

## CONSOLIDATED STATEMENT OF INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1989	1988	1989	1988
<b>REVENUE</b>				
Gold sales revenue	\$ 412,267	\$ —	\$ 1,221,792	\$ 1,706,460
Gain on gold futures contracts	—	—	—	56,774
	412,267	—	1,221,792	1,763,234
<b>EXPENSES</b>				
Operating costs	314,050	75,438	851,923	609,746
Production royalty	5,713	—	19,590	34,162
Depletion and depreciation	63,794	754	183,363	223,995
	383,557	76,192	1,054,876	867,903
<b>OPERATING INCOME (LOSS)</b>	28,710	(76,192)	166,916	895,331
<b>Other Expenses (Income)</b>				
General and administration	103,131	123,755	354,836	426,661
Interest income	(8,113)	(28,533)	(27,878)	(93,020)
Foreign exchange and other expense	24,226	(446)	26,128	68,383
	119,244	94,776	353,086	402,024
(Loss) Income Before Income Taxes	(90,534)	(170,968)	(186,170)	493,307
Income Taxes (Recovery)	22,000	(51,000)	69,400	138,000
<b>NET (LOSS) INCOME</b>	\$ (112,534)	\$ (119,968)	\$ (255,570)	\$ 355,307
(Loss) Earnings Per Common Share	(\$.02)	(\$.03)	(\$.04)	\$.08

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1989	1988	1989	1988
<b>OPERATING ACTIVITIES</b>				
Operations				
Net (loss) income	\$ (112,534)	\$ (119,968)	\$ (255,570)	\$ 355,307
Items not affecting cash flows				
Depletion and depreciation	63,794	754	183,363	223,995
Deferred income taxes	22,000	—	—	76,000
	(26,740)	(119,214)	(72,207)	655,302
Net change in non-cash operating working capital balances	559,480	(1,370,550)	798,653	(1,103,615)
Cash provided by (used in) operating activities	532,740	(1,489,764)	726,446	(448,313)
<b>FINANCING ACTIVITIES</b>				
Issue of share capital	—	—	1,312,135	585,000
Premium from flow-through financing	—	—	236,782	292,500
Net change in non-cash financing working capital balances	—	—	(1,548,917)	—
Cash provided by financing activities	—	—	—	877,500
<b>CASH PROVIDED BY (USED IN) OPERATING AND FINANCING ACTIVITIES</b>	532,740	(1,489,764)	726,446	429,187
<b>INVESTMENT ACTIVITIES</b>				
Producing mining property, plant and equipment expenditures	32,865	85,671	227,096	219,638
Mineral exploration expenditures	514,809	740,769	969,384	2,024,502
Cash used in investment activities	547,674	826,440	1,196,480	2,244,140
(DECREASE) IN CASH	(14,934)	(2,316,204)	(470,034)	(1,814,953)
CASH, BEGINNING OF PERIOD	112,729	2,312,496	567,829	1,811,245
<b>CASH (DEFICIENCY), END OF PERIOD</b>	\$ 97,795	\$ (3,708)	\$ 97,795	\$ (3,708)

(Unaudited - Prepared by Management)

Porcher Island/03 J 017  
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# Cathedral

## GOLD CORPORATION

3rd Quarter Report  
September 30, 1989

## TO OUR SHAREHOLDERS

### STERLING

During the third quarter, 1,914 ounces of gold were recovered at Cathedral's 52% owned Sterling Mine bringing total gold production for the nine months to 5,296 ounces. The Company's share of production was sold at an average price of US\$364 per ounce. 3,465 tons of ore grading 0.17 opt were mined from the Burro Pit, 6,370 tons of ore grading 0.36 opt were mined from underground and 1,470 tons of low grade ore grading 0.07 opt were recovered from the low grade stockpile. Total ore production for the quarter was 11,300 tons grading 0.26 opt bringing total production for the nine months to 30,700 tons grading 0.26 opt. The Burro Pit was mined out during August and Sterling Mine production is now 100% from underground. Surface drilling to the south of the Main Zone has not encountered mineralization and a second drill road on the western side of the rebody is being driven out to the top of a siltstone outcrop 2,000 feet south of known reserves where drilling will begin in early December.

### PORCHER ISLAND

103 017

In mid September, mobilization started for an underground exploration development program at the 100% owned Porcher Island property. The objective of this program is to test the main gold bearing No. 4 vein within the AT Zone under live mining conditions. A 360 foot long raise connecting the existing 1110 and 1015 level adits was completed shortly after the end of the quarter. The No. 4 vein structure was strong throughout the length of the raise with minimal pinching and swelling and no significant changes in direction. A 370 foot mid level drift will now be developed along the horizontal axis of the No. 4 vein. Extensive sampling from both the raise and the mid level drift will be carefully evaluated to establish Porcher Island's mining grade.

Reserves from surface to just below the 1015 level are presently estimated at 623,000 tons grading 0.2 opt gold. This calculation assumes a mining dilution of 15% with all high grade assays cut to 1.5 opt gold. Total AT Zone reserves are 1,500,000 tons grading 0.2 opt gold. The AT Zone has been drilled along 1,000 feet of strike length to a depth of 1,800 feet. It is open for extension along strike and at depth.

The Porcher Island project is favoured by excellent metallurgy, infrastructure, rock conditions and environmental characteristics. Records from previous mining activity during the 1930's and the Company's own studies have shown that gold recoveries will exceed 95% from a simple pyrite concentrate. Tests to date indicate that tailings will not be acid generating. The project is within sight of Prince Rupert and is on the Prince Rupert - Sandspit ferry route. Water travel time from Prince Rupert to Porcher Island would be approximately 1 hour. B.C. Hydro is presently installing permanent electrical services to the island. All underground workings developed during previous mining operations are standing clean and are in their original condition.

### BRONSON CREEK

104 B300

Exploration work at Bronson and at adjoining properties has confirmed the presence of a through-going mineralized trend, the Bronson Trend, extending NW-SE across the Snip, Bronson, Inel and Pelican properties. This trend is believed to encompass gold mineralization along a 10 mile strike. On Cathedral's Bronson Property, geochemical and geophysical surveys, prospecting and diamond drilling have confirmed two mineralized structures referred to as the S and T Zones. These zones are 300 feet apart, strike NW-SE, are steeply dipping and host quartz mineralized with gold, pyrite, pyrrhotite, sphalerite and chalcopyrite.

The S Zone has now been tested by 16 holes over a strike length exceeding 1,000 feet. It remains open along strike and at depth. Geochemical and geophysical testwork indicates a significant additional length yet to be tested and demonstrates the presence of persistent gold mineralization across varying widths, including intersections felt to be of commercial width and grade. The best of these to date measured 15 feet and averaged 0.46 opt/gold.

The combination of ore grade gold mineralization, a strong through-going structure known to contain reserves on neighbouring properties and a large untested area on the property is regarded as highly encouraging at this stage of exploration. Cathedral plans an active and focused program in 1990 which will investigate the undrilled portions of the demonstrated zones and attempt to develop an initial reserve picture.

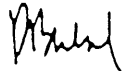
The Bronson Creek and Pelican properties are currently held under option. Upon exercise, Ecstall Mining Corporation will retain 40%. Cathedral Gold Corporation will acquire 30%. Geomex Minerals Limited Partnership No. 2 and Geomex Development Limited Partnership No. 10 will each acquire 15%.

### FINANCIAL

Net loss for the quarter ended September 30, 1989 was \$113,000 or 2¢ per share on revenues of \$412,000 compared to a net loss of \$120,000 or 3¢ per share in the 3rd quarter of 1988. For the first nine months of 1989, net loss was \$256,000 or 4¢ per share compared to net income of \$355,000 or 8¢ per share for the comparable nine months of 1988. Lower gold prices and a stronger Canadian dollar during the nine months resulted in a drop from CDN\$555 to CDN\$445 in prices received.



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CHAIRMAN



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**GOLD CORPORATION**

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