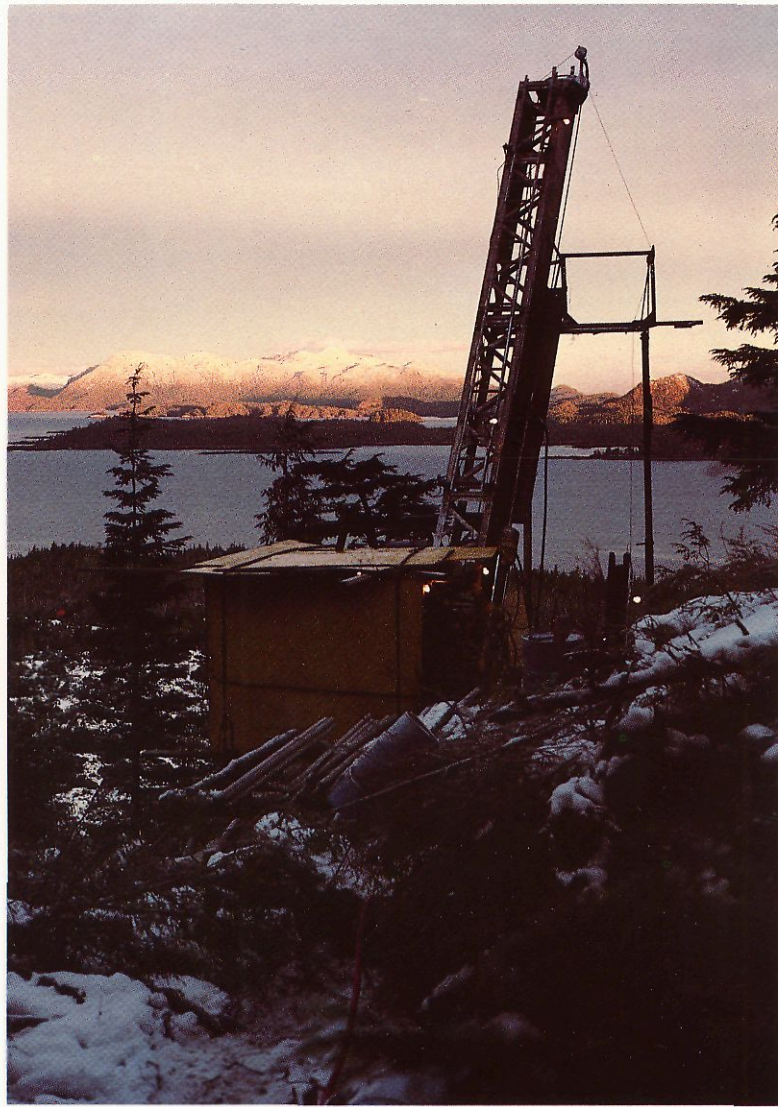


886436  
Porcher Island

# Cathedral

## GOLD CORPORATION



Porcher  
Island

1988 ANNUAL REPORT

## HIGHLIGHTS

- 86% increase in total gold reserves
- 49% increase in reserves at Sterling Mine
- 500% increase in reserves at Porcher Island
- Production of 4,382 ounces of gold at a cash cost of US\$186 per ounce
- Net income of \$373,000 (8¢ per share) on revenues of \$2,405,000
- Cash flow of \$822,000 (18¢ per share)
- Near doubling of assets to \$17,419,000
- Acquisition of 32% interest in the Bralorne gold property

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### ANNUAL GENERAL MEETING

Thursday, June 15, 1989

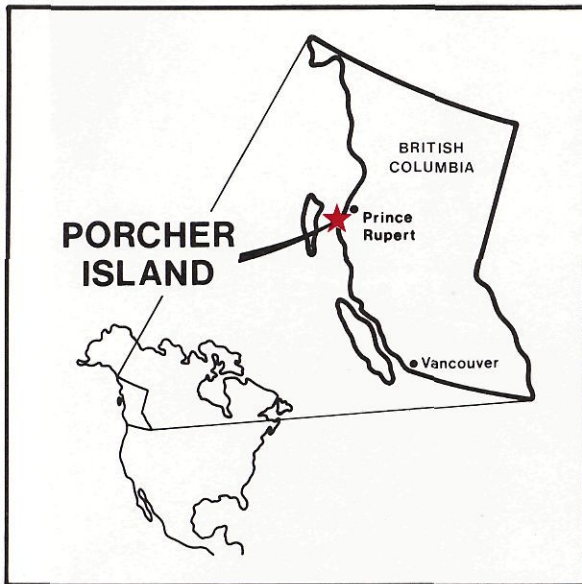
11:00 a.m.

Suite 800 - 601 West Hastings Street

Vancouver, British Columbia



## PORCHER ISLAND



Cathedral owns a 100% interest in the Porcher Island Project located on the north coast of British Columbia, approximately 40 km southwest of the deep sea port of Prince Rupert. The property's 13 Crown grants and 12 mineral claims cover 3,700 acres on the northwest corner of the island. Tidewater borders two sides of the property which fronts Edye Pass, a local shipping channel. Porcher Island's moderate coastal climate allows for year round work.

In 1988, a major 35,000 foot drill program expanded AT Zone reserves from 250,000 tons grading 0.26 opt to 1,500,000 tons grading 0.20 opt gold. The zone remains completely open at depth and along strike to the northeast. Cathedral's reserve calculations assumed a 15% mining dilution. All assays were cut to 1.5 opt gold and all intersections less than 0.10 opt gold over a true width of 4 feet were rejected.

In 1989, Cathedral plans to confirm ore continuity in the AT Zone through underground development, raising and crosscutting between the two existing adit levels. Metallurgical testing, prefeasibility studies and a mining prospectus will also be completed along with surface drilling to further test the Edye, Slope and Alder gold zones.





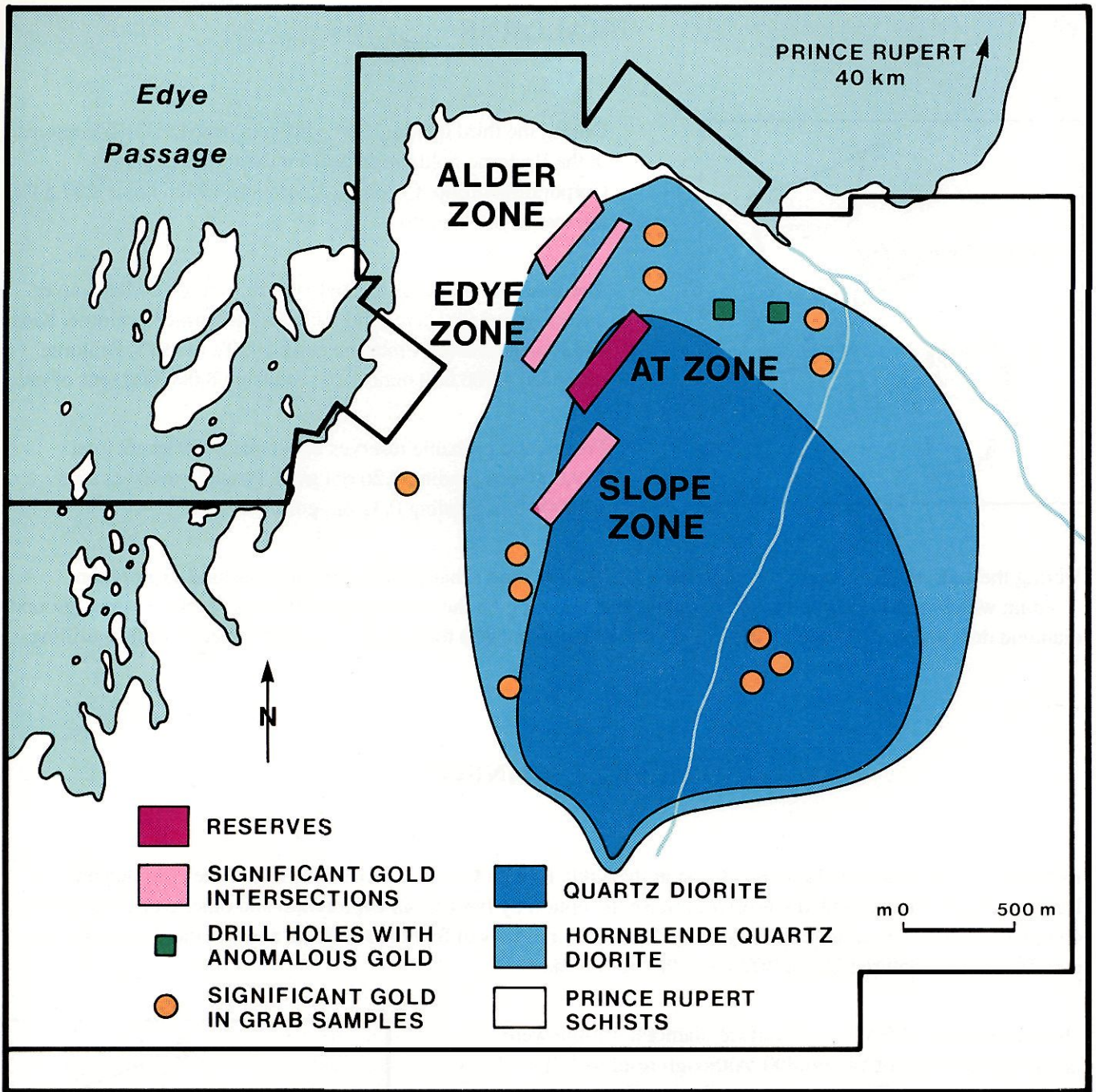


Drill proven ore reserves were increased by 49% to 469,000 tons grading 0.21 opt gold following a systematic surface exploration program consisting of 258 holes totalling 68,000 feet of rotary drilling. Sterling has more ore reserves now than at any time in its history and the mine's gold recovery of 83.6% is one of the highest among Nevada's heap leach operations.

In 1989, underground operations are scheduled to mine 40,000 tons grading approximately 0.25 opt gold. The changeover from a combined open pit and underground to a 100% underground operation will require increased capital expenditures which are amply justified given recent additions to ore reserves.

In 1989, US\$500,000 will be spent on exploration drilling to test for additional ore south of the known ore extensions.





Porcher Island: Geology and Mineralization.

A prefeasibility study by Wright Engineers of Vancouver is in progress and Cathedral intends to complete all preliminary work in time to reach a production decision by the end of 1989. At a mining rate of 500 tons per day, the property would recover between 30,000 and 40,000 ounces annually, a substantial addition to Cathedral's present gold production.

*1988 Annu. Rpt.  
Imperial Metals*

## BRALORNE



During the third quarter, Cathedral purchased a 32.46% interest in the Bralorne gold property from the Imperial Metals Corporation group. Corona Corporation, which holds a 57.54% interest, is the operator.

The Bralorne property, located 100 miles north of Vancouver, covers over 4,000 acres and includes the former Bralorne, King and Pioneer Mines. From the early 1900's to 1971, Bralorne produced 4,100,000 ounces of gold from 8,000,000 tons of ore.

Proven and probable reserves above the 2600 levels total 919,000 tons grading 0.26 opt gold. Possible reserves are 145,000 tons grading 0.32 opt gold.

During the year, the joint venture completed a \$3,100,000 shaft rehabilitation and underground exploration program which included underground mapping and sampling on the 400 foot and 800 foot levels; 31 underground diamond drill holes; 1,089 feet of drifting on the 400 foot and 800 foot levels and 19,000 feet of surface drilling.

## TAKLA RAINBOW

In 1988, Cathedral optioned a 49% interest in the Takla Rainbow property to Takla Gold Mines Limited and Reymont Gold Mines Limited who can exercise the option by funding all exploration and other work required to complete a positive mining feasibility study. Upon expenditures of \$6,000,000 Takla and Reymont may elect to convene a joint venture holding 40% to Cathedral's 60%.

During the year, 24,000 feet of surface diamond drilling were completed at a cost of \$1,000,000. Although results of this program were not sufficiently encouraging to initiate underground exploration, a \$375,000 program consisting of geophysical surveys, trenching and diamond drilling is proposed for 1989.

Since 1985, 75 holes totalling 49,000 feet have been completed to test three zones of which the South Zone has shown the best continuity. The potential for new discoveries in this zone is excellent, both along strike and at depth.

