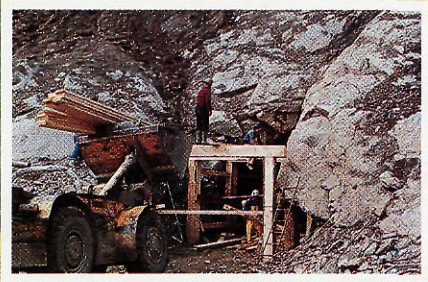


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Dome Mt.
AUG 11 1988

Teeshin Resources Ltd. 1987 Annual Report



Teeshin Resources Ltd.

A natural resource company concentrated in exploration and development of precious metals. With the Feasibility Study now complete on its Smithers, British Columbia gold and silver project, production will commence in 1988. Other projects are aggressively being pursued by Teeshin's management team. Teeshin Resources Ltd.: a company with a prosperous future.

A company with a prosperous future

Cover Photo

Pictured is an old head frame on Teeshin Resources Ltd.'s Dome Mountain Project in British Columbia. In the first half of this century, miners fired a steam driven winch with cord wood to hoist gold ore to the surface at this facility.

Insert Photos *(from left to right)*

Drilling on the Boulder Zone.

Start of underground exploration at Dome Mountain.

Examining a high grade gold vein underground.

TO THE SHAREHOLDERS

The past year has been the most significant in our company's history. The development of an economically viable ore body at the Dome Mountain Project has ensured the Company's first producing gold mine in 1988. New acquisitions have afforded future sources of revenue and interesting exploration prospects. Challenges over the change of operatorship of the Dome Mountain Project have been successfully met and resolved. Therefore, it is with great pleasure that I present this report on behalf of the Board of Directors.

Much of the Company's success can be credited to the Flow Through Share Tax Shelter programs which are now being phased out by the Canadian Government. Private Placement Financing of \$2,500,000, through N.I.M. Management at prices above the market, enabled exploration on Dome Mountain, Lake of the Woods, Great Central Lake, Freemont Joint Venture, and Goldsmith Joint Venture projects. The results are the turning point for Teeshin to move from a junior exploration company to a gold producer.

December 1987 saw the completion of the Dome Mountain Feasibility Study. Other project participants must now agree to fund 80% of the \$15,800,000 development cost to earn a 50% interest in the project. Teeshin's participation in the present \$54,000,000 in-ground ore body and future reserves now becomes twofold: fund only 20% and retain a 37½% working interest, if the other participants back-in; or, carry the project forward to production, retaining a 75% working interest plus accelerated capital recovery. These decisions and the start of construction are expected by May 1988.

In addition to the ore body covered by the Feasibility Study, exploration has been carried out on five of the numerous known gold zones on the property. Significant economic or near economic mineralization has been identified in four of these zones, affording excellent opportunities for development of further ore reserves.

The Lake of the Woods project yielded exceptional results in the preliminary examination, as have other acquisitions in the area of the major claim group. This encouragement has prompted the Company to plan a more extensive examination of

these holdings in 1988. Further details of each project are set out in this report.

The Dome Mountain land position is somewhat complicated by numerous underlying agreements that form part of the total claim group assembly. During the year, your company was successful in acquiring three of the underlying agreements which carry with them substantial payments, royalties and/or working interests. These acquisitions are a valuable addition to Teeshin's interest in the project.

Management's straightforward approach to meeting the Company's contractual obligations in the Dome Mountain contracts was challenged by Canadian United Minerals Inc. in 1986. Many accusations and claims were made and some were aired publicly. In September 1986, it became necessary for your company to replace Canadian United Minerals Inc. as operator of the Dome Mountain Project. Teeshin's right to replace the operator and other contractual rights and obligations were placed before an Arbitrator. The resulting Arbitration Case was awarded in Teeshin's favour, along with costs. All members of your company's Management Team and Consulting Group are to be congratulated for their meticulous record keeping and presentation of project data, which adequately demonstrated the justification of our action. Shareholders can rely on this form of diligence to ensure the Company's future.

"Bright and Shiny" is the best description of your company's future. The annual meeting will see the introduction of some prominent mining people to the Directorate and Management of the Company, adding significant technical knowledge to the project operation side of a progressive organization.

On behalf of the Board of Directors, may I take this opportunity to thank our shareholders for their support over the past year. May you all prosper with Teeshin in 1988.

Sincerely,



President & C.E.O.

THE PROJECTS

DOMES MOUNTAIN

The Dome Mountain property is located 38 kilometers due east of Smithers, a regional centre in central British Columbia with an area population of approximately 15,000 people, located on the main Canadian National Railway line to Prince Rupert. The area is serviced by the main Provincial highway between Prince Rupert and Prince George and daily air service by Canadian Airlines International. The property covers an area of 5,354.7 hectares made up of 65 claims containing 237 units.

Teeshin's involvement in the Dome Mountain Project commenced in December of 1985. During the past two years, programs approved and financed by Teeshin have brought the project to the production decision stage. The project includes several groups of claims partially assembled into a contiguous group in the early 1980's. In 1984 Noranda optioned the earlier assembly and added additional claims. Noranda optioned the assembled claim group to Canadian United Minerals Inc., who in turn optioned 75% of the project to Teeshin Resources Ltd.

An exploration program conducted by Noranda in 1985 demonstrated the existence of numerous gold showings and anomalies on the claim group. A limited drill program outlined a small geological reserve in a portion of the Forks Zone. The 1986 exploration program delineated approximately 150,000 geological tons in the Boulder Zone with average grades of 0.56 oz. gold and 2.8 oz. silver per ton. Limited work was carried out in other areas of the claim group.

In 1987, the Argillite Zone was discovered and proven to be a southeasterly extension of the Boulder Zone. Proven and probable reserves in the Boulder-Argillite Zone rose to 319,280 tons with an average grade of 0.37 oz. gold and 2.0 oz. silver per ton over a strike length of 1900 feet. The zone is the subject of the Feasibility Study (details follow). Only 20% of the claim group has undergone a full geological evaluation to date. Within this area of the claim group, 5 known gold bearing shear zones have undergone preliminary drilling, in addition to the Boulder-Argillite Zone. Economic intersections or near-economic intersections were encountered in four of the five shear zones.

A brief description of these zones follows:

Cabin Zone

Lies in the western extension of Boulder shear zone. Seven drill holes to date. Best intersection: 0.36 oz. gold/ton over 7.5 feet.

Federal Zone

West of the Cabin Zone in the same shear structure. The most extensive alteration known to the property to date, ranging up to fifty feet in width and containing two parallel veins with width to sixteen feet. Seven holes drilled, with grades improving as drilling progressed westerly. Best intersection: 0.18 oz. gold/ton over 2 feet.

Forks-9800 Zone

Shear zone with strike length over 800 feet. 20,000 geological tons identified with average grade of 0.56 oz. gold/ton.

Jane-Chisholm Zone

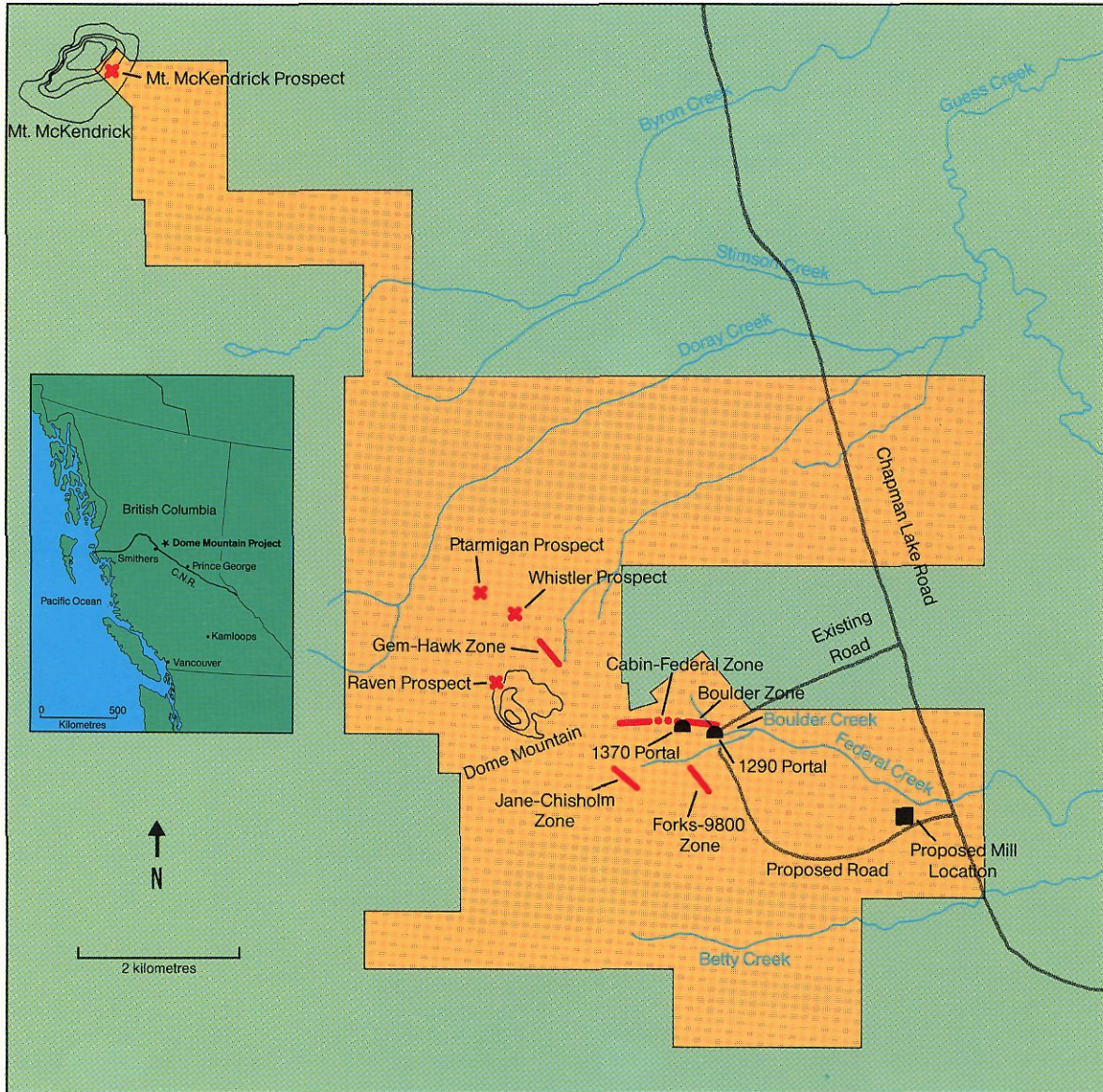
Shear zone with a strike length of 1600 feet. Two parallel veins identified. Best intersections: West vein - 0.193 oz. gold/ton over 4.6 feet; East vein - 0.59 oz. gold/ton over 1 foot.

Gem-Hawk Zone

Northeast trending shear with strike length over 1,500 feet identified to date. Eight parallel veins identified to date; three holes drilled. Best intersection: 0.4 oz. gold/ton over 1 foot.

Several other showings and anomalies still remain to be examined within the portion of the claim group on which work was carried out, as well as many other targets in the balance of the claims.

Dome Mountain Property

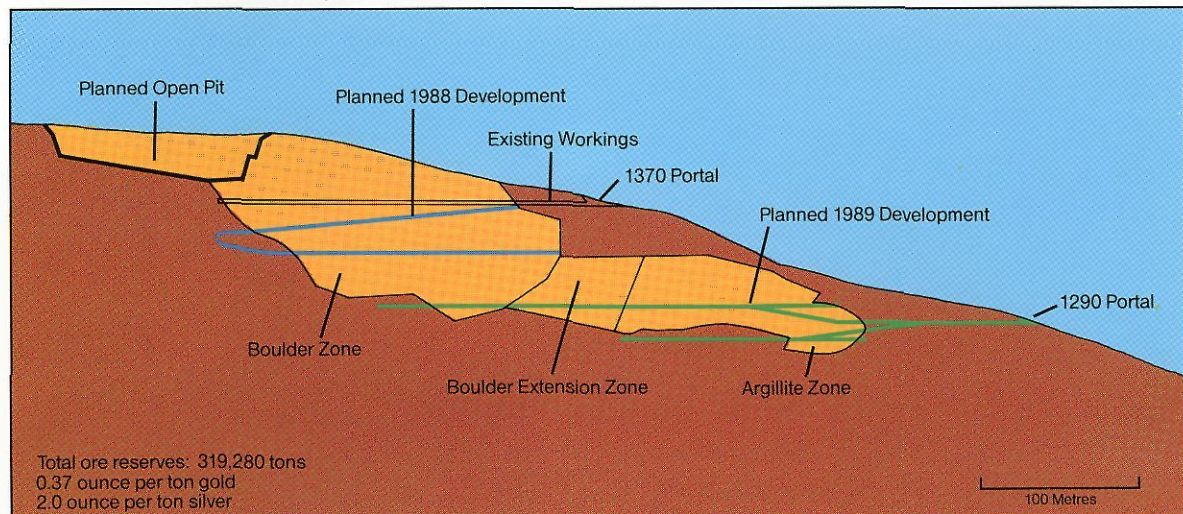


Teeshin Resources Ltd.

SUMMARY OF FEASIBILITY STUDY

Present Minable Ore Reserves	319,280 tons at 0.37 opt gold and 2.0 opt silver.	Capital Costs	\$15,800,000
Production	496 tons per day mining, basis 5 days/week, 50 weeks/year; 344.5 tons per day milling, basis 360 days/year; 124,000 tons per year.	Operating Costs (\$/ton)	Mining \$47.67 Milling 14.73 Administration 7.00 \$69.40
Mining Method	Mechanized cut and fill, with small open pit as combined source of ore and fill.	(\$/oz)	C\$200/oz US\$150/oz
Milling Method	Standard cyanidation with Merrill-Crowe gold recovery.	Royalties	3% net smelter return
Schedule	Construction to start May 1988. Mill start-up December 1988.	Recoveries	Gold - 95% Silver - 40%
		Prices	Gold US\$450 Silver US\$7.50/oz Exchange C\$0.75
		Payback	15 months from start-up
		D.C.F. R.o.R.	55%
		Price for 15% D.C.F. R.o.R.	US\$290/oz

Dome Mountain Project Longitudinal Projection



FINANCIAL PROJECTIONS (in 000)

The following financial projections have been prepared, based on present minable reserves only, to demonstrate the economic viability of the present ore body. No attempt has been made to project continuing income from the development of additional ore on the project.

Project	1989	1990	1991
Tons Milled	114	124	85
Gold (oz)	40	43	30
Revenue	24,073	26,261	17,980
Operating Costs	7,890	8,607	5,893
Operating Profit	16,183	17,654	12,087
After-tax Cash Flow	16,013	9,899	5,993
Net Income	5,968	6,510	4,457

Teeshin 75%	1989	1990	1991
Tons Milled	114	124	85
Gold (oz)	31	33	22
Revenue	18,704	19,866	13,585
Operating Costs	5,918	6,456	4,420
Operating Profit	12,787	13,410	9,165
After-tax Cash Flow	9,152	9,938	6,741
Net Income	4,005	5,019	3,757
Per Share	\$0.40	\$0.50	\$0.38

Teeshin 37.5%	1989	1990	1991
Tons Milled	114	124	85
Gold (oz)	10	17	11
Revenue	5,989	10,153	6,843
Operating Costs	2,959	3,228	2,210
Operating Profit	3,030	6,925	4,633
After-tax Cash Flow	1,897	3,746	2,246
Net Income	659	3,238	2,214
Per Share	\$0.07	\$0.32	\$0.22

ACQUISITIONS

During 1987, Teeshin acquired three of the underlying agreements that form part of the Dome Mountain Project. Some of the claims covered by these agreements have known gold showings or zones on which some exploration work has already been carried out. The following is a brief description of the three agreements acquired:

Warren Agreement

- 12 claims;
- payment receivable: \$469,500;
- royalty of 5% NSR reducing to 2% after first \$670,000;
- gold zones covered by these claims: Forks-9800, Ptarmigan-Hawk, Jane-Chisholm, and Hoops.

McIntyre Mines Agreement

- 7 claims;
- 10% carried working interest;
- agreement expires June 1988 if not in production, and claims revert to agreement holder;
- gold zones covered by these claims: Federal Zone, Ptarmigan-Hawk, and a large gold geochemical anomaly near the Ptarmigan-Hawk Zone.

L'Orsa Agreement

- 3 claims, consisting of 18 units;
- payment receivable: \$163,000;
- 3% NSR royalty;
- gold zones covered by these claims: Mount McKendrick prospect.

Teeshin is required to maintain these agreements until the back-in right is exercised or the project reaches production, after which all participants share in the cost. The Company anticipates substantial revenue from these claims in the future, over and above its participation in the Dome Mountain Project.

OTHER PROPERTIES

ZARN LAKE PROJECT

The Company holds a 50% Joint Venture interest with Goldwinn Resources Ltd. in 26 unpatented mining claims in the Patricia Mining District near Sioux Lookout. The claims are subject to a 1¾% Net Smelter Return royalty to a maximum of \$400,000. Sufficient work has been carried out in the claim group to date that they may now be taken to lease. Although no further assessment work is required, the Company plans to carry out drilling on two gold anomalies that remain to be explored.

LAKE OF THE WOODS

Teeshin has the right under various agreements to earn up to 100% in 109 claims covering approximately 4500 acres, located between Lake of the Woods and Shoal Lake. The property is located on the eastern side of Canoe Lake stock, along a parallel deformation zone which is the controlling structure for the Consolidated Professor and St. Joe deposits. The property is subject to Net Smelter Return royalties ranging from 3% to 5%. Under certain circumstances the Company has the option to reduce certain of the royalties to 1% by paying \$500,000. Of foremost interest is a significant geochemical anomaly on the Squaw Lake grid. This anomaly is 1,000 meters long and up to 75 meters wide with consistent values from 50 PPB gold to 3,000 PPB gold. Silver values as high as 13.9 PPM are also coincident with the anomaly. Subsequent fill-in samples were taken on a number of lines to confirm the results. Values from these samples were similar or higher than those of the original survey. The Company plans a drilling program early in 1988.

FREMONT JOINT VENTURE

168 units covering approximately 10,000 acres are located mostly to the southeast of the Dome Mountain Project, except for 15 units which lie along the westerly boundary of the Project. Teeshin holds a 50% Joint Venture interest in the claims. The property is subject to a 10% Net Profits royalty. A limited program was completed in 1987. Proximity to the Dome Mountain Project holds well for future exploration.

GREAT CENTRAL LAKE

This group of 35 units lies in the Alberni Mining District approximately 28 km west-southwest of Port Alberni on central Vancouver Island. Teeshin has an option to earn up to a 100% interest in the claims. The property is subject to a 2% Net Smelter Return royalty. A preliminary geological examination was undertaken in 1987, covering structural geology, geochemical and rock sampling. Results were minimal. A more extensive examination may be warranted.

GOLDSMITH JOINT VENTURE

In 1987, Teeshin entered into an agreement whereby a 50% interest could be earned in 102 units held under option by Goldsmith Minerals on a property adjacent to the Dome Mountain Project. The property is subject to Net Smelter Return royalties ranging from 2% to 4%. A limited program was carried out in 1987. Only 15 of the units have potential for further exploration.

Note: A unit in British Columbia is equal in size to a mineral claim.

LEGAL AND FINANCIAL

LEGAL

Arbitration Case:

In November, 1986, Canadian United Minerals Inc. challenged Teeshin's right to replace them as operator of the Dome Mountain Project. The arbitrator, Mr. Leon Getz, of the law firm of Freeman and Company, gave the following conclusion in his award on October 21, 1987:

"I have accordingly reached the conclusion, overall, that a significant number of the complaints made by Teeshin in its letter of July 30, 1986 were well-founded and involved breaches by Canadian United of its obligations under the terms of the Restated Agreement, and that Teeshin was entitled to give 30 days written notice to Canadian United to correct its breaches, and that in respect of the proper notice given, Canadian United failed to do so. I have reached the conclusion, therefore, that Teeshin was entitled to appoint a new Operator as it did, and that, as a matter of interpretation of the Agreement, Canadian United is deemed to have resigned.

"Accordingly, Canadian United's application for a declaration that it was unlawfully terminated as Operator on the Dome Mountain Project, and that it be ordered reinstated as Operator, must be rejected."

Damage Claim:

As a result of the actions of other participants in the Dome Mountain Project, Teeshin sought legal advice as to its rights. Steven Mulhall, Senior Partner in the law firm of Ladner Downs, Vancouver, has advised Teeshin that it has a substantial damage claim against Canadian-United, Total Erickson, Panther Mines and Reako Exploration. The basis of the claim stems from these parties co-operating to withhold project data from Teeshin, disclosing the data to others without Teeshin's consent, and using this data to prevent Teeshin from acquiring the Noranda interest. No action has been commenced as yet. Teeshin management and directors are assessing the Ladner Downs opinion.

FINANCIAL

In June of 1987, Teeshin signed an agreement with N.I.M. Management for \$1,500,000 of 1988 Flow Through exploration financing. The agreement was closed in December, 1987, and the issue price for the shares is \$1.45 per share if issued before July 1, 1988, and \$1.31 per share if issued after June 30, 1988. Present plans call for exploration work to be carried out on the Lake of the Woods project in 1988, with a portion of these funds. The balance of these funds have not been allocated to a project at this writing.

On receipt of the Feasibility Study, the Company began negotiations for capital financing for the Dome Mountain Project. Teeshin requires \$3,160,000 to fund 20% of capital costs to earn the 37½%. \$15,800,000 will be required if the other participants in the project do not exercise their back-in right. A convertible debt instrument is proposed to secure the \$3,160,000 and a combination of convertible debt and straight debt is proposed if the \$15,800,000 is required. The Company expects to announce placement of the financing early in 1988.

AUDITORS' REPORT

To the Shareholders of Teeshin Resources Ltd.

We have examined the consolidated balance sheet of Teeshin Resources Ltd. as at September 30, 1987 and the consolidated statements of loss 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 consolidated financial statements present fairly the financial position of the company as at September 30, 1987 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.

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL
Chartered Accountants

Toronto, Ontario
November 2, 1987

CONSOLIDATED BALANCE SHEET

September 30, 1987

ASSETS	<u>1987</u>	<u>1986</u>
CURRENT		
Cash	\$ 5,083	\$ 65,620
Prepaid expenses and sundry deposits	11,014	4,628
Resource property advances	-	215,000
Accounts receivable	75,740	38,458
Due from Goldwinn Resources Ltd. (Note 8)	26,763	25,693
	<u>118,600</u>	<u>349,399</u>
RESOURCE PROPERTIES (Note 2)	5,358,662	1,648,278
FURNITURE, FIXTURES AND EQUIPMENT (Note 3)	15,597	2,290
INCORPORATION COSTS, at cost	779	779
	<u>\$5,493,638</u>	<u>\$2,000,746</u>
LIABILITIES		
CURRENT		
Bank loan (Note 4)	48,000	75,000
Accounts payable and accrued liabilities	707,067	93,085
	<u>755,067</u>	<u>168,085</u>
LOANS PAYABLE (Note 6)	29,747	15,085
	<u>784,814</u>	<u>183,170</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK AUTHORIZED (Note 5)		
1,000,000 Voting, non-participating, special shares, without par value		
25,000,000 Common shares, without par value		
ISSUED		
500,000 Special shares	500	500
10,798,474 Common shares (1986 - 8,228,446)	6,010,927	2,633,826
AMOUNT REPRESENTING SHARES TO BE ISSUED	-	275,000
	<u>6,011,427</u>	<u>2,909,326</u>
DEFICIT	(1,302,603)	(1,091,750)
<i>See accompanying notes to financial statements.</i>	4,708,824	1,817,576
	<u>\$5,493,638</u>	<u>\$2,000,746</u>
APPROVED ON BEHALF OF THE BOARD:		
STAFFORD KELLEY, Director		
MARILYN BLOOVOL, Director		

CONSOLIDATED STATEMENT OF LOSS AND DEFICIT

For the year ended September 30, 1987

	<u>1987</u>	<u>1986</u>
REVENUE	-	-
EXPENSES		
Provision for write-off of mining properties and deferred administrative expenditures (Note 2)	\$ 66,447	\$ 22,329
Loss on land and building on foreclosure of mortgage	-	109,827
Audit	300	2,250
Office and general	67	11
	<u>66,814</u>	<u>134,485</u>
NET LOSS FOR THE YEAR	(66,814)	(134,485)
DEFICIT, beginning of year	<u>(1,091,750)</u>	<u>(937,565)</u>
	(1,158,564)	(1,072,050)
Add: Costs related to issuance of common shares	<u>(144,039)</u>	<u>(19,700)</u>
DEFICIT, end of year	<u>\$(1,302,603)</u>	<u>\$(1,091,750)</u>
LOSS PER SHARE	<u>\$(.01)</u>	<u>\$(.02)</u>

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended September 30, 1987

	<u>1987</u>	<u>1986</u>
OPERATING ACTIVITIES		
Net loss for the year	\$(66,814)	\$(134,485)
Write-down of mining properties	66,447	22,329
Depreciation	821	180
Change in non-cash components of working capital	784,244	(368,506)
	<u>784,698</u>	<u>(480,482)</u>
FINANCING ACTIVITIES		
Costs related to issuance of common shares	(144,039)	(19,700)
Mortgage payment on foreclosure of land and building	-	(767,577)
Increase (decrease) in loans payable	14,662	(69,591)
Decrease in notes payable	-	(57,448)
Issuance of common shares	3,377,101	1,490,448
Amount representing shares to be issued	(275,000)	275,000
	<u>2,972,724</u>	<u>851,132</u>
INVESTING ACTIVITIES		
Increase in resource properties	(3,776,831)	(1,237,688)
Purchase of land and building	-	935,300
Purchase of furniture, fixtures and equipment	(14,128)	(2,470)
	<u>(3,790,959)</u>	<u>(304,858)</u>
CHANGE IN CASH AND CASH EQUIVALENT	(33,537)	65,792
CASH AND CASH EQUIVALENT, beginning of year	(9,380)	(75,172)
CASH AND CASH EQUIVALENT, end of year	<u>\$(42,917)</u>	<u>\$(9,380)</u>
REPRESENTED BY:		
Cash	\$ 5,083	\$ 65,620
Bank loan	(48,000)	(75,000)
	<u>\$(42,917)</u>	<u>\$(9,380)</u>

See accompanying notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 1987

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF STATEMENT PRESENTATION

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary companies, Addama Resources Ltd. and 568613 Ontario Inc.

b) DEPRECIATION

Depreciation on the furniture, fixtures and equipment is being provided for on declining balances basis at an annual rate of 5%.

c) RESOURCE PROPERTIES

i) Mining Properties

Mining properties represent the cost of mineral claims plus exploration and development costs incurred. These costs will be amortized against income if the properties are brought into commercial production or written off to income at the earlier of the decision to abandon the property and the lapse of the claims.

ii) Deferred Administrative Expenditures

The company defers all administrative expenditures less related non-active income and recoveries. These costs, on a pro-rata basis, will be amortized against income if the properties are brought into commercial production or written off to income at the earlier of the decision to abandon the property and the lapse of the claims.

2. RESOURCE PROPERTIES

	<u>1987</u>	<u>1986</u>
Mining Properties		
Freemont property, B.C., 50% interest [Note 10(g)]	\$ —	\$ —
Silver Creek, Oregon, 5% interest	—	47,847
Zarn Lake, Ontario, 50% interest	219,577	219,336
Goldsmith property, B.C., 50% [Note 10(b)]	2,628	—
Great Central Lake property, B.C., 100% interest [Note 10(c)]	5,915	—
Whymark property, Ont., 100% interest	80,589	—
Dome Mountain Project, Smithers, B.C., up to 75% interest	4,137,324	878,393
	<u>4,446,033</u>	<u>1,145,576</u>
Oil and Gas Property		
Judy Creek, Alberta, 2½% interest	57,448	57,448
Deferred Administrative Expenses		
Balance, beginning of year	445,254	169,955
Add: Administrative expenditures incurred during the year (net of recoveries and write-offs)	409,927	275,299
Balance, end of year	<u>855,181</u>	<u>445,254</u>
Total Resource Properties	<u>\$ 5,358,662</u>	<u>\$ 1,648,278</u>

3. FIXED ASSETS

	<u>1987</u>			<u>1986</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Net</u>
Furniture, fixtures and equipment	\$ 16,598	\$ 1,001	\$ 15,597	\$ 2,290

4. BANK LOAN

The loan bears interest at prime plus 1% per annum and is due on demand. The principal is being prepaid in the amount of \$2,000 per month. The loan is secured by an assignment of book debts.

5. CAPITAL STOCK

Common shares were issued during the year as follows:

	<u>Shares</u>	<u>Amount</u>
Issued and outstanding at September 30, 1986	8,228,446	\$ 2,633,826
Issued on private placements for cash	187,500	150,000
Issued on acquisition of resource properties	400,000	800,000
Issued on renunciation of Canadian exploration expenses	1,815,128	2,247,021
Options exercised	167,400	180,080
Issued and outstanding at September 30, 1987	<u>10,798,474</u>	<u>\$ 6,010,927</u>

There are options outstanding for 497,600 common shares of the company as follows:

- a) 200,000 exercisable at \$0.68 expiring May 1, 1990;
- b) 122,600 exercisable at \$1.20 expiring June 9, 1991;
- c) 75,000 exercisable at \$0.82 expiring February 25, 1992;
- d) 100,000 exercisable at \$1.49 expiring May 13, 1992.

Included in the issued capital above are 1,000,000 escrowed common shares held by Goldwinn Resources Ltd., a company related by the virtue of common management. These shares were originally issued as partial consideration for a property interest which was sold to Teeshin by Goldwinn. Effective September 1, 1987, title to these claims lapsed and as a result these escrowed shares will be returned to the company for cancellation.

6. LOANS PAYABLE

The loans payable are due to certain directors and parties related to directors. They are non-interest bearing with no fixed terms of repayment.

7. RELATED PARTY TRANSACTIONS

a) The amount due from Goldwinn Resources Ltd. (Goldwinn), a company related by virtue of common management, is for expenditures made on Goldwinn's behalf.

b) The company had the following transactions with companies owned or partially owned by the president:

Computer expense	\$49,290
Management fees	\$30,000
Reimbursement of travel and promotion	\$28,708

c) The company also paid \$26,340 for accounting and administrative fees to a company partially owned by the secretary of the company and \$9,673 for legal fees and disbursements to a firm in which a director is a partner.

d) The loans payable are due to certain directors and parties related to directors. They are non-interest bearing with no fixed terms of repayment.

8. INCOME TAXES

The company has losses carried forward of approximately \$1,078,000 available to reduce future years' taxable income. These losses expire as follows:

1990	\$ 45,000
1991	128,000
1992	201,000
1993	275,000
1994	429,000
	<u>\$1,078,000</u>

In creating these losses, certain of the company's assets have been written down to a lower valuation for tax purposes than that reflected in the financial statements. This will result in future deductions for income taxes which are lower than future expenses in the financial statements.

No recognition has been given in these financial statements to the future tax reductions if any, which may result from these items.

9. SUBSEQUENT EVENT

On September 30, 1987, the company entered into an agreement wherein it has agreed to incur Canadian exploration expenses (CEE) in the amount of \$150,000. Pursuant to the agreement the company is obligated to issue one common share for every \$2.06 expended on CEE, to a maximum of 72,816 shares. It is the company's intention to spend the \$150,000 of CEE on its Dome Mountain Project.

10. COMMITMENTS

- a) In June, 1987, the company received a commitment from a limited partnership of up to \$1,500,000 to be expended by the company on CEE. Pursuant to the agreement, the company is obligated to issue one common share for every \$2.57 expended on CEE. At September 30, 1987, the company had expended \$925,000 of these funds and issued 359,782 shares. Prior to October 31, 1987, the company expended an additional \$425,000 and issued 165,305 additional shares to the limited partnership.
- b) The company can earn a 50% interest in Goldsmith property provided that they:
- i) pay a \$10,000 anniversary payment on April 30, 1988;
 - ii) expend a minimum of \$50,000 by April 30, 1988 and a minimum of an additional \$50,000 by April 30, 1989.

If these conditions are not met, the agreement is terminated.

- c) The company can acquire 35 mineral claims at Great Central Lake provided that it makes the following payments:
- i)

\$10,000 on signing	\$40,000 on June 30, 1990
\$20,000 on June 30, 1988	\$50,000 on June 30, 1991
\$30,000 on June 30, 1989	
 - ii) In addition the following expenditures must be made on the property:

\$25,000 by December 31, 1987	\$100,000 by December 31, 1989
\$75,000 by December 31, 1988	\$100,000 by December 31, 1990
- d) Pending approval from the Vancouver Stock Exchange, the company has agreed to issue 100,000 shares in return for a 100% interest in 29 mining claims near Kenora (Whymark property), Ontario.
- e) Pending approval from the Vancouver Stock Exchange, the company has committed to issue 5,847 common shares to the promoter who is a director in return for a personal guarantee of the company's bank borrowings.
- f) The company, subject to regulatory approval, entered into an agreement with a limited partnership wherein the partnership has committed up to \$1,500,000 to be expended by the company on Canadian Exploration Expenditures (CEE) during 1988. Pursuant to the agreement, the company is obligated to issue common shares at a price to be determined with respect to amounts expended on CEE.
- g) The company, subject to regulatory approval, entered into an agreement to purchase a 50% interest subject to a 10% net profits royalty in the Freemont property located on Dome Mountain. To obtain this interest Teeshin is required to spend \$150,000 of exploration expenses on the property before October 31, 1989, and issue \$150,000 of common shares at \$2.57 per share.
- h) The company is committed to a five year lease for its office space, which expires on October 31, 1991. Annual rental payments are \$23,680.

11. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

THE TEESHIN MANAGEMENT TEAM

DIRECTORS & OFFICERS

STAFFORD KELLEY

President & C.E.O., Oakville

25 years management background in construction, portfolio management, real estate marketing. Public exploration and mining companies for past 12 years.

MEL DE QUADROS, Ph.D.

Director, Toronto

Doctorate in geology with 19 years active involvement in the mining industry in North America and other parts of the world.

MARILYN BLOOVOL

Director, Toronto

Securities lawyer of the law firm Bloovol, Zanini in Toronto, specializing in securities and exchange legal work.

ARNOLD POLLMER

Director, Gabriola Island

15 years in the mining industry with Noranda, Lac Minerals, Brenda Mines, and Quintett.

MAXWELL KIRKPATRICK

Director, Vancouver

Owner and operator of Maxwell Enterprises Ltd., Vancouver.

MICHAEL COULTER

Secretary, Oakville

12 years in corporate administration and accounting in the mining industry. Previously in management consulting and accounting.

PROJECT MANAGERS & CONSULTANTS:

STEPHEN McINTYRE

President, M.P.D. Consultants Inc., Mississauga

Former Noranda Executive, management consultant and consultant to Teeshin.

KOOS SCHIPPERS

Secretary, M.P.D. Consultants Inc., Toronto

Vice President, Belmoral Mining Ltd. and consultant to Teeshin.

MIKE ROSS

President, Orocon Inc.

18 years experience in metallurgy, construction management, and mill design. Consultant to Teeshin.

CORPORATE DATA

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Corporate Contact	Stafford Kelley, President
Records Office	701 West Georgia Street, Suite 1620 Vancouver, B.C. V7Y 1G2
Legal Counsel	Bloovol, Zanini Toronto, Ontario McInnes & Neumann Vancouver, B.C. Ladner Downs Vancouver, B.C.
Auditors	Starkman, Kraft, Rothman, Berger & Grill Markham, Ontario
Bank	Toronto Dominion Bank 1 King Street West Toronto, Ontario M5H 1A1
Registrar & Transfer Agent	Guaranty Trust Co. of Canada 88 University Avenue Toronto, Ontario M5J 1T8 800 West Pender Street Vancouver, B.C. V6C 2V7
Capitalization	Authorized: 25,000,000 Issued: 9,980,000
Shares Listed	Vancouver Stock Exchange Trading Symbol – TEE

Teeshin Resources Ltd.