

681000

ANNUAL REPORT

# Fairfield Minerals Ltd.

1989



# 1989 Highlights

**New gold discovery on Elk property. Stripping and preliminary drilling show good continuity of high-grade gold structure.**

**Three new properties with gold geochemical targets acquired in vicinity of Elk discovery.**

**Company now holds interests in seven mineral properties surrounding Elk for total coverage of 160 square miles.**

**Gold geochemical anomalies defined on all Okanagan properties and trenching in two areas exposed gold-rich shear zones and quartz veins.**

**Record investment and option income.**

**\$1.4 million expended on exploration.**

**Cash position remains very strong.**

**Negotiations under way for sale of 40% interest in Logan zinc deposit.**

Cover: High-grade visible gold in quartz from Siwash North deposit, Elk property.

<b>Contents</b>	
<b>Report to Shareholders</b>	<b>1</b>
<b>Exploration Review</b>	<b>2</b>
<b>Financial Statements</b>	<b>6</b>
<b>Notes to Financial Statements</b>	<b>10</b>
<b>Corporate Information</b>	<b>Inside Back Cover</b>

## Report to Shareholders

**B**y all measurements 1989 was an excellent year for your Company. An important gold discovery on the Elk property, combined with the acquisition of several new gold prospects, have substantially increased your Company's assets. We also added to cash reserves during the year.

Your Company has now established a considerable presence in the Okanagan area of southern British Columbia, holding various interests in 160 square miles of properties with excellent potential to host gold deposits. This, along with our Yukon zinc properties, gives Fairfield a healthy mix of mineral assets.

Of the eight Okanagan properties, four (Elk, Dill, Bank and WH) are subject to various option agreements with Placer Dome Inc. whereby Placer can earn up to 70% interest by completing a series of option payments and work commitments. In all cases Fairfield is carried to a production decision at no cost.

The Siwash North gold deposit on the Elk property has been traced along strike for 2,600 feet by trenching, stripping and preliminary diamond drilling. A 1,000-foot section examined in detail on surface has potential to average better than 0.4 oz/ton gold across 6.6 feet true width. Drilling has confirmed continuity of gold mineralization to depth and indicates extensions along strike.

The nearby Sunset, Crest and Swan gold properties, recently acquired 100% by Fairfield, have excellent potential for the discovery of deposits similar to that at Siwash North.

During the year Total Energold Corporation exercised an option to acquire

from Fairfield an additional 10% interest in the Logan zinc-silver property for \$200,000. The Company retains at no cost, a 40% interest in this Yukon deposit which has estimated reserves of 13.6 million tons grading 6.17% zinc and 0.77 oz/ton silver.

Our prospecting program funded



by the Company continued the search for base and precious metal deposits in southern British Columbia. Over the years these programs have resulted in the acquisition of all of Fairfield's properties.

Your Company continues the ongoing effort to increase the value of your investment and we expect 1990 to be another year of substantial progress.

As you will note from the statements that follow, our financial position remains strong.

On behalf of the Board,

John W. Stollery, P.Eng.  
President

March 26, 1990

*Reviewing the Elk Project (l to r): Wojtek Jakubowski (Project Geologist), Lawrie Reinertson (Sr. Vice-President Exploration, Placer Dome Inc.), Tony Petrina (President & CEO, Placer Dome Inc.), John Stollery (President, Fairfield Minerals Ltd.).*

## Exploration Review 1989: Elk Property

### **E**lk Project (Gold) 518 B.C. Claim Units - 50 square miles

The Elk property, 35 miles west of Kelowna in southern British Columbia is the site of a new high-grade gold vein discovery. Excellent access is provided by a new highway scheduled for completion in 1990.

The 1989 program of backhoe trenching, stripping and preliminary diamond drilling yielded exceptional results with the exposure of the Siwash North gold deposit. The program also included acquisition of more claims, soil sampling, geophysical surveys, road upgrading and trenching in two other target areas. Expenditures totalled \$850,000.



### **Siwash North**

Stripping and sampling along approximately half the known length of the Siwash North structure identified two sections containing high-grade native gold separated by a 160-foot covered interval which remains to be cleared and sampled (see Siwash North Plan opposite). Based on a large number of panel samples taken at 15 to 30 foot intervals and diluted to a 6.6-foot mining width, the two sections averaged 0.315 oz/ton gold over 470 feet and 0.588 oz/ton gold over 380 feet, respectively. Including the covered interval this represents a potential 1,000-foot strike length grading better than 0.4 oz/ton gold with indications of continued gold mineralization along strike. Wide-spaced preliminary drilling, totalling 2,500 feet in 12 holes, returned a very encouraging distribution of mineralized intercepts along a 2,200-foot strike length to a depth of 700 feet. All of the holes intersected the gold-bearing structure. The best result was 0.759 oz/ton gold across 6.6 feet true width. A very significant intercept at the eastern extent of the known structure returned 0.468 oz/ton over 6.6 feet. The zone is open along strike and down dip. A second gold vein exposed on surface was confirmed at depth by drill hole 89-1.

Trenching of targets up to two miles south of Siwash North revealed two gold-bearing structures which yielded values of 0.227 oz/ton across 6.6 feet and 0.321 oz/ton across 6.6 feet.



*Top left: Stripping the Siwash North zone.*

*Bottom left: Sampling Siwash North vein identified sections containing high-grade native gold.*

The \$850,000 program of trenching and diamond drilling identified a significant new, high-grade gold discovery at Elk. Twelve holes along a 2,200-foot strike length returned an encouraging distribution of mineralized intercepts, the best result being 0.759 oz/ton across 6.6 feet true width.

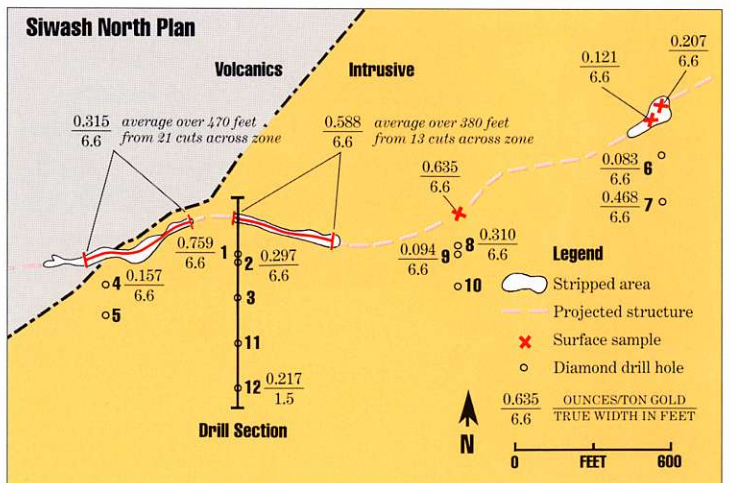
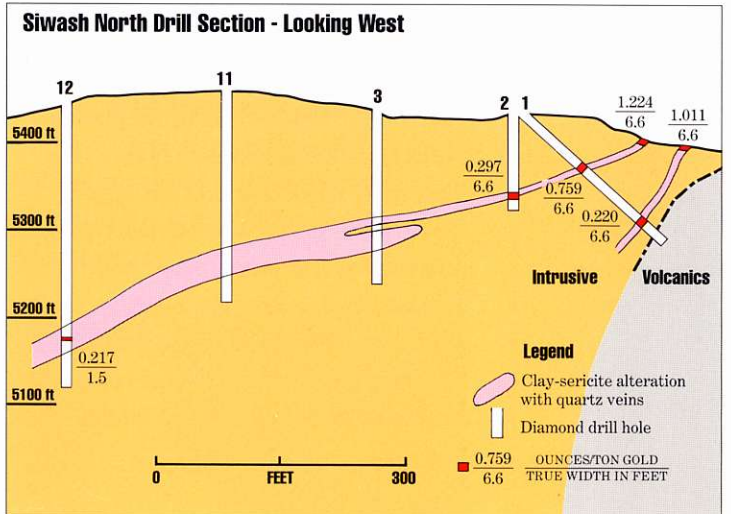
In all three areas gold is hosted within quartz veins and clay alteration material along major structures cutting coarse granitic rocks and extending at Siwash North, into adjacent volcanic rocks. Several percent pyrite with minor chalcopyrite, galena and sulfosalt minerals often accompany higher-grade gold. Native gold commonly fills fractures in pyrite. On surface the sulphide minerals have been leached away leaving local sections of spectacular native gold in porous, vuggy quartz. (See cover photo.)



Top right: Stripped exposure of Siwash North vein.

Above: Diamond drilling at Siwash North totalled 2,500 feet.

Bottom: Core logging and storage facilities at Elk.



## Exploration Review 1989: Other Properties

### **S**OUTHERN PROPERTIES DILL (Gold/Copper) 214 B.C. Claim Units - 20 square miles

At the Dill property south of Elk, high-grade gold veins were uncovered by trenching. Access is provided by several logging roads traversing the claims.

The 1989 program consisted of claim acquisition, backhoe trenching in two areas of anomalous gold and copper soil geochemistry, an induced polarization geophysical survey and grid soil sampling on a portion of the property.

The trenching revealed gold-bearing quartz veins and alteration zones in strongly fractured andesitic volcanic rocks and dioritic intrusive bodies. The best assay result was 7.42 oz/ton gold across 5 feet of clay altered rock cut by a narrow quartz vein. Copper mineralization was found disseminated sporadically in quartz veins and as fracture coatings. Soil sampling identified significant gold anomalies in two other areas on the property.

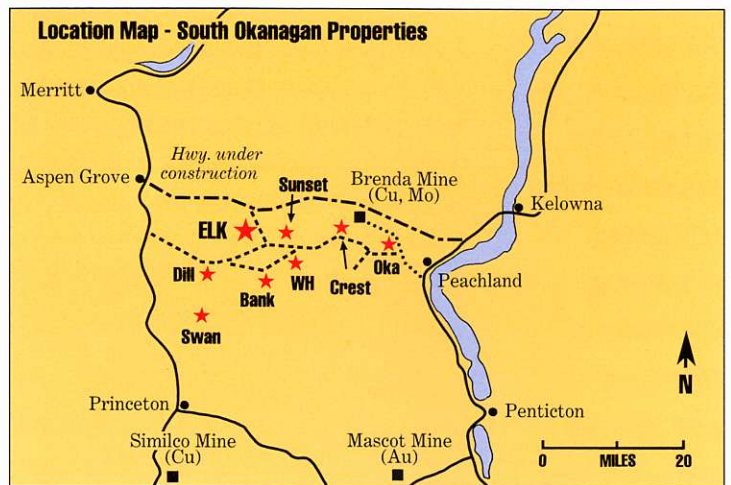
### BANK (Gold) 214 B.C. Claim Units - 20 square miles

At the Bank property adjoining the Elk and Dill claims, outcrop is scarce, however, strong gold geochemical anomalies provide excellent exploration targets.

The 1989 program consisted of claim acquisition with grid soil sampling and

geophysical surveys on a portion of the property.

This work revealed several areas of strongly anomalous gold geochemistry with coincident electromagnetic conductors, up to 2,500 feet in length.



### WH (Gold) 121 B.C. Claim Units - 12 square miles

The WH property, immediately southeast of Elk is easily accessed by road. Several gold exploration targets were outlined by the 1989 work which included grid soil sampling, VLF-EM and magnetometer surveys, mapping and excavation of one trench.

Extensive areas of anomalous gold geochemistry were indicated on a wide-spaced soil grid near exposures of fractured, rusty, altered granite.

Three new properties surrounding the Elk discovery were acquired in 1989 and all Okanagan properties have significant gold geochemical targets.

**SUNSET, CREST, SWAN (Gold)**  
*439 B.C. Claim Units - 42 square miles*

Surrounding the Elk property these prospects were acquired in 1989 to cover favourable geological settings, geochemical anomalies and gold showings identified during regional prospecting.

Initial soil sampling has outlined several significant gold anomalies.

**OKA (Gold)**  
*185 B.C. Claim Units - 18 square miles*

The Oka property, seven miles west of Peachland, contains gold-bearing skarn and vein deposits. Drilling has emphasized the potential for high-grade gold structures with several significant intercepts grading up to 0.41 oz/ton gold over 5 feet.

**NORTHERN PROPERTIES**  
**LOGAN, GOZ CREEK, TIM, MEISTER (Zinc/Lead/Silver)**  
*722 Yukon Claims - 58 square miles*

No work was undertaken on the Yukon properties during 1989 although they hold significant reserves of zinc which continues to be a sought-after commodity.

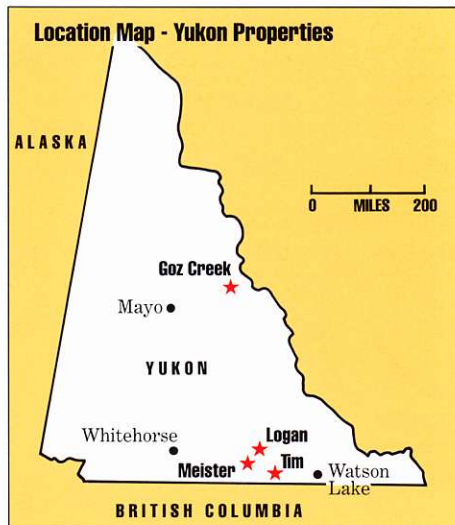
The Logan deposit located 25 miles from the Alaska Highway in southern Yukon contains a geological inventory of 13.6 million tons grading 6.17% zinc and 0.77 oz/ton silver with a higher-grade core of 5 million tons grading 10.2% zinc and 1.12 oz/ton silver. A large portion of this deposit is amenable to open pit mining

methods. Total Energold has earned a 60% interest through exploration expenditures of \$4.5 million and cash payments of \$1.2 million. Total Energold and Fairfield are currently seeking a buyer for this property.

The Goz Creek deposit, 110 miles east of Mayo, Yukon, has a near-surface reserve of 2.75 million tons averaging 11% zinc. The potential to expand this inventory is very good.

At the Tim and Meister prospects in southern Yukon, zinc/lead/silver mineralization has been defined by preliminary exploration.

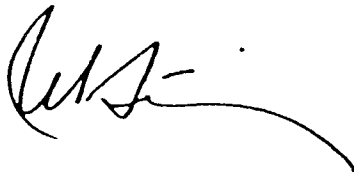
No work is presently planned for the Yukon properties but the claims will be maintained in good standing in anticipation of future demands for zinc reserves.



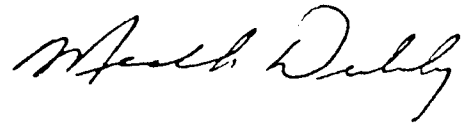
# Balance Sheets

	January 31	
	1990	1989
<b>Assets</b>		
CURRENT ASSETS		
Cash, including term deposits and accrued interest	\$ 2,189,825	\$ 2,083,253
Prepaid expenses	2,970	2,700
	<u>2,192,795</u>	<u>2,085,953</u>
RESOURCE PROPERTIES (note 1)	2,111,750	2,471,554
	<u>\$ 4,304,545</u>	<u>\$ 4,557,507</u>
<b>Liabilities and Shareholders' Equity</b>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 31,243	\$ 9,923
<b>Shareholders' Equity</b>		
Capital stock (note 2)	5,345,904	5,345,904
Deficit	1,072,602	798,320
	<u>4,273,302</u>	<u>4,547,584</u>
	<u>\$ 4,304,545</u>	<u>\$ 4,557,507</u>

Approved by the Board:



Director



Director



## Statements of Deferred Exploration, Development and Administration Expenditures

	Years ended January 31	
	1990	1989
Exploration and development expenditures	\$ 291,270	\$ 233,210
Administration expenditures		
Management and office expense	146,237	117,318
Shareholders' information and transfer fees	45,793	32,302
Legal and audit	21,265	27,130
	<u>213,295</u>	<u>176,750</u>
	<u>504,565</u>	<u>409,960</u>
Interest income	(256,111)	(183,938)
Grants received	—	(70,000)
Assigned value of income tax benefits flowed through to subscribers	—	(11,635)
	<u>(256,111)</u>	<u>(265,573)</u>
	248,454	144,387
General exploration and related administration expenditures written off	(274,282)	(284,369)
	(25,828)	(139,982)
Balance at beginning of year	828,660	968,642
 DEFERRED EXPLORATION, DEVELOPMENT AND ADMINISTRATION EXPENDITURES AT END OF YEAR	 <u>\$ 802,832</u>	 <u>\$ 828,660</u>

## Statements of Income and Deficit

	Years ended January 31	
	1990	1989
General exploration and related administration expenditures written off	\$ 274,282	\$ 284,369
LOSS FOR THE YEAR	274,282	284,369
Deficit at beginning of year	798,320	513,951
DEFICIT AT END OF YEAR	\$ 1,072,602	\$ 798,320
Loss per share	0.05¢	0.06¢

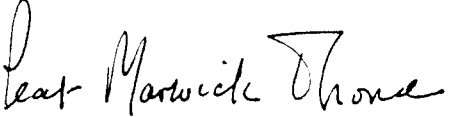
## Auditors' Report

**To the Shareholders of Fairfield Minerals Ltd.**

We have examined the balance sheets of Fairfield Minerals Ltd. as at January 31, 1990 and 1989 and the statements of deferred exploration, development and administration expenditures, income and deficit and changes in financial position for the years then ended. Our examinations were 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 financial statements present fairly the financial position of the Company as at January 31, 1990 and 1989 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 applied on a consistent basis.

Vancouver, Canada  
March 2, 1990

  
Chartered Accountants

## Statements of Changes in Financial Position

	<b>Years ended January 31</b>	
	<b>1990</b>	<b>1989</b>
<b>CASH PROVIDED BY (USED FOR):</b>		
<b>FINANCING</b>		
Issue of common shares	\$ —	\$ 227,528
Receipt of option payments		
on resource properties (note 1)	350,000	250,000
	<u>350,000</u>	<u>477,528</u>
<b>INVESTMENTS</b>		
Interest income	256,111	183,938
Grants received	—	70,000
Acquisition of resource properties	(16,024)	(5,992)
Exploration, development and		
administration expenditures	(504,565)	(409,960)
	<u>(264,478)</u>	<u>(162,014)</u>
Changes in non-cash operating working capital	21,050	(6,641)
	<u>(243,428)</u>	<u>(168,655)</u>
<b>INCREASE IN CASH</b>	<b>106,572</b>	<b>308,873</b>
Cash at beginning of year	2,083,253	1,774,380
<b>CASH AT END OF YEAR</b>	<b><u>\$ 2,189,825</u></b>	<b><u>\$ 2,083,253</u></b>

Cash includes term deposits and accrued interest.

# Notes to Financial Statements

Years ended January 31, 1990 and 1989

## General

The Company was incorporated under the Company Act of British Columbia on October 23, 1984. Its principal business activities include the exploration for and development of resource properties.

## Summary of Significant Accounting Policies

### Resource properties

The Company is in the development stage. Acquisition, exploration, development and administration expenditures less interest income and recoveries relating to resource properties are deferred until such time as the properties are put into commercial production, sold or abandoned. Acquisition costs and deferred exploration, development and administration expenditures on resource properties abandoned are written off.

Exploration expenditures which do not relate to specific resource properties (general exploration) and related administration expenditures are written off in the year incurred.

The costs deferred at any time represent costs incurred to date and do not necessarily reflect present or future values. The Company does not accrue the estimated future costs of maintaining its resource properties in good standing.

### Flow-through common shares

Proceeds received on the issue of flow-through common shares are allocated as follows:

- (a) the market value of the shares on the date of the agreement, together with interest earned on unexpended subscriptions, is credited to capital stock; and
- (b) the excess of the proceeds over the amount credited to capital stock, which is attributed to the value of the tax benefits flowed through to subscribers, is applied against mineral exploration expenditures.

## 1. Resource Properties

	1990	1989
Acquisition costs	\$ 2,208,918	\$ 2,192,894
Less option payments received	900,000	550,000
	1,308,918	1,642,894
Deferred exploration, development and administration expenditures	802,832	828,660
	<u>\$ 2,111,750</u>	<u>\$ 2,471,554</u>

The resource properties are all located in the Province of British Columbia and the Yukon Territory.

*Logan property* — Total Energold Corporation ("Total") has earned a 60% interest in the Logan property by incurring total expenditures on the property of \$4,500,000 and paying \$1,200,000 (\$600,000 to the Company's affiliate, Regional Resources Ltd., prior to the Company's acquisition of the property) in option payments. Total is required to fund 100% of exploration expenditures until a production decision is made, at which time the Company

may elect to pay its proportionate share of future expenditures after the production decision or convert its property interest into a 15% net profit interest. A 10% interest was acquired by Total in the year ended January 31, 1990 on the payment of \$200,000 to the Company with the Company retaining a 40% interest.

*Elk property* — Pursuant to an agreement dated March 11, 1988, Placer Dome Inc. ("Placer") has an option to earn a 50% interest and a second option to earn a further 20% interest in the Elk property. Under the terms of the agreement, Placer may earn the 50% interest in the property by making total option payments to the Company of \$500,000 on or before February 28, 1991, of which \$250,000 has been received, including \$125,000 subsequent to January 31, 1990, and by incurring total expenditures of \$2,000,000 by February 28, 1992. At January 31, 1990, Placer has expended approximately \$1,243,000 in exploration. Placer may earn the further 20% interest in the Elk property by paying the Company an additional \$500,000 and incurring additional expenditures of \$2,000,000 on or before the second anniversary date of the election to earn the further 20% interest.

*Dill/Bank properties* — Pursuant to an agreement dated April 25, 1989, Placer has an option to earn a 50% interest and a second option to earn a further 20% interest in the Dill/Bank properties. Under the terms of the agreement, Placer may earn the 50% interest in the properties by making total option payments of \$350,000 on or before February 28, 1992, of which \$115,000 has been received, including \$75,000 subsequent to January 31, 1990, and by incurring total expenditures of \$1,000,000 on or before February 28, 1993. At January 31, 1990, Placer has expended approximately \$305,000 in exploration. Placer may earn the further 20% interest in the Dill/Bank properties by paying the Company an additional \$250,000 and incurring additional expenditures of \$500,000 on or before the first anniversary date of the election to earn the further 20% interest.

*WH property* — Pursuant to an agreement dated July 1, 1989, Placer has an option to earn a 50% interest and a second option to earn a further 20% interest in the WH property. Under the terms of the agreement, Placer may earn the 50% interest in the property by making total option payments of \$350,000 on or before February 28, 1992 of which \$70,000 has been received, including \$35,000 subsequent to January 31, 1990, and by incurring total expenditures of \$1,000,000 on or before February 28, 1993. At January 31, 1990, Placer has expended approximately \$145,000 in exploration. Placer may earn the further 20% interest in the WH property by paying the Company an additional \$250,000 and incurring additional expenditures of \$500,000 on or before the first anniversary date of the election to earn the further 20% interest.

*Other properties* — On February 17, 1989, Chevron Minerals Ltd. surrendered its right to earn an interest in the Tim property after expending approximately \$385,000.

On February 24, 1989, Placer surrendered its right to earn an interest in the Oka property after expending approximately \$546,000.

On April 7, 1989, Equity Silver Mines Limited surrendered its right to earn a 60% interest in the Ram property after expending approximately \$1,255,000.

# Notes to Financial Statements *Continued*

The recovery of the costs of resource properties is dependent upon the discovery of a sufficient quantity of ore of economic value and obtaining adequate financing for the development and mining of the ore body.

## 2. Capital Stock

The Company is authorized to issue 10,000,000 common shares, without par value.

### (a) Issued

	1990		1989	
	Number of shares	Amount	Number of shares	Amount
Balance at beginning of year	5,143,181	\$ 5,345,904	4,910,481	\$ 5,130,011
Flow-through common shares issued for cash	—	—	232,700	227,528
Assigned value of tax benefits flowed through to subscribers	—	—	—	(11,635)
Balance at end of year	5,143,181	\$ 5,345,904	5,143,181	\$ 5,345,904

### (b) Stock options

A total of 500,000 common shares are reserved for issue under stock options granted to an employee and to directors of the Company exercisable until January 22, 1994 at \$0.71 per share.

## 3. Income Taxes

Resource properties carried on the balance sheet at \$2,111,750 have no remaining deductions for income tax purposes other than Mining Exploration Depletion Allowance of \$147,000.

The Company has not recognized the income tax benefits of differences in timing between the treatment of income tax and accounting purposes of option payments received, interest income and exploration, development and administration expenditures. As at January 31, 1990, such timing differences amounted to approximately \$1,080,000 (1989 - \$805,000).

## 4. Related Party Transactions

A director is the president of the engineering company which was engaged for exploration work. This company received \$48,000 (1989 - \$53,700) for management fees, \$112,400 (1989 - \$70,400) for consulting fees and \$72,000 (1989 - \$60,000) for office space and services. The engineering company was also engaged by Placer to carry out exploration on the Elk and Dill/Bank properties for which it received additional management and consulting fees from this company.

# Corporate Information

## Officers

John W. Stollery, President  
Kenneth G. Hanna, Secretary

## Directors

Michael F. Dubensky  
Graham Farquharson  
Owen S. Hairsine  
Kenneth G. Hanna  
Albert F. Reeve  
John W. Stollery

## Shares Listed (FFD)

Vancouver Stock Exchange

## Capitalization

Authorized: 10,000,000 common shares  
Issued: 5,143,181 common shares

## Registrar and Transfer Agent

Montreal Trust Company of Canada  
510 Burrard Street  
Vancouver, B.C. V6C 3B9

## Geological Consultants

Cordilleran Engineering Ltd.

## Legal Counsel

Russell & DuMoulin

## Auditors

Peat Marwick Thorne

The Annual General Meeting  
of the Shareholders of the Company  
will be held Monday, May 14, 1990,  
at 2:00 p.m. in the offices of  
Russell & DuMoulin, Suite 1500,  
1075 West Georgia Street,  
Vancouver, British Columbia.

# **Fairfield Minerals Ltd.**

Suite 1980  
1055 West Hastings Street  
Vancouver, B.C. V6E 2E9  
(604) 669-3398