

To The Shareholders:**Summary of Annual Meeting, May 3, 1989**

At the Annual Meeting of Shareholders of Geddes Resources Limited Messrs.

| | |
|------------------|-----------------|
| S. P. Boland | M. F. K. Carter |
| J. P. Foster | G. Harper |
| J. F. Kearney | J. D. Little |
| G. H. Montgomery | A. C. Savage |
| G. M. Webster | |

were elected as directors.

The firm of Price Waterhouse was reappointed as auditors of the company. Resolutions were passed authorizing the exercise of stock options granted to directors and senior executives, establishing an Employee Stock Option Plan and approving the future issue of common shares by private placement during the year to April 30, 1990.

Retiring President and Chief Executive Officer, J. Douglas Little, addressed the shareholders and described the continuing progress at the Windy Craggy project in northwestern British Columbia.

To the end of March, mining crews extended both the north and south drill drifts 600 feet and cut drill stations at 200 foot intervals from which to further test the extension of the sulphide zones. On completion of mining, a second underground drill was mobilized and to date some 19,500 feet of drilling in 16 holes have been or are being completed on three sections in the north drill drift and on two sections in the south. Results from this drilling continue to confirm the extension of both the north and south sulphide bodies. The north zone is of particular interest with the intersection of what may be called a new sulphide body or refolded structure on the west side of the main sulphide body.

Interpretive data is not yet available but three holes in three sections 200 feet apart recorded the following intersections:

| | |
|---------------|--------------------------|
| Hole 73 + 45° | 59 feet of 1.59% copper |
| Hole 55 + 60° | 111 feet of 2.24% copper |
| Hole 44 + 46° | 20 feet of 2.44% copper |

Additional drilling is required in this area.

Coincident with the mining and diamond drilling, the mineral inventory is constantly being re-evaluated and extended from that given in the Annual Report, i.e. 77 million tons grading 2.4% copper with both precious metal and cobalt values. Independent reserve calculations are presently being made by consultants in Vancouver and Toronto.

Metallurgical test work commenced in January at a laboratory in Vancouver using a portion of the 22 ton bulk sample obtained from the 9877 crosscut. A second composite sample taken from the crosscut in February is now being treated at an Ontario laboratory. Preliminary results indicate that with fine grinding a 26% to 28% copper concentrate can be produced at a 90% recovery. This test work is very preliminary and a

further three to six months will be required to permit development of a flow sheet, primarily to produce a saleable copper concentrate with precious metal additions. The cobalt content will be undertaken as a second stage investigation. A decision on pilot plant testing will be made later this year.

Mine planning, which includes an evaluation of both open pit and underground operations or a combination thereof, is being carried out by independent mining consultants who advise that a 15,000-25,000 ton/day operation appears practical at a cost in the order of \$8-\$10/ton for bulk mining underground and \$4-\$5/ton for open pit mining at a 2 to 1 strip ratio.

Road access to the property is being evaluated at this time, as an office study, by civil engineering and environmental consultants. A preliminary report on road corridor assessment was submitted to the Mine Development Steering Committee of the B.C. Government Mines Department which decides what route may be used. Preliminary results indicate that the 65 mile road required can be built, subject to Government approval, at a cost in the order of \$30 million and would be available for use year round except for a brief period during the winter under blizzard conditions.

Environmental base line data gathering studies on wildlife, fish, hydrology, water quality, etc., have been ongoing over the last two years and will be included in the required Stage I environmental impact study which is planned for submission to the Provincial Government at year end.

Consideration is being given to the various options available on plant locations, power supply, either diesel, hydro, or a combination of both, tailing pond location and disposition of the high iron sulphide content of the tailings.

Preliminary economic analysis of the project has been completed internally indicating that a 15,000-25,000 ton/day operation would be the appropriate scale of operation to justify the high infrastructure cost and yield a satisfactory return on the investment required.

Future Plans

During the second quarter of 1989 preliminary studies of the Windy Craggy project will be completed to demonstrate its technical and economic potential. Additional reserve calculations will incorporate recent drilling and the portion of reserves for initial mining will be identified for subsequent detailed definition drilling. An independent consulting engineering firm will be retained to complete a feasibility study as the basis for a construction decision, project financing and marketing.

Financial

During the first quarter of 1989, exploration expenditures on the Windy Craggy project were \$2.2 million funded largely by the issue of flow-through common shares. The 1989 exploration program is forecast to cost \$11.1 million. The company has arranged a private placement of 850,000 flow-

through common shares at a price of \$1.50 each to Northgate Exploration Limited and a further private placement of flow-through shares with NIM and Company, Limited Partnership — 1989 for \$2,500,000.

Working capital at March 31, 1989 stood at \$5,024,000, including \$5,704,000 in cash and short term investments. Geddes Resources is in a strong position to further develop the Windy Craggy property, one of the largest undeveloped copper resources in North America. Additional equity financing will be required and discussions are underway concerning funding, in such a way as to maximize value to all shareholders.



Toronto, Ontario
May 17, 1989

Gerald Harper
President and
Chief Executive Officer

GEDDES RESOURCES LIMITED**CONSOLIDATED BALANCE SHEET**

| | March 31 1989 | December 31 1988 |
|--|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and short-term investments | \$ 5,703,980 | \$ 6,798,686 |
| Note receivable | 20,000 | 20,000 |
| Other assets | 112,453 | 52,019 |
| | 5,836,433 | 6,870,705 |
| Note receivable | 60,000 | 60,000 |
| Marketable securities | 581,530 | 556,530 |
| Deferred exploration costs | 25,722,273 | 23,520,331 |
| Fixed assets | 281,787 | 281,001 |
| | \$32,482,023 | \$31,288,567 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 812,683 | \$ 784,084 |
| Shareholders' Equity | | |
| Capital stock | 34,509,474 | 33,234,474 |
| Deficit | (2,840,134) | (2,729,991) |
| | 31,669,340 | 30,504,483 |
| | \$32,482,023 | \$31,288,567 |

GEDDES RESOURCES LIMITED

CONSOLIDATED STATEMENT OF OPERATIONS
AND DEFICIT

| | Three months ended March 31 | |
|--|--------------------------------|-------------|
| | 1989 | 1988 |
| Interest and other income | \$ 145,023 | \$ 30,082 |
| Administrative expenses | 398,956 | 278,292 |
| Depreciation and amortization | 15,112 | 16,940 |
| | 414,068 | 295,232 |
| Less exploration overhead costs deferred | 158,902 | 79,533 |
| Net administrative expenses | 255,166 | 215,699 |
| Net loss for the period | 110,143 | 185,617 |
| Deficit at beginning of period | | 485,594 |
| As previously reported | | |
| Adjustment to reflect change in accounting policy | | 1,606,108 |
| As restated | 2,729,991 | 2,091,702 |
| Deficit at end of period | \$2,840,134 | \$2,277,319 |
| Net loss per share | \$0.01 | \$0.02 |

CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION

| | Three months ended March 31 | |
|--|--------------------------------|--------------|
| | 1989 | 1988 |
| Cash provided by (used for) operating activities: | | |
| Net loss for the period | \$ (110,143) | \$ (185,621) |
| Add items not involving cash: | | |
| Depreciation and amortization | 15,112 | 16,940 |
| Net change in non-cash working capital items | (31,835) | 36,998 |
| | (126,866) | (131,683) |
| Cash provided by financing activities: | | |
| Proceeds of issue of capital stock | 1,275,000 | 3,270,000 |
| Cash used for investment activities: | | |
| Purchase of fixed assets | (15,898) | (39,465) |
| Purchase of marketable securities | (25,000) | — |
| Deferred exploration costs | (2,201,942) | (2,762,721) |
| | (2,242,840) | (2,802,186) |
| Net increase (decrease) in cash during the period | (1,094,706) | 336,131 |
| Cash and short-term investments at beginning of period | 6,798,686 | 1,473,933 |
| Cash and short-term investments at end of period | \$5,703,980 | \$1,810,064 |

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