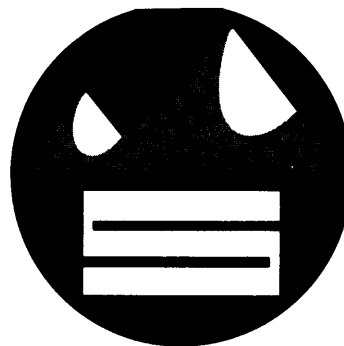


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PROPERTY FILE

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Skyline Explorations Ltd.

**SECOND QUARTER REPORT
For the six months ended April 30, 1988**

Skyline Explorations Ltd.

301 - 675 West Hastings Street
Vancouver, B.C.
V6B 1N2

Telephone (604) 683-6865
Faxline (604) 683-7449

TO SHAREHOLDERS OF SKYLINE

The Company is in the final stages of commissioning its mill at the Johnny Mountain gold mine and all expenditures net of any income are being deferred for accounting purposes. This deferral policy will continue until commercial production is attained, which is expected to occur during the next quarter. When commercial production quantities are achieved, revenues and expenses will be reported on a statement of earnings.

During the six months ended April 30, 1988 expenditures of \$6,699,000 were incurred on mine development and \$2,855,000 on the purchase of equipment and construction of facilities. Spending during the second quarter amounted to \$3,125,000 for development and \$1,249,000 for plant and equipment.

A \$5.5 million bank line credit has been obtained to ensure that sufficient funds are available to complete the mill construction and mine development and to meet working capital requirements until cash is received from gold sales.

UPDATE

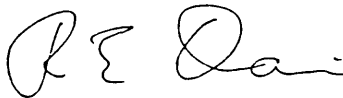
Various components of the mill are being tested and start-up is expected by mid June. The mill will produce three types of product: a gold gravity concentrate, a copper concentrate containing gold and silver and a gold/silver dore bar. Contracts for the further processing and sale of these products are in the final stages of completion.

As previously reported, the lower level adit intersected the 16 vein, 150 feet below the upper level adit where excellent grades were obtained over a strike length of 465 feet. Initial sampling of the lower adit 16 vein assayed .75 oz gold/ton across 5 feet. The intersection of the 16 vein by the lower level adit is significant because it confirms the continuity of the vein to the lower level and that the vein is open at depth. This will enable the company to increase reserves from the 16 vein.

Surface exploration has commenced on the Crown Grants located on the northern boundary of the Reg Mineral Claims adjoining the Cominco/Delaware Snip property. Surface drilling will commence in mid June.

Exciting times lie ahead for Skyline as it becomes a gold producer with a great potential to increase overall gold reserves as well as to expand gold production during the ensuing years.

Respectively submitted



R.E. Davis, President

Vancouver, B.C.
June 1, 1988

Skyline Explorations Ltd. STATEMENT OF CHANGES IN FINANCIAL POSITION

(Unaudited)

	SIX MONTHS ENDED APRIL 30	
	1988	1987
	(Thousands)	
Operating Activities		
Exploration and development expenditures excluding depreciation	\$(6,699)	\$(725)
Cash provided (applied) to changes in working capital	(1,255)	233
	(7,954)	(492)
Investing Activities		
Purchase of equipment	(138)	(933)
Construction in progress costs	(2,717)	—
Investments	(7)	(348)
	(2,862)	(1,281)
Financing Activities		
Issue of shares	1,526	3,892
Repayment of long-term debt	—	(33)
	1,526	3,859
Increase (Decrease) in Cash	(9,290)	2,086
Cash at beginning of period	12,222	166
Cash at end of period	\$ 2,932	\$ 2,252

Skyline Explorations Ltd. CONDENSED BALANCE SHEET

(Unaudited)

	APRIL 30 1988	OCTOBER 31 1987
	(Thousands)	
Assets		
Current	\$ 3,261	\$12,405
Investments and deposits	260	253
Property, plant and equipment	11,884	9,333
Deferred preproduction expenditures	20,527	13,524
	\$35,932	\$35,515
Liabilities and Shareholders' Equity		
Current accounts payable and accrued	\$ 1,993	\$ 3,102
Current portion long-term debt	3,850	1,750
Long-term debt	2,150	4,250
Deferred revenue	588	588
Shareholders' equity	27,351	25,825
	\$35,932	\$35,515

Approved by the Directors:

