TREMINCO RESOURCES LIMITED

Annual Report
1991

CORPORATE PROFILE

Treminco Resources Ltd. is a natural resource company in the business of developing and mining a diversified range of metals. From its two operating mines — the Ptarmigan Gold Mine in the Northwest Territories and the Silvana Silver-Lead-Zinc Mine in British Columbia — the Company produced 14,900 ounces of gold, 382,000 ounces of silver, 3.16 million pounds of lead and 3.82 million pounds of zinc in the fiscal year ended July 31, 1991.

Treminco's objective is to expand mineral production through the development, acquisition or joint-venturing of high-quality precious metal and base metal properties throughout North America.

Treminco was incorporated under the laws of British Columbia in 1980 and became a public Company in 1985. The Company began its mining operations in 1986. The Company's shares are listed on the Toronto Stock Exchange under the trading symbol TMO.

THE YEAR AT A GLANCE

	Fiscal 1991 12 months ended July 31/91	**Fiscal 1990 12 months ended July 31/90**	**Fiscal 1989 12 months ended July 31/89**
Financial (000's)			
Revenue	$11,723	$13,281	$7,837
Net Earnings (Loss)	(1,926)	(70)	316
Cash Flow (Loss) from Operations	(415)	1,602	1,957
Capital Expenditures	1,115	1,635	3,415
Cash & Short-term Investments	–	–	261
Long-term Debt	248	546	1,057
Shareholder's Equity	3,517	5,443	5,513
Per Share (Cents per Share)			
Net Earnings (Loss)	(32)	(1)	5
Cash Flow (Loss)	(7)	33	33
Production			
Gold (oz.)	14,866	17,955	16,433
Silver (oz.)	382,000	342,000	–
Lead (lbs.)	3,163,000	3,183,00	–
Zinc (lbs.)	3,823,000	3,025,000	–

TO OUR SHAREHOLDERS

The Board of Directors of Treminco Resources Ltd. presents the audited financial statements for the fiscal year ended July 31, 1991, together with Management's Discussion and Analysis of the Company's operations and future plans.

As was the case for most Canadian mining companies, fiscal 1991 was extremely difficult for Treminco Resources Ltd. The combined effects of weak metal prices, the strong valuation of the Canadian dollar and poor production results from the Ptarmigan Mine resulted in sharply reduced revenues and significant losses for the year.

Entering 1991, the Company anticipated a decline in metal prices over the year. However, the unrelenting appreciation of the Canadian dollar at the same time that metal prices, particularly base metals, have fallen to their lowest levels in years was not anticipated. As with the majority of Canadian resource-based companies, the federal government's actions in support of the dollar over the past several years has sapped the viability of Treminco to survive the recession.

As it was throughout most of the year, the Company was in a serious working capital deficit at July 31, 1991. Faced with significant reductions in cash flow generated from operations and constricted lines of credit, Treminco recognized that it was important to take drastic measures in order to survive. In July, the Corporation was forced to delay payments to its suppliers and creditors while it concentrated on the repayment of monies owed to Revenue Canada Taxation. In order to further reduce its costs of production, the Company reduced its workforce by approximately 40 valued employees during the year. While unfortunate, these actions were essential for the immediate survival of the Company's operations.

As the Company enters the second quarter of 1992, the cost-cutting measures together with improved ore grades at both mines have lead to an improvement in the working capital position of the Corporation. While Treminco still faces an uncertain future unless metal prices in Canadian currency improve, the commitment to pay all debts as quickly as possible remains at the forefront of all Company decisions.

Financial Results

For the fiscal year ended July 31, 1991, the Company had a net loss of $1,926,000 (32 cents per share), compared to a net loss of $70,000 (1 cent per share) in fiscal 1990. The increases in zinc and silver production during the year were more than offset by the reduced output of both gold and lead, the sharp decline in base metal prices and the significant appreciation of the Canadian dollar, resulting in an overall drop of 12% in the Company's revenue for the fiscal year.

Treminco suffered a cash outflow from the operations of $415,000 (7 cents per share) for the 1991 fiscal year compared to a cash inflow from operations of $1.6 million (27 cents per share) in 1990.

Capital expenditures for the year were $1.1 million, most of which were related to the ramp development to access the C vein ore reserves at the Ptarmigan Mine.

Results of Operations

Yellowknife Division

The Yellowknife Division performed well below targeted levels during 1991. Gold production totalled 14,900 ounces, down from 18,000 ounces in 1990. Lower ore grades and a shortage of broken ore available for milling were the reasons for the decline in gold output. The total ore milled during the year was 58,100 tons at an average grade of 0.283 ounces gold per ton.

The combined operating profit of the Ptarmigan and Tom mines, before depreciation, depletion and royalty, was $736,000 on revenues of $6.7 million. This compares to an operating profit of $1.6 million and revenues of $7.2 million in fiscal 1990.

The drop in revenues in 1991 largely reflects the decreased gold output. Compounding the poor production results, revenues were also hurt by the decline in the Canadian price of gold that the Company received for its sales in 1991. The average price of the gold sold by Treminco in 1991, in U.S. dollars, increased slightly to $375 an ounce form $372 an ounce in 1990. However, increases in the Canadian dollar resulted in a decrease of 10% in the Canadian price that the Company received for its 1991 sales as compared to sales made in 1990.

Treminco has recognized that in order to continue operations with current gold prices, the Company must further reduce production costs and focus its operations on economic production rather than maximizing mill throughput. To date, the cost savings have largely come from reduced exploration and development expenditures. While the narrow, high-grade C vein will be a significant ore source during 1992, the Company faces the challenge of proving up additional ore reserves in order to continue operations beyond then.

Due to the Company's financial and manpower constraints, the option to earn a 51% interest in the Crestaurum property from Giant Yellowknife Mines Limited was allowed to lapse.

At July 31, 1991, measured and drill-indicated ore reserves at the Ptarmigan and Tom mines totalled 134,100 tons at an average grade of 0.32 oz. gold per ton. The comparable ore reserves as of July 31, 1990 were 162,000 tons at the same grade.

The Company has identified significant tonnages of inferred ore reserves at the Yellowknife Division. However, the Company will be hard pressed to maintain the necessary measured and drill-indicated ore reserves for sustaining operations over the long-term.

Slocan Division

The Silvana mine operated for twelve months in fiscal 1991, as compared to nine months in fiscal 1990. Consequently, production of silver and zinc were higher in 1991 as a result of increased mill throughput. The production of lead dropped slightly as lower lead grades in the mill feed offset the increased throughput.

Production from the Silvana and Hinckley mines for 1991 amounted to 367,000 ounces of silver, 3.16 million pounds of lead and 3.82 million pounds of zinc. Total tons milled were 33,000 at an average grade of 11.57 ounces silver, 5.18% lead and 6.23% zinc.

Despite the increased metal output of the Division, the sharp decline in prices for all three metals, particularly lead and zinc prices, coupled with the stronger Canadian currency, resulted in significantly lower revenues and operating profits in 1991 as compared to 1990. The continued deterioration in operating profits throughout the year forced the mine to reduce its workforce from 35 to 15 employees by the end of July, 1991.

Revenues in 1991 were down 14% to $5.2 million from $6.0 million in 1990. The Division broke even in 1991, down from a profit of $1,227,000 in 1990.

The price of zinc, in Canadian funds, decreased 36% during fiscal 1991. The price fell from 84¢ Cdn. to 54¢ Cdn. a pound. Over the same period, lead prices slumped 38%, from 46$ Cdn. to 28$ Cdn. a pound.

Silver prices were also down, falling 21% from $5.70 Cdn. an ounce at the beginning of the fiscal period to $4.50 Cdn. at the end. The negative impact on the Division's revenues due solely to the appreciation of the Canadian dollar was in excess of $500,000.

Until metal prices improve, the Company will continue to focus its Silvana operations on the economic mining of the remaining highgrade stopes.

Operations at the Hinckley mine, which was acquired in December, 1990, were suspended in July, 1991 pending an improvement in metal prices. The added costs of operating the Hinckley as a satellite deposit could not be justified given the depressed state of the metals market.

The Willa project was idle during the year as the Company attempted to conserve cash. Without a cash injection from a joint-venture partner or a significant increase in gold and copper prices, it is unlikely that Treminco will move ahead with the proposed development plans at the Willa during fiscal 1992.

The measured and drill-indicated ore reserves at the Silvana and Hinckley mines as of July 31, 1991 were 36,100 tons at an average grade of 8.89 oz. silver per ton, 3.89% lead and 5.08% zinc. Comparative figures for July 31, 1990 were 43,500 tons at an average grade of 10.16 oz. silver per ton, 3.85% lead and 5.25% zinc. The Company is confident that there is tremendous potential to locate additional ore reserves within the boundaries of the Silvana property, if metal prices improve to the level whereby the necessary exploration expenditures are made.

Corporate Strategy & Outlook

Despite continued weakening in both precious and base metal prices, and a furthering strengthening of the Canadian dollar in the first quarter of fiscal 1992, the combination of reduced operating costs and improved ore grades at both the Yellowknife and Slocan divisions have produced positive results in terms of operating profits.

The strong cash flows over recent months have enabled the Company to significantly reduce its liabilities to the preferred creditors. The Company anticipates further improvements in the working capital position over the remainder of 1992. However, as was illustrated in 1991, the Company's revenues and cash flows are extremely sensitive to fluctuations in metal prices and the Canadian dollar.

The positive results, however, have come at the expense of developing new ore reserves. The long-term survival of your Company now depends upon the improvement in metal prices and/or the injection of capital into the Company's treasury. To this end, your Company is actively seeking joint-venture partners capable of infusing much needed working capital.

We trust that the continuation of both operations during a time when many mines in North America have been forced to close, hopefully demonstrates to you, the shareholders, management's commitment to take the actions necessary to enhance the future viability of your Company.

The Board regrets that, due to other business commitments, Mr. Andrew Malim will not be standing for re-election as a director of the Company. Mr. Malim was actively involved in the growth of the Company since his appointment to the Board in 1987 and his advice and guidance will be missed.

I am confident that the Company's employees can respond to the challenges that result from lower metal prices and difficult economic times. On behalf of the Board, I would like to thank the employees as well as all of our suppliers and creditors for their continued understanding and support during this period of uncertainty. We are confident that through our commitment and perseverance their loyalty will be reciprocated.

On behalf of the Board of Directors,

R.T. Trenaman, P. Eng.
President

November 15, 1991

Earnings

For the year ended July 31, 1991, the net loss was $1,926,000 (32 cents per share) compared to a net loss of $70,000 (1 cent per share) for the year ended July 31, 1990.

Revenue

Revenues for the year ended July 31, 1991 totalled $11,724,000 compared to $13,281,000 for the year ended July 31, 1990. The decline in revenues was largely attributable to the rise of the Canadian dollar and the drop in the U.S. prices for silver, lead and zinc. Increased output of silver and zinc were more than offset by lower production of gold.

Expenses

Production expenses for the year ended July 31, 1991 were $11,233,000, up slightly from the fiscal 1990 figure of $10,821,000. The increased production expenses reflected the inclusion of a full twelve months of operations at the Silvana mine compared to nine months in fiscal 1990. Reductions in operating costs at the Ptarmigan mine were offset by development and production expenses at the C vein project, a project that was not active in 1990, and higher marketing expenses related to increased shipments of flotation concentrate from the Ptarmigan mine in 1991.

Depletion and depreciation expenses increased in 1991 ($1,148,000 and $902,000 respectively) compared to 1990 ($816,000 and $828,000 respectively) as the Company accelerated the write-down of certain assets and minerals properties in reflection of the continued depressed state of the mining sector.

Administrative and corporate expenses increased to $664,000 in 1991 from $467,00 in 1990. Most of this increase is due to the penalties levied by Revenue Canada Taxation totalling $148,100. Interest expense decreased to $241,000 in 1991 from $384,000 in 1990. The decrease was due to the Company operating with a reduced bank line of credit as well as reducing its long-term debt by $462,000. Interest rates were lower in 1991, compared to 1990, which contributed to the lower interest charges.

Changes in Cash Resources

The Company suffered a cash loss from operations of $415,000 for the year ended July 31, 1991 compared to a cash income of $1,602,000 for the year ended July 31, 1990.

The working capital position as of July 31, 1991 was a deficit of $2,840,000 compared to a working capital deficit of $1,012,000 as of July 31, 1990.

As of July 31, 1991 the Company had drawings of $236,000 on its operating line of credit. This was down from $443,000 a year earlier and was largely due to the reduction in the Company's borrowing limit.

The Company made principal payments of $462,000 towards the $1,500,000 three-year term loan borrowed in June 1989. As of July 31, 1991 the outstanding principal on this loan was $595,200. As of July 31, 1991 Treminco was in arrears on the principal payment of $49,600 that was due on July 15, 1991. Subsequent to July 31, 1991 the principal repayment schedule was modified so that Treminco would recommence payment of principal on a monthly basis beginning January, 1992. Interest payments were not in arrears as of July 31, 1991.

During fiscal 1991 the Company failed to make remittances to Revenue Canada Taxation for employee deductions totalling $610,000. An additional $148,100 was levied against the Company for penalties and interest. As of July 31, 1991, a total of $728,200 was owing to Revenue Canada Taxation, which was included in accounts payable. The Company has launched an appeal against the penalties. The Company has met all scheduled repayments to Revenue Canada Taxation to November 15, 1991.

As part of the repayment agreement with Revenue Canada, Treminco was forced to delay scheduled payments to its suppliers as of the end of June, 1991. Consequently, accounts payable and accrued liabilities of $2,857,000 at July 31, 1991 are significantly higher than as of July 31, 1990 ($1,104,000).

Treminco expended $456,000 on the purchase of plant equipment in 1991 ($1,110,000 in 1990). The major expenditure during the year was the raising of the tailings pond dam at the Ptarmigan mine. An additional $642,000 was expended on mineral properties in 1991 ($525,000 in 1990), the majority of which was spent to develop the C vein ore reserves at the Ptarmigan mine.

Outlook

Since June 1991, the Company has operated solely with cash flow from operations on a "pay-as-we-go" basis. The Company's two operating mines are expected to generate sufficient operating cash flow to sustain its current operations through fiscal 1992. As the Company's products are sold internationally and are priced in U.S. dollars, the Company's revenues and operating profits are extremely sensitive to both international metal prices and the valuation of the Canadian currency against the U.S. currency. Further increases in the Canadian dollar or further weakening in the prices for Company's products, especially gold, will threaten the ability of the Company to continue its operations.

The Company has made a commitment to apply surplus cash flow from operations to the repayment of all of its debts. This commitment has resulted in the diversion of funds from exploration and development programs which are necessary to sustain ore reserves at levels sufficient to ensure survival of the operations into fiscal 1993. Without an increase in metal prices, or a financing, or a significant decrease in the value of the Canadian currency, Treminco will be forced to further curtail its mining activities at both the Yellowknife and Slocan Divisions.

CONSOLIDATED BALANCE SHEETS

ASSETS	July 31 1991	1990
CURRENT ASSETS		
Accounts receivable	**$ 351,919**	$ 656,231
Inventory	**230,434**	339,794
Prepaid expenses	**16,899**	58,735
	599,252	1,054,760
MINERAL PROPERTIES (Note 3)	**3,640,575**	4,129,718
PLANT AND EQUIPMENT		
Buildings & equipment	**5,578,742**	5,122,416
Less accumulated depreciation	**2,588,706**	1,686,306
	2,990,036	3,436,110
	$7,229,863	$8,620,588
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank indebtedness (Note 4)	**$ 236,285**	$ 443,001
Accounts payable and accrued liabilities (Note 9)	**2,771,678**	1,088,014
Payable to a related party (Note 7)	**84,202**	16,264
Income taxes payable	**–**	8,000
Current portion of long-term debt	**347,200**	511,600
	3,439,365	2,066,879
LONG-TERM DEBT (Note 5)	**248,000**	545,600
DEFERRED INCOME TAXES (Note 8)	**–**	470,466
MINORITY INTEREST	**24,845**	93,982
SHAREHOLDERS' EQUITY		
Capital stock (Note 6)	**5,189,235**	5,189,235
Retained earnings (deficit)	**(1,671,582)**	254,426
	3,517,653	5,443,661
	$7,229,863	$8,620,588

Future Operations (Note 1)
Contingencies (Note 9)
Subsequent Events (Note 5 & 9)

APPROVED BY THE BOARD:

R M Porter
Director

Director

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year Ended July 31	
	1991	1990
OPERATIONS		
Net Income (loss)	**$ (1,926,008)**	$ (69,519)
Items not involving cash:		
Depletion	**1,148,204**	816,027
Depreciation	**902,400**	827,806
Minority Interest	**(67,137)**	(74,200)
Deferred (recovered) income taxes	**(470,466)**	102,000
	(415,007)	1,602,114
INCREASE (DECREASE) IN NON-CASH WORKING CAPITAL ITEMS		
Accounts receivable	**304,312**	(474,359)
Inventory & prepaid expenses	**151,196**	(161,648)
Accounts payable and accrued liabilities	**1,751,602**	366,730
Income taxes payable	**(8,000)**	8,000
	1,784,103	1,340,837
FINANCING		
Repayment of long-term debt	**(462,000)**	(409,400)
INVESTMENTS		
Purchase of plant & equipment	**(456,326)**	(1,109,779)
Investments in:		
Mineral properties	**(641,644)**	(525,417)
Acquisition of subsidiary	**(17,417)**	–
	(1,115,387)	(1,635,196)
INCREASE (DECREASE) IN CASH POSITION	**206,716**	(703,759)
Cash position at beginning of year	**(443,001)**	260,758
CASH POSITION AT END OF YEAR	**$ (236,285)**	$ (443,001)

Cash is defined as cash and short-term investments less bank indebtedness.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS (DEFICIT)

	Year Ended July 31	
	1991	1990
Production Revenue	**$11,723,354**	$13,281,348
Production Expenses	**11,233,643**	10,820,776
	489,711	2,460,572
Expenses		
Administrative & corporate	**663,980**	466,554
Depletion	**1,148,204**	816,027
Depreciation	**902,400**	827,806
Interest on long-term debt	**124,602**	206,786
Other Interest	**116,136**	177,118
Minority interest	**(69,137)**	(74,200)
	2,886,185	2,420,091
INCOME BEFORE INCOME TAXES	**(2,396,474)**	40,481
Income tax provision (Note 8):		
Deferred (recovered)	**(470,466)**	102,000
Current	**–**	8,000
	(470,466)	110,000
LOSS FOR THE YEAR	**(1,926,008)**	(69,519)
RETAINED EARNINGS (Deficit)		
Beginning of year	**254,426**	323,945
End of year	**$ (1,671,582)**	$ 254,426
LOSS PER COMMON SHARE	**$ 0.32**	$ .01

AUDITOR'S REPORT

To the Shareholders of Treminco Resources Ltd.

We have audited the consolidated balance sheets of Treminco Resources Ltd. as at July 31, 1991 and 1990 and the consolidated statements of operations and retained earnings (deficit) and changes in financial position for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perfrom an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principle used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at July 31, 1991 and 1990 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis.

Peat Marwick Thorne

November 15, 1991
Vancouver, Canada

Chartered Accountants

July 31, 1991 and 1990

General

The Company is incorporated under the laws of British Columbia and its principal activity is the exploration, development and operations of mineral properties in the Northwest Territories and British Columbia.

The Company owns and operates the Silvana Mine (a silver-lead-zinc mine) located near New Denver, B.C. Ptarmigan Mines Limited, a 96.06% owned subsidiary company, owns and operates the Ptarmigan Mine (a gold mine) located near Yellowknife, N.W.T.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements include the accounts of the Company's wholly-owned subsidiary, 313587 B.C. Ltd. and its 96.06% owned subsidiary Ptarmigan Mines Limited. All significant intercompany transactions and balances have been eliminated.

Inventory

Inventory consists of gold jig concentrate and gold flotation concentrate. The concentrates are recorded at estimated net realizable value.

Mineral Properties

The Company defers the cost of acquiring, exploring and developing mineral properties in a specific area of interest. The Company reduces deferred exploration expenditures by the tax benefits forgone on flow-through of tax deductions to investors, and by net revenues received from test milling. At such time as the properties are placed into production or abandoned, these costs are amortized on a unit-of-production basis over proven reserves or written off.

The amount capitalized for non-producing properties represents costs to date and is not intended to reflect present or future values.

Plant and Equipment

Plant and equipment are stated at cost. Depreciation is provided on a straight line basis, after residual values, commencing when assets are put into use, using the following rates:

Buildings	2 to 5 years
Equipment	2 to 5 year

Loss Per Share

The calculation of loss per share is based on the weighted monthly average number of shares outstanding.

NOTE. 1 FUTURE OPERATIONS

These financial statements have been prepared on a going concern basis. The Company incurred a significant loss in the year ended July 31, 1991 and at July 31, 1991 had a working capital deficiency of approximately $2,840,000. The Company's continuing operations and related recoverability of amounts shown for non-producing mineral properties and deferred expenditures are dependent upon the discovery of economically recoverable reserves in the non-producing properties, the ability of the Company to obtain necessary financing to settle its existing liabilities and continue development, and upon attaining future profitable production.

NOTE 2. ACQUISITION OF MINERAL PROPERTIES

Ptarmigan Mine

On August 4, 1987, pursuant to an agreement dated March 23, 1987, the Company acquired a 91.24% interest in the outstanding common shares of Ptarmigan Mines Limited for total cash consideration of $1,390,000. The Company has since purchased an additional 144,419 shares of Ptarmigan Mines Limited, thereby increasing its ownership to 96.06%.

The 1987 purchase agreement calls for the Company to pay additional consideration to the vendor of $2,000,000 via a net smelter return as follows:

- First $1,000,000 via a 5% net smelter return.
- Next $500,000 via a 4% net smelter return.
- Final $500,000 via a 3% net smelter return.

As of July 31, 1991 total net smelter return paid was $779,000. An additional $289,000 is included in accounts payable and accrued liabilities. The Net Smelter Return Agreement was being renegotiated as of July 31, 1991.

Silvana Silver-Zinc-Lead Mine

The Company purchased the Silvana Mine on November 1, 1989. The purchase price was settled by cash payments of $1,114,200. The Company is also required to pay a 2% net smelter return on silver production exceeding 500,000 ounces from the Silvana Mine on an annual basis. As of July 31, 1991 no net smelter return payments had been made and none were owing.

In December, 1990 the Company acquired the Hinckley Mineral Claim, located near to the Silvana Mine. The purchase price was $47,500 cash. The Company is also required to pay a royalty of $1.25 per ton of Hinckley ore milled, on a maximum of 100,000 tons. As of July 31, 1991 total royalty paid was $700. An additional $2500 in included in accounts payable.

NOTE 3. MINERAL PROPERTIES

The Company's mineral properties are located in the Northwest Territories and British Columbia and consist of the following: July 31

	1991	1990
Producing		
Ptarmigan Mine; comprising 21 claims situated in the Mackenzie Mining Division, N.W.T.		
Claims	**$1,619,297**	$1,601,880
Exploration & development costs	**2,756,117**	2,194,999
	4,375,414	3,796,879
Less accumulated depletion	**2,856,848**	1,928,968
	$1,518,566	$1,867,911
Silvana Mine situated in the Slocan Mining District, B.C. (and in 1991 the Hinckley Mineral Claim).		
Claims & mineral rights	**$ 417,260**	$ 369,760
Less accumulated depletion	**335,077**	174,873
	$ 82,183	$ 194,887
Non-Producing		
Tom Mine, comprising 7 claims known as the Tom claims and 5 claims known as the Trem claims situated in the Mackenzie Mining Division, N.W.T.		
Claims	**$ 777,704**	$777,704
Exploration & development costs	**1,041,135**	1,041,135
	1,818,839	1,818,839
Less accumulated depletion	**60,120**	–
	$1,758,719	$1,818,839
Willa Property, comprising 18 claims situated in the Slocan Mining District, B.C.		
Property purchase/Royalty payments	**$ 20,000**	$ –
Exploration & development costs	**–**	–
	$ 20,000	$ –
Gab Property		
Gab option	**57,981**	52,981
Exploration & development costs	**166,626**	163,600
	224,607	216,581
Tinker option	**36,500**	31,500
Total properties	**$3,620,575**	$4,129,718

The accumulated depletion for theTom mine represents the depletion of the capitalized portion of the Tom mine decline which is used to access ere reserves located on the Ptarmigan property.

During the year, the Company did not retain its option to earn a 51% interest in the Crestaurum Property, located in the Mackenzie Mining District in the Northwest Territories.

During the year, the Company completed the formal agreement to purchase a 100% undivided interest in the Willa gold-copper property located in the Slocan Mining District, near Silverton, B.C. Terms of the agreement require the Company to pay a net smelter return ranging from 2% to 6% and to assume property payments of $20,000 per annum.

NOTE 4. BANK INDEBTEDNESS

As of July 31, 1991, the Company had a $300,000 operating credit facility secured by a general assignment of inventory. The credit facility was also secured by a $200,000 first mortgage on a home owned by one of the Company's Directors. The Company has given a $1,000,000 debenture creating a first floating charge over Treminco's present and future assets [subject to a Priority Agreement giving the long-term Collateral Debenture holder (Note 5) first charge over the plant, equipment and mineral properties] as additional security. The operating overdraft bears interest at prime plus 1-1/4% payable monthly. The credit facility is reviewed semi-annually by the bank and the Company.

NOTE 5. LONG-TERM DEBT

Long-term debt consists of a Collateral Debenture secured by a first charge on the Company's plant, equipment and mineral properties, together with a first floating charge on all other assets. The debenture bears interest at the lender's cost of funds plus 3% per annum (12.223% at July 31, 1991).

As of July 31, 1991, the Company was in arrears on the principal payment of $49,600 due July 15, 1991. Subsequent to July 31, 1991 the Company received a six-month deferral of principal repayments. Under the terms of the revised schedule, principal and interest are to be paid monthly over a one-year term commencing January 15, 1992. Remaining principal payments required are due in the following fiscal years:

1992	$347,200
1993	$248,000
	$595,200

NOTE 6. CAPITAL STOCK

(a) Authorized

The authorized share capital of the Company is 10,000,000 common shares without par value.

(b) Issued - 5,957,447 common shares

There was no change in the authorized or issued share capital during the year.

(c) Stock Options

As at July 31, 1991 the following stock options were outstanding:

– Employee options to acquire 150,000 shares at a price of $0.80, expiring on June 15, 1993.

– Director options to acquire 212,000 shares at prices ranging from $0.80 to $1.50, expiring on June 15, 1993.

(d) Warrants

Pursuant to an agreement dated August, 1986, the Company agreed to issue 203,765 shares and 203,765 warrants of the Company in exchange for the incurrence of $1,732,000 of exploration by investors. The warrants are exercisable at a price of $.01 until September 30, 1993.

Pursuant to the terms of the August 1986 agreement, the Company acquired $886,000 of retractable preferred shares of KRS Retractions Limited ("KRS"), a company related to the investors. The investment was written off in prior years. These shares are redeemable at their par value of $866,000 at the option of the Company on the earlier of thirty days after the warrants have been exercised and June 30, 1992. In the event that the redemption is triggered by the latter condition, KRS may satisfy the redemption price by returning the warrants.

It is unlikely that the warrants would be exercised and the preforred shares redeemed unless the Company's stock price exceeds $5.10 by June 30, 1992.

NOTE 7. RELATED PARTY TRANSACTIONS

The Company has a management service contract with a company controlled by a Director of the Company. Total expenditures under this contract during the year were expense recoveries of $5,739 and management fees of $95,000. At July 31, 1991, $84,202 is payable to this company.

NOTE 8. INCOME TAXES

The deferred income tax provision (recovery) is comprised of the following:

	1991	1990
Statutory rate	**43.4%**	42.8%
Income tax provision (recovery) based on statutory rate	**$(1,040,000)**	$ 17,000
Non-deductible depletion	**239,000**	202,000
Minority interest	**(30,000)**	(31,000)
Benefits of losses not recognized	**298,534**	–
Non-deductible expenses	**62,000**	–
Resource Allowance	–	(103,000)
Provincial mining taxes	–	25,000
Deferred income tax (recovery)	**$ (470,466)**	$110,000

The Company has income tax losses of $646,000 available to reduce taxes payable up to 1994 to 1998. In addition, the Company has assets for which deductions available in future years exceed the recorded net book value by $140,000. The potential future benefits of these have not been recorded in these statements.

NOTE 9. CONTINGENCIES

(a) During 1991, the Company failed to remit employee deductions to Revenue Canada Taxation totalling $610,000. A payment schedule was agreed to between Revenue Canada Taxation and the Company in July 1991 which requires the Company to pay all arrears amounts plus interest and penalties by December 31, 1991. The Company has met all payments required under the payment schedule agreed to with Revenue Canada Taxation to November 15, 1991. The Company has filed an appeal to Revenue Canada Taxation on the penalties.

(b) Included in accrued liabilities is $289,000 for net smelter return payable on the Ptarmigan Mine. The Net Smelter Return Agreement was being renegotiated as of July 31, 1991. Should any material gain result from the renegotiation of the Net Smelter return, such a gain would be accounted for as a prior period adjustment.

(c) Subsequent to July 31, 1991 the Company has been named as a defendant, amongst others, in a Statement of Claim filed in the Supreme Court of the Northwest Territories (N.W.T.). In the Statement of Claim filed September 13, 1991 and not served as of November 15, 1991, the plaintiff claims punitive and/or exemplary damages against all the defendants, including Treminco, in the amount of $4.75 million, relating to alleged infractions by the Company and others with respect to a fatality that occurred at the Ptarmigan Mine in September, 1990.

Management is of the opinion that this matter is without merit and no provision has been made for it in the accounts.

(d) On September 9, 1991, a claim of lien was filed against certain mineral claims and mineral leases comprising the Company's Tom and Ptarmigan properties, located in the Northwest Territories, by the Workers Compensation Board of the Northwest Territories.

SHAREHOLDER INFORMATION

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DIRECTORS
*R.T. Trenaman, President and Director
*R.M. Porter, Director
R.G. McEachern, Director
W.St. C. Dunn, Director
*M.A. Munday, Director

*Audit Committee Members

ANNUAL GENERAL MEETING OF SHAREHOLDERS
January 3, 1992, 10 a.m.
Engineer's Club
640 West Pender Street
Vancouver, B.C.

BANKERS
Canadian Imperial Bank of Commerce
400 Burrard Street
Vancouver, B.C.
V6C 3A6

RoyNat Inc.
650 West Georgia Street
Vancouver, B.C.
V6B 4N8

TRANSFER AGENT
National Trust Company
900 - 666 Burrard Street
Vancouver, B.C.
V6C 2Z9

SOLICITOR
Fraser & Beatty
1040 West Georgia Street
Vancouver, B.C.
V6E 4H8

AUDITOR
Peat Marwick Thorne
900 - 777 Dunsmuir Place
Vancouver, B.C.
V7K 1K3

STOCK EXCHANGE
Toronto Stock Exchange
Symbol - TMO

ISSUED CAPITAL STOCK
5,957,447 shares