

Statement of Lossended August 31, 1987
(audited)

	1987	1986
\$	41,901	\$ 217,148
	25,510	28,064
	2,138	1,522
	3,668	5,673
	<u>73,217</u>	<u>252,407</u>
\$	282,153	\$ 98,218
	47,800	47,800
	—	5,900
	—	4,450
	8,204	5,022
	550	640
\$	<u>—</u>	<u>379</u>
	338,707	162,409
	(265,490)	89,998
	—	(348,450)
\$	<u>(265,490)</u>	<u>\$ (258,452)</u>
	2c	3c
	<u>(2c)</u>	<u>1c</u>

**Consolidated Statement of Changes
in Financial Position**For the three months ended August 31, 1987
(Unaudited)

	1987	1986
OPERATING ACTIVITIES		
Operations	\$ (215,543)	\$ 70,721
Decrease in accounts receivable	23,951	3,254
	<u>(191,592)</u>	<u>73,975</u>
FINANCING ACTIVITIES		
Issue of shares, including premiums on issue of flow- through shares	4,179,400	1,244,908
Decrease (increase) in share subscription receivable	—	5,092
Repayment of employee share purchase loans	—	28,800
Increase (decrease) in accounts payable and accrued liabilities	436,342	354,580
Joint venture advances	72,984	—
Share issue costs	(266,710)	—
	<u>4,422,016</u>	<u>1,633,380</u>
INVESTING ACTIVITIES		
Mineral exploration and property acquisition	(1,285,270)	(1,348,302)
Decrease in prepaid exploration and other expenses	47,701	—
Purchase of fixed assets	(44,467)	(4,535)
Decrease in gold concentrate and metal on hand	180,977	—
	<u>(1,101,059)</u>	<u>(1,352,837)</u>
INCREASE IN CASH AND SHORT-TERM INVESTMENTS	<u>3,129,365</u>	<u>354,518</u>
CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF THE PERIOD	<u>961,033</u>	<u>1,282,937</u>
CASH AND SHORT-TERM INVESTMENTS AT END OF THE PERIOD	<u>\$ 4,090,398</u>	<u>\$ 1,637,455</u>

Corporate Information**Head Office**

Energex Minerals Ltd.
Suite 2500, 555 West Hastings Street
P.O. Box 12052
Vancouver, British Columbia
Canada, V6B 4N5
Telecopy (604) 684 8724
Telex 04 352848
Telephone (604) 684 1258

Auditors

Deloitte, Haskins & Sells

Bankers

Royal Bank of Canada

Registrar & Transfer Agent

Montreal Trust Company

Shares Listed

Toronto Stock Exchange
Trading Symbol—EGX
Vancouver Stock Exchange
Trading Symbol—EGX
NASDAQ Symbol—EGEXF

016866

ENERGEX**Energex Minerals Ltd.
1st Quarter Report**For the three months ended
August 31, 1987*R.C. Atkinson*

31, 1987 was one of the
e company's history.
ncing activities have
its goal of gold produc-
wned AI Project in the
ntral British Columbia.

Stock Exchange
arter as investors
and its progress on
ous enquiries received
S. investor interest
ntinuing effort to
and add liquidity to
was relisted to trade
25, 1987 under the

Program

whole has been the
loration activity.
active in the camp
ave seen major dia-
has the largest claim
and one of the most
erging gold play.

ore than \$10 million has
s Toodoggone claims
e main deposits (Thesis,
l Project where open
delineated by drilling.

y initiated the largest
rogram ever undertaken
ted program was
n the proven category.
nce during the season
esults. Ultimately,

pleted, along with extensive trenching and surface
sampling. Total expenditures exceeded \$2.3 million.

Bonanza Zone

Development drilling focused on the Bonanza de-
posit. The structure was tested by drilling over a
strike length of 1,500 feet and trenched for over
2,000 feet. The zone was intersected by more than
100 drill holes, with numerous high-grade near surface
intersections encountered at the convergence of the
main Bonanza structure with the Ghost system. The
mineralization identified to date appears to be a gently
southwest dipping sheet ranging up to 50 feet in true
thickness. The weighted average grade of all intersec-
tions was approximately 0.3 oz. gold/ton.

Ridge Zone

Trenching and limited exploration drilling on the Ridge
zone north-east of the Bonanza deposit delineated a
major target for future exploration. The Ridge zone
is a large north-east trending brecciated vein system
over 2,500 feet long within a silicified zone that is
50 to 115 feet wide at surface. The structure was
tested by four wide spaced drill sections to a maximum
vertical depth of 1,000 feet. Silicified pyritic host rock
was intersected in all holes, returning anomalous to
economically significant values from the four holes
reported to date. Additional assays from the last phase
of drilling are still to be received.

Preproduction Activities

In parallel to the exploration program the company
initiated a number of pre-feasibility activities during the
quarter. Bulk sampling and metallurgical testing was
again conducted this season utilizing the on-site pilot
plant. Field environmental work was completed for
Provincial permit applications. Site selection, surveying
and preliminary engineering design studies for mine,
mill and tailings facilities have been undertaken.

Steffen Robertson & Kirsten have been engaged to
conduct a feasibility study. Ore reserve calculations
are in progress as of the date of this report, and block
model interpretation will be completed following
receipt of all outstanding assays. The feasibility study
is scheduled for completion by December 31, 1987
following final metallurgical studies, mine and mill
design and economic sensitivity analysis.

The construction of the Omenica Mine Access Road
(OMAR) extension into the Toodoggone by Cheni
Gold Mines brings overland access to within nine
miles of the AI deposits and promises to greatly
enhance the economics of the Energex deposits. A
route extending the OMAR north to the AI Project
has been surveyed, approved and permitted, and
the final road design completed. The Provincial gov-
ernment has been approached regarding financial
assistance for the OMAR extension north.

Financial Review

In order to strengthen financial capabilities, Energex
has established a working relationship with Laurence
Prust & Co., a well recognized firm of London
stockbrokers. Acting as financial advisors they will
help to ensure that the AI Project's capital funding
requirements are met and to provide access to senior
sources of financing for project acquisition and cor-
porate development. The association with Laurence
Prust in combination with long term relationships
with a group of Canadian funds, will afford Energex
financial depth and increased flexibility to pursue
corporate objectives.

The company entered the first quarter with a working
capital balance of \$1,210,833. On August 28, 1987,
Energex closed a private placement with eleven
overseas institutional investors that was arranged by
Laurence Prust & Co. The investors subscribed for
2.2 million units at \$1.00 per share for aggregate pro-

ceeds of \$3,264,000. Non-transferable share purchase
warrants (expiring May 28, 1988) entitle the holders
to purchase an equal number of common shares at
\$1.43 per share.

Flow-through funding of \$1 million was arranged
during the quarter, in addition to \$1 million secured
earlier in the year, to meet the company's planned
exploration expenditures in the Toodoggone.

At the close of the first quarter Energex had a cash
position of \$4,090,398 and working capital of
\$3,578,243. A strong balance sheet, seasoned
management, natural resource projects with sub-
stantial potential to develop a number of precious
metal ore bodies, and strong support in the financial
community are the company's ingredients for success.

Respectfully submitted,



A.O. Birkeland, P.Eng.
President

October 27, 1987