

**Cathedral Gold Corporaton**

Cathedral's highlights for the year were major expansions of ore reserves at its producing gold mine near Beatty, Nevada and at its advanced gold exploration property near Prince Rupert, British Columbia, net income of \$373,000 (8¢ per share) on revenues of \$2,405,000 and cash flow of \$822,000 (18¢ per share).

**Sterling**

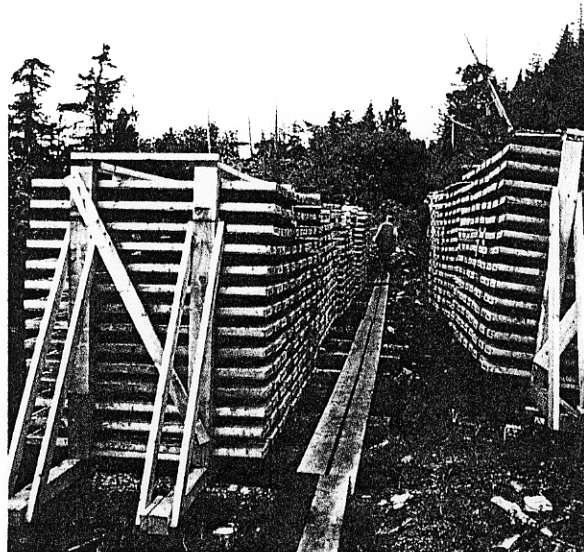
In 1988, Cathedral's 52% owned Sterling Mine recovered 8,427 ounces of gold from 32,742 tons of ore at an average operating cost of US\$42.87 per ton. The average cash cost of gold recovered was US\$186.00 per ounce. An extensive surface exploration program more than doubled gold reserves to 469,000 tons grading 0.21 oz/t. This ongoing program will continue to test the southern extension of the orebody during 1989.

**Porcher Island**

Cathedral's most significant exploration achievement during the year was the fourfold increase in reserves at its 100% owned Porcher Island property located near Prince Rupert, B.C., where a 35,000 foot diamond drill program expanded reserves from 250,000 tons to 1.5 million tons grading 0.20 oz/t gold. Reserve calculations were based on intersections in 72 holes with all high grade assays cut to 1.5 oz/t gold, and a 15% mining dilution. Cathedral intends to complete metallurgical testing, pre-feasibility studies and submit a mining prospectus to the B.C. Department of Mines by the end of 1989.

**Bralorne**

During 1988, Imperial sold its 24.9% interest in the Bralorne gold property to Cathedral in exchange for 1,111,000 common shares and a two year option to purchase 278,000 additional common shares. This transaction increased the Imperial holding in Cathedral to 33.6%. The Bralorne property, located 100 air miles north of Vancouver covers over 4,000 acres. It has produced 4,100,000 ounces of gold from 8,000,000 tons of ore between the early 1900's and 1971 with average recoveries of 0.51 oz/t gold. The property hosts existing proven and probable reserves of 1,064,000 tons grading 0.26 oz/t.



Core racks at Porcher Island