FAIRFIELD MINERALS LTD

ANNUAL REPORT 1991

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Notice of Annual General Meeting

The Annual General Meeting of the Company will be held on Monday May 11, 1992 at 1:30 p.m. in the Conference Room, Lower Main Level, Guinness Tower, 1055 West Hastings Street, Vancouver, B.C.

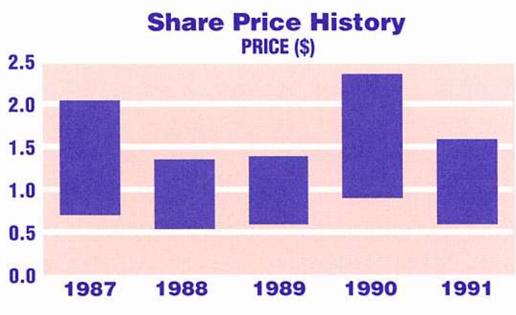
CORPORATE PROFILE

Fairfield Minerals Ltd. is a Vancouver-based exploration company with precious and base metal properties in southern British Columbia and the Yukon. The Company was incorporated in 1984 and its shares are listed on the Toronto and Vancouver Stock Exchanges under the trading symbol *FFD*.

Over the years, the Company has focussed on grass roots exploration, resulting in the discovery of several important mineral deposits. Fairfield is presently concentrating its efforts on the Elk project, an advanced-stage gold property 35 miles west of Kelowna, B.C. where limited production could begin in 1992.

1991 HIGHLIGHTS

- *Diamond drilling increases gold reserves by 45 percent on Elk property to an indicated 220,000 ounces.*
- *96,000 ounces gold defined in "Mother Shoot." High grade values extend from surface to depth of 1,000 feet.*
- *Hole 97 returns 26.7 ounces gold per ton over 1.6 feet, 835 feet down dip in Mother Shoot.*
- *Decision made to investigate preliminary mine development.*
- *Year-end financial position strong with $2.4 million in working capital.*



REPORT TO SHAREHOLDERS

Step-by-step your Company is moving closer to achieving its near-term objective of establishing cash flow from the Siwash North Gold Deposit on the Elk property in southern British Columbia. Our 1992 plans include the possible development of an open pit to access some of the near-surface high grade gold ore. Processing of this material is presently under detailed investigation and several options are available.

This initial mining program could generate significant revenues which would be applied to future exploration and development, including underground mining in 1993 and-if feasible-full production in 1994. This staged approach to exploration and mine development has been tried and tested in most of Canada's major gold camps and it is particularly suited to Elk.

The near-surface reserve amenable to open pit mining totals some 16,000 tons grading 1.5 ounces gold per ton based on a 3.3 foot mining width. This represents $9.6 million gross value at $400 (CDN) per ounce. Higher gold prices and a weaker Canadian dollar would of course boost revenues.

Fairfield finalized an agreement in March 1991 to acquire 100 percent interest in the Elk property from its joint venture partner, Placer Dome Inc. Placer is one of the largest North American-based gold producers and its strategic emphasis has been primarily on large tonnage, low grade open pit deposits with huge production capacity. This business strategy precluded its continued participation in what is projected to be a small tonnage but highly profitable operation. For a junior entity like Fairfield, the Elk property is a potential company maker, and management intends to develop the project with that objective in mind.

The Company's high expectations for the Elk property were confirmed by the 1991 exploration program, which not only increased our confidence level in the resource but expanded drill-indicated reserves by approximately 45 percent to 340,000 tons grading 0.647 ounces gold per ton and 0.72 ounces silver.

With 220,000 ounces of gold in place, the Elk project is among the highest grade, undeveloped precious metal deposits in Canada. In addition, the property is located in a region with good infrastructure, including a paved highway two miles from the site; a strong mining culture (the former Brenda mine is only 25 miles away); and a large well-trained labour pool. The project will, however, require careful planning to maximize return to shareholders and a flexible development plan is presently being formulated.

Exploration of our large land position in the region has generated several other targets with signatures similar to Siwash North and potential to yield additional reserves.

The Company's board of directors includes Albert F. Reeve who was instrumental in the exploration and development of the Blackdome mine near Clinton, B.C., one of the province's most successful small gold mines. Mr. Reeve's counsel will be invaluable in decision making processes for the Elk project, which exhibits many similarities to Blackdome.

Fairfield is indebted to the professionals at Cordilleran Engineering Ltd. who, during the past five years, have brought the Siwash North gold deposit from discovery to potential production. This was achieved through an emphasis on fundamentals-namely prospecting-coupled with years of accumulated knowledge and a solid technical but "instinctive" approach to property evaluation which has become their trademark. Developing a prospect from the grass roots stage through to production is a major accomplishment for any company, particularly one the size of Fairfield.

Fairfield continues to maintain its 40 percent interest in the Logan zinc project near Watson Lake, Yukon at no cost to the Company. Higher demand is forecast for zinc in the coming decade-particularly from the automotive industry. With established reserves, Logan is well positioned to fill that need.

Fairfield has approximately $2.4 million in working capital and is in a healthy position to finance immediate capital requirements. This, along with an improved economic outlook and a valuable undeveloped gold resource, indicates a bright future for the Company.

In closing, I would like to thank the Board for their ongoing counsel and the Company's shareholders for their confidence, patience and support. I also wish to recognize the contribution of Michael F. Dubensky who will not be standing for re-election this year.

J.W. Stollery, P. Eng.
President,
March 25, 1992

The 1991 exploration program on the Elk property expanded the gold resource dramatically, boosting drill-indicated reserves in the Siwash North zone by approximately 45 percent to 340,000 tons grading 0.647 ounces gold per ton and 0.72 ounces silver. The program included 21,700 feet of drilling in 37 holes, bringing the aggregate to date to 41,000 feet in 107 holes.

The bulk of the new reserves are hosted in depth extensions to the five gold-rich shoots identified in 1990. The Mother Shoot, the most prominent of these high grade zones, hosts 45 percent of the drill-indicated gold resource with approximately 96,000 ounces. At an average grade of 0.874 ounces, this ore shoot is among the richest ever discovered in British Columbia.

The Mother Shoot has an average strike length of 350 feet and has been traced down dip to 1,000 feet where it is still open to extension. The mesothermal vein system has demonstrated remarkable consistency to depth. In addition, the gold content has been relatively homogeneous and in several instances grades are well above average. For example, hole 97 encountered 26.7 ounces gold per ton over a sample length of 1.6 feet at 835 feet down dip. Even over a mining width of 6.6 feet, the average grade would still be more than 5.0 ounces gold per ton.

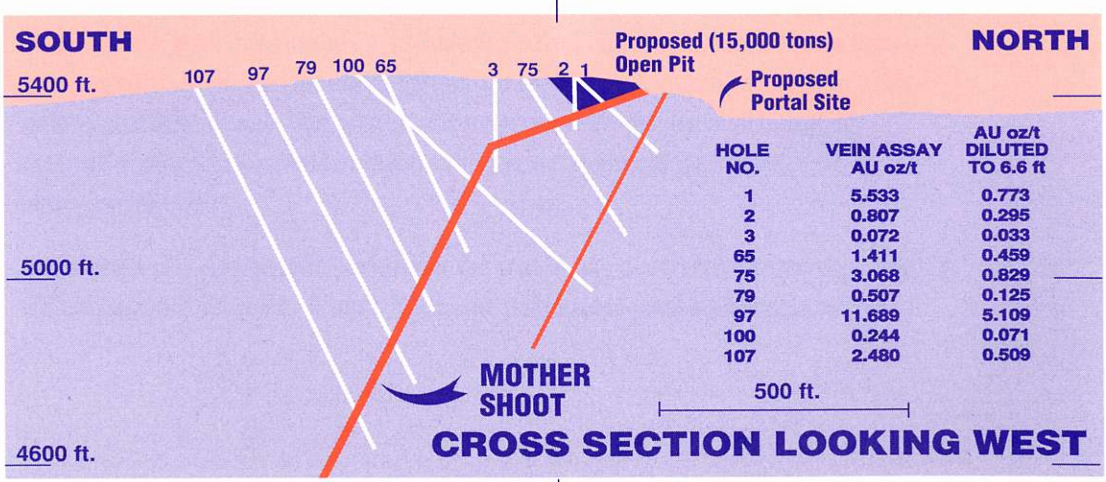
To date, 95 percent of the drill holes have encountered the vein structure and the drill program has also identified underlying parallel veins which indicate additional reserve potential.

The near-surface portion of the Mother Shoot dips at about 25 degrees to the south for a distance of 300 feet where it steepens to 65 degrees. A portion of the zone's flat-lying vein structure is amenable to open pit mining techniques and the steeper section to conventional underground methods. The surface exposure of this vein has been panel-sampled on a close-spaced pattern, confirming the consistent and high grade nature of the Siwash North Deposit. A 380-foot long section on surface averages 1.012 ounces gold per ton across a 6.6 foot width.

The reserve inventory of 340,000 tons grading 0.647 ounces gold per ton is based on a conservative cut-off grade of 0.29 ounces over a true width of 6.6 feet, below which mining may become uneconomic. Any increase in the gold price could lower this cutoff grade, having a positive impact on reserves without incurring any new exploration expenditures.

The gold mineralization in the deposit is hosted by quartz veins and silicified granite containing pyrite, minor chalcopyrite, galena and tetrahedrite. The gold is largely in the free state and visible grains of native gold are commonly observed. No deleterious elements are known to exist that would reduce precious metal recoveries or precipitate any environmental concerns.

As part of the permitting process, a baseline environmental study was initiated on the Elk property in 1991. In addition, a portal site was cleared in the footwall of the Mother Shoot in anticipation of an underground exploration program. Expenditures of over $1.5 million in 1991 were directed primarily at the Elk project, although some preliminary exploration was conducted on several surrounding properties.



FUTURE OUTLOOK

Fairfield believes that sufficient drill testing has been completed on the Siwash North Gold Deposit to justify staged development at this time. Therefore, the Company may opt to proceed with an open pit to access a portion of the high grade reserve as a means of funding future development.

Internal studies indicate that approximately 24,000 ounces of gold may be recoverable by open pit mining methods. This revenue-generating strategy would enable the Company to preserve its working capital and minimize shareholder dilution while financing ongoing requirements.

The open pit would also provide bulk sample material for detailed metallurgical studies. Preliminary metallurgy looks favourable with a substantial portion of the gold recoverable by gravity separation techniques.

The limited size open pit operation would involve little in the way of surface disturbance, thereby minimizing environmental consequences. Selective mining techniques would be employed during this phase to maximize both the grade and production yield.

The Company is also looking at an off-site custom milling arrangement in order to reduce capital costs. Several plants are being considered, each of which is located within a short trucking distance of the deposit. These milling operations have fully-permitted tailings sites which would eliminate a major environmental consideration for the Company.

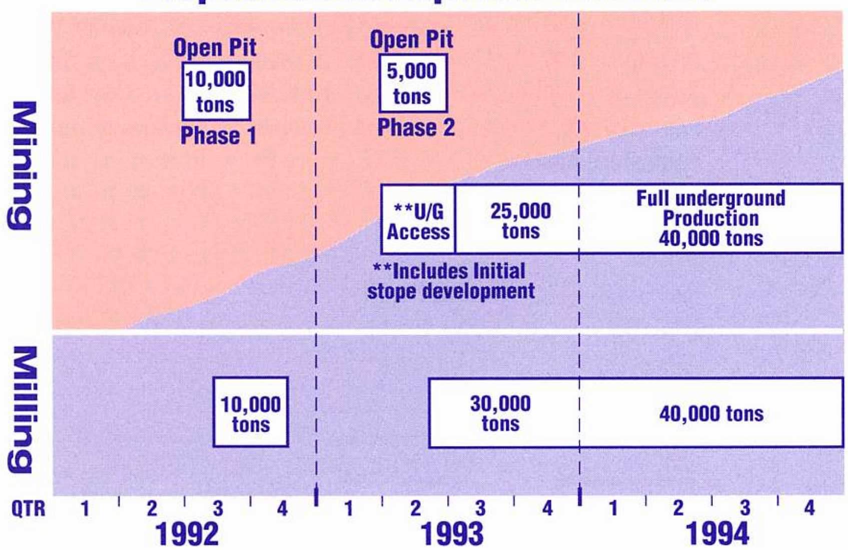
Revenue from surface mining would be utilized to mount an underground exploration and development program in 1993 which would also begin to provide cash flow.

In addition, the initial underground phase would help establish ore grade, ore continuity, mining techniques and ground conditions. With a favourable feasibility study in hand, full production could commence in 1994.

Of particular significance to the Company is the amount of ore dilution that may be incurred through surface mining and in underground stoping areas. A preliminary analysis of drill core samples indicates competent hangingwall and footwall contacts, suggesting minimum dilution. Reducing the mining width to less than the 6.6 feet used in reserve calculations could increase the grade dramatically, while significantly reducing unit production costs.

Critical Path studies have established a realistic schedule for the respective elements in the mine development program (see chart). The schedule is, by design, highly flexible which will enable the Company to react quickly to changing conditions. With the underground workings in place, the lead time to full-scale production would be substantially reduced while the open pit mining is being phased out.

Siwash North Gold Deposit
Proposed Development Schedule



The Company's activities are not only restricted to the Elk project, although this property is by far the most advanced. More than 20 other targets exist on Fairfield's surrounding claims that require follow-up work and possibly drilling. The Company's land position in the region encompasses an area of approximately 260 square miles, much of which is highly prospective.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of Fairfield Minerals Ltd. as at January 31, 1992 and 1991 and the statements of deferred expenditures, operations and 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 perform 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 principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 1992 and 1991 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, after giving retroactive effect to the change in the method of accounting for administrative expenditures and interest as explained in note 3 to the financial statements, on a consistent basis.

Peat Marwick Thorne

Peat Marwick Thorne
Chartered Accountants

Vancouver, Canada
March 13, 1992

FAIRFIELD MINERALS LTD.

BALANCE SHEETS

January 31, 1992 and 1991

	1992	1991 (restated, note 3)
Assets		
Current assets:		
Cash and term deposits	$ 2,446,884	$ 2,132,458
Marketable securities (cost $17,392; 1991 - nil) (note 4)	9,500	–
Prepaid expenses	10,778	4,074
	2,467,162	2,136,532
Resource properties (note 5)	2,865,862	2,325,364
Fixed assets (note 6)	9,146	–
	$ 5,342,170	$ 4,461,896
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 20,050	$ 12,290
Shareholders' equity:		
Capital stock (note 7)	6,372,269	5,345,904
Deficit	(1,050,149)	(896,298)
	5,322,120	4,449,606
Commitments (note 8)		
	$ 5,342,170	$ 4,461,896

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

FAIRFIELD MINERALS LTD.

STATEMENTS OF OPERATIONS AND DEFICIT

Years ended January 31, 1992 and 1991

	1992	1991 (restated, note 3)
Revenue:		
Interest and other income	$ 230,912	$ 280,869
Expenses:		
Administrative expenditures	231,060	205,869
General exploration expenditures	145,811	148,412
Write-down of marketable securities	7,892	–
	384,763	354,281
Loss for the year	153,851	73,412
Deficit, beginning of year	896,298	822,886
Deficit, end of year	$ 1,050,149	$ 896,298
Loss per share	$ 0.03	$ 0.01

STATEMENTS OF DEFERRED EXPENDITURES

Years ended January 31, 1992 and 1991

	1992	1991 (restated, note 3)
Deferred expenditures, beginning of year, as restated	$ 1,238,973	$ 1,052,548
Exploration and development expenditures	1,017,037	334,837
General exploration expenditures written off	(145,811)	(148,412)
Deferred expenditures, end of year	$ 2,110,199	$ 1,238,973

See accompanying notes to financial statements.

FAIRFIELD MINERALS LTD.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years ended January 31, 1992 and 1991

	1992	1991 (restated, note 3)
Cash provided by (used for):		
Operations:		
Loss for the year	$ (153,851)	$ (73,412)
Items not involving cash:		
Writedown of marketable securities	7,892	–
Depreciation	1,016	–
Change in non-cash working capital:		
Marketable securities	(17,392)	–
Prepaid expenses	(6,704)	(1,104)
Accounts payable and accrued liabilities	7,760	(18,953)
	(161,279)	(93,469)
Financing:		
Issue of common shares	1,026,365	–
Investing:		
Acquisition of fixed assets	(10,162)	–
Acquisition of resource properties	(61,664)	(12,473)
Deferred expenditures	(871,226)	(186,425)
Receipt of cash option payments	375,000	235,000
Receipt of option payments in kind	17,392	–
	(550,660)	36,102
Increase (decrease) in cash	314,426	(57,367)
Cash and term deposits, beginning of year	2,132,458	2,189,825
Cash and term deposits, end of year	$ 2,446,884	$ 2,132,458

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Years ended January 31, 1992 and 1991

1. Nature of operations:

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.

The Company is in the development stage and has not, as yet, achieved commercial production. The recoverability of the amounts shown for interests in mining properties and deferred costs is dependent upon the quantity of economically recoverable reserves, on the outcome or timing of legislative or regulatory developments relating to environmental protection, and on future profitable operations or proceeds from the disposition thereof. The viability of the Elk property project is highly dependent upon the price of gold.

2. Significant accounting policies:

(a) Marketable securities:

Marketable securities are recorded at the lower of cost and quoted market value.

(b) Resource properties:

Property acquisition costs and exploration and development expenditures are deferred until the property to which they relate is placed into production, sold, or abandoned. These deferred costs will be charged to future operations on a unit-of-production basis following commencement of production using estimated recoverable reserves of the principal property as a base or written off if the property is sold, abandoned or where there is an impairment in value.

The Company follows the cost reduction method in accounting for options thereby proceeds received on options for resource properties are credited against expenditures on the related resource properties.

(c) Fixed assets:

Fixed assets are recorded at cost and are depreciated over their estimated useful lives on a straight-line basis.

(d) Loss per share:

The loss per share is computed on the basis of the weighted average number of shares outstanding during the year. Fully diluted loss per share is not presented when it is anti-dilutive.

3. Change in accounting policy:

During the year ended January 31, 1992, and pursuant to the recommendations of a research study issued by the Canadian Institute of Chartered Accountamts, the Company commenced charging all administrative costs, and crediting all interest income, to operations as incurred. In prior years, the Company had capitalized these net costs as part of resource properties. This change has been applied retroactively with the result that the loss for the years ended January 31, 1992 and 1991 has decreased by $32,679 and $166,249 respectively. The deficits as at January 31, 1991 and 1990 have decreased by $415,965 and $249,716 respectively.

4. Marketable securities:

Marketable securities include 50,000 shares of Quartz Mountain Gold Corp. valued at $4,500 and 50,000 shares of Pacific Comox Resources Ltd. valued at $5,000.

5. Resource properties:

	1992	1991 (restated, note 3)
Acquisition costs	$ 2,283,054	$ 2,221,390
Deferred exploration and development	2,110,199	1,238,973
	4,393,253	3,460,363
Less option payments	(1,527,391)	(1,134,999)
	$ 2,865,862	$ 2,325,364

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

(a) 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 15% net profit interest.

(b) Elk property:

Pursuant to an agreement dated March 26, 1991, the Company acquired 100% interest in the Elk property by purchasing the 50% interest held by Placer Dome Inc. ("Placer"). The Company has agreed to pay Placer 10% of net proceeds to a maximum of $2.5 million from future production. The Company may purchase from Placer the net proceeds interest for $1.3 million any time prior to December 31, 1993.

(c) Dill/Bank properties:

On April 11, 1991 and February 27, 1992, Placer surrendered its right to earn an interest in the Bank and Dill properties respectively after making total option payments of $215,000 and expending approximately $977,000.

(d) Vin property:

Pursuant to an agreement dated July 15, 1991, Placer had an option to earn a 70% interest in the Vin property by making total option payments of $75,000 on or before February 28, 1993 and by incurring expenditures of $1,200,000 on or before February 28, 1994. Subsequent to year end, on February 27, 1992, Placer surrendered its right to earn an interest in the Vin property after making option payments of $25,000 and expending approximately $166,000.

(e) Goz Creek property:

By agreement dated December 14, 1986 the Company acquired a 100% interest in the Goz Creek property which is subject to a 5% net profits interest.

(f) Ram property:

Pursuant to an agreement dated February 7, 1991, Pacific Comox Resources Ltd. ("Pacific") has an option to earn a 100% interest in the Ram property in consideration for 50,000 shares of Pacific and 50,000 shares of Quartz Mountain Gold Corp. and by incurring expenditures of $100,000 before February 7, 1993.

6. Fixed assets:

	1992	1991
Office furniture and equipment	$ 10,162	$ –
Accumulated depreciation	(1,016)	–
	$ 9,146	$ –

7. Capital stock:

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

	Number of shares	Amount
Balance, January 31, 1990 and 1991	5,143,181	$ 5,345,904
Issued for cash (net of issue costs):		
Common shares	500,000	513,182
Flow-through common shares	500,000	513,183
Balance, January 31, 1992	6,143,181	$ 6,372,269

(a) Stock options:

As at January 31, 1992, 500,000 common shares were reserved for issue under options granted to directors, exerciseable until January 22, 1994 at $0.71 per share.

(b) Warrants:

In conjunction with the issuance of common shares and flow-through common shares during July 1991, the Company issued 1,000,000 warrants for the purchase of 500,000 common shares, exerciseable until July 3, 1992 at a price of $1.16 per share.

8. Lease commitments:

The following is a schedule of the future minimum lease payments for premises including operating costs under the terms of operating lease agreements:

Year ending January 31	
1993	$ 69,672
1994	70,010
1995	70,684
1996	74,055
1997	38,376
	$ 322,797

9. Income taxes:

Resource properties carried on the balance sheet at $2,865,862 have $195,616 in deductions remaining for income tax purposes and Mining Exploration Depletion Allowance of $146,762.

10. Related party transactions:

A company controlled by the president of the Company, conducts all exploration and development work carried out by the Company (1992 - $1,017,037; 1991 - $334,837) and provides office services to the Company (1992 - $111,200; 1991 - $104,616).

11. Presentation:

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

CORPORATE INFORMATION

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

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

Shares Listed (FFD)
Toronto Stock Exchange
Vancouver Stock Exchange

Capitalization
Authorized: 10,000,000
Issued: 6,143,181 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
Hanna, Heppell & Bell

Auditors
Peat Marwick Thorne

Corporate Address
Fairfield Minerals Ltd.
Suite 1980
1055 West Hastings Street
Vancouver, B.C. V6E 2E9
Telephone: (604) 669-3398
FAX: (604) 669-3308