Financial Position

	Year Ended March 31, 1982	1981	1980	Cumulative From Inception (March 22, 1979) To March 31, 1982
Sources (Uses of Cash):				
Operations:				
Net loss	**$ (454,919)**	$ (721,687)	$ (11,553)	$(1,188,159)
Deferred income not included in net loss	**111,256**	298,500	300,000	709,756
Non-cash items included in net loss:				
Write-down of undeveloped mineral properties	**138,889**	—	—	138,889
Provision for deferred income taxes	**14,700**	94,300	(109,000)	—
Depreciation and amortization	**4,365**	15,179	1,620	21,164
Share of loss in partnerships	**332,751**	14,925	2,149	349,825
Other	**18,590**	—	—	18,590
Cash provided (used) by operations	**165,632**	(298,783)	183,216	50,065
Investment activities:				
Deposits on purchases of undeveloped mineral properties	**125,000**	(125,000)	—	—
Acquisition of undeveloped mineral properties	**(349,781)**	(710,092)	(379,467)	(1,439,340)
Acquisition of equipment	**(3,261)**	(55,113)	(25,567)	(83,941)
Investment in partnerships	**(906,318)**	—	—	(906,318)
Other, net	**62,959**	(17,782)	(56,300)	(11,123)
Cash used for investment activities	**(1,071,401)**	(907,987)	(461,334)	(2,440,722)
Working capital, exclusive of cash and current debt:				
Due from affiliates	**(1,322,018)**	467,100	(468,390)	(1,323,308)
Prepaid expenses	**(145)**	(19,024)	(1,360)	(20,529)
Accounts payable and accrued expenses	**512,370**	80,005	277,061	869,436
Advances from affiliates in excess of costs incurred	**81,278**	124,612	339,760	545,650
Cash provided (used) for working capital	**(728,515)**	652,693	147,071	71,249
Financing activities:				
Increase in long term debt	299,672	686,009	393,514	1,379,195
Payments on long term debt, net of current portion	**(260,786)**	(394,713)	(229,023)	(884,522)
Net proceeds from issuance of common stock	**4,753,059**	731,146	454,922	5,939,127
Redemption of common stock	—	(100,000)	—	(100,000)
Cash provided from financing activities	**4,791,945**	922,442	619,413	6,333,800
Increase in cash	**3,157,661**	368,365	488,366	4,014,392
Cash, beginning of year	**856,731**	488,366	—	—
Cash, end of year	**$ 4,014,392**	$ 856,731	$ 488,366	$ 4,014,392

See Notes to Consolidated Financial Statements

Consolidated Statements of Stockholders' Equity
for the years ended March 31, 1982, 1981 and 1980

	Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Exploration and Development Stage	Subscriptions Receivable
	Shares	Amount			
Issuance of common stock:					
For cash:					
at $.01 per share	1,205,000	$12,050	$ —	$ —	$ (8,928)
at $.50 per share	62,500	625	30,625	—	—
at $.775 per share	400,000	4,000	306,000	—	—
at $1.00 per share	10,000	100	9,900	—	—
at $2.00 per share	50,000	500	99,500	—	—
For services:					
at $.016 per share	34,767	348	202	—	—
Net loss for year ended March 31, 1980				(11,553)	—
Balances as of March 31, 1980	1,762,267	17,623	446,227	(11,553)	(8,928)
Issuance of common stock:					
For cash:					
at $1.00 per share	100,000	1,000	99,000	—	—
at $1.66 per share	300,000	3,000	497,000	—	—
at $2.00 per share (post-split)	50,000	500	99,500	—	—
Stock split	1,085,233	10,852	(10,852)	—	—
Employee stock plan	142,468	1,425	220,035	—	(221,460)
Cash redemption of common stock — $2.00 per share	(97,500)	(975)	(99,025)	—	—
Cancellation of subscription on 200,000 shares	(200,000)	(2,000)	200	—	1,800
Receipts of subscription receivable	—	—	—	—	31,146
Accrued interest on employee subscriptions	—	—	4,312	—	(4,312)
Net loss for year ended March 31, 1981				(721,687)	—
Balances as of March 31, 1981	3,142,468	31,425	1,256,397	(733,240)	(201,754)
Issuance of common stock:					
For cash at $5.00 per share	50,000	500	249,500	—	—
Stock split	3,557,532	35,575	(35,575)	—	—
Public offering at $7.00 per share	750,000	7,500	4,480,500	—	—
Receipts on subscriptions receivable	—	—	9,869	—	4,440
Issuance of common stock warrants	—	—	750	—	—
Net loss for year ended March 31, 1982				(454,919)	
Balances as of March 31, 1982	7,500,000	$75,000	$5,961,441	$(1,188,159)	$(197,314)

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

1. Organization:

Stan West Mining Corp. was organized April 17, 1979 under the laws of the State of Delaware as Stan West Corporation. On February 5, 1981, the Company was renamed Stan West Mining Corp.

During April 1979, the Company acquired, in a transaction accounted for as a pooling of interests, all of the outstanding common stock of American Moly-Gold of Arizona Corp. ("AMG"). AMG was organized March 22, 1979 under the laws of the State of Arizona. The only transaction of AMG during the period from inception (March 22, 1979) to date of acquisition was to enter into a contract to purchase mineral properties located in Yavapai County, Arizona which was consummated on April 20, 1979. Accordingly, no statements of operations, stockholders' equity and changes in financial position for the period from inception (March 22, 1979) to March 31, 1979 are presented for AMG.

2. Summary of Significant Accounting Policies:

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries (the "Company"). All material intercompany balances and transactions are eliminated in consolidation. Investments in partnerships are accounted for under the equity method.

Basis of Presentation
The Company is in the development stage and since inception has been engaged in the acquisition, exploration and development of mineral deposits. The accompanying financial statements are presented in the format prescribed by Statement of Financial Accounting Standards No. 7 issued by the Financial Accounting Standards Board.

Change in Presentation
In 1982, the Company changed its presentation of the Statements of Changes in Financial Position from an analysis of the change in working capital to an analysis of the change in cash in order to more clearly reflect cash flow. The Statements of Changes in Financial Position for 1981, 1980 and inception to date have been restated to conform to this presentation. There was no effect on operating results.

Undeveloped Mineral Properties
Undeveloped mineral properties are carried at cost. Upon commencement of production, the cost is transferred to mineral properties and depleted over the estimated life of the reserves. If exploration is not successful, the cost is written down to estimated realizable value. No allowance for depletion has been provided in the accompanying financial statements.

Advance Royalties
Advance royalties received are deferred for income recognition until such time as either production is commenced or a decision is made by management that production of ore in commercial quantities is not economically feasible.

Minimum Royalties
Minimum royalties received are recognized as revenue ratably over the lease period.

Management Fees
Management fees are recognized as revenue ratably over the term of the exploration or development programs on the basis of exploration or development costs incurred.

Exploration Costs
Exploration costs are charged to operations as incurred and includes provisions for impairment of exploitable properties not being developed currently.

Investment Tax Credit
Investment tax credits are accounted for by the flow-through method as a reduction of the provision for Federal income taxes.

Loss Per Share
Loss per share of common stock is computed based on the weighted average number of shares outstanding during each year, after giving effect to stock splits. The effect on loss per share for the outstanding stock option is excluded from the loss per share computation as it is antidilutive. The stock warrants are also excluded from the computation as their exercise price is in excess of the market price.

3. Due From Affiliates:

Due from affiliates consists of the following:

	1982	1981
Costs in excess of advances	$1,278,618	$ —
Accrued management fees	39,083	—
Other	5,607	1,290
	$1,323,308	$ 1,290

Costs in excess of advances represent amounts paid by the Company under the terms of the exploration contracts with limited partnerships which exceeds funds advanced by the limited partnerships.

4. Investments In Partnerships:

The Company currently finances its exploration and development programs through limited partnerships. The Company is the managing general partner in each of these partnerships. In several, the Company invests as a limited partner. Summarized financial information for the partnerships at March 31, 1982 and for the year then ended is presented below. This group is comprised of Rebel Associates, Henrietta Associates, Sooner Associates, Silver Fox Associates and Stan West Associates.

	1982
Financial position:	
Current assets	$ 832,576
Deferred charges, net	2,914,479
	$3,747,055
Current liabilities	$1,238,365
Net assets	$2,508,690
Costs and expenses (Net loss)	$2,170,594
Percentage owned	1–35%

As managing general partner, the Company receives a 1% equity participation which increases to a maximum of 50% after the limited and other general partners receive certain levels of distribution.

Essentially, all management fees and royalty income earned by the Company are a result of transactions involving these partnerships. Certain directors and shareholders of the Company are general or limited partners of the partnerships.

5. Undeveloped Mineral Properties:

The Company has acquired and staked various patented and unpatented mining claims in Yavapai County, Arizona. Some of the acquisition agreements require periodic payments under a fixed term and, accordingly, the liability is recorded. Other agreements can be terminated at any time without additional payments required. These payments are capitalized as incurred.

At the present time, the Company does not have properties or claims proven to be capable of commercial production. The ultimate value of the undeveloped mineral properties is dependent upon the discovery and development of ore reserves in commercial quantities. If it is determined that commercially profitable operations cannot be developed, all related capitalized costs for that property will be written off at that time.

Undeveloped mineral properties consist of the following:

	Costs Capitalized March 31, 1982
McCabe/Gladstone Claims: These claims are currently being developed by two limited partnerships, Sooner Associates and Stan West Associates. Following a surface drilling program, a new 850 foot shaft was sunk, the old workings were dewatered and underground drilling was begun. The program will be completed in August 1982.	$ 254,464
Rebel/Little Kicker Claims: These claims are currently being explored by Rebel Associates, a limited partnership. The initial surface drilling program is in-process and will be completed by August 1982.	104,871
Henrietta Claims: These claims are currently being explored by Henrietta Associates, a limited partnership. The initial surface drilling program is in-process and will be completed by August 1982.	88,132
Claims not under current development.	852,984
	$1,300,451

6. Equipment:

Equipment, which is recorded at cost, is comprised of the following:

	1982	1981
Equipment	$ 83,941	$ 80,680
Less accumulated depreciation	35,807	14,279
	$ 48,134	$ 66,401

7. Long-Term Debt:

Long-term debt consists of the following:

	1982	1981
Mortgages on undeveloped mineral properties, net of unamortized discount (based on an imputed interest rate of 15%) of $36,345 and $71,839, respectively, payable in periodic payments expiring through 1983, cancellable by the Company upon reasonable notice and surrender of the underlying properties to the seller	$263,952	$393,161
Mortgage on undeveloped mineral properties, net of unamortized discount (based on an imputed interest rate of 17%) of $64,831 payable in three annual payments through 1985	111,669	—
Mortgage on undeveloped mineral property, net of unamortized discount (based on an imputed interest rate of 15%) of $9,304, with semi-annual payments of $9,000 through May 1984 and a $37,840 payment due November 1984 including 6% interest	73,536	—
Other notes payable	45,516	62,626
	494,673	455,787
Less current portion	164,076	217,714
	$330,597	$238,073

Aggregate payments on long-term debt for the next five years are:

Year Ending March 31,:	
1983	$164,076
1984	185,604
1985	130,744
1986	4,061
1987	3,828

8. Deferred Income:

Deferred income consists of the following:

	1982	1981
Advance royalties	$475,000	$562,500
Minimum royalties	131,948	—
Management fees	102,808	36,000
Other	—	17,074
	$709,756	$615,574

Substantially all deferred income has been received from related parties.

9. Commitments:

The Company leases office and warehouse facilities which are classified as operating leases. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of March 31, 1982:

1983	$ 54,078
1984	47,516
1985	30,491
	$132,085

10. Stockholders' Equity:

Public Stock Offering
In September 1981, the Company concluded a public offering of 750,000 shares of its common stock at a price of $7.00 per share. Costs of this offering of $762,000 were charged to additional paid-in-capital. Costs incurred in 1981 in connection with a Registration that was not completed are included in operations.

In connection with the Public offering, the Company sold to the underwriter warrants to purchase 75,000 shares of common stock of the Company for $750. The warrants are exercisable for a five-year period commencing on September 2, 1982, at a price of $8.40 per share.

Common Stock Split
The Company made a 2.13208217 for 1 stock split of its common stock to stockholders of record on April 29, 1981, resulting in an increase of 3,557,532 common shares. The par value of these additional shares was capitalized by a transfer of $35,575 from additional paid-in capital to common stock.

Stock Options
During September 1980, the Company granted an option to a director to purchase 53,302 shares of the common stock of

the Company at $2.82 per share exercisable at any time prior to September 1985. As of March 31, 1982, these options had not been exercised.

Employee Stock Purchase Plan
During September 1980, the Board of Directors approved its Employees Stock Purchase Plan and reserved 426,416 shares of common stock for issuance thereunder. Under the Plan, certain employees purchased during September and October 1980, 252,967 shares (adjusted for stock splits), which contain certain restrictions, at $.59 per share which was the fair value of the common stock as determined by the Board of Directors. The employees paid 10% of the purchase price or $17,000 upon subscription and the balance of $136,990 is payable over 10 years with interest at 6%.

During February 1981, under the Plan, certain employees purchased 50,786 shares (adjusted for stock splits), at $1.41 per share which was the fair value as determined by the Board of Directors. The employees paid 10% or $7,146 upon subscription and the balance of $64,636 is payable over 10 years with interest at 6%.

The restrictions lapse annually on 25% of the shares provided the subscribers remain employees of the Company. If employment ceases before the restrictions lapse, the employees may be required to resell the shares to the Company at the lower of the subscription price or the fair market value on the date of repurchase. As of March 31, 1982, the Company has reserved 122,663 shares of common stock for issuance under the plan.

11. Income Taxes:

The Company files a consolidated federal income tax return with its subsidiaries. The Company has consolidated net operating loss carryovers expiring in 1997 as follows:

March 31	Tax Reporting	Financial Reporting
1996	$137,000	$742,000
1997	$215,000	455,000

The primary difference in basis is contributable to advanced royalties which have been deferred for financial statement purposes and recognized as revenue when received for income tax purposes.

12. Subsequent Events:

On May 10, 1982, the Company acquired for $1,700,000 all of the stock of RI Mining Corp. whose assets consist of property interests in the Pebble Mill and McCabe exploration projects. The acquisition price is payable as follows:

May 10, 1982	$566,667
August 10, 1982	566,667
December 1, 1982	566,666

The Company also received an option to purchase 674,575 shares of Stan West Mining Corp.'s common stock from Rock Island Refining Corp. until May 10, 1986. The option price is $3 per share until May 10, 1984 and $5 per share thereafter.

Accountants' Report

The Board of Directors and
Stockholders of
Stan West Mining Corp.

We have examined the consolidated balance sheet of Stan West Mining Corp. and subsidiaries as of March 31, 1982 and the related consolidated statements of operations, stockholders' equity 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 of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statements of Stan West Mining Corp. and subsidiaries for the years ended March 31, 1981 and 1980 were examined by other auditors whose report expressed an unqualified opinion on those statements.

As described in Note 5, the consolidated balance sheet at March 31, 1982 includes the cost of Undeveloped Mineral Properties of $1,300,451. Recovery of the Company's investment in these assets is dependent upon either the future development of profitable operations from such assets or a sale of the Company's interest therein.

In our opinion, subject to the effects of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the preceding paragraph been known, the aforementioned consolidated financial statements present fairly the financial position of Stan West Mining Corp. and subsidiaries as of March 31, 1982 and the results of their operations and the changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Phoenix, Arizona
June 4, 1982

Management's Discussion and Analysis

Liquidity and Capital Resources

The Company's liquidity position was significantly strengthened through the receipt of $4,738,000 of net proceeds from the public and private issuance of stock. These monies improve the net working capital position and provide the liquid funds required during the Company's developmental stage.

During fiscal 1983, the Company's liquidity will be reduced by projected operating deficits, expenditures for corporate exploration and the purchase of RI Mining Corp. and its property interests. The ultimate cash-generating ability of the Company depends on its success in delineating and developing commercial ore bodies from its exploration programs. The most developed property to date is the McCabe project that could be operational by January 1, 1984 if the underground work and feasibility study are favorable. Until production commences, the Company will continue to rely on royalty payments and management fees from its exploration programs. These revenues are highly dependent on metal prices and the Company's ability to continue to syndicate new exploration ventures.

The Company does not anticipate any major capital expenditure programs other than the possible acquisition of additional undeveloped mineral properties. If a positive production decision is made at McCabe, the project will require approximately $6,000,000 in production financing. It is anticipated that commercial banks or other conventional lending sources will provide this money directly to the project. The Company is not expected to incur any new significant debt during the next year.

Results of Operations

Income in fiscal 1982 increased by $857,690 over 1981. Enlarged royalty payments and management fees resulted from the Company's expanded exploration programs. In addition, the Company realized interest income by investing its net proceeds from the sale of common stock.

Costs and expenses also increased primarily because of the higher cost structure from the Company's new corporate headquarters in Phoenix, Arizona and the Company's increased exploration expenses. The Company's loss in exploration and development partnerships also increased substantially during 1982. This reflects the increasing trend for the Company to invest directly in its exploration programs.

Operating comparisons between 1981 and 1980 are difficult because 1980 represents only a partial year of limited start-up operations. Fiscal 1981 was the first full year of meaningful operational results.

Because the Company is in the development stage, it does not have any operating mines. Consequently, the impact of inflation was negligible.

Selected Financial Data

	1982	1981	1980
Income	**$1,119,251**	$ 261,561	$ 161,938
Net Operating Loss	**454,919**	721,687	11,553
Loss per Common Share	**(.063)**	(.107)	(.002)
Total Assets	**7,270,483**	2,245,627	1,526,830
Long Term Obligations	**330,597**	238,073	—
Average Shares Outstanding	**7,183,000**	6,750,000	6,750,000

Corporate Information

Directors and Officers

Frank H. Crerie*
Chairman of the Board

Harold L. Hodges
President — Bill Hodges Trucking Co., Inc.

Stanley W. Holmes*
President

Bernard H. Fishman*
Attorney

Charles E. Michener
Consulting geologist

Scott Norris*
Vice-President Finance and Treasurer

Carl W. Swan
President — Swan Petroleum Corporation

Joe Dan Trigg
President — Trigg Drilling Company, Inc.

Ira U. Cobleigh
Economist/Author

*executive officers

Corporate Offices

Stan West Mining Corp.
2701 East Camelback Road
Suite 260
Phoenix, Arizona 85016

General Counsel

Fishman Forman & Landau
New York, New York

Auditors

Coopers & Lybrand
Phoenix, Arizona

Transfer Agent

Continental Stock Transfer & Trust Company
New York, New York

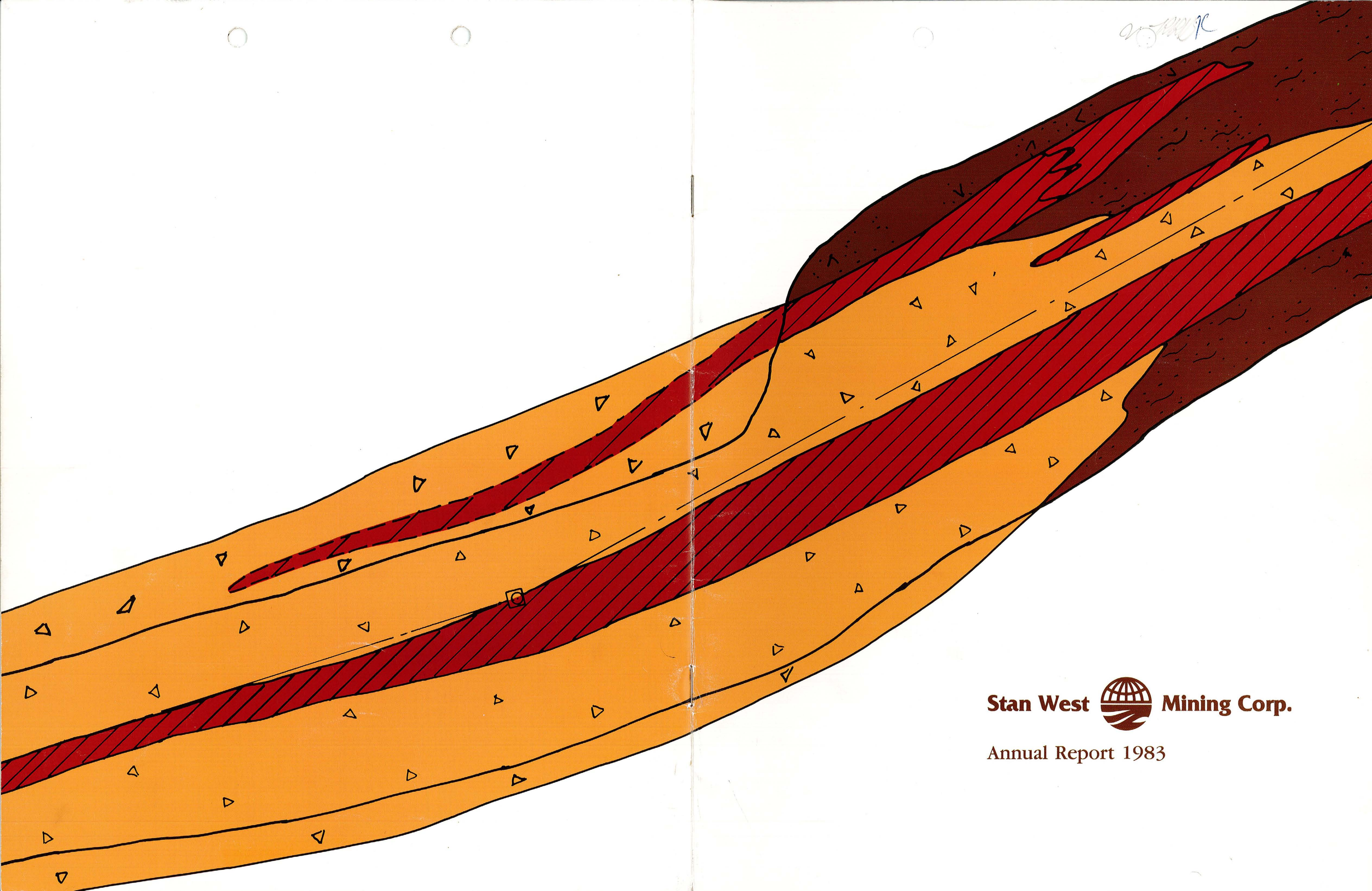
FORM 10-K IS AVAILABLE UPON WRITTEN REQUEST

Common Stock Information

The Company's Common Shares have been traded in the over-the-counter market since the Company's public offering on September 2, 1981, and are quoted on the National Association of Securities Dealers' Automated Quotation System (NASDAQ) under the symbol SWMC. The following table sets forth the range of high and low closing bid prices of the Company's Common Shares for the fiscal period indicated as reported by NASDAQ Market Information.

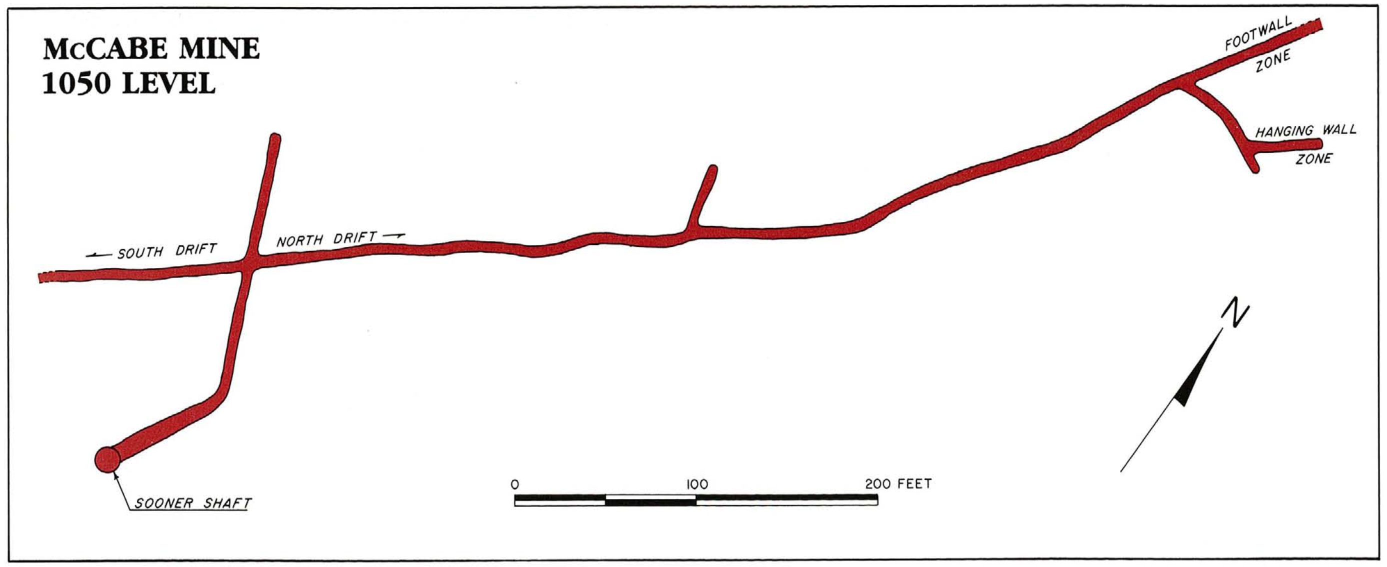
Fiscal Year	Bid Price	
1982:	High	Low
Third Quarter	6⅜	4¾
Fourth Quarter	5	4

The Company has paid no dividends nor anticipates paying dividends in the near future. The Company had approximately 370 shareholders as of May 21, 1982.



Stan West Mining Corp.

Annual Report 1983



On The Cover
The cover shows an enlarged section from the detailed geology and assay plan on the 1050′ level at the McCabe Mine. The above diagram shows the entire plan view of the drifting on the 1050′ level. The drift on the 1050′ level encountered strong, persistent mineralization over its entire length. Systematic channel assays covering 650 feet of the drift averaged .41 ounces of gold/ton and 2.6 ounces of silver/ton. Subsequently, the McCabe's proven and probable reserve tonnage was increased 30% to 498,000 tons. This is approximately five years production. These reserves represent a relatively small portion of the property's overall geological potential.

Richard Pape, mine geologist, is shown cutting a channel sample from the north face (N 664.8) on the 1050′ level of the McCabe Mine.

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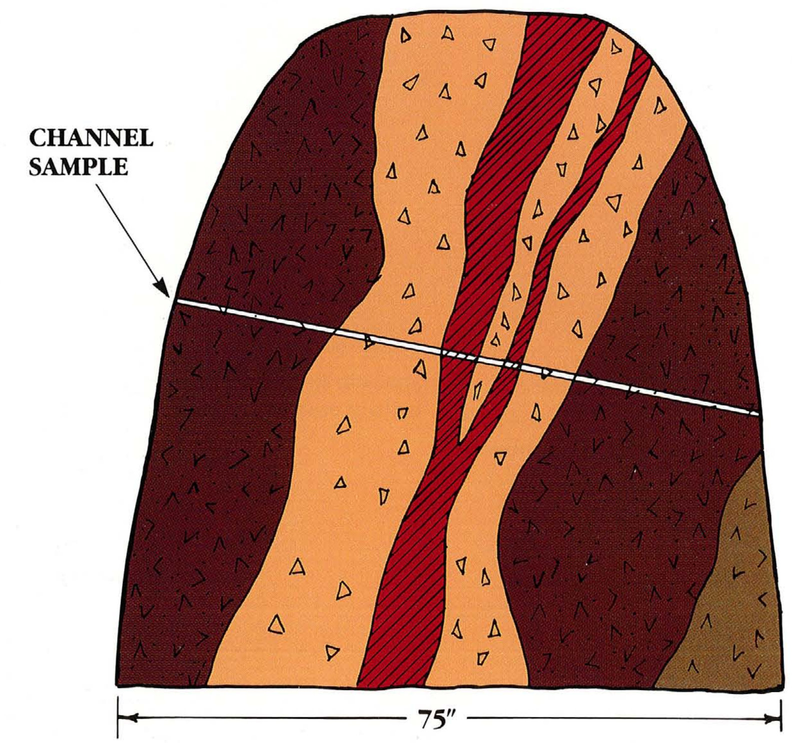
McCABE MINE
TYPICAL DRIFT FACE
(Looking southwest)

- Massive sulfide zone (pyrite-chalcopyrite-sphalerite galena) with quartz-calcite-barite gangue. (gold/silver)
- Quartz-carbonate breccia with 1%–5% sulfides. (gold/silver)
- Pyritic andesite. (gold/silver)
- Barren footwall andesite.



The above diagram shows the typical mineralized structure found in the face of a 6′ x 7′ drift on the 1050′ level at the McCabe Mine. Detailed geological mapping and channel samples were carried out every 6–8 feet over the entire length of the drift.

To Our Stockholders:

During fiscal 1983, Stan West Mining Corp. (SWMC) significantly increased the value of its asset base principally through the continuation of an intensive three year underground development program at its McCabe Mine in central Arizona. The mine development program, which has required an expenditure of approximately $11,000,000 to date, has brought the McCabe Mine to a position where gold and silver production should commence during 1984. Furthermore, the Company's longer term potential was enhanced through the acquisition of the adjoining Iron King property which is discussed below.

McCabe Mining Unit

Based on the most recent underground assay results, the McCabe appears to be one of the higher grade precious metal mines in North America. Although the initial production plans are for 300 tons/day, the ore reserve potential, adjacent mineral zones and shaft capacity allow for substantial production growth. The following outline summarizes your Company's progress during fiscal 1983:

■ Shaft Sinking/Underground Drilling — 850′ Level — In June, 1982, SWMC finished sinking a 14-foot diameter, concrete-lined shaft to a depth of 850 feet. After cutting underground drill stations, close-spaced drilling was completed in order to delineate drill proven and probable ore reserves sufficient for six years of production. The consulting firm of Derry, Michener, Booth & Wahl, Inc. was engaged to certify the drilling results.

■ 1050′ Level Drift — Following the successful underground drilling program, the shaft was deepened 200 feet to a depth of 1050 feet and 770 feet of drifting was completed on the mineralized McCabe zone. The drift measured 6′ x 7′ and followed the gold-silver bearing structure.

The results on the 1050′ level were substantially better than the initial drilling had indicated: (1) proven and probable ore reserves were increased approximately 30% because of the continuity and persistence of the mineralization over the length of the drift; (2) the average grade of the drift for a distance of 650 feet was .41 ounces/ton gold and 2.6 ounces/ton silver over a mining width of 4.9 feet. These assay grades are appreciably above the average grade for precious metal mines in North America; and (3) the underground drift confirmed the existence of parallel gold and silver bearing zones that could significantly increase the McCabe's reserve potential.

■ Pre-Production Planning — Based on the properties' increased reserves and higher precious metal values, SWMC continued to proceed with its pre-production planning. This included extensive metallurgical tests that resulted in a successful pilot plant run of the McCabe's ore at the Lakefield Research laboratory in Canada. The results showed recoveries of between 85 and 90 percent of gold and 71 percent of the silver. Subsequently, engineering specifications, metallurgical flow sheets and contractor bids were obtained. Hydrology requirements, permitting and tailings disposal plans have also been initiated. The underground mine plan is currently being finalized. Based on the engineering studies, the McCabe Mine should be operational at 300 tons/day within eight months after the project financing is arranged.

■ Satellite Exploration — In addition to the McCabe/Gladstone area, the McCabe Mining Unit includes several contiguous mineral zones that could be mined from a central shaft and utilize a central mill (see page 4). During the year, surface drilling was initiated on the satellite properties. The drilling results were encouraging and indicate that the overall reserve potential can be significantly increased by further exploration and development. The satellite properties will also be developed from the Sooner Shaft after the McCabe Mine is in production.

Iron King Acquisition

SWMC completed its property holdings along the McCabe/Gladstone belt by acquiring the mineral rights to the Iron King Mine (see page 6). This acquisition is consistent with our policy of minimizing exploration risks by avoiding grassroots projects and searching out properties with favorable geological environments and a history of past production.

The Iron King was operated until 1967 and produced 5,000,000 tons of ore. SWMC had encouraging results from its geological mapping, as well as a comprehensive geophysical survey. The Company is currently evaluating alternative financing methods to fund an exploration program to locate and delimit mineralized extensions of the original ore body.

Corporate Developments

During the year, SWMC spent over $2,700,000 in order to acquire additional equity interests in the McCabe Mine. In addition, the Company is expanding its ownership in the satellite properties by offering to acquire existing limited partnership interests in exchange for common stock and warrants. These transactions substantially increase the Company's ownership percentage in the McCabe Mining Unit and will increase the Company's earnings once production commences.

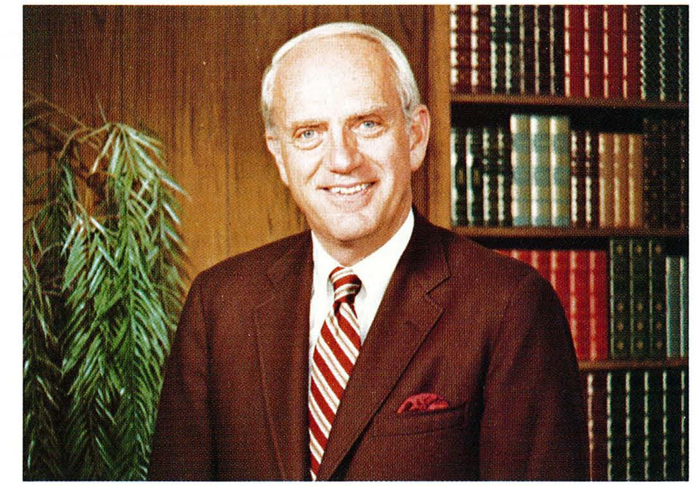
In order to help finance these acquisitions and provide a broader financial base, SWMC was successful in raising over $1,000,000 through the private placement of common stock and warrants. The gold indexed limited partnerships raised approximately $2,000,000 which was invested in the McCabe's underground development program.

As a result of the Company's strong land position and current financial resources, Stan West Mining Corp. is currently positioned to maximize its potential as an aggressive U.S. mining company.

We would like to express our appreciation for the support of our stockholders and Board of Directors.

Frank H. Crerie
Chairman of the Board

Stanley W. Holmes
President



Frank H. Crerie
Chairman of the Board

Stanley W. Holmes — Ph.D.
President

Stan West Mining Corp. controls approximately 72 contiguous claims that comprise the McCabe Mining Unit. To date, over $11,000,000 has been invested in exploring and developing these properties.

The Sooner Shaft and the central mill site were located in order to serve an integrated mining unit. The shaft has a hoisting capacity of approximately 750 tons/day. Consequently, as each mineralized zone is developed, it can be quickly brought into production using the existing shaft and the centralized mill facilities. This efficiency will greatly reduce the capital costs and accelerate the time frame required to develop the McCabe Mining Unit.

The following mineralized zones comprise the McCabe Mining Unit (see illustration below):

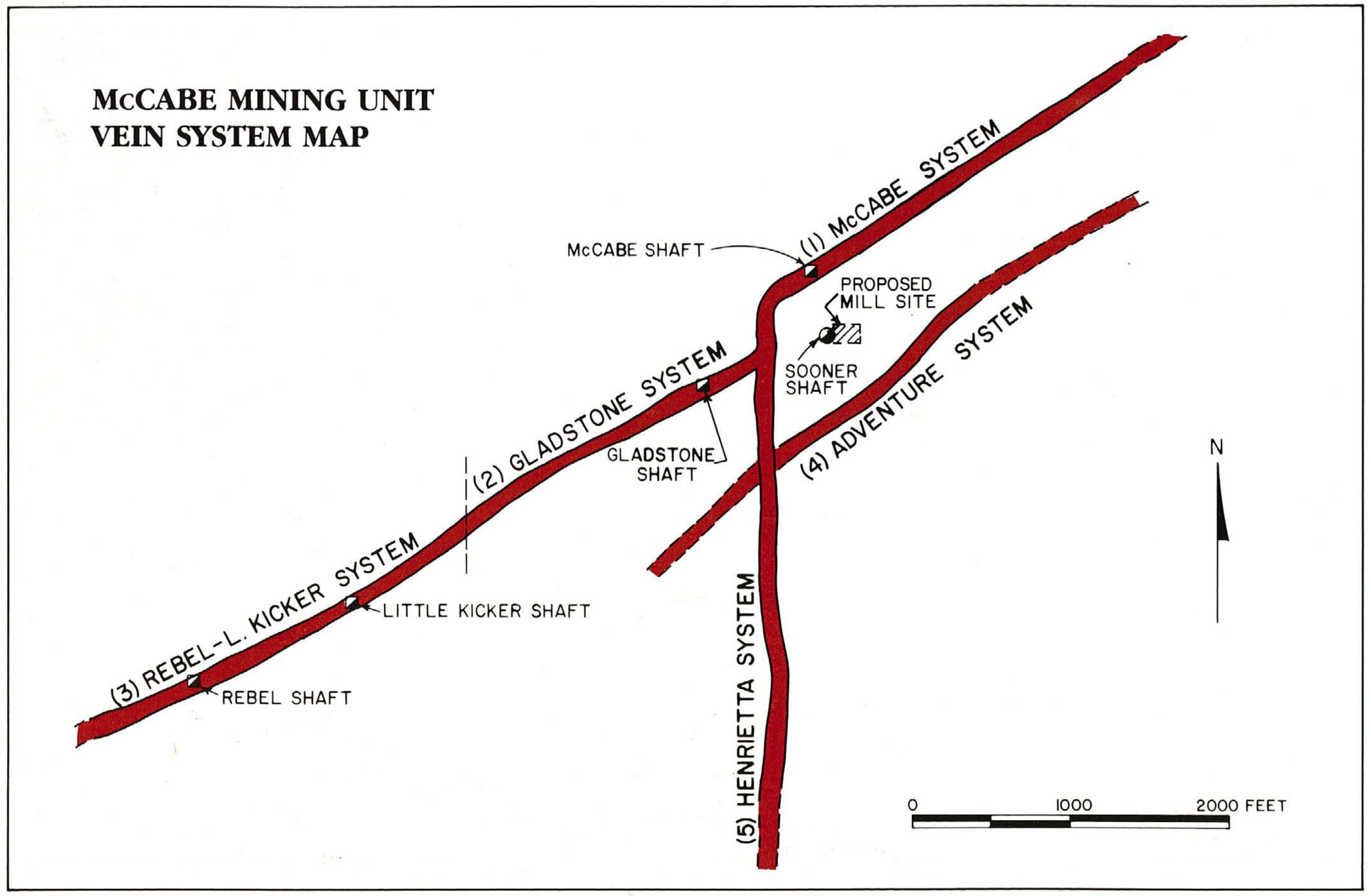
■ *McCabe/Gladstone Zone* — This zone has a strike length over 3000 feet and previously supported high grade gold and silver production down to the 1000′ level. The underground development program has delineated proven and probable reserves sufficient for five years of production. Independent engineering studies have certified that these reserves contain 153,000 ounces of gold and 960,000 ounces of silver. This ore block represents only a small portion of the property's mineral potential.

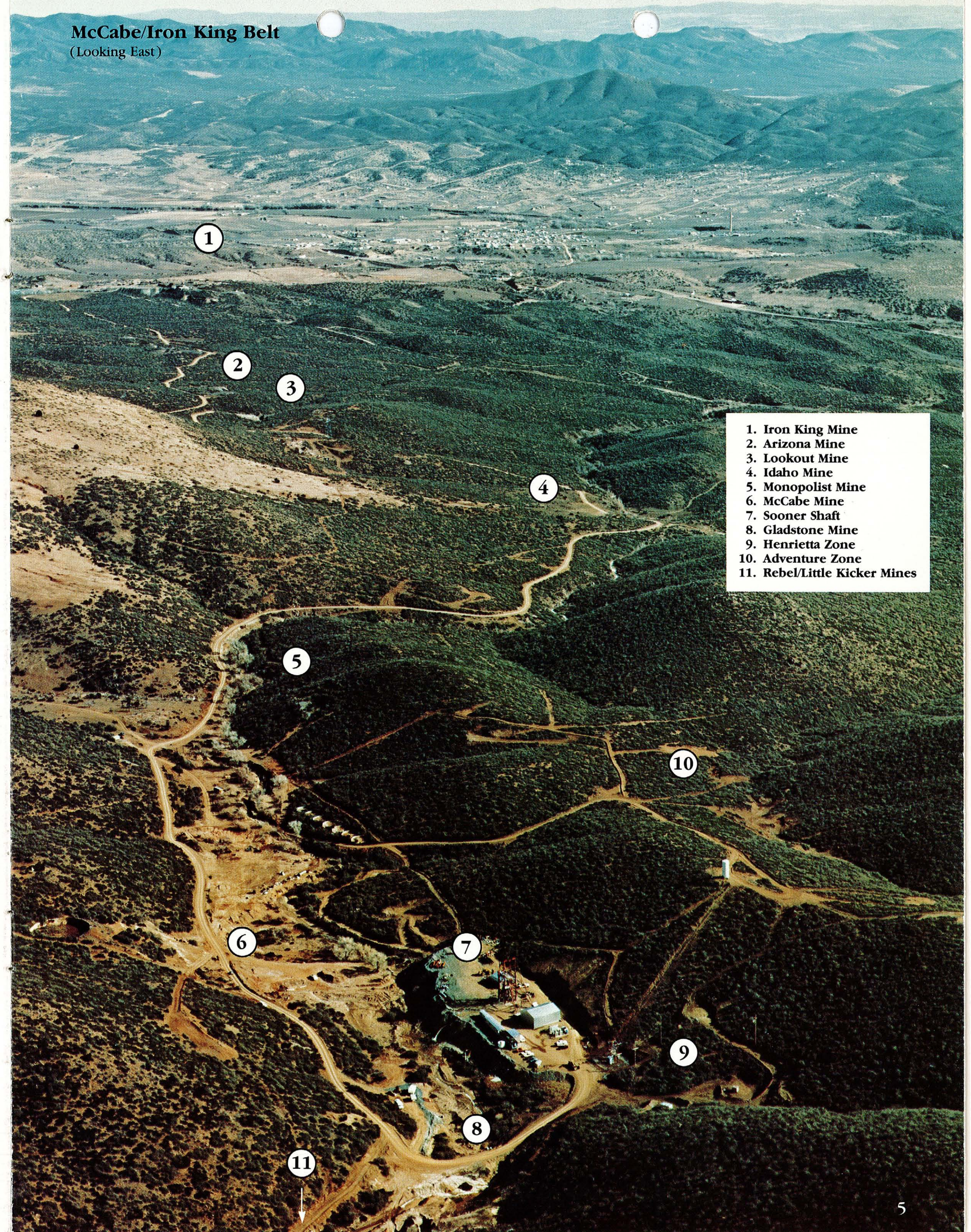
■ *Rebel/Little Kicker Zone* — This zone is adjacent to the McCabe/Gladstone and extends for 2600 feet. Following a detailed geological review, a surface drilling program costing $1,300,000 was completed and discovered mineralization similar to the McCabe/Gladstone. Further drilling was terminated, since this property can be most effectively developed using the underground workings from the McCabe/Gladstone Mine. The drilling did show approximately 24,000 tons of drill proven and probable reserves with an average grade of .40 ounces gold/ton.

■ *Henrietta Zone* — The Henrietta is a mineralized zone that extends for approximately 4,000 feet and intersects the McCabe/Gladstone properties. Historically, the Henrietta's copper-gold-silver bearing zone was mined on a limited basis to 450 feet. The primary ore zone has not been worked.

A preliminary surface drilling program was terminated due to difficult core recovery. The Henrietta will be explored from the McCabe/Gladstone's underground workings.

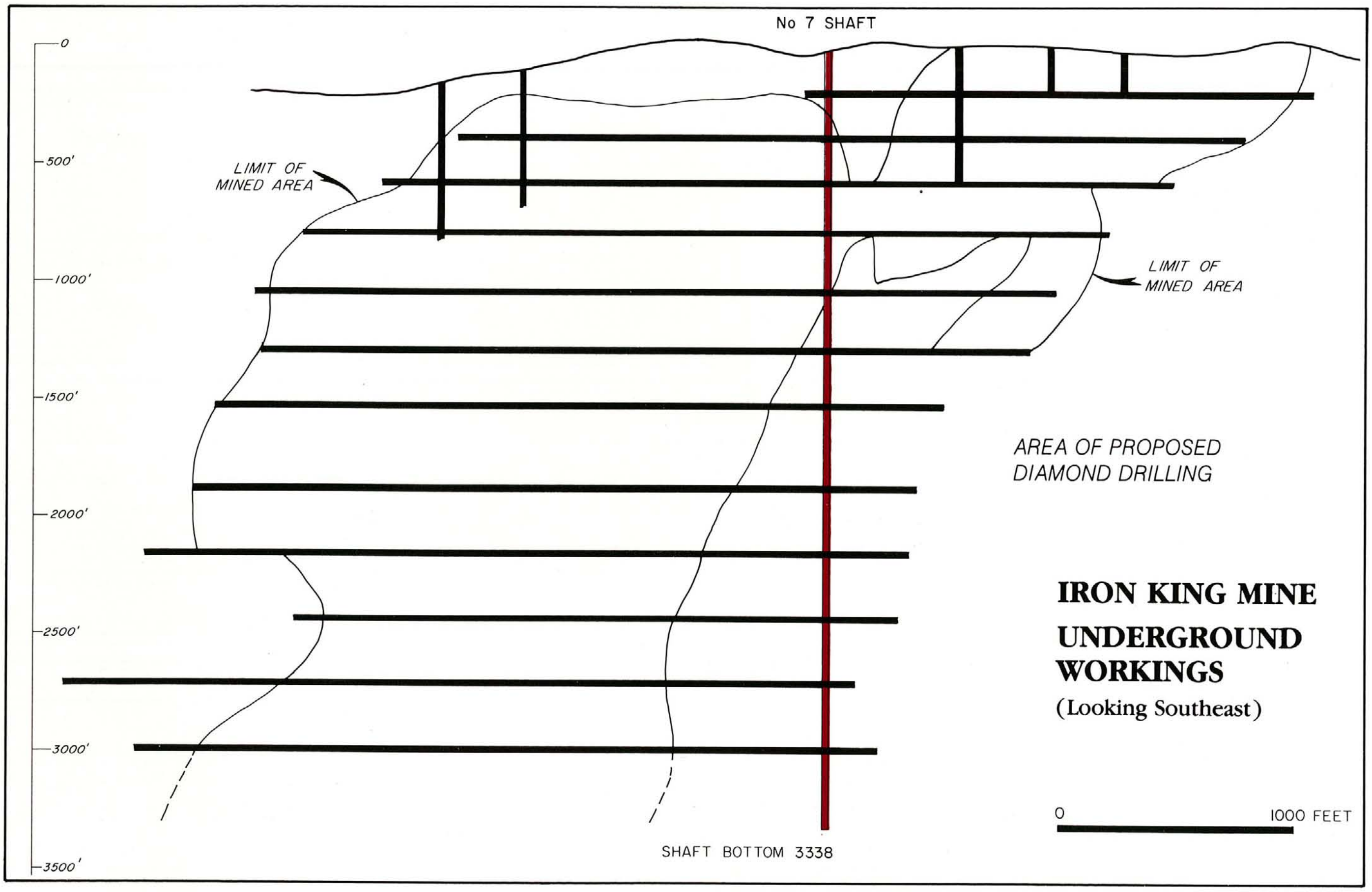
■ *Adventure Zone* — The Adventure zone is approximately 600 feet south and east of the McCabe/Gladstone properties and extends for over 3,000 feet. Although the property has never been mined, surface geology, geochemical and geophysical surveys indicated several anomalous zones. The most favorable drill hole assayed 1.07 ounces/ton of gold and 9.0 ounces/ton of silver over the core length of 3.20 feet. Geologically, the Adventure zone exhibits many characteristics similar to the McCabe/Gladstone Zone.





The Iron King Mine includes 54 claims that extend for approximately three miles by one mile. The original Iron King Mine produced 5,000,000 tons of massive sulphide ore with an average grade of 7.34% zinc, 2.50% lead, 3.60 ounces/ton silver and .123 ounces/ton gold. The mine bottomed in mineralization (3300 feet) when it closed in 1967.

Because the Iron King is a polymetallic, massive sulphide deposit of volcanogenic origin, the possibility of mineralized extensions is considered good. A surface geology study and comprehensive geophysical study have obtained favorable results. The Company is currently planning a program of diamond drilling.



IRON KING MINE UNDERGROUND WORKINGS
(Looking Southeast)

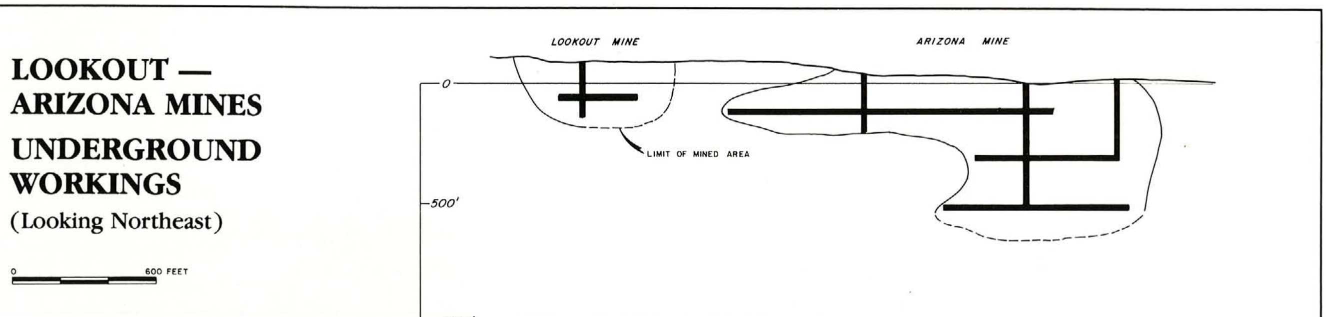
Arizona/Lookout (Silver) Mines

The Arizona/Lookout Mines lie between the Iron King Mine and the McCabe/Gladstone properties in the same belt of Precambrian volcanic mineralization. Both the Arizona and Lookout Mines have supported past production from underground workings that extend to 200–500 feet in depth. Old shipping records from 1930 exist for only the Arizona Mine and indicate that the massive sulphide ore averaged 15 ounces/ton of silver with 3% lead, 4% zinc and minor gold.

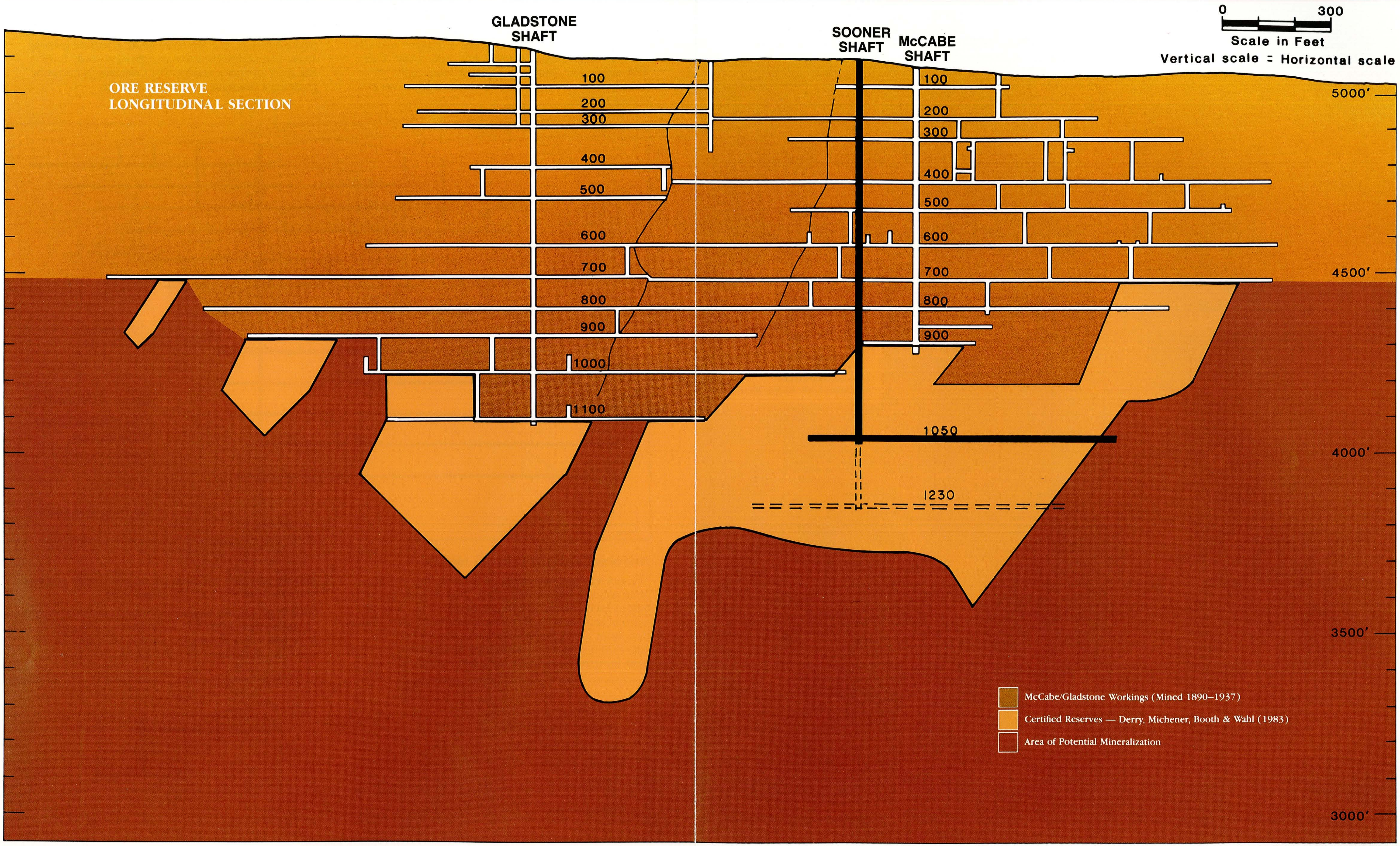
Surface geochemical and geophysical studies as well as approximately 1,000 feet of preliminary diamond drilling have had very encouraging results. The Company is currently designing a detailed exploration program.

LOOKOUT — ARIZONA MINES

UNDERGROUND WORKINGS
(Looking Northeast)



Stan West Mining Corp.



Consolidated Balance Sheets

	March 31, 1983	March 31, 1982
ASSETS		
Current assets:		
Cash	$2,031,761	$4,014,392
Due from affiliates (Note 2)	310,074	1,323,308
Prepaid expenses	8,667	20,529
Total current assets	2,350,502	5,358,229
Investments in partnerships (Note 3)	3,109,030	556,493
Undeveloped mineral properties (Note 4)	1,259,557	1,300,451
Other assets	45,419	55,310
Total assets	$6,764,508	$7,270,483

	March 31, 1983	March 31, 1982
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 315,036	$ 869,436
Advances from affiliates in excess of costs incurred	141,779	545,650
Current portion of long-term debt (Note 6)	195,131	164,076
Total current liabilities	651,946	1,579,162
Long-term debt, net of current portion (Note 6)	144,928	330,597
Deferred income (Note 7)	543,333	709,756
Commitments and contingencies (Note 8)		
Stockholders' equity (Note 9):		
Common stock, par value $.01 per share; authorized 10,000,000 shares	77,863	75,000
Additional paid-in capital	7,108,702	5,961,441
Deficit accumulated during the exploration and development stages	(1,600,156)	(1,188,159)
Less: Subscriptions receivable	(85,394)	(197,314)
	5,501,015	4,650,968
Less: Treasury stock, at cost (64,278 shares)	(76,714)	—
Total stockholders' equity	5,424,301	4,650,968
Total liabilities and stockholders' equity	$6,764,508	$7,270,483

See Notes to Consolidated Financial Statements

Consolidated Statements of Operations

	Year Ended March 31, 1983	1982	1981	Cumulative From Inception (March 22, 1979) To March 31, 1983
Income:				
Sales commissions				$ 160,000
Management fees (Note 3)	$ **42,372**	$ 409,354	$ 189,000	640,726
Royalty (Note 3)	**353,474**	296,639	—	650,113
Interest and other	**273,095**	413,258	72,561	760,852
Total income	**668,941**	1,119,251	261,561	2,211,691
Costs and expenses:				
Exploration	**169,512**	453,737	266,467	938,637
General and administrative	**658,521**	726,873	512,012	2,019,827
Interest	**66,737**	60,809	33,249	160,795
Registration (Note 9)	—	—	156,595	156,595
Total costs and expenses	**894,770**	1,241,419	968,323	3,275,854
	225,829	122,168	706,762	1,064,163
Share of loss in exploration and development partnerships (Note 3)	**186,168**	332,751	14,925	535,993
Loss before provision for income taxes	**411,997**	454,919	721,687	1,600,156
Provision (benefit) for income taxes:				
Current	—	(14,700)	(94,300)	—
Deferred	—	14,700	94,300	—
	—	—	—	—
Net loss	**$ 411,997**	$ 454,919	$ 721,687	$1,600,156
Loss per common share	**$ .06**	$. 06	$. 11	

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Financial Position

	Year Ended March 31, 1983	1982	1981	Cumulative From Inception (March 22, 1979) To March 31, 1983
Sources (Uses of Cash):				
Operations:				
Net loss	**$ (411,997)**	$ (454,919)	$ (721,687)	$(1,600,156)
Deferred income not included in net loss	—	111,256	298,500	709,756
Non-cash items included in net loss:				
Reduction of deferred income	**(166,423)**	—	—	(166,423)
Impairment of undeveloped mineral properties	**61,458**	138,889	—	200,347
Provision for deferred income taxes	—	14,700	94,300	—
Depreciation and amortization	**21,330**	4,365	15,179	42,494
Share of loss in partnerships	**186,168**	332,751	14,925	535,993
Other	**20,243**	18,590	—	38,833
Cash provided (used) by operations	**(289,221)**	165,632	(298,783)	(239,156)
Investment activities:				
Deposits on purchases of undeveloped mineral properties	—	125,000	(125,000)	—
Acquisition of undeveloped mineral properties	**(43,813)**	(349,781)	(710,092)	(1,483,153)
Acquisition of equipment	—	(3,261)	(55,113)	(83,941)
Investment in partnerships	**(2,738,705)**	(906,318)	—	(3,645,023)
Other, net	**(15,841)**	62,959	(17,782)	(26,964)
Cash used for investment activities	**(2,798,359)**	(1,071,401)	(907,987)	(5,239,081)
Working capital, exclusive of cash and current debt:				
Due from affiliates	**1,013,234**	(1,322,018)	467,100	(310,074)
Prepaid expenses	**11,862**	(145)	(19,024)	(8,667)
Accounts payable and accrued expenses	**(554,400)**	512,370	80,005	315,036
Advances from affiliates in excess of costs incurred	**(403,871)**	81,278	124,612	141,779
Cash provided (used) for working capital	**66,825**	(728,515)	652,693	138,074
Financing activities:				
Increase in long term debt	—	299,672	686,009	1,379,195
Payments on long term debt, net of current portion	**(147,206)**	(260,786)	(394,713)	(1,031,728)
Net proceeds from issuance of common stock	**1,185,330**	4,753,059	731,146	7,124,457
Redemption of common stock	—	—	(100,000)	(100,000)
Cash provided from financing activities	**1,038,124**	4,791,945	922,442	7,371,924
Increase (decrease) in cash	**(1,982,631)**	3,157,661	368,365	2,031,761
Cash, beginning of year	**4,014,392**	856,731	488,366	—
Cash, end of year	**$ 2,031,761**	$ 4,014,392	$ 856,731	$ 2,031,761

See Notes to Consolidated Financial Statements

Consolidated Statements of Stockholders' Equity

for the years ended March 31, 1983, 1982, 1981 and 1980

	Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Exploration and Development Stages	Subscriptions Receivable	Treasury Stock
	Shares	Amount				
Issuance of common stock:						
For cash:						
at $.01 per share	1,205,000	$12,050	$ —	$ —	$ (8,928)	$ —
at $.50 per share	62,500	625	30,625	—	—	—
at $.775 per share	400,000	4,000	306,000	—	—	—
at $1.00 per share	10,000	100	9,900	—	—	—
at $2.00 per share	50,000	500	99,500	—	—	—
For services:						
at $.016 per share	34,767	348	202	—	—	—
Net loss for year ended March 31, 1980	—	—	—	(11,553)	—	—
Balances as of March 31, 1980	1,762,267	17,623	446,227	(11,553)	(8,928)	—
Issuance of common stock:						
For cash:						
at $1.00 per share	100,000	1,000	99,000	—	—	—
at $1.66 per share	300,000	3,000	497,000	—	—	—
at $2.00 per share (post-split)	50,000	500	99,500	—	—	—
Stock split	1,085,233	10,852	(10,852)	—	—	—
Employee stock plan	142,468	1,425	220,035	—	(221,460)	—
Cash redemption of common stock at $2.00 per share	(97,500)	(975)	(99,025)	—	—	—
Cancellation of subscription on 200,000 shares	(200,000)	(2,000)	200	—	1,800	—
Receipts of subscription receivable	—	—	—	—	31,146	—
Accrued interest on employee subscriptions	—	—	4,312	—	(4,312)	—
Net loss for year ended March 31, 1981	—	—	—	(721,687)	—	—
Balances as of March 31, 1981	3,142,468	31,425	1,256,397	(733,240)	(201,754)	—
Issuance of common stock:						
For cash at $5.00 per share	50,000	500	249,500	—	—	—
Stock split	3,557,532	35,575	(35,575)	—	—	—
Public offering at $7.00 per share	750,000	7,500	4,480,500	—	—	—
Receipts on subscriptions receivable	—	—	9,869	—	4,440	—
Issuance of common stock warrants	—	—	750	—	—	—
Net loss for year ended March 31, 1982	—	—	—	(454,919)	—	—
Balances as of March 31, 1982	7,500,000	75,000	5,961,441	(1,188,159)	(197,314)	—
Issuance of common stock:						
For cash at $4.00 per share	255,000	2,550	1,017,450	—	—	—
For services at $4.00 per share	31,250	313	124,687	—	—	—
Receipts on subscriptions receivable	—	—	5,124	—	38,606	—
Treasury Stock	—	—	—	—	73,314	(76,714)
Net loss for year ended March 31, 1983	—	—	—	(411,997)	—	—
Balances as of March 31, 1983	7,786,250	$77,863	$7,108,702	$(1,600,156)	$ (85,394)	$(76,714)

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies:

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries (the "Company"). All material intercompany balances and transactions are eliminated in consolidation. Investments in partnerships are accounted for under the equity method.

Basis of Presentation
The Company is in the development stage and since inception has been engaged in the acquisition, exploration and development of mineral deposits. The accompanying financial statements are presented in the format prescribed by Statement of Financial Accounting Standards No. 7 issued by the Financial Accounting Standards Board.

Undeveloped Mineral Properties
Undeveloped mineral properties are carried at cost. Upon commencement of production, the cost is transferred to mineral properties and depleted over the estimated life of the reserves. If exploration is not successful, the cost is written down to estimated realizable value. Production has not commenced on any of the Company's properties.

Advance Royalties
Advance royalties received are deferred for income recognition until such time as either production is commenced or a decision is made by management that production of ore in commercial quantities is not economically feasible.

Minimum Royalties
Minimum royalties received are recognized as revenue ratably over the lease period.

Management Fees
Management fees are recognized as revenue ratably over the term of the exploration or development programs on the basis of exploration or development costs incurred.

Exploration Costs
Exploration costs are charged to operations as incurred and includes provisions for impairment of exploitable properties not being developed currently.

Loss Per Share
Loss per share of common stock is computed based on the weighted average number of shares outstanding during each year, after giving effect to stock splits. The effect on loss per share for the outstanding stock options and warrants are excluded from the loss per share computation as they are antidilutive.

2. Due From Affiliates:

Due from affiliates consists of the following:

	1983	1982
Costs in excess of advances	$ 280,650	$1,278,618
Accrued management fees	—	39,083
Accrued royalties	13,042	—
Other	16,382	5,607
	$ 310,074	$1,323,308

Costs in excess of advances represent amounts paid by the Company under the terms of the exploration contracts with limited partnerships which exceeds funds advanced by the limited partnerships.

3. Investments In Partnerships:

The Company currently finances its exploration and development programs through limited partnerships. The Company is the managing general partner in each of these partnerships. In several, the Company invests as a limited partner. Summarized financial information for the partnerships at March 31, 1983 and 1982 and for the years then ended is presented below.:

	1983	1982
Current assets	$ 300,876	$ 832,576
Non current assets	7,195,278	2,914,479
	$7,496,154	$3,747,055
Current liabilities	$ 86,974	$1,238,365
Net assets	$7,409,180	$2,508,690
Costs and expenses (Net loss)	$1,052,995	$2,170,594
Percentage owned	1–39%	1–35%
Number of partnerships	6	5

As managing general partner, the Company receives a 1% equity participation which increases to a maximum of 84% after the limited and other general partners receive certain levels of distribution.

Substantially, all management fees and royalty income earned by the Company are a result of transactions involving these partnerships. Certain directors and shareholders of the Company are general or limited partners of the partnerships.

4. Undeveloped Mineral Properties:

The Company has acquired and staked various patented and unpatented mining claims in Yavapai County, Arizona. Some of the acquisition agreements require periodic payments under a fixed term and, accordingly, the liability is recorded. Other agreements can be terminated at any time without additional payments required. These payments are capitalized as incurred.

The ultimate value of the undeveloped mineral properties is dependent upon the discovery and development of ore reserves in commercial quantities. If it is determined that commercially profitable operations cannot be developed, all related capitalized costs for that property will be written off at that time.

Undeveloped mineral properties consist of the following:

	Costs Capitalized 1983	1982
McCabe/Gladstone Claims: Following a surface drilling program, a new 850 foot shaft was sunk, the old workings were dewatered and an underground drilling program was completed. During fiscal 1983, the shaft was deepened to 1,050 feet to continue the pre-production development.	**$ 254,464**	$ 254,464
Rebel/Little Kicker Claims: The initial surface drilling program was completed. Further development is planned from underground once the McCabe Mine is operational.	**104,871**	104,871
Henrietta Claims: The initial surface drilling program was completed. Further development is planned from underground once the McCabe Mine is operational.	**88,132**	88,132
Claims not under current exploration/development.	**812,090**	852,984
	$1,259,557	$1,300,451

5. Acquisition of Rock Island Mining Corp.

On May 10, 1982, the Company acquired for $1,700,000 in cash all the stock of Rock Island Mining Corp. whose assets consist of property interests in certain of the Company's exploration projects. The purchase price was allocated to the Company's partnership interests. See Note 3 for a summary of these partnerships.

Proforma earnings for 1982 and 1981 have not been presented because management believes the exploration costs incurred by Rock Island during this period would have been funded by sources outside the Company.

The Company also received an option to purchase Rock Island Refining Corp.'s 674,575 shares of Stan West Mining Corp. common stock for $3 per share until May 10, 1984 and $5 per share until May 10, 1986.

For accounting purposes, no value was assigned to the option.

6. Long-Term Debt:

Long-term debt consists of the following:

	1983	1982
Mortgages on undeveloped mineral properties, net of unamortized discount (based on an imputed interest rate of 15%) of $6,683 and $36,345, respectively, payable in periodic payments expiring through 1983, cancellable by the Company upon reasonable notice and surrender of the underlying properties to the seller	**$148,317**	$263,952
Mortgage on undeveloped mineral properties, net of unamortized discount (based on an imputed interest rate of 17%) of $42,083 and $64,831, respectively, payable in three annual payments through 1985	**104,873**	111,669
Mortgage on undeveloped mineral property, net of unamortized discount (based on an imputed interest rate of 15%) of $4,376 and $9,304, respectively, with semi-annual payments of $9,000 through May 1984 and a $37,840 payment due November 1984 including 6% interest	**60,464**	73,536
Other notes payable	**26,405**	45,516
	340,059	494,673
Less current portion	**195,131**	164,076
	$144,928	$330,597

Aggregate payments on long-term debt for the next five years are:

1984	$195,131
1985	130,679
1986	4,061
1987	3,828
1988	4,180
Thereafter	2,180
	$340,059

7. Deferred Income:

Deferred income consists of the following:

	1983	1982
Advance royalties	**$475,000**	$475,000
Minimum royalties	**68,333**	131,948
Management fees	**—**	102,808
	$543,333	$709,756

8. Commitments and Contingencies:

Commitments
The Company leases office and warehouse facilities which are classified as operating leases. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of March 31, 1983:

1984	$ 49,219
1985	23,449
	$ 72,668

Contingencies
On August 4, 1981, two former shareholders of the Company filed suit in the Federal District Court of Southern New York against the Company and several directors and shareholders of the Company. The complaint seeks entitlement to 160,000 shares of the Company's common stock, an option to purchase 14,000 shares of the Company's common stock for $100,000, punitive damages of $1,000,000 and recovery of attorney's fees, costs and disbursements.

In the opinion of counsel, the possibility that punitive damages will be awarded against the Company is unlikely. However, selected shareholders of the Company have placed shares in escrow and have agreed to transfer shares to these individuals if they are successful in establishing their claim to such shares.

9. Stockholders' Equity:

Public Stock Offering
In September 1981, the Company concluded a public offering of 750,000 shares of its common stock at a price of $7.00 per share. Costs of this offering of $762,000 were charged to additional paid-in-capital. Costs incurred in 1981 in connection with a Registration that was not completed are included in operations.

Stock Warrants
In connection with the 1981 public offering, the Company sold to the underwriter for $750 warrants to purchase 75,000 shares of common stock of the Company. The warrants are exercisable for a five-year period at a price of $8.40 per share.

During 1983, the Company granted 110,900 warrants to purchase one share of the Company's common stock for $4.00 per share until May 1, 1984 and $5.00 per share thereafter until May 1, 1986.

No warrants have been exercised as of March 31, 1983.

Stock Options
During September 1980, the Company granted an option to a director to purchase 53,302 shares of the common stock of the Company at $2.82 per share exercisable at any time prior to September 1985. As of March 31, 1983, these options had not been exercised.

In May 1982, the Company granted to the limited partners of Sooner Associates 253,333 options to purchase shares of the Company's common stock. The options are exercisable at a price of $3.00 per share until May 1, 1984 and $5.00 per share thereafter until May 1, 1986. Several of the limited partners are directors and/or shareholders of the Company.

Employee Stock Purchase Plan
The Employee Stock Purchase Plan provides for the award of shares of the Company's common stock to certain key employees of the Company in amounts and prices to be determined by the Board of Directors. Shares issued under the Plan may contain certain restrictions which are determined by the committee.

During 1981, 303,753 shares were issued at prices ranging from $.59 to $1.41 per share. The employees paid 10% of the purchase price or $24,146 upon subscription and the balance of $201,626 is payable over 10 years with interest at 6%.

During 1983, 64,300 shares were repurchased by the Company at the grant price. Consideration included cancellation of subscriptions receivable in the amount of $73,314 and a cash payment of $3,400. At March 31, 1983, these shares are reflected as treasury stock.

No shares were issued under the Plan in 1983 or 1982. As of March 31, 1983, the Company has reserved 186,941 shares of common stock for issuance under the Plan.

Compensation for Services
On March 27, 1983, the Board of Directors authorized the issuance of 31,250 shares of the Company's common stock to the Company's Chairman and President (15,625 shares each) in lieu of their salary for the six months ended March 31, 1983. The shares have a stated value of $4 per share and include 6,250 warrants to purchase common stock at $4 per share.

10. Income Taxes:

The Company files a consolidated Federal income tax return with its subsidiaries. The Company has consolidated net operating loss carryovers as follows:

Expiring March 31	Tax Reporting	Financial Reporting
1996	$ 133,000	$742,000
1997	$ 172,000	$455,000
1998	$1,027,000	$412,000

The difference between tax and financial reporting operating loss carryovers relates principally to timing differences in the recognition of royalty income and equity in partnership losses.

11. Transactions With Related Parties:

The Company and affiliated partnerships paid legal fees of $163,000, $330,000 and $185,000 in 1983, 1982 and 1981, respectively, to a law firm in which a director and officer of the Company is a partner.

12. Offer to Acquire Limited Partnership Interests:

On March 27, 1983, the Board of Directors offered to acquire the limited partnership interests in Rebel Associates and Henrietta Associates in exchange for 282,385 shares of common stock and 56,475 warrants in Stan West Mining Corp. The warrants have an exercise price of $4 per share until May 1, 1984 and $5 per share until May 1, 1986. Management expects that most of the partners will elect to exchange their limited partnership interests.

Accountants' Report

The Board of Directors and
Stockholders of
Stan West Mining Corp.

We have examined the consolidated balance sheets of Stan West Mining Corp. and subsidiaries (Companies in the Development Stage) as of March 31, 1983 and 1982 and the related consolidated statements of operations, stockholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statements of Stan West Mining Corp. and subsidiaries for the year ended March 31, 1981 was examined by other auditors whose report expressed an unqualified opinion on those statements.

The consolidated balance sheets at March 31, 1983 include investments in partnerships of $3,109,030, and at March 31, 1983 and 1982 include Undeveloped Mineral Properties of $1,259,557 and $1,300,451, respectively. Recovery of the Company's investment in these assets is dependent upon either the future development of profitable operations from such assets or a sale of the Company's interest therein.

In our opinion, subject to the effects on the consolidated financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainties referred to in the preceding paragraph been known, the aforementioned consolidated financial statements present fairly the financial position of Stan West Mining Corp. and subsidiaries as of March 31, 1983 and 1982 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Phoenix, Arizona
May 31, 1983

Management's Discussion and Analysis

Liquidity and Capital Resources

During the year, the Company's liquidity was reduced primarily because of its aggressive investment of over $700,000 in its developmental partnerships and the purchase of existing partnership interests at a cost of approximately $2,000,000. Because of the favorable results from the surface drilling and underground development programs, management decided to increase its direct ownership interests in the McCabe Mining Unit properties (see page 4). The Company's share of the McCabe Mining Unit's future earnings potential has been significantly increased.

The Company expanded its capital base through the issuance of approximately $1,185,000 of common stock. Additional capital funds may be realized from the issuance of 253,333 stock options and 110,900 warrants that are exercisable through May 1, 1986.

During fiscal 1984, the Company's liquidity will be reduced by projected operating deficits and expenditures for corporate exploration and development programs. The ultimate cash-generating ability of the Company depends on its success in bringing its development projects into production. The McCabe Mine is the most advanced project and should be operational eight months after the production financing is arranged.

The production financing at the McCabe Mine could require as much as $9,000,000. The Company is currently evaluating several project financing alternatives. SWMC may be required to sign a limited completion guarantee with the limited partnerships in order to obtain the production monies.

Results of Operations

SWMC incurred a net loss of $411,997 in 1983 compared to $454,919 in 1982. Income declined by $450,310 because of reduced management fees from drilling programs and lower interest earnings on invested funds. The lower income was more than offset by a reduction of $493,232 in total expenses. Expense reductions were primarily attributable to lower exploration expenses and smaller losses in the exploration partnerships.

Income in fiscal 1982 increased $857,690 over 1981. Enlarged royalty payments and management fees resulted from the Company's expanded exploration programs. In addition, the Company realized interest income by investing its net proceeds from the sale of common stock.

Costs and expenses also increased in fiscal 1982 primarily because of the higher cost structure from the Company's new corporate headquarters in Phoenix, Arizona and the Company's increased exploration expenses. The Company's loss in exploration and development partnerships also increased substantially during 1982. This reflects the increasing trend for the Company to invest directly in its exploration programs.

Because the Company is in the development stage, it does not have any operating mines. Consequently, the impact of inflation was negligible.

Selected Financial Data

	1983	1982	1981	1980
Income	**$ 668,941**	$1,119,251	$ 261,561	$ 161,938
Net Operating Loss	**411,997**	454,919	721,687	11,553
Loss per Common Share	**.055**	.063	.107	.002
Total Assets	**6,764,508**	7,270,483	2,245,627	1,526,830
Long Term Obligations	**144,928**	330,597	238,073	—
Average Shares Outstanding	**7,475,124**	7,183,000	6,750,000	6,750,000

Corporate Information

Directors and Officers

Ira U. Cobleigh
Economist/Author

Frank H. Crerie*
Chairman of the Board

Stephen B. Browne
President — Fine Candy Company

Harold L. Hodges
President — Bill Hodges Trucking Co., Inc.

Stanley W. Holmes*
President

Bernard H. Fishman*
Attorney

Robert P. Lammerts
President — Lammerts Oil

Scott Norris*
Vice-President Finance and Treasurer

Joe Dan Trigg
President — Trigg Drilling Company, Inc.

*executive officers

Corporate Offices

Stan West Mining Corp.
2701 East Camelback Road
Suite 260
Phoenix, Arizona 85016

General Counsel

Fishman Forman & Landau
New York, New York

Auditors

Coopers & Lybrand
Phoenix, Arizona

Transfer Agent

Continental Stock Transfer & Trust Company
New York, New York

FORM 10-K IS AVAILABLE UPON WRITTEN REQUEST

Please send for

done 8/12/83 at

Common Stock Information

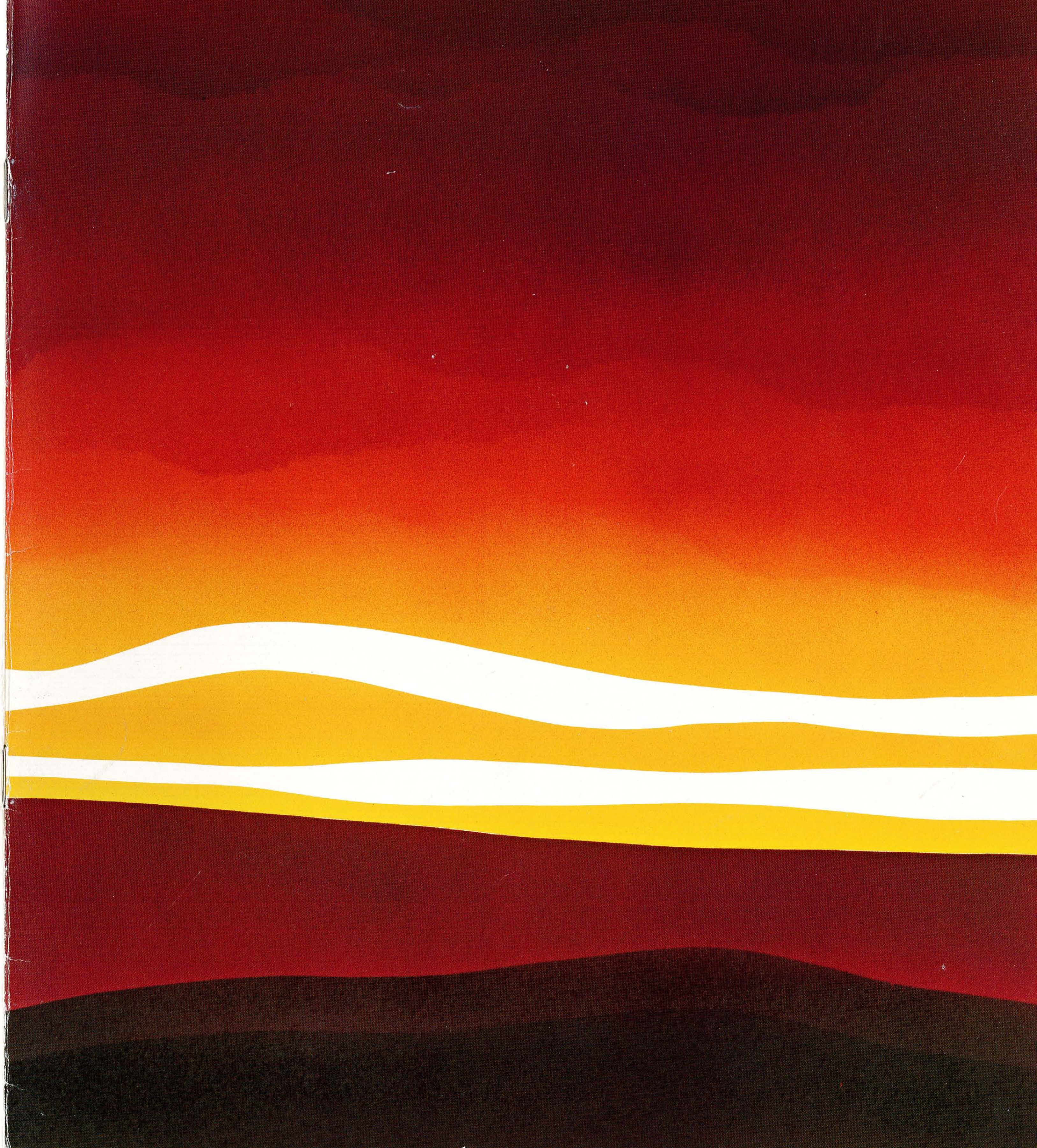
The Company's Common Shares have been traded in the over-the-counter market since the Company's public offering on September 2, 1981, and are quoted on the National Association of Securities Dealers' Automated Quotation System (NASDAQ) under the symbol SWMC. The following table sets forth the range of high and low closing bid prices of the Company's Common Shares for the fiscal period indicated as reported by NASDAQ Market Information.

Fiscal Year	Bid Price	
1982:	High	Low
Third Quarter	6⅜	4¾
Fourth Quarter	5	4
1983:		
First Quarter	4½	2¾
Second Quarter	4	1⅝
Third Quarter	3⅝	3
Fourth Quarter	6¼	3½

The Company has paid no dividends nor anticipates paying dividends in the near future. The Company had approximately 600 shareholders as of June 7, 1983.

Stan West Mining Corp.

Annual Report 1984



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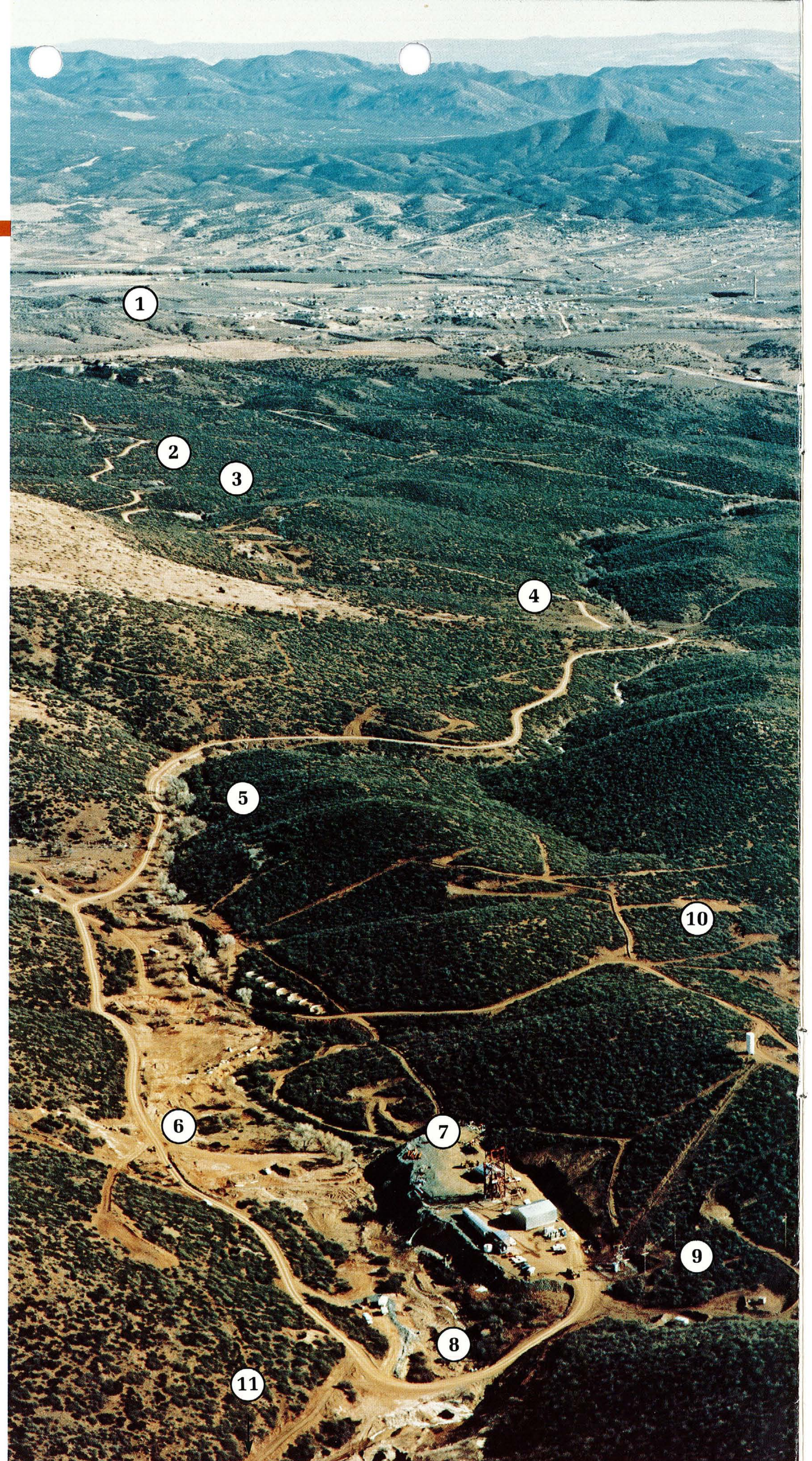


McCabe/
Iron King Belt
(Looking East)

1. **Iron King Mine**
2. **Arizona Mine**
3. **Lookout Mine**
4. **Idaho Mine**
5. **Monopolist Mine**
6. **McCabe Mine**
7. **Sooner Shaft**
8. **Gladstone Mine**
9. **Henrietta Zone**
10. **Adventure Zone**
11. **Rebel/Little Kicker Mines**

To Our Stockholders:

During fiscal 1984, Stan West Mining Corp. ("SWMC") successfully completed the final feasibility study for the McCabe gold mine in central Arizona. A technical team of independent geologists, engineers, metallurgical consultants and equipment suppliers worked for over a year to develop and finalize the feasibility study. The results of this work are reported in more detail on pages 2–3. The independent report concludes that the McCabe Mine's direct operating costs should approximate $192 per ounce of gold produced. This would make the McCabe Mine a competitive, low cost producer within the North American precious metal industry.

SWMC continues to pursue and evaluate financing alternatives for the McCabe Mine. During 1984, several domestic and international financing plans were vigorously investigated. The Company also received two proposals from major mining companies. However, the Board of Directors rejected these offers because SWMC would have been forced to give-up significant equity and control over the McCabe Mine and its surrounding claims.

SWMC is continuing to pursue other financing options. We are optimistic that the long-term trend for higher gold prices will prevail and that the financing for the McCabe Mine will be arranged on acceptable terms. Production should commence within eight months after the financing is completed.

As we reported last year, SWMC has acquired other significant properties along the McCabe/Iron King belt. In 1984, the international consulting firm of Behre Dolbear & Co. conducted independent evaluations of these properties. Behre Dolbear's study concluded that the silver zones have indicated reserves of approximately 750,000 tons with an average silver grade of 22 ounces/ton. The evaluation of the Iron King claim group found that the property's historical production grades were significantly higher than were previously reported. Both of these properties represent excellent exploration targets that will be developed once metal prices improve and the McCabe financing is complete.

During the last three years, your Company has progressed and successfully delineated a high grade, precious metal ore body. We appreciate your support as we continue to work to maximize this asset and bring the McCabe Mine into production.

Frank H. Crerie
Chairman of the Board

Stanley W. Holmes
President

McCabe Property Feasibility Study

During the last eighteen months, SWMC has completed a comprehensive feasibility study on the McCabe project. Independent consultants and engineers were engaged to thoroughly evaluate the project's geological reserves, metallurgical processes, capital costs, mining methods, permits and tailings requirements. The feasibility study's initial results have been subsequently confirmed by vendor bids and a metallurgical pilot plant study. Detailed engineering drawings for the McCabe Mill have been initiated.

The final feasibility study that consolidated the results from the various engineering studies was prepared by the international consulting firm of Derry, Michener, Booth, & Wahl. The summary findings from their study are outlined below:

RESERVES

The final feasibility study summarized the Proven, Probable and Possible ore reserves at the McCabe Mine, Yavapai County, Arizona as 177,600 ounces of gold, 1,119,200 ounces of silver and significant, but uncalculated amounts of lead, copper and zinc.

The bulk of the gold occurs in 353,239 tons of high grade (0.38 oz. Au/ton, 2.0 oz. Ag/ton) veins lying directly below and as extensions of the once prolific McCabe Mine.

Reserves indicated by drilling in 1982 have been proven by underground drifting in 1983, resulting in a 50% increase in tonnage and a 25% increase in grade over the earlier figures. May 1, 1983 measured reserves as calculated by Derry, Michener & Booth, Inc. are shown in the table below:

The McCabe Mine also contains a considerable tonnage of material in and adjacent to old stoping areas which is estimated by Stan West at 479,021 tons, grading 0.15 oz. Au/ton and 1.21 oz. Ag/ton.

In addition to the measured reserves, there is considerable potential for reserves on extensions of the McCabe and Gladstone structure, both at depth and along strike. Further potential is indicated along parallel structures such as the Rebel-Little Kicker, Adventure, Monopolist and 0–68 veins.

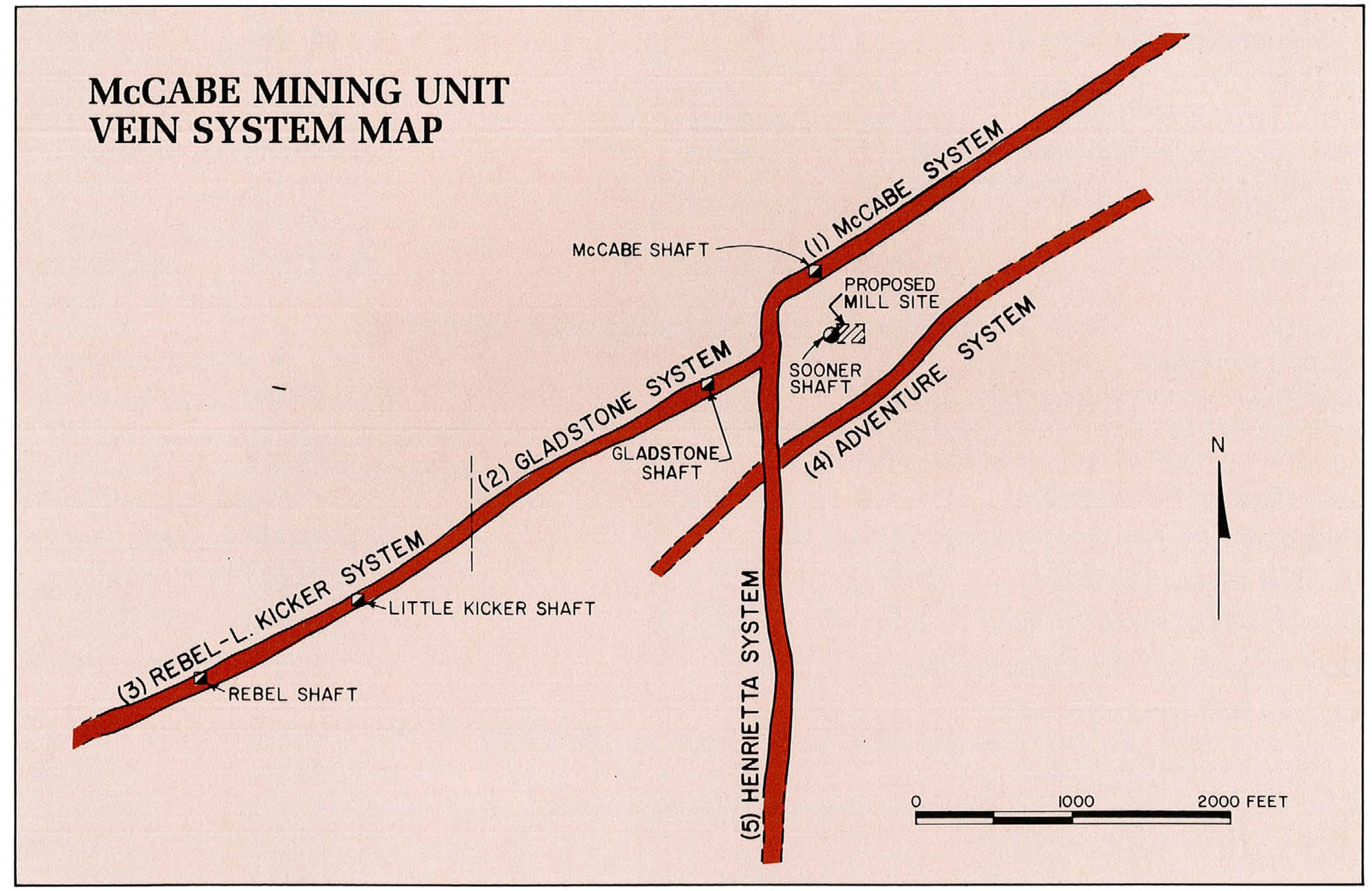
The ultimate reserves on the Stan West holdings on the McCabe Property may be on the order of several million tons containing perhaps 1 million ounces of gold and 5–6 million ounces of silver.

MINING

American Mine Services (AMS) suggests the mine initially be developed through three levels about 200 feet apart utilizing track haulage and a sub-level longhole mining method. The sub-levels are planned to be 23 feet back to back and should allow both excellent grade control and ground support. AMS projects cost for mining, exploration, and general and administrative expenses of $51.72 per ton for the initial two years, with a reduction to $44.15 per ton thereafter. Milling costs have been estimated at $15 per ton by R. Down, metallurgical consultant to Stan West Mining Corp. Costs are then projected at roughly $67 per ton for years one and two, reducing to $59 per ton thereafter. Consequently, an average operating cost per ounce on the order of $192 is anticipated. A work force on the order of 100 is planned.

McCabe Mine Ore Reserves

		Ounces/Ton		Total Ounces	
	Tonnage	Gold	Silver	Gold	Silver
Proven	158,765	.35	2.2	56,315	352,595
Probable — Drifting	72,047	.36	2.3	26,068	162,299
Probable — Drilling	277,270	.26	1.6	72,374	449,395
Possible	85,600	.27	1.8	22,860	154,880
Geologically Inferred	2,000,000	.35	2.0	700,000	4,000,000
Total Reserves	2,593,682	.34	2.0	877,617	5,119,169



METALLURGY

The proposed mill flow sheet has been chosen to be as simple as possible, given the complexity of the ore, and to be flexible so that varying ore characteristics can be accommodated, from pyritic ore to ore containing various amounts of base metals. Features incorporated within the flexible mill design include conventional crushing and grinding, optional gravity concentration, optional flotation, and cyanidation with recovery of gold and silver by a carbon-in-pulp circuit. Based on the metallurgical test work, recovery of 90% of the gold and 40% of the silver is anticipated.

SUMMARY

The new McCabe Mine will produce on the order of 300 tons per day, or 100,000 tons per year. From this, the mill will recover each year nearly 29,000 ounces of gold and 80,000 ounces of silver. Proven, Probable and Possible Reserves at present are sufficient to maintain this level of production for more than five years. Potential and Speculative reserves as extensions of the main ore veins, or on known parallel structures, extend the anticipated life of the McCabe Property well into the next decade.

Consolidated Balance Sheets

	March 31, 1984	March 31, 1983
ASSETS		
Current assets:		
Cash	**$1,082,709**	$2,031,761
Due from affiliates (Note 2)	**251,485**	310,074
Prepaid expenses	**9,268**	8,667
Total current assets	**1,343,462**	2,350,502
Investments in partnerships (Note 3)	**2,865,584**	3,109,030
Undeveloped mineral properties (Note 4)	**1,758,811**	1,259,557
Other assets	**42,185**	45,419
Total assets	**$6,010,042**	$6,764,508
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	**$ 35,207**	$ 315,036
Advances from affiliates in excess of costs incurred	**2,762**	141,779
Current portion of long-term debt (Note 6)	**135,395**	195,131
Total current liabilities	**173,364**	651,946
Long-term debt, net of current portion (Note 6)	**14,248**	144,928
Deferred income (Note 7)	**197,603**	543,333
Total liabilities	**385,215**	1,340,207
Commitments and contingencies (Note 8)		
Stockholders' equity (Note 9):		
Common stock, par value $.01 per share; authorized 20,000,000 shares	**80,528**	77,863
Additional paid-in capital	**8,106,540**	7,108,702
Deficit accumulated during the exploration and development stages	**(2,400,133)**	(1,600,156)
Less: Subscriptions receivable	**(85,394)**	(85,394)
	5,701,541	5,501,015
Less: Treasury stock, at cost (64,278 shares)	**(76,714)**	(76,714)
Total stockholders' equity	**5,624,827**	5,424,301
Total liabilities and stockholders' equity	**$6,010,042**	$6,764,508

See Notes to Consolidated Financial Statements

Consolidated Statements of Operations

	Year Ended March 31, 1984	1983	1982	Cumulative From Inception (March 22, 1979) To March 31, 1984
Income:				
Sales commissions	**$ 24,250**	$ —	$ —	$ 184,250
Management fees (Note 3)	**—**	42,372	409,354	640,726
Royalty (Note 3)	**433,920**	353,474	296,639	1,084,033
Interest and other	**128,854**	273,095	413,258	889,706
Total income	**587,024**	668,941	1,119,251	2,798,715
Costs and expenses:				
Exploration	**558,431**	169,512	453,737	1,497,068
General and administrative	**627,146**	658,521	726,873	2,646,973
Interest	**29,788**	66,737	60,809	190,583
Registration (Note 9)	**54,877**	—	—	211,472
Total costs and expenses	**1,270,242**	894,770	1,241,419	4,546,096
Net loss before share of loss in exploration and development partnerships	**683,218**	225,829	122,168	1,747,381
Share of loss in exploration and development partnerships (Note 3)	**116,759**	186,168	332,751	652,752
Net loss	**$ 799,977**	$ 411,997	$ 454,919	$2,400,133
Loss per common share	**$ .10**	$ .06	$. 06	

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Financial Position

	Year Ended March 31, 1984	1983	1982	Cumulative From Inception (March 22, 1979) To March 31, 1984
Sources (Uses) of Cash:				
Operations:				
Net loss	**$ (799,977)**	$ (411,997)	$ (454,919)	$(2,400,133)
Deferred income not included in net loss	**14,583**	—	111,256	724,339
Non-cash items included in net loss:				
Reduction of deferred income	**(360,313)**	(166,423)	—	(526,736)
Impairment of undeveloped mineral properties	**347,467**	61,458	138,889	547,814
Provision for deferred income taxes	**—**	—	14,700	—
Depreciation and amortization	**5,673**	21,330	4,365	48,167
Share of loss in partnerships	**116,759**	186,168	332,751	652,752
Other	**—**	20,243	18,590	38,833
Cash provided (used) by operations	**(675,808)**	(289,221)	165,632	(914,964)
Investment activities:				
Deposits on purchases of undeveloped mineral properties	**—**	—	125,000	—
Acquisition of undeveloped mineral properties	**(797,908)**	(43,813)	(349,781)	(2,281,061)
Acquisition of equipment	**(4,004)**	—	(3,261)	(87,945)
Investments in partnerships, net	**77,874**	(2,738,705)	(906,318)	(3,567,149)
Other, net	**1,565**	(15,841)	62,959	(25,399)
Cash used for investment activities	**(722,473)**	(2,798,359)	(1,071,401)	(5,961,554)
Working capital, exclusive of cash and current debt:				
Due from affiliates	**58,589**	1,013,234	(1,322,018)	(251,485)
Prepaid expenses	**(601)**	11,862	(145)	(9,268)
Accounts payable and accrued expenses	**(279,829)**	(554,400)	512,370	35,207
Advances from affiliates in excess of costs incurred	**(139,017)**	(403,871)	81,278	2,762
Cash provided (used) for working capital	**(360,858)**	66,825	(728,515)	(222,784)
Financing activities:				
Increase in long-term debt	**—**	—	299,672	1,379,195
Payments on long-term debt, net of current portion	**(190,416)**	(147,206)	(260,786)	(1,222,144)
Net proceeds from issuance of common stock	**1,000,503**	1,185,330	4,753,059	8,124,960
Redemption of common stock	**—**	—	—	(100,000)
Cash provided from financing activities	**810,087**	1,038,124	4,791,945	8,182,011
Increase (decrease) in cash	**(949,052)**	(1,982,631)	3,157,661	1,082,709
Cash, beginning of year	**2,031,761**	4,014,392	856,731	—
Cash, end of year	**$ 1,082,709**	$ 2,031,761	$ 4,014,392	$ 1,082,709

See Notes to Consolidated Financial Statements

Consolidated Statements of Stockholders' Equity

for the years ended March 31, 1984, 1983, 1982, 1981 and 1980

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Deficit Accumulated During the Exploration and Development Stages	Subscriptions Receivable	Treasury Stock
Issuance of common stock:						
For cash:						
at $.01 per share	1,205,000	$12,050	$ —	$ —	$ (8,928)	$ —
at $.50 per share	62,500	625	30,625	—	—	—
at $.775 per share	400,000	4,000	306,000	—	—	—
at $1.00 per share	10,000	100	9,900	—	—	—
at $2.00 per share	50,000	500	99,500	—	—	—
For services:						
at $.016 per share	34,767	348	202	—	—	—
Net loss for year ended March 31, 1980	—	—	—	(11,553)	—	—
Balances as of March 31, 1980	1,762,267	17,623	446,227	(11,553)	(8,928)	—
Issuance of common stock:						
For cash:						
at $1.00 per share	100,000	1,000	99,000	—	—	—
at $1.66 per share	300,000	3,000	497,000	—	—	—
at $2.00 per share (post-split)	50,000	500	99,500	—	—	—
Stock split	1,085,233	10,852	(10,852)	—	—	—
Employee stock plan	142,468	1,425	220,035	—	(221,460)	—
Cash redemption of common stock at $2.00 per share	(97,500)	(975)	(99,025)	—	—	—
Cancellation of subscription on 200,000 shares	(200,000)	(2,000)	200	—	1,800	—
Receipts on subscriptions receivable	—	—	—	—	31,146	—
Accrued interest on employee subscriptions	—	—	4,312	—	(4,312)	—
Net loss for year ended March 31, 1981	—	—	—	(721,687)	—	—
Balances as of March 31, 1981	3,142,468	31,425	1,256,397	(733,240)	(201,754)	—
Issuance of common stock:						
For cash at $5.00 per share	50,000	500	249,500	—	—	—
Stock split	3,557,532	35,575	(35,575)	—	—	—
Public offering at $7.00 per share	750,000	7,500	4,480,500	—	—	—
Receipts on subscriptions receivable	—	—	9,869	—	4,440	—
Issuance of common stock warrants	—	—	750	—	—	—
Net loss for year ended March 31, 1982	—	—	—	(454,919)	—	—
Balances as of March 31, 1982	7,500,000	75,000	5,961,441	(1,188,159)	(197,314)	—
Issuance of common stock:						
For cash at $4.00 per share	255,000	2,550	1,017,450	—	—	—
For services at $4.00 per share	31,250	313	124,687	—	—	—
Receipts on subscriptions receivable	—	—	5,124	—	38,606	—
Treasury Stock	—	—	—	—	73,314	(76,714)
Net loss for year ended March 31, 1983	—	—	—	(411,997)	—	—
Balances as of March 31, 1983	7,786,250	77,863	7,108,702	(1,600,156)	(85,394)	(76,714)
Issuance of common stock:						
For cash at $3.00 per share	65,832	658	196,838	—	—	—
For limited partnership interests at $4.00 per share	200,752	2,007	801,000	—	—	—
Net loss for year ended March 31, 1984	—	—	—	(799,977)	—	—
Balances as of March 31, 1984	8,052,834	$80,528	$8,106,540	$(2,400,133)	$ (85,394)	$(76,714)

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies:

Principles of Consolidation
The consolidated financial statements include the accounts of Stan West Mining Corp., its wholly-owned subsidiaries and, subsequent to April 30, 1983, its proportionate share of two majority-owned partnerships (the "Company"). All material intercompany balances and transactions are eliminated in consolidation. Investments in other partnerships are accounted for by the equity method.

Basis of Presentation
The Company is in the development stage and has been engaged in the acquisition, exploration and development of mineral deposits since inception. The accompanying financial statements are presented in the format prescribed by Statement of Financial Accounting Standards No. 7 issued by the Financial Accounting Standards Board.

Undeveloped Mineral Properties
Undeveloped mineral properties are carried at cost. Upon commencement of production, the cost is transferred to mineral properties and depleted over the estimated life of the reserves. If exploration is not successful, the cost is written down to estimated net realizable value. Production has not commenced on any of the Company's properties.

Advance Royalties
Advance royalties received are deferred for income recognition until such time as either production is commenced or a decision is made by management that production of ore in commercial quantities is not economically feasible.

Minimum Royalties
Minimum royalties received are recognized as revenue ratably over the lease period.

Exploration Costs
Exploration costs are charged to operations as incurred and include provision for impairment of exploitable properties not being developed currently.

Income Taxes
For income tax reporting purposes, certain amounts of income and expense are reported in different periods than for financial statement reporting purposes. The principal timing differences arise from the recognition of royalty income and equity in partnership losses. Investment tax credits are recognized as a reduction of the provision for Federal income taxes in the year the credits are realized.

Loss Per Share
Loss per share of common stock is computed based on the weighted average number of shares outstanding during each year, after giving effect to stock splits. The effect on loss per share for the outstanding stock options and warrants are excluded from the loss per share computation as they are antidilutive.

2. Due From Affiliates:

Due from affiliates consists of the following:

	1984	1983
Costs in excess of advances	**$216,073**	$280,650
Accrued royalties	**5,750**	13,042
Other	**29,662**	16,382
	$251,485	$310,074

Costs in excess of advances represent amounts paid by the Company in excess of funds advanced by the limited partnerships under the terms of exploration contracts.

3. Investments In Partnerships:

The Company currently finances its exploration and development programs through limited partnerships in which the Company is managing general partner. In several of these partnerships, the Company invests as a limited partner. During fiscal 1984, the Company acquired additional limited partnership interests in two of these partnerships. The Company's consolidated financial statements include their proportionate share of those partnerships subsequent to the acquisition (Note 5). Summarized financial information for the unconsolidated partnerships are presented below:

	1984	1983
Current assets	**$ 65,294**	$ 300,876
Non current assets	**7,322,099**	7,195,278
	$7,387,393	$7,496,154
Current liabilities	**$ 215,469**	$ 86,974
Net assets	**$7,171,924**	$7,409,180
Costs and expenses (net loss)	**$ 357,231**	$1,052,995
Percentage owned	**1–44%**	1–39%
Number of partnerships	**3**	6

As managing general partner, the Company receives a 1% equity participation which increases to a maximum of up to 84% after the limited and other general partners receive certain levels of distribution.

Substantially all management fees and royalty income earned by the Company are a result of transactions involving these partnerships. Certain directors and shareholders of the Company are general or limited partners of the partnerships.

4. Undeveloped Mineral Properties:

The Company has acquired and staked various patented and unpatented mining claims in Yavapai County, Arizona. Some of the acquisition agreements require periodic payments under a fixed term and, accordingly, the liability is recorded. Other agreements can be terminated at any time without additional payments required. These payments are capitalized as incurred.

The ultimate value of the undeveloped mineral properties is dependent upon the discovery and development of ore reserves in commercial quantities. If it is determined that commercially profitable operations cannot be developed, all related capitalized costs for that property are written off at that time. During fiscal 1984, the Company wrote off capitalized costs of $347,467 on undeveloped mineral properties which management determined could not be economically developed. Those costs are included in exploration costs in the 1984 consolidated statement of operations.

Undeveloped mineral properties consist of the following:

	Costs Capitalized 1984	Costs Capitalized 1983
McCabe/Gladstone Claims: Following a surface drilling program, a new 1,050 foot shaft was sunk, the old workings were dewatered and an underground development program was completed. During fiscal 1984, the final feasibility study for the McCabe/Gladstone Mine was successfully completed.	**$ 254,464**	$ 254,464
Rebel/Little Kicker Claims: The surface drilling program was completed. Further development is planned from underground once the McCabe Mine is operational.	**659,763**	104,871
Henrietta Claims: The initial surface drilling program was completed. Further development is planned from underground once the McCabe Mine is operational.	**351,961**	88,132
Claims not under current exploration/development.	**492,623**	812,090
	$1,758,811	$1,259,557

5. Acquisitions:

Henrietta Associates and Rebel Associates
On April 30, 1983, Stan West Mining Corp. acquired additional limited partnership interests in two of its exploration and development partnerships, Henrietta Associates and Rebel Associates (Note 3). The partnership interests were acquired through issuance of 200,752 shares of common stock valued at $803,007 and 40,151 warrants in Stan West Mining Corp. The warrants have an exercise price of $4 per share until November 1, 1984 and $5 per share until May 1, 1986.

The Company previously had a 44% interest in Henrietta Associates and a 42% interest in Rebel Associates, included in investments in partnerships (Note 3). The Company acquired an additional 41% interest in both Henrietta Associates and Rebel Associates. The acquisition has been accounted for as a purchase and the consolidated financial statements include the Company's proportionate share of operations since the acquisition. The purchase price in excess of the net book value of the interests acquired was allocated to undeveloped mineral properties (Note 4).

Proforma earnings for 1983 and 1982 have not been presented because management believes the exploration costs incurred by Henrietta Associates and Rebel Associates during this period would have been funded by sources outside the Company.

Rock Island Mining Corp.
On May 10, 1982, the Company acquired for $1,700,000 all the stock of Rock Island Mining Corp. whose assets consist of property interests in certain of the Company's exploration projects. The purchase price was allocated to the Company's investments in these partnerships (Note 3).

Proforma earnings for 1982 have not been presented because management believes the exploration costs incurred by Rock Island during this period would have been funded by sources outside the Company.

The Company also received an option to purchase Rock Island Refining Corp.'s 674,575 shares of Stan West Mining Corp. common stock for $3 per share until May 10, 1984 and $5 per share until May 10, 1986.

For accounting purposes, no value was assigned to the option.

6. Long-Term Debt:

Long-term debt consists of the following:

	1984	1983
Mortgage on undeveloped mineral properties, net of unamortized discount (based on an imputed interest rate of 17%) of $22,659 and $42,083, respectively, payable in annual payments through January 1985.	**$ 86,797**	$104,873
Mortgage on undeveloped mineral property, due in semi-annual payments of $9,000 through May 1984 and $37,840 due November 1984, including 6% interest.	**44,400**	60,464
Mortgages on undeveloped mineral properties, net of unamortized discount (based on an imputed interest rate of 15%) of $6,683 in 1983, paid in full during 1983.	**—**	148,317
Other notes payable	**18,446**	26,405
	149,643	340,059
Less current portion	**135,395**	195,131
	$ 14,248	$144,928

Aggregate payments as of March 31, 1984 on long-term debt for the next five years are:

1985	$135,395
1986	4,062
1987	3,828
1988	4,180
1989	2,178
	$149,643

7. Deferred Income:

Deferred income consists of the following:

	1984	1983
Advance royalties	**$175,000**	$475,000
Minimum royalties	**22,603**	68,333
	$197,603	$543,333

8. Commitments and Contingencies:

Commitments
The Company leases office facilities and equipment under various operating leases. Total rental expense under these leases was $40,737, $42,112 and $29,243 in 1984, 1983 and 1982, respectively. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of March 31, 1984:

1985	$ 31,688
1986	17,600
	$ 49,288

Contingencies
The Company was named defendant in a lawsuit which commenced on August 26, 1981 in which a previous shareholder claimed that he was entitled to 674,577 shares of the Company's common stock. On January 31, 1984, after trial, a judgment was filed against the Company awarding the plaintiff $409,000, including costs and interest. The plaintiff has filed an appeal, which is currently pending.

Certain shareholders of the Company have placed shares in escrow in order to satisfy the claim through sale or transfer of the shares. As a result, it is the opinion of legal counsel that the judgment will not have a material adverse impact on the Company's financial position.

On August 4, 1981, two former shareholders of the Company filed suit in the Federal District Court of Southern New York against the Company and several directors and shareholders of the Company. The complaint seeks entitlement to 160,000 shares of the Company's common stock, an option to purchase 14,000 shares of the Company's common stock for $100,000, punitive damages of $1,000,000 and recovery of attorney's fees, costs and disbursements.

In the opinion of counsel, the possibility that punitive damages will be awarded against the Company is unlikely. However, certain shareholders of the Company have placed shares in escrow and have agreed to transfer shares to these individuals if they are successful in establishing their claim to such shares.

9. Stockholders' Equity:

Public Stock Offering
In September 1981, the Company concluded a public offering of 750,000 shares of its common stock at a price of $7.00 per share. Costs of this offering of $762,000 were charged to additional paid-in-capital. Costs incurred in 1984 in connection with a registration that was not completed are included in operations.

Stock Warrants
In connection with the 1981 public offering, the Company sold to the underwriter for $750 warrants to purchase 75,000 shares of common stock of the Company. The warrants are exercisable for a five-year period at a price of $8.40 per share.

The following is a summary of warrants outstanding:

	Number of Warrants	Exercise Price
Outstanding as of March 31, 1982 and 1981	75,000	$ 8.40
Issued in 1983	110,900 (A)	4.00 – 5.00 (B)
Outstanding as of March 31, 1983	185,900	4.00 – 8.40
Issued in 1984	221,605 (A)	4.00 – 5.00 (B)
Outstanding as of March 31, 1984	407,505	$4.00 – 8.40

(A) Issued primarily in connection with issuance of common stock and purchase of partnership interests.

(B) $4.00 per share through November 1, 1984
$5.00 per share through May 1, 1986

Stock Options
During September 1980, the Company granted an option to a director to purchase 53,302 shares of the common stock of the Company at $2.82 per share exercisable at any time prior to September 1985. As of March 31, 1984, these options had not been exercised.

In May 1982, the Company granted to the limited partners of Sooner Associates 253,333 options to purchase shares of the Company's common stock. The options are exercisable at a price of $3.00 per share until May 1, 1984 and $5.00 per share thereafter until May 1, 1986. Several of the limited partners are directors and/or shareholders of the Company. During fiscal 1984, 65,832 shares of common stock were issued as a result of options exercised.

Employee Stock Purchase Plan
The Employee Stock Purchase Plan provides for the award of shares of the Company's common stock to certain key employees of the Company in amounts and prices to be determined by the Board of Directors. Shares issued under the Plan may contain certain restrictions which are determined by the committee.

During 1981, 303,753 shares were issued at prices ranging from $.59 to $1.41 per share. The employees paid 10% of the purchase price or $24,146 upon subscription and the balance of $201,626 is payable over 10 years with interest at 6%.

During 1983, 64,278 shares were repurchased by the Company at the grant price. Consideration included cancellation of subscriptions receivable in the amount of $73,314 and a cash payment of $3,400, shown as treasury stock.

No shares were issued under the Plan in 1984 or 1983. As of March 31, 1984, the Company has reserved 186,941 shares of common stock for issuance under the Plan.

Compensation for Services
On March 27, 1983, the Board of Directors authorized the issuance of 31,250 shares of the Company's common stock to the Company's Chairman and President (15,625 shares each) in lieu of their salary for the six months ended March 31, 1983. The shares have a stated value of $4 per share and include 6,250 warrants to purchase common stock at $4 per share.

10. Income Taxes:

The Company files a consolidated Federal income tax return. Consolidated net operating loss carryovers are as follows:

Expiring March 31	Tax Reporting	Financial Reporting
1996	$ 133,000	$742,000
1997	$ 172,000	$455,000
1998	$1,086,000	$412,000
1999	$1,426,000	$800,000

11. Transactions With Related Parties:

The Company and affiliated partnerships paid legal fees of $183,000, $163,000 and $330,000 in 1984, 1983 and 1982, respectively, to a law firm in which a director and officer of the Company is a partner.

During 1984, the Company received commissions from an affiliated partnership of $24,250, resulting from partnership units sold by the Company.

Accountants' Report

The Board of Directors and
Stockholders of
Stan West Mining Corp.

We have examined the consolidated balance sheets of Stan West Mining Corp. and subsidiaries (Companies in the Development Stage) as of March 31, 1984 and 1983 and the related consolidated statements of operations, stockholders' equity and changes in financial position for the years ended March 31, 1984, 1983 and 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The consolidated balance sheet at March 31, 1984 includes investments in partnerships of $2,865,584 and undeveloped mineral properties of $1,758,811. Recovery of the Company's investment in these assets is dependent upon either the future development of profitable operations from such assets or a sale of the Company's interest therein.

In our opinion, subject to the effects on the consolidated financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainties referred to in the preceding paragraph been known, the aforementioned consolidated financial statements present fairly the financial position of Stan West Mining Corp. and subsidiaries as of March 31, 1984 and 1983 and the results of their operations and the changes in their financial position for the years ended March 31, 1984, 1983 and 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Phoenix, Arizona
May 11, 1984

Management's Discussion and Analysis

Liquidity and Capital Resources

During fiscal 1984, SWMC's cash position was reduced by its operating loss and the reduction of its short and long-term liabilities. However, the Company's year-end ratio of current assets to current liabilities is 7.7. This working capital ratio is very favorable and improved over the prior year-end. Consequently, the Company's liquidity position is believed to be adequate.

The Company expanded its capital base during the year through two common stock transactions. First, 65,832 stock options were exercised and provided approximately $197,000 for working capital. Secondly, SWMC issued 200,752 shares of stock in exchange for selected limited partnership interests in the Rebel and Henrietta properties that are contiguous to the McCabe Mine. This transaction is consistent with the Company's stated strategy of increasing its commitment and ownership along the McCabe/Iron King belt.

During fiscal 1985, the Company's liquidity will be reduced by projected operating deficits and expenditures for corporate exploration and development programs. The ultimate cash-generating ability of the Company depends on its success in bringing its development projects into production. The McCabe Mine is the most advanced project and should be operational eight months after the production financing is arranged.

Results of Operations

SWMC's net loss in 1984 increased to $799,977 compared to a loss of $411,997 in 1983. Although the Company recognized over $300,000 of deferred income in 1984, net revenues declined by $81,917 primarily because of lower management fees and reduced interest income. Corporate expenses increased because of the costs associated with pursuing production financing and the write-off of $347,467 on abandoned mineral properties.

SWMC incurred a net loss of $411,997 in 1983 compared to $454,919 in 1982. Income declined by $450,310 because of reduced management fees from drilling programs and lower interest earnings on invested funds. The lower income was more than offset by a reduction of $493,232 in total expenses. Expense reductions were primarily attributable to lower exploration expenses and smaller losses in the exploration partnerships.

Because the Company is in the development stage, it does not have any operating mines. Consequently, the impact of inflation was negligible.

Selected Financial Data

	1984	1983	1982	1981	1980
Income	**$ 587,024**	$ 668,941	$1,119,251	$ 261,561	$ 161,938
Net Operating Loss	**799,977**	411,997	454,919	721,687	11,553
Loss per Common Share	**.100**	.055	.063	.107	.002
Total Assets	**6,010,042**	6,764,508	7,270,483	2,245,627	1,526,830
Long Term Obligations	**14,248**	144,928	330,597	238,073	—
Average Shares Outstanding	**8,017,000**	7,475,000	7,183,000	6,750,000	6,750,000

Corporate Information

Directors and Officers

Frank H. Crerie*
Chairman of the Board

Stephen B. Browne
President —
Browne Investment Co.

Harold L. Hodges
President — Bill Hodges
Trucking Co., Inc.

Stanley W. Holmes*
President

Bernard H. Fishman*
Attorney

Robert P. Lammerts
President — Lammerts Oil

Scott Norris*
Vice-President Finance and
Treasurer

French Peterson
Private Investor

Joe Dan Trigg
President — Trigg Drilling
Company, Inc.

*executive officers

Corporate Offices

Stan West Mining Corp.
2701 East Camelback Road
Suite 260
Phoenix, Arizona 85016

General Counsel

Fishman Forman & Landau
New York, New York

Auditors

Coopers & Lybrand
Phoenix, Arizona

Transfer Agent

Continental Stock Transfer &
Trust Company
New York, New York

FORM 10-K IS AVAILABLE UPON WRITTEN REQUEST

Common Stock Information

The Company's Common Shares have been traded in the over-the-counter market since the Company's public offering on September 2, 1981, and are quoted on the National Association of Securities Dealers' Automated Quotation System (NASDAQ) under the symbol SWMC. The following table sets forth the range of high and low closing bid prices of the Company's Common Shares for the fiscal period indicated as reported by NASDAQ Market Information.

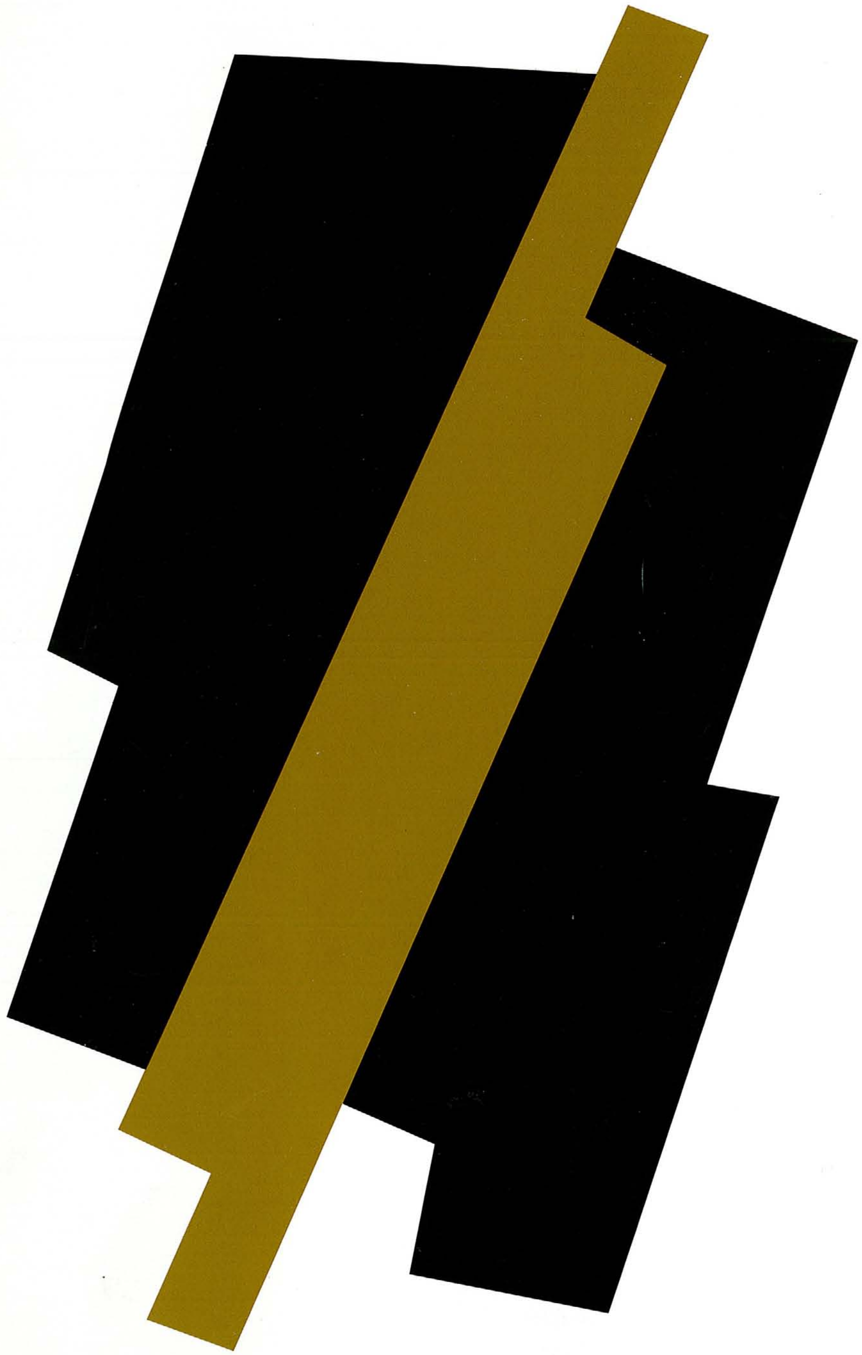
Fiscal Year	Bid Price	
1983:	High	Low
First Quarter	4½	2¾
Second Quarter	4	1⅝
Third Quarter	3⅝	3
Fourth Quarter	6¼	3½
1984:		
First Quarter	6¾	5¾
Second Quarter	6¼	5
Third Quarter	5¾	4¾
Fourth Quarter	5	3⅝

The Company has paid no dividends nor anticipates paying dividends in the near future. Based on the transfer agent's listing as of May 31, 1984, the Company had approximately 600 shareholders.

STAN WEST (E)

ABST P. 3-6 TO GLADSTONE (E)

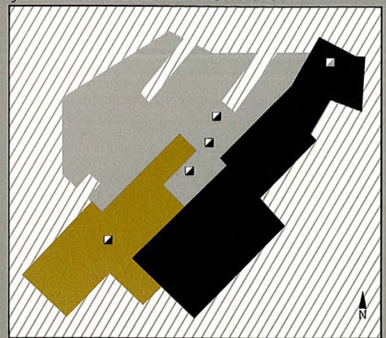
1985



STAN WEST MINING CORP. ANNUAL REPORT

Our financial strategy for 1985 demanded that we succeed. We did. Now Stan West is on target for a new era of growth.

JOINT VENTURE PARTICIPATION



(Stan West/Santa Fe Percentage Relationship)

- ■ McCabe Unit *(50/50)*
- □ Arizona—Silver Belt Unit *(40/60)*
- ■ Iron King Unit *(40/60)*

Despite depressed metal prices and a difficult financial environment for natural resource projects, Stan West has posted the following track record of growth and progress:

- 1985 Stan West Mining Corp. signed a $15,000,000 joint venture agreement with Santa Fe Mining, Inc. to bring the McCabe Mine into production.

- 1984 An independent engineering and feasibility study was completed. The McCabe Mine's operating cost per ounce of gold produced is projected to be approximately $216 (per ounce).

- 1983 Private investors advanced over $3,000,000 to deepen the Sooner Shaft at the McCabe Mine and drift underground. The actual ore grades were 40% higher than originally projected.

- 1982 Private investors advanced $4,700,000 to sink the Sooner Shaft to 833′ at the McCabe Mine. Approximately $2,000,000 was funded for additional surface drilling in the McCabe Mining Unit. By year-end, 500,000 tons (five years) of reserves had been blocked out.

- 1981 Stan West Mining Corp. was listed on the NASDAQ exchange and raised approximately $5,000,000 in its initial public stock offering. Surface drilling at the McCabe cut commercial mineral zones at depth.

- 1980 The McCabe Mine in central Arizona was acquired and $2,000,000 in initial exploration funds were raised for the property.

Over 100,000 feet of surface and underground diamond drilling has been used to delineate the McCabe Mining Unit's ore body.

TO OUR SHAREHOLDERS:

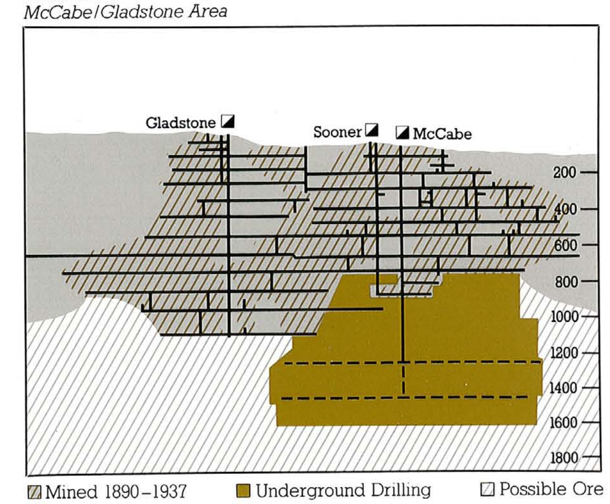
In an age of fluctuating monetary standards and uncertain currency values, the precious metals—gold chief among them—have provided a hedge against inflation and an investment medium whose real value has increased consistently while that of paper currencies has declined.

Fiscal 1985 was a pivotal year of accomplishment for Stan West Mining Corp. Your Company successfully completed its initial era of exploration and development by signing a $15,000,000 joint venture agreement to bring the McCabe Mine in central Arizona into production. With this project financed, the Company is positioned financially and operationally to aggressively pursue new growth opportunities in the southwest U.S. and Canada. Our master plan of building a major precious metal mining company is on-track and moving forward. We proudly direct your attention to the following accomplishments that your Company achieved in 1985:

GLADSTONE FILE

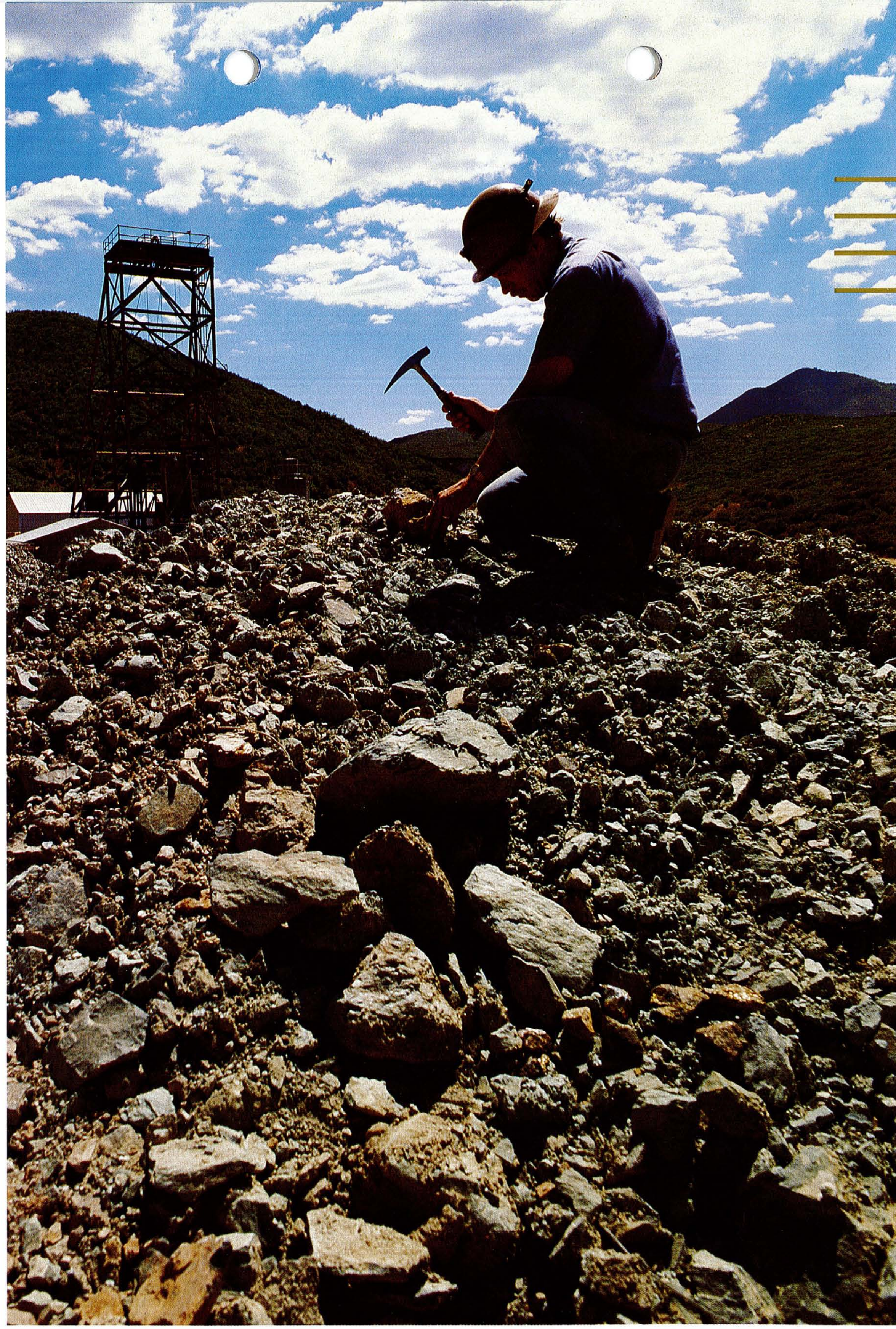
McCabe Production Financing—Stan West's underlying philosophy has been to concentrate its assets and energies in order to successfully bring its first gold property into production. Consequently, based on the initial surface geology and diamond drilling at the McCabe Mine in 1980, your Company was determined that it would develop the McCabe Mine until it was brought into production. Stan West and its investors subsequently invested over a five-year period approximately $12,000,000 to establish the viability of the ore reserves at the McCabe Mining Unit.

LONGITUDINAL PROJECTION
McCabe/Gladstone Area



During 1985, Santa Fe Mining, Inc., a subsidiary of Santa Fe Southern Pacific Corporation, thoroughly evaluated the McCabe Mining Unit and verified the properties' reserve study and independent feasibility study. After lengthy negotiations, a joint venture agreement was signed to bring the McCabe into production. Under the terms of the joint venture, Santa Fe can earn a 50% interest in the mine and become the operator by completing the following tasks:

- Construct a 500-ton/day mill and tailings pond
- Perform approximately $6,000,000 in underground development
- Advance $1,000,000 to Stan West Mining Corp.
- Fund $2,000,000 in initial working capital



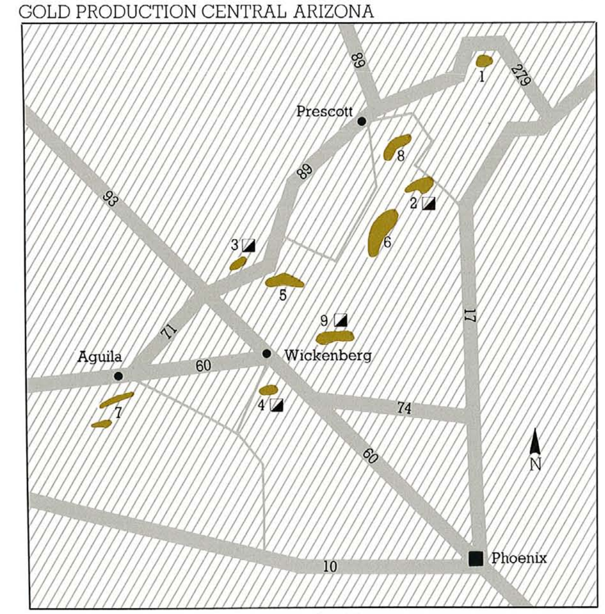
The ore stockpile at the collar of the Sooner Shaft. The profitable end result of years of successful exploration.

Jewelry of gold and precious metals has long symbolized romance and the commitment of enduring love. Throughout the ages, it has also been worn as a personal statement of taste, and commitment to value that increases for succeeding generations.

This work program is currently underway. If Santa Fe does not complete the provisions of the contract, they retain no equity interest in the property according to the terms of the joint venture agreement. The McCabe Mine is scheduled to be in production at an initial rate of 300 tons/day by September, 1986. At this production rate, the McCabe will produce approximately 40,000 ounces of gold and 125,000 ounces of silver per year. Santa Fe is also committed to spend $3,000,000 on expanding the operation to 500 tons per day once additional reserves are developed.

Exploration Agreement—Adjacent to the McCabe Mining Unit, Stan West holds two large claim blocks that have supported past production. Santa Fe has evaluated these claims and entered into an exploration agreement on these adjacent properties. Santa Fe can earn a 60% interest in these claims by expending $650,000 in exploration over the next two years. If this initial program is successful a further two years of exploration will be carried out. At year four, a production decision will be made. Stan West may elect to be a joint working partner or revert to a 40% non-assessable carried interest.

GOLD PRODUCTION CENTRAL ARIZONA

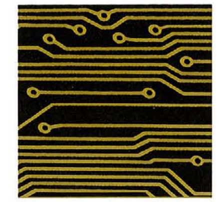


Mine/Area—**Production (ounces of gold)**			
1. Jerome Area	1,579,000	6. Crown King Area	124,630
2. Big Bug District (McCabe)	462,000	7. Aquila Area	149,000
3. Congress Mine	388,000	8. Walker Area	65,000
4. Vulture Mine	350,000	9. Gold Bar Area	9,700
5. Rich Hill Area	203,000		

This agreement accelerates Stan West's exploration funding for precious metal properties in the Southwest. Santa Fe also provides the financial strength and stability to rapidly develop these properties if the exploration results are favorable.

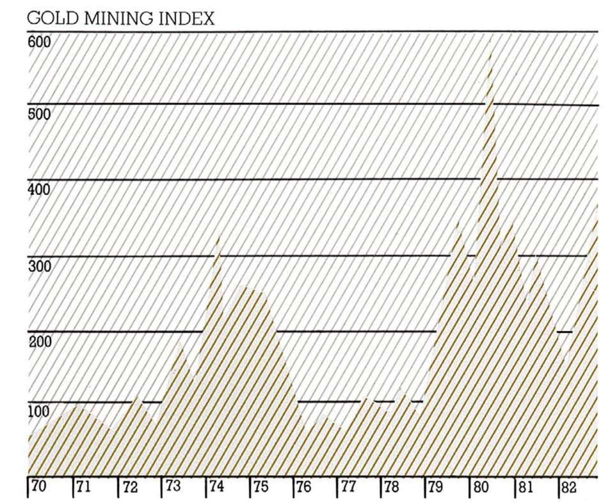
Property Acquisitions—Since the signing of the joint operating and exploration agreements with Santa Fe Mining, Stan West's management team has concentrated on the evaluation and acquisition of additional promising precious metal claims. The Company has used its background and working familiarity in the Southwest to identify a number of Pre-Cambrian properties with precious metal potential. In addition,

Mining and engineering crews are currently completing pre-production work. The McCabe Mine will initially produce approximately 40,000 ounces of gold and 125,000 ounces of silver per year.



The precious metals are essential elements in computers, telecommunications equipment and other sophisticated electronic devices. Gold is used in applications that range from increasing the insulation qualities of glass in high-rise buildings to ensuring the lasting performance of satellites and space exploration probes.

Stan West is actively pursuing a joint venture agreement with a major industry partner on a Canadian precious metal property. These properties are consistent with the Company's geological philosophy of minimizing exploration risks by avoiding grass roots projects. These opportunities complement the current activities at the McCabe and will expand the Company's bright future as an aggressive precious metal mining company.



Financial Base—During the year, Stan West greatly improved its financial base and liquidity. The Santa Fe joint venture generated $1,350,000 in cash during 1985. Because of the Company's substantial cash reserve and only nominal liabilities, Stan West's balance sheet is strong and structured to finance the Company until the McCabe is brought into production.

In addition, the Company's balance sheet strength was enhanced by the acquisition of the outstanding limited partnership interests in four partnerships that invested in the McCabe Mining Unit. These transactions significantly increased the Company's asset base and will dramatically improve the operating cash flow once the McCabe is in production.

Despite depressed metal prices and a difficult banking and financing environment, your Company has successfully financed and developed its first property. We believe that the Company is well positioned for new growth that should continue to build excellent asset value for our shareholders. We deeply appreciate the loyal support we have received from our investors and shareholders.

FRANK H. CRERIE
CHAIRMAN OF THE BOARD

STANLEY W. HOLMES
PRESIDENT

CONSOLIDATED BALANCE SHEETS

STAN WEST MINING CORP. AND SUBSIDIARIES (Companies in the Development Stage)

	March 31, 1985	1984
ASSETS		
Current assets:		
Cash	$ 1,812,657	$1,082,709
Due from affiliates		221,823
Prepaid expenses and other assets	35,952	38,930
Total current assets	1,848,609	1,343,462
Investments in partnerships (Note 2)	12,399	2,865,584
Undeveloped mineral properties (Note 3)	11,913,120	1,758,811
Other assets	24,787	42,185
Total assets	$13,798,915	$6,010,042
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 74,731	$ 35,207
Advances from affiliates in excess of costs incurred		2,762
Current portion of long-term debt (Note 5)	4,292	135,395
Total current liabilities	79,023	173,364
Long-term debt, net of current portion (Note 5)	10,188	14,248
Deferred income (Notes 2 and 6)	1,000,000	197,603
Commitments and contingencies (Note 7)		
Stockholders' equity (Note 8):		
Common stock, par value $.01 per share; authorized 20,000,000 shares	104,431	80,528
Additional paid-in capital	15,493,013	8,106,540
Deficit accumulated during the exploration and development stages	(2,736,232)	(2,400,133)
Less: Subscriptions receivable	(74,794)	(85,394)
	12,786,418	5,701,541
Less: Treasury stock, at cost (64,278 shares)	(76,714)	(76,714)
Total stockholders' equity	12,709,704	5,624,827
Total liabilities and stockholders' equity	$13,798,915	$6,010,042

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

STAN WEST MINING CORP. AND SUBSIDIARIES (Companies in the Development Stage)

	Year Ended March 31, 1985	1984	1983	Cumulative From Inception (March 22, 1979) to March 31, 1985
Income:				
Royalty (Note 10)	$116,063	$ 433,920	$353,474	$1,200,096
Interest and other (Note 2)	441,083	128,854	273,095	1,330,789
Sales commissions		24,250		184,250
Management fees			42,372	640,726
Total income	557,146	587,024	668,941	3,355,861
Costs and expenses:				
Exploration	297,315	558,431	169,512	1,794,383
General and administrative	534,077	627,146	658,521	3,181,050
Interest	26,105	29,788	66,737	216,688
Registration (Note 8)	29,115	54,877		240,587
Total costs and expenses	886,612	1,270,242	894,770	5,432,708
Net loss before share of loss in exploration and development partnerships	329,466	683,218	225,829	2,076,847
Share of loss in exploration and development partnerships (Note 2)	6,633	116,759	186,168	659,385
Net loss	$336,099	$ 799,977	$411,997	$2,736,232
Loss per common share	$.04	$.10	$.06	

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

STAN WEST MINING CORP. AND SUBSIDIARIES (Companies in the Development Stage)

	Year Ended March 31, 1985	1984	1983	Cumulative From Inception (March 22, 1979) to March 31, 1985
Sources (Uses) of Cash:				
Operations:				
Net loss	**$ (336,099)**	$ (799,977)	$ (411,997)	$(2,736,232)
Deferred income not included in net loss		14,583		724,339
Non-cash items included in net loss:				
Reduction of deferred income	**(197,603)**	(360,313)	(166,423)	(724,339)
Impairment of undeveloped mineral properties		347,467	61,458	547,814
Depreciation and amortization	**8,896**	5,673	21,330	57,063
Share of loss in partnerships	**6,633**	116,759	186,168	659,385
Other	**20,270**		20,243	59,105
Cash used by operations	**(497,903)**	(675,808)	(289,221)	(1,412,865)
Investment activities, including acquisition and consolidation of partnership net assets in 1985 and 1984:				
Advance from joint venture	**1,000,000**			1,000,000
Acquisition of undeveloped mineral properties	**(10,154,309)**	(797,908)	(43,813)	(12,435,370)
Acquisition of equipment		(4,004)		(87,945)
Investments in partnerships, net	**2,846,552**	77,874	(2,738,705)	(732,365)
Other, net	**(11,768)**	1,565	(15,841)	(25,399)
Cash used for investment activities	**(6,319,525)**	(722,473)	(2,798,359)	(12,281,079)
Working capital, exclusive of cash and current debt:				
Due from affiliates	**221,823**	58,589	1,013,234	(35,952)
Prepaid expenses	**2,978**	(601)	11,862	
Accounts payable and accrued expenses	**39,524**	(279,829)	(554,400)	74,731
Advances from affiliates in excess of costs incurred	**(2,762)**	(139,017)	(403,871)	
Cash provided (used) for working capital	**261,563**	(360,858)	66,825	38,779
Financing activities:				
Increase in long-term debt				1,379,195
Payments on long-term debt, net of current portion	**(135,163)**	(190,416)	(147,206)	(1,357,309)
Net proceeds from issuance of common stock	**7,420,976**	1,000,503	1,185,330	15,545,936
Redemption of common stock				(100,000)
Cash provided from financing activities	**7,285,813**	810,087	1,038,124	15,467,822
Increase (decrease) in cash	**729,948**	(949,052)	(1,982,631)	1,812,657
Cash, beginning of year	**1,082,709**	2,031,761	4,014,392	
Cash, end of year	**$1,812,657**	$1,082,709	$2,031,761	$ 1,812,657

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

STAN WEST MINING CORP. AND SUBSIDIARIES (Companies in the Development Stage)

for the six years ended March 31, 1985	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Deficit Accumulated During the Exploration and Development Stages	Subscriptions Receivable	Treasury Stock
Issuance of common stock:						
For cash:						
at $.01 per share	1,205,000	$ 12,050			$ (8,928)	
at $.50 per share	62,500	625	$ 30,625			
at $.775 per share	400,000	4,000	306,000			
at $1.00 per share	10,000	100	9,900			
at $2.00 per share	50,000	500	99,500			
For services:						
at $.016 per share	34,767	348	202			
Net loss for year ended March 31, 1980				$ (11,553)		
Balances as of March 31, 1980	1,762,267	17,623	446,227	(11,553)	(8,928)	
Issuance of common stock:						
For cash:						
at $1.00 per share	100,000	1,000	99,000			
at $1.66 per share	300,000	3,000	497,000			
at $2.00 per share (post-split)	50,000	500	99,500			
Stock split	1,085,233	10,852	(10,852)			
Employee stock plan	142,468	1,425	220,035		(221,460)	
Cash redemption of common stock at $2.00 per share	(97,500)	(975)	(99,025)			
Cancellation of subscription on 200,000 shares	(200,000)	(2,000)	200		1,800	
Receipts of subscription receivable					31,146	
Accrued interest on employee subscriptions			4,312		(4,312)	
Net loss for year ended March 31, 1981				(721,687)		
Balances as of March 31, 1981	3,142,468	31,425	1,256,397	(733,240)	(201,754)	
Issuance of common stock:						
For cash at $5.00 per share	50,000	500	249,500			
Stock split	3,557,532	35,575	(35,575)			
Public offering at $7.00 per share	750,000	7,500	4,480,500			
Receipts on subscriptions receivable			9,869		4,440	
Issuance of common stock warrants			750			
Net loss for year ended March 31, 1982				(454,919)		
Balances as of March 31, 1982	7,500,000	75,000	5,961,441	(1,188,159)	(197,314)	
Issuance of common stock:						
For cash at $4.00 per share	255,000	2,550	1,017,450			
For services at $4.00 per share	31,250	313	124,687			
Receipts on subscriptions receivable			5,124		38,606	
Treasury stock					73,314	$(76,714)
Net loss for year ended March 31, 1983				(411,997)		
Balances as of March 31, 1983	7,786,250	77,863	7,108,702	(1,600,156)	(85,394)	(76,714)
Issuance of common stock:						
For cash at $3.00 per share	65,832	658	196,838			
For limited partnership interests at $4.00 per share	200,752	2,007	801,000			
Net loss for year ended March 31, 1984				(799,977)		
Balances as of March 31, 1984	8,052,834	80,528	8,106,540	(2,400,133)	(85,394)	(76,714)
Issuance of common stock:						
For limited partnership interests at $1.79 per share	70,476	705	125,448			
For limited partnership interests at $3.14 per share	2,319,816	23,198	7,261,025			
Receipts on subscriptions receivable					10,600	
Net loss for year ended March 31, 1985				(336,099)		
Balances as of March 31, 1985	10,443,126	$104,431	$15,493,013	$(2,736,232)	$(74,794)	$(76,714)

See Notes to Consolidated Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

The consolidated financial statements include the accounts of Stan West Mining Corp. and its wholly owned subsidiaries and its proportionate share of majority-owned partnerships (the "Company"). All material intercompany balances and transactions are eliminated in consolidation. Investments in partnerships are accounted for by the equity method.

Basis of Presentation

The Company is in the development stage and has been engaged in the acquisition, exploration and development of mineral deposits since inception. The accompanying financial statements are presented in the format prescribed by Statement of Financial Accounting Standards No. 7 issued by the Financial Accounting Standards Board.

Undeveloped Mineral Properties

Undeveloped mineral properties are carried at cost. Upon commencement of production, the cost is transferred to mineral properties and depleted over the estimated life of the reserves. If exploration is not successful, the cost is written down to estimated net realizable value. Production has not commenced on any of the Company's properties.

Minimum Royalties

Minimum royalties received are recognized as revenue ratably over the lease period.

Exploration Costs

Exploration costs are charged to operations as incurred and include provision for impairment of exploitable properties not being developed currently.

Income Taxes

For income tax reporting purposes, certain amounts of income and expense are reported in different periods than for financial statement reporting purposes. The principal timing differences arise from the recognition of royalty income and equity in partnership losses.

Investment tax credits are recognized as a reduction of the provision for Federal income taxes in the year the credits are realized.

Loss Per Share

Loss per share of common stock is computed based on the weighted average number of shares outstanding during each year, after giving effect to stock splits. The effect on loss per share for the outstanding stock options and warrants are excluded from the loss per share computation as they are antidilutive.

2. INVESTMENTS IN PARTNERSHIP AND JOINT VENTURE:

During fiscal year 1985, the Company issued 2,390,292 shares of common stock in exchange for all limited partnership interests in four limited partnerships which the Company was managing general partner and through which the Company had been financing its exploration and development programs (Note 4).

At March 31, 1985, the Company has a 1% limited and 1% general partnership interest in an unconsolidated partnership.

In March 1985, the Company entered into a joint operating agreement with Santa Fe Mining, Inc. (Santa Fe) to finance mine development programs and to bring the mine into production. Under the agreement, Santa Fe is required to provide all funding of the estimated $6,000,000 development program and construct a mill. In consideration for its investment, Santa Fe will receive a 50% undivided interest in the joint mining properties and will become the mine operator. Subject to approval of both parties, Santa Fe also will be responsible for the funding of an additional $3,000,000 mine expansion program. Santa Fe can terminate the agreement any time subsequent to its funding a minimum of $4,000,000 in the development program with forfeiture of its interest in the properties and advances made to the Company.

As provided in the agreement, Santa Fe advanced the Company $1,000,000 which has been classified as deferred income which will be recognized by the Company through its share of the net proceeds from the mine production.

The joint venture is obligated to pay royalties of approximately $500,000 annually along with payments of approximately $3,000,000 over a four year period to limited partners of an unconsolidated partnership who retain an interest in certain of the mining properties.

In addition to the joint operating agreement, the Company entered into an exploration agreement with Santa Fe. The exploration agreement covers an area immediately adjacent to the above property. Santa Fe can earn a 60% interest in these claims by expending $650,000 in exploration over the next two years.

Included in other income in 1985 is $350,000 received from Santa Fe and other potential investors for exclusive negotiation rights granted by the Company.

3. UNDEVELOPED MINERAL PROPERTIES:

The Company has acquired and staked various patented and unpatented mining claims in Yavapai County, Arizona. Some of the acquisition agreements require periodic payments under a fixed term and, accordingly, the liability is recorded. Other agreements can be terminated at any time without additional payments required. These payments are capitalized as incurred.

Recovery of the Company's investment in the undeveloped mineral properties is dependent upon either the future development of profitable operations from such assets or a sale of the Company's interest therein. If it is determined that commercially profitable operations cannot be developed, all related capitalized costs for that property are written off at that time.

Undeveloped mineral properties consist of the following:

	Costs Capitalized 1985	1984
McCABE/GLADSTONE CLAIMS: Following a surface drilling program, a new 1,050 foot shaft was sunk, the old workings were dewatered and an underground development program was completed. A final feasibility study for the McCabe/Gladstone Mine has been successfully completed.	**$10,185,677**	$ 254,464
REBEL/LITTLE KICKER CLAIMS: The surface drilling program has been completed. Further development is planned from underground once the McCabe Mine is operational.	**765,250**	659,763
HENRIETTA CLAIMS: The initial surface drilling program has been completed. Further development is planned from underground once the McCabe Mine is operational.	**386,570**	351,961
Claims not under current exploration/development.	**575,623**	492,623
	$11,913,120	$1,758,811

4. ACQUISITIONS:

Partnerships

During fiscal 1985, Stan West Mining Corp. acquired all of the remaining limited partnership interests in four of its exploration and development partnerships through the issuance of common stock and warrants of the Company.

On March 28, 1985, the Company acquired the partnership interests in Sooner Associates and Stan West Associates through issuance of 2,319,816 shares of common stock valued at $7,284,223. The Company previously had a 44% interest in Sooner Associates and a 19% interest in Stan West Associates.

The remaining partnership interests in previously consolidated Henrietta Associates and Rebel Associates were acquired December 28, 1984 through issuance of 70,476 shares of common stock valued at $126,153 and 14,095 warrants.

In fiscal 1984, the Company had acquired an additional 41% interest in Henrietta Associates and Rebel Associates which resulted in an 85% and 83% interest at March 31, 1984. The additional interests were acquired through issuance of 200,752 shares of common stock valued at $803,007 and 40,151 warrants. All warrants have an exercise price of $5 per share until May 1, 1986.

The acquisitions have been accounted for as purchases and the purchase price in excess of the net book value of the interests acquired was allocated to undeveloped mineral properties (Note 3).

Proforma earnings for 1985 and 1984 have not been presented because management believes the exploration costs incurred by the partnerships during this period would have been funded by sources outside the Company.

Rock Island Mining Corp.

On May 10, 1982, the Company acquired for $1,700,000 all of the stock of Rock Island Mining Corp. whose assets consist of property interests in certain of the Company's exploration projects. The purchase price was allocated to the Company's investments in these partnerships.

The Company also received an option to purchase Rock Island Refining Corp.'s 674,575 shares of Stan West Mining Corp. common stock for $5 per share until May 10, 1986.

For accounting purposes, no value was assigned to the option.

5. LONG-TERM DEBT:

Long-term debt consists of the following:

	1985	1984
Mortgage on undeveloped mineral properties, net of unamortized discount (based on an imputed interest rate of 17%) of $22,659 in 1984, balance paid in full in 1985		$ 86,797
Mortgage on undeveloped mineral property, balance paid in full in 1985, including 6% interest		44,400
Other notes payable	$14,480	18,446
	$14,480	149,643
Less current portion	4,292	135,395
	$10,188	$ 14,248

Maturities on long-term debt are:

1987	$ 3,830
1988	4,180
1989	2,178
	$10,188

6. DEFERRED INCOME:

Deferred income consists of the following:

	1985	1984
Advance from Joint Venture	$1,000,000	
Advance royalties		$175,000
Minimum royalties		22,603
	$1,000,000	$197,603

7. COMMITMENTS AND CONTINGENCIES:

Commitments

The Company leases office facilities and equipment under various operating leases. Total rental expense under these leases was $37,084, $40,737 and $42,112 in 1985, 1984 and 1983, respectively. Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of March 31, 1985 are:

1986	$29,678
1987	3,724
1988	1,499
	$34,901

Contingencies

In August 1981, the Company was named as a defendant in two lawsuits. The plaintiffs claimed they were entitled to shares of the Company's common stock.

During fiscal 1985, one of the lawsuits was settled by the Company. Under an indemnification agreement the Company was reimbursed by certain shareholders for the amount of the judgment and legal fees of $528,000.

In connection with the remaining lawsuit, in November 1984 a judgment was filed against the Company awarding the plaintiff shares in the Company. Certain shareholders have agreed to transfer shares to the plaintiffs in settlement of the judgment.

8. STOCKHOLDERS' EQUITY:

Public Stock Offering

In September 1981, the Company concluded a public offering of 750,000 shares of its common stock at a price of $7.00 per share. Costs of this offering of $762,000 were charged to additional paid-in capital. Costs incurred in 1985 and 1984 in connection with a registration that was not completed are included in operations.

Stock Warrants

In connection with the 1981 public offering, the Company sold, to the underwriter for $750, warrants to purchase 75,000 shares of common stock of the Company. The warrants are exercisable for a five-year period at a price of $8.40 per share.

The following is a summary of warrants outstanding:

	Number of Warrants	Exercise Price
Outstanding as of March 31, 1982 and 1981	75,000	$8.40
Issued in 1983	110,900 (A)	5.00 (B)
Outstanding as of March 31, 1983	185,900	5.00–8.40
Issued in 1984	220,355 (A)	5.00 (B)
Outstanding as of March 31, 1984	406,255	5.00–8.40
Issued in 1985	14,095 (A)	5.00 (B)
Outstanding as of March 31, 1985	420,350	$5.00–8.50

(A) Issued primarily in connection with issuance of common stock and purchase of partnership interests.
(B) $5.00 per share through May 1, 1986.

Stock Options

During September 1980, the Company granted an option to a director to purchase 53,302 shares of common stock of the Company at $2.82 per share exercisable at any time prior to September 1985. As of March 31, 1985, these options had not been exercised.

In May 1982, the Company granted 253,333 options to purchase shares of the Company's common stock to the limited partners of Sooner Associates. The options are exercisable at a price of $5.00 per share until May 1, 1986. Several of the limited partners are directors and/or shareholders of the Company. During fiscal 1984, 65,832 shares of common stock were issued as a result of options exercised at the prior exercised price of $3.00 per share.

Employee Stock Purchase Plan

Under an Employee Stock Purchase Plan, which was terminated in 1985, 303,753 shares were issued in 1981 at prices ranging from $.59 to $1.41 per share. The employees paid 10% of the purchase price or $24,146 upon subscription and the balance of $201,626 is payable over 10 years with interest at 6%.

During 1983, 64,278 shares were repurchased by the Company at the grant price. Consideration included cancellation of subscriptions receivable in the amount of $73,314 and a cash payment of $3,400, shown as treasury stock.

No shares were issued under the Plan in 1985 or 1984.

Employee Stock Option Plan

During the fiscal year 1985, the Company adopted an Employee Stock Option Plan which provides for the award of options to purchase shares of the Company's common stock to certain key employees and non-employee Directors of the Company in amounts and at option prices determined by the Board of Directors.

In September 1984, the Company granted 455,000 stock options to officers, directors and employees of the Company pursuant to the stock option plan. The options are exercisable at a price of $2.81 per share and expire ten years from the date of issuance.

During 1985 no options were exercised. As of March 31, 1985, the Company has reserved 800,000 shares of common stock for issuance under the Plan.

9. INCOME TAXES:

The Company files a consolidated Federal income tax return. Consolidated net operating loss carryovers are as follows:

Expiring March 31	Tax Reporting	Financial Reporting
1996	$ 133,000	$742,000
1997	$ 172,000	$455,000
1998	$1,086,000	$412,000
1999	$1,388,000	$800,000
2000	$ 476,000	$336,000

10. TRANSACTIONS WITH RELATED PARTIES:

The Company and affiliated partnerships paid legal fees of $60,000, $183,000, and $163,000 in 1985, 1984 and 1983, respectively, to a law firm in which a former director and officer of the Company is a partner.

During 1984, the Company received commissions from an affiliated partnership of $24,250, resulting from partnership units sold by the Company.

Royalty income of $116,063, $433,920 and $353,474 in 1985, 1984 and 1983, respectively, was received from related partnerships of which the Company is the general partner (Notes 2 and 4).

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

The joint venture agreement with Santa Fe Mining, Inc. has significantly strengthened the liquidity position of Stan West Mining Corp. The Company received $1,350,000 in cash as a result of the joint venture agreement. The Company's ratio of current assets to current liabilities as of March 31, 1985, exceeds 23:1.

The capital base of the Company was also enhanced during the year by the acquisition of various limited partnership interests in the McCabe Mining Unit in return for approximately $7,400,000 in Stan West common stock. This larger ownership interest will increase the Company's operating cash flow once the McCabe is in production.

The Company does not anticipate any major capital expenditure programs other than the possible acquisition of additional undeveloped mineral properties.

RESULTS OF OPERATIONS

The fiscal 1985 net loss was reduced by $464,000 compared to 1984. Income was down $30,000 to $557,000. However, corporate expenses and losses from partnerships were reduced by approximately $494,000 in 1985. The reduced expense structure reflects the effect of the joint venture agreement and the lower financing activity for the Company.

Stan West's net loss in 1984 increased to $799,977 compared to a loss of $411,997 in 1983. Although the Company recognized over $300,000 of deferred income in 1984, net revenues declined by $81,917 primarily because of lower management fees and reduced interest income. Corporate expenses increased because of the costs associated with pursuing production financing and the write-off of $347,467 on abandoned mineral properties.

Because the Company is in the development stage, it does not have any operating mines. Consequently, the impact of inflation was negligible.

ACCOUNTANTS' REPORT

The Board of Directors
and Stockholders of
Stan West Mining Corp.

We have examined the consolidated balance sheets of Stan West Mining Corp. and subsidiaries (Companies in the Development Stage) as of March 31, 1985 and 1984 and the related consolidated statements of operations, stockholders' equity and changes in financial position for each of the three years in the period ended March 31, 1985. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The consolidated balance sheets include investments in partnerships and undeveloped mineral properties. Recovery of the Company's investment in these assets is dependent upon either the future development of profitable operation from such assets or a sale of the Company's interest therein.

In our opinion, subject to the effects on the consolidated financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainties referred to in the preceding paragraph been known, the aforementioned consolidated financial statements present fairly the financial position of Stan West Mining Corp. and subsidiaries as of March 31, 1985 and 1984 and the results of their operations and the changes in their financial position for each of the three years in the period ended March 31, 1985, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Phoenix, Arizona
May 24, 1985

Designed and Produced by Libera and Associates/Los Angeles

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

Frank H. Crerie*
Chairman of the Board

Stephen B. Browne
President—Browne Investment Co.

Harold L. Hodges
President—Bill Hodges Truck Co., Inc.

Stanley W. Holmes*
President

Robert P. Lammerts
President—Lammerts Oil

Scott Norris*
Executive Vice President of Finance and Treasurer

French Peterson
Private Investor

Joe Dan Trigg
President—Trigg Drilling Co., Inc.

Birl W. Worley, Jr.*
Executive Vice President of Operations

*executive officers

CORPORATE OFFICES

Stan West Mining Corp.
2701 East Camelback Road
Suite 260
Phoenix, Arizona 85016

GENERAL COUNSEL

Lewis and Roca
Phoenix, Arizona

AUDITORS

Coopers & Lybrand
Phoenix, Arizona

TRANSFER AGENT

Continental Stock Transfer & Trust Company
New York, New York

FORM 10-K

is available upon written request.

COMMON STOCK INFORMATION

The Company's Common Shares have been traded in the over-the-counter market since the Company's public offering on September 2, 1981, and are quoted on the National Association of Securities Dealers' Automated Quotation System (NASDAQ) under the symbol SWMC. The following table sets forth the range of high and low closing bid prices of the Company's Common Shares for the fiscal period indicated as reported by NASDAQ Market Information.

Fiscal Year	High	Low
1983:		
First Quarter	4½	2¾
Second Quarter	4	1⅝
Third Quarter	3⅝	3
Fourth Quarter	6¼	3½
1984:		
First Quarter	6¾	5¾
Second Quarter	6¼	5
Third Quarter	5¾	4¾
Fourth Quarter	5	3⅝
1985:		
First Quarter	4½	3
Second Quarter	3½	2½
Third Quarter	4¼	2
Fourth Quarter	4⅛	2¼

The Company has paid no dividends nor anticipates paying dividends in the near future. Based on the transfer agent's listing as of February 8, 1985, the Company had approximately 800 shareholders.

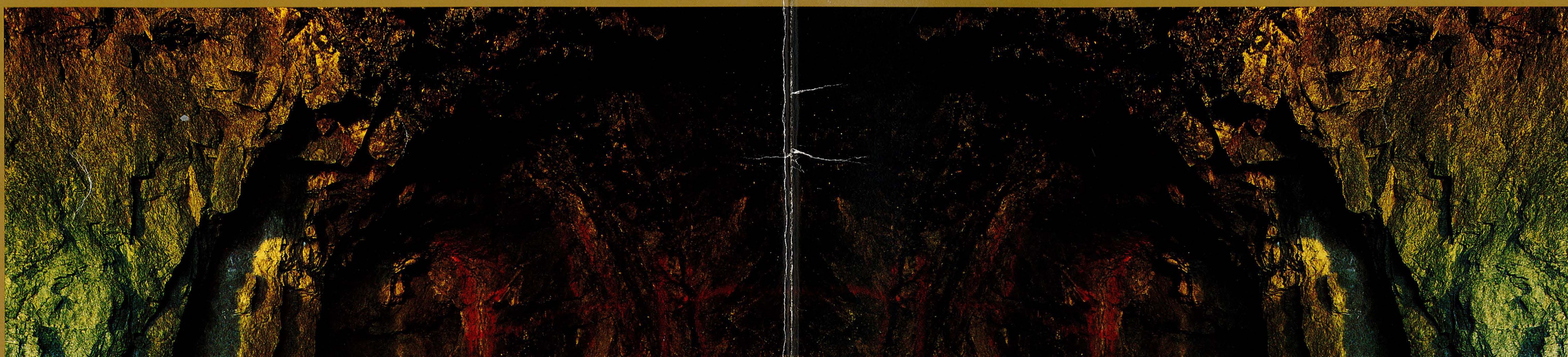
SELECTED FINANCIAL DATA

	Year Ended March 31				
	1985	1984	1983	1982	1981
Income	$ 557,146	$ 587,024	$ 668,941	$1,119,251	$ 261,561
Net Operating Loss	336,099	799,977	411,997	454,919	721,687
Loss per Common Share	.040	.100	.055	.063	.107
Total Assets	13,798,915	6,010,042	6,764,508	7,270,483	2,245,627
Long Term Obligations	10,188	14,248	144,928	330,597	238,073
Average Shares Outstanding	8,083,000	8,017,000	7,475,000	7,183,000	6,750,000

1986 Annual Report

Stan West Mining Corp. (P)

Abs p.3+5 in McCabe (P)



About The Company:

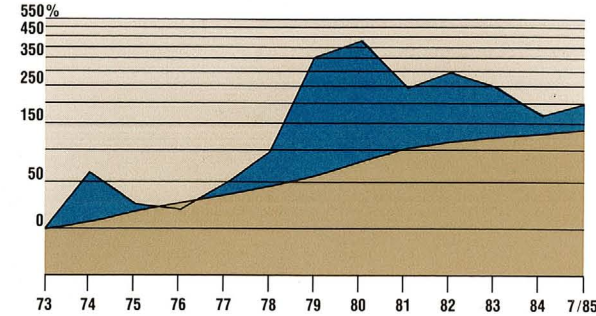
Stan West Mining Corp. and its subsidiaries have been involved in the acquisition, exploration and development of precious metal deposits since inception. The Company has developed significant gold reserves on its properties in central Arizona. Stan West is also involved in the exploration of Canadian mineral properties, and recently was listed on The Toronto Stock Exchange.

Highlights

1986 was highlighted by Stan West Mining Corp's international expansion into Canadian, precious metal exploration. The following accomplishments were recorded:

- Stan West Mining obtained a listing on The Toronto Stock Exchange
- Stan West Mining entered into a major joint venture agreement with Noranda Exploration Company
- Stan West Mining sold $1,500,000 in Canadian "flow through shares" with premium prices of 27–50% above market values

Mining crew in front of the headframe at the McCabe Mine, where Stan West recently regained its 100% ownership interest.



How gold has compared with Inflation (cumulative change) 12/73 – 7/85
Gold (London PM fixing)
Inflation (Comsumer Price Index)

To Our Shareholders:

As promised, 1986 was a year of aggressive and diversified gold exploration for Stan West Mining Corp. The following major developments were accomplished during fiscal 1986:

Noranda Joint Venture

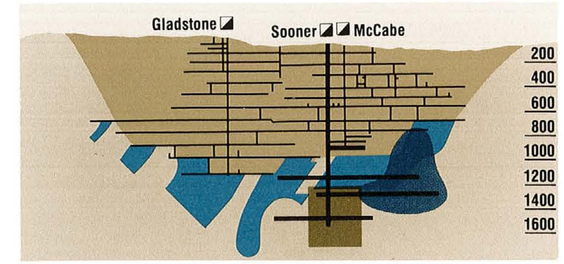
Your Company has invested approximately $1,500,000 (Cdn) to earn a 50% interest in a new joint venture with Noranda Exploration at the Mountjoy project in Timmins, Ontario. The magnitude of the Mountjoy land position and the production history of the famous Timmins mining camp dramatically expands Stan West's opportunities.

The results of the 1985 exploration program were most encouraging. The majority of the monies were spent on drilling targets Noranda had previously delimited. The most favorable results were at the De Santis Mine, a former producer, (200,000 tons @ 0.18 ounces/gold/ton) which produced 36,000 ounces of gold. Deep drilling 500 feet below the bottom levels (1,000 feet) showed that the mineralization continued at depth and that multiple gold-bearing zones were developing. Four holes cut the zone, the best of which was MJD #12 (0.25 ounces/gold/ton over 20.9 feet). It should be emphasized that the Mountjoy holdings are directly west of the Dome, Aunor, Ankerite, Preston, East Dome and Hollinger mines, which produced millions of ounces of gold.

McCabe Mine

Your Company also received an unexpected opportunity and windfall profit when Santa Fe Mining, Inc. terminated the joint venture contract at the McCabe Mine in central Arizona. As a result of this development, Stan West retained a 100% ownership interest in the McCabe Mine, realized $1,000,000 in income from advance payments that Santa Fe forfeited and benefited from the $5,200,000 in development and exploration work that Santa Fe invested in the McCabe properties.

Underground mining crew descending in the new, 1,460 foot vertical shaft at the McCabe Mine in Central Arizona.



Composite Reserve Longitudinal/McCabe Mine
Old Workings · Main McCabe Reserves · Footwall Reserves
Hangingwall Reserves · Potential Ore Extension · New Workings

As previously reported by Santa Fe, their decision to terminate the joint venture was not because of engineering or geological considerations related to the McCabe Mine. Rather, in the opinion of Santa Fe, the McCabe project would not result in a commercial operation of a size consistent with Santa Fe's investment criteria.

Based on Santa Fe's underground development work, the McCabe Mine's reserves were increased and the projected cost to produce an ounce of gold at the McCabe remains approximately $200/oz. Consequently, the McCabe Mine continues to project as one of the lower cost gold mines being developed in North America.

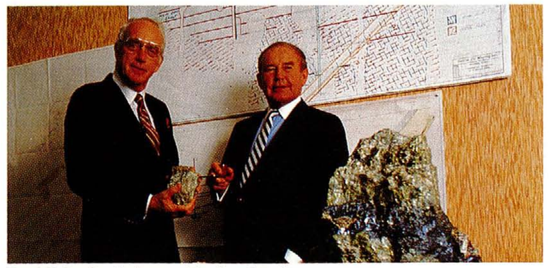
Stan West is proceeding with plans to be the operator for the McCabe Mine at an initial production rate of 300 tons/day. The mine should be operational 12 months after the production financing is completed. Negotiations for raising the $8–9,000,000 in production funds are now underway.

Corporate Finance

In addition to the Company's progress in precious metal exploration and development, Stan West continued to broaden and strengthen its financial base. During 1986, Stan West successfully obtained a listing on The Toronto Stock Exchange and completed two "flow-through" share offerings in Canada. These successful financings provided the funds necessary for Stan West to earn its 50% interest in the Noranda joint venture.

The "flow-through" shares are a unique financing technique for Canadian exploration projects. Canadian citizens can obtain a tax deduction by purchasing qualified "flow-through" shares. In return, the Company can sell its shares at a premium above market prices. Stan West's offerings were completed at premium prices of approximately 27–50% above market. These issues are cost-effective and expand the Company's financial base in Canada.

An underground drift at the McCabe Mine exposes the mineralized structure that has an average assay grade of 0.33 ounces of gold per ton.



Frank H. Crerie, Chairman of the Board (Left)
Stanley W. Holmes, President (Right)

Looking Ahead

The management team at Stan West has never been more enthusiastic about the Company's opportunities. The initial results from the Mountjoy project are encouraging and the joint management committee between Noranda Exploration and Stan West has decided to proceed with the next stage of surface drilling and exploration. Stan West has already arranged the "flow-through" shares in Canada to fund its 50% interest in this work.

In addition, Stan West has regained its 100% ownership interest in the McCabe and is prepared to bring the property into production when the production financing is arranged.

We believe Stan West made great strides in 1986 toward its primary objective of discovering and developing substantial gold reserves in North America. We appreciate the loyal support of our employees and stockholders who have made this progress possible.

Sincerely

Frank H. Crerie
Chairman of the Board

Stanley W. Holmes
President

Consolidated Balance Sheets

Stan West Mining Corp. and Subsidiaries (Companies in the Development Stage)

	March 31, 1986	1985
Assets:		
Current assets:		
Cash	$ 1,187,979	$ 1,812,657
Prepaid expenses and other assets	26,596	35,952
Total current assets	1,214,575	1,848,609
Undeveloped mineral properties (Note 3)	11,927,816	11,913,120
Other assets	57,014	37,186
Total assets	$13,199,405	$13,798,915
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 91,418	$ 74,731
Current portion of long-term debt (Note 5)	4,064	4,292
Total current liabilities	95,482	79,023
Long-term debt, net of current portion (Note 5)	6,358	10,188
Deferred income (Note 2)		1,000,000
Commitments (Note 6)		
Stockholders' equity (Note 7):		
Common stock, par value $.01 per share; 20,000,000 shares authorized; 10,693,589 and 10,443,126 shares issued and outstanding	106,936	104,431
Additional paid-in capital	16,302,625	15,493,013
Deficit accumulated during the exploration and development stages	(3,165,910)	(2,736,232)
Subscriptions receivable	(69,372)	(74,794)
	13,174,279	12,786,418
Treasury stock, at cost (64,278 shares)	(76,714)	(76,714)
Total stockholders' equity	13,097,565	12,709,704
Total liabilities and stockholders' equity	$13,199,405	$13,798,915

See Notes to Consolidated Financial Statements.

Consolidated Statements of Operations

Stan West Mining Corp. and Subsidiaries (Companies in the Development Stage)

	Year Ended March 31, 1986	1985	1984	Cumulative From Inception (March 22, 1979) to March 31, 1986
Income:				
Royalty (Note 9)	$	$116,063	$ 433,920	$1,200,096
Interest and other (Note 2)	1,102,749	441,083	128,854	2,433,538
Sales commissions			24,250	184,250
Management Fees				640,726
Total income	1,102,749	557,146	587,024	4,458,610
Costs and expenses:				
Exploration	991,631	297,315	558,431	2,786,014
General and administrative	540,708	534,077	627,146	3,721,758
Interest	88	26,105	29,788	216,776
Registration		29,115	54,877	240,587
Total costs and expenses	1,532,427	886,612	1,270,242	6,965,135
Loss before share of loss in exploration and development partnerships	429,678	329,466	683,218	2,506,525
Share of loss in exploration and development partnerships (Note 2)		6,633	116,759	659,385
Net loss	$ 429,678	$336,099	$ 799,977	$3,165,910
Loss per common share	$ .04	$ .04	$ .10	

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

Stan West Mining Corp. and Subsidiaries (Companies in the Development Stage)

for the seven years ended March 31, 1986	*Common Stock* *Shares*	*Common Stock* *Amount*	*Additional Paid-in Capital*	*Deficit Accumulated During the Exploration and Development Stages*	*Subscriptions Receivable*	*Treasury Stock*
Issuance of common stock:						
For cash:						
at $.01 per share	1,205,000	$ 12,050			$ (8,928)	
at $.50 per share	62,500	625	$ 30,625			
at $.775 per share	400,000	4,000	306,000			
at $1.00 per share	10,000	100	9,900			
at $2.00 per share	50,000	500	99,500			
For services:						
at $.016 per share	34,767	348	202			
Net loss for year ended March 31, 1980				$ (11,553)		
Balances as of March 31, 1980	1,762,267	17,623	446,227	(11,553)	(8,928)	
Issuance of common stock:						
For cash:						
at $1.00 per share	100,000	1,000	99,000			
at $1.66 per share	300,000	3,000	497,000			
at $2.00 per share (post-split)	50,000	500	99,500			
Stock split	1,085,233	10,852	(10,852)			
Employee stock plan	142,468	1,425	220,035		(221,460)	
Cash redemption of common stock at $2.00 per share	(97,500)	(975)	(99,025)			
Cancellation of subscription on 200,000 shares	(200,000)	(2,000)	200		1,800	
Receipts of subscription receivable					31,146	
Accrued interest on employee subscriptions			4,312		(4,312)	
Net loss for year ended March 31, 1981				(721,687)		
Balances as of March 31, 1981	3,142,468	31,425	1,256,397	(733,240)	(201,754)	
Issuance of common stock:						
For cash at $5.00 per share	50,000	500	249,500			
Stock split	3,557,532	35,575	(35,575)			
Public offering at $7.00 per share	750,000	7,500	4,480,500			
Receipts on subscriptions receivable			9,869		4,440	
Issuance of common stock warrants			750			
Net loss for year ended March 31, 1982				(454,919)		
Balances as of March 31, 1982	7,500,000	75,000	5,961,441	(1,188,159)	(197,314)	

See Notes to Consolidated Financial Statements.

for the seven years ended March 31, 1986	*Common Stock* *Shares*	*Common Stock* *Amount*	*Additional Paid-in Capital*	*Deficit Accumulated During the Exploration and Development Stages*	*Subscriptions Receivable*	*Treasury Stock*
Balances as of March 31, 1982	7,500,000	75,000	5,961,441	(1,188,159)	(197,314)	
Issuance of common stock:						
For cash at $4.00 per share	255,000	2,550	1,017,450			
For services at $4.00 per share	31,250	313	124,687			
Receipts on subscriptions receivable			5,124		$ 38,606	
Treasury stock					73,314	$(76,714)
Net loss for year ended March 31, 1983				$ (411,997)		
Balances as of March 31, 1983	7,786,250	77,863	7,108,702	(1,600,156)	(85,394)	(76,714)
Issuance of common stock:						
For cash at $3.00 per share	65,832	658	196,838			
For limited partnership interests at $4.00 per share	200,752	2,007	801,000			
Net loss for year ended March 31, 1984				(799,977)		
Balances as of March 31, 1984	8,052,834	80,528	8,106,540	(2,400,133)	(85,394)	(76,714)
Issuance of common stock:						
For limited partnership interests at $1.79 per share	70,476	705	125,448			
For limited partnership interests at $3.14 per share	2,319,816	23,198	7,261,025			
Receipts on subscriptions receivable					10,600	
Net loss for year ended March 31, 1985				(336,099)		
Balances as of March 31, 1985	10,443,126	104,431	15,493,013	(2,736,232)	(74,794)	(76,714)
Issuance of common stock:						
For services at $2.43 per share	15,000	150	36,300			
For cash at $3.53 per share	205,762	2,058	637,882			
For cash at $4.56 per share	29,701	297	135,430			
Net loss for year ended March 31, 1986				(429,678)		
Receipts on subscriptions receivable					5,422	
Balances as of March 31, 1986	10,693,589	$106,936	$16,302,625	$(3,165,910)	$ (69,372)	$(76,714)

See Notes to Consolidated Financial Statements.

	1986	Year Ended March 31, 1985	1984	Cumulative From Inception (March 22, 1979) to March 31, 1986
Sources (uses) of cash:				
Operations:				
Net loss	$ (429,678)	$ (336,099)	$ (799,977)	$ (3,165,910)
Deferred income not included in net loss			14,583	724,339
Non-cash items included in net loss:				
Reduction of deferred income	(1,000,000)	(197,603)	(360,313)	(1,724,339)
Impairment of undeveloped mineral properties			347,467	547,814
Depreciation and amortization	7,419	8,896	5,673	64,482
Share of loss in partnerships		6,633	116,759	659,385
Other		20,270		59,105
Cash used by operations	(1,422,259)	(497,903)	(675,808)	(2,835,124)
Investment activities, including acquisition and consolidation of partnership net assets in 1985 and 1984:				
Advance from joint venture		1,000,000		1,000,000
Acquisition of undeveloped mineral properties	(14,696)	(10,154,309)	(797,908)	(12,450,066)
Acquisition of equipment	(8,022)		(4,004)	(95,967)
Investments in partnerships, net		2,846,552	77,874	(732,365)
Other, net	(19,225)	(11,768)	1,565	(44,624)
Cash used for investment activities	(41,943)	(6,319,525)	(722,473)	(12,323,022)
Working capital, exclusive of cash and current debt:				
Prepaid expenses and other assets	9,356	224,801	57,988	(26,596)
Accounts payable and accrued expenses	16,687	39,524	(279,829)	91,418
Advances from affiliates in excess of costs incurred		(2,762)	(139,017)	
Cash provided (used) for working capital	26,043	261,563	(360,858)	64,822
Financing activities:				
Increase in long-term debt				1,379,195
Payments on long-term debt, net of current portion	(4,058)	(135,163)	(190,416)	(1,361,367)
Net proceeds from issuance of common stock	817,539	7,420,976	1,000,503	16,363,475
Redemption of common stock				(100,000)
Cash provided from financing activities	813,481	7,285,813	810,087	16,281,303
Increase (decrease) in cash	(624,678)	729,948	(949,052)	1,187,979
Cash, beginning of year	1,812,657	1,082,709	2,031,761	
Cash, end of year	$ 1,187,979	$ 1,812,657	$1,082,709	$ 1,187,979

See Notes to Consolidated Financial Statements.

1. Summary of Significant Accounting Policies:

Principles of Consolidation

The consolidated financial statements include the accounts of Stan West Mining Corp., its wholly owned subsidiaries and its proportionate share of a majority-owned partnership (the "Company"). All material intercompany balances and transactions are eliminated in consolidation.

Basis of Presentation

The Company is in the development stage and has been engaged in the acquisition, exploration and development of mineral deposits since inception. The accompanying financial statements are presented in the format prescribed by Statement of Financial Accounting Standards No. 7 issued by the Financial Accounting Standards Board.

Undeveloped Mineral Properties

Undeveloped mineral properties are carried at cost. Upon commencement of production, the cost will be transferred to mineral properties and depleted over the estimated life of the reserves. If exploration is not successful, the cost is written down to estimated net realizable value. Production has not commenced on any of the Company's properties.

Minimum Royalties

Minimum royalties received are recognized as revenue ratably over the lease period.

Exploration Costs

Exploration costs are charged to operations as incurred.

Income Taxes

For income tax reporting purposes, certain amounts of income and expense are reported in different periods than for financial statement reporting purposes. The principal timing differences arise from the recognition of royalty income and equity in partnership losses.

Investment tax credits are recognized as a reduction of the provision for Federal income taxes in the year the credits are realized.

Loss Per Share

Loss per share of common stock is computed based on the weighted average number of shares outstanding during each year, after giving effect to stock splits. The effect on loss per share for the outstanding stock options and warrants are excluded from the loss per share computation as they are antidilutive.

2. Investments in Partnership and Joint Venture:

During the year ended March 31, 1985, the Company issued 2,390,292 shares of common stock in exchange for all limited partnership interests in four limited partnerships which the Company was managing general partner and through which the Company had been financing its exploration and development programs (Note 4).

At March 31, 1986 the Company has a 1% limited and 1% general partnership interest in an unconsolidated partnership.

During March 1985, the Company entered into a joint operating agreement with Santa Fe Mining Inc. (Santa Fe) to complete the underground mine development, to construct a mill, and to bring the mine into production, in return for 50% undivided interest in the joint mining properties. As provided in the agreement, Santa Fe could terminate the agreement any time subsequent to its funding a minimum of $4,000,000 in the development program with forfeiture of its interest in the properties and its $1,000,000 advance made to the Company.

In March 1986, after funding the required minimum $4,000,000, Santa Fe Mining made the decision to terminate the joint operating agreement. As a result of the termination, the $1,000,000 advance, classified in 1985 as deferred income, has been recognized as other income in fiscal 1986.

The Company also entered into an exploration agreement with Santa Fe for an area immediately adjacent to the above property. Santa Fe can earn a 60% interest in these claims by expending $650,000 in exploration prior to April 1, 1987 and paying the Company $817,000 in accumulated costs.

Included in other income in 1985 is $350,000 received from Santa Fe and other potential investors for exclusive negotiation rights granted by the Company.

In June, 1985, the Company entered into an exploration agreement with Noranda Exploration Company Limited, (Norex) whereby, the Company may earn a 50% participating interest in a joint venture to explore and develop certain Canadian mineral properties. The Company must provide (Cdn) $1,500,000 in exploration funds to Norex on or before December 31, 1986 to earn the participating interest. As of March 31, 1986, the Company has provided approximately (Cdn) $1,200,000 of the required funding.

3. Undeveloped Mineral Properties:

The Company has acquired and staked various patented and unpatented mining claims in Yavapai County, Arizona. Some of the acquisition agreements require periodic payments under a fixed term and, accordingly, the liability is recorded. Other agreements can be terminated at any time without additional payments required. These payments are capitalized as incurred.

Recovery of the Company's investment in the undeveloped mineral properties is dependent upon either the future development of profitable operations from such assets or a sale of the Company's interest therein. If it is determined that commercially profitable operations cannot be developed, all related capitalized costs for that property are written off at that time.

Undeveloped mineral properties consist of the following:

	Costs Capitalized	
	1986	*1985*
McCabe Mining Unit	$11,337,497	$11,337,497
Other claims under exploration and drilling program	590,319	575,623
	$11,927,816	$11,913,120

4. Partnerships Acquisitions:

During fiscal 1985, the Company acquired all of the remaining limited partnership interests in four of its exploration and development partnerships through the issuance of common stock and warrants of the Company.

On March 28, 1985, the Company acquired the partnership interests in Sooner Associates and Stan West Associates through issuance of 2,319,816 shares of common stock valued at $7,284,223. The Company previously had a 44% interest in Sooner Associates and a 19% interest in Stan West Associates.

The remaining partnership interests in previously consolidated Henrietta Associates and Rebel Associates were acquired December 28, 1984 through issuance of 70,476 shares of common stock valued at $126,153 and 14,095 warrants.

The acquisitions have been accounted for as purchases and the purchase price in excess of the net book value of the interests acquired was allocated to undeveloped mineral properties (Note 3).

Pro forma earnings for 1985 and 1984 have not been presented because management believes the exploration costs incurred by the partnerships during this period would have been funded by sources outside the Company.

5. Long-Term Debt:

Long-term debt consists of the following:

	1986	*1985*
Mortgage on undeveloped mineral properties	$10,422	$14,480
Less current portion	4,064	4,292
	$ 6,358	$10,188

Maturities on long-term debt are:

1988	$ 4,180
1989	2,178
	$ 6,358

6. Commitments:

The Company leases office facilities and equipment under various operating leases. Total rental expense under these leases was $57,288, $37,084 and $40,737 in 1986, 1985 and 1984, respectively. Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of March 31, 1986 are:

1987	$21,218
1988	6,982
	$28,200

Under its principal cancelable purchase agreement, the Company is obligated to pay $150,000 annually through calendar year 1991 and $300,000 annually for the six years thereafter. Additionally, the Company is obligated under other cancelable purchase agreements to make annual payments of approximately $60,000.

In addition, upon commencement of production, the Company is obligated to make payments of approximately $3,375,000 over a four-year period to limited partners of an unconsolidated partnership who retain an interest in certain of the mining properties and has committed to pay performance bonuses aggregating approximately $200,000 to certain officers and employees.

7. Stockholders' Equity:

Issue of Common Shares

During the year ended March 31, 1986, Canadian partnerships agreed to purchase 362,576 shares of the Company's common stock for (Cdn) $2,000,000 provided the proceeds are used for exploration expenditures on Canadian mineral properties prior to December 31, 1986. Through March 31, 1986 235,463 shares were issued for (US) $863,627. The private placement costs of (US) $87,960 were charged to additional paid-in capital.

Stock Warrants

The following is a summary of common shares issuable under warrants outstanding:

	Number of Shares Issuable	*Exercise Price*
Outstanding, March 31, 1983	185,900	$4.00–8.40
Issued	220,355	4.00
Outstanding, March 31, 1984	406,255	4.00–8.40
Issued	14,095	4.00
Outstanding, March 31, 1986 and 1985	420,350	$4.00–8.40

Effective April 30, 1986, the exercise price of 345,350 warrants previously exercisable at $4.00 was increased to $5.00 and the exercise period extended to December 1, 1986. The 75,000 warrants are exercisable until September 1, 1986 at $8.40.

Stock Options

Options to purchase 187,501 shares of the Company's common stock, outstanding at March 31, 1986, expired on May 1, 1986.

Employee Stock Option Plan

During fiscal 1985, the Company adopted an Employee Stock Option Plan which provides for the award of options to purchase shares of the Company's common stock to certain key employees and non-employee Directors of the Company in amounts and at option prices determined by the Board of Directors.

Following is a summary of outstanding options:

	Number of Shares	*Option Price Per Share*
Balance March 31, 1985	455,000	$2.81
Granted	68,302	2.81–$2.82
Balance, March 31, 1986	523,302	$2.81–$2.82

The options are exercisable on the date of grant and expire ten years from date of issuance. As of March 31, 1986, the Company has reserved 800,000 shares of common stock for issuance under the Plan.

8. Income Taxes:

The Company files a consolidated Federal income tax return. Consolidated net operating loss carryovers are as follows:

Expiring March 31	*Tax Reporting*	*Financial Reporting*
1996	$ 133,000	$742,000
1997	172,000	455,000
1998	1,086,000	412,000
1999	1,388,000	800,000
2000	487,000	336,000
2001	477,000	430,000

9. Transactions With Related Parties:

The Company paid legal fees of $9,500, $60,000 and $183,000, in 1986, 1985 and 1984, respectively, to a law firm in which a former director and officer of the Company is a partner.

Royalty income of $116,063 and $433,920 in 1985 and 1984, respectively, was received from related partnerships of which the Company was the general partner (Notes 2 and 4). No amounts were received in 1986.

Management's Discussion and Analysis

Liquidity and Capital Resources

The Company's cash balances were reduced during fiscal 1986 by $624,678. Continuing operating deficits and property acquisition costs contributed to the decrease in the Company's liquidity. However, the year-end cash balance of $1,187,000 is adequate to meet the Company's current operating needs. The Company's ratio of current assets to current liabilities exceeds 12:1.

The Company expanded its capital resources by approximately $773,000 when it completed two "flow-through" share offerings in Canada. The proceeds from these share offerings were contractually obligated to fund the Company's joint venture with Noranda at Timmins, Ontario. The Company expects to raise up to $1,400,000 in fiscal 1987 using additional "flow-through" share offerings to fund its 50% interest in the ongoing exploration cost of the joint venture.

Operating Results

During fiscal 1986, the Company incurred an operating loss of $429,678 ($0.04 per share) compared to $336,099 ($0.04 per share) in 1985. Revenues increased because Santa Fe forfeited its advanced payment of $1,000,000 when it terminated the joint venture agreement at the McCabe Mine. Corporate expenses increased because of exploration expenditures of $991,000 which were primarily incurred under the joint venture with Noranda.

For fiscal 1985, the net loss of the Company decreased to $336,099 compared to a net loss of $799,977 in fiscal 1984. Revenues were down $30,000 to $557,000 in fiscal 1985. Corporate expenses and loss from partnerships were reduced by approximately $494,000 in fiscal 1985. The reduced expense reflects lower corporate expenses and reduced exploration expenses and losses during the period of negotiation of the joint operating agreement with Santa Fe.

The Company's net loss for fiscal 1984 increased to $799,997 compared to a loss of $411,997 in fiscal 1983. Although the Company recognized over $300,000 of deferred income in fiscal 1984, net revenues declined by $81,917 primarily because of lower management fees and reduced interest income. Corporate expenses increased because of the cost associated with pursuing production financing and the write off of $347,467 on abandoned mineral properties.

Accountants' Report

The Board of Directors and Stockholders of Stan West Mining Corp.

We have examined the consolidated balance sheets of Stan West Mining Corp. and subsidiaries (Companies in the Development Stage) as of March 31, 1986 and 1985 and the related consolidated statements of operations, stockholders' equity and changes in financial position for each of the three years in the period ended March 31, 1986. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The consolidated balance sheets include investments in undeveloped mineral properties. Recovery of the Company's investment in these assets is dependent upon either the future development of profitable operations from such assets or a sale of the Company's interest therein.

In our opinion, subject to the effects on the consolidated financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the preceding paragraph been known, the aforementioned consolidated financial statements present fairly the financial position of Stan West Mining Corp. and subsidiaries as of March 31, 1986 and 1985 and the results of their operations and the changes in their financial position for each of the three years in the period ended March 31, 1986, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Phoenix, Arizona
May 5, 1986

Corporate Information

Directors and Officers

Frank H. Crerie*
Chairman of the Board

Stephen B. Browne
Private Investor

Harold L. Hodges
President—Bill Hodges Truck Co., Inc.

John A. Hall
Senior Vice President of Mines Noranda, Inc.

Stanley W. Holmes*
President

Charles E. Michener
Geological Consultant

Scott Norris*
Executive Vice President of Finance and Treasurer

Birl W. Worley, Jr.
Geological Consultant

**executive officers*

Corporate Offices

Stan West Mining Corp.
6045 Scottsdale Road
Suite 101
Scottsdale, Arizona 85253

General Counsel

William C. Jones
Dallas, Texas

Auditors

Coopers & Lybrand
Phoenix, Arizona

Transfer Agent

Continental Stock Transfer & Trust Company
New York, New York

Form 10-K

is available upon written request

Common Stock Information

The Company's Common Shares have been traded in the over-the-counter market since the Company's public offering on September 2, 1981, and are quoted on the National Association of Securities Dealers' Automated Quotation System (NASDAQ) under the symbol SWMC. On October 21, 1985 the Company obtained a listing on The Toronto Stock Exchange and is traded under the symbol SWMC·TO. The following table sets forth the range of high and low closing bid prices of the Company's Common Shares for the fiscal period indicated as reported by NASDAQ Market Information.

Fiscal Year	*High*	*Low*
1984		
First Quarter	6¾	5¾
Second Quarter	6¼	5
Third Quarter	5¾	4¾
Fourth Quarter	5	3⅝
1985:		
First Quarter	4½	3
Second Quarter	3½	2½
Third Quarter	4¼	2
Fourth Quarter	4⅛	2¼
1986		
First Quarter	4⅛	2¾
Second Quarter	3 7/16	2⅝
Third Quarter	3 15/16	2½
Fourth Quarter	4⅞	3⅛

The Company has paid no dividends nor anticipates paying dividends in the near future. Based on the transfer agent's listing as of May 16, 1986 the Company had approximately 1,028 shareholders.

Selected Financial Data

	Year Ended March 31				
	1986	*1985*	*1984*	*1983*	*1982*
Income	$ 1,102,749	$ 557,146	$ 587,024	$ 668,941	$1,119,251
Net Operating Loss	429,678	336,099	799,977	411,997	454,919
Loss per Common Share	.040	.040	.100	.055	.063
Total Assets	13,199,405	13,798,915	6,010,042	6,764,508	7,270,483
Long Term Obligations	6,358	10,188	14,248	144,928	330,597
Average Shares Outstanding	10,530,000	8,083,000	8,017,000	7,475,000	7,183,000