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**PRESIDENT'S REPORT  
ANNUAL MEETING OF SHAREHOLDERS  
OF  
GEDDES RESOURCES LIMITED  
JUNE 27, 1991**

Ladies and gentlemen, shareholders and guests, in the year since our last Annual Meeting there has been a dramatic change in the Canadian and western world economic environment from mature growth to recession. The spot price of copper declined from more than US \$1.25 per pound to approximately US\$ 1.00 today. Low metal prices and reduced demand are already resulting in mine closures of the high cost producers.

For the successful development of Windy Craggy the project economics must be sufficiently attractive to survive recession with a comfortable margin. The feasibility study started in July 1990 is demonstrating that Windy Craggy can be developed as a highly competitive low cost producer that will be capable of servicing its project financing under recessionary conditions and providing a level of profits sufficient to provide an attractive return on investment to equity shareholders. Achieving this optimum concept for project development is a complicated process. Almost inevitably design features which provide lower operating costs require higher initial capital investment which add to the financing costs.

Fluor Daniel Wright have completed an extensive study of the engineering design and financial advantages of the multitude of components that together are needed to mine, transport and process the ore to produce marketable products at a rate that is efficient but will not produce a glut on world markets. The Annual Report describes in some detail the conclusions reached to optimize the project development. The second part of the feasibility study involves detailed engineering design of the optimized facilities to verify costs, material and equipment requirements and construction schedules. This part of the feasibility study will be completed after the company has confirmation that the engineered concept for development meets environmental regulations.

The environmental review and permitting process is an exceedingly long and frustratingly slow process. We have not yet received from the British Columbia Government's Mine Development Steering Committee the terms of reference for our Stage II Environmental and Socioeconomic Assessment Studies. I anticipate that it will be some weeks or even months yet as the demands of the environmental process have overwhelmed the system capacity. ~~After nearly a decade in the 1980s during which the British Columbia Mine Development Review Process was structured to handle one or two small mine developments at a time, it is now confronted with five major projects (Windy Craggy, Mt. Milligan, Mt. Polley, Eskay Creek and Stronsay) and numerous smaller ones. It also has to contend with additional Acts and regulations and an increased level of public and political awareness.~~

These five major mining projects represent a capital investment in the 1990s of the order of \$1.5 billion dollars and are vital in sustaining the position of the Province's mining industry. The B.C. Forest Industry has just completed a period of major investment and does not have any major new projects planned. There are no new major public works projects underway. A new runway for Vancouver Airport is crawling through its environmental permitting process. One of the few major construction projects underway in the Province of British Columbia presently, the Kemano II expansion by Alcan is grinding to a halt half completed because of environmental issues.

While I endorse wholeheartedly a commitment to environmental responsibility, I am deeply concerned by the irregularities that are being imposed on the process of environmental permitting. The environmental reviewing and permitting systems in place today are good and will work well to everyone's advantage provided they are allowed to operate as intended. Geddes Resources is doing its best to achieve a comprehensive environmental review. However there are cases of the process being side stepped and distorted. Governments must get the process back on track with focused objectives and

regulated procedures and time frames. If not, then the negative economic consequences will escalate at a dramatic rate. We have one example of the negative costs here in Toronto at Pearson International Airport. The shortage of runways has resulted in restrictions on flights for several years already but it is likely to be another 5 years before any additional runways could be in operation. British Columbia is facing negative economic consequences as well. ~~Of the industrial sectors that provide year round high paying employment, the mining sector is the only one planning major developments in the decade of the 1990s.~~ While it means new mines it does not represent an expanding mining industry. ~~By the time the five mines mentioned above are in production, four or five existing mines will have exhausted their reserves and closed down.~~ If the mining industry is to maintain sustainable development it must sustain those jobs, the suppliers, the support industry and the profitability of the industry which allows for ~~exploration for the next generation of mines.~~

The costs of environmental regulation are considerable, adding to capital and operating costs and extending time frames. The end result is to make small and marginal deposits uneconomic and reduce the supply of minerals to world markets. The consequence will be higher metal prices.

Geddes Resources is in the enviable position of owning the largest reserve of copper in Canada at Windy Craggy. The immense size of these high grade deposits means that the impact on the project economics of environmental costs is small while the leverage to higher metal prices is dramatic.

To achieve production at Windy Craggy will require a capital investment in plant, equipment and infrastructure of the order of 500 million dollars. To raise this by equity financing at present share prices will not provide shareholders with an attractive return on investment in a reasonable time frame. While total debt financing would provide shareholders with tremendous leverage, the reality of today's financial world is that Geddes Resources could

not find a lender to assume that amount of risk. At the beginning of 1991 the Board of Directors retained mining financial consultants Warrior International Limited to examine the options and advise the Directors on available courses of action with regard to project financing. They recommended that the company should involve a major international mining organization in the development of Windy Craggy. A short list of organizations was prepared and have been approached and provided with information. The process is still ongoing and I anticipate it will be some months before the company will be in a position to announce results.

In the interim the company continues to need working capital to fund its ongoing activities. That level of activities has been cut back substantially as there is no need for further exploration. Consequently site activities have been reduced to minimum levels of environmental monitoring. Engineering studies are proceeding slowly pending confirmation from the environmental agencies of development concepts. Environmental testwork ongoing includes a series of large scale tests on waste rocks to determine their Acid Rock Drainage characteristics. Consequently expenditures will be at a very low level for some months yet.

To provide funds to augment the present working capital shortage, First Marathon Securities Limited has agreed to complete a private placement for a minimum of \$2.6 million and a maximum of \$3.5 million. The placement will comprise special warrants priced at \$1.00 exchangeable for Units of one common share and one half warrant. Two half warrants will entitle the holder to purchase for \$1.50 one common share until June 30, 1994. Northgate Exploration Limited and Cominco Limited have agreed to subscribe for \$1,000,000 and \$500,000 of this placement respectively thereby maintaining their ownership levels in Gaddes Resources. Closing of this placement is set for July 15 with a pre closing of the minimum subscription to take place in the next few days. The amount and pricing of the financing was given very careful consideration in

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light of market conditions, the share prices, funding needs and the creation of another set of warrants with different conditions from the already outstanding warrants.

Mr. John Kearney has already made mention of the Board of Directors but I cannot let this opportunity pass without expressing my own thanks to the retiring Directors whose experience, advice and interest, not only made my task easier but contributed immensely to the development of the company and the project. They and our small group of employees have faced all the challenges with enthusiasm and good humour.

I would like to thank everyone for their attendance. Both Keith Somerville and I will be available after the meeting to answer questions.