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T H E
C O M P A N Y

Treminco Resources Ltd. is a Canadian mining company based in Vancouver, British Columbia. As of November 1, 1989 Treminco owns and operates two mines — the Ptarmigan Gold Mine in the Northwest Territories and the Silvana silver-zinc-lead mine in British Columbia.

Treminco was incorporated under the laws of British Columbia in 1980 and became a public company in 1985.

The Company's shares trade on the Toronto and Vancouver Stock Exchanges under the symbol TMO. Treminco's objective is growth through the development and operation of small-to-medium sized mines. By striving to be the premier small-mine operator in North America, we believe that we will establish the conditions to take on much larger projects in the near future.

Cover: No. 1 tailings pond at the 125 ton per day Silvana silver-zinc-lead mine, New Denver, British Columbia.



The Company completed development of our 95% owned Ptarmigan Gold Mine situated near Yellowknife, N.W.T. with the addition of a new hoisting plant and concentrator. The mine is expected to contribute approximately 25,000 ounces of gold to annual production.

□ The Company acquired the Silvana silver-zinc-lead mine

from Dickenson Mines Ltd. for \$1 million. This mine is expected to contribute approximately 450,000 ounces of silver, 4.5 million pounds of zinc and 4.3 million pounds of lead to annual production.

□ The Company agreed in principle to enter into an option agreement with Giant Yellowknife Mines Ltd. for the development and test mining of Giant's Crest-

aurum Gold Property, located 15 miles from Treminco's Ptarmigan Mine. Current drill-indicated reserves on this property are 320,000 tons grading 0.22 oz. gold/ton.

□ Cash flow provided by operations surpassed \$1.96 million and allowed the Company to fund the capital additions at its Ptarmigan Mine almost entirely from cash flow.



Company President Roland Trenaman (left) supervises the dumping of the first load of ore into the Ptarmigan mill.

	12 months ended July 31/89	12 months ended July 31/88	
FINANCIAL (000's)			
Revenue	\$7,837	\$2,454	
Net earnings	316	119	
Cash flow from operations	1,957	627	
Capital expenditures	3,415	2,735	
Cash and short-term investments	261	15	
Long-term debt	1,057	—	
Shareholders' equity	8,254	6,388	
PER SHARE (cents)			
Net earnings	5	2	
Cash flow	33	10	
	12 months ended July 31/89	12 months ended July 31/88	12 months ended July 31/87
PRODUCTION			
Tons milled	44,450	22,668	19,285
Head grade	0.457	0.349	0.237
Net recovery (custom milling)	80.9%	85.2%	80.2%
Ounces of gold	16,433	6,806	3,667

It is with great pleasure that I present the 1989 annual report to the shareholders. The past year has been one of tremendous growth and transition.

It was four short years ago that Treminco commenced exploration work on the Tom Gold Property with a five-man crew. Today, the Company has two producing mines, several more exploration properties, and a staff of over 90 people. Treminco's production of precious and base metals during the 1990 fiscal year is expected to be 25,000 ounces of gold, 330,000 ounces of silver, 3.4 million pounds of zinc, and 3.2 million pounds of lead.

One of the 1989 highlights was the completion of the construction at Ptarmigan Gold Mine, less than two years after acquiring the property. The new hoisting plant and concentrator, which were officially opened on July 21, 1989, were put into operation for a total capital cost of less than \$2.8 million, the majority of which was paid for from custom-milling revenues.

The concentrator reached its designed capacity of 200 tons per day in August and has on occasion operated at a rate of over 230 tons per day. While the transition from custom milling to operating our own

concentrator adversely affected fourth-quarter earnings, the dramatic improvements in gold recoveries and operating costs now possible should produce much better results during 1990.

Exploration work on both the Ptarmigan and Tom Mines continues to be a priority. Several new targets were identified by diamond drilling on several of the veins lying between the Ptarmigan and Tom veins. While more work is required, the possibility of finding additional ore reserves in these previously untested veins appears very good. In addition, underground development work has successfully blocked out significant additional reserves peripheral to the main ore zone at the Ptarmigan Mine.

Treminco took a major step in increasing ore reserves at its Yellowknife operations when it recently agreed in principle to an option agreement with Giant Yellowknife Mines Ltd. to develop and test mine Giant's Crestaurum Gold Property, located approximately 15 miles from the Ptarmigan Mine. Drill-indicated reserves on the property total 320,000 tons at a grade of 0.22 oz. gold/ton. Treminco plans to commence with a test-mining program, initially with a small open pit, as soon as the permitting is in place.

Another highlight was Treminco's recent acquisition of the producing Silvana silver-zinc-lead mine from Dickenson Mines Ltd. for \$1 million. The mine is a small high-grade

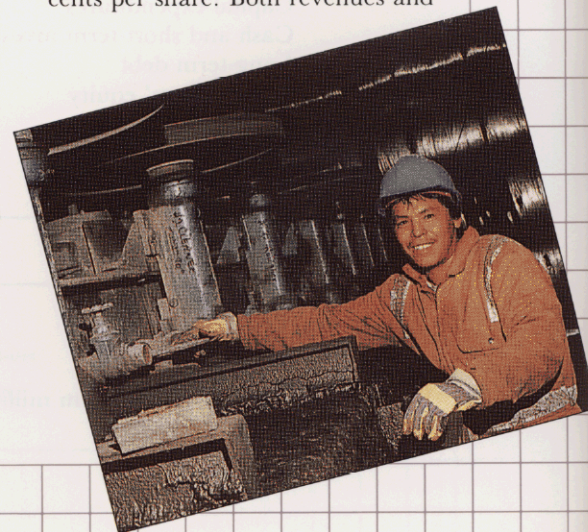
underground operation near New Denver in southeastern British Columbia. Production amounted to 414,000 ounces of silver, 4.3 million pounds of zinc, and 3.7 million pounds of lead in the calendar year 1988. The mine generated an operating profit, before depreciation and taxes, of \$1.2 million for the year.

The Silvana acquisition is important not only because it diversifies Treminco into silver and base metals, but it marks the beginning of the transition of the Company from a small, one-mine operation to what will be a substantially larger, diversified mining company.

Fiscal 1989 marked the first full year of commercial production for Treminco, with the Ptarmigan Mine coming on stream in April 1988. Revenues for 1989, primarily from custom milling, totalled \$7.84 million.

The Company generated an operating profit, before depreciation, depletion, deferred taxes, and minority interest, of \$1.96 million or \$0.33 cents per share. This compares to \$627,000 and \$0.10 cents per share in fiscal 1988.

Net income was \$316,000 or 5 cents per share. Both revenues and



earnings were slightly below expectations due to the startup of the Ptarmigan concentrator, the decline in gold prices and the significant rise in the value of the Canadian dollar against the U.S. dollar.

Production at the Ptarmigan Mine totalled 44,450 tons at an average grade of 0.457 ozs. gold/ton as compared to 22,668 tons at 0.349 ozs. gold/ton in 1988. Gold recovered from production was 16,433 ounces in 1989 versus 6,806 ounces in 1988. With its own mill now in operation, the Ptarmigan Mine is expected to produce in excess of 25,000 ounces in 1990.

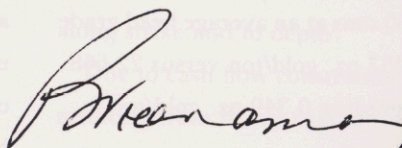
The Company further strengthened its Board of Directors with the appointment of Maxwell A. Munday in February 1989. Mr. Munday's significant business experience will be a valuable addition to Tremanco's Board.

The events of 1989 provide the foundation for continuing strong cash flows and earnings growth in the years ahead. However, to maintain momentum for growth Tremanco is actively seeking other acquisition or joint-venture targets, both in precious metals and base metals.

With the acquisition of the Silvana Mine, the option on the Crestaurum Property, and completion of the capital additions at the Ptarmigan Mine, 1990 shapes up to be an exciting year. If gold and silver prices firm up, and base metals prices maintain their current levels, it should also be a very profitable year.

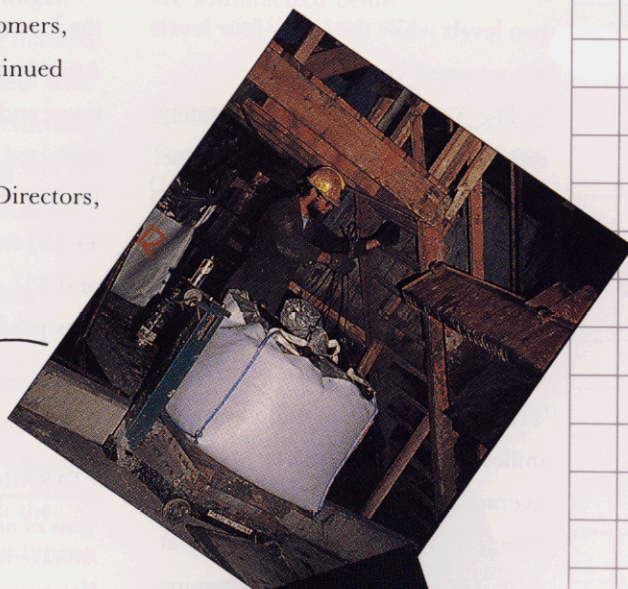
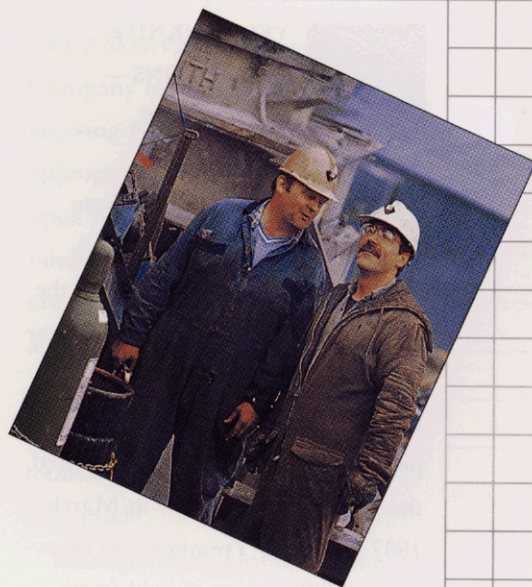
In closing, the Directors pay tribute to the men and women employed by our organization. Their energy and initiative have been vital to our success to date and are crucial to our future growth. We would also like to thank Tremanco's investors, customers, and suppliers for their continued support.

On behalf of the Board of Directors,



R.T. Trenaman, P. Eng.
President

November 1989



YELLOWKNIFE OPERATIONS — PTARMIGAN

& TOM MINES

BACKGROUND The Ptarmigan Gold Mine is 12 miles, by road, from Yellowknife, the capital of the Northwest Territories. It is a former producer, having been developed and operated by Cominco Ltd. in the period 1939-42. Treminco acquired the mine from Cominco in March 1987. To date, Treminco has recovered 23,239 ounces of gold from 65,129 tons of ore. The ore is mined using conventional shrinkage stoping. A decline is used to access the first two levels while the lower four levels are accessed via a shaft.

The Tom Mine is approximately one mile from the Ptarmigan Mine. Treminco has operated the Tom Mine as a satellite deposit of the Ptarmigan Mine for the past two years.

Although no recent production has come from the Tom Mine, Treminco has mined and custom-milled a total of 19,285 tons at an average grade of 0.237 oz. gold/ton. The mining technique employed at the Tom Mine is shrinkage stoping using scooptrams and an underground ore truck to haul the ore to surface.

OPERATING RESULTS Fiscal 1989 marked the first full year of com-

mercial operations at the Ptarmigan Mine. It also marked the startup of the Company's own concentrator in June 1989. Prior to that, all ore was sold to Giant Yellowknife Mines Ltd. for custom milling at their Yellowknife concentrator. While the transition to the new concentrator was fairly smooth, the delay in receiving revenue from flotation concentrates, as well as milling low-grade development ore during the startup phase, adversely affected fourth-quarter earnings.

In 1989 income before depletion, depreciation, deferred taxes, and minority interest generated from the Ptarmigan Mine was \$1,957,552. After depletion, depreciation, deferred taxes and minority interest were deducted, net income was \$316,504. During the year, production was 44,450 tons at an average head grade of 0.457 oz. gold/ton versus 22,668 tons grading 0.349 oz. gold/ton in 1988.

Total operating costs, including custom-milling charges, in 1989 were \$121.36 per ton milled versus \$120.69 per ton milled in 1988. Milling expense, which represented \$38.49 per ton due to custom-milling charges in 1989, should be considerably lower in 1990 with the Ptarmigan mill now in operation.

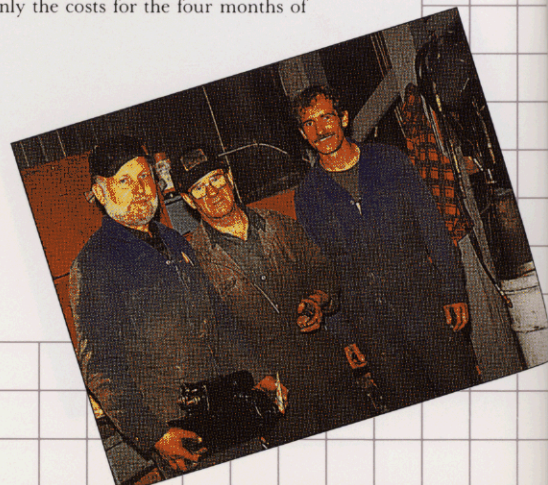
Cost per ounce of gold produced in 1989 was \$328.27 (Cdn.) compared to \$379.30 (Cdn.) during 1988, a decrease of 13%. This decrease resulted from economies of scale related to increased mill throughput as well as a higher grade of ore milled during 1989.

The Company will continue to strive for productivity improvements and cost reductions. Improvements in milling costs and gold recoveries will allow the Company to be more aggressive in its exploration and underground development plans in order to increase the ore reserves at both the Ptarmigan and Tom Mines.

PTARMIGAN & TOM MINES

	<i>Fiscal 1989</i>	<i>Fiscal 1988</i>	<i>Fiscal 1987</i>
Tons of ore milled	44,450	22,668	19,285
Average head grade	0.457	0.349	0.237
Net recovery (custom milling)	80.9%	85.2%	80.2%
Ounces of gold produced	16,433	6,806	3,667
Cost per ton milled (Cdn.)	\$121.37	\$120.69*	—*
Cost per ounce produced (Cdn.)	\$328.27	\$379.30*	—*

*The Company capitalized all pre-production costs during the pre-production period prior to April 1, 1988. The figures for fiscal 1988 reflect only the costs for the four months of commercial production, April-July 1988.



MINE EXPLORATION &

DEVELOPMENT The ore at the Ptarmigan and Tom Mines is found within nearly vertical quartz veins. The gold within the veins tends to be erratically distributed. Thus, while diamond drilling is a valuable tool for identifying ore targets, a great deal of underground development is necessary before inferred reserves are brought into the measured-and-drill-indicated category.

At the Ptarmigan Mine, mine development to the east on the 300- and 450-foot levels has identified an ore reserve extension to the main ore zone which was not identified by Cominco's work. This development has already added some 18,000 tons above the 300-foot level. The potential of this ore shoot between the 300- and 900-foot levels (shaft bottom) is 90,000 tons.

In addition surface diamond drilling has identified two ore targets within the Ptarmigan vein, one 800 feet east of the main ore zone and the other 1,500 feet to the

west. Drifting crews are currently extending the 300-foot level to the east to access the eastern target while additional diamond drilling will be conducted on the target to the west before a decision is made to drive a westerly drift on the 300-foot level.

At the Tom Mine, the decline has been driven to the 225-foot level in order to access an ore block of approximately 5,000 tons grading 0.25 oz. gold/ton.

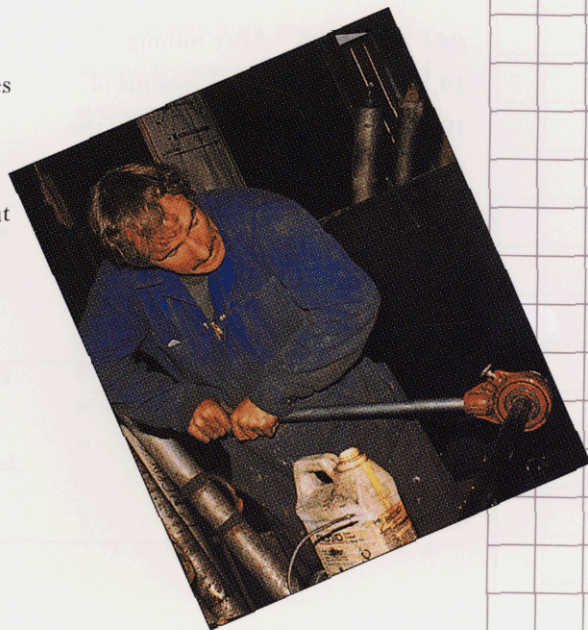
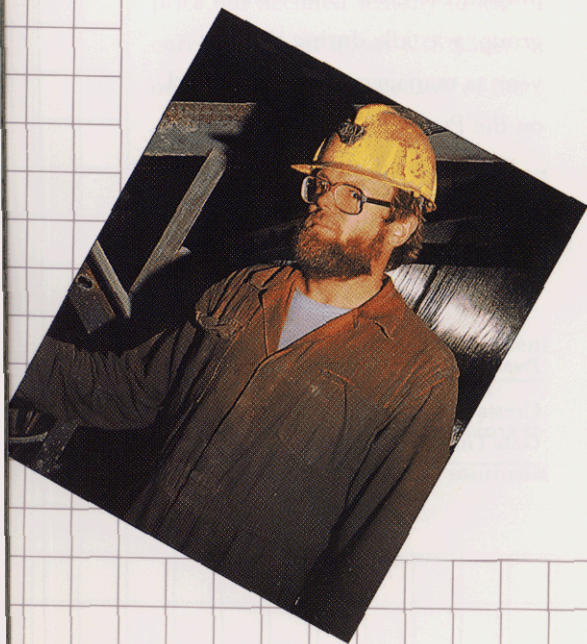
Additionally, surface diamond drilling on the C vein, one of four quartz veins lying parallel to and between the Tom and Ptarmigan veins, intersected ore grade material over a strike length of 400 feet with a number of intersections returning visible gold. Further drilling will be done in 1990 to test this ore shoot along strike and to depth.

Due to cash flow constraints resulting from heavy capital expenditures, the expenditure on mine exploration and development at the Ptarmigan and Tom Mines was restricted in 1989. With the majority of the capital expenditures now complete, a more aggressive commitment to exploration and development is planned throughout 1990 to maintain ore reserves.

ORE RESERVES Each year the Company calculates ore reserves, allowing for mining dilution and an appropriate cut-off grade, based upon prevailing gold prices. After mining 44,450 tons in 1989 the ore reserve inventory in the proven and drill-indicated categories was 117,000 at a grade of 0.34 oz. gold/ton. Reserves in the inferred category totals another 155,000 tons at a 0.30 grade.

Management's estimate of the proven and drill indicated and inferred reserves at the Ptarmigan and Tom Mines as of July 31, 1989 are summarized below:

<i>Ore reserves</i>	<i>Proven & drill indicated</i>	<i>Inferred</i>
Tons	117,000	155,000
Grade		
(oz. gold/ton)	0.34	0.30
Ounces (gold)	39,780	46,500



**SANDON OPERATIONS —
SILVANA MINE**

BACKGROUND In August 1989 an agreement-in-principle was reached with Dickenson Mines Ltd. to acquire a 100% interest in the Silvana silver-zinc-lead mine in southeastern British Columbia, for \$1 million in cash payments. The transaction's closing date was October 31, 1989 and on November 1 the Silvana became Treminco's second operating mine.

OPERATING RESULTS In 1988, under Dickenson's operation, a total of 30,400 tons were milled at a

grade of 14.0 ozs. silver/ton, 7.60% zinc, and 6.16% lead. For the eight months ended August 31, 1989 a total of 19,100 tons has been milled at a grade of 16.61 ozs. silver/ton, 7.13% zinc, and 6.82% lead.

The Silvana Division generated an operating income for Dickenson Mines Ltd., before depreciation and taxes, of \$1.27 million in 1988 and \$1.92 million in 1987. For the eight months ended August 31, the Silvana Mine has generated an operating income, before depreciation and taxes, of \$588,000.

EXPLORATION

Treminco has adopted a strategy of pursuing opportunities at the advanced stage of exploration. In keeping with this objective, Treminco agreed in principle to enter into an option with Giant Yellowknife Mines Ltd. to explore, develop, and test mine Giant's Crestaurum Gold Property. The property, which is located approximately 15 miles from Treminco's Ptarmigan Mine and Mill, contains a drill-indicated reserve of 320,000 tons at a grade of 0.22 oz. gold/ton.

Under the agreement, Treminco has the option to earn a 51% interest in the property by incurring expenditures of \$4 million over 4 years or presenting a positive feasibility study. Treminco plans to commence test-mining of 4,000-5,000 tons from a small open pit as soon as the permits are in place. The ore will be milled at the Ptarmigan Mill on an incremental basis in order to determine the deposit's metallurgy, including recoveries.

Treminco's other exploration project, the Gab/Tinker claim group, was idle during the past year as management concentrated on the Ptarmigan and Tom Mines.

Current drill-indicated reserves at the Crestaurum Property and the Gab/Tinker Properties are as follows:

SILVANA MINE	1988	1987	1986
Ore milled (tons)	30,400	28,100	24,200
Ore grade			
Silver oz./ton	14.0	17.4	19.7
Lead %	8.5	9.4	9.9
Zinc %	7.6	5.9	7.2
Recoveries			
Silver ozs. (000's)	414	478	466
Lead lbs. (000's)	3,675	5,127	4,673
Zinc lbs. (000's)	4,333	3,149	3,335
Annual contribution (\$000's)	1,114	1,796	827

*From Dickenson Mines Ltd. 1988 Annual Report.

ORE RESERVES After mining 19,100 in the first eight months of 1989, management's estimate of the proven and probable ore reserves at the Silvana Mine as summarized below:

ORE RESERVES	Aug. 31 1989	Dec. 31 1988	Dec. 31 1987
Tons	38,400	37,000	55,000
Grade			
Silver oz./ton	12.5	13.8	12.9
Lead %	4.6	5.5	5.7
Zinc %	6.7	5.9	5.0

Property	Drill indicated	Grade
Crestaurum	320,000	0.22 oz./ton
Gab/Tinker	30,000	0.31 oz./ton

Treminco's mineral revenues in fiscal 1989 were derived solely from

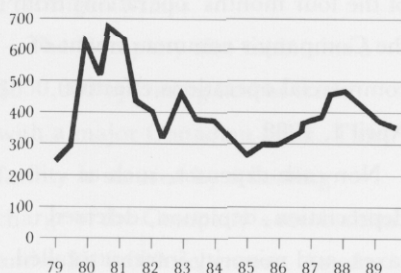
the sale of gold produced at the Company's Ptarmigan Mine. With the acquisition of the Silvana Mine, Treminco's mineral revenues in 1990 will be augmented by the sale of silver, as well as zinc and lead. **GOLD** Gold, with some silver, in the form of dore bars and flotation concentrate is produced at the Ptarmigan Mine. The dore bars are delivered to a Canadian refinery for conversion into high purity gold and silver. To date, the flotation concentrate has been delivered to two North American smelters on a trial basis. Approximately 65% of gold production is recovered in the form of dore bars and the remaining 35% in the flotation concentrates. Terms for the future sale of these concentrates will be agreed upon on an annual basis through negotiations with refineries and smelters both in North American and Japan.

Since December 1987, when gold was around U.S.\$500/ounce, the price has declined steadily to its current price of about U.S.\$360/ounce, primarily as a result of the ever-increasing supply.

The combination of rising interest rates and continued strengthening of both the American and Canadian dollars have also adversely affected gold prices by dampening investment demand in North America and Europe. The strong growth in investment demand in Japan and southeast

Asian countries continues to be a positive factor.

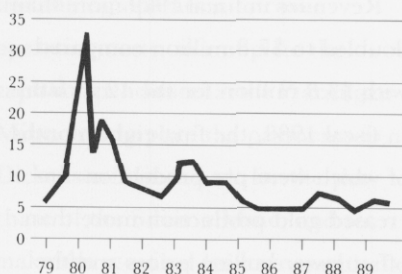
2nd Fixing London
U.S.\$/oz.



SILVER Silver concentrates produced at the Silvana Mine are presently sold to Cominco Ltd. for processing through their Trail smelter. The price of silver, which was around U.S.\$6.05 at the end of 1988, currently is around U.S.\$5.07.

The supply of silver is predicted to increase by 15% by 1991, mostly as a by-product of increasing gold and base metal production. A significant increase in the demand for the precious metal will be necessary to maintain or improve the price of silver.

Handy & Harmon
U.S.\$/oz.

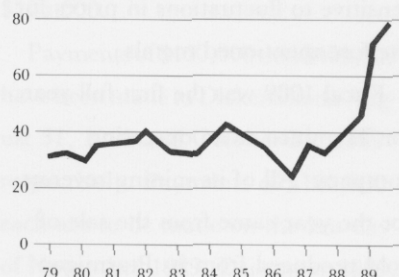


ZINC The price of zinc continued the upward trend that saw prices almost triple in 1988. Strong demand, particularly for coatings to protect steel from corrosion in automotive

and other applications, as well as the worldwide recovery of the building industry, led to the higher prices.

Current zinc prices in North America are around the U.S.\$0.93 per pound level.

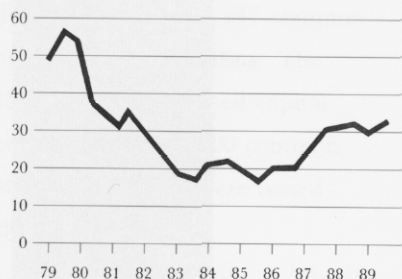
LME Cash Price
U.S.¢/lb.



LEAD Lead prices have remained relatively stable throughout the past two years, averaging around U.S.\$0.30/pound on the LME, while North American prices reached a significantly higher level of U.S.\$0.37/pound.

Demand benefitted from a high rate of automotive battery production and increased usage of lead chemicals. In 1988 western world consumption reached a record 4.3 million tonnes, but supplies from primary and secondary sources kept pace and average prices were only slightly ahead of the 1987 level.

LME Cash Price
U.S.¢/lb.



MANAGEMENT'S DISCUSSION & ANALYSIS

OVERVIEW The Company is engaged in the mining of gold, silver, lead, and zinc. As is the case with most mining companies, Treminco's profitability and cash flow are highly sensitive to fluctuations in prices for the fore-mentioned metals.

Fiscal 1989 was the first full year for Treminco as an operating company. All of its mining revenue for the year came from the sale of gold produced from its Ptarmigan Gold Mine.

The Silvana silver-zinc-lead mine was purchased subsequent to fiscal year end and consequently the financial results for fiscal 1989 reflect only the Company's Ptarmigan and Tom operations.

RESULTS OF OPERATIONS For the year ended July 31, 1989, the Company had net income of \$316,504 or 5 cents per share on

revenues of \$7,837,879. This compares to net income of \$119,418 or 2 cents per share on revenues of \$2,454,185 in 1988, which consisted of the four months' operations from the Company's commencement of commercial operations effective April 1, 1988.

Non cash expenses, such as depreciation, depletion, deferred taxes, and minority interest totalled \$1,641,048 or 27 cents per share. Income, before depreciation, depletion, deferred taxes, and minority interest, was \$1,957,552 in 1989, or 33 cents per share. The comparative figures for fiscal 1988 were \$627,218 and 10 cents per share.

The Company reported no extraordinary items in either 1988 or 1989.

The Company incurred a loss in the fourth quarter of 1989 of \$187,450 or 3 cents a share. This reflects the startup period for the Ptarmigan Mill and the delay in receiving payment for the gold contained with the flotation concentrates which are shipped to smelters for further processing.

Revenues in fiscal 1989 more than doubled to \$7.8 million compared with \$3.8 million for the 12 months in fiscal 1988, the first eight months of which were pre-production. Increased gold production more than offset lower bullion prices and the increase of the Canadian dollar vis-a-vis the U.S. dollar.

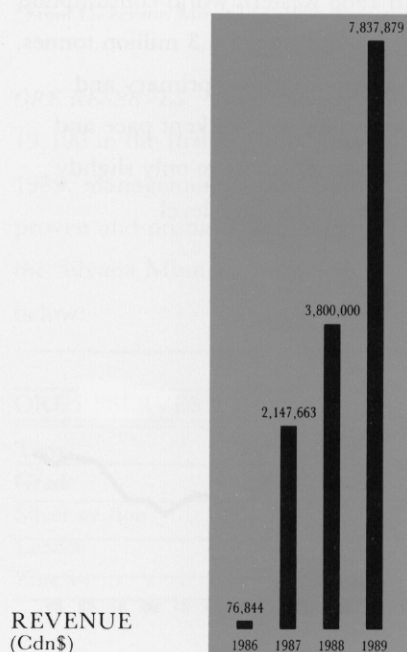
Gold recovered from production from the Ptarmigan Mine increased to 16,433 ounces in 1989 compared to 6,806 ounces in 1988. The increased production reflects the larger tonnage

of ore custom milled as well as significant improvement in grade. In 1989 mill throughput was 44,450 tons at a grade of 0.457 and a net custom-milling recovery of 80.9%. Of this total 40,530 tons were custom milled at Giant Yellowknife Mines and 3,920 tons were milled at Treminco's Ptarmigan Mill. This compares with 22,668 tons in fiscal 1988, all of which was custom milled, at a grade of 0.349 ounces of gold per ton and a net mill recovery of 85.2%.

The increased mill throughput reflects a full year's production available from two levels (150- and 300-foot levels) of the Ptarmigan Mine while most of 1988 production was restricted to only the stopes on the 150-foot level.

Bullion prices received for gold produced during 1989 were \$476 (Cdn.) a substantial decrease from the 1988 level of \$559 (Cdn.). To date, Treminco has not applied any revenue-hedging programs such as forward selling of gold. Prior to the startup of the Ptarmigan Mill, Treminco was subject to the space availability at Giant Yellowknife's concentrator for custom milling of its ore. Consequently, mill throughput, and the resultant gold production, varied tremendously from one month to another, thereby precluding forward selling.

To ensure certain minimum cash flows and mitigate the impact of decreases in metal prices, Treminco intends to employ a revenue-hedging program for a portion of its forecasted metal production



in 1990 through a combination of forward sales and put options.

LIQUIDITY AND CASH RESOURCES

Cash provided from operating activities during the year amounted to \$1,957,552 compared to \$627,218 in fiscal 1989.

At July 31, 1989 cash and short-term investments were \$260,756, compared to the \$14,810, at July 31, 1988.

In June 1989 the Company borrowed \$1,500,000 from RoyNat Inc. The loan is a three-year term debenture secured by the fixed assets of the Ptarmigan Mine. The monies were applied towards the completion of the asset additions at the Ptarmigan Mine and for general working capital.

During the year, a total of \$2.79 million was expended in asset additions at Ptarmigan Mine. The majority of this amount was spent on the construction of the concentrator, tailings pond, and the instal-

lation of a hoist and a headframe. An additional \$621,000 was spent on capitalized exploration and development at the Tom and Ptarmigan Mines.

The Company also maintains a \$650,000 operating line of credit with a major Canadian bank. This facility is secured by a floating charge of the Company's receivables and a \$500,000 debenture. As of July 31, 1989 the Company had no drawings outstanding on this facility.

At July 31, 1989 long-term debt was \$1,057,000.

SOURCES OF FUTURE LIQUIDITY

Treminco's primary sources of future liquidity consists of cash flows generated from its two mining operations, bank loans, gold loans, and equity financings. Future cash flows generated from Treminco's mining operations will largely depend on the level of metal production and on the prices received.

Current management projections indicate that in fiscal 1990, sufficient cash flows will be generated from the mining operation to cover operating costs, to complete the capital expenditures at the Ptarmigan Mine, to complete the payments to Dickenson Mines Ltd. for the purchase of the Silvana Mine, and to make the required loan payments to RoyNat Inc.

EXPENDITURE COMMITMENTS In June of this year Treminco borrowed \$1.5 million from RoyNat Inc. The monies were used to complete construction of the Ptarmigan concentrator and hoisting plant as well as

for general working capital.

The purchase agreement for acquiring the Silvana Mine called for Treminco to make cash payments to Dickenson Mines Ltd. totalling \$1 million plus working capital reimbursements for stores and prepaid expenses estimated to be an additional \$125,000.

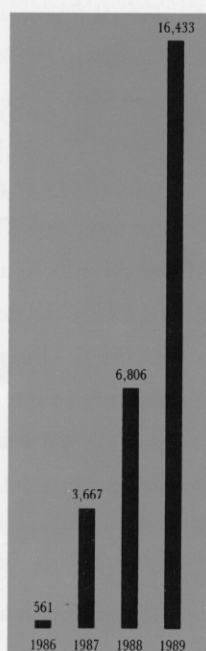
Payments of \$100,000 and \$400,000 have been made to Dickenson on August 31, 1989 and October 31, 1989 respectively. Payments of \$100,000 each are to be made on the last day of November 1989, December 1989, January 1990, February 1990, and March 1990. The working capital reimbursements are to be repaid on the last day of April 1990. The outstanding principal amount and working capital reimbursement bear an annual rate of interest of 10% payable monthly. The monthly payments are secured by promissary notes.

The RoyNat debenture is repayable in 36 monthly installments beginning in July 1989. As of July 31, 1989 the outstanding principal was \$1,466,000. Monthly payments include principal plus interest and bear an interest rate of RoyNat's cost of funds plus 2%.

SHAREHOLDERS' EQUITY As of July 31, 1989 5,957,447 common shares were outstanding. The Company's authorized capital consists of 10,000,000 common shares. No shares were issued during the year.

Shareholders' equity at July 31, 1989 amounted to \$8,353,997 or

GOLD PRODUCTION
(ounces)



\$1.39 per share compared to \$6,388,037 or \$1.06 per share at July 31, 1988. No dividends were paid to shareholders during fiscal 1989.

LONG-TERM LIABILITIES The only significant long-term liability is the RoyNat Inc. debenture which at the end of fiscal 1989 amounted to \$1,466,000. Interest and capital are repayable monthly for a total of 36 months. The first payment was July 15, 1989.

OUTLOOK Revenues and cash flow from mining operations should increase significantly in fiscal 1990 due to the acquisition of the Silvana

Mine on November 1, 1989. However, the sensitivity of annual net earnings to key metal price and exchange rate fluctuations cannot be overstated.

Planned capital expenditures for 1990 at existing operations are expected to decrease substantially with the completion of the hoisting plant and concentrator at the Ptarmigan Mine. The Silvana Mine is a producing operation and should not require any significant capital additions or renovations. All expenditures on the two operations, including the completion of the purchase of the Silvana Mine, are

expected to be financed from cash flow from operations and from drawings on bank lines of credit that are in place or currently under negotiation.

The Company has an objective to grow through the acquisition or joint-venturing of mineral properties, both precious metal and base metal. As the mining industry is a capital-intensive, cyclical industry, the method of financing for any new acquisition or joint-venture will be made using the best combination of debt and equity financing alternatives available at such time.

1989 SELECTED QUARTERLY DATA	Gold production	Revenues	Cash flow	Net income	Cash flow/share	Earning per share
1st Quarter	3,663 ozs.	\$2,082,887	\$ 777,102	\$264,365	\$0.13	\$0.04
2nd Quarter	4,863	2,235,788	796,066	215,225	0.13	0.04
3rd Quarter	3,713	1,810,659	339,201	24,365	0.06	—
4th Quarter	4,194	1,708,545	45,183	(187,450)	0.01	(0.03)
1989 Totals	16,433 ozs.	\$7,837,879	\$1,957,552	\$316,504	\$0.33	\$0.05

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Tremincor Resources Ltd. were prepared by management in accordance with generally accepted accounting principles in Canada. Management is responsible for the integrity and objectivity of the information contained in the financial statements. All financial and operating data in this report are consistent, where appropriate, with that contained in the financial statements.

Management has established systems of internal controls which

are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through its Audit Committee, a majority of whose members are not officers of the Company. The Committee meets with management to assure that it is performing its responsibility to maintain financial

controls and systems and to approve the annual financial statements of the Company. The Audit Committee also meets with the independent auditors to review the internal controls, financial statements, and auditor's report. The Audit Committee submits its report to the Board for its consideration in approving the financial statements for issuance to the shareholders.

The financial statements have been audited by Peat Marwick Thorne. The auditor's report outlines the scope of their examination and their opinion on the financial statements for issuance to the shareholders.

CONSOLIDATED BALANCE SHEET

July 31
1989 1988

ASSETS

CURRENT ASSETS

Cash and short-term investments	\$ 260,758	\$ 14,810
Accounts receivable	181,872	715,219
Inventory	216,918	104,671
Prepaid expenses	19,963	11,453
	<u>679,511</u>	<u>846,153</u>

MINERAL PROPERTIES (Note 2)	<u>4,420,329</u>	<u>4,821,226</u>
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PLANT AND EQUIPMENT

Buildings and equipment	4,012,637	1,219,158
Less accumulated depreciation	<u>858,500</u>	<u>498,500</u>
	<u>3,154,137</u>	<u>720,658</u>
	<u>\$8,253,977</u>	<u>\$6,388,037</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Bank loan (Note 3)	\$ —	\$ 50,895
Accounts payable and accrued liabilities	737,548	801,478
Current portion of long-term debt	<u>409,400</u>	<u>—</u>
	<u>1,146,948</u>	<u>852,373</u>

LONG TERM DEBT (Note 4)	<u>1,057,200</u>	<u>—</u>
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DEFERRED INCOME TAXES	<u>368,466</u>	<u>105,513</u>
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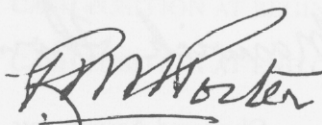
MINORITY INTEREST	<u>168,183</u>	<u>233,475</u>
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SHAREHOLDERS' EQUITY

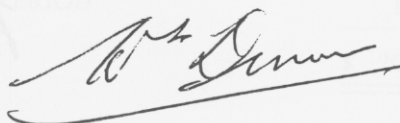
Capital stock (Note 5)	5,189,235	5,189,235
Retained earnings	<u>323,945</u>	<u>7,441</u>
	<u>5,513,180</u>	<u>5,196,676</u>
	<u>\$8,253,977</u>	<u>\$6,388,037</u>

SUBSEQUENT EVENT (Note 5(c) and 8)

Approved by the Board:



Director



Director

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year ended July 31	
	1989	1988
Gold concentrate sales	\$7,837,879	\$2,454,185
Cost of sales	5,394,500	1,695,125
	<u>2,443,379</u>	<u>759,060</u>
EXPENSES		
Administrative and corporate	417,267	121,420
Depletion	983,176	304,637
Depreciation	360,000	76,055
Interest	68,560	10,422
Minority interest	34,919	21,595
	<u>1,863,922</u>	<u>534,129</u>
INCOME BEFORE INCOME TAXES	579,457	224,931
Income tax provision (deferred)	262,953	105,513
NET INCOME	316,504	119,418
RETAINED EARNINGS (Deficit)		
Beginning of period	7,441	(111,977)
End of year	<u>\$ 323,945</u>	<u>\$ 7,441</u>
EARNINGS PER COMMON SHARE	<u>\$.05</u>	<u>\$.02</u>

AUDITORS' REPORT

To the Shareholders of Treminco Resources Ltd.

We have examined the consolidated balance sheet of Treminco Resources Ltd. as at July 31, 1989 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at July 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat Marwick Thorne

October 6, 1989
Vancouver, Canada

Chartered Accountants

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended July 31	
	1989	1988
OPERATIONS:		
NET INCOME	\$ 316,504	\$ 119,418
ITEMS NOT INVOLVING CASH:		
Depletion	983,176	304,637
Depreciation	360,000	76,055
Minority interest	34,919	21,595
Deferred income taxes	262,953	105,513
	<u>1,957,552</u>	<u>627,218</u>
INCREASE (DECREASE) IN NON-CASH WORKING CAPITAL ITEMS		
Accounts receivable	533,347	(267,096)
Inventory and prepaid expenses	(120,757)	(102,082)
Accounts payable and accrued liabilities	(63,930)	(116,170)
Bank loan	(50,895)	(3,255)
	<u>2,255,317</u>	<u>138,615</u>
FINANCING:		
ISSUE OF SHARES	—	2,654,924
LONG-TERM DEBT	1,466,600	—
	<u>1,466,600</u>	<u>2,654,924</u>
INVESTMENTS:		
PURCHASE OF PLANT & EQUIPMENT	(2,793,679)	(559,312)
INVESTMENTS IN:		
Mineral properties	(620,461)	(2,176,210)
Option to acquire shares of Ptarmigan Mines Limited	—	700,000
Acquisition of subsidiary	(61,829)	(1,390,000)
	<u>(3,475,969)</u>	<u>(3,425,522)</u>
ITEMS NOT INVOLVING CASH:		
Accounts receivable	—	(273,604)
Prepaid expenses	—	(5,662)
Accounts payable and accrued liabilities	—	171,990
Note payable	—	—
Bank loan	—	(10,850)
	<u>(3,475,969)</u>	<u>(3,543,648)</u>
INCREASE (DECREASE) IN CASH POSITION	245,948	(750,109)
CASH POSITION AT BEGINNING OF PERIOD	14,810	764,919
CASH POSITION AT END OF PERIOD	<u>\$ 260,758</u>	<u>\$ 14,810</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 1989

GENERAL

The Company is incorporated under the laws of British Columbia and its principal activity is the exploration and development of mineral properties in the Northwest Territories. Ptarmigan Mines Ltd., a 95.0% owned subsidiary company, owns and operates the Ptarmigan Mine (a gold mine) located near Yellowknife in the N.W.T.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION These consolidated financial statements include the accounts of the Company's wholly-owned subsidiary, 313587 B.C. Ltd. and its 95.0% owned subsidiary Ptarmigan Mines Limited. All significant intercompany transactions and balances have been eliminated.

INVENTORY Inventory consists of gold ore, gold jig inventory and gold flotation concentrate and is recorded at the lower of cost and net realizable value.

MINERAL PROPERTIES The Company defers the cost of acquiring, exploring and developing mineral claims in a specific area of interest. The Company reduces deferred exploration expenditures by the tax benefits forgone on flow-through of tax deductions to investors, and by net revenues received from test milling. At such time as the properties are placed into production or abandoned, these costs are amortized on a unit-of-production basis over proven reserves or written off.

The amount capitalized for non-producing properties represents costs to date and is not intended to reflect present or future values.

PLANT AND EQUIPMENT Plant and equipment are stated at cost. Depreciation is provided on the straight-line basis, commencing when assets are put into use, using the following rates:

Buildings	4 years
Equipment	2 to 5 years

EARNINGS PER SHARE The calculation of earnings per share is based on the weighted monthly average number of shares outstanding for the year ended July 31, 1989. Fully diluted earnings per share are not materially different than basic earnings per share.

NOTE 1. ACQUISITION OF SHARES OF PTARMIGAN MINES LIMITED

On August 4, 1987, pursuant to an agreement dated March 23, 1987, the Company acquired a 91.24% interest in the outstanding common shares of Ptarmigan Mines Limited for total cash consideration of \$1,390,000.

The Company is also required to pay additional consideration to the vendor of \$2,000,000 via a net smelter return as follows:

- ☐ First \$1,000,000 via a 5% net smelter return.
- ☐ Next \$500,000 via a 4% net smelter return.
- ☐ Final \$500,000 via a 3% net smelter return.
- ☐ A discount of \$100,000 may be granted to the Company by making advance payments of the total net smelter return.

As of July 31, 1989 total net smelter return paid was \$418,668.

During the year ended July 31, 1989, the Company purchased an additional 112,752 shares of Ptarmigan Mines Ltd., thereby increasing its ownership to 95.0%

NOTE 2. MINERAL PROPERTIES

The Company's mineral properties are located in the Mackenzie Mining District in the

Northwest Territories and consist of the following:

July 31
1989 1988

PRODUCING

Ptarmigan Mine comprising 21 claims situated in the Mackenzie

Mining Division, N.W.T.

Claims	\$ 1,601,880	\$ 1,601,880
Exploration and development costs	2,058,175	1,857,775
	3,660,055	3,459,655
Less accumulated depletion	1,287,813	304,637
	<u>\$ 2,372,242</u>	<u>\$ 3,155,018</u>

NON-PRODUCING

Tom Project, comprising seven claims known as the Tom claims and five claims known as the Trem claims.

Claims	\$ 777,704	\$ 777,704
Exploration and development costs	1,041,135	679,597
	<u>1,818,839</u>	<u>1,457,301</u>

Gab project, comprising seven claims including the Gab option and the Pete, Bill, Ron and Heather claims.

Claims	42,981	32,981
Exploration and development costs	159,767	154,426
	<u>202,748</u>	<u>187,407</u>

Tinker option

	<u>26,500</u>	<u>21,500</u>
	<u>\$ 4,420,329</u>	<u>\$ 4,821,226</u>

Terms of the Gab option require the Company to pay an additional \$15,000 in three semi-annual installments of \$5,000 each commencing October 15, 1989. Furthermore, an additional \$10,000 is required to be paid in two annual installments of \$5,000 each commencing December 31, 1989 pursuant to terms of the Tinker option.

By letter agreement, dated April 21, 1989, the Company has agreed in principle to enter into an option agreement to earn a 51% interest in the Crestaurum Property, located in the Mackenzie Mining District in the Northwest Territories, by incurring expenditures of \$4,000,000 over four years on exploration and development or by presenting a positive feasibility study on the property. Minimum annual expenditures of \$500,000 are required during the option period.

NOTE 3. BANK LOAN

The Company has an undrawn \$650,000 operating credit facility secured by a general assignment of accounts receivable registered in British Columbia and Northwest Territories. The Company has given a \$500,000 debenture creating a first floating charge over TremincO's assets present and future registered in British Columbia and Northwest Territories (subject to a Priority Agreement giving the long-term Collateral Debenture holder (Note 4) first charge over fixed assets) as additional security. The operating overdraft bears interest at prime plus 1 1/4 % payable monthly.

NOTE 4. LONG-TERM DEBT

Long-term debt consists of a Collateral Debenture secured by a first charge on the Company's fixed assets together with a first floating charge on all other assets. The debenture bears interest at the lender's cost of funds plus 3% per annum (presently 15.725%). Principal and interest are paid monthly commencing July 15, 1989 over the three-year term. Principal payments required are as follows:

1990	\$ 409,400
1991	511,600
1992	545,600
	<u>\$ 1,466,600</u>

NOTE 5. CAPITAL STOCK

(a) Authorized

The authorized share capital of the Company is 10,000,000 common shares without par value.

(b) Issued

There was no change in the authorized or issued share capital during the year.

	<i>Number of shares</i>	<i>Amount</i>
Balance, July 31, 1987	4,439,863	\$2,911,596
Share capital issued during the year ended July 31, 1988		
For assets on acquisitions of joint venture interest	250,000	250,000
For cash	552,800	692,424
For exploration expenditure at \$2.05 per share	250,000	512,500
\$2.72 per share	404,784	1,100,000
For promotional services	60,000	100,000
	1,517,584	2,654,924
Tax benefits forgone on flow-through of tax deductions to investors	—	377,285
	1,517,584	2,277,639
Balance at July 31, 1988 and July 31, 1989	5,957,447	\$5,189,235

(c) Stock Options

As at July 31, 1989 the following options were outstanding:

- ☐ Employee options to acquire 30,000 shares at prices ranging from \$1.00 to \$1.15, expiring on June 15, 1993.
- ☐ Director options to acquire 107,000 shares at prices ranging from \$0.98 to \$1.50, expiring on June 15, 1993.

Subsequent to the year end all existing options outstanding were revised to an exercise price of \$0.80 per share. This revision is subject to regulatory approval.

(d) Warrants

Pursuant to an agreement dated August 1986, the Company agreed to issue 203,765 shares and 203,765 warrants of the Company in exchange for the incurrence of \$1,732,000 of exploration by the investors. The warrants are exercisable at a price of \$.01 until September 30, 1993. Terms of the agreement required the Company to purchase \$866,000 of retractable preferred shares of KRS Retractions Limited ("KRS"). These shares are redeemable at their par value of \$866,000 at the option of the Company on the earlier of thirty days after the warrants have been exercised and June 30, 1992. In the event that the redemption is triggered by the latter condition, KRS may satisfy the redemption price by returning the warrants.

NOTE 6. RELATED PARTY TRANSACTIONS

- a) The Company has a management service contract with a company controlled by a director of the Company. The contract calls for management fees based on time spent, equipment rent and reimbursement of office and administrative expenditures. Total expenditures under this contract during the year were expense recoveries of \$8,768 and management fees and services charges of \$82,275. Included in accounts payable at July 31, 1989 is \$13,941 payable to this company.
- b) During the year the Company paid \$50,000 to a company controlled by a director of the Company for financial services.

NOTE 7. INCOME TAXES

Included in mineral properties is an amount \$3,070,000 which is not available as a deduction for income tax purposes as the tax benefits relating to this amount have been flowed through to investors.

NOTE 8. SUBSEQUENT EVENT

Subsequent to the year end, the Company has entered into an agreement to acquire a producing silver-zinc-lead mine in British Columbia. The agreement outlines a purchase price of \$1,000,000 plus a net smelter return contingent upon future production levels.

SHAREHOLDER INFORMATION

HEAD OFFICE

Treminco Resources Ltd.
1110-625 Howe St.
Vancouver, B.C. V6C 2T6
Tel (604) 687-4450
Fax (604) 687-5100

PTARMIGAN MINE OFFICE

Box 880
Yellowknife, N.W.T. X1A 2N6
Tel/Fax (604) 420-1058

SILVANA MINE OFFICE

Box 189
New Denver, B.C. V0G 1S0
Tel (604) 358-7922
Fax (604) 358-7141

OFFICERS & DIRECTORS

*R.T. Trenaman
President and Director
W.T. Trenaman
Vice President & Secretary

*R.M. Porter
Director
R.G. McEachern
Director
W.St.C. Dunn
Director

*A.F. Malim
Director
M.A. Munday
Director

**Audit Committee Members*

CHIEF GEOLOGIST

Ted Batchelor, P.Eng.

CHIEF FINANCIAL OFFICER

W.T. Trenaman

CONTROLLER

J.R. Turriff, C.A.

CONSULTING MINING ENGINEER

D.J. Barker, P.Eng.

CONSULTING METALLURGICAL ENGINEER

G.W. Hawthorn, P.Eng.

MARKETING CONSULTANT

J.A. Butterfield, P.Eng.

BANKERS

Canadian Imperial
Bank of Commerce
586 Granville St.
Vancouver, B.C. V6C 1X5

RoyNat Inc.
650 West Georgia St.
Vancouver, B.C. V6B 4N8

TRANSFER AGENT

National Trust Company
666 Burrard St.
Vancouver, B.C. V6C 2Z9

SOLICITOR

Mawhinney & Kellough
15th Floor, Grosvenor Bldg.
1040 West Georgia St.
Vancouver, B.C. V6E 4H8

AUDITOR

Peat Marwick Thorne
2500-1177 West Hastings St.
Vancouver, B.C. V6E 2L9

STOCK EXCHANGES

Toronto Stock Exchange
Vancouver Stock Exchange
Symbol — TMO

ISSUED CAPITAL STOCK

5,957,447 shares

ANNUAL GENERAL MEETING

December 4, 1989 at 10 a.m.
Engineer's Club, Banquet Room
640 West Pender St.
Vancouver, B.C.

