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X-CAL RESOURCES LTD.



ANNUAL REPORT

1990

CORPORATE INFORMATION

Officers

W. D. H. Gardiner
Chairman

Shawn Kennedy
President & Chief Executive Officer

Dr. Barry W. Smee, P. Geol.
Vice-President

William E. Bateman
Secretary

Senior Geological Advisor

Dr. Franc R. Joubin

Auditors

Pannell Kerr MacGillivray
Vancouver, British Columbia

Bank

Bank of Montreal
Toronto, Ontario
and Vancouver, British Columbia

Stock Exchange

Listed — Toronto Stock Exchange
Symbol — XCL

Toronto Office

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Toronto, Ont. M5H 2G4
Tel (416) 364-0001
Fax (416) 364-5098

Exploration Office

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Goldbridge, British Columbia V0K 1P0
Tel (604) 238-2291
Fax (604) 238-2422

Directors

John M. Arnold
Guelph, Ontario

W. D. H. Gardiner
Vancouver, British Columbia

Betty Kennedy-Burton
Toronto, Ontario

Shawn Kennedy
Goldbridge, British Columbia

W. E. Bateman
Toronto Canada

Registered Office

503-470 Granville Street
Vancouver, British Columbia

Registrar and Transfer Agent

Central Guaranty Trust Company
Toronto, Ontario
and Vancouver, British Columbia

Legal Counsel

Nobbs, Woods & Clark
Toronto, Ontario
John R. Lakes & Associates
Vancouver, British Columbia

United States Securities and Exchange Commission

U.S. 12G3 Exemption #82-1655
Standard & Poors Directory

CORPORATE PROFILE

The Company was incorporated April 8, 1981 in the Province of British Columbia. Its shares are traded on The Toronto Stock Exchange under the symbol XCL.

X-Cal Resources Ltd. is developing the Snowbird gold deposit at Ft. St. James, British Columbia. It is the major land holder in the Bridge River/Bralorne gold camp, is participating in a joint venture with Equinox Resources in Pershing County, Nevada and has a 25% interest in a joint venture prospect at Kapuskasing, Ontario.

ANNUAL MEETING

The Annual and Special General Meeting of Shareholders will be held at 2:00 p.m. on Friday, September 7, 1990 in the Shuswap Room of the Four Seasons Hotel, Vancouver, British Columbia.



A Precious Metals Exploration Company

- Snowbird – Gold Deposit – Ft. St. James, Omineca Division, British Columbia.
- Major Land Holder – Bralorne Gold Camp, British Columbia.
- Joint Venture – Pershing County, Nevada.
- Joint Venture – Kapuskasing, Ontario.

Directors' Report

To the Shareholders:

Your directors are pleased to submit the Annual Report for your company for the year ended March 31, 1990.

The Snowbird Gold Deposit at Fort St. James, British Columbia, is the focus of our exploration work. We believe the property has the potential to become a gold mine of significant proportions by global standards.

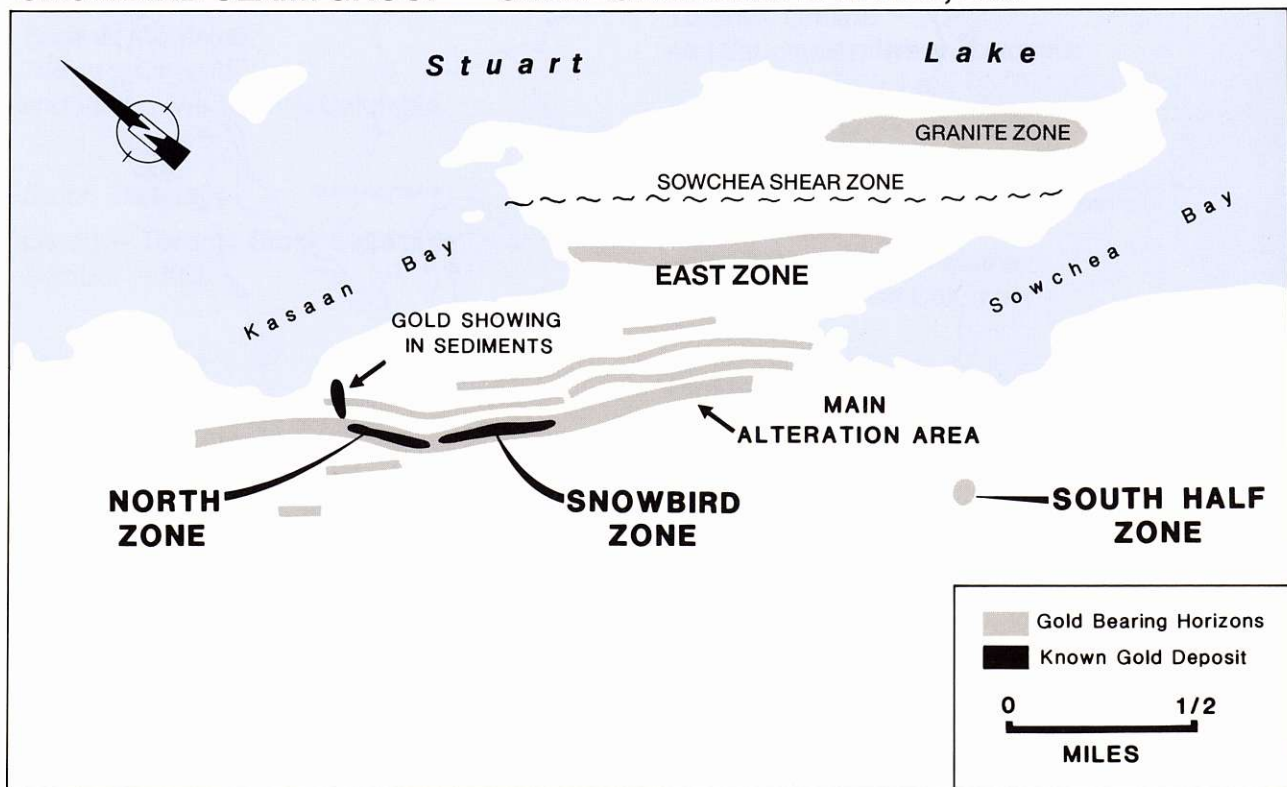
We have continued to advance the Snowbird gold project cautiously over the past year under difficult market conditions.

A more favorable climate for industry and market recognition of Snowbird's potential is anticipated in the coming year.

The potential for large size mineral deposits related to the regional Pinchi Fault System has been demonstrated at "Mount Milligan" by Continental Gold, who have announced a deposit of copper/gold with production potential for 400,000 ounces of gold per year and 83,000,000 lbs. of copper for 15 years. We are on a gold bearing part of this large system in the Pinchi Metallogenic Region.

We have signed an option agreement with Omoco Holdings Ltd. of Vancouver enabling them to provide the next \$2.2 million of exploration funds for the Snowbird Claims to earn a 50% working interest and become our joint venture partner in the Snowbird Claim Group. X-Cal will be the operator of the project, with the funds to be provided by Omoco over the next 3 years or less.

CENTRAL AREA SNOWBIRD CLAIM GROUP – OMINECA MINING DIVISION, B.C.



The Snowbird Claims comprise approximately 6,000 acres of our 12,000 acre Claim Grouping around the Snowbird Gold Deposit and contain the known deposit.

New geological information prompted the staking of the Sowchea Claim Group last year. We have separately retained the 6,000 acre "Sowchea Claim Group" and plan to continue exploration on this group, either directly or through joint venture agreements.

Our entry into the rich U.S. gold area of Nevada has been marked by the signing of an option agreement with Equinox Resources Ltd. (T.S.E./EQX) giving X-Cal the right to earn 50% of the Wild Rose Claims located in Pershing County, Nevada, U.S.A., 1.5 km to the east of the LAC/Equinox "Rosebud Gold Project".

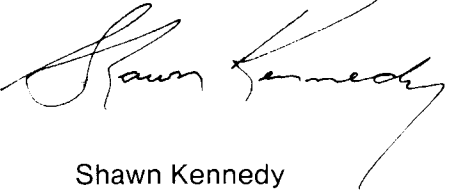
Our Wild Rose claims are at the "grass roots" stage of exploration with a modest program underway at the present time.

The Bralorne British Columbia land holding may be sold subject to a production royalty. Site visits by major mining corporations evaluating our large land holdings in the Bralorne Gold Camp have taken place. It is premature to determine the outcome of these discussions at this time.

We welcome Dr. Barry W. Smee, P. Geol. as the new vice-president of X-Cal in charge of exploration. Dr. Smee is a long sought-after addition to our team of geological people, headed by our Senior Geological Advisor Dr. Franc R. Joubin. Dr. Smee will play a corporate as well as Geological role for the company.

In summary, having progressed through the difficult times since the market crash of 1987, I believe we can look forward to the coming year as one of increased exploration activity, and opportunity.

On behalf of the Board,

A handwritten signature in black ink that reads "Shawn Kennedy". The signature is written in a cursive, flowing style with a long, sweeping tail on the letter 'y'.

Shawn Kennedy
President and C.E.O.

Property Holdings

SNOWBIRD GOLD DEPOSIT Omineca Mining Division Fort St. James, British Columbia

Snowbird Claim Group

The Snowbird Claim Group adjoins the town of Fort St. James, British Columbia.

The Snowbird Claim Group contains the "Snowbird Zone", the "North Zone", the "East Zone" and the "Granite Zone". This property is the present focus of the company's exploration in the Pinchi Fault area.

An option agreement with Omoco Holdings Ltd. of Vancouver B.C. has been completed at the time of this report which will enable Omoco to earn 50% working interest in the Snowbird Claim Group by providing the next \$2,000,000 for exploration and \$200,000 cash to the company over the next 3 years or less. X-Cal will be the operator of the project.

The first \$200,000 of exploration funds must be deposited in trust by Omoco by September 1, 1990, and the next \$300,000 by January 1, 1991.

The property can be worked on a year round basis, as terrain is moderate to flat. Pre-requisites for low cost development such as roads, industrial electrical power, skilled labor and other support infrastructure are already in place.

North and Snowbird Zones

The known deposit is contained within the "North" and "Snowbird Zones". A current possible reserve of 300,000 tons of .21 oz per ton gold exists in this area at present.

The near surface ore picture may be changed significantly by the drilling of potentially mineralized cross structures, which are known to branch through these zones.

Deep holes in this area are yet to be drilled. Several anomalies which have signatures of equal strength to the known areas of gold mineralization are also untested at present in this sector.

These zones are just one component of a large project, which we know to contain multiple zones and various new spot anomalies. These new anomalies will be followed up prior to the next round of drilling in this area.

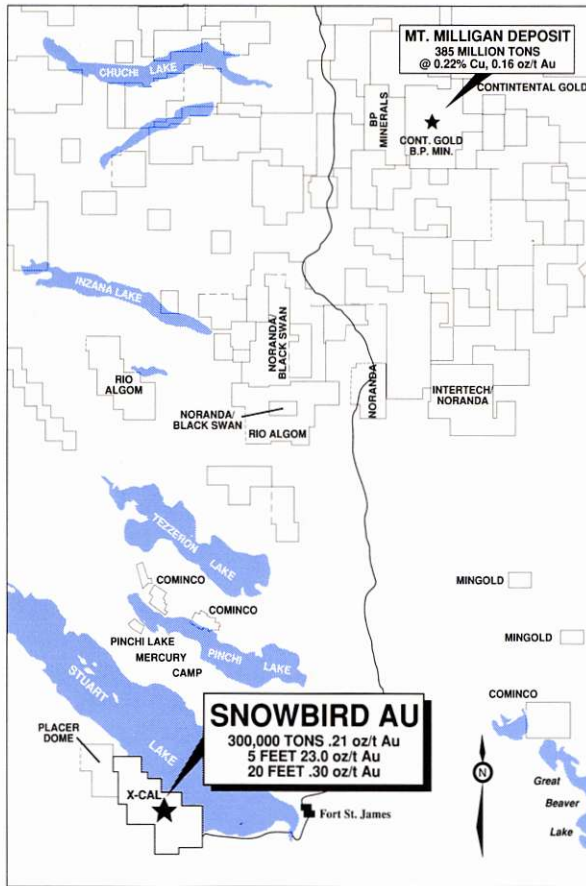
Hole #	Depth		Interval (ft.)	Au (oz/ton)
	from (ft.)	to (ft.)		
X 88-6	272.49	281.18	8.69	0.226
	309.00	318.85	9.85	0.109
X 88-9	272.65	275.93	3.28	0.298
X 88-13	333.35	337.12	3.77	0.110
	356.15	376.23	20.08	0.319
X 88-14	281.12	291.29	10.17	0.0897
X 89-2	192.56	195.84	3.28	0.114
	212.15	217.99	5.84	0.351
X 89-3	325.51	335.58	10.07	0.264
X 89-4	263.96	271.50	7.54	0.189
X 89-9B	362.55	365.17	2.62	0.128
	496.71	504.58	7.87	0.124
X 89-10	514.30	520.99	6.69	0.152
	527.94	537.43	9.49	0.204
X 89-11	506.52	521.58	15.06	0.136

Hole	Significant Snowbird Zone Drill Hole Assays	
	Width (ft.)	Grade (oz/ton)
86-2	13.9	0.27
86-6	5.0	23.0
86-7	3.28	0.715
C-1	5.0	0.27
C-2	5.0	0.35
P-6	3.0	0.698
P-7	8.0	0.58

East Zone

The East Zone is an area of alteration similar to the quartz ankerite mariposite alteration of the North and Snowbird Zones. It is located over a 1.5 km length approximately 500 metres to the east of the North and Snowbird Zones. Numerous Gold Values from .01 to .08 oz per ton gold in 2 metre lengths of percussion drill holes were originally encountered and a surface showing of .12 oz per ton gold over a metre in width has been found.

Detailed work in this area resulted in the discovery of an additional entirely new zone. The new zone called the "Granite Zone" is located approximately 500 metres to the east of the East Zone.



**OMINECA GOLD - COPPER DISTRICT
BRITISH COLUMBIA**

Granite Zone

An entirely new type of gold mineralization was outlined by soil geochemistry. Highly anomalous gold values up to .2 oz per ton in soils were part of the initial anomaly outlining the Granite Zone. Trenching successfully located a narrow quartz vein in the granite which returned a .25 oz per ton gold assay.

Since the initial discovery of the gold bearing granite body, detailed geochemistry has been carried out and has presented a very attractive new target in the granite, as well as the adjoining sediments. This is one of the areas which will be addressed early in the program to be funded by Omoco.

The South Half

The South Half of the Snowbird Claim Group represents approximately 3,000 acres of the 6,000 acre project area. Initial percussion drilling returned encouraging gold values in rock. Followup prospecting and soil sampling has produced enough encouragement to justify a detailed geochemical survey, which will be carried out this fall.

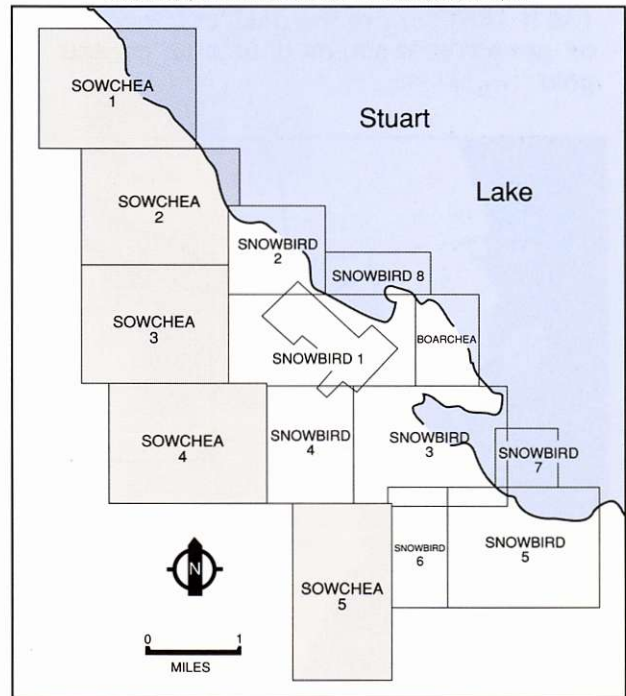
Summary

Although reserves exist already on the Snowbird Property, our work to date has shown us that we are still at a very early stage of understanding a large system with multiple zones and geochemical evidence of widespread gold mineralization. Our next phase of work will be aimed at understanding the overall system and its structural controls through geochemical and geophysical surveys to be followed by trenching and drilling.

Sowchea Claim Group

The Sowchea Claim Group is contiguous to the Snowbird Claim Group located at Fort

SNOWBIRD AND SOWCHEA CLAIM MAP
STUART LAKE, FORT ST. JAMES AREA - OMINCA MINING DIVISION, B.C.



St. James, British Columbia and covers an area of approximately 6,000 acres.

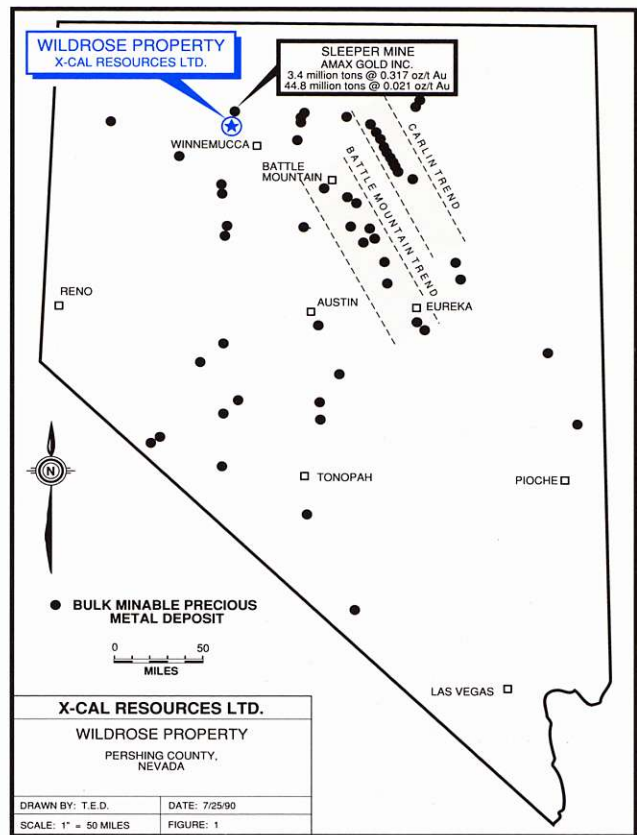
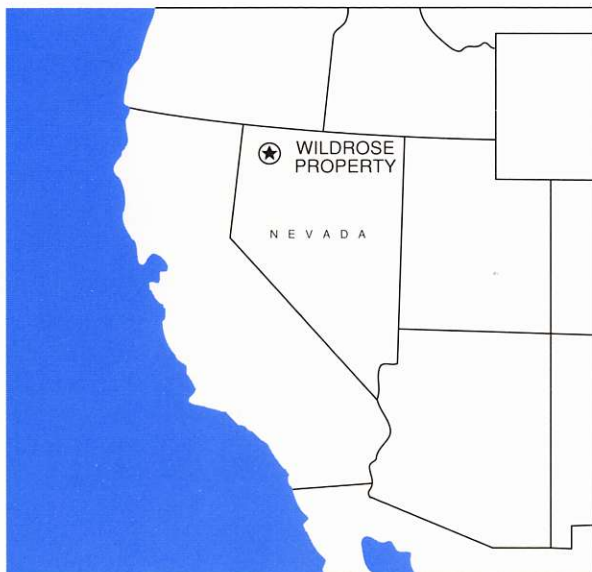
The claim group is at the grass roots stage of exploration and was staked by X-Cal following the discovery of the gold bearing Granite Zone on the adjoining Snowbird Claims, and the realization that gold mineralization in this area occurs in a variety of host rocks.

Initial prospecting of the Sowchea Claims has located visible gold in one of the creeks on the property as well as some gold values in soil samples worthy of follow up work.

Early phase exploration will be carried out on this group of claims either by X-Cal or through joint venture agreements.

WILD ROSE CLAIMS
Pershing County, Nevada
U.S.A.

We have entered into an option agreement with Equinox Resources Ltd. (T.S.E./EQX) whereby X-Cal can earn 50% working interest in the "Wild Rose Claims" in Pershing County, Nevada. The 780 acre "Wild Rose" claim block is located 1.5 km to the east of the Lac/Equinox "Rosebud" gold property where drilling by Lac has repeatedly encountered very good gold values such as 135 ft. of .22 oz per ton gold, 200 ft. of .18 oz. per ton gold and 64 ft. of .4 oz. per ton gold.



We will earn our 50% interest in the grass roots "Wild Rose" claims by issuing 100,000 X-Cal shares, carrying out \$100,000 U.S. of exploration work and making \$50,000 U.S. of option payments to Equinox over a three year term.

The large low grade Crofoot and Lewis Mines are located 5 km. north of our "Wild Rose" claims.

We have already met our first year commitment for "Wild Rose" and look forward to participating with Equinox Resources Ltd. in this exciting area.

BRIDGE RIVER, BRALORNE AREA
Lillooet Mining Division
British Columbia

Historically, this area has been the most productive gold camp in British Columbia. The Bralorne/Pioneer Gold Mines yielded over 4,000,000 ounces of gold from ore with an average grade of .52 oz per ton.

Our large landholdings of approximately 30,000 acres in this camp may be sold under a 5 year option which will provide X-Cal with cash payments and a production royalty.

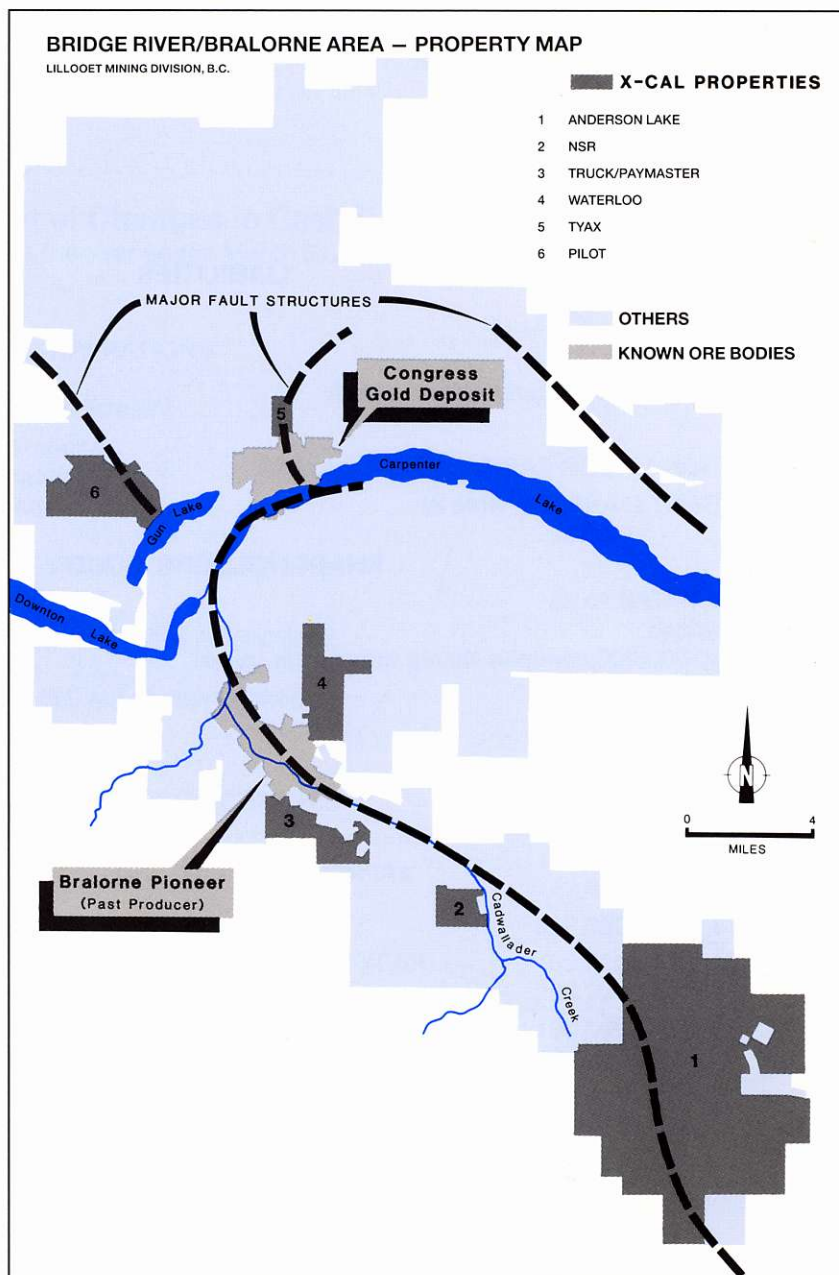
It is too early at this time to predict the outcome of these discussions.

We believe that this historic area is one with excellent potential for new mines and requires a comprehensive long term exploration effort to produce the rewards which are possible. The proposal which is under discussion for the Bralorne properties can allow us to participate in such a long term program with no funding required from X-Cal.

Dr. Smee has prepared an executive summary of the Bralorne Area Land Holding which is available upon request.

Kapuskasing Ontario

The company holds a 25% interest in a joint venture gold exploration project in the Kapuskasing region of Ontario. The area of this project has been reduced to 12 mineral claims to be retained for future evaluation.



X-CAL RESOURCES LTD.

Balance Sheet

March 31, 1990

ASSETS

	1990	1989
CURRENT		
Cash and short term investments	\$ 190,005	\$ 253,221
Prepaid expense	2,270	2,094
	<u>192,275</u>	<u>255,315</u>
MINERAL INTERESTS AND DEFERRED COSTS (Note 2)		
Mineral interests	229,683	229,683
Deferred exploration costs, net	2,048,375	1,702,304
Deferred administration costs	1,033,510	799,636
	<u>3,311,568</u>	<u>2,731,623</u>
EQUIPMENT (Note 3)	5,123	12,103
	<u>\$3,508,966</u>	<u>\$2,999,041</u>

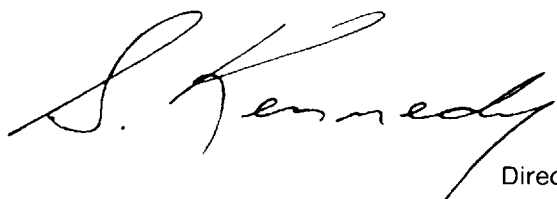
LIABILITIES

CURRENT		
Accounts payable	\$ 40,945	\$ 44,235
Wages payable	2,507	4,939
Obligation under capital lease (Note 6)	1,140	2,008
	<u>44,592</u>	<u>51,182</u>
OBLIGATION UNDER CAPITAL LEASE (Note 6)	—	1,140
CONTINGENT LIABILITY (Note 8)		

SHAREHOLDERS' EQUITY

SHARE CAPITAL		
Authorized		
50,000,000 common shares without par value		
Issued (Note 9)	3,735,197	3,221,697
DEFICIT	<u>(270,823)</u>	<u>(274,978)</u>
	<u>3,464,374</u>	<u>2,946,719</u>
	<u>\$3,508,966</u>	<u>\$2,999,041</u>

APPROVED BY THE DIRECTORS


Director


Director

Statement of Earnings and Deficit

For the year ended March 31, 1990

	1990	1989
INCOME		
Option fee income (Note 2(c))	\$ 10,000	\$ —
Interest income	24,765	10,640
Gain on sale of investments	—	478
	34,765	11,118
NET EARNINGS FOR THE YEAR	(274,978)	(234,096)
DEFICIT, beginning of year	(240,213)	(222,978)
Share issue costs	(30,610)	(52,000)
DEFICIT, end of year	\$ (270,823)	\$ (274,978)
EARNINGS PER SHARE (Note 1(c))		

Statement of Changes in Cash Resources

For the year ended March 31, 1990

	1990	1989
CASH DERIVED FROM (APPLIED TO) OPERATIONS		
Net earnings for the year	\$ 34,765	\$ 11,118
Add (deduct): loss (gain) on sale of investment	—	(478)
Working capital derived from operations	34,765	10,640
Decrease (increase) in working capital		
Proceeds on sale of investments	—	9,030
Other items	(5,898)	26,336
Grant receivable	—	50,000
	28,867	96,006
CASH DERIVED FROM (APPLIED TO) INVESTING ACTIVITIES		
Deferred exploration expenditures	(437,571)	(440,307)
Deferred administration expenditures, net of depreciation (\$6,980; 1989 — \$7,027)	(226,894)	(214,199)
	(664,465)	(654,506)
CASH DERIVED FROM (APPLIED TO) FINANCING ACTIVITIES		
Share subscriptions for shares issued	605,000	706,000
Share issue costs	(30,610)	(52,000)
Principal repayment on capital lease	(2,008)	(1,693)
	572,382	652,307
NET INCREASE (DECREASE) IN CASH RESOURCES FOR THE YEAR	(63,216)	93,807
CASH RESOURCES, beginning of year	253,221	159,414
CASH RESOURCES, end of year	\$ 190,005	\$ 253,221

Schedule of Exploration and Development Costs

For the year ended March 31, 1990

	1990	1989
CURRENT COSTS		
Assays	\$ 36,622	\$ 30,180
Drilling	111,690	160,375
Field expenses	45,146	12,623
Licenses and fees	1,930	19,973
Travel and transportation	7,536	12,642
Consulting	87,263	54,832
Equipment rental	26,304	36,050
Other costs	18,556	9,314
Wages		
Management	63,648	57,824
Other	8,840	9,724
Roadwork and trenching	2,880	2,200
Joint venture costs	9,981	34,570
Line cutting	9,875	—
Claim staking	7,300	—
	437,571	440,307
DEFERRED COSTS, beginning of year	2,177,507	1,737,200
DEFERRED COSTS, end of year	2,615,078	2,177,507
less: allocation of income tax deduction rights and proceeds of grants under the Canadian Exploration Incentive Program on flow-through financing (\$91,500 during the year)	(566,703)	(475,203)
NET DEFERRED EXPLORATION AND DEVELOPMENT COSTS, end of year	\$2,048,375	\$1,702,304

Schedule of Administration Costs

For the year ended March 31, 1990

	1990	1989
CURRENT COSTS		
Advertising, printing and stationery	\$ 37,014	\$ 17,730
Depreciation	6,980	7,027
Automobile expense	10,893	9,405
Dues and subscriptions	4,224	3,966
Insurance	2,101	2,965
Legal, audit and accounting	26,519	38,441
Directors' fees and costs	26,500	—
Salaries and benefits	10,569	17,736
Office expense	14,126	23,434
Rent	29,275	26,640
Telephone	17,034	17,380
Travel	36,491	38,680
Registrar and transfer agent	5,474	2,911
Stock exchange fees	6,553	6,640
Other	121	8,271
	233,874	221,226
DEFERRED COSTS, beginning of year	799,636	578,410
DEFERRED ADMINISTRATION COSTS, end of year	\$1,033,510	\$ 799,636

Notes to the Financial Statements

March 31, 1990

1. ACCOUNTING POLICIES

(a) Mineral Interests and Deferred Costs

The company is engaged in the exploration for and development of, mineral properties and has established the policy of deferring costs relating to the properties, including administration costs, until such time as the properties are put into commercial production, sold or abandoned.

The amounts shown for mineral interests and deferred costs represent costs or deemed consideration less write-offs to date and do not necessarily reflect present or future value. The recoverability of these amounts is dependent upon the confirmation of economically recoverable reserves, the ability of the company to obtain necessary financing to successfully complete their development and upon subsequent profitable production.

(b) Equipment

Equipment is recorded at cost and depreciated at 20% per annum on the straight line basis.

(c) Earnings Per Share

The company does not present earnings per share as it is not considered meaningful at this stage of the company's activities.

(d) Government Grants

Recovery of a portion of exploration expenditures under government assistance programs is recorded in the accounts when the related application is approved by the appropriate government agency.

2. MINERAL INTERESTS AND DEFERRED COSTS

(a) The company has the following mineral interests and related deferred costs:

	<u>1990</u>	<u>1989</u>
<u>Acquisition and Exploration Costs</u>		
Lillooet Mining Division, B.C.		
Pilot	\$ 417,751	\$ 417,680
Anderson Lake (see (c) below)	407,944	407,944
Waterloo	45,591	45,591
Tyax	194,670	193,879
X-Cal Gwyneth	14,688	14,688
Butte	1	1
Truck/Paymaster	22,947	20,916
	1,103,592	1,100,699
Omineca Mining Division, B.C.		
Snowbird Group option (see (b) below)	1,611,966	1,187,270
Kapuskasung Region, Ontario		
The company holds an undivided 25% interest in a joint venture on claims in Doherty, Pelletier, and Caithness Townships.		
Costs to date	129,203	119,221
	2,844,761	2,407,190
less: reduction for transfer of income tax deduction rights and proceeds of grants under the Canadian Exploration Incentive Program to the subscribers for flow-through shares	(566,703)	(475,203)
Deferred administration costs	1,033,510	799,636
	\$3,311,568	\$2,731,623

(b) The company has an option entitling it to purchase the Snowbird Group by expenditure of \$920,000 on the claims before 1994 (acknowledged by the optionor as having been made) and a determination to enter into commercial production. Upon determination to enter into commercial production the optionor is to receive the greater of \$12,000 per annum or a 3% net smelter royalty from all commercial production on the claims.

(c) During the year, the company signed an option agreement giving Teck Corporation the right to earn an interest in the Anderson Lake Mineral properties by making exploration expenditures and payments to the company over a period of five years.

During the year, Teck corporation notified the company of its intention not to maintain its option rights on this property.

3. EQUIPMENT

	<u>1990</u>		<u>1989</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Automotive	\$14,386	\$13,811	\$ 575	\$ 3,453
General	17,042	14,728	2,314	5,299
Equipment under capital lease	5,585	3,351	2,234	3,351
	\$37,013	\$31,890	\$ 5,123	\$12,103

4. RELATED PARTY TRANSACTIONS

During the year ended March 31, 1990, the company paid legal fees of \$10,905 (1989 — \$15,856) to a law firm with which an officer of the company is associated.

5. INCOME TAXES

The future income tax benefit which may result from mineral interest, deferred cost expenditures and other costs to date is not recorded in the accounts. Net expenditures of \$1,213,897, included in net deferred exploration and development costs of \$2,048,375, were renounced to the subscribers for "flow-through" shares and are not eligible for future income tax deductions by the company.

6. OBLIGATION UNDER CAPITAL LEASE

	1990	1989
Lease contract maturing September, 1990 net of deferred finance charges .	\$ 1,140	\$ 3,148
Current portion included in current liabilities	1,140	2,008
	<u>\$ Nil</u>	<u>\$ 1,140</u>
Repayments are as follows:		
Total minimum lease payments	\$ 1,198	
less: amount representing interest at 17.5%	58	
Balance of the obligation	<u>\$ 1,140</u>	

Office expense includes \$388 for interest paid on the above obligation under capital lease.

7. COMMITMENTS

To maintain certain mineral interests, the company is required to make expenditures on option agreements, exploration costs, and joint venture contributions (see Note 2).

8. CONTINGENT LIABILITY

A claim has been made against the company for approximately \$35,000 for services rendered. Management is of the opinion that the claim is totally without merit and no provision for that claim has been reflected in the accounts.

9. SHARE CAPITAL

(a) The company has issued the following share capital:

	Shares	Value
Balance, March 31, 1988	5,338,493	\$2,538,197
During the year ended March 31, 1989		
Shares issued for cash	1,456,038	683,500
Balance, March 31, 1989	6,794,531	3,221,697
During the year ended March 31, 1990		
Shares issued for cash (Note 9(b))	1,208,298	513,500
Balance, March 31, 1990	<u>8,002,829</u>	<u>\$3,735,197</u>

(b) Of the 1,208,298 shares issued for cash during the year, 570,000 were issued as flow-through shares to finance mineral exploration. The subscription proceeds of \$305,000 have been allocated \$213,500 to share capital and \$91,500 to a reduction of exploration expenditures in recognition of the transfer of the income tax deduction rights on the expenditures and the proceeds of grants under the Canadian Exploration Incentive Program to the subscribers.

(c) Shares have been reserved for possible future issue under the following:

The company has granted stock purchase options entitling the optionees to purchase up to 740,000 shares ranging in price from \$0.38 to \$1.00 per share, expiring as to 5,000 shares in December, 1991, as to 400,000 shares in July, 1993, as to 200,000 shares in September, 1993, and as to 135,000 shares in July, 1994. Consent of the shareholders and regulatory authorities is required for some of these options.

In May, 1990 an employee was granted an option to purchase up to 25,000 shares at a price of \$0.19 per share, exercisable until May 22, 1992.

10. SUBSEQUENT EVENTS

(a) Subsequent to the year end, the company acquired an option to earn a 50% interest in the Wild Rose claims in Pershing County, Nevada from Equinox Resources Inc.

Under the terms of the option, the company must, over a period of three years, make option payments totalling U.S. \$50,000, issue 100,000 shares of the company, and incur exploration expenditures of U.S. \$100,000.

(b) On July 16, 1990 the company signed an option agreement giving Omoco Holdings Ltd. the right to earn a 50% interest in the Snowbird Group of mineral properties by making exploration expenditures and option payments totalling \$2,200,000 over a period of three years.

AUDITORS' REPORT

To the Shareholders of
X-Cal Resources Ltd.

We have examined the balance sheet of X-Cal Resources Ltd., as at March 31, 1990 and the statements of earnings and deficit and changes in cash resources 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 financial statements present fairly the financial position of the company as at March 31, 1990 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.

Vancouver, Canada
June 29, 1990, Except as to
Note 10(b) which is as of
July 16, 1990

Pannell Kerr MacGillivray
Chartered Accountants