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EUREKA RESOURCES, INC.

ANNUAL REPORT 1990

## REPORT TO SHAREHOLDERS

Dear Shareholder:

Despite weak metal prices, the adverse publicity of the Vancouver Stock Exchange, and the global recession, Eureka experienced a relatively successful 1990. Two major events were accomplished in the early part of the year.

- \* An Option and Joint Venture Agreement was concluded with Asarco Exploration Company of Canada, Limited to earn a 50 percent interest in the Frasergold Project. Asarco has fulfilled the initial funding commitment, having spent \$1.4 million dollars on exploration drilling. The results are summarized in the Operations Review Section of the report.
- \* Amalgamation of Eureka with Hawthorne Gold Corp. was approved by shareholders of both companies at last years Annual General Meetings and was effected in March, 1990. Your company now has 100 percent control of the Mindora Project.

The Board of Directors was very pleased to have formed a business association with Asarco, and welcomes their enthusiastic support of the Frasergold project. As well as financial strength, Asarco provides a world-wide technical background of gold deposits that is regarded as a valued asset to ongoing development.

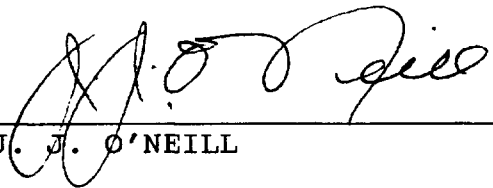
The 1990 field programme at Frasergold was managed by the staff of Eureka. Although there were several logistical problems encountered during the programme, the goals and objectives were met, and expenditures were kept to budget guidelines. The technical success of the 1990 programme has been received with much optimism. Asarco has committed to substantial expenditures for 1991, now in the planning stages, with the objective of completing a feasibility study for the Frasergold property at the conclusion of the 1991 programme.

In addition to the work at Frasergold, drill programmes were completed on the Doreen Lake and Iron Mask projects. Both properties are located in favourable geological environments to host major porphyry copper gold deposits. Anomalous to sub economic contents of copper and gold are reported from both drill campaigns. The mineral assemblages and rock-types encountered are similar to other major copper gold deposits such as Afton, Polley Mountain and Mount Milligan. We are very confident that persistent exploration will result in the discovery of similar types of deposits.

The declining value of silver to the \$4.00 (U.S.) per ounce range has been disturbing news for the Mindora project. The current price ratio of gold to silver (100 to 1) is the highest on record, and reflects the uncertainty of silver as a needed commodity of the near future. As silver is a major component of Mindora ore, it is very doubtful that commercial production will be reviewed in 1991 unless a dramatic improvement in the price of silver is realized. In the meantime, Eureka will explore all opportunities, including the sale of ore to existing beneficiation facilities.

The key to success for junior mining companies in the early 1990's is survival. With its sound treasury, exciting projects, and deserved recognition in the mining community, Eureka not only will survive but I remain confident that continued development of Frasergold will lead to an early production decision. The Board of Directors gratefully acknowledges all shareholders' continued interest and support.

On Behalf of the Board



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J. J. O'NEILL

## OPERATIONS REVIEW

### FRASERGOLD PROJECT - BRITISH COLUMBIA

The Frasergold property is located in the Cariboo region of central British Columbia, 100 km east of the town of Williams Lake. Ground acquisition during 1990 has enlarged the project land area to 41 mining claims, approximately 18,000 acres.

Early in 1990, Eureka entered into an Option and Joint Venture Agreement with Asarco Exploration Company of Canada Limited, a subsidiary of Asarco, Inc. The Agreement requires Asarco to spend a minimum of \$1.4 million in 1990, and \$2.0 million in each of 1991 and 1992, or provide a feasibility study that recommends placing the property into commercial production. On receipt of the feasibility study, and a commitment to place the property into commercial production, Asarco will have been deemed to have earned their 50% interest in the project. Eureka will have the right to finance their share to production or convert to a 30% net profits interest.

Asarco has completed the 1990 commitment, having expended \$1.4 million on exploration drilling. In total, 64 holes (8950 meters) were drilled, 54 exploring the northwest and southeast extensions of the Frasergold Main Zone, 8 investigating geochemical anomalies in the northwest sector of the property, and 2 testing mineralized horizons at the Eureka Peak Zone. In addition, 4 one tonne bulk samples were collected from the existing underground workings for preliminary metallurgical tests.

In summary, total exploration expenditures from 1980 - 1990 approximate \$6.07 million, consisting of:

- 23,489 metres (191 holes) of drilling.
- 184 metres of underground development of which 524 tonnes of ore were mill processed.
- collection of 10 tonnes of bulk samples for metallurgical tests.
- collection of approximately 7500 soil samples, and 2500 rock chip and channel samples for gold analysis.

The Frasergold Main Zone is a stratabound, structurally controlled gold deposit occurring in the basal portion of a black, porphyroblastic phyllite unit of the Upper Triassic Quesnel Group. The favourable strata containing gold mineralization has been tested by drilling over a strike length of 8 kilometres. Gold is found in at least three stratigraphic horizons and occurs as clusters of coarse particles associated with zones of abundant quartz veining and extreme deformation.

The geological controls of gold mineralization at the Eureka Peak Zone are not clearly understood. Gold occurs as fine disseminations in sulphide-rich, limy volcanic rock of the early Jurassic Takla Group.

Results of all exploration work completed on the property to-date are summarized as follows:

- \* The Frasergold Main Zone has a geological reserve base of 13 - 15 million tons grading .054 ounces gold per ton per 100 metres of vertical depth over a strike length of 3 kilometres. These reserves can be mined by "open-pit mining methods to depths of 100 - 150 meters, with waste:ore ratios ranging 4-7:1.
- \* Additional open-pit mine potential exists over a 2.5 km strike length of unexplored favourable lithology. Further drilling is required to establish reserve potential.
- \* The mineral reserve potential is open at depth and along strike an additional 2.5 km to the southeast. Such reserves would be developed for large scale underground mining potential.
- \* Underground bulk sampling indicates consistent grades of gold over the width of mineralization, and a possible grade improvement of 30% over the average grades of drill and channel samples.
- \* The Eureka Peak Zone offers potential of developing high grade reserves that could be mined by underground mining methods.

Based on a gold price of US \$400 per ounce, the indicated reserve base appears economic, and an aggressive programme for 1991 has been recommended to bring the project to feasibility.

Asarco has now committed to substantial expenditures for 1991 under the Option and Joint Venture Agreement. An exploration programme is under design to establish reserves in the Main Zone, and explore the remaining areas of the principal geochemical target. The 1991 programme is to combine underground development and bulk sampling in the existing adit site. Following successful completion of the drill programme, adits will be driven to further establish the grade improvement of bulk sampling over drill assays. All bulk samples are to be mill processed at a site yet to be decided.

It is anticipated to commence the drilling phase of the 1991 programme in May. Bulk sampling is to be accomplished during the latter portion of the programme. The objective for 1991 is the completion of a feasibility study on conclusion of the programme.

#### **IRON MASK PROJECT - BRITISH COLUMBIA**

The Iron Mask Project is comprised of four mineral claims located by staking, and a fifth claim subject of a 3% NSR agreement, totalling 4500 acres. The property is located on the north shore of Kamloops Lake, 20 km west of Kamloops, B.C.

Rock-types underlying the property are mainly intrusive rocks of the Iron Mask Batholith, that host various porphyry Cu-Au deposits 15-20 km to the southeast. At least 9 known deposits occur in an area of 60 square kilometres. It was based on this high density of deposits that Eureka commenced ground acquisition of the 12 square kilometre exposure of the Iron Mask Batholith in early 1989.

In late 1989, an option and joint venture agreement was concluded with Teck Corporation, whereby Teck could earn a 50% interest in the project by spending \$600,000 over a three year period. Teck completed a 19 hole (1818 meters) reverse circulation drill programme on the property in December, 1989, that fulfilled the initial year's requirement to maintain the option.

The drill programme tested the obvious copper mineralization of the FREDERICK ZONE. Drill holes located on the mineralized surface exposures indicated mineralized widths of 13-65 m (40-200 ft.) grading 0.2% Cu with anomalous gold values. Hole 89-11, the most eastern hole, intersected 9.1 meters (30 ft.) of .35 percent copper and .015 ounces gold per ton. Other holes in this area could not penetrate the deep overburden.

As the drilling did not intersect zones of sufficient size to house an economic porphyry copper - gold deposit, Teck could not commit to the second year programme, and subsequently terminated the agreement.

The eastern extension of the FREDERICK ZONE is covered by deep glacial overburden. Hole 89-11 is significant in that strong gold values are associated with obvious copper mineralization. Further drilling is warranted in this area.

In addition to the FREDERICK ZONE, the historical MAXINE MINE and the SKI ZONE are targets for future exploration. 30 to 90 tonnes of ore grading 10 percent copper, .03 ounces gold per ton and 1.0 ounces silver per ton is reported to have been shipped from the Maxine Mine. The Ski Zone has been delineated by geochemistry.

Eureka is currently reviewing all the data, with plans to complete a drill programme on the obvious targets in early 1991.

#### **DOREEN LAKE PROJECT - BRITISH COLUMBIA**

The Dor 1,2,6 & 7 Fr claims (2600 acres) are located 80 km east of Williams Lake in the Cariboo Mining Division, British Columbia. In 1989, an Option and Joint Venture Agreement was concluded with Gibraltar Mines Ltd., whereby Gibraltar can earn a 60% interest in the project by spending \$650,000 over a three year period.

To date, Gibraltar has spent in excess of \$250,000 on the project, completing 11 diamond drill holes, totalling 2368.9 metres, and an induced polarization survey.

Three of the holes have encountered highly altered granodiorite and disseminated and massive lenses of pyrite, chalcopyrite and pyrrhotite over core lengths of 3 - 10 metres, with assays ranging .2 to .8 percent copper and .010 to .015 ounces gold per ton. The alteration package, rock-types, and mineralization encountered are similar to the Polley Mountain porphyry copper-gold deposit, located 40 km to the northwest, currently being prepared for production by Imperial Metals Corp.

## **MINDORA PROJECT, NEVADA**

The Mindora Project is comprised of 112 unpatented mining claims (2200 acres) located in Mineral County, Nevada. Reserves in excess of 1 million tons grading .037 ounces per ton gold and 1.78 ounces per ton silver have been developed on the property.

Eureka gained 100% ownership of the project on conclusion of amalgamation of Eureka with Hawthorne Gold Corporation.

Only required assessment work was completed on the property in 1990. This included trenching and sampling the new prospects located in the extreme western portion of the property. The results indicated anomalous to sub-economic contents of gold and silver.

Historical feasibility studies completed on the known reserve base indicate the project cannot support commercial production at the current price of precious metals. Eureka is reviewing opportunities to sell ore to nearby beneficiation facilities, and will perform only the required assessment work during 1991.

## **MILLER PROJECT - BRITISH COLUMBIA**

The property is located in the Okanagan Valley, approximately 25 km west of the City of Vernon, and consists of two mining claims (1800 units).

There was no work done on the property in 1990.

The claims cover favourable Tertiary volcanic rocks that host epigenetic gold deposits on the Brett claims, 4 km to the northwest. Soil sampling has defined geochemical targets, with gold values ranging up to 385 ppb. To date, a bedrock source of the gold has not been located.

## **BETTY CLAIMS - BRITISH COLUMBIA**

Four reverted crown grants (200 acres) were purchased from the Crown in early 1990 by auction. The claims are located in the Skeena Mining Division, British Columbia, approximately 25 km north of the town of Stewart.

Geological mapping and prospecting the old reported workings on the property was completed during 1990. The favourable Mt. Dilworth Formation, hosting the Eskay Creek deposits, is confirmed to be present on the acquired claims.

The claims were originally located in 1920 as the result of discovery of rich silver bearing veins on the Betty No. 1 claim. Assays up to 400 ounces silver per ton were reported at this time. More recent sampling has indicated 1 to 57 ounces silver per ton, .03 to .08 ounces gold per ton, 1 percent lead, 4-5 percent zinc & minor copper. The 1990 work confirms the mineralized zones as veins occurring in sedimentary rocks below the favourable Mt. Dilworth Formation, probably representing feeder zones contemporaneous with deposition of the Mt. Dilworth volcanic rocks. Samples collected in 1990 confirm the metal content of earlier sampling programmes.

EUREKA RESOURCES, INC.  
CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 1990

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Peat Marwick Thorne

Chartered Accountants

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File Ref.

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Eureka Resources, Inc. as at October 31, 1990 and the consolidated statements of operations and deficit and changes in financial position for the period 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 consolidated financial statements present fairly the financial position of the Company as at October 31, 1990 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Peat Marwick Thorne.*

Chartered Accountants

Vancouver, Canada

November 30, 1990



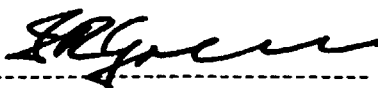
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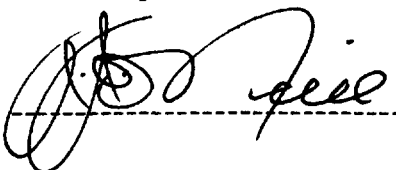
EUREKA RESOURCES, INC.

CONSOLIDATED BALANCE SHEET

	OCTOBER 31	JUNE 30	
	1990	1990	1989
	-----	-----	-----
<b>ASSETS</b>		(restated-note 5)	
<b>CURRENT ASSETS</b>			
Cash and short term investments (note 1)	\$470,596	\$446,064	\$739,421
Accounts receivable	82,254	44,088	2,560
Due from related parties	7,154	7,154	14,304
	-----	-----	-----
	560,004	497,306	756,285
INVESTMENT IN HAWTHORNE GOLD CORPORATION (note 2)	-	-	116,000
INVESTMENT IN MINERAL PROPERTIES (note 3)	2,300,214	2,351,189	1,559,847
PLANT AND EQUIPMENT (net of accumulated depreciation of \$28,953, June 1990 \$22,800, 1989 \$15,600)	25,812	30,275	20,400
	-----	-----	-----
	\$2,886,030	\$2,878,770	\$2,452,532
	=====	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	\$26,981	\$29,677	\$50,799
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock (notes 2 and 4)			
Authorized			
10,000,000 common shares, without par value			
Issued			
5,421,138 shares			
(June 1990 5,421,138 shares, 1989 4,760,529 shares)	3,295,907	3,295,907	2,698,786
Deficit	(256,467)	(266,423)	(232,662)
Cost of 177,333 Company shares owned (note 2)			
(June 1990 177,333 shares, 1989 100,000 shares)	(180,391)	(180,391)	(64,391)
	-----	-----	-----
	2,859,049	2,849,093	2,401,733
	-----	-----	-----
	\$2,886,030	\$2,878,770	\$2,452,532
	=====	=====	=====
COMMITMENTS (note 3)			

APPROVED BY THE BOARD

  
----- DIRECTOR

  
----- DIRECTOR

EUREKA RESOURCES, INC.

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

	4 MONTHS ENDED	YEAR ENDED JUNE 30	
	OCTOBER 31	1990	1989
	1990	(restated-note 5)	
<b>REVENUE</b>			
Interest income	\$20,247	\$71,331	\$97,076
Camp rental revenue	12,000	8,000	-
Project management fees	15,000	5,000	-
	47,247	84,331	97,076
<b>EXPENSES</b>			
Salaries and administration	14,957	57,565	75,049
Professional fees	16,181	16,660	5,718
Property examination	-	2,995	11,291
Depreciation	6,153	7,200	7,200
	37,291	84,420	99,258
<b>INCOME (LOSS) FOR THE PERIOD</b>	9,956	(89)	(2,182)
Deficit at beginning of period			
As previously reported	279,423	232,662	230,480
Prior period adjustment (note 5)	(13,000)	-	-
As restated	266,423	232,662	230,480
Amalgamation costs	-	33,672	-
<b>DEFICIT AT END OF PERIOD</b>	\$256,467	\$266,423	\$232,662

## EUREKA RESOURCES, INC.

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	4 MONTHS ENDED	YEAR ENDED JUNE 30	
	OCTOBER 31 1990	1990	1989
		(restated-note 5)	
<b>CASH PROVIDED BY (USED FOR):</b>			
<b>OPERATIONS</b>			
Income (Loss) for the period	\$9,956	(\$89)	(\$2,182)
Depreciation, an item not involving cash	6,153	7,200	7,200
	16,109	7,111	5,018
<b>CHANGE IN NON-CASH COMPONENTS OF WORKING CAPITAL</b>			
Accounts receivable	(38,166)	(41,528)	14,098
Accounts payable	(2,696)	(21,122)	16,725
Due from related parties	-	7,150	(9,350)
	(24,753)	(48,390)	26,491
<b>FINANCING ACTIVITIES</b>			
Issue of capital stock upon amalgamation (note 4)	-	576,121	-
Issue of capital stock for mineral property option	-	21,000	6,000
Amalgamation costs	-	(33,672)	-
	-	563,449	6,000
<b>INVESTMENT ACTIVITIES</b>			
Acquisition of equipment	(1,690)	(17,075)	-
(Additions to)/recovery of investment in mineral properties	50,975	(791,342)	(396,764)
	49,285	(808,417)	(396,764)
<b>INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS</b>	24,532	(293,357)	(364,273)
<b>CASH AND SHORT TERM INVESTMENTS AT BEGINING OF PERIOD</b>	446,064	739,421	1,103,694
<b>CASH AND SHORT TERM INVESTMENTS AT END OF PERIOD</b>	\$470,596	\$446,064	\$739,421

EUREKA RESOURCES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOUR MONTHS ENDED OCTOBER 31, 1990

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**GENERAL**

The Company was incorporated on, June 16, 1981 under the Company Act of British Columbia. On March 30, 1990 the Company amalgamated with Hawthorne Gold Corporation, a Company with common directors, the amalgamated company continuing as Eureka Resources, Inc. The Company has changed its year end date from June 30th to October 31st.

The Company's activities include the exploration and development of mineral properties.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Consolidation

These financial statements include the accounts of the Company and its wholly owned subsidiaries Eureka Resources (Nevada) Inc. and Hawthorne Gold Inc.

Nature of Operations

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the company's interest in the underlying mineral claims, the ability of the company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Investment in Mineral Properties

Mineral properties are carried at cost and are comprised of mineral claims and related exploration and development expenditures. The cost of mineral properties will either be amortized by charges against income from future mining operations or written off if the properties are not put into production. The amounts shown for mineral properties represent costs to date and are not intended to reflect present or future values.

EUREKA RESOURCES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOUR MONTHS ENDED OCTOBER 31, 1990

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Plant and Equipment

Plant and equipment, consisting of trailers and camp equipment, is stated at cost. Depreciation is provided on a straight line basis over 5 years.

Foreign Exchange Translation

Foreign currency transactions are converted to Canadian funds at rates prevailing at the date of each transaction.

**1. CASH AND SHORT TERM INVESTMENTS**

Included in the amount is a \$5,000 term deposit pledged as security to the Chief Inspector of Mines of the Province of British Columbia pursuant to the Mining Regulations Act (B.C.).

**2. AMALGAMATION**

Pursuant to the amalgamation on March 30, 1990 of Eureka Resources, Inc. with Hawthorne Gold Corporation, Eureka exchanged the 386,669 common shares it held in Hawthorne for 77,333 common shares in the Company. As of the date of the financial statements these shares are included in the number of Company shares owned and the original cost of the shares of \$116,000 is included in the cost of Company shares owned. Subsequent to the date of these financial statements and pursuant to the amalgamation agreement, the Company has cancelled the 77,333 shares.

EUREKA RESOURCES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOUR MONTHS ENDED OCTOBER 31, 1990

3. INVESTMENT IN MINERAL PROPERTIES

The Company's investment in mineral properties consists of the following:

	Balance	Additions	Balance	Additions	Balance
	June 30	to June 30	June 30	(Recoveries)	October 31
	1989	1990	1990	to October 31	1990
				1990	
-----					
(restated-note 5)					
<b>FRASERGOLD PROJECT</b>					
Cariboo Mining Division B.C.					
Acquisition	\$24,390	\$21,000	\$45,390	(\$21,000)	\$24,390
Exploration	1,035,720	89,461	1,125,181	(\$38,667)	1,086,514
<b>DORBEW LAKE PROJECT</b>					
Cariboo Mining Division B.C.					
Acquisition	10,000		10,000	-	10,000
Exploration	66,725	7,256	73,981	\$450	74,431
<b>IRON MASK PROJECT</b>					
Kamloops Mining Division B.C.					
Acquisition	1,100		1,100	-	1,100
Exploration	30,807	28,037	58,844	\$150	58,994
<b>MILLER PROJECT</b>					
Vernon Mining Division B.C.					
Acquisition	9,000	15,000	24,000	\$5,000	29,000
Exploration	119,945	2,601	122,546	\$1,000	123,546
<b>MINDORA PROJECT</b>					
Nevada, U.S.A.					
Acquisition	27,500	171,777	199,277	-	199,277
Exploration	234,660	446,152	680,812	\$1,008	681,820
<b>BETTY CLAIMS</b>					
Skeena Mining Division B.C.					
Acquisition	-	6,058	6,058	-	\$6,058
Exploration	-	4,000	4,000	\$1,084	5,084
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	\$1,559,847	\$791,342	\$2,351,189	(\$50,975)	\$2,300,214
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Exploration and development includes costs of \$225,000 relating to expenditures made under certain share subscription agreements under which the expenditures are not deductible by the Company for income tax purposes.

EUREKA RESOURCES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOUR MONTHS ENDED OCTOBER 31, 1990

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FRASERGOLD PROJECT

Under the Frasergold Option Agreement, the Company has deferred the allotment of a total of 200,000 shares at \$.11 each pursuant to a provision in the Agreement whereby the shares will be issued only if a feasibility study recommends production.

The Company has agreed to issue an additional 210,000 shares to related parties as further consideration for exploration work. These shares will be at a deemed price of \$.30 each and will be issued as follows:

Upon receipt of feasibility study recommending production	70,000
Upon commencement of production	70,000
Upon repayment of pre-production capital costs	70,000

Pursuant to an agreement with Southlands Mining Corporation ("Southlands") for the cancellation of the option and joint venture agreement with respect to the Company's Frasergold property, the Company will acknowledge a 3% Net Smelter Return to be paid to Southlands after the recovery of capital required to bring the property to commercial production. The 3% Net Smelter Return is limited to \$2,600,000 subject to adjustment for changes in the Consumer Price Index.

On May 31, 1990 the Company entered into an option and joint venture agreement for the Frasergold Property with Asarco Exploration Company of Canada Ltd. ("Asarco") whereby Asarco can earn a 50% interest in the property on completion of a feasibility study and a decision to place the property into commercial production. The agreement requires expenditures by Asarco of \$1,400,000 in 1990, and up to \$2,000,000 in each of 1991 and 1992, as necessary to provide the feasibility study. The 1990 expenditure commitment has been completed.

Under an option agreement dated June 26, 1989 the Company acquired a 100% interest in the Archimedes #1 and 2 fractional mineral claims which are contiguous to and form part of the Frasergold project. The option agreement requires annual payments of \$6,000 to the optionors up until commercial production and a 3% interest in the Net Smelter Return from the property in favour of the optionors.



EUREKA RESOURCES, INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOUR MONTHS ENDED OCTOBER 31, 1990

Under an agreement dated April 26, 1990, the Company acquired an 85% interest in the Kusk 1-7, Kusk A, Muck B and Gina Fraction claims which are contiguous to and form part of the Frasergold project and are subject to the Company's joint venture agreement with Asarco. The remaining 15% interest in these claims is held by related parties to the Company who have agreed to sell that interest to the Company if Asarco exercises its option to earn an interest in the claims. These claims are subject to the right of the previous owners to a 10% working interest or a 5% Net Proceeds Interest. In consideration for this interest the Company has issued 70,000 shares and is committed to pay \$100,000 to the previous owners should the claims be brought into commercial production.

DOREEN LAKE PROJECT

Under the option and joint venture Agreement entered into on March 22, 1989, Gibraltar Mines Ltd. can earn a 60% interest in the Company's Doreen Lake Project by spending \$650,000 over a three year period. The first year commitment of \$100,000 has been fulfilled and the second year programme requiring expenditures of \$250,000, is underway. On completion of these commitments the Company can maintain a 40% joint venture interest or convert to a 15% Net Profits Interest.

IRON MASK PROJECT

Under the agreement dated April 30, 1989 the Company can acquire the Iron Mask claims by making cash payments or committing to development expenditures as follows:

<u>On or before April 12th</u>	<u>Payments/Work Commitment</u>
1991	\$4,000
1992	\$4,000
1993	\$4,000
1994	\$4,000

To maintain the option the Company will also pay advance royalties of \$25,000 annually commencing April 12, 1994 and continuing until commencement of commercial production. Such advance royalties will be deducted against any royalties which become due when commercial production is begun.

On completion of these commitments the optionor will have a royalty interest of 3% of the Net Smelter Return.

Upon commencement of commercial production, the optionor may elect to sell its royalty interest to the Company for \$1,000,000.

EUREKA RESOURCES, INC.  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOUR MONTHS ENDED OCTOBER 31, 1990

On October 4, 1989, the Company entered into an Option and Joint Venture Agreement with Teck Corporation, whereby Teck could earn a 50% interest in the project by making expenditures of \$600,000 over three years. Having fulfilled their requirement to spend \$125,000 during the first year, Teck declined to commit to the second year expenditures and therefore terminated the agreement. The company now has 100% interest in the Iron Mask Project, subject to the underlying 3% NSR agreement.

MILLER PROJECT

Under the Miller Claim option agreement entered into on June 13, 1986 and amended on January 18, 1990, the Company can maintain an option to acquire a 100% interest in the claim by making cash payments as follows:

On or before Apr. 1, 1991	\$ 5,000
Oct. 1, 1991	\$ 5,000
Apr. 1, 1992	\$ 5,000
Oct. 1, 1992	\$10,000

On completion of these commitments the optionor will have a 10% Net Profits Interest. The Company has an option to purchase the 10% Net Profits Interest for \$250,000 cash and 100,000 shares in the Company in the event that commercial production is achieved.

MINDORA PROJECT

Pursuant to the amalgamation with Hawthorne Gold Corporation the Company now has a 100% interest in the Mindora Project in Nevada.

4. CAPITAL STOCK

	<u>Shares</u>	<u>Amount</u>
Balance at June 30, 1989	4,760,529	\$2,698,786
Issued upon amalgamation	590,609	576,121
Issued pursuant to purchase of Kusk mineral claims	70,000	21,000
	<hr/>	<hr/>
Balance at June 30, 1990 and October 31, 1990	<u>5,421,138</u>	<u>\$3,295,907</u>

EUREKA REOURCES, INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOUR MONTHS ENDED OCTOBER 31, 1990

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As at October 31, 1990, the Company has the following stock options outstanding:

<u>OPTIONEE</u>	<u>SHARES</u>	<u>OPTION PRICE</u>	<u>EXPIRY DATE</u>
Directors	27,000	\$1.00	July 6, 1993
Directors	250,000	\$0.27	May 22, 1991
Previous Title Holder of Mindora Property	20,000	\$2.50	Nov.10, 1991

The option in favour of the previous titleholder of the Mindora property is an extension, subject to regulatory approval, of a previous option expiring on November 10, 1990.

5. PRIOR PERIOD ADJUSTMENT

The results for the year ended June 30, 1990 have been restated to reflect camp rental revenue and project management fees of \$13,000 as revenue rather than a reduction of investment in mineral properties as previously reported.

6. LOSS PER SHARE

Loss per share figures have not been presented herein since they are not considered meaningful at this stage of the Company's development.

**CORPORATE DATA**

**DIRECTORS AND OFFICERS**

John J. O'Neill  
Director & President  
John R. Kerr  
Director & Vice President  
John R. Green  
Director & Secretary  
Lawrence B. O'Neill  
Director

**HEAD OFFICE**

837 East Cordova Street  
Vancouver, B.C.  
V6A 3R2

**REGISTERED OFFICE**

4729 East Hastings Street  
Burnaby, B.C.  
V5C 2K8

**AUDITORS**

Peat Marwick Thorne  
777 Dunsmuir St.  
P.O.Box 10426, Pacific Centre  
Vancouver, B.C.  
V7Y 1K3

**BANKERS**

Toronto Dominion Bank  
Toronto Dominion Tower  
700 West Georgia Street  
Vancouver, B.C.  
V7Y 1A2

**TRANSFER AGENT AND REGISTRAR**

National Trust Company  
900 Park Place  
666 Burrard Street  
Vancouver, B.C.  
V6C 2Z9

**CAPITALIZATION**

10,000,000 COMMON SHARES AUTHORIZED  
5,421,138 COMMON SHARES ISSUED

**STOCK EXCHANGE LISTING**

Vancouver Stock Exchange  
Trading Symbol - EUK.V

The Annual General Meeting of  
Shareholders will be held at 10:00 a.m.  
Thursday, April 11, 1991 at  
837 East Cordova Street, Vancouver, B.C.