

SECOND QUARTER REPORT TO OCTOBER 31, 1988

To the Shareholders:

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This year continues to be an encouraging and exciting one for your company. Since our last report to you, further promising exploration results have been received from Pass Lake's gold properties in the Galore Creek camp of north-west British Columbia. Substantial additional ground has also been staked at a low cost in favourable locations.

EXPLORATION RESULTS

TREK Property

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Channel sampling has confirmed the high-grade nature of the Gully Zone, where it is exposed over a 60-metre (200 ft) length. Assays of two samples over the full width of the zone are as follows:

Width (m/ft)	Copper (%)	Gold (oz/t)	Silver (oz/t)
3.6 / 11.8	5.31	0.26	0.42
2.0 / 6.6	4.11	0.10	0.36

Geological evidence suggests that the zone is a volcanogenic massive sulphide deposit, which has major implications in terms of large-tonnage potential. Geophysics and soil geochemistry indicate a possible strike length of 800 meters (2600 ft). The zone is open to the north beyond Sphaler Creek, where no work was undertaken during the 1988 field season.

South of the Heel Zone, a new exposure, called the Bunion Zone, was discovered late in the season. A single sample returned 0.222 ounces/ton gold, 3.42 ounces/ton silver, 1.12% copper and 0.08% zinc. This new occurrence lies close to the southern boundary of the property and, hence, an additional claim (16 units) was staked to cover the possible extension of the zone.

JD Property

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Preliminary geochemical sampling and prospecting was initiated in late September with encouraging results. Three heavy-sediment samples collected from the main drainage carried between 700 and 3720 ppb gold. Anomalous gold ranging from 70 - 9620 ppb with supporting silver and base metals was reported from 10 float and bedrock samples.

Wiser Property

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A program similar to the JD was also carried out here over a limited area. One heavy-sediment sample ran 530 ppb gold and one soil sample 370 ppb gold. Five rock samples ranged from 35 - 75 ppb gold with supporting silver and base metals.

## PROPERTY ACQUISITIONS

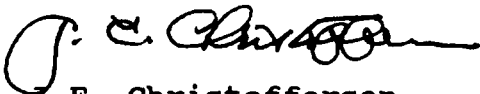
During October, the company staked 11 additional claims totalling 195 units in the Galore Creek camp. The new claims bring the company's holdings in the area to 406 units (101.5 sq. km or 39.2 sq miles). Two claims acquired in September, SARK 1 and 2, were returned to the original vendors due to substantial overstaking on pre-existing claims.

This past field season also witnessed a staking rush in the camp as both senior and junior mining companies began to recognize the significant gold potential of the district. As a consequence, a very high level of exploration activity is anticipated in 1989. Pass Lake will continue to monitor the property situation in the coming winter months with a view to further acquisitions.

## FUTURE OBJECTIVES

Management's strategy as outlined in the 1988 Annual Report has been implemented successfully to this stage. Recent land acquisitions in Galore Creek have placed Pass Lake in a strong position to attract new entrants to fund major exploration programs on the company's properties. Accordingly, management's efforts in the next several months will focus on securing up to four joint ventures to undertake the major exploration projects Pass Lake's properties merit in 1989 and beyond.

Lorica Resources Ltd. exceeded its 1988 expenditure commitments to Pass Lake on the TREK property. Management fully expects that Lorica will continue to fund the project and that 1989 will provide even more exciting developments from this highly regarded prospect.



J.E. Christoffersen  
President



D.D. Sharp  
Secretary-Treasurer

December 1, 1988

Pass Lake Resources Ltd.  
is listed on the Vancouver Stock Exchange  
Symbol: "PLJ"

PASS LAKE RESOURCES LTD.

BALANCE SHEET

OCTOBER 31, 1988

ASSETS

	October 31 1988	October 31 1987
CURRENT		
Cash	\$ 98,282	\$ 49,833
Accounts receivable	484	-
Loan receivable	60,788	-
	-----	-----
	159,554	49,833
MINERAL PROPERTIES	79,306	-
DEFERRED EXPLORATION EXPENDITURES	107,688	20,166
INCORPORATION COSTS	-	600
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	\$ 346,548	\$ 70,599
	=====	=====

LIABILITIES

CURRENT		
Accounts payable	\$ 17,099	\$ 73,726
LOANS/ AGREEMENTS PAYABLE	-	111,690
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	17,099	185,416
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SHAREHOLDERS' EQUITY

SHARE CAPITAL		
Authorized		
20,000,000 Common shares without par value		
Issued		
4,028,413 Common shares (1987-2,765,817)	907,339	411,257
DEFICIT	(577,890)	(526,074)
	-----	-----
	329,449	(114,817)
	-----	-----
	\$ 346,548	\$ 70,599
	=====	=====

(unaudited)

ON BEHALF OF THE BOARD OF DIRECTORS:

 Director

 Director

PASS LAKE RESOURCES LTD.

STATEMENT OF OPERATIONS AND DEFICIT

FOR THE SIX MONTH PERIOD ENDED OCTOBER 31, 1988

	October 31 1988	October 31 1987
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REVENUE		
Interest income	\$ 2,552	\$ -
	-----	-----
EXPENSES		
Audit and accounting	200	618
Legal	10,248	19,378
Management fees	11,600	12,000
Office, telephone and sundry	397	1,145
Regulatory authorities	1,766	4,448
Shareholder, investor relations	1,595	140
Transfer agent	805	968
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	26,611	38,697
Gain on cancellation of agreement payable	-	(318,979)
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NET INCOME (LOSS)	(24,059)	280,282
DEFICIT, beginning of period	(553,831)	(806,356)
	-----	-----
DEFICIT, end of period	\$ (577,890)	\$ (526,074)
	=====	=====

(unaudited)

PASS LAKE RESOURCES LTD.

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE SIX MONTH PERIOD ENDED OCTOBER 31, 1988

	October 31 1988 -----	October 31 1987 -----
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	\$ (24,059)	\$ 280,282
Items not requiring an outlay of cash:		
Void agreement payable	-	(318,979)
	-----	-----
Working capital used in operations	(24,059)	(38,697)
Net (increase) decrease in non-cash working capital items	(49,557)	22,969
	-----	-----
Cash used for operating activities	(73,616)	(15,728)
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<b>INVESTING ACTIVITIES</b>		
Exploration expenditures	(30,688)	(20,166)
Resource property acquisition	(79,306)	-
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Cash used for investing activities	(109,994)	(20,166)
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<b>FINANCING ACTIVITIES</b>		
Shares issued for cash	225,974	-
Shares issued for resource properties	33,300	-
Shares issued to settle debts	-	2,020
Shareholder loans	-	33,707
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Cash from financing activities	259,274	35,727
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Increase (decrease) in cash	75,664	(167)
Cash, beginning of period	22,618	50,000
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Cash, end of period	\$ 98,282	\$ 49,833
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(unaudited)

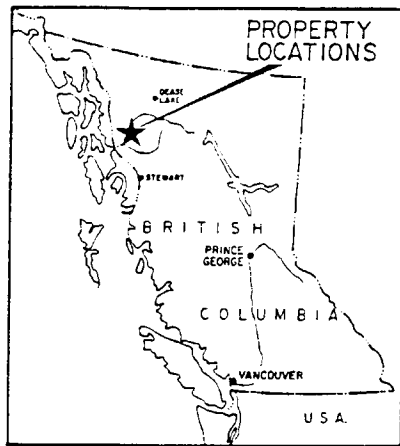
PASS LAKE RESOURCES LTD.

STATEMENT OF DEFERRED EXPLORATION EXPENDITURES

FOR THE SIX MONTH PERIOD ENDED OCTOBER 31, 1988

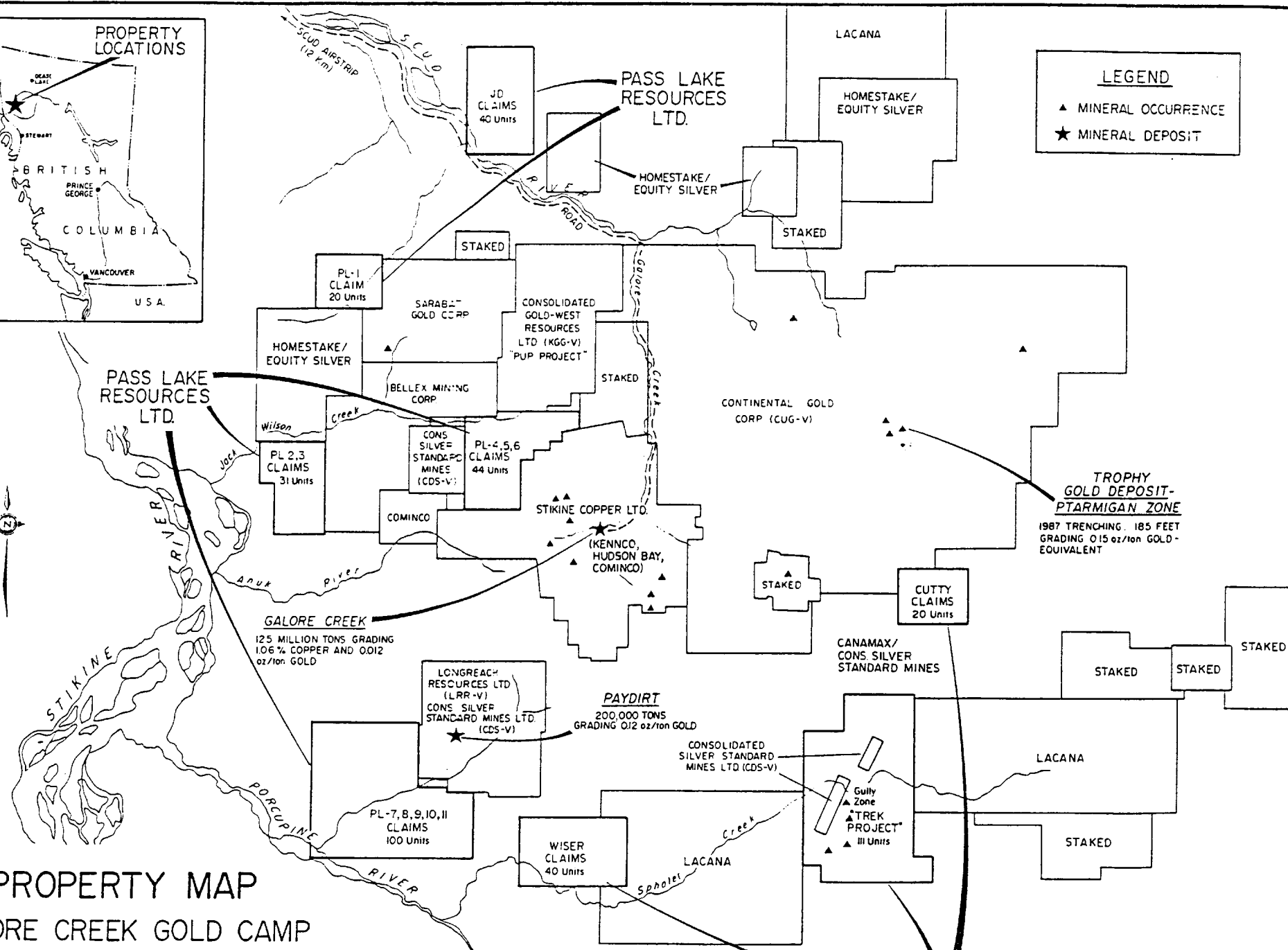
	October 31 1988 -----	October 31 1987 -----
EXPLORATION EXPENDITURES		
Geochemistry	\$ 6,495	\$ 5,669
Geology	13,314	10,963
Transportation and accomodation	9,910	318
Sampling and assays	481	-
Supervision	-	975
Equipment rental	488	-
Direct support services (overhead)	-	2,241
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	30,688	20,166
Deferred expenditures, beginning of period	77,000	-
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Deferred expenditures, end of period	\$ 107,688	\$ 20,166
	=====	=====

(unaudited)



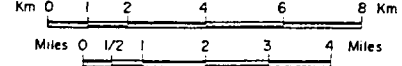
**LEGEND**

- ▲ MINERAL OCCURRENCE
- ★ MINERAL DEPOSIT



**PROPERTY MAP**  
**GALORE CREEK GOLD CAMP**

LIARD MINING DIVISION  
 BRITISH COLUMBIA



NOV. 1988

CLAIM LOCATIONS AND OWNERSHIP NOT GUARANTEED