

Silvana Mine 082FNW050

Willa Prop 082FNW071

002217

TREMINCO
RESOURCES
LIMITED

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A N N U A L
R E P O R T



C O R P O R A T E P R O F I L E

Treminco Resources Ltd. is a natural resource company in the business of developing and mining a diversified range of metals. From its two operating mines — the Ptarmigan Gold Mine in the Northwest Territories and the Silvana silver-lead-zinc mine in British Columbia — the Company produced 18,000 ounces of gold, 354,000 ounces of silver, 3.18 million pounds of lead and 3.03 million pounds of zinc in the fiscal year ended July 31, 1990.

Treminco's objective is to expand mineral production through the development, acquisition or joint-venturing of high-quality precious metal and base metal properties throughout North America.

Treminco was incorporated under the laws of British Columbia in 1980 and became a public company in 1985. It has been producing gold since 1986. The Company's shares are listed on the Toronto Stock Exchange under the trading symbol TMO.

T H E Y E A R I N R E V I E W

	Fiscal 1990	Fiscal 1989	Fiscal 1988
	12 months ended July 31/90	12 months ended July 31/89	12 months ended July 31/88
FINANCIAL (000's)			
Revenue	\$13,281	\$7,837	\$2,454
Net earnings (loss)	(70)	316	119
Cash flow from operations	1,602	1,957	627
Capital expenditures	1,635	3,415	2,735
Cash and short-term investments	—	261	15
Long-term debt	546	1,057	—
Shareholder's equity	5,443	5,513	5,197
PER SHARE (cents per share)			
Net earnings (loss)	(1)	5	2
Cash flow	27	33	10
PRODUCTION			
Gold (oz)	17,955	16,433	6,806
Silver (oz)	342,000	—	—
Lead (lbs)	3,183,000	—	—
Zinc (lbs)	3,025,000	—	—

HIGHLIGHTS

- ☐ Revenue increased 70% to over \$13 million.
- ☐ Ore reserves at the Ptarmigan Mine increased to their highest level since Treminco commenced operations.
- ☐ Acquisition of the Willa gold-copper property in south-eastern British Columbia.



Miners George Mellen and Rick Gill drill off a drift round at the Silvana Mine.



Miner Gary Brekke slushing high-grade silver-lead-zinc ore at the Silvana Mine.

T O U R S H A R E H O L D E R S

1990 IN REVIEW

The past year for Treminco Resources Ltd. has been one of solid accomplishment. The acquisition of the Silvana Mine in November 1989 diversified the Company's product base into silver, lead and zinc and resulted in a 70% increase in revenue.

Operations at the Silvana Mine exceeded forecast expectations, approaching budgeted production and operating cost targets while benefiting from strong prices for both lead and zinc. Purchase of this asset was completed in May, six months after taking over the mine.

While the Company's gold output from the Ptarmigan Mine did not meet production targets, primarily because of lower head grades, the number of ounces produced increased by 9% to 17,955 from 16,433 in 1989. The success of our exploration programs at the Ptarmigan Mine, in particular on the C Vein, was very encouraging.

Markets for precious metals were, on average, weaker than in 1989. Compounding this was the strong valuation of the Canadian dollar relative to U.S. currency in which our products are priced. Base metal prices, which were exceptionally strong during 1990, offset the lower precious metal prices and the strong Canadian dollar.

I present this report to the shareholders with mixed feelings. On the one hand, a sense of pride in the growth that our Company has achieved during 1990, and on the other hand, sadness because of a tragic work-related fatality of one of our young miners at the Ptarmigan Mine.

FINANCIAL RESULTS

The Company had a net loss of \$70,000, or 1 cent per share, compared to net earnings of \$317,000, or 5 cents per share, in 1989. Cash flow from operations was \$1.6 million, or 27 cents per share, compared to cash flow of \$1.9 million, or 33 cents per share, in 1989. The results were disappointing considering the strong performance of the Silvana Mine. Higher operating costs at the Ptarmigan Mine, lower gold prices, and higher interest and depreciation expenses all impacted negatively on earnings.

Capital expenditures for the year were \$1.6 million and included the \$1 million acquisition of the Silvana Mine as well as the completion of the capital work associated with the new milling facilities and hoisting plant at the Ptarmigan Mine.

RESULTS OF OPERATIONS

The past year saw the Company diversify its product base through the acquisition of the Silvana silver-lead-zinc mine in November 1989. The mine is a small, high-grade underground mine located near the town of New Denver, B.C.

This operation performed exceptionally well during the nine months ending July 31, 1990, a credit to all the employees of that division. Production for the nine months amounted to 342,000 ounces of silver, 3.03 million pounds of zinc and 3.18 million pounds of lead. The mine generated an operating profit, before depreciation and depletion, of \$1.2 million for the fiscal year on revenue of \$6.0 million. This was considerably better than expected, due largely to improved operating efficiencies and strong base metal prices.

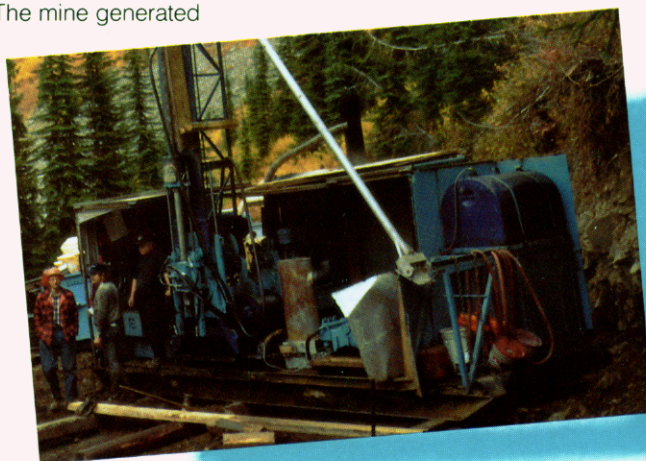
A diminishing ore reserve was recognized as a major concern when the Silvana Mine was acquired. Our strategy was to gain an entry into base metal production and the Silvana purchase provided your Company with this entry. If we are successful in finding additional ore reserves within the existing property boundaries, then a longer-term operation can be anticipated; if not, we are well situated in a geological area famous for silver, lead and zinc production and well positioned to entertain other production situations. To date, we have been unsuccessful in adding significantly to the ore reserves



View from the portal at the Willa Property, overlooking Slocan Lake. The recently acquired Willa has a ore reserve of 452,000 tons grading 0.17 oz gold and 0.91% copper per ton.



Bags of gold flotation concentrate prior to loading on a ship to Japan for smelting. Roughly 35% of the 18,000 ounces of gold produced at the Ptarmigan Mine was contained in the flotation concentrates.



within our property boundaries and, while we will continue the search within our financial capability, we may expect to either curtail or shutdown the Silvana operation by the middle of 1991.

The acquisition of the nearby Willa gold-copper property has been completed and your Company intends to study options to utilize the workforce and infrastructure at the Silvana Mine to bring the Willa Mine into production in the near future.

At our Yellowknife Division, production at Ptarmigan Mine for the year totalled 17,955 ounces of gold. While this was an increase of 1,600 ounces from the previous year, the output was short of the target of 24,000 ounces, due to a failure of the mine to meet budgeted tonnage requirements combined with lower grade ore. On average the mill performed to design capacity, demonstrating the capability to process 80,000 tons of ore per year.

The mine generated an operating profit, before depreciation, depletion and royalty, of \$1.6 million for the year on revenues of \$7.2 million. This operating profit did not meet Company expectations and measures have been taken to rectify the shortfall.

The search to expand ore reserves tributary to the Ptarmigan Mill was very successful. While approximately 63,000 tons were milled, 110,000 tons were added to reserves, bringing measured and drill-indicated reserves within the Ptarmigan property to 162,000 tons at July 31, 1990, the highest level since production commenced. At the same time a careful study of gold occurrences within the Tom Vein has provided a better understanding of ore controls. The Company anticipates that it will be possible to develop significant additional reserves within this vein system over the next year.

The agreement with Giant Yellowknife Mines Ltd. to explore and test mine the Crestaurum property was completed and work should proceed on the property in the near future.

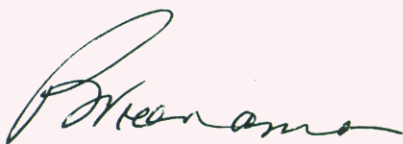
CORPORATE STRATEGY AND OUTLOOK

The key to Treminco's long-term growth is the ability to develop and operate small to medium-sized mines more efficiently than the majority of other companies. This task requires a rare breed of individuals. The success Treminco has enjoyed to date has not come easily and is a reflection of the work ethic and entrepreneurial spirit demonstrated by all our employees.

Your Company continues to seek out new opportunities that will enhance its capital base and profit potential in line with our stated general objectives.

We at Treminco are proud of our accomplishments, and on behalf of the Directors I wish to thank our employees for their efforts over the past year. I would also like to acknowledge the support of our Directors who have provided me with continuing invaluable advice during the last year.

On behalf of the Board of Directors

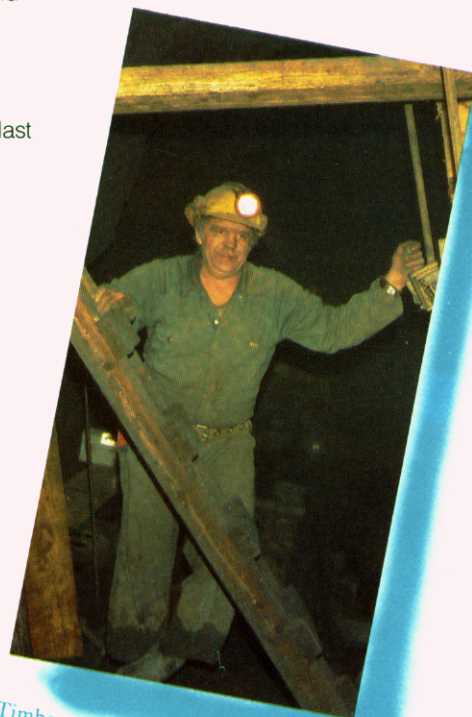


R.T. Trenaman, P. Eng.
President

October 1990



Miners Virol Gherghe, Steven Tanner, Denny Palmer and Ray Gomm coming off shift at the Ptarmigan Mine. The mine produced a record 18,000 ounces of gold in 1990.



Timberman Joe Janak, one of forty employees at the Silvana Mine, works on an ore chute.

OPERATIONS REVIEW

YELLOWKNIFE DIVISION

Gold production of 17,955 ounces from the Ptarmigan Mine was below expectation for the year, adversely affected by lower gold grades and below-budgeted mill throughput. The shortfall in mill throughput was due in part to teething problems encountered during the mill start-up, but mainly to the difficulties inherent in developing and mining narrow vein ore reserves.

Gold sales from the Ptarmigan Mine accounted for approximately 55% of mineral revenues during the year. The average price received for gold sold in 1990 was US\$372 per ounce.

Operating costs in 1990 dropped considerably to \$90.15 (Cdn.) per ton milled from \$121.36 (Cdn.) in 1989, reflecting the improved operating efficiencies and economies of scale afforded by the Ptarmigan Mill. The cost per ounce of gold produced in 1990 was \$315.45 (Cdn.), compared to \$328.27 (Cdn.) in 1989. The operation generated an operating profit, before depreciation, depletion and royalty payments, of \$1.57 million on revenues of \$7.18 million. This compares to an operating profit of \$1.96 million on revenues of \$7.8 million.

The new hoisting plant at the Ptarmigan Mine performed well during the year and provided access to the lower levels of the mine. The mill achieved its designed production levels in October 1989 and, for the most part, maintained these levels throughout the remainder of the year.

The C Vein development program is expected to be completed by December 1990. Production from this block is scheduled shortly thereafter, thus improving production flexibility at the Yellowknife operations.

To date, the Company has not commenced its planned test-mining program at the Crestaurum property, largely due to financial and manpower constraints. However, it is anticipated that work will begin on this project in early 1991 as the development work on the C Vein is completed.

After three years of excellent safety performance, the mine had a fatality in September 1990. A key challenge for 1991 will be to overcome this setback.

The need to reduce operating costs and to improve production, safety and operating efficiency will remain the main priorities for the Yellowknife Division in 1991.

Ptarmigan Mine	Fiscal 1990	Fiscal 1989	Fiscal 1988
Tons of ore milled	62,828	44,450	22,668
Average head grade	0.304	0.457	0.349
Net Recovery*	94.07%	80.9%	85.2%
Ounces of gold produced	17,955	16,433	6,806
Cost per ton milled (Cdn.)	\$90.15	\$121.37	\$120.69
Cost per ounce produced (Cdn.)	\$315.45	\$328.27	\$379.30
Operating profit (\$000's)	\$1,570	\$1,957	\$627

*The net recovery numbers in 1988 and 1989 are based upon custom milling recoveries.



Ptarmigan Mine crushing plant and concentrator with headframe in the background. The 200 ton-per-day concentrator commenced operations in July 1989 and resulted in 1990 milling costs being cut in half.



New headframe at the Ptarmigan Mine provides access to potential ore reserves to a depth of 2,200 feet below surface.

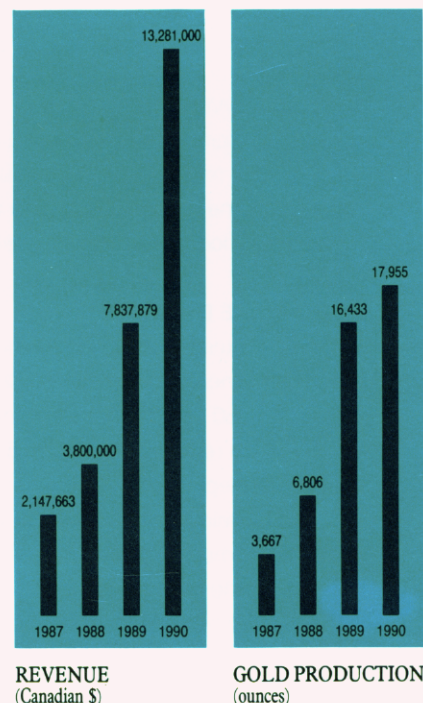
SLOCAN DIVISION

Excellent base metal prices and significant improvements in operating efficiencies allowed the Silvana Mine to contribute significantly to the Company's cash flow and income. In the nine months of fiscal 1990 during which the Company operated the mine, production amounted to 342,000 ounces of silver, 3.18 million pounds of lead and 3.03 pounds of zinc.

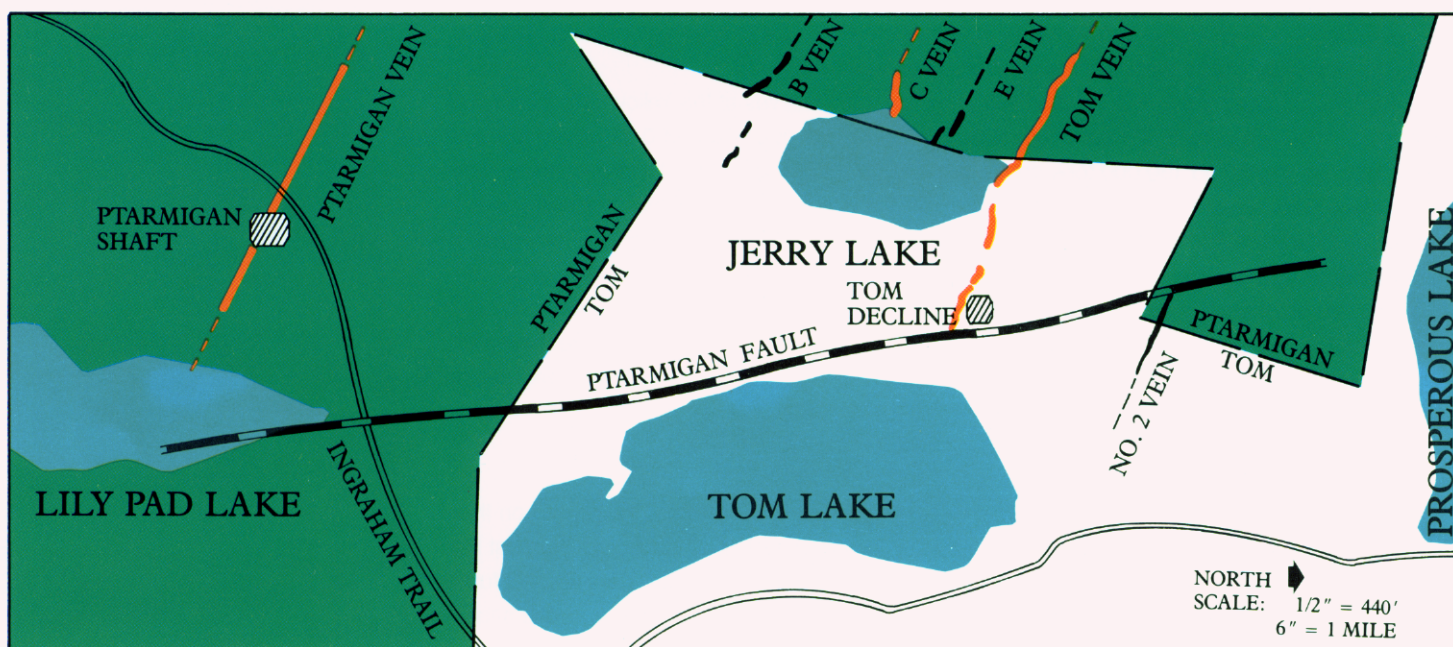
The Silvana Mine generated an operating income, before depreciation and depletion, of \$1.22 million on revenue of \$6.02 million. Strong prices for both lead and zinc and increased production more than offset depressed silver prices and the strong Canadian dollar.

The strong performance of this division reflects the efforts of all employees and everyone is to be commended. The main challenge facing the operation over the coming year will be to locate additional ore reserves within the vicinity of the Silvana Mill.

Silvana Mine	Nine months ended July 31, 1990
Ore milled (tons)	24,000
Ore grade	
Silver oz/ton	15.20
Lead %	7.06
Zinc %	7.00
Recoveries	
Silver oz (000's)	342
Lead lbs (000's)	3,183
Zinc lbs (000's)	3,025
Operating profit (\$000's)	1,220



PTARMIGAN PROPERTY



EXPLORATION REVIEW

OVERVIEW

In 1990 the Company's exploration activities focused on surface and underground exploration at our operating mines. While we were very pleased with the exploration results achieved at the Ptarmigan Mine, the results to date at the Silvana Mine have been disappointing, although there remain many locations for additional reserves yet to be tested.

YELLOWKNIFE DIVISION

At the Yellowknife Division exploration activities were carried out in a number of areas. Within the Ptarmigan Mine dewatering of the shaft to the 900 level was completed, providing access to the 600, 750 and 900 levels. Mine development has been successful to date in adding to ore reserves above the 600 and 750 levels, particularly to the east of the shaft on the depth trend of the main Ptarmigan Mine ore reserves. This work is continuing with level development currently in progress to the east on 750 level, to be followed by level development on the 900 level.

Drifting to the east from the 300 level to test ore grade diamond drill intersections under Lily Pad Lake has been unsuccessful to date in confirming the presence of an ore block in this location.

Further drilling is underway on the Ptarmigan Vein to the west of the Ptarmigan Mine to provide greater certainty of an ore block before beginning 1,500 feet of drifting required to access this area.

Surface diamond drilling identified the presence of a sizeable ore reserve in the C Vein, a quartz vein parallel to and approximately 4,000 feet north of the Ptarmigan Vein. A decline is currently being driven to explore and develop this reserve which is estimated to be 70,000 tons at a grade of 0.35 ounces of gold per ton to a vertical depth of 400 feet. If this program is successful, the C Vein will be a main ore source for the Ptarmigan Mill over the next several years.

Additional drilling on the Tom Vein has indicated the presence of a series of small (10,000 to 20,000 tons) ore grade blocks to the west of the earlier mining area.

With the success of the 1990 exploration program, ore reserves at the Yellowknife Division at July 31, 1990 are at their highest level, namely 162,000 tons at a grade of 0.32 oz per ton, and this after having milled 130,000 tons containing 41,000 ounces of gold in the three years since Treminco commenced operations at the Ptarmigan Mine. The success of this program provides added confidence that ore reserves can be replaced within the boundaries of the Ptarmigan property as they are mined.

To ensure continuing and expanding ore sources for the Ptarmigan Mill the agreement with Giant Yellowknife Mines Ltd., which provides for a thorough evaluation and possible mining of the Crestaurum gold deposit, was concluded. As the first phase of this evaluation, a test mining program is planned to commence during the first half of 1990.

SLOCAN DIVISION

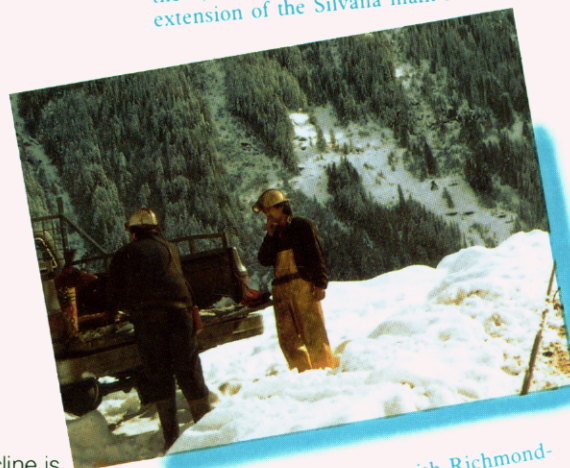
Treminco purchased the Silvana Mine, fully aware that a high priority had to be placed on the search for additional ore reserves. The mine had operated almost continuously for the past 22 years, mining a horizontal length of over 4,000 feet of the main lode. It was apparent that further mining along the main trend would be terminated by a break through to surface, so the search for additional reserves would have to be directed elsewhere.

To assist in this search Stan Pedley, consultant geological engineer, was retained to coordinate a review of geology of the entire Sardon Mining Camp. (Mr. Pedley had worked for 14 years during the 1950s and 1960s on most properties in the Slocan Camp.)

The review has been proceeding since January and has resulted in exploration programs, mainly



Diamond drilling a 2,000-foot hole from the 6,200-foot elevation to test the west extension of the Silvana main lode.



Miners at the Hope No. 5 portal with Richmond-Eureka property in the background.



Miner Greg Cockrill at the C Vein decline, Ptarmigan Mine. The C Vein is expected to be a major source of ore for the Ptarmigan Mill over the next several years.

diamond drilling, that will have approached \$400,000 in expenditures by the end of calendar 1990. The focus of the search to date has been the main lode to the west of the current mine workings, an area difficult to test with diamond drilling because of the extreme depth below surface. Secondary targets have been areas adjacent to existing mining and an area between the present mining areas and the Hope Mine, which produced in the 1920s. To date these programs have been only moderately successful in adding reserves. While there are substantial land holdings which the Company controls, particularly to the west, which offer excellent potential for additional reserves, the cost of testing this ground, because of the great depth of the favorable main lode, dictates a cautious approach.

Reserves at July 31, 1990 are 42,700 tons, at grades of 10.5 oz per ton silver, 4.1% lead and 5.4% zinc. This compares to 38,400 tons at a grade of 12.5 oz per ton silver, 4.6% lead and 6.7% zinc at August 31, 1989. The improved operating efficiencies related to switching the mill to a seven-day-per-week schedule has allowed the Company to incorporate into reserves approximately 25,000 tons of sub-marginal ore. In addition, approximately 10,000 tons of additional ore was found peripheral to the existing mine workings.

The Silvana Mine represents a highly skilled group of mining people and Treminco wishes to maintain the vitality of this operation and community if economically possible. Toward this end Treminco continues to have discussions with other property owners in the area, with the intent of providing alternative ore sources for the Silvana Mill.

Treminco has concluded an agreement to acquire the Willa property for a royalty interest. This gold-copper property situated near Silverton, 15 miles from the Silvana Mine, has received extensive mine development and diamond drilling and contains an ore reserve of 450,000 tons at a diluted grade of 0.17 oz gold per ton and 0.91% copper. Within this reserve there is, as estimated by Treminco's consultant, a higher grade core of approximately 210,000 tons having a gold equivalent of 0.26 oz gold per ton. Over the coming year Treminco will develop a strategy with the intention of bringing this deposit to production.



Contractor Tony Shearcroft diamond drilling the C Vein at the Parmigan Mine. The drilling indicated an ore reserve of approximately 70,000 tons grading 0.35 oz gold per ton above the 400-foot level. A decline to develop this ore body is currently proceeding.

ORE RESERVES

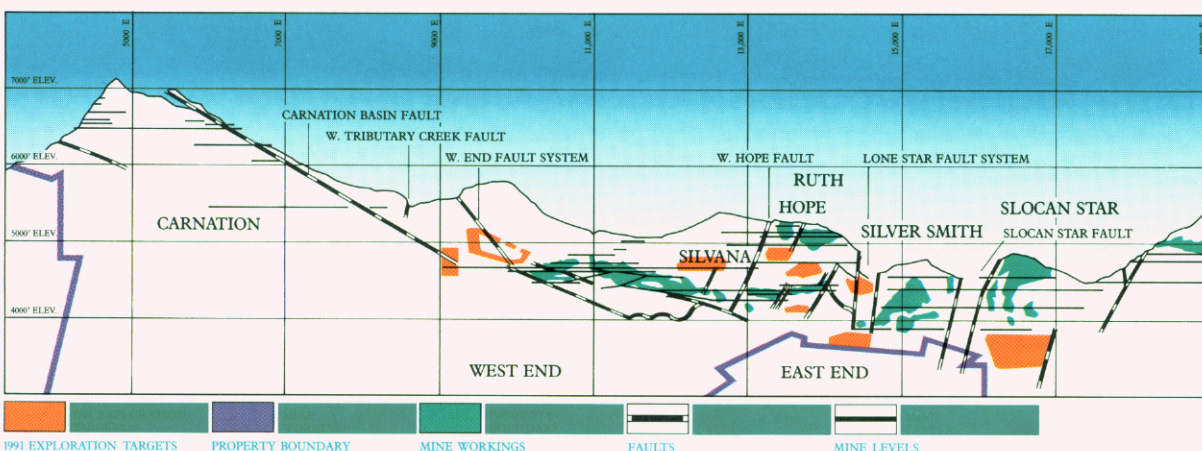
	1990		1989	
Operating Mines (Measured and Drill-indicated)				
Ptarmigan Mine	162,000	0.32 oz gold/ton	117,000	0.34 oz gold/ton
Silvana Mine	42,700	10.5 oz silver/ton 4.07% lead, 5.4% zinc	38,400	12.5 oz silver/ton 4.6% lead, 6.7% zinc
Potential Mines (indicated and inferred)				
Crestaurum*	160,000	0.22 oz gold/ton		
Gab/Tinker	30,000	0.32 oz gold/ton		
Willa	452,000	0.17 oz gold/ton 0.91% copper		

*Treminco's share — 51% per option agreement.



**WILLA
PROPERTY**

SLOCAN DIVISION — SILVANA MINE



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

On November 1, 1989, Tremincó acquired the producing Silvana silver-lead-zinc mine, thereby adding to the diversity of metals contributing to the Company's revenue base. Gross revenue of \$13.3 million represents a 70% increase over 1989, primarily due to the inclusion of the production from the Silvana.

Production costs more than doubled as compared to last year, due to increased mining capacity at the Ptarmigan Mine, the addition of the Silvana and the higher costs of treatment and transportation of precious and base metal concentrates.

Fiscal 1990 also marked the first full year of operation at the Ptarmigan Mine's new concentrator and hoisting plant. Consequently, depreciation charges more than doubled during 1990 as a result of the significant investment in plant, property and equipment over the past several years.

Depletion charges were lower in 1990, primarily because of the significant increase in ore reserves at the Ptarmigan Mine.

Interest charges increased by \$300,000 in 1990, a consequence of increased short-term debt resulting from the purchase of the Silvana Mine and the capital costs related to the Ptarmigan Mine. The Company reduced its long-term debt by \$409,000 during the year.

Exploration and development expenditures were lower in 1990 as the Company was not active in development projects during the year. With development work having commenced on the Ptarmigan property C Vein, and work on the Company's Crestaurum and Willa properties pending, exploration and development expenditures are expected to increase in 1990.

Accordingly, the net loss for the year was \$70,000 or 1 cent per share compared with a net income of \$317,000 or 5 cents per share in 1989. Cash flow generated from operations for the year was \$1.61 million, or 27 cents per share, compared with cash flow in 1989 of \$1.96 million, or 33 cents per share.

LIQUIDITY AND CASH RESOURCES

Cash provided from operating activities during the year totalled \$1.61 million compared to \$1.96 million in fiscal 1989.

The expenditures of the past year have been funded from existing cash on hand, cash flow from operations and from an operating line of credit with a Canadian chartered bank.

As of July 31, 1990 the Company had drawings of \$431,000 on this facility. The Company's cash position is expected to improve over the next year from operating cash flow in the absence of significant capital commitments.

The Company made principal payments of \$409,000 towards the \$1,500,000 three-year term debenture borrowed in June 1989 from RoyNat Inc. The debenture is secured by the fixed assets of the Ptarmigan Mine. As of July 31, 1990, the outstanding principal on this debenture was \$1,057,000.

The Company also made payments totalling \$1.1 million to Dickenson Mines Ltd. during 1990. Of this amount, \$1.0 million was the acquisition cost and \$100,000 was for inventory. The payments were completed in May 1990.

Tremincó'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 Tremincó's mining operations will depend largely on the level of metal production and on the prices received.



OUTLOOK

The prices that the Company receives for the metals it produces are determined by international influences beyond the Company's control. As we have experienced over the past year these prices can change dramatically over short periods. In addition, all of these metal prices are quoted in U.S. or British currencies, thus the relative value of the Canadian dollar to these two currencies has a significant impact on prices in Canadian dollars. As most of the Company's operating costs are relatively fixed in the short term, metal prices and foreign exchange movements have an immediate impact on operating earnings.

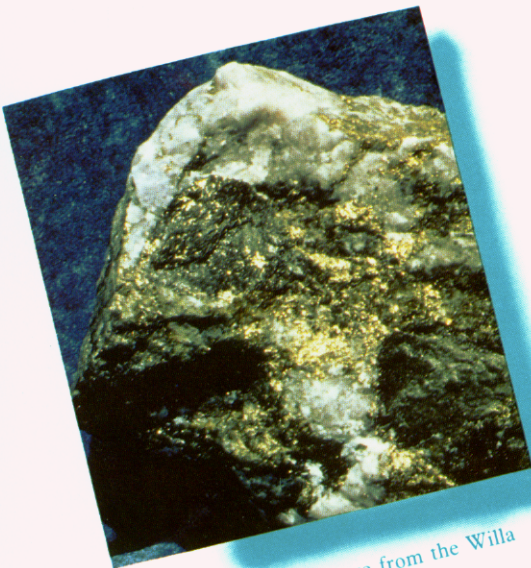
The relatively short-term reserve life of the Company's two operating mines, the Silvana and the Ptarmigan, result in high depletion and depreciation expenses. This factor is indicative of the need to replenish ore reserves and to this end the Company intends to maintain its commitment to the funding of its exploration programs.



Loading bags of gold flotation concentrate at the Ptarmigan Mine. The Company ships its concentrates to Japan for smelting into high purity gold and silver.



Trammer Ed Elsmore dumps an ore car at the Silvana Mine. The 125-ton per day operation was acquired by Treminto in November 1989.



Sample of gold-copper ore from the Willa property.

CONSOLIDATED BALANCE SHEET

	1990	July 31 1989
ASSETS		
CURRENT ASSETS		
Cash and short-term investments	\$ —	\$ 260,758
Accounts receivable	656,231	181,872
Inventory	339,794	216,918
Prepaid expenses	58,735	19,963
	1,054,760	679,511
MINERAL PROPERTIES (Note 2)	4,129,718	4,420,329
PLANT AND EQUIPMENT		
Buildings and equipment	5,122,416	4,012,637
Less accumulated depreciation	1,686,306	858,500
	3,436,110	3,154,137
	▶ \$8,620,588	\$8,253,977
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank indebtedness (Note 3)	\$ 443,001	\$ —
Accounts payable and accrued liabilities	1,104,278	737,548
Income taxes payable	8,000	—
Current portion of long-term debt	511,600	409,400
	2,066,879	1,146,948
LONG TERM DEBT (Note 4)	545,600	1,057,200
DEFERRED INCOME TAXES (Note 7)	470,466	368,466
MINORITY INTEREST	93,982	168,183
SHAREHOLDERS' EQUITY		
Capital stock (Note 5)	5,189,235	5,189,235
Retained earnings	254,426	323,945
	5,443,661	5,513,180
	▶ \$8,620,588	\$8,253,977

SUBSEQUENT EVENT (Note 8)

Approved by the Board:

Director

Director

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year ended July 31	
	1990	1989
Production revenue	\$ 13,281,348	\$ 7,837,879
Production expenses	10,820,776	5,394,500
	2,460,572	2,443,379
EXPENSES		
Administrative and corporate	466,554	417,267
Depletion	816,027	983,176
Depreciation	827,806	360,000
Interest on long-term debt	206,786	21,718
Other Interest	177,118	46,842
Minority interest	(74,200)	34,914
	2,420,091	1,863,922
INCOME BEFORE INCOME TAXES	40,481	579,457
Income tax provision (Note 7):		
Deferred	102,000	262,953
Current	8,000	—
	110,000	262,953
NET INCOME (LOSS)	(69,519)	316,504
RETAINED EARNINGS		
Beginning of period	323,945	7,441
End of year	▶ \$ 254,426	\$ 323,945
EARNINGS (LOSS) PER COMMON SHARE	▶ \$ (.01)	\$.05

AUDITORS' REPORT

To the Shareholders of Treminco Resources Ltd.

We have examined the consolidated balance sheets of Treminco Resources Ltd. as at July 31, 1990 and 1989 and the consolidated statements of income and retained earnings and changes in financial position for the years then ended. Our examinations were 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, 1990 and 1989 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Peat Marwick Thorne

October 3, 1990
Vancouver, Canada

Chartered Accountants

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended July 31	
	1990	1989
OPERATIONS		
Net income (loss)	\$ (69,519)	\$ 316,504
Items not involving cash:		
Depletion	816,027	983,176
Depreciation	827,806	360,000
Minority interest	(74,200)	34,919
Deferred income taxes	102,000	262,953
	1,602,114	1,957,552
INCREASE (DECREASE) IN NON-CASH		
WORKING CAPITAL ITEMS		
Accounts receivable	(474,359)	533,347
Inventory and prepaid expenses	(161,648)	(120,757)
Accounts payable and accrued liabilities	366,730	(63,930)
Bank loan	—	(50,895)
Income taxes payable	8,000	—
	1,340,837	2,255,317
FINANCING		
Repayment of long-term debt	(409,400)	(33,400)
Long-term debt	—	1,500,000
	(409,400)	1,466,600
INVESTMENTS		
Purchase of plant & equipment	(1,109,779)	(2,793,679)
Investments in:		
Mineral properties	(525,417)	(620,461)
Acquisition of subsidiary	—	(61,829)
	(1,635,196)	(3,475,969)
INCREASE (DECREASE) IN CASH POSITION		
Cash position at beginning of period	260,758	14,810
CASH POSITION AT END OF PERIOD	▶ \$ (443,001)	\$ 260,758

Cash is defined as cash and short-term investments less bank indebtedness.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 1990

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 and British Columbia. 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. The Company acquired the Silvana Mine (a producing silver-zinc-lead mine) during the year.

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 concentrate and gold flotation concentrate. Gold ore is recorded at cost and mineral concentrates are recorded at estimated net realizable value.

MINERAL PROPERTIES The Company defers the cost of acquiring, exploring and developing mineral properties 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 a straight line basis, after residual values, commencing when assets are put into use, using the following rates:

Buildings	2 to 5 years
Equipment	2 to 5 years

EARNINGS PER SHARE The calculation of earnings (loss) per share is based on the weighted monthly average number of shares outstanding. Fully diluted earnings per share are not materially different than basic earnings per share.

NOTE 1. ACQUISITION OF MINERAL PROPERTIES

PTARMIGAN MINE 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. During the year ended July 31, 1989, the Company purchased an additional 112,752 shares of Ptarmigan Mines Limited, thereby increasing its ownership to 95%.

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, 1990 total net smelter return paid was \$766,000.



SILVANA SILVER-ZINC-LEAD MINE During the year, the Company purchased the Silvana Silver-Zinc-Lead Mine near New Denver, B.C. The purchase agreement includes a net smelter return contingent upon future production levels. The total purchase price was cash of \$1,114,200 allocated as follows:

Mineral properties	\$ 350,000
Building and equipment	650,000
Supplies	114,200
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	▶ \$1,114,200

The Company is also required to pay a 2% net smelter return on silver production exceeding 500,000 ounces from the Silvana Mine on an annual basis.

NOTE 2. MINERAL PROPERTIES

The Company's mineral properties are located in the Northwest Territories and British Columbia and consist of the following:

	1990	July 31 1989
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	2,194,999	2,058,175
	<hr/>	<hr/>
	3,796,879	3,660,055
Less accumulated depletion	1,928,968	1,287,813
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	▶ \$ 1,867,911	\$ 2,372,242
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Silvana Silver-Zinc-Lead Mine near New Denver, B.C.		
Claims and mineral rights	\$ 369,760	—
Less depletion	174,873	—
	<hr/>	<hr/>
	\$ 194,887	—
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	1,041,135
	<hr/>	<hr/>
	1,818,839	1,818,839
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Gab project, comprising the Gab Lease (and in 1989 seven claims including the Pete, Bill, Ron and Heather claims).		
Gab option	52,981	42,981
Exploration and development costs	163,600	159,767
	<hr/>	<hr/>
	216,581	202,748
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Tinker option	31,500	26,500
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	▶ \$ 4,129,718	\$ 4,420,329

Terms of the Gab option require the Company to pay an additional \$5,000 on October 15, 1990. Furthermore, an additional \$5,000 is required to be paid on December 31, 1990 pursuant to terms of the Tinker option. During 1990 the Pete, Bill, Ron and Heather claims were not maintained.

The Company has entered into an option agreement to earn an undivided 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 before May 2, 1993. Minimum annual expenditures of \$500,000 are required during the option period.

In May 1990, the Company entered into a letter agreement, subject to execution of a formal agreement, to purchase a 100% undivided interest in the Willa gold-copper property located in the Slocan Mining District, near Silverton, B.C. Terms of the letter agreement require the Company to pay a net smelter return ranging from 2% to 6% and to assume property payments of \$30,000 per annum.

NOTE 3. BANK INDEBTEDNESS

The Company has a \$1,000,000 operating credit facility secured by a general assignment of accounts receivable as well as a specific assignment of inventory. The Company has given a \$1,000,000 debenture creating a first floating charge over Treminco's present and future assets (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 1¼% payable monthly. The credit facility is reviewed annually by the bank and the Company.

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 (16.231% at July 31, 1990). Principal and interest are paid monthly over the three-year term. Remaining principal payments required are as follows:

Fiscal year 1991	\$ 511,600
Fiscal year 1992	545,600
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	▶ \$1,057,200
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NOTE 5. CAPITAL STOCK

(a) Authorized

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

(b) Issued — 5,957,447 common shares

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

(c) Stock Options

As at July 31, 1990 the following options were outstanding:

- ☐ Employee options to acquire 265,000 shares at a price of \$0.80, expiring on June 15, 1993.
- ☐ Director options to acquire 212,000 shares at prices ranging from \$0.80 to \$1.50, expiring on June 15, 1993.

(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.

Pursuant to the terms of the August 1986 agreement, the Company acquired \$866,000 of retractable preferred shares of KRS Retractions Limited ("KRS"), a company related to the investors. The investment was written off in prior periods. 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.

It is unlikely that the warrants would be exercised and the preferred shares redeemed unless the Company's stock price exceeds \$5.10 by June 30, 1992.

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 \$1,364 and management fees and services charges of \$88,750. Included in accounts payable at July 31, 1990 is \$16,264 payable to this company.
- b) During the year, the Company granted a \$50,000 home purchase loan to a senior employee of the Company. The loan is repayable monthly over ten years, bears no interest and is secured by a first mortgage. As of July 31, 1990, the outstanding principal on this loan was \$48,750.

NOTE 7. INCOME TAXES

Included in mineral properties is an amount of \$1,378,000 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.



The deferred income tax provision is comprised of the following:

	1990	1989
Statutory rate	42.8%	39.8%
Income tax provision based on statutory rate	\$ 17,000	\$ 229,953
Non-deductible depletion	202,000	293,000
Resource allowance	(103,000)	(274,000)
Minority interest	(31,000)	(14,000)
Provincial mining taxes	25,000	—
	▶ \$ 110,000	\$ 262,953

NOTE 8. SUBSEQUENT EVENT

On September 26, 1990, the Company acquired an additional 31,667 shares of Ptarmigan Mines Ltd. bringing Treminco's ownership in Ptarmigan Mines Ltd. to 96.06%.



SHAREHOLDER INFORMATION

HEAD OFFICE

Tremingo Resources Ltd.
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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
T.P. Riordon
Vice President Operations
*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 Street
Vancouver, B.C. V6C 1X5

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

TRANSFER AGENT

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

SOLICITOR

Fraser & Beatty
15th Floor, Grosvenor Bldg.
1040 West Georgia Street
Vancouver, B.C. V6E 4H8

AUDITOR

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

STOCK EXCHANGE

Toronto Stock Exchange
Symbol — TMO

ISSUED CAPITAL STOCK

5,957,447 shares

ANNUAL GENERAL MEETING

December 3, 1990 at 10 a.m.
Engineer's Club, Banquet Room
640 West Pender Street
Vancouver, B.C.