

**Fairfield
Minerals
Ltd.**

**ANNUAL
REPORT 1987**



A look at 1988...

Subsequent to year-end, three more Fairfield properties have been optioned.

On March 11, 1988, letters of intent were signed granting Placer Dome Inc. the right to earn interests in the Oka and Elk gold properties in south-central British Columbia. Placer Dome can earn a 50% interest by expending \$2 million on each property and paying \$500,000 for each before February 28, 1992; the interest may be increased to 70% with the expenditure of an additional \$2 million on each and payments of \$500,000 for each.

By agreement dated March 29, 1988, Chevron Minerals Ltd. has the right to earn a 50% interest in the Tim silver, lead, zinc property with the expenditure of \$1.5 million and cash payments of \$250,000; an additional 20% interest can be earned through a further \$1 million in expenditures and \$250,000 in cash payments. The Tim prospect is located 45 miles west of Watson Lake in southern Yukon.

These agreements, in addition to Getty Resources' option on the Logan and Equity Silver's participation in the Ram, bring to five the number of Fairfield properties under option. The 1988 field season will see a total \$3.5 million spent on these properties, all funds being provided by major mining companies.

In 1988, Fairfield will fund on its own behalf another grassroots exploration program, budgeted at \$250,000 and targeted at gold prospects in southern British Columbia.

Cover Photos

Left: A new claim post adding another mineral prospect to Fairfield's inventory; Upper right: Backhoe trenching, Oka property; Bottom right: Geophysical survey crew, Ram property.

REPORT TO SHAREHOLDERS

**Fairfield
Minerals
Ltd.**

I'm pleased to report substantial progress was achieved by your Company in 1987 which laid the foundation for what promises to be an even better year ahead.

Encouraging results from the 1987 exploration work, which cost approximately \$2.9 million, led to new agreements and option renewals on Fairfield's key properties: the Oka, Elk, Logan and Ram. In addition to these, the Tim prospect, inactive in 1987, has also been recently optioned.

Trenching and sampling of the Oka and Elk claims in the Okanagan region of British Columbia revealed further gold showings. Placer Dome Inc. plans programs of drilling and trenching this coming field season totalling \$900,000.

At the Logan zinc, silver property in southern Yukon, \$1.5 million was spent on 1987 drilling which produced significant results. Drilling to date has tested only one-third of the favourable structure and defined a mineral reserve containing a geological inventory of 7.5 million tons grading 7.24% zinc and 0.75 oz/ton silver. Indications are that the Logan deposit may be amenable to low-cost open-pit mining. Getty Resources Limited will spend \$1.5 million on further diamond drilling in 1988.

The Ram precious and base metals property in southern Yukon was optioned during the year to Equity

Silver Mines Limited. The Ram hosts several high-grade gold, silver, lead, zinc mineral occurrences. These occurrences were evaluated by \$465,000 of geological and geophysical surveys in 1987 and will be tested in 1988 by diamond drilling to cost \$725,000.

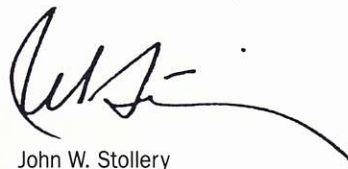
Although no work was undertaken on the Tim in 1987, prior exploration has indicated the presence of significant silver, lead, zinc mineralization in a geological setting similar to the nearby Midway deposit. For 1988 a \$300,000 program of trenching will be funded by Chevron Minerals Ltd.

All five of these properties represent discoveries, as the result of ongoing regional prospecting programs conducted by your Company's geological consultant, Cordilleran Engineering Ltd. It will remain your Company's policy to aggressively search for new prospects, particularly gold, for its own account.

Also fundamental to our corporate policy is the optioning of our discoveries to major companies. In 1988, as in 1987, property exploration will be funded largely by others, while Fairfield remains operator. In this way, your Company exercises some control over the development of its properties while maintaining both a good cash flow and a retained interest.

Our strong financial position reduces the need for share dilution and also provides the cash necessary to exploit good property acquisition opportunities, should they arise. I am confident that continuation of these policies will ensure the long-term success of Fairfield and real growth opportunity for its shareholders.

On behalf of the Board,

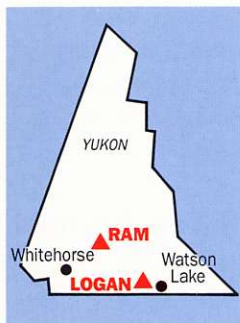


John W. Stollery
President

April 6, 1988



EXPLORATION REVIEW NORTHERN PROPERTIES



RAM — 808 Yukon Claims (Gold, Silver, Lead, Zinc)
The Ram property, located 25 miles south of Ross River in southern Yukon, hosts vein and skarn deposits which contain gold, silver, lead and zinc mineralization.

The claims, accessible by 20 miles of summer road, are located 12 miles from the Ketzka gold deposit which is scheduled for production in 1988.

The 1987 program involved soil geochemical and geophysical surveys, prospecting and mapping of mineral showings. Fifty more claims were added in an area with additional mineral potential.

Three prime exploration targets have been identified on the property. Grab samples from massive arsenopyrite float boulders in one area with coincident geochemical and geophysical anomalies have returned values of up to 0.36 oz/ton gold and 0.51 oz/ton silver. In the second area carbonate-hosted massive sulphide bodies have yielded impressive results from continuous chip samples, which include 20.3 feet averaging 0.176 oz/ton gold, 15.2 oz/ton silver, 21.8% lead and 1.7% zinc. The third target is a massive sulphide-skarn zone which has been intermittently traced for 9,800 feet and is partially overlain by anomalous soil geochemistry.



The Ram was optioned to Equity Silver Mines Limited in 1987. Equity may earn a 60% interest by expending \$2.4 million on property exploration by 1990. To December 31, \$465,000 was expended.

A program of 11,500 feet of diamond drilling is scheduled for 1988 to test the three target areas at a cost of \$725,000.

LOGAN — 200 Yukon Claims (Zinc, Silver)

The Logan property, located 65 miles northwest of Watson Lake in southern Yukon, hosts a stockwork vein zinc, silver deposit of considerable size. The claims are 25 miles north of the Alaska Highway and are currently serviced by a 2,300 foot airstrip.

The 1987 program consisted of 25,500 feet of diamond drilling in 44 holes and ancillary soil geochemical and geophysical surveys at a cost of \$1.5 million. Thirty-two claims were added to cover an area along the trend of the mineralization.

The drilling focussed on definition of the Main Zone. To date, only one-third of the three-mile-long favourable structure has been drill tested. Geochemical and geophysical anomalies along this trend indicate excellent potential for discovery of additional deposits.



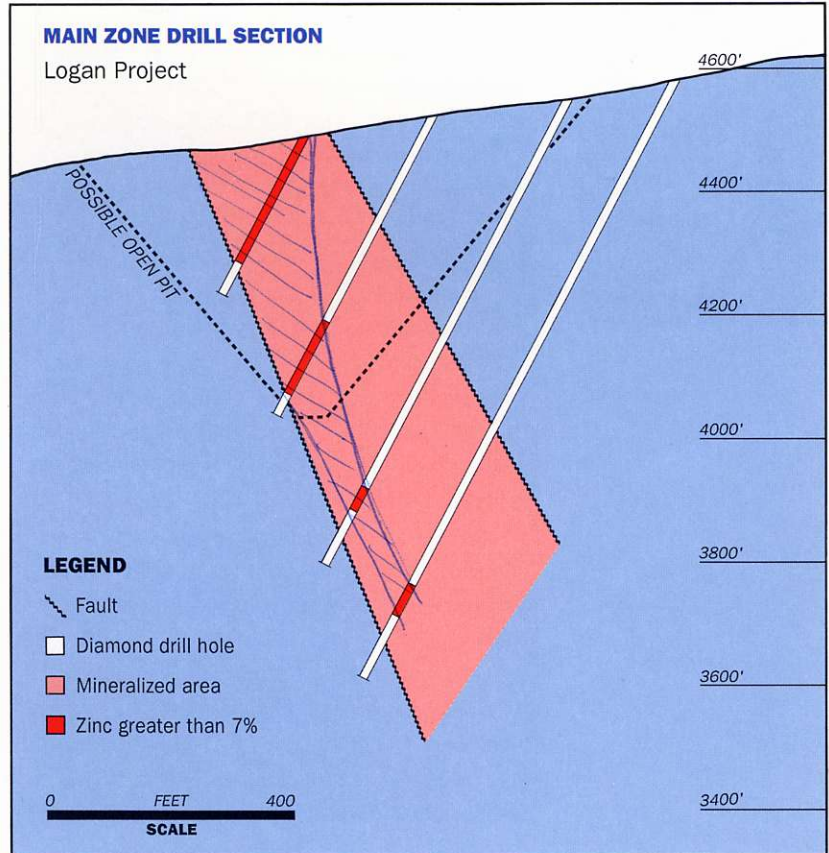
Exploration of the Logan zinc-silver property has defined a geological inventory of 7.5 million tons grading 7.24% zinc and 0.75 oz/ton silver in the Main Zone.

The Main Zone, as presently defined by diamond drilling to a depth of 800 feet, is a steeply dipping body 3,600 feet long and averaging 300 feet wide, which contains a geological inventory of 7.5 million tons grading 7.24% zinc and 0.75 oz/ton silver. Within this zone is a higher grade core of 1.5 million tons grading 14.36% zinc and 1.40 oz/ton silver. The configuration of this deposit could possibly allow a large portion of the reserves to be mined by open-pit methods with a low stripping ratio.

Zinc and silver are contained within the minerals sphalerite and tetrahedrite. They, along with pyrite, pyrrhotite, arsenopyrite, chalcopyrite and cassiterite occur within quartz veins, breccia bodies and silicified zones in highly altered granodiorite associated with a major northeast-trending structure.

The 1987 program was funded by Getty Resources Limited which has expended \$3.5 million on exploration to date. Getty will have earned a 50% interest in this property in 1988.

The 1988 program of 21,000 feet of diamond drilling, backhoe trenching, geochemical and geophysical surveys to test targets on strike with the Main Zone will be undertaken at a cost of \$1.5 million.



Facing page: Aerial view of the Ram camp in southern Yukon and helicopter slinging equipment. This page: View of the Logan camp, also in southern Yukon, and pickup truck being loaded, bound for Logan.

EXPLORATION REVIEW SOUTHERN PROPERTIES



ELK — 220 B.C. Claim Units (Gold, Silver)

The Elk property, located midway between Merritt and Peachland in southern British Columbia, hosts quartz veins and clay alteration zones containing gold and silver mineralization. A nearby highway, currently under construction, provides excellent access.

The 1987 program included extensive soil geochemical sampling, geological mapping, plus backhoe trenching of two areas with gold showings approximately one-half mile apart.

The detailed geochemical soil survey outlined three priority gold anomalies, each about 3,000 feet long and 600 to 1,200 feet wide. One of the anomalies was trenched with four long cuts; the other two were not tested.

Mineralization is hosted by strongly fractured and altered coarse granite cut by andesitic to granitic dikes near the contact with a volcanic-sedimentary assemblage.

Continuous rock chip samples from quartz veins with disseminated pyrite gave several significant results including 0.65 oz/ton gold and 4.75 oz/ton silver over a 3.3 foot width. Grab samples of quartz veins returned values of up to 8.65 oz/ton gold and

14.26 oz/ton silver. A 10.8 foot section of pyritic, clay-altered granite assayed 0.19 oz/ton gold. Clay alteration zones up to 100.0 feet wide have been exposed.

Sixty claim units were added to the property in 1987 to cover ground along strike from geochemical anomalies.

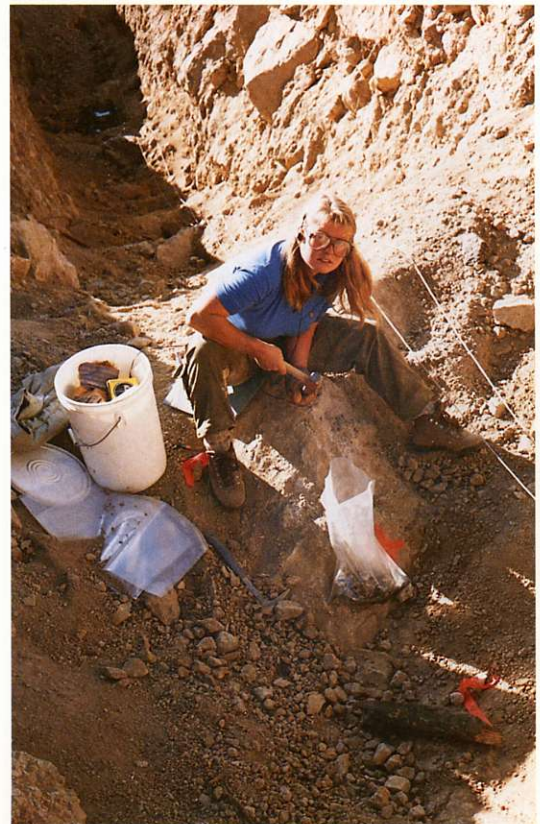
Backhoe trenching will test several geochemical anomalies during 1988, at a cost of \$400,000 to be funded by Placer Dome Inc.

OKA — 185 B.C. Claim Units (Gold)

The Oka property, seven miles by road from Peachland in southern British Columbia, hosts gold-bearing skarn and vein deposits in a geological setting similar to Mascot's gold mine located 30 miles to the south.

During 1987, extensive backhoe trenching was conducted at Oka in areas of gold showings and geochemical anomalies.

Rock chip samples from the trenches returned significant gold values in all three areas. The main target area measuring roughly 1,500 x 1,000 feet contains gold mineralization associated



The ELK and OKA gold properties, both originally staked for Fairfield, have been optioned to Placer Dome and will see \$900,000 of exploration work in 1988.

with garnet skarn, massive sulphides and altered diorite dikes.

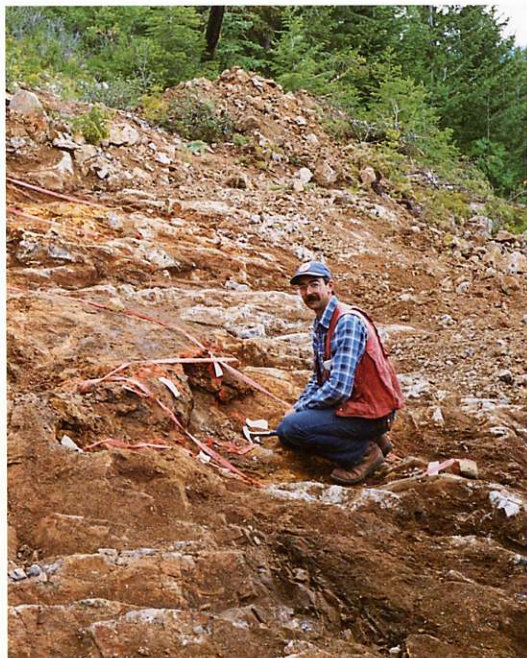
Significant gold values from continuous chip samples include 1.12 oz/ton across 5.0 feet, 0.16 oz/ton across 11.0 feet and 0.24 oz/ton across 6.5 feet. Visible gold has been located in one of the showings and a grab sample assayed 11.19 oz/ton.

Placer Dome Inc. has approved a program comprising 15,000 feet of reverse circulation drilling for 1988 to test four target areas within a three-mile-long gold geochemical anomaly, at a cost of \$500,000.

PROSPECTING

All of the mineral prospects reviewed in this report resulted from prospecting programs conducted over the years by Cordilleran Engineering Ltd., your Company's mineral exploration consultant.

A prospecting program will again be undertaken this year at an estimated cost of \$250,000. Efforts will be focused primarily in southern British Columbia and will target gold prospects.



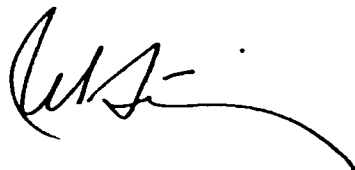
*Facing page: Trench sampling at the Elk gold property in B.C.'s Okanagan region.
This page: Trench mapping and camp at Oka gold property, near Peachland, B.C. Above, historic claim post at Oka.*

BALANCE SHEET

**Fairfield
Minerals
Ltd.**

	1988	January 31 1987
ASSETS		
Current assets		
Cash, including term deposits and accrued interest	\$ 1,774,380	\$ 1,471,935
Prepaid expenses	1,613	1,283
	1,775,993	1,473,218
Resource properties (note 1)	2,855,544	2,235,725
	\$ 4,631,537	\$ 3,708,943
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 15,477	\$ 2,013
Shareholders' equity		
Capital stock (note 2)	5,130,011	4,086,512
Deficit	(513,951)	(379,582)
	4,616,060	3,706,930
	\$ 4,631,537	\$ 3,708,943

Approved by the Board:



Director



Director

**STATEMENT OF DEFERRED EXPLORATION,
DEVELOPMENT AND ADMINISTRATION EXPENDITURES**

**Fairfield
Minerals
Ltd.**

	<i>Year ended January 31</i>	
	1988	1987
Exploration and development expenditures	\$ 945,978	\$ 493,403
Administration expenditures	167,421	127,012
	<u>1,113,399</u>	<u>620,415</u>
Interest income	(127,085)	(61,707)
Value attributed to income tax benefits flowed through to subscribers	(232,429)	(30,000)
	<u>(359,514)</u>	<u>(91,707)</u>
	<u>753,885</u>	<u>528,708</u>
Write-off of		
General exploration and related administration expenditures	(134,357)	(160,169)
Deferred exploration, development and administration expenditures of resource properties abandoned	(12)	(19,413)
	<u>(134,369)</u>	<u>(179,582)</u>
	<u>619,516</u>	<u>349,126</u>
Balance at beginning of year	349,126	—
Deferred exploration, development and administration expenditures at end of year	<u>\$ 968,642</u>	<u>\$ 349,126</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

**Fairfield
Minerals
Ltd.**

Year ended January 31
1988 1987

CASH PROVIDED BY (USED FOR):

Financing		
Issue of common shares	\$ 1,275,928	\$ 1,816,511
Receipt of option payments on resource properties (note 1)	—	300,000
	1,275,928	2,116,511
Investments		
Interest income	127,085	61,707
Acquisition of resource properties	(303)	(86,599)
Deferred exploration, development and administration expenditures	(1,113,399)	(620,415)
	(986,617)	(645,307)
Changes in non-cash operating working capital	13,134	730
	(973,483)	(644,577)
Increase in cash	302,445	1,471,934
Cash at beginning of year	1,471,935	1
Cash at end of year	\$ 1,774,380	\$ 1,471,935

Cash includes term deposits and accrued interest.

STATEMENT OF INCOME AND DEFICIT

**Fairfield
Minerals
Ltd.**

	Year ended January 31	
	1988	1987
Write-off of resource properties abandoned		
Acquisition costs	\$ —	\$ 200,000
Deferred exploration, development and administration expenditures	12	19,413
	12	219,413
Write-off of general exploration and related administration expenditures	134,357	160,169
Loss for the year	134,369	379,582
Deficit at beginning of year	379,582	—
Deficit at end of year	\$ 513,951	\$ 379,582

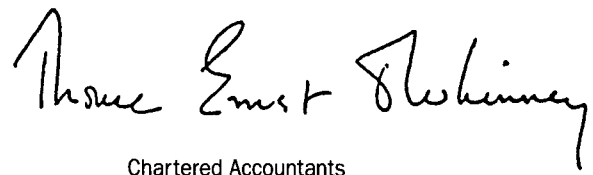
AUDITORS' REPORT

To the Shareholders of Fairfield Minerals Ltd.

We have examined the balance sheet of Fairfield Minerals Ltd. as at January 31, 1988 and the statements of deferred exploration, development and administration expenditures, income and deficit 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 financial statements present fairly the financial position of the Company as at January 31, 1988 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
February 26, 1988


Chartered Accountants

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JANUARY 31, 1988

Fairfield
Minerals
Ltd.

GENERAL

The Company was incorporated under the Company Act of British Columbia on October 23, 1984. Its principal business activities include the exploration for and development of mining properties.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

RESOURCE PROPERTIES

The company is in the development stage. Acquisition, exploration, development and administration expenditures less interest income and recoveries relating to resource properties are deferred until such time as the properties are put into commercial production, sold or abandoned. Acquisition costs and deferred exploration, development and administration expenditures on resource properties abandoned are written off. Exploration expenditures which do not relate to specific resource properties (general exploration) and related administration expenditures are written off in the year incurred.

The costs deferred at any time do not necessarily reflect present or future values. The Company does not accrue the estimated future costs of maintaining its resource properties in good standing.

FLOW-THROUGH COMMON SHARES

Proceeds received on the issue of flow-through common shares are allocated as follows:

- (a) the market value of the shares on the date of the agreement, together with interest earned on unexpended subscriptions, is credited to capital stock; and
- (b) the excess of the proceeds over the amount credited to capital stock, which is attributed to the value of the tax benefits flowed through to subscribers, is applied against mineral exploration expenditures.

EARNINGS PER SHARE

Earnings per share information has not been presented as this information is not considered meaningful at this stage of the Company's operations.

1. RESOURCE PROPERTIES

Resource properties are comprised of:

	1988	1987
Acquisition costs, less recoveries	\$ 1,886,902	\$ 1,886,599
Deferred exploration, development and administration expenditures	968,642	349,126
	<hr/> \$ 2,855,544	<hr/> \$ 2,235,725

The resource properties are all located in the Province of British Columbia and the Yukon Territory.

Getty Resources Limited ("Getty") has an option to earn a 50% interest and a second option to earn a further 10% interest in the Logan property. Under the terms of the agreement, Getty made option payments to the Company of \$400,000 (and to the Company's affiliate of \$600,000) and may earn the 50% interest in the property by incurring

total expenditures of \$4,500,000 by December 31, 1988. At January 31, 1988, Getty had expended approximately \$3,570,000. Getty may earn a further 10% interest in the Logan property if, within 60 days of providing the Company with all technical information relating to its expenditures, it pays an additional \$200,000. Getty is required to fund 100% of exploration expenditures until a production decision is made, at which time the Company may elect either to pay its proportionate share of costs or convert its property interest into a 15% net profit interest.

Equity Silver Mines Limited ("Equity Silver") has an option to earn a 60% interest in the Ram property by incurring total expenditures of \$2,400,000 by December 31, 1990. At January 31, 1988 Equity Silver had expended approximately \$483,000.

2. CAPITAL STOCK

The Company is authorized to issue 10,000,000 common shares, without par value.

(a) Issued

	<i>Number of shares</i>	<i>Capital stock</i>
Balance as at January 1, 1987	2,300,001	\$ 2,300,001
Issued for cash (net of issue costs)		
Public issue	1,500,000	1,389,305
Flow-through common shares	200,000	239,706
Exercise of warrants	150,000	187,500
	1,850,000	1,816,511
Less assigned value of tax benefits flowed through to subscribers	—	30,000
	1,850,000	1,786,511
Balance as at January 31, 1987	4,150,001	4,086,512
Issued for cash (net of issue costs)		
Public issue	300,000	396,648
Flow-through common shares	460,480	879,280
	760,480	1,275,928
Less assigned value of tax benefits flowed through to subscribers	—	232,429
	760,480	1,043,499
Balance as at January 31, 1988	4,910,481	\$ 5,130,011

**NOTES TO FINANCIAL
STATEMENTS** *CONTINUED*

**Fairfield
Minerals
Ltd.**

(b) Stock options

At January 31, 1988, stock options granted to directors are outstanding for 380,000 common shares exercisable until December 31, 1990 at \$1.10 per share.

(c) Flow-through common shares

During the year, the Company agreed to issue flow-through common shares at \$.99 per share for qualifying expenditures incurred before July 1, 1988 and at \$.945 per share from July 1, 1988 to December 31, 1988 to a total of \$250,000.

3. INCOME TAXES

The Company has the following amounts available to reduce future years' income for income tax purposes:

	<i>1988</i>	<i>1987</i>
Canadian exploration expenditures	\$ 402,000	\$ 242,000
Canadian development expenditures	300	—
Earned depletion	162,000	112,000
	<hr/> \$ 564,300	<hr/> \$ 354,000

4. RELATED PARTY TRANSACTIONS

A director is the president of the engineering company which was engaged for exploration work during the year. This company received \$169,500 (1987—\$87,600) for management fees, \$199,700 (1987—\$81,500) for consulting fees and \$60,000 (1987—\$51,300) for office space and services. The engineering company was also engaged by Getty and Equity Silver to carry out exploration on the Logan and Ram properties for which it received additional management and consulting fees from Getty and Equity Silver.

CORPORATE INFORMATION

**Fairfield
Minerals
Ltd.**

OFFICERS

John W. Stollery, President
Kenneth G. Hanna, Secretary

DIRECTORS

Michael F. Dubensky
Graham Farquharson
Owen S. Hairsine
Kenneth G. Hanna
Albert F. Reeve
John W. Stollery

REGISTRAR AND TRANSFER AGENT

The Canada Trust Company
Vancouver and Toronto

GEOLOGICAL CONSULTANTS

Cordilleran Engineering Ltd.

LEGAL COUNSEL

Lyll McKercher Hanna

AUDITORS

Thorne, Ernst & Whinney

SHARES LISTED (FFD)

Vancouver Stock Exchange

CAPITALIZATION

Authorized: 10,000,000 common shares

Issued: 4,910,481 common shares



Top left: Caribou aircraft
on Logan airstrip; Left:
Core logging at Logan;
Above: Examining mineral
specimens at Oka.

**Fairfield
Minerals
Ltd.**

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