

NEXUS PROPERTY PORTFOLIO

DEBBIE PROJECT:

Field work began with trenching on the 900 and Linda gold zones in July and September respectively with the objective of exposing the vein structures intersected by previous drilling. The 22,632 foot diamond drill program on the Debbie property commenced September 11, 1989 with mobilization of the underground drill to test the depth potential of the Mineral Creek zone. Surface drilling began a month later on the Linda zone. On completion of drilling on the Linda zone the drill will be moved to the 900 zone. Surface and underground drilling is slated for completion in mid December.

Mineral Creek Zone: The 14 hole, 16,618 foot underground drill program is planned to test the northward extension of the Mineral Creek Zone at depths of up to 1500 feet below tunnel elevation. Following completion of a deep hole at the mid-point in the tunnel, drilling commenced near the Debbie/Yellow boundary. Vertical holes are being drilled on sections progressively northward along the tunnel. Sampling and assaying from this drill program will be completed in early 1990.

Linda Zone: Seven trenches were dug along the surface projection of the main vein on the Linda zone. This vein is now exposed at the site of a previously reported hole, DM 149, which was collared in a vein containing abundant visible gold. It returned 5.79 oz/ton over 3.4 feet. The trenches exposed the vein over a 500 foot strike length and a 330 foot change in elevation. Twelve shallow drill holes completed in mid-November intersected the vein up-dip from deeper 1988 drill intersections. A total of three sub-parallel veins are now recognised in the Linda zone, all striking northeast and dipping moderately southeast. Preliminary results on the Linda zone can be expected before year end.

900 Zone: A series of nine trenches started in mid-July were dug to further expose the mineralized fault structures and gold bearing chert beds over a strike length of about 900 feet. Much of this work was a continuation of trenching done in 1988 and has provided a valuable insight into the controls on mineralization encountered in previous drilling. Extensive mapping and sampling of the trenches is ongoing. The main north-northeast controlling fault structure is off set by east-west faults which appear to be the focal point for the high grade gold mineralization. A 13 hole shallow drill program will commence in late November. Results of the drilling and trenching should be available in early 1990.

YELLOW PROJECT:

A field program was deferred this year pending the conclusion of an operating joint venture agreement with Westmin. This has been done and plans are now being formulated to do further surface and underground follow up on the Mineral Creek Zone. Current work on the Debbie property has demonstrated the possible extension of the 900 and Linda gold zones onto the Yellow property.

CAMP MCKINNEY:

The Cariboo-Amelia gold mine property at Camp McKinney, south-central B.C. is under option-to-purchase by the Company. The mine produced 82,000 ounces of gold from 137,000 tons of ore mainly around the turn of the century. Once all matters pertaining to the Company's right to acquire a 100% interest in the property

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PROPERTY PORTFOLIO

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have been dealt with a surface and underground exploration program will commence. Complete settlement is imminent and funds will be available for surface drilling of the projected extension of the mine vein through a prospective joint venture. The incline shaft connecting six levels to a depth of 530 feet is in excellent condition. After dewatering and limited rehabilitation of the lower levels a sampling program will be undertaken in those areas most likely to have immediate ore potential. A careful analysis of the cross faults offsetting the mine veins has indicated prime targets for underground drilling and the development of new reserves.

TERRACE AREA GOLD PROPERTY:

After the report period the Company optioned a promising early stage gold property 16 miles southeast of Terrace B.C. A joint venture partner is being sought to assist in financing a 1990 program on the property to follow-up widespread and numerous occurrences of gold in outcrop.

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STOCK EXCHANGE LISTINGS & SYMBOL

Toronto Stock Exchange
Vancouver Stock Exchange
Symbol: NXS



**NEXUS
RESOURCE
CORPORATION**

QUARTERLY

REPORT

SEPTEMBER 30, 1989

report to our
shareholders

NEXUS RESOURCE CORPORATION
Third Quarterly Report, September 30, 1989
To Our Shareholders

The main activity since the interim report of June 30, 1989, has been the implementation of a \$1.43 million exploration program on the Debbie property on Vancouver Island, B.C. Manager of the program, Westmin Mines Limited, commenced extensive trenching on the 900 and Linda gold zones in July and September respectively. This is being followed up by diamond drilling to test new gold targets uncovered by the trenches. Underground drilling of the Mineral Creek zone from the 1.2 mile long tunnel commenced in mid-September. Results of the trenching and drilling programs will be reported in stages as they become available.

Under the terms of the Debbie joint venture agreement with Westmin the Company elected to fund just 25% of the program thereby reducing its ownership interest in the property to about 39%. This has saved the Company approximately \$1 million in exploration expenses. A back-in provision in the agreement allows the Company to earn back to 50% by contributing 150% of unpaid expenses.

A comprehensive joint venture agreement similar to the Debbie agreement has been executed by Westmin and the Company for the Yellow property. The Company, which holds a 75.5% interest in the property and is operator, is planning a 1990 program to further determine the potential of the Mineral Creek zone and other targets.


Significant progress has been made with respect to the Company's acquisition of the Cariboo-Amelia gold mine property at Camp McKinney near Osoyoos, B.C. While legal action had been initiated to protect the Company's rights it appears likely that the dispute will be satisfactorily resolved resulting in the Company owning 100% of the property. The Company will be reporting on progress with respect to the purchase of the property in the near future. Negotiations with a prospective joint venture partner to fund the 1990 exploration program on the property are now being concluded, with an announcement to be made before year end.

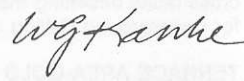
In other property developments the Company completed a first stage drill program on its optioned Angel gold property, Texada Island, B.C. Narrow zones of gold mineralization were encountered in this program. Further exploration, if warranted, will be determined upon receipt of the final report. The option provides for the Company to earn a 30% interest in the Angel property by December 31, 1990 by spending \$200,000 or 60% with a further \$200,000 by the end of 1991. Its current commitment to spend \$85,000 of the first \$200,000 by the end of this year has been met with the completion of this initial drill program. Further expenditures are optional.

Exploration funding for the Debbie and Angel projects has been met with a financing completed with CMP 1989 Resource Partnership and Company Limited earlier this year. Subsequent to the report period the Company sold 5% of its 15% interest in the Hemlo/Marathon gold property, Ontario to Black Gregor Explorations Ltd. for \$100,000. The remaining 10% reverts to a 10% net profit interest in the property.

The Company announced in November that it had optioned an early stage gold property near Terrace, B.C. Good outcrop sample results obtained in the past will be followed up during the 1990 field season, with possible funding assistance from a joint venture partner.

With firming gold bullion prices, encouraging results expected from the Debbie property and adequate working capital the Company is well positioned for 1990.


John F. Stephenson
President and COO


W.G. (Bud) Kanke
Chairman and CEO

BALANCE SHEET
as at September 30, 1989
(With comparative figures for the year ended December 31, 1988)

	September 30, 1989	December 31, 1988
ASSETS		
CURRENT ASSETS:		
Cash and term deposits	\$ (56,897)	\$ (129,674)
Accounts and advances receivable	720,325	28,099
Deposits and prepaid expenses	30,178	0
	693,606	(101,575)
EXPLORATION FUNDS (available)	500,000	954,147
INVESTMENT IN SUBSIDIARY	76,200	76,200
INVESTMENTS	40,000	901,325
MINERAL PROPERTIES AND RELATED DEFERRED EXPLORATION	15,730,907	15,519,954
FIXED ASSETS (less accumulated depreciation)	140,362	157,281
	<u>\$ 17,181,075</u>	<u>\$ 17,507,332</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 29,252	\$ 439,335
SHAREHOLDERS' EQUITY		
CAPITAL STOCK:		
Issued: 16,907,371 common shares	33,138,107	32,938,107
Allotted: 963,391 common shares	500,000	200,000
	33,638,107	33,138,107
	(16,486,284)	(16,070,110)
DEFICIT	<u>\$ 17,181,075</u>	<u>\$ 17,507,332</u>

Prepared by Management without audit

STATEMENT OF LOSS AND DEFICIT
for the nine months ended September 30, 1989
(With comparative figures for the year ended December 31, 1988)

	September 30 1989	December 31 1988
REVENUE		
Interest income	\$ 11,319	\$ 55,202
Other income	18,405	0
	<u>29,724</u>	<u>55,202</u>
EXPENSES		
Office and administration	403,709	915,402
Management severance costs	0	324,700
Total Administration	403,709	1,240,102
OPERATING LOSS FOR THE PERIOD	373,985	1,184,900
INVESTMENTS WRITTEN DOWN MINERAL PROPERTIES WRITTEN DOWN	0	3,697,525
	42,189	8,272,236
DEFICIT, BEGINNING OF PERIOD	16,070,110	2,915,449
DEFICIT, END OF PERIOD	<u>\$ 16,486,284</u>	<u>\$ 16,070,110</u>

STATEMENT OF CHANGES IN NET ASSETS
for the nine months ended September 30, 1989
(With comparative figures for the year ended December 31, 1988)

	September 30, 1989	December 31, 1988
OPERATING ACTIVITIES:		
Loss for the period	\$ (416,174)	\$ (13,154,661)
Add back non-cash expenses:		
Depreciation	15,581	13,038
Write down of mineral properties	42,189	8,272,236
Write down of investments	0	3,697,525
	(358,404)	(1,171,862)
Net changes in non-cash working capital balances	(1,132,487)	535,815
Cash provided (applied) to operating activities	(1,490,891)	(636,047)
INVESTING ACTIVITIES:		
Disposal of mineral properties	754,392	14,500
Exploration and development expenditures	(1,006,196)	(5,396,291)
Sale (Purchase) of investments	861,325	(252,542)
Net acquisition of fixed assets	0	(78,096)
Cash applied to investing activities	609,521	(5,712,429)
FINANCING ACTIVITIES:		
Common shares issued	0	3,356,309
Common share subscriptions received	0	200,000
Draw down of exploration funding available	954,147	2,738,837
Cash provided by financing activities	954,147	6,295,146
Increase (decrease) in cash (Bank indebtedness), beginning of period	72,777	(53,330)
(Bank indebtedness), end of period	(129,674)	(76,344)
	<u>\$ (56,897)</u>	<u>\$ (129,674)</u>

Prepared by Management without audit.