

GEDDES RESOURCES LIMITED

Telephone (416) 363-1135

Royal Bank Plaza
North Tower, Suite 770
P.O. Box 95
Toronto, Ontario M5J 2J2

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To The Shareholders:

During the second quarter of fiscal 1987 Geddes Resources Limited continued to make significant progress towards the achievement of its primary goal, that of developing its Windy Craggy and Tats gold, copper and cobalt properties in north western British Columbia.

Field work commenced in mid-April and a 42-man base camp was established at the Tats Airstrip. The construction phase is complete and full operations are now under way at Windy Craggy. The adit has advanced 620 feet towards its objective of intersecting the gold zone which was identified by earlier diamond drilling from the surface. This intersection is expected to occur by about year-end and an underground diamond drilling program will be carried out in 1988. In addition, the mapping and drilling programs on the Tats property are proceeding according to plan.

The scope of the 1987 program was recently expanded with the planned length of the adit and related drifting extended to 7,000 feet and funds to support this expansion have been provided for.

The second quarter saw an increase in the total of new common share financing arranged since late 1986 to \$10.6 million, all but \$3 million of which will be spent in 1987.

The current year will be a very important one in the company's development and we are confident of achieving our ambitious plans on time and budget.



Toronto, Ontario
July 17, 1987

Geddes M. Webster
Chairman and Chief
Executive Officer

GEDDES RESOURCES LIMITED
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
CONSOLIDATED BALANCE SHEET

| <u>ASSETS</u> | <u>JUNE 30</u> <u>1987</u> | <u>DECEMBER 31</u> <u>1986</u> |
|---|-------------------------------|-----------------------------------|
| Cash and short-term investments | \$1,749,261 | \$ 514,067 |
| Other assets | 76,224 | 26,895 |
| Deferred exploration costs | 7,050,681 | 4,513,601 |
| Investment in Goldpost Resources Inc. | 530,000 | 530,000 |
| Fixed assets, net of accumulated depreciation | 139,702 | 115,499 |
| Deferred financing costs | 215,763 | - |
| | <u>\$9,761,631</u> | <u>\$5,700,062</u> |
| <u>LIABILITIES</u> | | |
| Accounts payable and accrued liabilities | \$ 236,099 | \$ 128,229 |
| Refundable government grant | 75,000 | 75,000 |
| | 311,099 | 203,229 |
| <u>SHAREHOLDERS' EQUITY</u> | | |
| Capital stock | 9,936,126 | 5,982,427 |
| Deficit | (485,594) | (485,594) |
| | <u>9,450,532</u> | <u>5,496,833</u> |
| | <u>\$9,761,631</u> | <u>\$5,700,062</u> |

CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION

| | <u>THREE MONTHS ENDED</u> <u>JUNE 30</u> | |
|---|---|-------------------|
| | <u>1987</u> | <u>1986</u> |
| Cash provided by (used for) investment activities: | | |
| Purchase of fixed assets | \$ (38,289) | \$ - |
| Deferred exploration costs, net of depreciation on fixed assets of \$14,086 (1986 - nil) | (2,522,994) | (78,253) |
| (Increase) decrease in other assets | (49,329) | 21,030 |
| Increase (decrease) in accounts payable and accrued liabilities | 107,870 | (133,918) |
| Increase in promissory note receivable | - | (40,000) |
| | <u>(2,502,742)</u> | <u>(231,141)</u> |
| Cash provided by (used for) financing activities: | | |
| Proceeds of issue of capital stock | 3,953,699 | 449,600 |
| Increase in deferred financing costs | (215,763) | - |
| | <u>3,737,936</u> | <u>449,600</u> |
| Net increase in cash for the period | 1,235,194 | 218,459 |
| Cash and short-term investments, beginning of period | 514,067 | 38,690 |
| Cash and short-term investments, end of period | <u>\$1,749,261</u> | <u>\$ 257,149</u> |