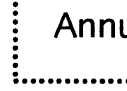


Windy Craggy

889632

Geddes Resources Limited

Annual Report 1994



Company Profile

Geddes Resources Limited is a resource development company whose principal asset is a 100% interest in the world-class Windy Craggy copper-gold project located in northwestern British Columbia. The deposit contains an estimated 297 million tonnes of ore grade mineralization containing 6.2 billion pounds of recoverable copper as well as significant amounts of gold, silver and cobalt.

Development of the project ceased in June, 1993, when the provincial government declared the Tatshenshini-Alsek region, which hosts the deposit, a Class A provincial park. In December, 1994, UNESCO granted the park the designation of World Heritage Site. The Company is vigorously pursuing fair compensation for appropriation of its claims.

The Company plans to raise \$1.6 million by means of a Rights offering in the second quarter of 1995.

Geddes common shares are listed on The Toronto Stock Exchange under the symbol GDD. There are 33,357,928 common shares issued and outstanding. The Company is controlled and managed by Royal Oak Mines Inc. which holds a 39.1% interest.

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Chronology of the Windy Craggy Project

- 1959 Staking and drilling activities commenced by Falconbridge Limited.
- 1982 Geddes Resources Limited formed joint venture with Falconbridge.
- 1985 Airstrip and camp constructed on site.
- 1987 Exploration program moved underground.
- 1991 Geddes announced proven ore reserves to sustain a 20 year mine life and potential to double the reserve.
- 1992 In April, the provincial government requested input from the Commission on Resources and Environment (CORE) regarding land use, and from Dr. Richard Schwindt regarding compensation if mineral rights are expropriated.
- In August, the provincial government received Dr. Schwindt's recommendations.
- 1993 In January, the provincial government received the CORE report but did not release it to the public until the spring.
- In April, Royal Oak Mines Inc. purchased 39% of Geddes from Northgate Exploration Limited.
- In June, the NDP government designated the Tatshenshini-Alsek region a Class A provincial park and promised fair compensation to holders of minerals claims in the area.
- In October, Order in Council 1439 was passed which created the Tatshenshini-Alsek Provincial Park.
- 1994 In August, Geddes provided to the Ministry of Attorney General information on the Windy Craggy project in order to expedite the compensation process.
- In December, the United Nations Educational, Scientific and Cultural Organization (UNESCO) designated the Tatshenshini-Alsek Provincial Park a World Heritage Site.

1994 Highlights

- Fair compensation from the provincial government for appropriation of the Windy Craggy mineral claims was vigorously sought.
- In August, in response to a request from the Ministry of Attorney General, a detailed information package on the deposit was submitted to the Ministry.
- Implemented phase 1 of an environmental clean-up plan at the Windy Craggy site, encompassing the removal of any material that might pose a threat to the environment.
- In December, UNESCO designated the Tatshenshini-Alsek Provincial Park a World Heritage Site.

1995 Objectives

- Obtain a favourable settlement from the provincial government for appropriation of the Windy Craggy mineral claims.
- Complete a \$1.6 million dollar rights offering of common shares.
- Remove building structures at the Windy Craggy site to complete phase 2 of the environmental clean-up plan.

President's Letter to Shareholders

Fellow Shareholders:

Compensation for appropriation of Windy Craggy pursued

In 1994, we continued to vigorously pursue fair compensation from the provincial government of British Columbia which appropriated the Windy Craggy mineral claims in June, 1993.

At the time of appropriation, the government indicated its intention to enter into negotiations to compensate all claims holders affected by its decision to declare the Tatshenshenei-Alsek region a Class A provincial park. This area hosts the Windy Craggy copper-gold deposit, one of the world's major undeveloped mineral deposits.

The Ministry of Attorney General notified the Company in June that it was making enquiries of all mineral claim holders within the park with a view to obtaining information on mineral claims in this area. The information obtained by the Crown would determine the manner and basis on which final extinguishment of the claims could take place. In August, the Company provided the Ministry with a detailed information package.

The Company suggested scheduling meetings to establish a vehicle for disclosure and oral submissions by claimants to the government as part of the compensation process. Despite management's efforts, the Company has still not received notification as to the manner and basis of compensation, or when the process might commence in earnest.

While the preceding events took place, the provincial government secured the support of the federal government for nominating the park as a World Heritage Site. This was duly granted by UNESCO in December of last year despite vigorous lobbying of both governments by the Company.

Clean-up of small oil spillage initiated

In September, the Company received a Pollution Abatement Order issued by the B.C. Ministry of Environment, Lands & Parks, Environmental Protection Branch, in connection with the spillage of approximately 1,500 gallons of diesel oil from a leaking storage tank at the Windy Craggy site.

Although the Company has not been in possession or control of the site since June 1993, Geddes initiated a two-phase environmental clean-up of the site. Phase 1, encompassing the removal of any material that might pose a threat to the environment, including fuel oil, waste oils, lubricants, explosives, batteries and chemicals had been completed by year-end. Phase 2 of the clean-up plan, which will include the removal of building structures, will be completed in 1995.

The reimbursement for the cost of the environmental clean-up will become a part of the compensation sought by the Company in its negotiations with the provincial government.

Outlook - limited until compensation issue is resolved

The Windy Craggy deposit is one of the world's major undeveloped copper deposits. The Company believes that the deposit can be mined in a manner that will not damage the environment. Development of the project would create approximately 500 permanent jobs as well as an estimated 1,500 additional indirect jobs and deliver a number of other significant economic benefits to the province of British Columbia, its people, and to Canada. It would result in combined tax revenues to the province and to Canada of an estimated \$1.3 billion over a 20 year mine life.

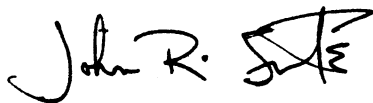
The provincial government's decision to halt development of the Windy Craggy project, and its inability to proceed expeditiously with the compensation process, has necessitated a severe curtailment of expenditures by the Company over the last two years. Management's strategy is to remain clearly focused on completion of the compensation issue and to bring about a favourable resolution for the Company and its shareholders.

Until the compensation issue is resolved, the ability of our Company to pursue mineral exploration, or other business opportunities such as acquisitions, is severely limited due to a lack of funds and the B.C. government's failure to commence compensation negotiations in good faith. As a public company, this limits the ability of existing shareholders to realize a return on their investment and inhibits new investment in the Company.

In order to provide working capital and to complete the compensation process, the Company plans to issue more common shares by means of a \$1.6 million rights offering in the second quarter of 1995.

I would like to acknowledge the support of our shareholders during this difficult period and to encourage you to continue your support as management endeavours to secure a fair and reasonable resolution of the compensation process. The Company plans to pursue active mineral exploration and the acquisition of development properties from the proceeds of compensation.

On behalf of the Board of Directors,



J.R.Smrke
President

Vancouver, B.C.
April 4, 1995

*Management Discussion
and Analysis*

Business of the Company

The sole activity of Geddes Resources Limited until 1993 has been the exploration and development of the Windy Craggy property in northwestern British Columbia. From 1987 to 1989, activity was directed at accessing the deposits and defining the reserves by underground and surface drilling. During 1990, the focus shifted to mine development activities which embraced mine planning, engineering and environmental studies. Initial applications for environmental permits were made to governments. In the latter part of 1990, the first phase of a feasibility study was carried out to further refine the plans for development of the property.

In 1991, further permit applications were made to governments. Mine planning was revised on the basis of updated and increased reserves. During 1992, activities were minimized to conserve working capital pending a report of the provincial government's Commission on Resources and Environment (CORE) on the fundamental issue of land use in the region encompassing the Windy Craggy deposit.

On June 22, 1993, the provincial government of British Columbia announced that the entire Tatshenshini-Alsek region in northwestern British Columbia would be permanently protected as a Class A provincial park and nominated as a World Heritage Site. This area contains the Haines Triangle which hosts the Windy Craggy deposit.

Simultaneous with the land-use decision, the provincial government publicly indicated its willingness to negotiate fair compensation for holders of mineral claims in the area when their ability to develop those claims was taken away by the provincial land-use decision.

On October 15, 1993, Order in Council 1439 was passed which created Tatshenshini-Alsek Provincial Park. In mid-December, 1994, UNESCO designated the park a World Heritage Site.

By March, 1995, the negotiation process had not progressed past the delivery of information by claims holders to the government. The Company is actively pursuing fair compensation for Geddes and its shareholders with the provincial government.

Costs relating to the development of material in response to the provincial government's request and other expenses incurred in pursuing the compensation resolution process amounting to \$311,000 were deferred in 1994. Exploration and development costs aggregated \$660,000 in 1993. During 1994 and 1993, activities were minimized to conserve working capital.

Results of Operations

As a result of the provincial government's land-use decision in 1993, operating costs in 1993 and 1992 were kept to a minimum to maintain forward momentum of the project until such time as the environmental review and permitting situation were clarified. In these two years, staffing levels were reduced, overhead and support costs were cut and activities were restricted to essential environmental work related to improvements to the project. This policy was continued in 1994.

Administrative expenditures were \$164,000 in 1994, a decrease of \$277,000 from \$441,000 in 1993. In 1994, an environmental reclamation expense of \$334,000 was incurred (1993 - nil), reflecting the costs of the phase 1 clean-up plan at the Windy Craggy site. Also in 1994, there was a loss of \$105,000 (1993 - nil) on disposal of assets.

Changes In Financial Condition

As a result of expenditures last year, particularly the environmental reclamation expense, cash reserves were significantly reduced to the extent that working capital decreased by \$471,000 to a deficit of \$334,000 at December 31, 1994 from \$137,000 at the end of 1993. Cash and short-term investments decreased by \$496,000 to \$49,000 at the end of 1994 compared to \$545,000 at the end of the previous year.

There were no financings in 1994. The primary source of cash in 1993 was \$117,000 from the exercise of stock options.

The principal uses of cash in 1994 were deferred expenditures of \$272,000 and expenditures on operating activities of \$451,000. In 1993, the principal uses of cash were deferred exploration and development expenditures of \$609,000 and expenditures on operating activities of \$234,000.

Sources of Liquidity

As the Company has no revenue other than minor interest income earned on its cash reserves, its operations have been financed almost exclusively by the issue of equity including rights and warrants.

During 1992 and 1993, net proceeds of common share issues aggregated \$1.9 million and \$0.1 million, respectively. There were no share issues in 1994.

The ability to raise funds in the form of equity has, in the past, been greatly enhanced by the existence of the flow-through share mechanism provided by the Income Tax Act whereby exploration expenditures made by the Company may be transferred to investors acquiring flow-through common shares and used by such investors as deductions in determining taxable income.

Federal legislation, which became effective in mid-1990, reduced the attractiveness of flow-through shares to potential investors and restricted the Company's ability to raise funds in this manner. Since 1991, no issues of capital stock were attributable to flow-through shares.

Capital Resources

At December 31, 1994, the Company had no long-term debt outstanding.

Shareholders' equity amounted to \$45,563,000 or \$1.37 per share at December 31, 1994, compared with \$46,246,000 or \$1.39 per share at the end of 1993. The change is mainly attributable to the loss for the year of \$684,000.

As of December 31, 1993, there were common share purchase warrants outstanding entitling their holders to purchase 1,287,500 common shares for an aggregate consideration of \$1,875,000. These warrants expired on June 30, 1994, unexercised.

Outlook for 1995

The future direction of the Company is largely dependent on the compensation received. The Company will continue to vigorously pursue fair compensation and a favourable settlement for Geddes and its shareholders. To provide working capital for these and other purposes, the Company plans to raise \$1.6 million by means of a Rights issue of common shares in the second quarter of 1995.

Auditors' Report

To the Shareholders of Geddes Resources Limited

We have audited the consolidated balance sheets of Geddes Resources Limited as at December 31, 1994 and 1993 and the consolidated statements of operations and deficit and changes in financial position for the two years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1994 and 1993, and the results of its operations and changes in its financial position for the two years then ended in accordance with generally accepted accounting principles.




Chartered Accountants
February 1, 1995 (Except as to Note 7 which is as of March 30, 1995)
Vancouver, British Columbia

Consolidated Balance Sheets
as at December 31, 1994 and 1993

	<u>1994</u>	<u>1993</u>
Assets		
Current assets		
Cash and short term investments	\$ 49,265	\$ 544,676
Other Assets	25,168	28,624
Total Current Assets	<u>74,433</u>	<u>573,300</u>
Capital Assets		
Deferred exploration and development costs (Note 2)	45,895,314	45,902,028
Fixed and other assets, net	1,040	206,829
	<u>\$45,970,787</u>	<u>\$46,682,157</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 408,084	\$ 435,809
	<u>408,084</u>	<u>435,809</u>
Shareholders' Equity		
Capital stock (Note 3)	53,975,222	53,975,222
Deficit	(8,412,519)	(7,728,874)
	<u>45,562,703</u>	<u>46,246,348</u>
	<u>\$45,970,787</u>	<u>\$46,682,157</u>

Approved by the Board:



Director:



Director:

Consolidated Statements of Operations and Deficit
Years ended December 31, 1994 and 1993

	<u>1994</u>	<u>1993</u>
Interest and other income	\$ 4,139	\$ 27,699
Expenses		
Administrative expenses (Note 5)	164,402	441,301
Environmental reclamation expense (Note 6)	334,236	—
	<u>498,638</u>	<u>441,301</u>
Loss before undernoted	494,499	413,602
Loss on disposal of assets	105,146	—
Loss before tax provision	599,645	413,602
Federal tax on large corporations	84,000	74,000
Loss for the year	683,645	487,602
Deficit		
Beginning of year	7,728,874	7,241,272
End of year	<u>\$ 8,412,519</u>	<u>\$ 7,728,874</u>
Loss per common share	\$ 0.02	\$ 0.01

Consolidated Statements of Changes in Financial Position
Years ended December 31, 1994 and 1993

	<u>1994</u>	<u>1993</u>
Cash provided by (used for) operating activities:		
Loss for the year	\$ (683,645)	\$ (487,602)
Add (Deduct) items not involving cash:		
Depreciation and amortization	13,491	17,590
Loss (Gain) on disposal of fixed assets	105,146	(1,619)
Non-cash environmental reclamation and other	137,868	—
Net change in non-cash working capital items	<u>(24,269)</u>	<u>237,175</u>
	<u>(451,409)</u>	<u>(234,456)</u>
Cash provided by (used for) financing activities:		
Net proceeds of issue of capital stock	<u>—</u>	<u>116,800</u>
Cash provided by (used for) investment activities:		
Proceeds on disposal of fixed and other assets	228,359	9,153
Deferred expenditures, net of depreciation expense of \$38,709 (1993 – \$51,612)	<u>(272,361)</u>	<u>(608,553)</u>
	<u>(44,002)</u>	<u>(599,400)</u>
Increase (decrease) in cash during the year	(495,411)	(717,056)
Cash and short term investments		
Beginning of year	<u>544,676</u>	<u>1,261,732</u>
End of year	<u>\$ 49,265</u>	<u>\$ 544,67</u>

Notes to Consolidated Financial Statements

Years ended December 31, 1994 and 1993

1. Significant accounting policies:

(a) Basis of consolidation

The consolidated financial statements include the accounts of Geddes Resources Limited (the "Company" or "Geddes") and its wholly owned subsidiary companies which are inactive.

(b) Exploration and development costs

Exploration and development costs are capitalized until such time as either economically recoverable reserves are established, or the properties are sold or abandoned.

When commercial production from a property or working interest begins, the related exploration and development costs will be amortized over the estimated life of the mine based upon total mineral inventory.

Upon sale or abandonment, the cost of the capitalized exploration and development costs are removed from the accounts and any gains or losses thereon are included in earnings.

(c) Flow-through shares

Common shares which transfer the tax deductibility of mineral exploration expenditures to investors have been included in capital stock at the market value of the Company's shares at the time of pricing of the flow-through shares. Any premium received above the market price of the shares as a result of transferring the tax benefits to the investor has been reflected as a reduction of the related exploration expenditures.

(d) Amortization of buildings and equipment.

Amortization of buildings and equipment is provided on a 20% declining balance basis.

2. Windy Craggy property:

The Company has a 100% interest in a block of mineral claims in northwestern British Columbia collectively known as the "Windy Craggy" project. The Company's interest is subject to a 22-1/2% net profits interest held by a subsidiary of Falconbridge Limited in the net income before income taxes after recovery of exploration, capital and interest costs.

The Company's principal activity was the exploration and development of the Windy Craggy claims. The expenditures relating to this activity have been deferred. In June 1993, the Government of British Columbia announced that the Tatshenshini-Alsek region of the province, which includes the Windy Craggy project, would be protected as a class 'A' provincial park. In December 1994, the area was designated a World Heritage Site by UNESCO.

As a result, the recoverability of the deferred exploration and development costs from operations is unlikely. The government has indicated its intention to compensate the holders of mineral claims in the area. The Company is actively pursuing such compensation with the government. In view of this commitment, the Company continues to reflect as the value of the project on its balance sheet, the accumulated exploration and development costs and other deferred costs incurred to date.

3. Capital stock:

(a) Authorized and issued

The share capital of the Company consists of an unlimited number of common shares without par value.

Changes in issued capital stock during the two years ended December 31, 1994 were as follows:

	Number of shares	Amount
Balance at December 31, 1992	33,192,928	\$53,898,422
Options exercised for cash	217,500	116,800
Shares acquired during 1993	(52,500)	(40,000)
Balance at December 31, 1993 and 1994	<u>33,357,928</u>	<u>\$53,975,222</u>

(b) During 1993, the Company acquired 52,500 common shares of the Company from Geddes M. Webster, Honorary Chairman of the Board, in settlement of a \$40,000 note receivable.

(c) Stock options

At December 31, 1994 there are a total of 1,940,000 common share purchase options outstanding. These options have expiry dates and exercise prices as follows:

Number of Options	Expiry Date	Exercise Price
840,000	May 10, 2000	\$0.80
100,000	December 3, 2000	\$0.75
1,000,000	August 19, 1997	\$0.68

During 1994, options to purchase 1,000,000 common shares at a price of \$0.68 per share were granted to an investment banker for partial payment of services rendered. In the same period 50,000 options were cancelled.

(d) Loss per common share has been calculated on the basis of the weighted average number of common shares outstanding for 1994 which was 33,357,928 shares (1993 - 33,273,553).

4. Income taxes:

(a) Deductibility of costs

Costs incurred to determine the existence, location, extent and quality of mineral resources in Canada, on behalf of and renounced to shareholders who purchase flow-through common shares, are not deductible by the Company for income tax purposes. As of December 31, 1994, \$31,360,679 (1993 - \$31,360,679) of the gross exploration costs incurred by the Company have been renounced to purchasers of flow-through common shares.

(b) Timing differences

Timing differences between accounting income and taxable income include the excess of cumulative Canadian exploration expenses over deferred exploration costs of approximately \$7,369,000 (1993 - \$7,104,000) which can be carried forward indefinitely. In addition, the Company has certain other allowances in the amount of \$2,849,000 available to reduce future taxable income which may be carried forward indefinitely as well as loss carry forwards and other costs of approximately

\$1,953,774 which begin to expire in 1998. Future tax benefits of timing differences have not been reflected in these financial statements.

5. Related party transactions:

- (a) On May 6, 1993, Royal Oak Mines Inc. ("Royal Oak") purchased Northgate's approximately 39% interest in the Company. During the period May 6 to December 31, 1993, Royal Oak charged the Company \$151,799 in respect of management and administrative charges. During 1994, Royal Oak charged the Company \$214,850 for similar charges.

In addition, in 1994, Royal Oak performed environmental, engineering, geological and other consulting work for the Company in the amount of \$74,471 (1993 - \$43,630). This consulting work was charged to the Company at Royal Oak's cost of performing the work.

- (b) The Company has an agreement with Geddes M. Webster, Honorary Chairman of the Board, which calls for the payment to him of \$500,000 under certain circumstances including commencement of commercial production from the Windy Craggy property.
- (c) Amounts due to Royal Oak are subject to normal trade terms. The balance due to Royal Oak on December 31, 1994 was \$88,887 and is included in accounts payable and accrued liabilities.

6. Environmental clean-up commenced at Windy Craggy property:

In September, the Company received a Pollution Abatement Order issued by the B.C. Ministry of Environment, Land & Parks, Environmental Protection Branch, in connection with a spillage of approximately 1,500 gallons of diesel oil from a leaking tank at the Windy Craggy site.

Although the Company has not been in possession or control of the site since June 1993, Geddes initiated a two-phase environmental clean-up of the site. Phase 1, encompassing the removal of any material that might pose a threat to the environment, including fuel oil, waste oils, lubricants, explosives, batteries and chemicals, has been completed.

Phase 2 of the clean-up plan, which will include the removal of building structures and the remediation of the site, will be implemented in 1995.

The cost of the environmental clean-up and site restoration will be sought by Geddes as part of the compensation issue as described in note 2.

7. Subsequent event - Rights offering:

On March 30, 1995, the Company announced its intention to complete a Rights offering, pursuant to which shareholders of the Company will receive one Right for each common share held, with ten Rights entitling the holder thereof to purchase, upon payment of the subscription price of \$0.50 per share, one common share of the Company. Royal Oak, the principal shareholder of the Company, has agreed to fully subscribe for common shares representing approximately 39% of the total number of shares issuable pursuant to the Rights offering and to subscribe for additional shares available due to the non-exercise of Rights. Royal Oak has also agreed to purchase all common shares not otherwise purchased pursuant to the offering of Rights.

Geddes Resources Limited
Corporate Information

Directors

Margaret K. Witte
Chairman, President and Chief
Executive Officer
Royal Oak Mines Inc.
Bellevue, Washington

Ross F. Burns
Vice President, Exploration
Royal Oak Mines Inc.
Vancouver, B.C.

William J.V. Sheridan
Partner
Lang Michener
Toronto, Ontario

Officers

Margaret K. Witte
Chairman and Chief Executive
Officer

John R. Smrke
President

Ross F. Burns
Vice President, Exploration

William J.V. Sheridan
Secretary

James H. Wood
Chief Financial Officer

Head Office

Suite 102
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Vancouver, British Columbia
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Transfer Agent and Registrar

Montreal Trust Company
Stock Transfer Services
151 Front Street West
8th Floor
Toronto
Ontario
M5J 2N1

Auditors

Price Waterhouse
Vancouver, B.C.

Solicitors

Lang Michener
Toronto and Vancouver

Banker

Royal Bank of Canada
Vancouver, B.C.

Shares Listing

The Toronto Stock Exchange
Symbol: GDD

Capitalization

(at December 31, 1994)

Common shares authorized:
Unlimited

Issued and outstanding:
33,357,928

Fully diluted:
35,297,928

Annual Meeting of Shareholders

Wednesday, May 10, 1995
2:00 p.m.
Pacific Palisades Hotel
Robson Room
1277 Robson Street
Vancouver, B.C.

**Shareholder Inquiries and Investor
Relations Contact**

J. Graham Eacott
Vice President, Investor Relations
Royal Oak Mines (U.S.A.) Inc.
Telephone: (206) 822-8992
Fax: (206) 822-3552