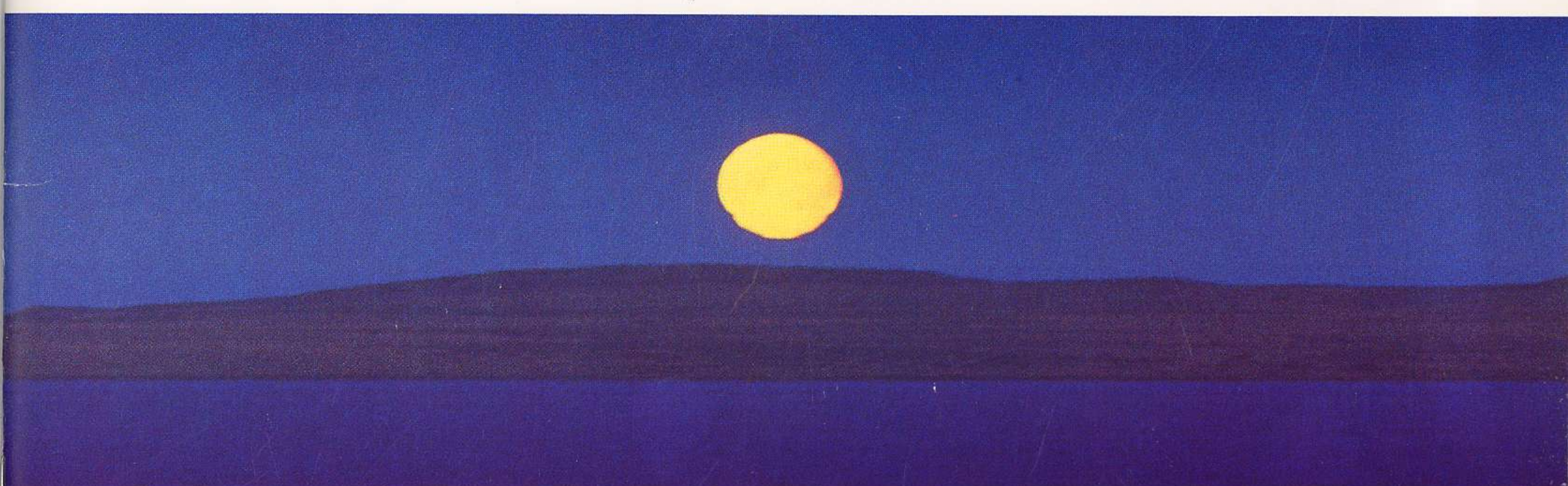
EQUINOX
RESOURCES LTD.

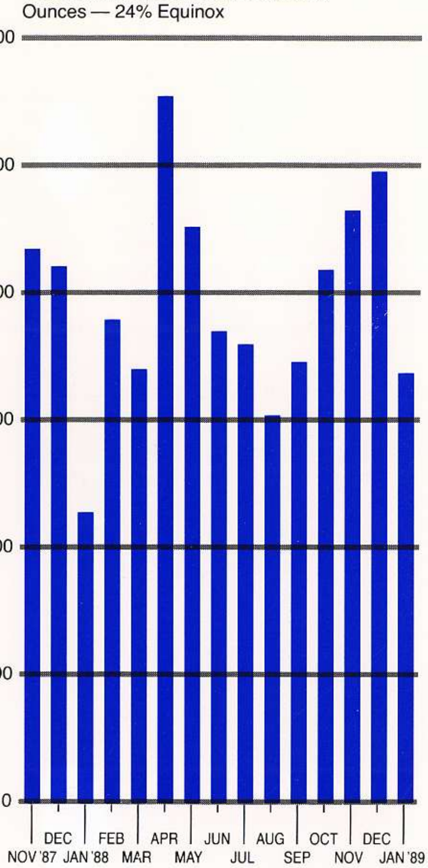


1988 ANNUAL REPORT

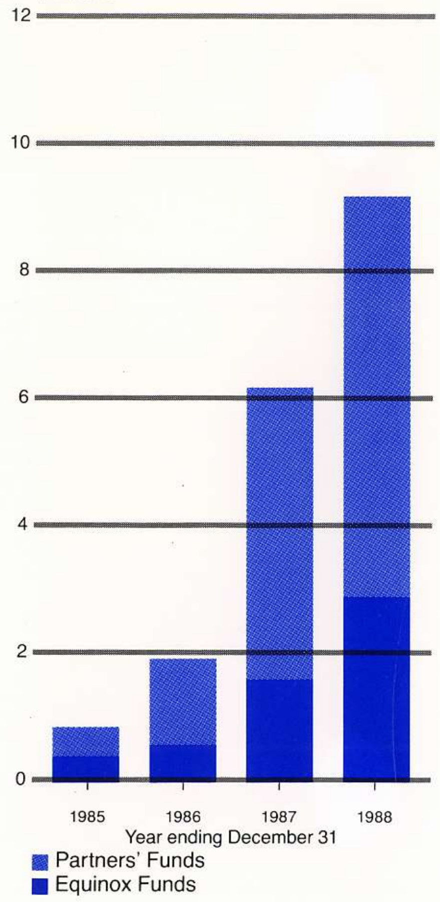
1988 HIGHLIGHTS

- Acquisition of Zenda and J&L properties, giving Equinox proven and probable gold reserves in excess of 179,340 ounces, exploration potential to increase gold reserves tenfold, and potential near-term gold production in excess of 50,000 ounces per year.
- Continued profitable operations at Buckhorn Mine and expansion of reserves through exploration discoveries totalling 1,123,000 tons grading 0.053 ounces of gold per ton.
- Acquisition of geological consulting firm providing Equinox with complete exploration staff and equipment and new source of operating cash flow.
- Record $9,100,000 exploration-development expenditures on Company properties.

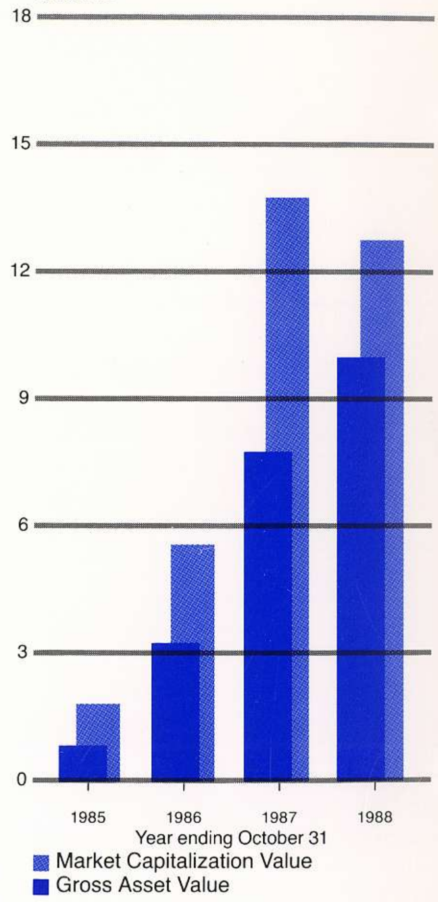
BUCKHORN GOLD SALES
Ounces — 24% Equinox



EXPLORATION EXPENDITURES
$ Millions



ASSET AND MARKET VALUES
$ Millions



Cover: Muskox platinum property, NWT.

President's Report to the Shareholders

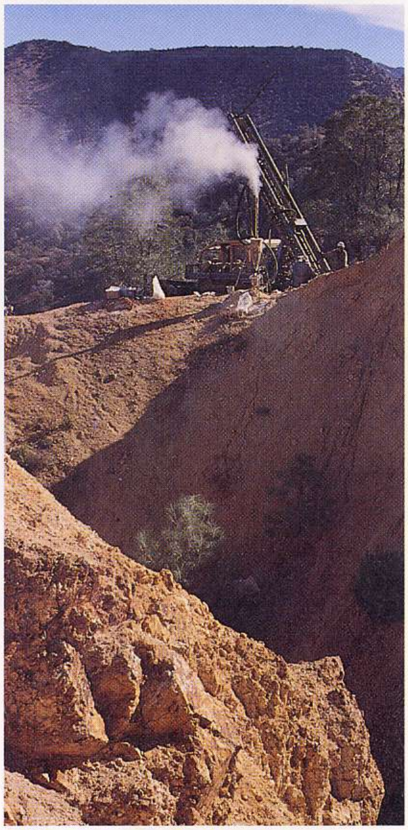
1988 was a year of record activity for Equinox. The Company ended the year in strong financial and operating condition, with a number of excellent accomplishments during the year and promising projects under development.

More than $9,100,000 was expended on mineral properties in which Equinox has an interest, of which Equinox managed the expenditure of $6,800,000. A total of $2,784,136 was raised from share subscriptions despite the poor capital markets which prevailed in 1988. The company ended the year with no debt. Cash flow from Buckhorn operations improved markedly after year-end and this improvement should persist in 1989.

Several Company projects produced disappointing results in the year. Gold revenue from the Buckhorn Mine was lower than 1987 due to lower grades being mined, higher production costs and major exploration and development expenditures and this resulted in sharply reduced earnings compared to 1987. The promise of a significant tonnage high grade sulphide gold deposit at the West Sinter zone of the Buckhorn Mine was all but eliminated through an intensive drilling program, though a small high grade sulphide gold deposit remains. Finally, an extensive underground program at the Maude Lake gold project near Matheson, Ontario failed to prove up sufficient reserves to support an immediate production decision.

Although Equinox's stock price declined by nearly 40% in concert with other gold stocks and poor equity markets generally, Equinox was buffered by its diversified asset base and limited financial exposure. These factors resulted in the Company outperforming most other similar-sized companies and ending the year with only a slight drop in its market capitalization.

The highlights of the year were Equinox's new acquisitions. The Zenda gold property was acquired in January and is now being advanced towards production; late in the year its reserves were expanded by a further drilling program. In August, Beaty Geological Ltd., the geological consulting firm that had operated Equinox's and other companies' exploration programs, was acquired giving Equinox complete exploration facilities and personnel and an other source of operating cash flow. In October, what will likely be the Company's most significant project was acquired — the J&L property. This gold-silver-lead-zinc deposit near Revelstoke, B.C. contains major reserves which will be our challenge to develop into a producing mine in the short term.



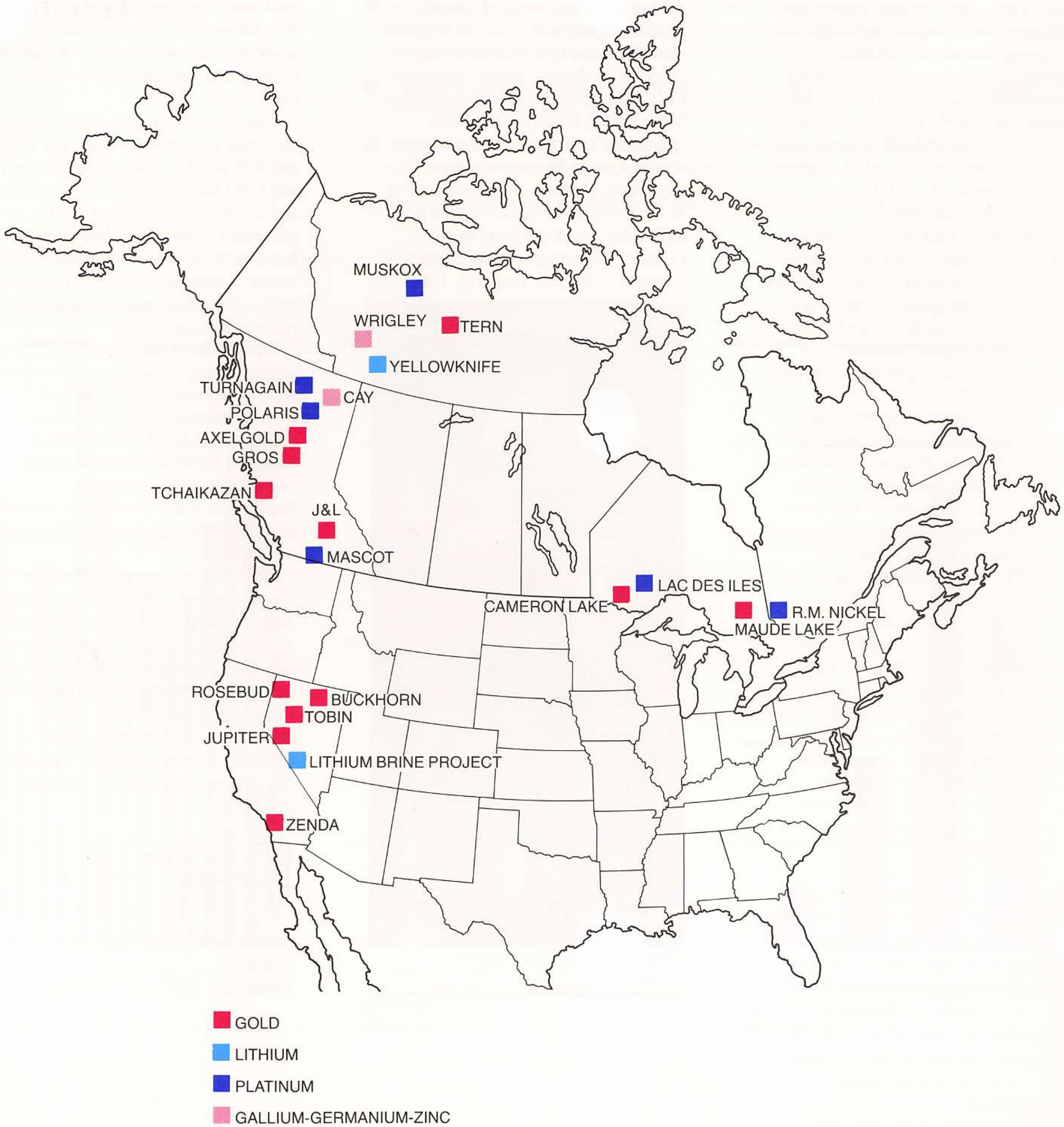
Drilling at Zenda. Glory hole in foreground.

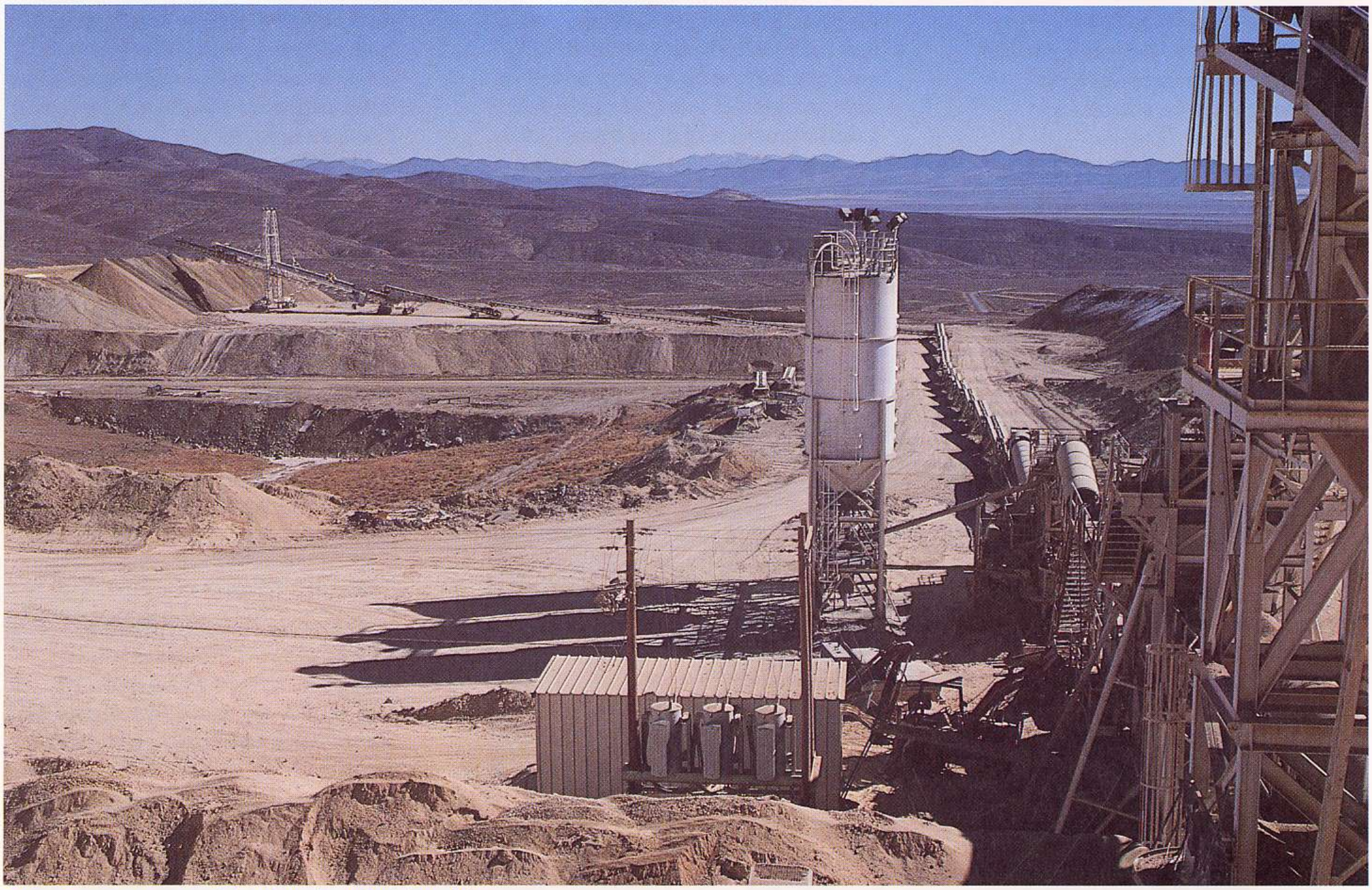
With the addition to the staff of senior operating personnel such as John Wright and Bob Weicker, Operations Manager and Chief Mine Geologist respectively, and through the acquisition of the consulting exploration group, Equinox has now matured into a fully operational resource company capable of managing exploration, development and mining projects internationally.

Equinox has a single goal for 1989: to expand mining production. This will be achieved through development of existing advanced stage projects such as the Zenda, J&L, RM Nickel, Maude Lake and Buckhorn Sulphide properties and through new acquisitions. Exploration will be carried out as much as possible through leveraged farm-outs and options.

The value and growth potential of Equinox lie in its excellent diversified property portfolio, positive earnings, strong management team and ability to become a major mining producer. And so it is with considerable optimism that I look forward to the year ahead, trusting that shareholders will be treated to an increasing share price as our development projects mature into producers.

Ross J. Beaty, M.Sc., LL.B.
President
January 22, 1989


MUSKOX
WRIGLEY
TERN
YELLOWKNIFE
TURNAGAIN
CAY
POLARIS
AXELGOLD
GROS
TCHAIKAZAN
J&L
MASCOT
LAC DES ILES
CAMERON LAKE
R.M. NICKEL
MAUDE LAKE
ROSEBUD
BUCKHORN
TOBIN
JUPITER
LITHIUM BRINE PROJECT
ZENDA
GOLD
LITHIUM
PLATINUM
GALLIUM-GERMANIUM-ZINC


Stacking conveyors and leach pads at Buckhorn Mine.

BUCKHORN MINE

The Buckhorn Mine, a modern 3,000 ton per day heap leach operation located 70 miles south of Carlin, Nevada, continued profitable operations during the year though at reduced levels from 1987. Equinox holds a 23.56% working interest with the remaining interest held by Cominco Resources International Ltd. which operates the mine.

Precious metals sales for the year ending October 31, 1988 were 27,349 ounces of gold and 129,937 ounces of silver (6,443 ounces of gold and 30,613 ounces of silver attributable to Equinox). The Company's share of Buckhorn revenue totalled $3,620,526. A total of 733,000 tons with an average grade of 0.051 ounces of gold per ton were crushed and placed on the pad in the year. The average price of gold sales was US$444.39 per ounce while the cost of production averaged US$270.83 per ounce inclusive of royalty charges and silver credits. These results differ from those for 1987 largely due to lower grades being mined, lower average gold prices and higher operating costs.

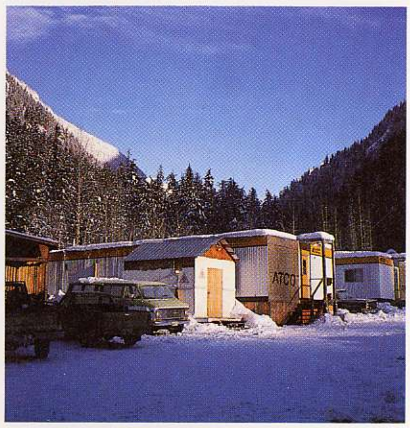
Considerable exploration success was achieved at Buckhorn during the year, with new reserves more than replacing reserves mined. Ore reserves at December 31, 1988 stood at 1,484,000 tons grading .051 ounces of gold per ton. This compared with reserves at April 1, 1987 of 1,120,000 tons grading 0.044 ounces of gold per ton, despite the mining of 1,402,000 tons from April, 1987 to December, 1988. More than 153,000 feet of drilling in 791 holes were completed during the year. The property was increased in size to 70 square miles through an aggressive acquisition program. There is excellent potential to increase reserves by continued drilling of the numerous alteration zones and geochemical anomalies on the large Buckhorn property, and this will be pursued by a continued aggressive drilling program during 1989. Production during 1989 is expected to be closer to 1987 levels due to higher grades being mined.

J&L, BRITISH COLUMBIA

The 18,250 acre J&L property contains a major gold, silver, lead and zinc deposit which has the potential to become a significant long-life polymetallic mine. On October 25, 1988, Equinox signed an agreement with Pan American Minerals Corp. of Vancouver granting Equinox the right to earn up to a 50% direct interest in the J&L property and up to 2,700,000 shares of Pan American (40% of the company) by expending $5,000,000 over a five year period on property development expenditures and corporate and administrative costs. Equinox also assumed day-to-day management of Pan American which currently holds a 100% interest in the property.

The J&L property, named after its prospector-discoverers "Jim" and "Lee", is located 32 km north of Revelstoke, a regional center in south-central B.C. on the Trans Canada Highway and CN and CP rail lines. Previous work from 1983-88 by BP-Selco, Noranda and Pan American at a cost of over $5,000,000 included 1,032 m of underground drifting on two levels along the ore zone, four raises totalling 122 m, 4,326 m of underground drilling in 84 holes and extensive metallurgical testwork.

Mineralization has been traced at surface over a 3,280 m strike length and continuously underground for 845 m. An indication of the continuity of the main zone is that every hole drilled through the plane of the zone has intersected mineralization. The tabular zone averages 1.6 m wide, extends up to 10 m wide and appears to be very amenable to underground mining with good ground conditions and clear geological control over ore boundaries. The ore is refractory and contains high arsenic levels but previous testwork indicates that economic recoveries can be achieved using pressure leaching, roasting or bioleaching with pressure leaching being the preferred route.



J&L camp facilities.

Ore reserves have been previously reported as follows:

"Average values of all samples assayed from the drift are 6.69 g/t gold, 68.75 g/t silver, 2.56% lead, 4.48% zinc and 5.16% arsenic over an average width of 1.5 m. If numbers from the drift data are to be accepted as fully representing the main zone then the . . . resulting total geological reserve is 11,438,100 tonnes; all but a small portion near the drift and at the drill intersections can be classified Possible reserve."

J.D. Williams for
Noranda Exploration Company
Project Summary, March 1987

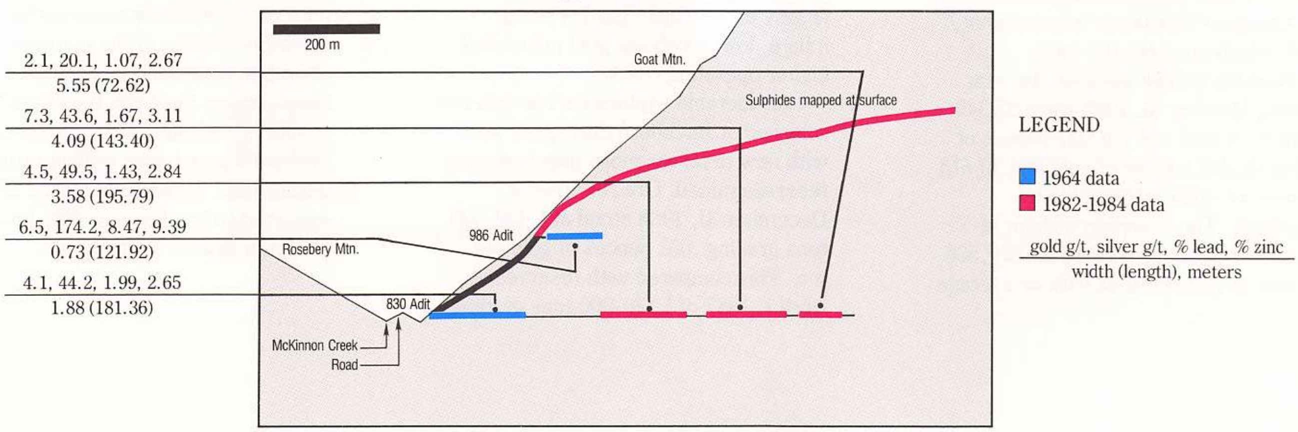
"The additional diamond drilling completed in the (1988) program has improved the classification of a block of 637,000 tons to the probable category. Its grade has been calculated to be 0.177 ounces of gold per ton, 2.21 ounces of silver per ton, 2.52% lead, 5.31% zinc and 4.58% arsenic over an average width of 8.8 feet. This is a portion of the mineral reserves of 3.71 million tons published by BP-Selco in 1984."

Pan American Minerals Corp.
1988 Annual Report

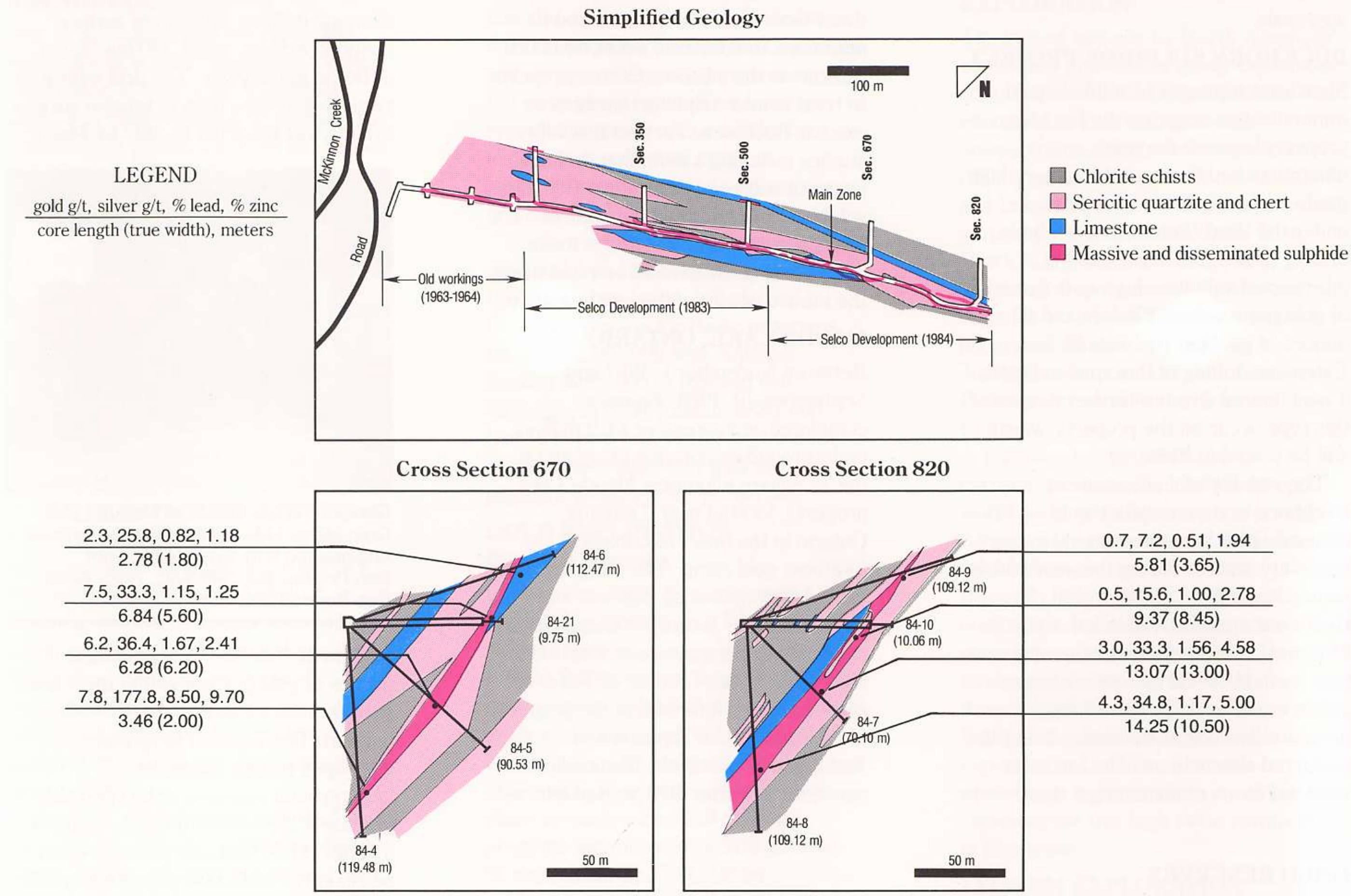
"Calculations indicate a potential tonnage of 3,370,900 tonnes grading 5.86 g/t gold, 59.14 g/t silver, 2.15% lead, 4.04% zinc and 4.86% arsenic has been blocked out between surface and the 530 m level abut a strike length of 800 m and across of 1.60 m true width, using a cut-off grade of 0.10 ounces of gold per tonne equivalent. The Main Zone has been traced for 1,850 m on surface, south from the 830 m portal, thus we can reasonably expect that a total of at least 9.0 million tonnes, at a grade similar to that already blocked out, will be outlined by further exploration. The North Zone could add to this potential."

BP-Selco
Summary Project Report, July 1985

Longitudinal Section



Equinox has now commenced a $2,000,000 underground drilling, bulk sampling and pilot scale metallurgical testing program designed to develop a production flowsheet and produce a bankable feasibility study by September, 1989. The importance of the J&L as a "company-making" property is due to its large ore reserves. Equinox's challenge will be to overcome the J&L's complex metallurgy and put the property into production; the Company has every confidence this can be done.



ZENDA, CALIFORNIA

The Zenda gold property is located 65 km east of Bakersfield, California. A 100% interest in Zenda, free of royalties and other encumbrances was acquired from Shell Mining Company and the original owner in 1988.

During 1988, metallurgical, detailed design engineering and permitting studies were completed and at year-end, a 7,000 foot confirmation, exploration and condemnation drilling program was carried out. Metallurgical results from column tests on Zenda ore showed excellent gold recoveries, ranging from an average of 83% to 86% for 40 day and 101 day leach times respectively on minus ½ inch ore. The drilling program also produced excellent results with nearly every hole detecting ore-grade mineralization. It included intersections of 65 feet grading 0.221 oz/ton, 60 feet grading 0.091 oz/ton, 110 feet grading 0.08 oz/ton and 95 feet grading 0.07 oz/ton. The up-dated mineable ore reserve at mid-January, 1989 was 1,100,000 tons grading 0.05 ounces of gold per ton at a cut-off of 0.02 ounces per ton. The waste:ore stripping ratio is low at approximately 1:1.

The feasibility of placing Zenda into production has now been demonstrated and work is proceeding to achieve production as soon as possible in 1989 at an annual rate of 15-20,000 ounces of gold per year. Applications have now been filed for necessary mining and environmental permits and no unusual delays are expected for permit approvals.

BUCKHORN SULPHIDE PROJECT

Significant tonnages of sulphide gold mineralization occur on the Buckhorn property beneath the oxide mineralization. Some of this is very high grade mineralization — for example, under the West Sinter oxide orebody, drilling in late 1987-early 1988 intersected values as high as 0.8 ounces of gold per ton over 165 feet and 1.1 ounces of gold per ton over 55 feet. Extensive drilling of this zone indicates it is of limited size but further targets of this type occur on the property which will be tested in 1989.

The viability of a new mine at Buckhorn to treat sulphide gold mineralization was investigated in pre-feasibility studies during the year which focused mostly on metallurgical treatment options. A detailed report by Minproc Consultants concludes that four methods could generate economic gold recoveries with bioleaching, pressure leaching and roasting being the preferred alternatives. The focus for 1989 will be on determining if there exists sufficient tonnages and grades of sulphide mineralization to provide a reasonable return on capital. At present, drill-indicated sulphide reserves are 955,000 tons grading 0.117 ounces of gold per ton with potential for a further 1,600,000 tons. It is notable that Placer-Dome has announced its intentions to construct a $28,000,000 roaster on the adjacent Cortez property to treat similar sulphide tonnages as exist at Buckhorn. Further feasibility studies including a definition drilling program will be completed on Buckhorn sulphide mineralization during 1989. If a positive production decision is made, mine development would be rapid using the infrastructure of the existing mine.

MAUDE LAKE, ONTARIO

Between November 1, 1987 and September 30, 1988, Equinox completed an aggressive $4.9 million underground exploration program on the 72 square kilometre Maude Lake property, located near Timmins, Ontario in the heart of Canada's foremost gold camp. The program was funded $1.9 million by Equinox and $3.0 million by Technigen Corporation under an option agreement with Maude Lake Gold Mines Limited of Toronto, earning vested interests in the property of 12% and 8% for Equinox and Technigen respectively. The companies may earn a further 40% vested interest by placing the property into production.

The underground program was completed on schedule and within budget, comprising 833m of decline to the 465 foot horizon below surface, 661m of drifts, 200m of raises, 453m of other workings, 5,032m of underground diamond drilling, 3,636m of surface diamond drilling, and 1,320 line-km of airborne geophysics. The drill-indicated reserve estimate from extensive surface drilling was reported in 1987 by Maude Lake to be 935,363 tons grading 0.187 ounces of gold per ton within the 5 zone deposit from surface to the 1,500 foot horizon. The Equinox program developed proven mineable underground reserves of 130,000 tons grading 0.158 oz/ton (diluted, uncut) to a depth of 500 feet and probable open pit reserves of 45,000 tons grading 0.11 oz/ton to a depth of 70 feet. The discrepancies between these figures and the reserves indicated by surface drilling are largely the result of differences in geological interpretation between surface and underground data and a more conservative reserve calculation method.

Equinox, Technigen and Maude Lake are now reviewing options for further development of the large, mostly unexplored Maude Lake property. Insufficient proven mineable reserves have so far been developed to justify a

Senior representatives of Maude Lake Gold Mines Ltd., Equinox and consulting engineering firm. From left to right: Bob Rogers, Bill Zelikovitz, Ross Beaty, Bob Bennett and Gordon Slade.

GOLD RESERVES

	Proven & Probable Reserves (oz)			Proven, Probable & Possible Reserves (oz)		
Property	1986	1987	**1988**	1986	1987	**1988**
Buckhorn	14,400	15,600	**17,040**	14,400	34,800	**52,800**
Zenda	—	—	**50,000**	—	—	**119,000**
Maude Lake	—	—	**10,800**	—	64,800	**64,800**
J&L	—	—	**101,500**	—	—	**1,755,600**
Totals	14,400	15,600	**179,340**	14,400	99,600	**1,992,200**

commercial production decision. Further exploration will require surface and subsurface drilling to expand existing reserves and test promising exploration targets developed from the 1988 program.

R.M. NICKEL, QUEBEC

Due to the rapid surge in copper and nickel prices in 1988, this property was reactivated in May when a feasibility study was commissioned to evaluate the possibility of production from the known 145,000 ton open pit deposit grading 0.79% copper, 0.46% nickel and high levels of platinum and palladium. By July, an Equinox operated program had been completed comprising bulk sampling, metallurgical testwork, 600 m of diamond drilling and permitting for commercial mine development, and the feasibility study was delivered to the joint venture parties (Equinox 20%, Technigen Corporation 30% and Minnova Inc. 50%).

Although the feasibility study showed a positive return to all parties, it was based on custom milling of the ore at Noranda's nearby Horne Mill at Noranda, Quebec, the only local mill which could treat R.M. Nickel ore. In September, Noranda informed the companies that its mill was fully committed and would be unable to accept R.M. Nickel ore until at least spring, 1989.

The R.M. Nickel study indicated that the small ore deposit could be profitably mined, milled, smelted and refined over a six month period with recovery of copper, nickel, platinum and palladium. If metal prices hold at current levels through mid-1989 and if Noranda approves a milling contract, commercial production of the R.M. Nickel deposit will likely be carried out at that time.

As in previous years, Equinox had a busy year in 1988 with grassroots exploration projects. It is the Company's policy that the potential for major capital gains through new resource discoveries should be pursued by an active exploration program but that this activity should be funded as much as possible through joint ventures and options where other parties carry the early-stage costs. This leverage provides Equinox with considerable exposure to a diverse range of exploration projects while minimizing its financial risk.

Surface exploration programs were completed on 12 Company properties in 1988, with two being drilled. Exploration costs for these programs totalled $1,180,000 with Equinox funding $295,000 of this and five different partners funding $885,000. Unlike in previous years, exploration was largely confined to gold and platinum group metals properties.

GOLD EXPLORATION

Rosebud, Nevada

In June, this 100% Equinox-owned 46 claim gold property near Winnemucca, Nevada was optioned to Lac Minerals Ltd. of Toronto which funded a $100,000 geological, geophysical and geochemical program on the areas of known gold mineralization on the property. Lac, one of Canada's foremost gold producers, plans to carry out a 1989 drilling program and may earn a 51% interest by expending US$700,000 on exploration and paying Equinox US$100,000 over a five year period.

Argo, B.C.

In August, Canada Orient Resources Ltd. of Vancouver funded a $140,000 Equinox-operated program on a significant 3,000 m long gold-mineralized belt within this 2,100 hectare property located north of the Bralorne gold camp in southern B.C. Strong gold anomalies in soil and rock were discovered and a drilling program is planned for 1989.

Loot, B.C.

This 100% Equinox-owned property on the Tchaikazan River, southern B.C., was prospected to locate the source of strong stream sediment gold anomalies and float boulders containing up to 2.6 ounces of gold per ton. Numerous prospective areas were discovered for 1989 follow-up.

PLATINUM GROUP METALS EXPLORATION

The lack of success by North American companies in platinum group exploration continued on 1988. Equinox was no exception to this with generally disappointing results from significant drilling programs on the Muskox, NWT and Lac des Iles, Ontario properties and surface programs on the Cana, Etta, Hawk, Cliff, Muskox Lakes, Ray, Flee and Krug properties. $925,000 was expended on these Equinox-operated programs, funded by Equinox, Technigen Corporation, American Platinum Inc. and Abbey Explorations Ltd.

Platinum has proven to be an extremely elusive exploration target world-wide with the exception of South Africa where more than 97% of known world platinum reserves occur. Ironically, the less successful that companies are in North American platinum exploration the better the fundamentals are for any North American platinum supply discovered. Equinox has built up considerable expertise in Canadian platinum exploration and intends to continue exploring for this high value commodity in the future.

LITHIUM EXPLORATION

A drilling program was carried out on Equinox's Nevada lithium brine property, funded by Teck Corporation. Disappointing results were obtained despite extremely high lithium values at surface.

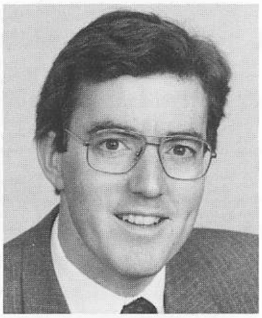
The Company's Yellowknife lithium pegmatite holdings were maintained during the year and marketing studies were carried out. Equinox will be well positioned with its world class lithium reserves on these properties if the world lithium market improves in the future as a result of a breakthrough in battery, alloy or fusion technologies.

FIVE YEAR OPERATIONS SUMMARY *for year ending October 31 (Cdn $)*

	1988	1987	1986	1985	1984
Working Capital	**$ 476,564**	$ 2,738,000	$ 643,910	$ 261,155	$ 39,000
Resource Properties	**$ 5,781,876**	$ 1,162,751	$ 833,000	$ 381,115	$ 253,000
Total Assets	**$ 9,710,335**	$ 7,634,938	$3,800,000	$ 656,000	$ 314,000
Debt	**—**	$ 402,687	$2,225,000	—	—
Shareholders' Equity	**$ 7,834,404**	$ 4,780,049	$1,211,460	$ 421,079	$ 239,716
Revenue	**$ 3,912,000**	$ 5,482,000	$ 460,000	—	—
Operating Cash Flow	**$ 1,434,051**	$ 2,230,012	$ (433,000)	$ (125,000)	$ (98,000)
Operating Cash Flow per share	**$ 0.28**	$ 0.66	$ (0.15)	$ (0.08)	$ (0.06)
Net Earnings (loss)	**$ 70,168**	$ 565,705	$ (138,000)	$ (115,000)	$ (58,000)
Net Earnings (loss) per share	**$ 0.02**	$ 0.16	$ (0.05)	$ (0.07)	$ (0.04)
Share Price Range					
High	**$ 4.20**	$ 5.50	$ 2.30	$ 1.25	—
Low	**$ 1.45**	$ 1.70	$ 1.00	$ .45	—
Share Capital					
Issued Shares	**5,273,474**	4,246,553	2,833,697	1,831,100	1,300,182
Fully Diluted	**5,927,810**	5,219,753	3,405,697	2,079,045	1,400,182
Market Capitalization	**$12,745,000**	$13,751,000	$5,415,000	$ 734,000	—
Exploration Expenditures					
Equinox	**$ 2,900,000**	$ 1,472,000	$ 460,000	$ 381,000	$ 95,000
Partners	**$ 6,200,000**	$ 4,656,000	$1,365,000	$ 380,000	—
Total	**$ 9,100,000**	$ 6,128,000	$1,825,000	$ 761,000	$ 95,000
Properties Explored	**38**	46	42	17	8
Properties Drilled	**8**	7	6	1	—
Properties Near Production	**4**	2	—	—	—
Properties Producing	**1**	1	1	—	—

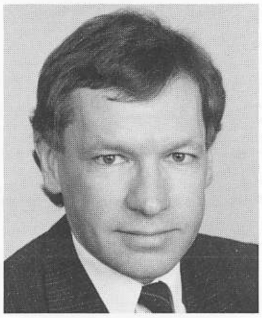
Management

Equinox manages and operates nearly all of its own projects. With the acquisition in 1988 of one of Vancouver's largest geological consulting companies and with the addition to Equinox's staff of Mr. John Wright and Mr. Robert Weicker, Equinox now has a senior management team with a proven track record in mining finance, mineral exploration, and mine development throughout North America and internationally. Equinox also derives substantial fee income from projects operated on a consulting basis for other corporations.



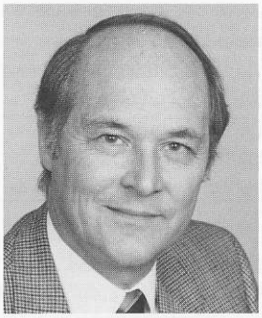
Ross J. Beaty, M.Sc., LL.B.
President and Director

Exploration geologist and lawyer. Extensive experience worldwide in mineral exploration and development since 1970. Director of several public resource corporations.



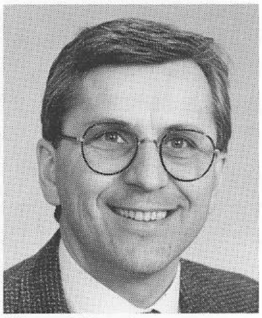
Graham H. Scott, B.Sc., LL.B.
Secretary and Director

Senior partner with Vancouver mining and securities law firm of Scott, Bissett. Previously a mining geologist with several Canadian resource companies.



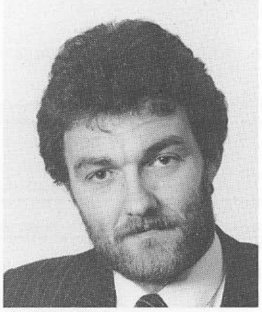
W.J. Coulter, B.A.Sc.
Director

Engineering graduate of University of Toronto. Engaged in organization, financing and management of Vancouver resource companies since 1968. Since 1982 CEO of Interaction Resources Ltd. and Director of Petromin Resource Corp.



Pierre Massé, B.Eng., C.A.
Chief Financial Officer and Director

Mining engineer and chartered accountant, bilingual in English and French. Employed since 1975 with senior Canadian accounting and resource companies as audit accountant, controller or CFO.



C.R.J. Hall, M.Sc.
Director

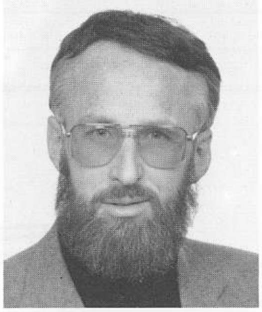
London-based mining analyst and fund manager. Managing Director of Lion Investment Management and the investment advisor to European Mining Finance. Previously employed for 13 years with major UK mining corporation and natural resources investment trust.

W.W. Charlton
Director

President of Charlton Securities Limited, Calgary. Extensive background in oil and gas and gold industry corporate finance. Specializes in mergers, acquisitions, underwritings and energy pricing studies.

John H. Wright, B.Sc., P.Eng.
Manager, Operations

Metallurgical engineer and mining operations manager. Employed 1985-88 as project manager of several mining operations internationally, 1977-85 with Teck Mining Group as senior engineer and project manager of several developing mines and 1975-77 with Cominco at Trail smelter.



R.R. Culbert, Ph.D., P.Eng.
Senior Exploration Geologist

Geological engineer. Dr. Culbert has worked since 1967 throughout North America as an exploration geologist, geochemist and geophysicist on a diverse range of projects and commodities. Bilingual in English and Spanish.

Robert Weicker, B.Sc.
Senior Mining Geologist

Mining geologist. Employed 1984-88 as Senior and Chief Mine Geologist of Canada's largest gold mine, the 370,000 ounce Page-Williams Mine at Hemlo, 1982-84 as Mine Geologist of Ross and Hollinger Mines, Timmins and 1977-82 as an exploration geologist.

CONSOLIDATED BALANCE SHEET
as at October 31, 1988

ASSETS	**1988**	1987
Current		
Cash and term deposits	**$ 844,263**	$2,381,181
Marketable securities (Note 4)	**31,479**	7,680
Accounts receivable	**409,792**	604,125
Inventory (Note 5)	**328,974**	179,575
Prepaids	**13,566**	12,178
Debenture sinking fund (Note 9)	**724,421**	1,052,720
	2,352,495	4,237,459
Debenture sinking fund	—	650,033
Property, plant and equipment (Note 6)	**1,533,631**	1,356,042
Resource properties (Note 7)	**5,781,876**	1,162,751
Deferred costs (Note 8)	**42,333**	88,653
Trust assets	—	140,000
	$9,710,335	$7,634,938
LIABILITIES		
Current		
Accounts payable	**$1,019,306**	$ 446,269
Current portion of debenture (Note 9)	**704,663**	1,052,720
Deferred income taxes	**151,962**	163,180
	1,875,931	1,662,169
Debenture	—	1,052,720
Trust liability	—	140,000
	1,875,931	2,854,889
SHAREHOLDERS' EQUITY		
Capital stock (Notes 10 and 15)		
Authorized		
20,000,000 common shares without par value		
10,000,000 preferred shares without par value		
Issued		
5,273,474 common shares (1987 – 4,246,553 common shares)	**7,676,655**	4,577,829
Translation adjustment	**(128,825)**	(14,186)
Retained earnings	**286,574**	216,406
	7,834,404	4,780,049
	$9,710,335	$7,634,938

Approved by the Directors

Beaty Director

Director

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

for the year ended October 31, 1988

	1988	1987
Revenue		
Production revenue	**$3,620,526**	$5,344,857
Interest income	**197,984**	136,734
Property management revenue	**93,232**	—
	3,911,742	5,481,591
Expenses		
Operating	**2,313,905**	2,356,687
Depreciation, depletion and amortization	**764,993**	991,508
Interest	**289,538**	404,495
Filing and transfer fees	**26,144**	39,104
General exploration	**29,620**	74,701
Legal, accounting and consulting services	**152,353**	102,017
General and administration expenses	**188,926**	179,661
Loss on exchange	**52,365**	—
	3,817,844	4,148,173
Income before write-off of resource properties and income taxes	**93,898**	1,333,418
Write-off of resource properties	**23,730**	600,153
Income before income taxes	**70,168**	733,265
Provision for income taxes – deferred (Note 13)	**—**	167,560
Net income for the year	**70,168**	565,705
Retained earnings (deficit) at beginning of year	**216,406**	(349,299)
Retained earnings at end of year	**$ 286,574**	$ 216,406
Earnings per share		
Basic	**$ 0.02**	$ 0.16
Fully diluted	**$ 0.02**	$ 0.14

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended October 31, 1988

	1988	1987
Operating activities		
Net income for the year	**$ 70,168**	$ 565,705
Items not requiring an outlay of cash		
Depreciation, depletion and amortization	**764,993**	991,508
Deferred income taxes	**—**	167,560
Write-off of resource properties	**23,730**	600,153
Loss (gain) on sale of fixed assets	**(25,127)**	12,518
	833,764	2,337,444
Change in non-cash operating working capital	**600,287**	(107,432)
	1,434,051	2,230,012
Financing activities		
Capital stock issued for cash	**2,784,136**	3,000,990
Capital stock issued for resource property	**314,690**	16,080
Sinking fund contributions	**588,844**	(1,702,753)
Debenture repayments	**(1,452,684)**	—
Foreign exchange translation	**466,054**	—
	2,701,040	1,314,317
Investing activities		
Proceeds on sale of fixed assets	**44,255**	41,207
Purchase of property, plant and equipment	**(1,012,811)**	(628,263)
Resource property expenditures, net of recoveries	**(4,679,654)**	(767,298)
	(5,648,210)	(1,354,354)
Increase in cash and cash equivalents	**(1,513,119)**	2,189,975
Cash and cash equivalents at beginning of year	**2,388,861**	198,886
Cash and cash equivalents at end of year	**$ 875,742**	$2,388,861
Cash and cash equivalents is comprised of:		
Cash and term deposits	**$ 844,263**	$2,381,181
Marketable securities	**31,479**	7,680
	$ 875,742	$2,388,861

See accompanying notes to consolidated financial statements.

1. Nature of operations

The Company, directly and through joint ventures, is in the active process of exploring its mineral properties and, except for the Buckhorn operation, Note 3, has not determined whether these properties contain ore reserves which are economically recoverable.

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and future profitable production from the properties or proceeds from disposition.

2. Significant accounting policies

a. Basis of consolidation

These consolidated financial statements include the accounts of Equinox Resources Ltd. and its wholly-owned self-sustaining U.S. subsidiary, Equinox Resources Inc. which accounts for the Buckhorn operation joint venture by proportionate consolidation (Note 3). All other joint ventures are accounted for on the cost basis. All inter-company transactions have been eliminated.

b. Depreciation, depletion and amortization

Property, plant and equipment is recorded at cost and the Company provides for depreciation on office equipment on a straight-line basis using a 20% annual rate and the mining assets of Buckhorn operation over their useful life using the unit of production method.

c. Resource properties

Acquisition costs of resource properties together with direct exploration and development expenditures thereon are deferred in the accounts. When production is attained these costs are amortized using the unit of production method based upon estimated proven recoverable reserves. When deferred expenditures on individual producing properties exceed estimated net realizable value, the properties are written down to the estimated value. Costs relating to properties abandoned are written off when the decision to abandon is made. Costs with respect to the Buckhorn operation are included in property, plant and equipment.

d. Inventories

Supplies inventory is stated at the lower of average cost and replacement cost.

Precipitate inventory is stated at the lower of average cost and net realizable value. Costs included in inventory include direct operating expenses, leach pad amortization and land, building and equipment depreciation.

3. Buckhorn operation

The Buckhorn gold mine is located in Eureka County, Nevada. Effective October 1, 1986, the Company acquired a 23.56% undivided interest in 33 patented and 417 unpatented lode mining claims and all assets related to the mining operation for $2,220,880 (U.S.$1.6 million). The mine is in production.

Proportionate consolidation is used to account for the 23.56% investment in the Buckhorn operation joint venture.

A summary of the Company's proportionate share of assets, liabilities, revenue and expenses is as follows:

	1988	1987
Current assets	**$ 603,296**	$ 710,940
Property, plant and equipment	**1,515,917**	1,348,239
	2,119,213	2,059,179
Current liabilities	**738,835**	200,995
Net assets	**$1,380,378**	$1,858,184
Revenue	**$3,620,526**	$5,344,857
Expenses	**2,979,234**	3,343,899
	$ 641,292	$2,000,958

4. Marketable securities

Marketable securities are recorded at the lower of cost and net realizable value. As at October 31, 1988, the quoted market value was $43,250 (1987 — $7,680).

5. Inventory

	1988	1987
Supplies	**$141,533**	$ 83,086
Precipitate	**187,441**	96,489
	$328,974	$179,575

6. Property, plant and equipment

	Cost	Accumulated Depreciation	Net book value 1988	Net book value 1987
Office equipment	$ 23,905	$ 6,191	**$ 17,714**	$ 7,803
Property, plant, equipment and development costs	3,999,877	2,483,960	**1,515,917**	1,348,239
	$4,023,782	$2,490,151	**$1,533,631**	$1,356,042

7. Resource properties

a. Maude Lake property

The Maude Lake property is located in Matheson, Ontario. In a series of three phases, each vesting a 20% interest upon completion, the Company can earn a maximum of 60% interest in the property. Phase I has been completed. The following is a summary of the completion dates and estimated amounts required to complete the remaining phases:

	Due date	Estimated amount
Phase II	December 31, 1990	$10 million
Phase III	December 31, 1991	$11 million

The Company is also obligated to issue 115,000 and 100,000 common shares, on completion of Phase II and III respectively, in exchange for 107,727 shares in each phase, (1.5% of the issued and outstanding shares), of the company owning the property.

The Company has granted a third party the option to earn a 40% interest in the Company's position by spending $2 million on the property. The third party must also issue its shares to the Company on each phase valued at 40% of the Company's common shares issued and will be entitled to 40% of the shares received by the Company. The third party has earned its 40% interest and costs are to be shared on a pro-rata basis.

As at October 31, 1988, the Company has earned a net 12% interest in the Maude Lake property.

b. Zenda property
The Company owns a 100% interest in the Zenda property located 40 miles east of Bakersfield, California. The property consists of 8 patented lode claims covering 147 acres, 45 unpatented lode claims covering 945 acres and a mining lease covering 260 acres. The mining lease expires in 1996 and requires annual payments of U.S.$6,500.

c. Platinum project
The Company has a 40% interest in numerous mining claims located in British Columbia, Ontario, New Brunswick, Newfoundland and the Northwest Territories.

d. Cay property
The Company has a 100% interest in certain mining claims located in Northeastern British Columbia.

e. Yellowknife lithium property
The Company has an 88% interest in certain mineral claims located near Yellowknife, Northwest Territories.

f. Other
The Company has various interests ranging from 21% to 100% in certain properties located in Canada and the United States.

g. J&L property
The J&L property is located near Revelstoke, B.C. On October 1, 1988 the Company acquired the right to earn a 50% direct interest in the property and a 40% equity interest in the property owner, Pan American Minerals Corp., by expending $5,000,000 over a 5 year period in property exploration costs and other Pan American corporate expenses.

The resource properties balance shown on the consolidated balance sheet includes $3,191,718 as at October 31, 1988 for which the Company will not be entitled to deductions for tax purposes.

8. Deferred costs

Deferred costs consist of issue costs for the U.S.$1.6 million debenture. The costs are being amortized on a straight-line basis over the 3 year debenture term.

9. Debenture

In 1986, the Company issued a series "A" debenture for U.S.$1,600,000 with interest at 11% per annum payable semi-annually. Proceeds from the debenture were used to purchase a 23.56% interest in the Buckhorn gold mine. The debenture is secured by the mine assets. The Company contributes 80% of its share of the net revenue received from the property to a sinking fund from which principal repayments will be made. Debenture holders redeemed a total of U.S.$1,025,000 during the year. At October 31, 1988, a total of $724,421 (U.S.$591,123) is reserved in the sinking fund. The principal balance of $704,663 (U.S.$575,000) is due on October 1, 1989.

The Company also issued warrants to the debenture holders to purchase common shares of the Company (Note 11.c). The Company is also committed to pay the debenture holders 25% of the Company's share of net revenue of the Buckhorn mine resulting from gold prices being in excess of U.S.$400 per ounce.

10. Capital stock

a. The changes in the capital stock during the year ended October 31, 1988 were as follows:

	Common Shares	Amount
Issued as at October 31, 1987	4,246,553	$4,577,829
Shares issued for cash	908,658	2,784,136
Shares issued for property	118,263	314,690
Issued as at October 31, 1988	5,273,474	$7,676,655

b. As at October 31, 1988, outstanding directors' and employees' stock options were as follows:

Number of common shares	Exercise price	Expiry date
127,000	$1.65	December 7, 1988 (Note 15.c)
20,000	$2.38	October 6, 1989
30,000	$2.00	November 1, 1991
50,000	$2.15	March 3, 1992
20,000	$2.95	March 17, 1992
50,000	$2.38	June 9, 1993

c. As at October 31, 1988, warrants to purchase 206,650 common shares at $2.00 per share expiring September 30, 1989 were outstanding.

d. During the year ended October 31, 1988, the Company altered its authorized share capital to include 10,000,000 preferred shares without par value. These preferred shares may be issued in one or more Series and may have attached thereto preferences, privileges, rights, restrictions, conditions and limitations as determined by the Board of Directors.

e. During the year ended October 31, 1988, the Company:

i. completed two flow-through share agreements, entered into in the previous year, by issuing 135,000 common shares for cash of $600,000 which was spent on exploration and development work in Canada;

ii. entered into a flow-through share agreement whereby investors provided $1,200,000 for exploration and development work in Canada and received 387,097 common shares based on one common share for every $3.10 spent on the program;

iii. entered into a second flow-through share agreement whereby investors will provide $1,200,000 for exploration and development work in Canada and will receive one common share for every $3.10 spent on the program. As at October 31, 1988, the Company has received and spent $732,873 and, accordingly, issued 236,411 shares (Note 13.d).

The investors will not acquire any interest in the resource properties, but will be entitled to all tax deductions, including any earned depletion, in respect of the exploration expenses incurred.

11. Related party transactions

a. During the years, the Company incurred:

	1988	1987
i. geological, financial and administrative costs with a company controlled by a director and officer of the Company	**$531,907**	$376,571
ii. legal costs with a law firm in which a director of the Company is a partner	**$ 50,138**	$ 40,785
iii. salary to a director of the Company	**$ 60,500**	$ 35,000
iv. consulting fees with a company related by a director in common with the Company	**$ 17,700**	$ —

b. As at October 31, accounts payable include amounts due to:

	1988	1987
i. a company controlled by a director and officer of the Company	**$ 67,762**	$ 56,486
ii. a law firm in which a director of the Company is a partner	**$ 10,000**	$ 10,648

12. Commitments

The Company is committed under operating leases to estimated future minimum lease payments as follows:

1989	$84,591
1990	6,442
	$91,033

As at October 31, 1988, the Company has secured subleases totalling $57,993 to offset the total estimated future minimum lease payments.

13. Income taxes

The differences between the income tax rates recorded and those obtained by applying the combined federal and provincial statutory rates are as follows:

	1988	1987
Statutory federal and provincial income tax rate	**48.0%**	51.0%
Increase (decrease) resulting from:		
Effect of losses in Canada	**33.7%**	49.7%
Foreign tax rate differential	**(23.8%)**	(33.6%)
United States resource allowance	**(57.9%)**	(44.2%)
Effective tax rate	**0%**	22.9%

14. Segmented information

The Company operates in one industry and two geographic locations. Details of net income and identifiable assets are as follows:

	October 31 1988	1987
Revenue for the year		
Canada	**$ 172,277**	$ 88,781
United States	**3,739,465**	5,392,810
	$3,911,742	$5,481,591
Net income (loss) for the year		
Canada	**$ (49,218)**	$ (713,966)
United States	**119,386**	1,279,671
	$ 70,168	$ 565,705
Identifiable assets at end of year		
Canada	**$5,786,116**	$5,616,258
United States	**3,924,219**	2,018,680
	$9,710,335	$7,634,938

15. Subsequent events

Subsequent to October 31, 1988, the Company:

a. acquired, from a director and officer of the Company, 100% of the issued and outstanding shares of Beaty Geological Ltd., a private geological consulting firm, for 950,000 shares at a deemed value of $2,004,500;

b. issued 250,000 common shares for cash of $562,500 pursuant to a private placement. In addition, the Company issued warrants to purchase an additional 125,000 common shares at $2.75 until October 23, 1989;

c. issued 127,000 common shares for cash of $209,550 pursuant to the exercise of stock options (Note 11.b);

d. issued 150,686 common shares for cash of $467,127 pursuant to a flow-through agreement (Note 10.e.iii);

e. granted stock options to directors and employees to purchase common shares as follows:

Number of shares	Exercise price	Expiry date
70,000	$2.15	January 4, 1991
275,000	$2.15	January 14, 1994

f. entered into a flow-through share agreement whereby participants will provide $600,000 for exploration and development work in Canada. The participants will receive one common share for every $2.40 spent on the program. The participants will not acquire any interest in the resource properties, but will be entitled to all tax deductions, including any earned depletion, in respect of exploration expenses incurred.

The Shareholders,
Equinox Resources Ltd.

We have examined the consolidated balance sheet of Equinox Resources Ltd. as at October 31, 1988 and the consolidated statements of income and retained earnings, resource properties and changes in financial position for the year then ended. Our examination was 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 consolidated financial statements present fairly the financial position of the Company as at October 31, 1988 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied, on a basis consistent with that of the preceding year.

Vancouver, B.C.
January 27, 1989

Touche Ross & Co
Chartered Accountants

CONSOLIDATED STATEMENT OF RESOURCE PROPERTIES

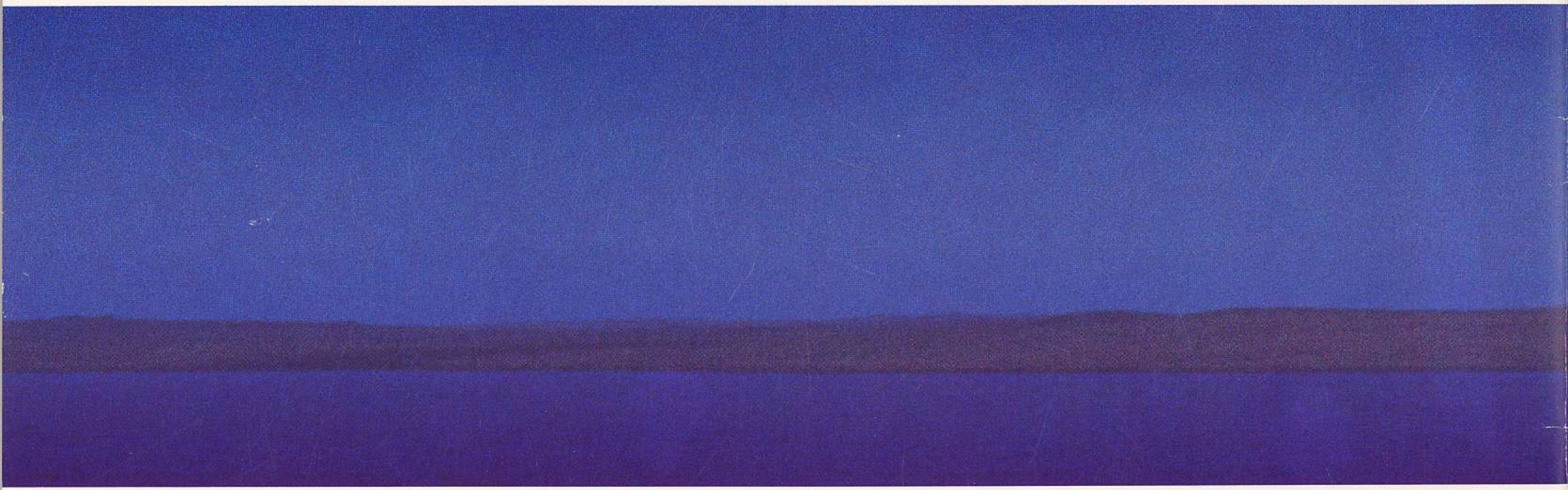
for the year ended October 31, 1988

	Balance October 31 1987	Additions	Recovery	Written-off	**Balance October 31 1988**
Maude Lake property	$ 92,485	$2,222,354	$ —	$ —	**$2,314,839**
Zenda property	—	1,752,273	—	—	**1,752,273**
Platinum project	192,216	498,948	—	—	**691,164**
Cay property	532,465	29,662	(50,000)	—	**512,127**
Yellowknife lithium property	217,468	47,332	—	—	**264,800**
Other	128,117	154,536	(12,250)	(23,730)	**246,673**
	$1,162,751	$4,705,105	$ (62,250)	$ (23,730)	**$5,781,876**

See accompanying notes to consolidated financial statements.

CORPORATE INFORMATION

Head Office	900 – 625 Howe Street Vancouver, B.C., Canada V6C 2T6 Telephone (604) 684-1175 Telex 04-508338 FAX (604) 684-0147
Auditors	Touche Ross & Co. 1700 – 666 Burrard Street Vancouver, B.C. V6C 3B3
Legal Counsel	Scott, Bissett 1040 – 999 West Hastings Street Vancouver, B.C. V6C 2W2
Registrar and Transfer Agent	Montreal Trust Company 510 Burrard Street Vancouver, B.C. V6C 3B9
Bankers	Bank of Montreal 595 Burrard Street Vancouver, B.C. V7X 1L7
Authorized Capital	20,000,000 common shares without par value
Shares Listed	Vancouver Stock Exchange Toronto Stock Exchange Trading Symbol: EQX
Issued Capital	Oct. 31, 1988 — 5,273,474 shares
Geographic Shareholding	Canada 60% USA 28% United Kingdom 12% 100%
Annual General Meeting:	March 28, 1989 – 2:00 p.m. Four Seasons Hotel 791 W. Georgia St. Vancouver, B.C.



PRINTED IN CANADA BY MITCHELL PRESS LIMITED 14

Consolidated Balance Sheet

AS AT APRIL 30, 1989
(unaudited)

	1989	1988
ASSETS		
Current		
Cash and term deposits	$ 425,098	$297,515
Marketable securities	24,000	
Accounts receivable	741,353	1,094,139
Inventory	387,763	200,182
Prepaids	7,906	1,499
Private placement receivable	900,000	
Debenture sinking fund	688,007	707,250
	3,174,127	2,300,585
Debenture sinking fund		745,298
Property, plant and equipment	1,497,624	1,261,782
Resource properties	7,700,306	3,629,935
Goodwill & deferred costs	829,358	65,493
	$13,201,415	$8,003,093
LIABILITIES		
Current		
Accounts payable	$ 1,252,896	$ 945,246
Current portion of debenture	681,375	707,250
	1,934,271	1,652,496
Debenture		707,250
Deferred taxes		212,520
	1,934,271	2,572,266
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized		
20,000,000 common shares without par value		
Issued		
6,976,160 shares (1988 - 4,419,953)	10,538,132	5,287,329
Allotted, 500,000 shares	900,000	
Issued and allotted	11,438,132	5,287,329
Translation adjustment	(239,655)	(179,235)
Retained earnings	68,667	322,733
	11,267,144	5,430,827
	$13,201,415	$8,003,093

Approved by the Directors:

Ross J. Beaty

Pierre F. Masse

Consolidated Statement of Changes in Financial Position

FOR THE SIX MONTHS ENDED APRIL 30, 1989
(unaudited)

	1989	1988
Operating activities		
Net income (loss) for the period	$ (217,907)	$ 106,327
Items not requiring outlay of cash		
Depreciation, depletion and amortization	453,041	432,853
Deferred income taxes		60,000
Loss (Gain) on sale of assets	(7,042)	6,194
	228,092	605,374
Change in non-cash operating working capital	(1,415,183)	(27,236)
	(1,187,091)	578,138
Financing activities		
Capital stock issued for cash	2,739,177	709,500
Capital stock issued for property	1,022,300	
Sinking fund contributions	12,585	(414,448)
Foreign exchange translation	(6,554)	(82,261)
	3,767,508	212,791
Investing activities		
Purchase of consulting operations, net of cash	(800,968)	
Purchase of property, plant and equipment	(209,997)	(410,642)
Resource property expenditures, net of recoveries	(1,996,096)	(2,471,633)
	(3,007,061)	(2,882,275)
(Decrease) in cash and cash equivalents	(426,644)	(2,091,346)
Cash and cash equivalents at beginning of period	875,742	2,388,861
Cash and cash equivalents at end of period	$ 449,098	$ 297,515
Cash and cash equivalents is comprised of:		
Cash and term deposits	$ 425,098	$ 297,515
Marketable securities	24,000	
	$ 449,098	$ 297,515

EQUINOX
RESOURCES LTD.

INTERIM REPORT

FOR THE SIX MONTHS ENDED APRIL 30,1989

Equinox Resources Ltd.
900-625 Howe St.
Vancouver, B.C. V6C 2T6
Telephone (604) 684-1175
Telex 04-508338
FAX (604) 684-0147

Listed on the Toronto and
Vancouver Stock Exchanges
Symbol EQX

To The Shareholders:

SUMMARY

* Six month results: gross operating revenue of $1,802,562; net losses of $217,907; operating cash flow of $228,092; working capital of $1,239,856; no effective debt.
* Completion of successful drilling and metallurgical program on J&L property, increasing proven and probable reserves to 721,000 tons with potential to increase these by 10-15 times.
* Assumption of operating control over 1,000 ton per day Macacona Gold Mine, Costa Rica and production of 1,025 ounces during March and April.

FINANCIAL

Operating cash flow for the six months ended April 30, 1989 was $228,092 or $0.04 per share (1988 - $605,000) on revenues of $1,802,562 (1988 - $2,243,000). Net losses for the period were $217,907 or $0.04 per share. (1988 net earnings - $166,327). The net losses were generated by higher depreciation charges and exploration costs and lower revenue from the Buckhorn Mine. Working capital at April 30, 1989 was $1,239,856 including $900,000 received under a 500,000 share subscription agreement entered into in March, 1989.

OPERATING

Buckhorn Mine, Nevada

Equinox's 24% share of gold production was 1,516 ounces for the quarter with 7,163 ounces of silver. This was adversely affected by the very poor winter weather in Nevada this year. Production has now been restored to normal levels and this should persist. Ore reserves at April 1, 1989 were 1,338,937 tons grading 0.05 ounces of gold per ton. Pre-feasibility work on the sulfide gold reserves continued to expand the known reserve, which presently stands at 1,200,000 tons grading 0.11 oz/ton gold. The 1989 oxide exploration program has also commenced on newly acquired ground at Buckhorn.

Macacona Mine, Costa Rica

Equinox's option to a 100% interest in the operating Macacona Mine was furthered in the quarter by an extensive sampling program and by Equinox assuming operating control of the mine on March 1. Gold production for the months of March and April was 1,025 ounces, more than double that of the previous two months. The mine employs more than 100 workers and is a small heap leach producer that started operations in 1981. Due primarily to indications that much of the existing 2-3,000,000 ton ore reserve is sulfide mineralization rather than oxide, Equinox renegotiated the purchase price downward from US$800,000 plus a 20-30% royalty to US$260,000 plus the same royalty, and extended the term of the option to October 31, 1989. Equinox's 50% partner on the project was changed from Consolidated Silver Standard Mines Ltd. to SouthernEra Resources Ltd. of Toronto, a well-financed resource company with strong mining management. The excellent exploration potential of the 24 square kilometer property is now being tested by a surface trenching and 20,000 foot drilling program.

DEVELOPMENT

Zenda, California

Mine development at Zenda is ready to commence upon receipt of permits from California regulatory agencies. All major permits have been filed. Dam Safety has waived jurisdiction. The Conditional Use and Surface Mining and Reclamation Permits are anticipated to be granted in the third quarter. Other permits are in process under the onerous California permitting process and no major hurdles are apparent. Mine construction financing for approximately US$2,000,000 in the form of non-recourse debt will be pursued in the next quarter in anticipation of the receipt of final permits.

EXPLORATION

J&L Property, B.C.

On March 28, Equinox announced its decision to advance the J&L arsenical gold-zinc deposit to a full feasibility study. From November 15, 1988 to March 28, 1989, Equinox completed a $1,400,000 program of 32 underground drill holes, mining of a 300 ton underground bulk sample, and extensive flotation, sink/float and pressure leaching tests on drill core. Drill results confirmed and expanded known mineralization. The average grade of mineralization intersected in all 32 holes was 0.32 oz/ton gold, 2.4 oz/ton silver, 3.3% lead and 6.0% zinc over an average width of 6.4 feet. Metallurgical testwork was promising and confirmed the ability to produce saleable lead and zinc concentrates and economic extraction of gold from arsenopyrite using pressure leaching. Updated geological ore reserves are 721,000 tonnes (proven and probable) grading 0.2 oz/ton gold, 2 oz/ton silver, 2.6% lead and 5.4% zinc, and 13,110,000 tonnes (all categories) of the same grade, assuming a 1.6m mining width and 0.2 oz/t gold equivalent cut-off grade.

Current work on the J&L property remains very active under a $600,000 budget and is largely directed at three areas: (1) completion of baseline studies for B.C. mine permitting requirements; (2) expanded metallurgical testwork including operation of a pilot plant on the 300 ton bulk sample; (3) development of a mining plan and a detailed study of capital and operating costs. Another phase of underground work will follow completion of this work, designed to expand reserves and to explore the area around the last hole drilled in the winter drilling program, which contained 1.18 oz/ton gold, 4.1 oz/ton silver and 18.9% combined lead-zinc over an 8.9 foot true width.

Other Exploration Projects

Little general exploration was carried out in the quarter, except for numerous appraisals of new properties and acquisition opportunities. A 100% interest in a series of gold-copper-zinc skarn deposits near Benson Lake, B.C. was acquired and partly explored under lease from Alice Lake Mines Ltd. In Washington State, a 100% leasehold interest in claims covering a zinc property containing reserves of 956,000 tons grading 4.2% lead-zinc and good exploration potential was acquired from Mines Management Inc. and Bitterroot Resources Ltd. of Spokane, Washington. On Equinox's 100% owned Rosebud property, Nevada, LAC Minerals commenced an exploratory drilling program. Planning is in progress for a summer exploration program on the Maude Lake property.

GENERAL

Equinox continues to maintain a profile of active, aggressive asset growth despite the adverse financial markets at present for young gold producers of its size due to dropping gold prices and other reasons. We feel that opportunities for further sound mining acquisitions are improved under these conditions. Our focus on advanced or producing projects will therefore be maintained within the context of limited financial exposure. Finally, it is with pleasure that I announce the appointment of Mr. John Wright to the Board of Directors. Mr. Wright is currently manager of Equinox's mining and development operations.

On behalf of the Board of Directors.

Beaty

Ross J. Beaty
President

May 31, 1989

Consolidated Statement of Income and Retained Earnings

FOR THE SIX MONTHS ENDED APRIL 30, 1989
(unaudited)

	1989	1988
Revenue		
Production revenue	$ 1,634,301	$ 1,998,753
Interest income	74,325	99,540
Property revenue	93,936	144,793
	1,802,562	2,243,086
Expenses		
Operating	1,194,868	1,224,929
Depreciation, depletion and amortization	453,041	432,853
Interest	49,082	148,652
Filing and transfer fees	18,229	12,310
General exploration	31,983	13,553
Legal, accounting and professional services	47,531	67,766
General and administration charges	225,735	176,696
	2,020,469	2,076,759
Net income (loss) before income taxes	(217,907)	106,327
Provision for income taxes - deferred		60,000
Net income (loss) for the period	(217,907)	106,327
Retained earnings at beginning of period	286,574	216,406
Retained earnings at end of period	$ 68,667	$ 322,733
Earnings (Loss) per share		
Basic	$(0.04)	$0.02
Fully diluted	$(0.04)	$0.02