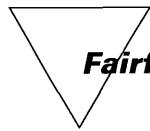




Oka - 082E/12¹13W
*EIK - 092HNE 096



Fairfield Minerals Ltd.

Annual Report 1988

Report to Shareholders	1
Exploration Review — Base Metals	2
Exploration Review — Precious Metals	4
Financial Statements	6
Notes to Financial Statements	10
Corporate Information	IBC

Cover:
Reverse circulation drill at the OKA
gold property in the Okanagan area
of British Columbia.

Report to Shareholders



Fairfield Minerals enjoyed another successful year in 1988. A total of \$3.6 million was spent exploring our properties, with Fairfield as operator and funds supplied by major companies as optionees.

Moreover, in a junior resource market suffering from lack of working capital and focused primarily on gold exploration, your Company today stands as a pleasant anomaly. Not only are we financially strong with over \$2 million in cash and sufficient investment and option income to ensure viability without share dilution, we are also fortunate to have one of the junior exploration industry's strongest base-metal portfolios.

The Logan zinc-silver property in the Watson Lake District of the Yukon received \$1.5 million of diamond drilling, trenching and metallurgical testing in 1988. Under option to Total Energold Corporation, which has recently become the operator, Logan now has a geological inventory of 13.6 million tons grading 6.17% zinc and 0.77 oz per ton silver. Ninety percent of this reserve is amenable to open pit mining methods. Your Company currently has a 50% interest in this outstanding project.

The Goz Creek deposit in the Mayo District of the Yukon, with a geological inventory of 2.75 million tons averaging 11% zinc, is 100% owned subject to a 5% net profit interest.

Logan and Goz Creek are good examples of the type of base-metal-rich property many other explorationists have been disregarding to look exclusively for gold. Zinc markets have recently proved one of the industry's strongest and your Company is well endowed with not only Logan and Goz Creek but several other base-metal prospects in the southern Yukon.

Gold, primarily in southern British Columbia, is another target of the Company in our effort to develop a well-balanced inventory of properties and commodities. Much of this work is being undertaken in conjunction with Placer Dome Inc.

Your Company is favourably positioned for any opportunities the market can offer us. Our priority is to stick to what we do best: base and precious metal exploration in British Columbia and the Yukon. Furthermore, we have the properties, the people and the finances to develop mineral assets of real value for our shareholders in the years ahead.

On behalf of the Board,

A handwritten signature in black ink, appearing to read "J. Stollery". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

John W. Stollery
President

April 21, 1989



LOGAN — 200 Yukon Claims (Zinc, Silver) The Logan property, located 65 miles northwest of Watson Lake in southern Yukon, hosts a stockwork zinc-silver deposit. The claims are 25 miles north of the Alaska Highway and are currently serviced by gravel airstrip.

The 1988 program consisted of 22,200 feet of diamond drilling in 44 holes, 7,900 feet of excavator trenching, geophysical and soil geochemical surveys, and preliminary metallurgical testing, at a cost of \$1.5 million.

The drilling program was successful in delineating additional reserves at depth. Updated calculations indicate a geological inventory of 13.6 million tons grading 6.17% zinc and 0.77 oz per ton silver. Ninety percent of this inventory is within 650 feet of surface and is amenable to open pit mining methods. Bench scale metallurgical test work has returned very positive results. Zinc concentrates are reporting 50-54% zinc with recoveries in the 93 to 95% range. Silver recovery in zinc concentrate is estimated at 85%. The higher grade core of the deposit contains 8 million tons of 8%; including 5 million tons of 10%; or 2 million tons of 14% zinc.

The potential for expanding mineral reserves both at depth and near surface is considered excellent. A substantial drilling program has been recommended for 1989.

TIM — 98 Yukon Claims (Silver, Lead, Zinc) The Tim property, located 45 miles west of Watson Lake, Yukon, hosts replacement deposits in carbonate rocks containing silver, lead and zinc mineralization. The claims, accessible by road, are situated 12 miles northeast of the Midway deposit which has currently defined reserves of 1.3 million tons grading 12.0 oz per ton silver, 7.0% lead and 9.6% zinc in a geological setting similar to that of the Tim area.

The 1988 program consisted of 8,900 feet of backhoe excavation in 18 trenches, with ancillary soil sampling and induced polarization surveys.

The trenches traced a silver, lead, zinc-bearing zone up to 100 feet wide over a strike length of 3,000 feet. Significant results include a 13-foot continuous chip sample averaging 10.3 oz per ton silver, 9.1% lead and a selected sample assaying 36.4 oz per ton silver, 49.5% lead. Zinc mineralization appears to have been largely leached from the surface exposures.

Very strongly anomalous silver, lead and zinc soil geochemical values extend along a portion of the explored zone and indicate good potential to expand the known mineralization an additional 3,000 feet to the east along strike. No work is planned for 1989.

RAM — 657 Yukon Claims (Lead, Zinc, Gold, Silver,) The Ram property, located 25 miles south of Ross River in southern Yukon, hosts precious and base-metal-bearing veins and skarns. A 12-mile summer road provides access.

The 1988 program comprised 12,200 feet of diamond drilling in 31 holes on five areas of the property.

Although the initial exploration search was focused on lead and zinc deposits, gold and silver mineralization was indicated in four of the drill areas. Two of these also returned short intersections of massive sulphides. Sulphide skarn intercepts gave values up to 0.035 oz per ton gold and 2.8 oz per ton silver over 11.6 feet. Arsenopyrite-bearing quartz veins and breccia zones assayed up to 0.095 oz per ton gold and 5.4 oz per ton silver over 6.8 feet. The source of mineralized boulders yielding up to 0.67 oz per ton gold in an area south of the 1988 drilling has yet to be determined. No work is planned for 1989.

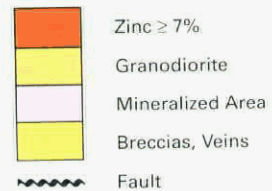
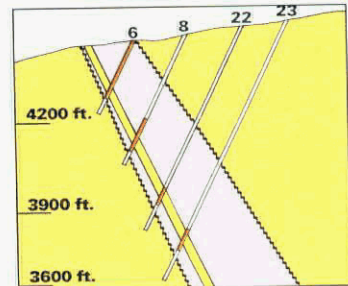
GOZ CREEK — 14 Yukon Claims (Zinc) At Goz Creek, 110 miles east of Mayo, Yukon, 20,500 feet of diamond drilling has identified an open pit reserve of 2.75 million tons averaging 11% zinc. The potential to increase this inventory is excellent. No work is planned for 1989.

\$1.5 million of diamond drilling and trenching on the Logan property almost doubled the geological inventory to 13.6 million tons grading 6.17% zinc and 0.77 oz per ton silver.



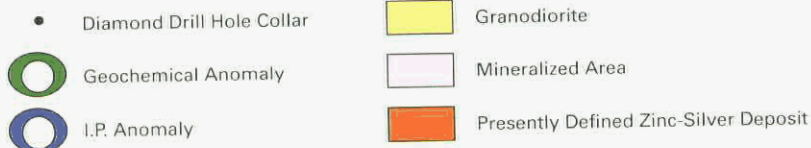
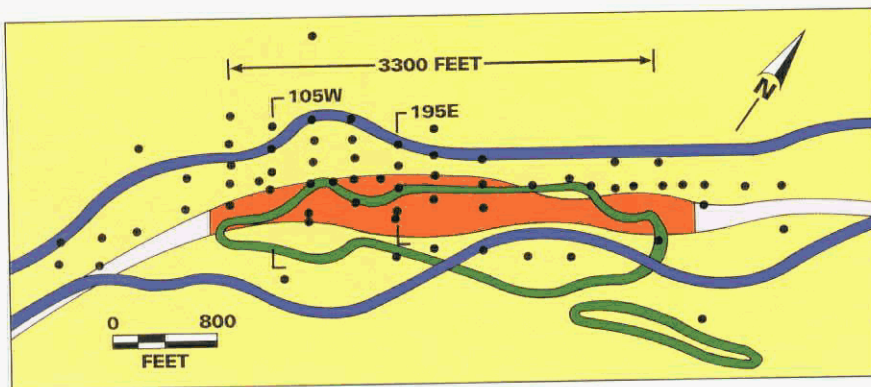
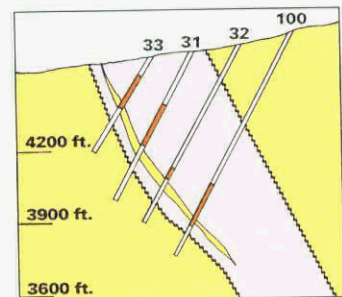
**Logan Property
Diamond Drill Section 105W
Looking West**

DDH	Interval(ft.)	Zn%	Ag opt
6	229.5	7.01	1.03
includes	64.3	14.17	1.68
8	132.3	7.19	0.55
22	32.8	7.15	0.38
23	45.9	7.38	1.38



**Logan Property
Diamond Drill Section 195E
Looking West**

DDH	Interval(ft.)	Zn%	Ag opt
31	165.7	6.72	1.05
includes	59.1	10.22	1.06
32	82.0	5.19	0.54
33	134.5	7.01	1.35
100	75.5	10.08	0.51



Top:
View of the Logan deposit
area looking north.

Bottom:
Plan map of Logan deposit.

092H NE 096



ELK — 324 B.C. Claim Units (Gold)

The Elk property, located midway between Merritt and Peachland in southern British Columbia, hosts gold-bearing vein and alteration zones. Excellent access is assured by a new highway, currently under construction nearby.

The 1988 program included acquisition of more claims, additional soil sampling, geological mapping and backhoe trenching in two areas of strongly anomalous gold soil geochemistry approximately four kilometres apart.

A total of 9,100 feet was excavated in 11 trenches exposing zones of clay alteration, with disseminated pyrite and local quartz veins, cutting granite and andesitic volcanic rocks. The northeast trending zones appear to be controlled by major, deep-rooted structures with potential for strong continuity. Gold values are associated with quartz veins and with pyritic alteration.

Backhoe trenching in 1989 will test the strike continuity of mineralized structures exposed by previous wide-spaced trenches and will explore gold geochemical targets in a new area. In addition, soil sampling will be conducted on new claims. The \$500,000 program will be funded by Placer Dome Inc.

OKA — 194 B.C. Claim Units (Gold)

The Oka property, seven miles by road from Peachland in southern British Columbia, hosts gold-bearing skarn and vein deposits.

During 1988, 20,000 feet of reverse circulation drilling in 44 holes tested five widespread areas on the property.

Drilling focused on downdip extensions of skarn horizons mineralized on surface, and on geochemical targets. Although thick sections of weakly mineralized skarn were encountered, the gold values were generally sub-economic. Seven of the holes returned gold values greater than 0.10 oz per ton over widths of five feet or more. Some of the better results include 0.41 oz per ton gold over five feet and 0.17 oz per ton gold over 20 feet.

Future work on the property would emphasize definition of potential high-grade gold-bearing veins. No work is planned for 1989.

DILL, BANK, WH — 133 B.C. Claim Units (Gold, Copper) Located in the vicinity of the Oka and Elk properties these three prospects were acquired as a result of the 1988 prospecting program. Geochemistry and prospecting have outlined significant anomalies and mineral occurrences. Further assessment of these acquisitions will be undertaken in 1989.

Prospecting — A program to locate base and precious metal mineralization in southern British Columbia will be ongoing for the fourth year and funded by the Company.



▼
▼
▼
Additional claims were added to the high-potential Elk gold property which will undergo extensive trenching and sampling in 1989 funded by Placer Dome.



▼ ▼ ▼ ▼ ▼ ▼ ▼ ▼ ▼ ▼ ▼ ▼ ▼ ▼ ▼ ▼
Top:
Excavation machinery
at work.

Bottom left:
Trench at the Elk gold
property in B.C.'s Okanagan
region.

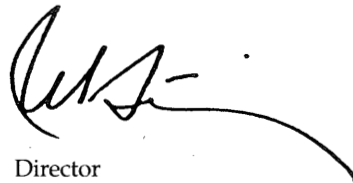
Bottom right:
Trench sampling.



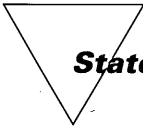
Balance Sheet

	January 31	
	1989	1988
ASSETS		
CURRENT ASSETS		
Cash, including term deposits and accrued interest	\$ 2,083,253	\$ 1,774,380
Prepaid expenses	2,700	1,613
	2,085,953	1,775,993
RESOURCE PROPERTIES (note 1)	2,471,554	2,855,544
	\$ 4,557,507	\$ 4,631,537
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 9,923	\$ 15,477
SHAREHOLDERS' EQUITY		
Capital stock (note 2)	5,345,904	5,130,011
Deficit	798,320	513,951
	4,547,584	4,616,060
	\$ 4,557,507	\$ 4,631,537

Approved by the Board:

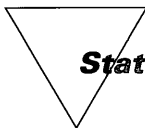

Director


Director



**Statement of Deferred Exploration,
Development and Administration Expenditures**

	Year ended January 31	
	1989	1988
Exploration and development expenditures	\$ 163,210	\$ 945,978
Administration expenditures	176,750	167,421
	339,960	1,113,399
Interest income	(183,938)	(127,085)
Value attributed to income tax benefits flowed through to subscribers	(11,635)	(232,429)
	(195,573)	(359,514)
	144,387	753,885
Write-off of		
General exploration and related administration expenditures	(284,369)	(134,357)
Deferred exploration, development and administration expenditures of resource properties abandoned	—	(12)
	(284,369)	(134,369)
	(139,982)	619,516
Balance at beginning of year	968,642	349,126
Deferred exploration, development and administration expenditures at end of year	\$ 828,660	\$ 968,642



Statement of Changes in Financial Position

	Year ended January 31	
	1989	1988
CASH PROVIDED BY (USED FOR):		
FINANCING		
Issue of common shares	\$ 227,528	\$ 1,275,928
Receipt of option payments on resource properties (note 1)	250,000	—
	<hr/> 477,528	<hr/> 1,275,928
INVESTMENTS		
Interest income	183,938	127,085
Acquisition of resource properties	(5,992)	(303)
Exploration, development and administration expenditures	(339,960)	(1,113,399)
	<hr/> (162,014)	<hr/> (986,617)
Changes in non-cash operating working capital	(6,641)	13,134
	<hr/> (168,655)	<hr/> (973,483)
INCREASE IN CASH	308,873	302,445
Cash at beginning of year	1,774,380	1,471,935
CASH AT END OF YEAR	<hr/> \$ 2,083,253	<hr/> \$ 1,774,380

Cash includes term deposits and accrued interest.



Statement of Income and Deficit

	Year ended January 31	
	1989	1988
Write-off of general exploration and related administration expenditures	\$ 284,369	\$ 134,357
Write-off of resource properties abandoned	—	12
LOSS FOR THE YEAR	284,369	134,369
Deficit at beginning of year	513,951	379,582
DEFICIT AT END OF YEAR	\$ 798,320	\$ 513,951



Auditors' Report

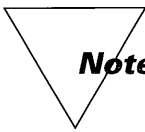
To the Shareholders of Fairfield Minerals Ltd.

We have examined the balance sheet of Fairfield Minerals Ltd. as at January 31, 1989 and the statements of deferred exploration, development and administration expenditures, income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at January 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada
March 10, 1989


Chartered Accountants



GENERAL

The Company was incorporated under the Company Act of British Columbia on October 23, 1984. Its principal business activities include the exploration for and development of mining properties.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Resource properties

The Company is in the development stage. Acquisition, exploration, development and administration expenditures less interest income and recoveries relating to resource properties are deferred until such time as the properties are put into commercial production, sold or abandoned. Acquisition costs and deferred exploration, development and administration expenditures on resource properties abandoned are written off. Exploration expenditures which do not relate to specific resource properties (general exploration) and related administration expenditures are written off in the year incurred.

The costs deferred at any time do not necessarily reflect present or future values. The Company does not accrue the estimated future costs of maintaining its resource properties in good standing.

Flow-through common shares

Proceeds received on the issue of flow-through common shares are allocated as follows:

- (a) the market value of the shares on the date of the agreement, together with interest earned on unexpended subscriptions, is credited to capital stock; and
- (b) the excess of the proceeds over the amount credited to capital stock, which is attributed to the value of the tax benefits flowed through to subscribers, is applied against mineral exploration expenditures.

Earnings per share

Earnings per share information has not been presented as this information is not considered meaningful at this stage of the Company's operations.

1. RESOURCE PROPERTIES

	1989	1988
Acquisition costs	\$ 2,192,894	\$ 2,186,902
Less option payments received	550,000	300,000
	1,642,894	1,886,902
Deferred exploration, development and administration expenditures	828,660	968,642
	\$ 2,471,554	\$ 2,855,544



The resource properties are all located in the province of British Columbia and the Yukon Territory.

Total Energold Corporation ("Total") (previously Getty Resources Limited) has earned a 50% interest in the Logan property by incurring total expenditures on the property of \$4,500,000 and paying \$1,000,000 (\$600,000 to the Company's affiliate, Regional Resources Ltd., prior to the Company's acquisition of the property) in option payments and may earn a further 10% interest if it pays an additional \$200,000 to the Company by May 15, 1989. Total is required to fund 100% of exploration expenditures until a production decision is made, at which time the Company may:

- i) if it has a 50% interest, elect to pay its share of all expenditures greater than \$4,500,000 and pay its proportionate share of future expenditures after the production decision or convert its property interest into a 15% net profit interest;
- ii) if it has a 40% interest, elect to pay its proportionate share of future expenditures after the production decision or convert its property interest into a 15% net profit interest.

Equity Silver Mines Limited ("Equity Silver") has an option to earn a 60% interest in the Ram property by incurring total expenditures of \$2,400,000 by December 31, 1990. Subsequent to January 31, 1989 Equity Silver surrendered its right to earn the interest after expending approximately \$1,243,000.

Placer Dome Inc. ("Placer") has an option to earn a 50% interest and a second option to earn a further 20% interest in the Elk property. Under the terms of the agreement, Placer may earn the 50% interest in the property by making total option payments to the Company of \$500,000 on or before February 21, 1991, of which \$125,000 has been received including \$75,000 subsequent to January 31, 1989, and by incurring total expenditures of \$2,000,000 by February 28, 1992. At January 31, 1989, Placer has expended approximately \$401,000 in exploration. Placer may earn the further 20% interest in the Elk property by paying the Company an additional \$500,000 and incurring total expenditures of \$2,000,000 on or before the second anniversary date of the election to earn the further 20% interest.

Placer also made an option payment of \$50,000 to the Company and expended approximately \$520,000 in exploration to earn an interest in the Oka property. Subsequent to January 31, 1989, Placer surrendered its right to earn the interest.

Chevron Minerals Ltd. ("Chevron") made an option payment of \$50,000 to the Company and expended approximately \$377,000 in exploration to earn an interest in the Tim property. Subsequent to January 31, 1989, Chevron surrendered its right to earn the interest.

The recovery of the costs of resource properties is dependent upon the discovery of a sufficient quantity of ore of economic value and obtaining adequate financing for the development and mining of the ore body.

2. CAPITAL STOCK

The Company is authorized to issue 10,000,000 common shares, without par value.

(a) Issued

	1989		1988	
	Number of shares	Amount	Number of shares	Amount
Balance at beginning of year	4,910,481	\$ 5,130,011	4,150,001	\$ 4,086,512
Issued for cash (net of issue costs)				
Flow-through common shares	232,700	227,528	460,480	879,280
Public issue	—	—	300,000	396,648
	232,700	227,528	760,480	1,275,928
Assigned value of tax benefits flowed through to subscribers		(11,635)		(232,429)
		215,893		1,043,499
Balance at end of year	5,143,181	\$ 5,345,904	4,910,481	\$ 5,130,011

(b) Stock options

During the year, stock options were granted to an employee and to directors of the Company for 500,000 common shares exercisable until January 22, 1994 at \$.71 per share subject to stock exchange and shareholder approval. Upon approval, options previously granted for 380,000 common shares at \$1.10 per share will be cancelled.

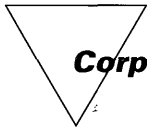
3. INCOME TAXES

The Company has the following amounts available to reduce future years' income for income tax purposes:

	1988
Canadian exploration expenditures	\$ 85,000
Mining exploration depletion allowance	97,000
	\$ 182,000

4. RELATED PARTY TRANSACTIONS

A director is the president of the engineering company which was engaged for exploration work. This company received \$53,700 (1988—\$169,500) for management fees, \$70,400 (1988—\$199,700) for consulting fees and \$60,000 (1988—\$60,000) for office space and services. The engineering company was also engaged by Total, Equity Silver, Placer and Chevron to carry out exploration on the Logan, Ram, Oka, Elk and Tim properties for which it received additional management and consulting fees from these companies.



Corporate Information

OFFICERS

John W. Stollery, President
Kenneth G. Hanna, Secretary

DIRECTORS

Michael F. Dubensky
Graham Farquharson
Owen S. Hairsine
Kenneth G. Hanna
Albert F. Reeve
John W. Stollery

REGISTRAR AND TRANSFER AGENT

Montreal Trust Company of Canada
510 Burrard Street
Vancouver, B.C. V6C 3B9

GEOLOGICAL CONSULTANTS

Cordilleran Engineering Ltd.

LEGAL COUNSEL

Lyall McKercher Hanna

AUDITORS

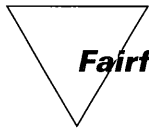
Thorne Ernst & Whinney

SHARES LISTED (FFD)

Vancouver Stock Exchange

CAPITALIZATION

Authorized: 10,000,000 common shares
Issued: 5,143,181 common shares



Fairfield Minerals Ltd.

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