

Annual Report 1989

PASS LAKE RESOURCES LTD.

September 5, 1989

VSE Trading Symbol: PLJ

NEWS RELEASE

ISKUT RIVER PROPERTY ACQUISITION

Pass Lake Resources Ltd. is pleased to announce that it has staked a 158-unit claim block some 50 kilometers north of the Eskay Creek gold discovery recently announced by Calpine Resources Inc. The claims are located immediately west of the Iskut River and five kilometers from the Stewart - Cassiar highway.


The claims are underlain by Lower to Middle Jurassic volcanic and sedimentary rocks, which are probably time-stratigraphic equivalents of the host rocks at Calpine. Felsic volcanic and intrusive rocks are mapped in the immediate vicinity and a copper-lead-zinc-silver-gold prospect is situated on the northern boundary of the property. A major fault, transecting the south-western part of the block, brings Upper Triassic volcanic rocks into contact with the Jurassic assemblage. Government geochemical data indicate streams draining the property are variably anomalous in copper, zinc, arsenic, gold and mercury.

Pass Lake intends to seek a third party to participate in the exploration and development of the claim group.

Pass Lake also wishes to announce the termination of its option agreement with Volcano Resources Corp. (VSE:VOM) on the PL 7-11 claims at Galore Creek due to Volcano's failure to meet a financing deadline by August 31, 1989. Pass Lake is currently negotiating with other parties regarding options on this and other properties in the Galore Creek and Telegraph Creek camps.

Pass Lake holds approximately 2,000 mineral claim units (about 500 sq. km.) in the Galore Creek, Telegraph Creek and Iskut gold camps of northwest British Columbia.

PASS LAKE RESOURCES LTD.


Jan E. Christoffersen,
President

The Vancouver Stock Exchange has neither approved nor disapproved the information herein.

PASS LAKE RESOURCES LTD.

1989 ANNUAL REPORT

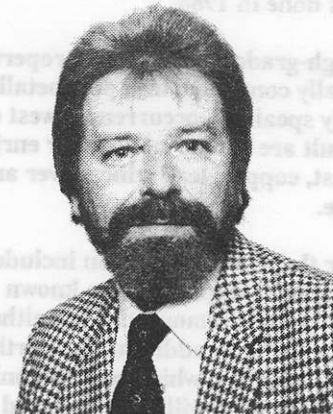
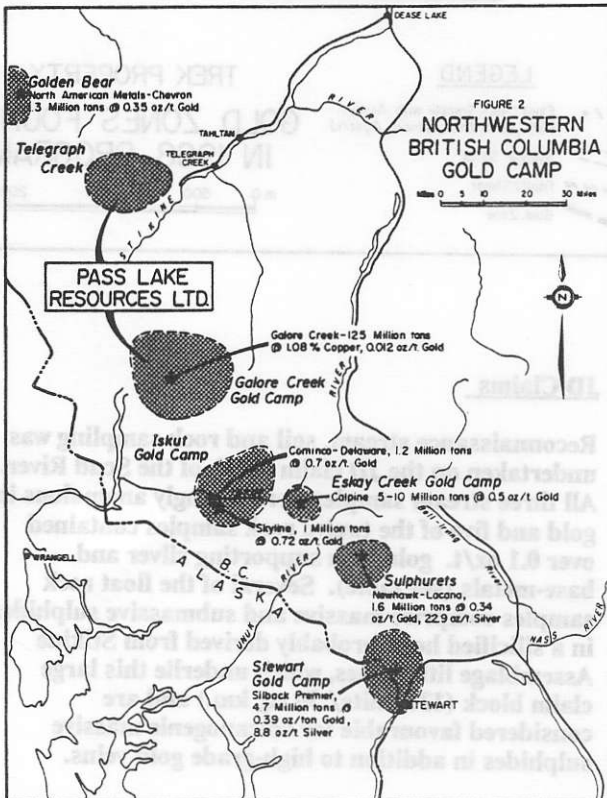
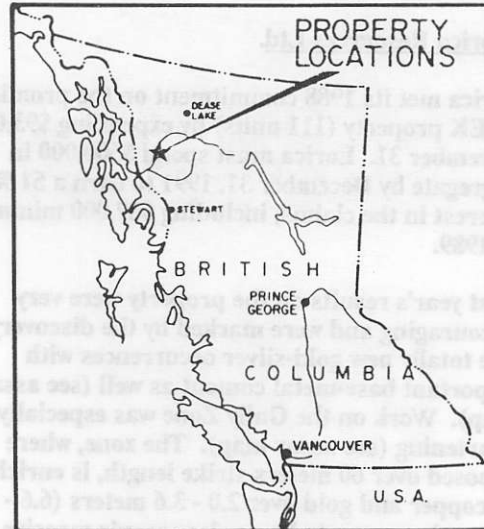
OPERATIONS REPORT

Your Company has experienced a year of remarkable growth in terms of land acquisition and third-party financing. As a consequence, major exploration programs during the 1989 field season are expected to generate important new discoveries on its large, well located mineral holdings at Galore Creek and Telegraph Creek,

Pass Lake will continue to pursue potential new property acquisitions commensurate with its resources and in keeping with market conditions.

NORTH-WEST BRITISH COLUMBIA

Since mid-1988, your Company has concentrated its entire land acquisition and exploration activities in north-west B.C., focusing on the emerging Galore Creek gold camp and, more recently, the Telegraph Creek district, some 70 kilometers to the north (see map). As discussed in Pass Lake's 1988 annual report, Galore Creek possesses fundamental geological analogies with the productive Iskut, Calpine, Sulphurets and Stewart gold camps to the south. Extensive research by the Company prior to staking earlier this year confirms that the Telegraph Creek camp holds similar precious-metal potential.



Jan E. Christoffersen
B.A.Sc., MBA, P.Eng.
President

GALORE CREEK

Land Acquisition

Pass Lake Resources has greatly expanded its land position from 95 units (24 sq. km.) in June, 1988 to 1,143 units (283 sq. km.) by April 30, 1989 (see claim map). Most of the claims were acquired by direct staking in the face of fierce competitor activity during that period. A substantial proportion of the claims has been optioned to third parties, who are required to spend in excess of \$4,000,000 over the next four years to earn a 51% interest in the properties.

Option Agreements

(1) Lorica Resources Ltd.

Lorica met its 1988 commitment on the promising TREK property (111 units) by expending \$93,000 by December 31. Lorica must spend \$500,000 in aggregate by December 31, 1991 to earn a 51% interest in the claims, including \$87,000 minimum in 1989.

Last year's results on the property were very encouraging and were marked by the discovery of five totally new gold-silver occurrences with important base-metal content as well (see assay map). Work on the Gully Zone was especially heartening (see assay map). The zone, where exposed over 60 meters strike length, is enriched in copper and gold over 2.0 - 3.6 meters (6.6 - 11 ft.) and appears to be a volcanogenic massive sulphide deposit. Geochemistry and geophysics suggest a strike length of 800 meters (2,600 ft.), which implies a large tonnage potential. The zone is open to the north beyond Sphaler Creek where no work was done in 1988.

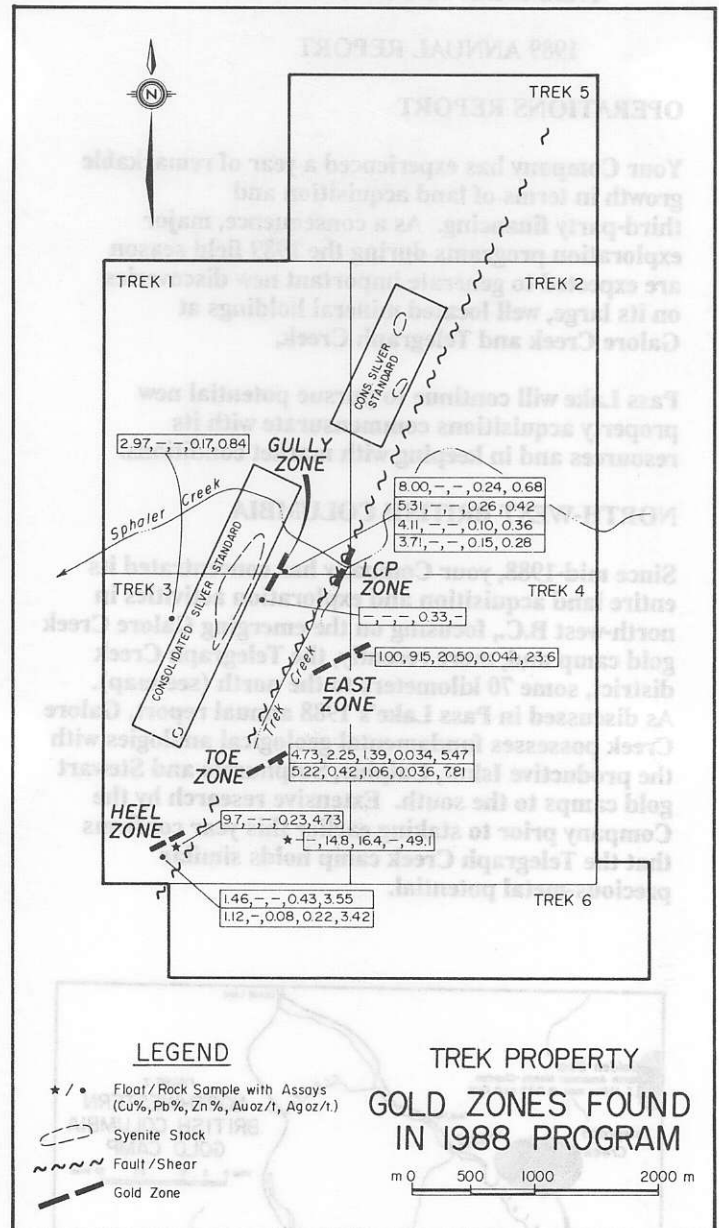
Other high-grade zones on the property are clearly structurally controlled and polymetallic. Generally speaking, occurrences west of the Trek Creek fault are copper-gold-silver enriched whereas to the east, copper, lead, zinc, silver and gold dominate.

Plans for the 1989 field season include detailed trenching and sampling of the known zones in preparation for diamond drilling either later this year or in 1990. In addition, the north and east parts of the claims, which received only minor attention last year, will be prospected and sampled thoroughly. Of particular note is a heavy sediment anomaly carrying 2,500 ppb gold, which drains the TREK 5 claim.

(2) Consolidated Goldwest Resources Ltd.

On January 3, 1989, Pass Lake concluded an option agreement whereby Goldwest must expend \$2,500,000 by December 31, 1991 to earn a 51% interest in 517 units (129 sq. km.) in nine claim groups. The agreement calls for Goldwest to spend \$500,000 in 1989 to maintain the option in good standing. The claims are favourably located peripheral to the large Galore Creek porphyry gold-copper deposit (see claim map).

The claims are all at a very early stage of development. Little exploration has been carried out on the ground except the JD and Wiser blocks where preliminary prospecting by Pass Lake in 1988 provided encouraging results.



JD Claims

Reconnaissance stream, soil and rock sampling was undertaken on the JD claim north of the Scud River. All three stream samples were strongly anomalous in gold and five of the twelve rock samples contained over 0.1 oz/t. gold with supporting silver and base-metals (see table). Several of the float rock samples comprise massive and submassive sulphides in a silicified host, probably derived from Stikine Assemblage lithologies, which underlie this large claim block (120 units/ 30 sq. km.) and are considered favourable for volcanogenic massive sulphides in addition to high-grade gold veins.

Selected JD Assay Results (Rock)

Sample	Source	Cu%	Pb%	Zn%	Au (opt)	Ag (opt)
245576	float	2.00	-	1.39	0.270	6.25
358153	float	0.29	-	0.14	0.102	0.26
358154	float	-	-	-	0.104	0.12
358155	float	-	0.37	0.68	0.238	0.56
358001	float	0.25	-	-	0.172	0.37

Wiser Claims

Reconnaissance prospecting and geochemical sampling on Wiser 1 yielded one strongly anomalous stream sediment anomaly (see table) and soil anomaly (370 ppb gold). Rock geochemical data from 15 samples indicated low-order gold anomalies up to 75 ppb, with supporting silver up to 4.0 ppm, copper up to 3,390 ppm (0.34%) and zinc up to 1,075 ppm. The limited time spent on this large block (112 units/ 28 sq. km.) will not permit the investigation of several gossans noted from the air.

The Wiser claims are well located, lying some five kilometers west of Pass Lake's TREK property and within 10 kilometers of two porphyry gold-copper deposits to the north, Galore Creek (125 million tons @ 1.06% Cu, 0.012 oz/t Au) and Copper Canyon (28 million tons @ 0.64% Cu) (see claim map). Rocks underlying the property comprise a complex assemblage of Upper Triassic Stuhini Group flows and pyroclastics, which are favourable hosts for precious-metal deposits.

Selected JD and Wiser Stream Sediment Samples

Property	Sample Number	Cu (ppm)	Pb (ppm)	Zn (ppm)	Au (ppb)	Ag (ppm)
JD 1	BY 1	28	6	44	1850	1.4
JD 1	TB 2	14	6	25	3720	1.2
JD 1	TB 3	16	6	31	700	0.8
Wiser	DH#1	63	8	64	530	0.2

(3) Texoro Resources Ltd.

On May 1, 1989, subsequent to year-end, Pass Lake and Texoro entered into an option agreement on the Quest claims (40 units/ 10 sq. km.). Texoro must spend \$400,000 in aggregate by December 31, 1992 in order to earn a 51% interest in the property.

The Quest claims are located immediately east of Pass Lake's well-mineralized TREK property (see claim map). It is underlain by Permian limestones in contact with Stuhini Group volcanic rocks along a major north-south fault structure.

There is no record of prior work on the claims. In 1989, an overview program of geochemistry and prospecting will be carried out to assess the ground's mineral potential.

(4) PL 7 - 11 Claims

Formerly under option to Volcano Resources Corp., the PL 7-11 claim group (100 units/ 25 sq. km.) reverted to 100% Pass Lake ownership on termination of the Volcano option in August, 1989.

The property is at an early stage of exploration but well located (see claim map). The Galore Creek gold-copper porphyry lies 12 kilometers to the north west. Immediately to the east, the Paydirt property hosts reported reserves of 204,000 tons of 0.12 oz/t Au in a shear marginal to a monzonite stock and a separate zone (Sue) of low-grade disseminated copper (0.1-0.2% Cu) of unknown tonnage.

The claims are underlain by favourable Stuhini volcanic rocks in the north east in contact along a north-west trending fault with Stikine Assemblage metasediments and metavolcanics in the south-west, which, as noted earlier, are potential hosts of volcanogenic massive sulphide deposits. Some seven silt samples collected on the property by the Government and private companies' surveys indicate stream anomalies up to 110 ppb gold, 248ppm copper, 59 ppm molybdenum, 26 ppm arsenic and 1630 ppm barium.

Pass Lake is now negotiating with other companies to obtain funding for continued exploration of the PL 7-11 claims.

(5) Other Pass Lake Claims

Pass Lake holds a 100% interest in an additional 375 units (69 sq. km.) in the Galore Creek gold camp.

The Ginny and Cuds groups (320 units/ 80 sq. km.) straddle Porcupine River in the south-west part of the camp. The claims are underlain by prospective Stikine Assemblage metavolcanic and metasedimentary rocks and Upper Triassic Stuhini volcanics. A granodiorite stock has been mapped in the southern part of the claims. A major WNW-trending shear zone is believed to traverse the property.

Regional stream geochemical data released by the B.C. Government in 1988, indicates low-order gold anomalies in the eastern limit of the block, although sample coverage is minimal.

The **Robb group** (55 units/ 14 sq. km.) adjoins the western boundary of the JD claims. The property occupies the contact zone between Upper Triassic volcanics to the east and a large porphyritic quartz monzonite pluton to the west. Government geochemical data show that streams draining the claims are anomalous in base metals.

In 1989, Pass Lake plans to undertake preliminary prospecting and geochemistry over these blocks to enhance their value for farm-outs to third parties in 1990.

TELEGRAPH CREEK

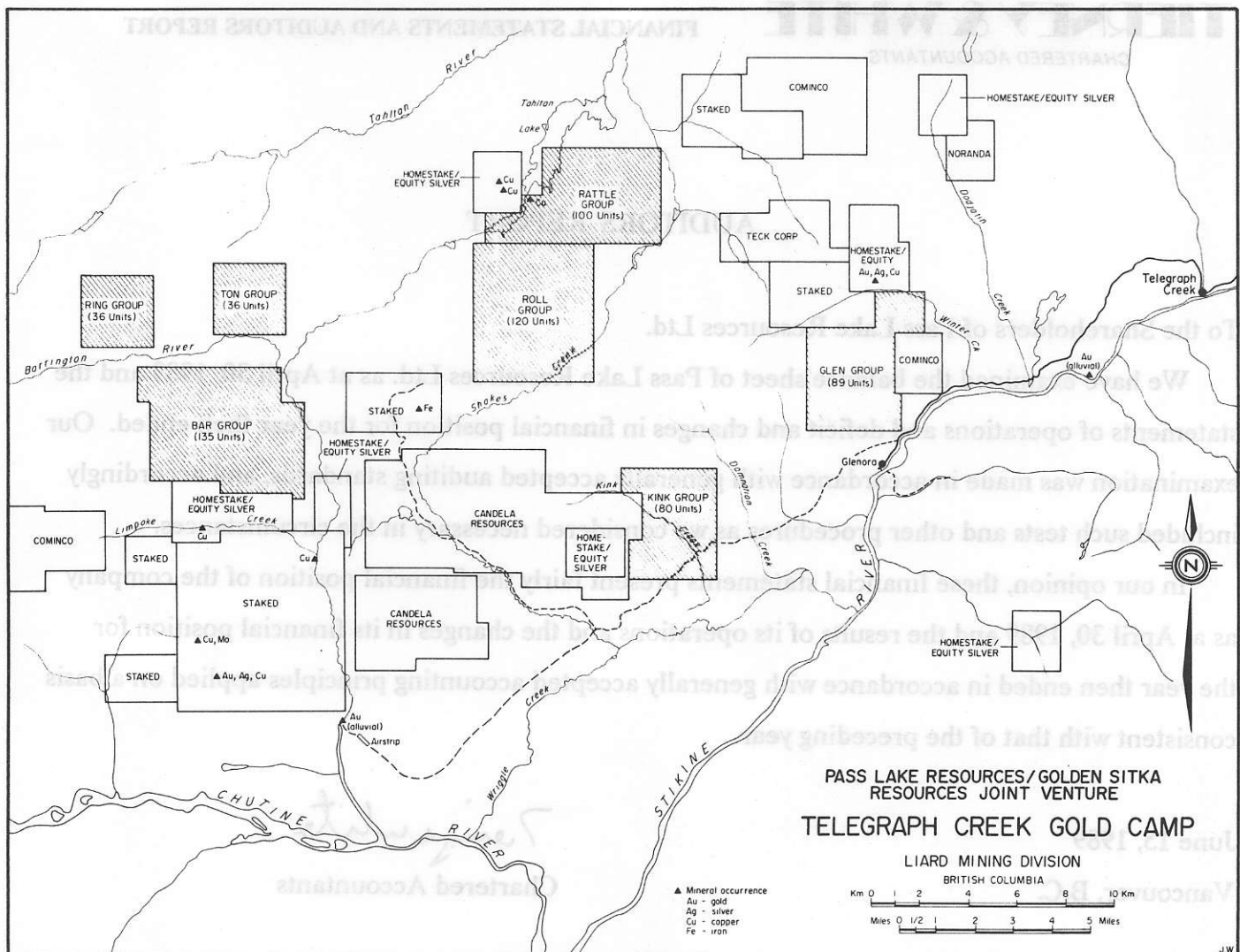
Land Acquisition

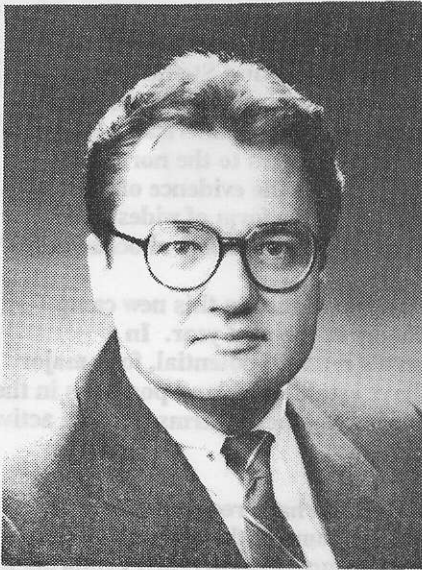
In March, 1989, Pass Lake and Golden Sitka Resources Ltd., an affiliate of Queenstake Resources, jointly staked 596 units (149 sq. km.) in seven groups in the Telegraph Creek district (see claim map). The staking was based upon a geological and geophysical model developed for the Galore Creek and Iskut gold camps, combined with Government regional geochemical data and other, largely public domain, mineral inventory data.

The companies believe that the area offers substantial potential for high-grade gold and base metal deposits similar to those being explored and developed in the Galore Creek, Iskut, Sulphurets and Stewart camps to the south. The Golden Bear gold mine, currently being developed for production by North American Metals/Homestake, lies just 40 kilometers to the north west. Within the district, there is ample evidence of precious and base metals in the form of widespread geochemical anomalies and known mineral occurrences.

Staking and exploration activities in this new camp have increased markedly in the past year. In recognition of the area's mineral potential, four major mining companies have established land positions in the camp among the growing number of firms that are active in the region.

Pass Lake and Golden Sitka have received tentative expressions of interest in some of the companies' claims from two major companies currently exploring in the camp. However, in the absence of firm commitments at this time, the joint venture partners plan to undertake modest reconnaissance programs to enhance the properties' value. Third party participation will be sought at the earliest appropriate moment for major exploration campaigns.





Donald D. Sharp, c.a.
Secretary-Treasurer

MANAGEMENT REPORT ON FINANCIAL RESULTS

During the past fiscal year, the Company increased its mineral property holdings approximately twenty-fold and carried out exploration programs on most of its newly acquired properties. This was achieved without substantial share dilution or severely impairing the Company's working capital position. This broadening of property holdings and commencement of exploration was largely achieved by entering into joint venture option agreements with other companies in which those companies would not only pay for the exploration programs but would also make share and cash option payments to Pass Lake. The funds so received have been applied to new property acquisition or operating costs.

The Company's working capital position is improving with the partial recovery of the receivable from the loan to Protector Industries and the sale of some of the marketable securities received in property option payments. Flow-through share issues made after year-end have funded exploration orientation programs on the Telegraph Creek and Galore Creek claims with the assistance of government funding from the Canadian Exploration Incentive Program which pays for 30% of exploration costs.

TIERNEY & WHITE
CHARTERED ACCOUNTANTS

FINANCIAL STATEMENTS AND AUDITORS REPORT

AUDITORS' REPORT

To the Shareholders of Pass Lake Resources Ltd.

We have examined the balance sheet of Pass Lake Resources Ltd. as at April 30, 1989 and the statements of operations 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 April 30, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

June 15, 1989
Vancouver, B.C.

Tierney & White
Chartered Accountants

PASS LAKE RESOURCES LTD.

BALANCE SHEET

APRIL 30, 1989

ASSETS

	NOTES	1989	1988
		<u>-----</u>	<u>-----</u>
CURRENT			
Cash		\$ 64,112	\$ 22,618
Accounts receivable		1,044	-
Prepaid expenses		1,500	-
		<u>-----</u>	<u>-----</u>
		66,656	22,618
LOAN RECEIVABLE	(3)	39,191	-
INVESTMENTS	(4)	24,470	-
MINERAL PROPERTIES AND DEFERRED COSTS	(5)	125,931	77,000
		<u>-----</u>	<u>-----</u>
		\$ 256,248	\$ 99,618
		<u>=====</u>	<u>=====</u>

LIABILITIES

CURRENT			
Accounts payable		\$ 8,500	\$ 5,384
		<u>-----</u>	<u>-----</u>

SHAREHOLDERS' EQUITY

SHARE CAPITAL	(6)		
Authorized			
20,000,000 Common shares without par value			
Issued			
4,223,524 Common shares (1988 - 2,765,817)		951,673	648,065
DEFICIT		(703,925)	(553,831)
		<u>-----</u>	<u>-----</u>
		247,748	94,234
		<u>-----</u>	<u>-----</u>
		\$ 256,248	\$ 99,618
		<u>=====</u>	<u>=====</u>

Approved by the Board of Directors:



Director



Director

PASS LAKE RESOURCES LTD.
STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED APRIL 30, 1989

	1989	1988
	-----	-----
REVENUE		
Interest income	\$ 6,800	\$ 2,730
Gain on sale of investment	107	-
	-----	-----
	6,907	2,730
	-----	-----
EXPENSES		
Audit and accounting	2,200	3,200
Interest and bank charges	626	1,789
Legal	12,748	30,638
Management fees	25,600	24,000
Office, telephone and sundry	3,336	4,593
Regulatory authorities	4,281	5,684
Shareholder, investor relations	7,082	-
Transfer agent	2,925	1,617
Write off incorporation cost	-	600
	-----	-----
	58,798	72,121
	-----	-----
LOSS BEFORE THE FOLLOWING	(51,891)	(69,391)
GAIN ON SETTLEMENT OF ACCOUNTS PAYABLE	-	2,937
GAIN ON CANCELLATION OF AGREEMENT PAYABLE	-	318,979
WRITEDOWN OF LOAN	(20,000)	-
LOSS ON ABANDONMENT OF MINERAL PROPERTIES	(78,203)	-
	-----	-----
NET INCOME (LOSS) FOR THE YEAR	(150,094)	252,525
DEFICIT, BEGINNING OF YEAR	(553,831)	(806,356)
	-----	-----
DEFICIT, END OF YEAR	\$(703,925)	\$(553,831)
	=====	=====

PASS LAKE RESOURCES LTD.
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED APRIL 30, 1989

	1989	1988
OPERATING ACTIVITIES		
Net income (loss) for the year	\$(150,094)	\$ 252,525
Add (deduct) items not involving an outlay of cash		
Deferred exploration costs written off	78,203	-
Write off incorporation cost	-	600
Gain on sale of investment	(107)	-
	(71,998)	253,125
Net decrease in non-cash working capital items	572	(364,352)
	(71,426)	(111,227)
INVESTING ACTIVITIES		
Loan (net of loss provision)	(39,191)	-
Investments (net)	(24,363)	-
Exploration and resource property costs	(167,884)	(77,000)
Property option payments received	40,750	-
	(190,688)	(77,000)
FINANCING ACTIVITIES		
Shares issued for cash	270,308	232,875
Shares issued for resource properties	33,300	-
Shares issued to settle debts	-	3,933
Shareholder loans	-	(71,113)
Accounts payable to be settled by shares	-	(4,850)
	303,608	160,845
INCREASE (DECREASE) IN CASH	41,494	(27,382)
CASH, BEGINNING OF YEAR	22,618	50,000
CASH, END OF YEAR	\$ 64,112	\$ 22,618

PASS LAKE RESOURCES LTD.

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 1989

1. SIGNIFICANT ACCOUNTING POLICIES

a) Mineral Properties and Deferred Costs

The company is in the process of exploring its mineral properties. Accordingly, property acquisition and exploration costs are deferred until the property is placed into production, sold or abandoned. The deferred costs will be amortized over the productive period when a property reaches commercial production. On abandonment or sale of any property, applicable accumulated deferred expenditures will be written off.

The amount shown for mineral properties represents costs to date and does not necessarily represent present or future value.

b) Option Agreements

From time to time, the company acquires or disposes of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as mineral property costs or recoveries when the payments are made or received.

2. OPERATING STATUS

The financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The company is in the exploration stage and additional costs for exploration and development of its mining properties must be incurred. The continuation of the company as a going concern is therefore dependent on its ability to obtain additional financing for the exploration and development of its mineral properties and the attainment of successful operations.

3. LOAN RECEIVABLE

The company has an amount due from Protector Industries Corp. secured by specialized inventory and sales receivables. The company has provided \$20,000 for possible loss on recovery of this amount due. The recovery of any part of this amount is subject to the ability to sell the inventory and collect the receivables.

4. INVESTMENTS

	<u>April 30, 1989</u>	
	<u>Number of</u> <u>shares</u>	<u>Cost</u>
Consolidated Goldwest Resources Ltd. (VSE)	21,500	\$23,220
Volcano Resource Corp. (VSE)	12,500	1,250
Total		----- \$24,470 =====

The quoted market value of the investments at the close of trading on April 28, 1989 (the last trading day before year-end) was \$16,730.

5. MINERAL PROPERTIES AND DEFERRED COSTS

<u>Properties</u>	<u>Opening</u>	<u>Expenditures</u>	<u>Write-down</u>	<u>Recoveries</u>	<u>Closing</u>
<u>Pass Lake and Slocan, B.C.</u>					
Exploration	\$77,000	\$ 1,203	\$78,203	\$ -	\$ -
<u>TREK, B.C.</u>					
Acquisition	-	44,743	-	-	44,743
Exploration	-	8,631	-	-	8,631
<u>Goldwest, B.C.</u>					
Acquisition	-	40,876	-	39,500	1,376
Exploration	-	35,937	-	-	35,937
<u>Volcano, B.C.</u>					
Acquisition	-	3,007	-	1,250	1,757
Exploration	-	600	-	-	600
<u>Galore Ck., B.C.</u>					
Acquisition	-	13,351	-	-	13,351
Exploration	-	6,029	-	-	6,029
<u>Telegraph Ck., B.C.</u>					
Acquisition	-	10,134	-	-	10,134
Exploration	-	3,373	-	-	3,373
TOTAL	----- \$77,000 =====	----- \$167,884 =====	----- \$78,203 =====	----- \$40,750 =====	----- \$125,931 =====

6. SHARE CAPITAL

- a) The company has authorized share capital of 20,000,000 common shares. Changes in the company's issued and outstanding common shares during the year were as follows:

	<u>Number of Shares</u>	<u>Amount</u>
BALANCE - APRIL 30, 1988	2,765,817	\$ 648,065
Shares issued on exercise of agent warrants pursuant to public offering	500,000	100,000
Shares issued pursuant to private placements	577,778	123,388
Shares issued on stock option exercises	276,000	46,920
Shares issued for mineral properties	<u>103,929</u>	<u>33,300</u>
BALANCE - APRIL 30, 1989	<u>4,223,524</u>	<u>\$ 951,673</u>

- b) The company has granted stock options to directors and employees. Options outstanding at April 30, 1989 allow for the acquisition, in aggregate, of up to 250,000 shares at an exercise price of \$.40 per share. The options are for two year terms, expiring principally in 1990, and are exercisable in whole or in part at any time during that term.
- c) In connection with the flow-through share private placements the company has incurred Canadian Exploration Expenditures (CEE) in an amount equal to the consideration received and has renounced to the shareholders the tax benefits associated with the CEE incurred.
- d) Of the company's issued and outstanding shares, 557,813 are held in escrow, their release being subject to the approval of the regulatory authorities.

7. INCOME TAXES

The company has \$299,663 available from operating losses to reduce income taxes in future years.

8. RELATED PARTY TRANSACTIONS

During the year the company paid \$43,000 to directors and senior officers for management of the company's affairs.

Corporate Directory

Directors

Jan E. Christoffersen
Donald D. Sharp*
Leonard W. Brownlie*
Gerald T. Cook*

* - *Audit Committee*

Officers

President - Jan E. Christoffersen
Secretary - Donald D. Sharp
Treasurer - Donald D. Sharp

Stock Exchange Listing

Vancouver Stock Exchange
- Symbol PLJ

Registered and Records Office

1105 - 1020 Howe St.,
Vancouver, B.C. V6Z 1R2

Administration Office

1105 - 1020 Howe St.,
Vancouver, B.C. V6Z 1R2
Telephone (604) 682-5205

Exploration Office

14070 Greencrest Drive
White Rock, B.C. V4A 2Y4
Telephone (604) 536-9452

Solicitors

DuMoulin Black
10th Floor, 595 Howe St.,
Vancouver, B.C.

Auditors

Tierney & White
214 - 131 Water St.,
Vancouver, B.C.

Register and Transfer Agent

National Trust Company
900 Park Place Tower
666 Burrard St.,
Vancouver, B.C. V6C 2Z9

To receive Pass Lake annual reports or news releases, please
call or write to the Company's administration office.