TOTAL ERICKSON

Interim Report

File → Erickson Gold

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for the six months ended June 30, 1988

Total Erickson Resources Ltd.

Interim Report to the Shareholders
Six Months Ended June 30, 1988

HIGHLIGHTS

- Cash flow from operations: $2.4 million
- Net loss: $3.9 million or $0.11 per share
- Reduced gold production at Erickson and Mount Skukum, and suspension of operations at Mount Skukum subsequent to the end of the quarter.
- Cash and term deposit: $8.6 million
- Increased participation in Trans-Canada Resources Ltd. subsequent to the end of the quarter
- Shareholder meeting to approve the corporate restructuring with Getty Resources Limited and the creation of TOTAL Energold Corporation scheduled for September 14, 1988.

MINING OPERATIONS

Gold production to Total Erickson's account during the first half of 1988 amounted to 13,176 ounces compared to 26,648 ounces during the first half of 1987. This reflects a marked reduction of ore grade and tonnage processed at both the Erickson Gold Mine at Cassiar, B.C., and the Mount Skukum Gold Mine southeast of Whitehorse in the Yukon Territory.

Consolidated Mine Operating Statistics

	1988	1987
Ore Milled		
— tons	81,385	98,344
— daily average	450	543
Average mill feed grade		
— gold - ounces/ton	0.22	0.48
— silver - ounces/ton (estimated)	0.26	0.35
Metal recovery		
— gold - percent	93	93
— silver - percent (estimated)	86	86
Metal produced		
— gold - ounces	16,521	44,243
— silver - ounces (estimated)	17,911	29,592
Metal produced to Erickson's account		
— gold - ounces	13,175	26,648
— silver - ounces (estimated)	15,133	15,989
Operating cost[1] (CDN $)		
per ton of ore	$123.10	$98.84
per ounce of gold	$554.83	$243.51
Average price of gold during period		
per troy ounce (CDN $)	$568.79	$556.51
per troy ounce (US $)	$454.24	$415.99

[1] For the Erickson Mine only.

THE ERICKSON GOLD MINE

At the 100 percent-owned Erickson Gold Mine, 50,522 tons of ore grading 0.24 ounces of gold per ton were milled during the first six months and 11,210 ounces of gold were produced. Milling rates were close to capacity and recoveries were 93 percent. Ore processed was mined primarily from the main mine, Cusac and Vollaug areas. Ore supply in the coming months will be provided by the western part of the Vollaug vein and from low-cost, open pit mining in the Cusac area.

It is anticipated that it will be necessary later this year to suspend milling operations at the Erickson Gold Mine in order to complete an underground exploration program of the high-grade Michelle vein, to develop further reserves, and to allow exploration and development to move ahead of milling requirements.

Exploration resources will be concentrated on exploring and developing the high-grade Michelle Extension zones. Although it is premature to assign meaningful ore reserve numbers to the zones, assay results from the five holes listed below indicated the importance of this target:

Hole	True Width[1]		Uncut[2 3]
C87-200	10.8		11.681
C87-205	6.2	(quartz fragments)	3.740
		(sand)	0.614
C88-230	4.3		0.836
C87-236	7.5		1.276
C88-272	7.2		3.391
and	2.3		0.435

[1] in feet
[2] in ounces gold per ton
[3] all values greater than 2.0 gold per ton are cut to 1.500 ounces gold per ton.

A 2.5 km level track adit budgeted at $4.0 million will access this area and will also provide for underground drilling stations to explore the surrounding highly prospective ground. It is anticipated that this important development will be completed within two years, at which time milling at Erickson is expected to recommence.

Throughout this period, exploration will continue on other targets in the main mine and Cusac areas identified during the 1988 exploration program.

THE MOUNT SKUKUM GOLD MINE

During the first six months at Mount Skukum, 30,862 tons were milled at an average grade of 0.189 ounces of gold per ton, producing 5,312 ounces of gold. As previously reported, underground development of the Lake Zone did not confirm initial estimates of geological reserves, and ore throughput to the mill was intermittent due to shortages of development ore.

By the end of July, it became apparent that this source of ore is unable to sustain a steady milling supply and hence is not presently economic. The partners of the Mount Skukum joint venture, AGIP Resources Ltd. (63%) and Total Erickson (37%) have decided to temporarily suspend production, pending evaluation of the results of the exploration program presently underway on several new targets on the property.

OTHER PROJECTS

A revised feasibility study has been submitted by the operator of the Dome Mountain gold project and ongoing discussions among the participants should result in a mutually satisfactory resolution of the outstanding issues, and in commencement of production in 1989.

The company has optioned the Banbury gold property, located near Hedley, B.C., two miles southwest of the Mascot Gold Mine from Noranda Exploration Company, Limited (NPL). Noranda holds the property under option from Banbury Gold Mines Ltd.

The priority targets on the property are both vein-type and Mascot-type, high-grade skarn deposits. Previous work on vein targets has outlined 237,241 tons grading 0.247 ounces gold per ton. Opportunities to increase both tonnage and grade are considered good.

The company is actively pursuing a strategy of diversification of its exploration efforts in both the United States and Eastern Canada. During the summer, six properties were staked in Idaho, all showing highly anamalous gold values in epithermal settings with jasperoid outcrops. Initial exploration on the Goose Lake property in the Timmins, Ontario area has also returned encouraging results. Work is continuing.

OIL AND GAS OPERATIONS

Restructuring of each of the two oil and gas subsidiaries has been succesfully concluded. In June, each of Ranchman's Resources Ltd.'s shareholders were conferred the right to vote. In August, Trans-Canada Resources Ltd. completed a rights offering with gross proceeds of $7.65 million. The proceeds are being used to reduce bank debt, freeing cash flow to fund oil and gas exploration and development activities.

A decrease in international oil prices, together with an increase in the value of the Canadian dollar, eroded revenue from oil production during the first six months. Average wellhead prices declined 19 percent to $16.40 on average group daily oil production of 3,343 barrels.

Although gas prices decreased five percent to $1.44 per thousand cubic feet, group gas production increased 20 percent to 20.6 million cubic feet per day. Both subsidiaries have surplus gas deliverability which can be readily produced as North American gas markets improve.

Consolidated Oil and Gas Operating Statistics
(six months ended June 30, 1988)

	1988	1987
Average daily production		
— Oil and NGLs (Bbls.)	3,343	3,280
— Gas (Mcf.)	20.6	17.1
Average price received (CDN $)		
— per barrel of oil	$16.40	$20.15
— per thousand cubic feet of gas	$ 1.44	$ 1.51

RANCHMEN'S RESOURCES LTD.

Within Ranchmen's, Total Erickson has been successful in conferring voting rights to all publicly traded shares of that company. As of June 16, 1988, all of the Class "C" Voting Shares, the Class "D" Voting Shares and the Class "A" Non-Voting Shares of Ranchmen's not held by Total Erickson were converted on a one-for-one basis into Common Voting Shares. In order to comply with certain requirements of Investment Canada, Total Erickson may only convert its Non-Voting Shares into Common Voting Shares to the extent that it owns no more than 44.2 percent of the issued and outstanding Common Voting Shares of Ranchmen's. Total Erickson is the largest shareholder of Ranchmen's with approximately 53 percent of Common and Non-Voting equity.

During the first half of 1988, gross revenues of $9.6 million were down seven percent from 1987 due to reductions in oil price. Working capital provided by operations was $4.7 million, $1 million lower than 1987, due to lower prices and $600,000 of costs incurred in corporate restructuring. Ranchmen's incurred a loss of $0.06 per share after preferred dividends.

Gas exploration, development and contracting were very successful during the first half, increasing gas reserves by 10 percent and gas production by 26 percent to 11.5 million cubic feet per day. Oil production was mantained at 2067 barrels of oil per day and will increase in the fourth quarter due to successful drilling programs at Sylvan Lake, Medicine River, Gilby and Amisk.

TRANS-CANADA RESOURCES LTD.

Since September 1987, Trans-Canada's debt has been systematically reduced concluding with a rights offering which closed in August, through which Total Erickson increased its equity in Trans-Canada to 63%. Trans-Canada became effectively debt free, with current debt being fully offset by working capital. Trans-Canada is now a healthy Canadian junior oil company, with cash flow available to fund oil and gas exploration and development activity.

Gross revenue for the nine months ended July 31 was $9.0 million, unchanged from the corresponding period in 1987. Funds generated from operations amounted to $3.7 million, and net earnings were $532,948, compared to funds generated from operations of $1.5 million and a loss of $2.3 million for the period in 1987. Average daily oil production increased six percent to 1266 barrels of oil per day, and average daily gas increased five percent to 8.5 million cubic feet per day.

FINANCIAL REVIEW

Group revenues for mining in the first half declined sharply from 1987 as a result of processing considerably lower grades of ore (1988 - 0.22 ounces per ton; 1987 - 0.49 ounces per ton) and the decline in mill throughput of approximately 93 tons per day.

The Erickson mine's operating costs per ton increased by $18 to $123.10 and with the lower grade, resulted in a cost per ounce at the Erickson mine of approximately $554. Mount Skukum experienced intermittent production during this period. Results for the first half of 1988 include operations of Trans-Canada Resources Ltd. on a full consolidated basis, for which there are no comparative figures for 1987. Revenues from gas and oil production were down by $313,000 from the previous quarter while cost of production rose $179,000 during the same period.

Administrative and general expenses rose as a result of the consolidation of $703,759 of administrative expenses of Trans-Canada and important legal and consulting costs related to the company's acquisitions and the proposed amalgamation of Total Erickson and Getty Resources. Depreciation, depletion and amortization costs were also higher, including $2,470,942 related to oil and gas activities and additional amortization of $2,800,000 relating to the balance of the Erickson mine production properties being brought on stream. Exploration increased due to the accelerated activity of the company while interest expense increased due to the consolidation of Trans-Canada's long-term debt. In 1988, net profits interest accruing to third parties fell from $942,000 to a recovery of $43,811. Minority interests in Trans-Canada comprise the balance.

Investment and other income includes royalties, recoveries and gas processing income of $1.2 million, and management fees and interest income of $0.9 million.

In Ranchmen's, revenues were down from 1987 as a result of lower oil prices in the second quarter, resulting in a loss in Total Erickson of $163,000 to date.

The company as a result of tendering its shares of Getty Resources Limited in the takeover bid by its parent, Total Resources (Canada) Limited, recognized a profit after taxes of $1.7 million.

Cash flow for the quarter fell to $2,424,000 from $4,782,000 for the comparative period in 1987, while capital expenditures increased by $2,405,000 to $5,293,000. Total Erickson increased its investments, through the acquisition of Canadian Oil & Gas Fund Ltd., for a purchase price of $4,832,000.

During the first quarter, $2,725,000 of the company's debenture was converted at $4.00 per share for the issuance of an additional 681,250 shares. No further conversion occurred during the second quarter.

On August 19, 1988, subsequent to the second quarter, Total Erickson increased its overall shareholding in Trans-Canada to 63% through a share subscription to a rights offering.

CORPORATE RESTRUCTURING

On May 12, 1988, Total Erickson and Getty Resources announced that their respective boards of directors had recommended a corporate restructuring in which Total Erickson would amalgamate by means of a court-approval plan of arrangement with a wholly-owned subsidiary of Getty Resources. In consideration, Getty Resources would issue one common share for every 2.8 common shares of Total Erickson.

Since the announcement, the boards of directors of Getty Resources and Total Erickson have received favourable fairness opinions from their respective investment dealers. Further, the Supreme Court of British Columbia has granted approval for shareholders' consideration of the resolutions related to the restructuring. These resolutions, which are contained in the Notice of Meeting mailed to shareholders on August 12, must be approved by a majority of the votes cast by shareholders other than Total Resources (Canada) Limited. This meeting is scheduled for September 14, 1988, in Vancouver, B.C.

Subject to shareholder approval, Getty Resources will change its name to TOTAL Energold Corporation, reflecting the two business segments in which the company will then be operating — gold, and oil and gas — as well as its affiliation with TOTAL Compagnie Française des Pétroles (TOTAL CFP), one of the world's largest producers of oil, natural gas and uranium. TOTAL CFP will indirectly hold 73 percent of TOTAL Energold.

TOTAL Energold will have consolidated assets of approximately $200 million. Its holdings will include a 100 percent interest in the Erickson Gold Mine, a 37 percent interest in the Mount Skukum Gold Mine, 49 percent of the Tundra Gold Venture in the Northwest Territories, a 53 percent interest in Ranchmen's Resources Ltd., and a 63 percent interest in Trans-Canada Resources Ltd.

Jacques Le Chevalier
Chairman of the Board

Jean-Pierre Januard
President and Chief Executive Officer

Vancouver, British Columbia
August 28, 1988

Total Erickson Resources Ltd.

Condensed Consolidated Statement of Operations

(prepared without audit – in thousands)

	Three Months Ended June 30		Six Months Ended June 30	
	1988	1987	1988 Note 1	1987
Revenue:				
Net revenue from gold sales	$ 2,893	$ 6,191	$ 7,288	$14,344
Oil and gas production revenue	2,159	—	4,631	—
	5,052	6,191	11,919	14,344
Cost of sales				
Mining	4,123	3,341	7,751	6,489
Oil and gas	1,391	—	2,603	—
	5,514	3,341	10,354	6,489
Operating earnings	(462)	2,850	1,565	7,855
Investment and other income	1,058	275	2,201	460
	596	3,125	3,766	8,315
Expenses:				
Administration and general	1,253	787	2,449	1,442
Depreciation, depletion and amortization	3,322	1,440	6,746	2,879
Exploration	721	467	1,187	567
Interest	316	213	666	570
Net profits interests and minority interests	(181)	220	99	942
	5,431	3,127	11,147	6,400
Earnings (loss) before taxes	(4,835)	(2)	(7,381)	1,915
Income and resource taxes, (reduction)	(358)	(101)	(1,968)	906
	(4,477)	99	(5,413)	1,009
Share of income (loss) of Ranchmen's Resources Ltd.	(302)	96	(163)	320
Earnings (loss) before unusual item	(4,779)	195	(5,576)	1,329
Unusual item (net of income tax)	222	—	1,709	—
Net earnings (loss) for the period	$(4,557)	$ 195	$(3,867)	$ 1,329
Earnings (loss) per share				
Earnings (loss) before unusual item	$(0.13)	$ 0.01	$(0.16)	$ 0.05
Net earnings (loss)	$(0.13)	$ 0.01	$(0.11)	$ 0.05

Note 1: 1988 results include the consolidation of the operations of Trans-Canada Resources Ltd.

Total Erickson Resources Ltd.

Condensed Consolidated Statement of Changes in Financial Position

(prepared without audit - in thousands)

	Six Months Ended June 30 1988	Six Months Ended June 30 1987
Cash Resources Provided By (Used in) Operating Activities		
Earnings (loss)	$ (3,867)	$ 1,329
Items not involving funds		
Depreciation, depletion and amortization	6,746	2,879
Deferred income taxes (reduction)	(618)	894
Share of (income) loss of Ranchmen's Resources Ltd.	163	(320)
	2,424	4,782
Cash generated from operating working capital	1,868	(712)
	4,292	4,070
Cash Resources Provided By (Used in) Financing Activities		
Issue of common shares	2,955	7,218
Increase (decrease) in long-term debt	(628)	(4,200)
Minority interest	127	—
Reduction of deferred income	(144)	—
Interest and dividends received	93	442
	2,403	3,460
Cash Resources Provided By (Used in) Investing Activities		
Purchase of fixed assets, net of related accounts payable	(5,293)	(2,888)
Proceeds from sale of fixed asset	25	—
Purchase of investments	(4,832)	—
Business interruption insurance claim	—	4,000
Reduction of convertible debenture	(2,764)	(6,656)
	(12,864)	(5,544)
Increase (Decrease) in Cash and Marketable Securities	(6,169)	1,986
Cash and Marketable Securities at Beginning of Period	14,729	1,300
Cash and Marketable Securities at End of Period	$ 8,560	$ 3,286

Total Erickson Resources Ltd.

Condensed Consolidated Balance Sheet

(prepared without audit - in thousands)

	June 30 1988	Dec. 31 1987
ASSETS		
Current:		
Cash and marketable securities	$ 8,560	$ 14,729
Receivables and prepaids	3,221	9,830
Inventories	842	1,010
	12,623	25,569
Long-Term Investments	38,313	33,736
Fixed and Other Assets	84,933	86,413
	$ 135,869	$ 145,718
LIABILITIES		
Current:		
Accounts payable	$ 3,871	$ 8,511
Current portion long-term debt	—	15
Taxes	(233)	21
	3,638	8,547
Deferred production revenue	815	960
Long-Term Debt	7,335	7,963
Debentures Payable	1,895	4,659
Deferred Taxes	5,631	6,249
Minority Interest	8,206	8,079
SHAREHOLDERS' EQUITY	108,349	109,261
	$ 135,869	$ 145,718

TOTAL

Total Erickson Resources Ltd.

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