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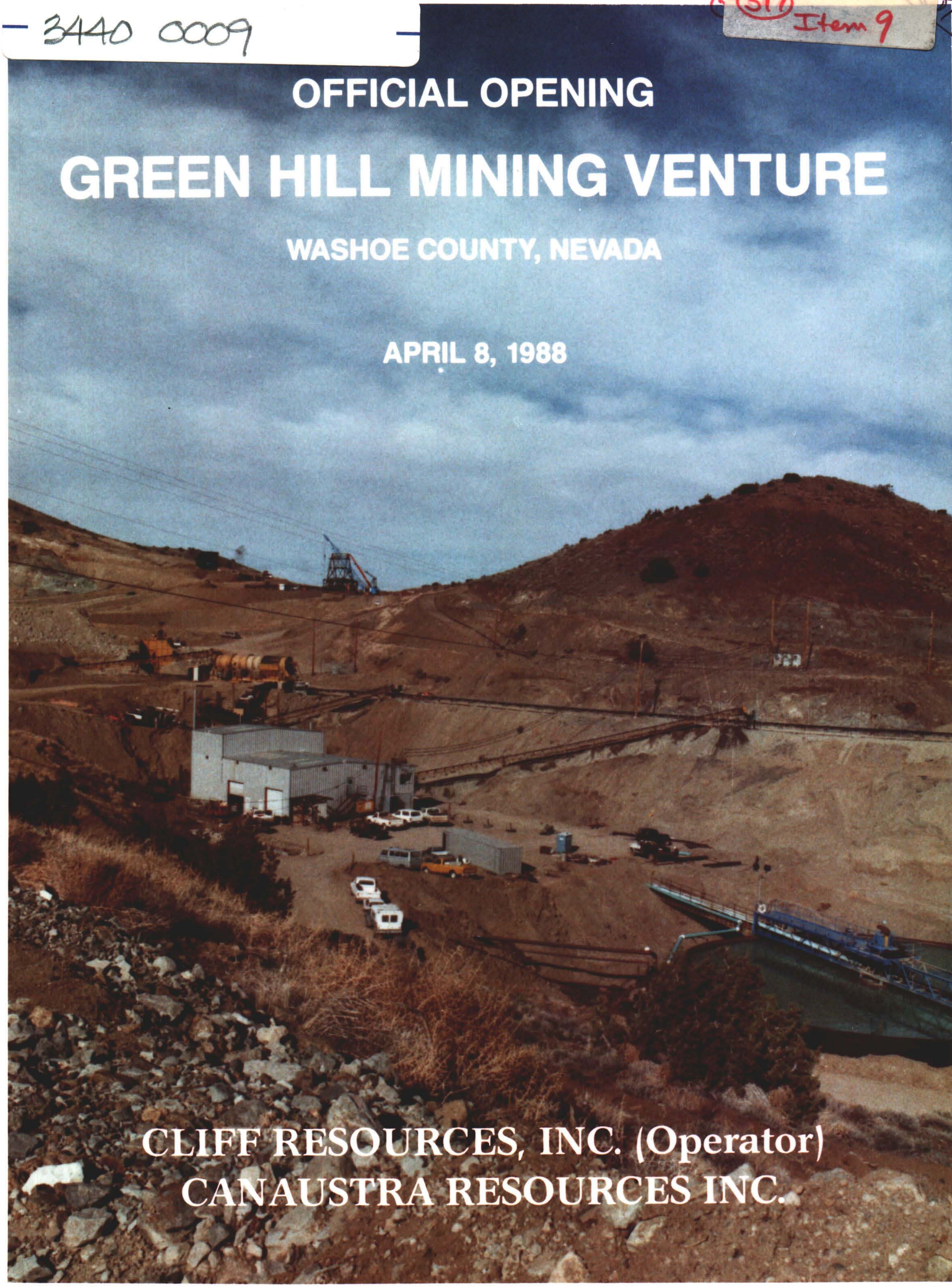
(317) Item 9

OFFICIAL OPENING

GREEN HILL MINING VENTURE

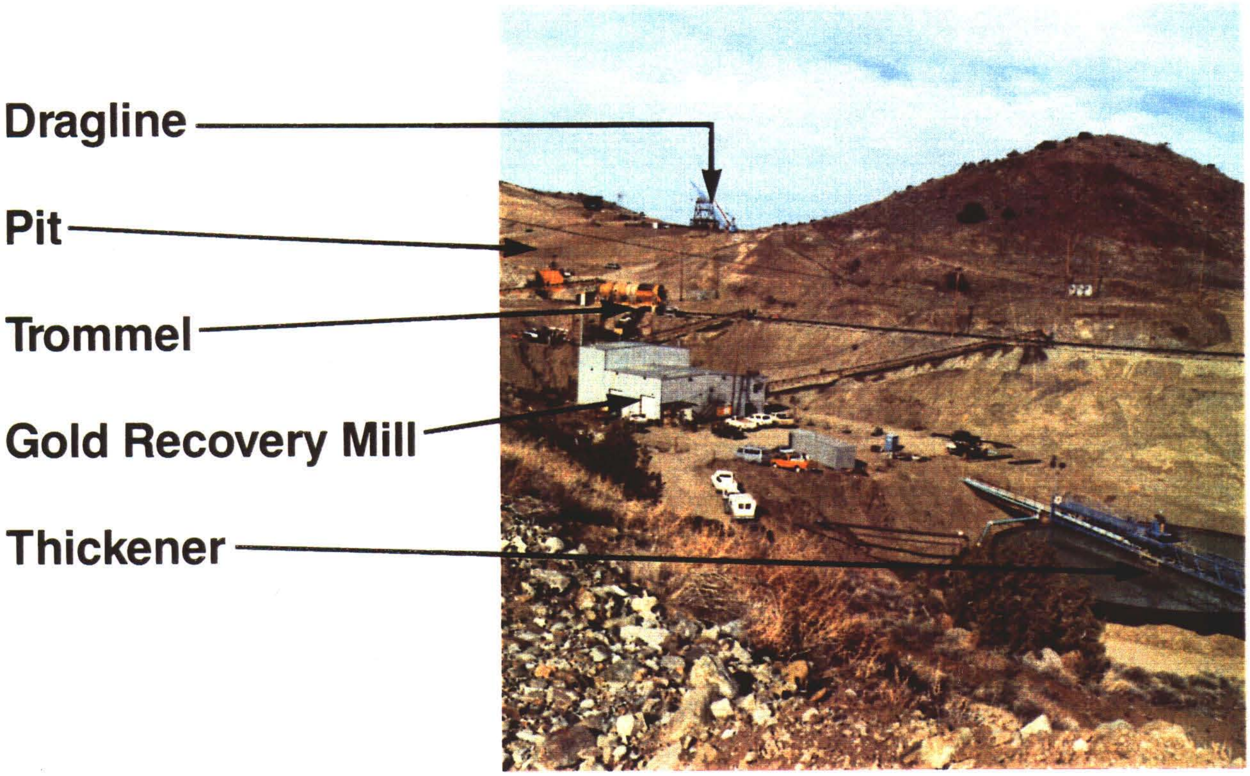
WASHOE COUNTY, NEVADA

APRIL 8, 1988

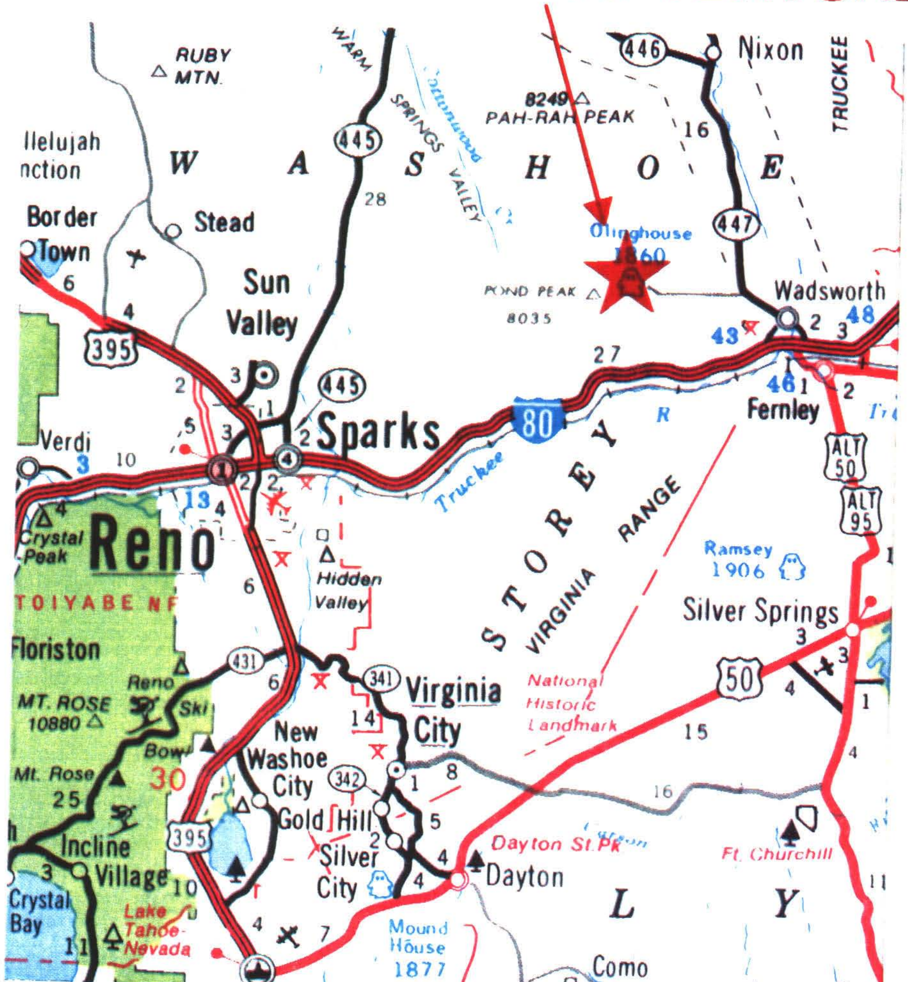


CLIFF RESOURCES, INC. (Operator)

CANAUSTRA RESOURCES INC.


Dragline
Pit
Trommel
Gold Recovery Mill
Thickener

GREEN HILL MINING VENTURE



GREEN HILL MINING VENTURE

The Green Hill Mine is owned by Cliff Resources, Inc. and Canaustra Resources Inc. each with a fifty percent joint venture interest. The property is held under lease from Oraco, a Nevada corporation, of Reno.

Canaustra Resources Inc. is a wholly owned subsidiary of Canaustra Gold Exploration Limited a Canadian company listed on the Vancouver Stock Exchange. Canaustra is controlled as to fifty percent by Mineral Commodities Limited, a significant gold and mineral producer in Australia. Mineral Commodities is part of the Walhalla group of Australian mining companies.

Cliff Resources, Inc. is the operator of the Green Hill Mine. The Company is the wholly owned subsidiary of Cliff Resources Corporation, a Toronto Stock Exchange listed Canadian gold mining company. Cliff Resources conducts its gold exploration and development activities exclusively in the United States. Mining operations are managed from the Green Hill Mine office and the Company's United States exploration activity is directed from offices in Reno.

Cliff and Canaustra are your hosts for the official opening of the Green Hill Mine.

OLINGHOUSE MINING DISTRICT

The Olinghouse district is 25 miles east of Reno, Nevada or 35 miles by road. The District has had a colorful history of gold production since its discovery in 1897.

In the period 1897 to 1907 independent miners extracted gold from shallow underground workings and placer material on the flanks of Green Hill. The Olinghouse Canyon at Green Hill reached the peak of its activity in the period 1905 to 1907 when a town site and several mills sprung up in the Canyon. A railway was constructed up Olinghouse Canyon to connect the new town site and the mines to the Truckee Valley below. The old Olinghouse town site is directly to the west of the present Green Hill Mine.

The District was relatively quiet from the period 1907 to the late 1970's when interest in gold was greatly increased. In 1983, Nevada Pacific Mining Company conducted two drilling programs to define the extent and grade of the present Green Hill Mining Venture reserves. In excess of seven million tons of ore were established in the eluvial placer material that constitutes the present Green Hill pit area.

The first large scale mining of this low grade placer reserve was begun in 1985 by the Olinghouse Mining Company. Operations were discontinued in early 1987 because mining and milling costs were high and gold recovered from the ore did not provide for an economic operation.

GREEN HILL MINE PROJECT

Cliff Resources, Inc. and Canaustra Resources Inc. as the Green Hill Mining Venture, have provided the required engineering and the additional capital to modify and add to the facilities built by the Olinghouse Mining Company. The original capital investment by Olinghouse Mining was US$4.3 million which included the development of an excellent water and electric power supply for the Mine. For the modified processing plant and mine design Cliff and Canaustra have added US$3.5 million.

The Green Hill Mine will now produce 20,000 ounces of gold annually. To achieve this rate the mill will process 250,000 tons per month of pit material. The operating cost is estimated at US$153.00 per ounce of gold produced. The mine and mill will be operated 24 hours per day, seven days per week, using three shifts. An operating staff of 31 employees is required.

The mining operation will be conducted under the existing operating and environmental permits provided by State and County authorities.

The pit presently has proven reserves for three years of operation. Additional probable and indicated reserves in the pit area and adjacent to the mine area are expected to provide for an ultimate ten year life for this mining operation. In 1988 the Green Hill Mining Venture will be drilling to define additional lode gold deposits in the same vein systems that the old miners found their high grade gold at the turn of the century. Deeper drilling for the source of these gold reserves will be undertaken. The buried placer potentials in the Canyons leading from Green Hill will also be evaluated.

GREEN HILL OPERATIONS

Open Pit Mining

The Cliff operation will depend for its success on the **ten cubic yard Bucyrus Erie dragline** newly installed to mine the open pit. Draglines of this size are rare in gold mining operations, but very common where large volume, low cost coal production is required. For the Green Hill pit the dragline is well suited for the following reasons:

(a) selective mining of higher grade ore
(b) lowest cost per ton mined
(c) dependable high volume operation

The dragline operates essentially trouble free and is one of the lowest cost mining methods available today. The operator can be selective in the material he moves ensuring that the lower grade sections of the pit, not included in the proven reserves, can be left in the pit or moved aside. Ore production dependability is key to the Cliff/Canaustra plan and the dragline is designed with a thirty-five percent over-capacity relative to plant needs.

The dragline feeds a 30 foot **hopper** which in turn delivers the pit material onto **conveyor belts** for delivery to the 50,000 ton **surge pile.** The surge pile feeds the scrubbing and classifying section of the plant.

Trommel and Screen Section

This section of the plant is fed by a **tunnel conveyor** under the surge pile. Using such a feed system ensures that, even if the dragline is down for repairs, there is a constant feed to the mill.

The rock is first scrubbed and washed in the huge 9 foot by 41 foot **trommel.** At the output end of the trommel the coarse, washed material is rejected to the main **tailings conveyor** and the finer materials are moved to the **screening** stage. At the screens more washing and rejection of oversize material takes place. The final step in this sequence is the spiral **classifier** where the feed stream to the gold recovery section of the mill is finally prepared.

Gold Recovery

The mill process consists of two circuits for gold recovery, a fine feed which is in the range of 3/8 inch to 40 mesh and an even finer second stream being all material smaller than 40 mesh. The first stream enters the mill building to follow a process of recovery that was used in the original mill. It flows through cyclones and through three stages of **jigs** where the gold and other heavy minerals are gradually separated. At the end of the jig stage, a **black sand concentrate** is recovered in which is contained the coarser gold values.

The very fine stream is conducted directly to the newly installed **centrifugal bowls.** Here the feed is evenly distributed to as many as 36 of these high speed centrifugal separators. The gold particles are concentrated at the perimeter of the spinning bowls and the lighter fines are washed into the discharge system. Ultimately, each bowl is shut down and the concentrates are washed into a collection system where another gold bearing **fine black sand concentrate** is made.

For final gold recovery the black sand concentrates are contacted with mercury to preferentially **amalgamate the gold** from the black sand. **Gold recovery** is then completed by vaporizing the mercury from the amalgam.

Within the gold recovery section of the mill the system is entirely closed so that all drains and all circuits are recycled to ensure that fine gold is not lost. An important part of the mill system is the **thickener** unit which is the large open tank seen outside the mill building. Here all of the process water from the system is conducted and settled so as to ensure maximum reuse of valuable water.

TECHNICAL INNOVATIONS

Cliff and Canaustra have developed an economically viable gold mining project at Green Hill because of three key technical innovations for a project of this type:

1. The use of a ten cubic yard dragline in the mining of this low grade placer deposit will result in lowest mining cost.

2. Conveyor transport of mined material from the pit with design depth to 300 feet is very cost effective.

3. The recovery of gold particles as fine as 400 mesh (0.0015 inches) is accomplished using centrifugal bowls of the newest design.

Low cost, continuous mining together with a thirty percent increase in fine gold recovery will insure that the Green Hill project is economically successful.

Printed in Canada

LETTER TO SHAREHOLDERS

In Cliff's first year as a public company the Green Hill Mine has been acquired and financed to production. Cliff has exploration underway on 14,000 acres on a gold producing trend in southern Arizona and California that has the potential for the development of the Company's second gold mine. Cliff has cash reserves to fund its current exploration program and has no debt other than the guaranties behind the Green Hill Mine project financing.

Cliff's corporate objective is to be a 100,000 annual ounce producer of gold by 1991, to produce that gold at US$150.00 per ounce and to finance mine development so as to optimize earnings per share. At Green Hill, the Mine's 20,000 ounces of gold per year will be produced at an operating cost of US$153.00 per ounce. The Mine was financed by Cliff assigning a fifty percent interest in the property to Canaustra Resources Inc. in exchange for Canaustra's arranging debt financing bridged to a gold loan in the amount of US$4.5 million and, additionally, paying Cliff US$1,234,000 in cash. The financial statements for the first quarter ending December 31, 1987 are included with this Annual Report to allow shareholders to see the effect of the Green Hill transaction.

The Company continues to concentrate its efforts in California, Nevada, and Arizona where there is outstanding potential for the development of lode and placer gold production at low capital cost and over a tight time schedule. In the exploration completed on Cliff's three California properties in 1987, gold values were well defined but it was concluded that none of these properties had the combination of ore grade and volume that would make a mine of adequate profitability.

The two exploration properties currently being evaluated in California and Arizona, near Yuma, are on the same Mesquite-Picacho geological trend as mines now producing and projected to produce at a total output of 300,000 ounces of gold per year. The gold mines on the trend are characterized by low cost open pit mining and heap leach recovery methods. Cliff's West Picacho property in California is directly adjacent to the Glamis Gold operation that produces 25,000 ounces per year and the new 50,000 ounces per year Kaaba development scheduled for 1988 production. Cliff's Laguna project on the Arizona side of this trend is currently being bulk sampled with the objective of establishing gold values sufficient to support a large scale placer mining project. The lode gold potentials for the property are also significant.

The Company is in that unique period of its growth where the present small staff is seeing its efforts rewarded with Cliff's first gold production. New employees joining Cliff to operate the Mine and expand our exploration are also making a key contribution. The Company's growth in 1987 has placed great demands on its employees and the Company's Directors wish to recognize their contribution.

Submitted on behalf of the Board of Directors.

James A. Bates

James A. Bates
President & Chief Executive Officer

Garfield J. Last
Chairman

February 1, 1988

Green Hill Mine

At Olinghouse, Nevada, Cliff's Joint Venture with Canaustra Resources Inc. is presently completing a US$3 million capital construction program for the Green Hill Mine. The property will be operational in March 1988 and will be capable of producing 20,000 ounces of gold per year at a projected operating cost of US$153.00 per ounce of gold produced.

The property was first developed in 1985 by the Olinghouse Joint Venture and, after installing a US$4.3 million facility, mining operations were undertaken in the period from late 1985 until early 1987. After the production of 8,500 ounces of gold the operation was shut down because of the need for design changes and capital additions. In 1987 Cliff recognized the property's potential and successfully competed to acquire the Mine and related claims. Cliff paid US$1.5 million and committed to future payments out of production related to mine revenues that exceed a US$4.00 per yard value of pit production.

Cliff's technical assessment of the property, confirmed by the mining engineering consulting firm Hatch Associates of Toronto, introduced the following key changes.

1. A 10 cubic yard Bucyrus-Erie drag line, operating in the open pit, to greatly reduce mining costs and allow for selective mining and grade control for the mill feed.

2. Installation of specialized centrifugal bowl technology for the gravity recovery of extremely fine gold particles to improve gold recovery by at least 30% over recoveries by the previous operator.

3. Lessor royalty reduction from 15% to 5% of net smelter returns.

The above changes have been implemented in the new mine plan and when coupled with a gold price of US$450.00 per ounce, as opposed to the US$325.00 an ounce for the previous operation, ensure that the Green Hill Mine will be profitable.

The Mine has proven and probable reserves to provide for a three year life at the planned rates of gold production. Additional reserves will be established in the existing pit at depth and along strike. As well, adjacent properties in both placer and lode settings have probable and potential reserves that should allow the Green Hill Mine to enjoy a ten year operating life.

The Green Hill pit is located on a single claim out of a total block of fifty-six claims that have been acquired by the Joint Venture. The area is a well known mining district in Nevada with a history of mine operations dating back to 1897. The original workings were in buried valley placers and in narrow high grade vein systems. In 1988 Cliff and Canaustra will begin a US$500,000 program of exploration on its claims and on adjacent properties. Recent drilling on the property has already defined 1 million tons of .045 ounce per ton material at an economic mining depth. With the aid of modern exploration technology in this proven gold environment, Cliff sees the potential to discover additional lode reserves to maintain a gold producing operation on this property for many years.

Constructing the ten yard dragline – Green Hill Mine.

Green Hill Mine open pit with mill in foreground.

Centrifugal bowls for fine gold recovery enroute to Green Hill Mine.

California

The West Picacho block of 6,000 acres in south eastern California, near Yuma, Arizona, is now being actively explored. The geological reconnaissance program presently underway will be followed by geophysics and drilling in 1988.

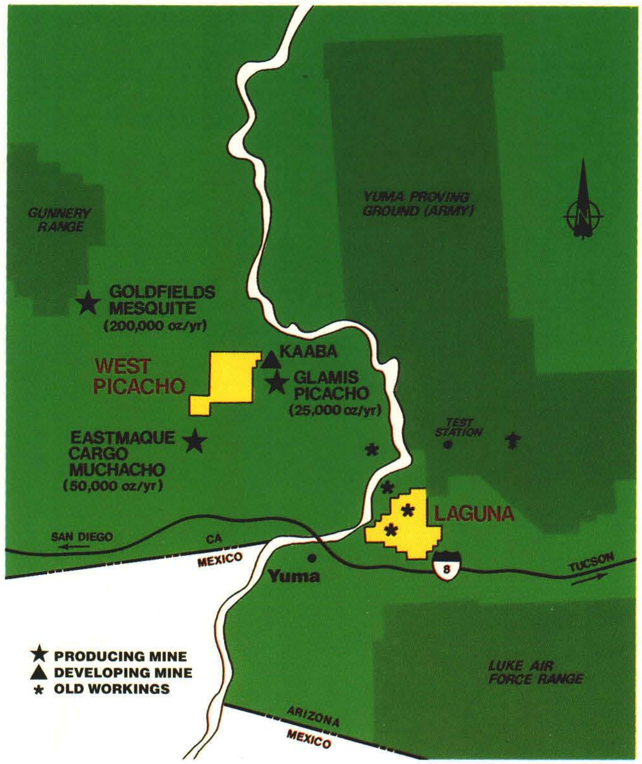
The Company's lands are well located on a proven geological trend of gold bearing Pre-cambrian material. The trend extends from the 150,000 ounces per year Mesquite Mine of Consolidated Goldfields on the west to the 25,000 ounces per year producing operation of Glamis Gold to the east. Cliff's West Picacho block is immediately adjacent to the Glamis property, on its west boundary. Directly north of Glamis also on Cliff's east boundary is the Kaaba/Alawas proven gold reserve scheduled to begin operation at 50,000 ounces per year in 1988. As well, Goldfields has announced an expansion of its Mesquite operation which should see 200,000 ounces per year being produced from that major open pit in 1988.

The gold production on the trend is sourced from the Chuckwalla complex of Pre-cambrian age, over thrusted on the younger Pre-cambrian Orocopia schist. The trend is largely overlain with Tertiary volcanics and clastics of varying thickness. The stripping ratio currently encountered by Glamis at Picacho and Goldfields at Mesquite is generally four to one. Each of these mines are producing at under US$200.00 per ounce from material that contains approximately 0.04 ounces of gold per ton of ore produced.

Cliff has excellent exploration targets in its inventory on the Mesquite to Picacho trend. The West Picacho lode targets on the California side of the trend will be confirmed by geo-physical and geochemical work before a drilling program is undertaken later in 1988.

In other California activities in 1987, the Company evaluated each of the Scott, Jupiter, and Carr properties. In each case gold values were confirmed but the combination of grade and size of deposit did not, in a preliminary feasibility estimate, justify continued reserve development.

The Company has other Tertiary/Eocene channel prospects under review in California and continues to believe that there are excellent high grade, buried channel potentials in the Sierras. Cliff expects to commit its exploration effort to one such prospect in 1988.



Mesquite to Picacho gold trend showing location of West Picacho, California and Laguna, Arizona properties.

Arizona

The 8,000 acre Laguna property is directly across the Colorado River from the Mesquite to Picacho trend in California. Here, the same Pre-cambrian age source rocks provide the same potential for gold production as in Mesquite and Picacho. The Laguna geology is also influenced by the Laguna Mountains trend of gold bearing rocks which has particular prominence in the Sonora gold province, on trend to the southeast, in Mexico. The Laguna property is characterized by hundreds of ancient Spanish workings which confirm gold presence.

The Laguna property is being pursued initially as a gold placer prospect. Extensive hand sampling of the property's major drainages has confirmed the presence of very fine, angular gold that is apparently sourced in an eluvial setting similar to that at Olinghouse, Nevada. Cliff is currently bulk sampling one of the major drainages on the property. The program involves cutting backhoe trenches the full width of the drainage and evaluating the entire sample through the Company's fine gold pilot facilities. The Laguna property has the potential to be a low operating cost, low capital cost gold operation in late 1988.

The Laguna rock has been tested and meets or exceeds the Arizona and Federal requirements for quality aggregate material. The property abuts the Yuma Proving Ground of the US military. The State of Arizona has a ten year forecasted aggregate demand of 750 million tons with the military anticipated to require approximately 100 million tons. Specification aggregates sell in the area for US$5.50 per ton. Participation in a growing aggregate market would significantly improve the profitability of a placer operation where 1.5 million tons per year of rock would be washed and processed.

A satellite image based mapping study of the Mesquite to Picacho to Laguna trend now nearing completion may lead to lode exploration prospects at Laguna. The lode exploration work will begin later in 1988 and, in this proven area of gold sourcing, has important potential for discovery.

Nevada

In Nevada the 1988 priority will be to continue exploration of the Company's existing Olinghouse claim block surrounding the Green Hill Mine. Additional Nevada exploration projects are also underway. The State has a history of gold production from high grade lode deposits, from low grade bulk mineable lode properties, and from highly productive placers. Cliff is investigating properties in all three categories. To this end the Company's US exploration office is being moved to Reno, Nevada in February, 1988 and all of Cliff's exploration effort will be coordinated there.

Exploration trenching for bulk samples, Laguna.

Processing Laguna samples for recovery of fine gold using centrifugal bowl technology.

FINANCIAL

In January, 1987 Cliff completed its first public financing with the sale of 1.2 million Units. Each Unit was comprised of one common share and one warrant to purchase one common share at $1.25 prior to April 30, 1988. Following issue, the shares and warrants have traded separately in a combined range of $0.80 to $1.95. At the date of this report, the combined value of a share and a warrant is $1.15 representing a 15 percent gain over the issue price.

On October 16, 1987 as part of the financing of the Green Hill Mine at Olinghouse, Nevada the Company received US$1,234,000 (C$1.6 million) in exchange for a 50 percent interest in the Green Hill property. Cliff Resources' outstanding bank debt was retired at this time.

At the same date US$4.5 million was placed in the Joint Venture account for acquisition of the property and to fund the new construction at the Mine. The Company provided a guarantee in respect of half of the US$4.5 million borrowed to acquire and reequip the Green Hill property. The guarantee was provided to Walhalla Mining N.L. who arranged the loan.

The US$4.5 million Walhalla loan is to be converted in February 1988 to a gold loan in the approximate amount of 10,000 ounces, thus reducing the cost of the borrowing to approximately three percent per annum. Gold repayments will begin July 31, 1988 and continue for a scheduled 15 month period such that Cliff's Green Hill obligations would be retired by September 30, 1989.

The aforementioned Mine financing transactions are significant for the Company and first quarter financial statements, reflecting the transaction, have been included in this Report to Shareholders.

Consolidated Balance Sheet

as at December 31, 1987

(Unaudited)

	1987	1986
ASSETS		
Current assets		
Cash	$ 579,598	$121,759
Term deposits	1,313,568	—
Accounts receivable	46,758	—
Exploration advances	18,069	13,480
	1,957,993	135,239
Fixed assets		
Office equipment	46,883	13,979
Mining claims, leases and buildings	327,350	—
	374,233	13,979
Deferred exploration expenditures and other assets	2,061,742	453,018
	$4,393,968	$602,236
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 136,292	$413,490
Current portion – Wahalla loan	1,185,390	—
Taxes payable	207,472	—
	1,529,154	413,490
Long term debt		
Loan – Wahalla	1,778,085	—
SHAREHOLDERS' EQUITY		
Share capital	2,037,218	957,218
Issued		
4,212,224 shares (1986 – 3,555,224)		
Deficit	(950,489)	(768,472)
	1,086,729	188,746
	$4,393,968	$602,236

Consolidated Income Statement

for the three months ended December 31, 1987
(Unaudited)

	1987	1986
Revenue		
Interest on deposits	$ 29,298	$ —
Management fee	46,893	—
Gain on sale of 50% Olinghouse	1,397,347	—
	1,473,538	—
Expenses		
Administration and general	156,677	77,093
Audit and accounting	12,430	—
Insurance	38,055	—
Legal	4,892	—
Royalty payments	3,293	—
Loss on sale of assets	1,636	—
	216,983	77,093
Income (loss) before income taxes and extraordinary items	1,256,555	(77,093)
Income taxes		
Provision for taxes	559,445	—
Income (loss) before extraordinary items	697,110	(77,093)
Extraordinary gain on realization of taxes	351,771	—
Net income (loss) for the period	$ 1,048,881	$ (77,093)
Earnings per share		
Basic	$ 0.25	$ (0.02)
Diluted	$ 0.17	$ (0.01)

Statement of Deficit

for the three months ended December 31, 1987
(Unaudited)

	1987	1986
Deficit, beginning of period	$(1,999,371)	$(637,232)
Net income (loss) for the period	1,048,882	(77,093)
Financing costs	—	(54,147)
Deficit, end of period	$ (950,489)	$(768,472)

Consolidated Statement of Changes in Financial Position

for the three months ended December 31, 1987

(Unaudited)

	1987	1986
Cash provided by (used in) financing activities		
Loan advance – Wahalla	$ 2,963,475	$ —
Decrease in bank indebtedness	(318,580)	—
Issue of shares for cash	—	150,000
Share issue expenses	—	(54,147)
	2,644,895	95,853
Cash provided by (used in) investing activities		
Exploration expenditures	(1,045,343)	(256,567)
Acquisition of exploration equipment	(698,075)	(64,745)
Acquisition of mining properties	(327,350)	(23,800)
Acquisition of fixed assets	(10,425)	—
	(2,081,193)	(345,112)
Cash provided by (used in) operating activities		
Income (loss) for the period	1,048,882	(77,093)
Depreciation on office equipment	1,389	—
Changes in non-cash working capital	224,444	180,240
	1,274,715	103,147
Increase (decrease) in cash	1,838,417	(146,112)
Cash, beginning of the period	54,749	267,871
Cash, end of the period	$ 1,893,166	$ 121,759

AUDITORS' REPORT

The Shareholders,
Cliff Resources Corporation

We have examined the consolidated balance sheet of Cliff Resources Corporation as at September 30, 1987 and the consolidated statements of operations and deficit, deferred exploration expenditure 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 Corporation 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.

Touche Ross & Co.

Toronto, Ontario
January 13, 1988 Chartered Accountants

CLIFF RESOURCES CORPORATION

(Incorporated under the Business Corporations Act, 1982 – Ontario)

Consolidated Balance Sheet

as at September 30, 1987

	1987	1986
ASSETS		
Current assets		
Cash	$ 54,749	$267,871
Exploration advances	13,920	12,917
Prepaids	8,333	—
	77,002	280,788
Fixed assets (note 3)	37,847	13,218
Deferred exploration expenditure and other assets (note 4)	318,324	108,667
	$ 433,173	$402,673
LIABILITIES		
Current liabilities		
Bank indebtedness	$ 318,580	$ —
Accounts payable	44,471	97,446
Due to related parties (note 6)	32,275	135,241
	395,326	232,687
SHAREHOLDERS' EQUITY		
Share capital (note 5)	2,037,218	807,218
Issued		
4,212,224 shares (1986 – 3,415,224 shares)		
Deficit	1,999,371	637,232
	37,847	169,986
	$ 433,173	$402,673

On behalf of the Board

James C. Bates

James A. Bates, Director

Garfield J. Last, Director

See accompanying notes to consolidated financial statements

Consolidated Statement of Operations and Deficit

for the Year Ended September 30, 1987

	1987	1986
Administration expenses	$ 280,172	$ 94,571
Prospecting expenses	67,632	—
Interest earned	(6,639)	—
Total operations	341,165	94,571
Financing costs	151,657	—
Mining properties written off		
Acquisition costs	1,400	—
Exploration expenditure	867,917	—
	1,362,139	94,571
Balance, beginning of the year	637,232	548,661
	1,999,371	643,232
Cancellation of common shares	—	(6,000)
Balance, end of the year	$1,999,371	$637,232

See accompanying notes to consolidated financial statements

Consolidated Statement of Deferred Exploration Expenditure

for the Year Ended September 30, 1987

	1987	1986
California properties		
Jupiter	$ 302,216	$ 14,063
Scott	286,217	28,122
Carr	101,638	28,070
Hawthorne, Nevada	107,591	—
	797,662	70,255
Olinghouse, Nevada	207,911	—
Expenditure for the year	1,005,573	70,255
Balance, beginning of year	70,255	—
	1,075,828	70,255
Expenditure written off	867,917	—
Balance, end of the year	$ 207,911	$ 70,255

See accompanying notes to consolidated financial statements

Consolidated Statement of Changes in Financial Position

for the Year Ended September 30, 1987

	1987	1986
Cash provided by (used in) financing activities		
Issue of share capital	$1,230,000	$350,000
Increase in bank indebtedness	318,580	—
Financing costs	(154,645)	(7,012)
	1,393,935	342,988
Cash provided by (used in) investing activities		
Exploration expenditure	(1,005,573)	(70,255)
Acquisition of exploration equipment	(70,413)	(30,000)
Acquisition of mining properties	—	(1,400)
Acquisition of fixed assets	(29,873)	(13,218)
Prospecting expenses	(67,632)	—
Interest earned	6,639	—
	(1,166,852)	(114,873)
Cash provided by (used in) operating activities		
Administration expenses	(280,172)	(94,571)
Depreciation	5,244	—
Increase in exploration advances	(1,003)	(12,917)
Increase in prepaids	(8,333)	—
Increase (decrease) in accounts payable	(52,975)	87,037
Increase (decrease) in due to related parties	(102,966)	59,798
	(440,205)	39,347
Increase (decrease) in cash	(213,122)	267,462
Cash, beginning of the year	267,871	409
Cash, end of the year	$ 54,749	$267,871

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

for the Year Ended September 30, 1987

1. Consolidation

The financial statements include the accounts of the Company's wholly-owned United States subsidiary, Cliff Resources, Inc.

2. Summary of significant accounting policies

(a) Mining properties and deferred exploration expenditure

Acquisition costs of mining properties together with direct exploration expenditures thereon are recorded at cost and deferred in the accounts to be written off when commercial production is attained or disposition occurs.

The realization of mining property and related costs is dependent upon future commercial success of the property or proceeds from disposition.

(b) Fixed assets

Fixed assets consisting solely of office equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the assets on the declining balance method at a 20% annual rate commencing in the period of acquisition. Mining equipment is capitalized as a deferred exploration expenditure.

(c) Foreign exchange

Monetary assets and liabilities in foreign currencies have been converted into Canadian dollars at the rate of exchange in effect at the balance sheet date. Other assets, income and expenses were converted into Canadian dollars at the rate of exchange in effect on the transaction date.

3. Fixed Assets

	Cost	Accumulated Depreciation	1987 Net Book Value	1986 Net Book Value
Office furniture and equipment	$43,091	$5,244	$37,847	$13,218

4. Deferred exploration expenditure and other assets

	1987	1986
Deferred exploration expenditure	$207,911	$ 70,255
Exploration equipment	100,413	30,000
Financing costs	10,000	7,012
Interest in mining properties	—	1,400
	$318,324	$108,667

5. Share capital

(a) The authorized capital of the Company consists of an unlimited number of common shares without par value and an unlimited number of special shares without par value, issuable in series.

(b) During the year, the Company issued 1,350,000 common shares for cash of $1,230,000.

(c) During the year, shareholders donated 553,000 common shares to the Company for cancellation.

(d) Warrants, entitling the holders thereof to purchase common shares, are outstanding as follows:

	Number	Price per share	Expiry
Series A	1,350,000	$1.25	April 30, 1988
Series B	500,000	.90	April 30, 1989

e. Options are outstanding to directors and officers to purchase a total of 360,000 common shares at $0.90 per share, exercisable on or before August 31, 1989.

f. An underwriter was granted an option to purchase 120,000 common shares at $0.90 per share, exercisable on or before December 8, 1988 and 120,000 Series A share purchase warrants, expiring April 30, 1988, at $0.10 per warrant.

6. **Related party transactions**

(a) Common shares issued during the year include 150,000 shares issued to a director and officer for cash of $150,000.

(b) A director and officer of the Company has advanced a total of $32,275 to the Company, without interest.

7. **Income taxes**

The parent company has timing differences between taxable and financial statement income of approximately $340,000, which are available to reduce taxable income in future years. These timing differences result from certain items, principally exploration expenses, being expensed for financial statement purposes in excess of amounts claimed for tax purposes. In addition, as a result of these expenditures, the parent company has approximately $91,500 of earned depletion which may be used to reduce future resource profits, as defined by the Canadian Income Tax Act, by up to 25%.

The parent company has the following income tax losses which can be applied against taxable income in future years to reduce taxes otherwise payable:

Expiry date	Amount
1990	$ 20,495
1991	43,364
1992	13,800
1993	86,653
1994	430,434
	$594,746

The U.S. subsidiary has approximately $868,000 of exploration and related expenditures which is available to reduce its taxable income in future years.

8. **Subsequent events**

By agreement dated October 14, 1987, the Company has entered into a joint venture known as the Green Hill Mining Venture with respect to the development, mining and further exploration of a gold prospect in the State of Nevada known as the "Olinghouse property." The Company has an initial 50% participating interest. The Company has received U.S. $1,243,000 from the joint venture participant in consideration of having obtained the arrangements relating to the acquisition of the Olinghouse property and entering into the joint venture. Under terms of a loan agreement dated October 14, 1987, the lender corporation has advanced U.S. $4,500,000 to the Green Hill Mining Venture secured by a first fixed and floating charge on all assets of the Green Hill Mining Venture, including all gold production. In addition, the Company has provided an unconditional guarantee as to 50% of the obligations of the Green Hill Mining Venture.

The Company has agreed to enter into, subject to regulatory approval, exploration and option agreements with respect to unpatented mining claims situated on the Mesquite-Picacho Trend in Yuma County, Arizona and Imperial County, California. The agreements provide options to lease, to earn up to 100% working interest (70% net profit interest) in consideration of the Company issuing a total of 350,000 treasury shares, incurring lease payments aggregating $225,000 per year for up to seven years, and exploration expenditures aggregating up to $1,500,000 during the initial two year period and up to an additional $3,000,000 during a six-year period from the effective date of the agreements.

9. **Comparative amounts**

The financial statement presentation of certain September 30, 1986 amounts has been reclassified to conform with the financial statement presentation adopted in 1987.

CORPORATE DATA

BOARD OF DIRECTORS

Garfield J. Last
Toronto, Ontario
Chairman
Cliff Resources Corporation

James A. Bates
Willowdale, Ontario
President and
Chief Executive Officer
Cliff Resources Corporation

B. Nixon Apple, Q.C.
Uxbridge, Ontario
Barrister and Solicitor
Salter, Apple, Cousland & Kerbel

Horace E. Dunning
Sacramento, California
Attorney, Retired

A. Douglas McCallum
Toronto, Ontario
Barrister and Solicitor

OFFICERS

Garfield J. Last
Chairman

James A. Bates
President and
Chief Executive Officer

Roberta A. Fraser
Secretary-Treasurer

TRANSFER AGENT

National Trust Company
4 King Street West
Toronto, Ontario
M5H 3W7

SHARES LISTED

The Toronto Stock Exchange
(Symbol CFK)

LEGAL COUNSEL

Salter, Apple, Cousland & Kerbel
Toronto, Ontario
Molloy, Jones & Donahue, P.C.
Tucson, Arizona
Parsons, Behle & Latimer
Salt Lake City, Utah

AUDITOR

Touche Ross & Co.
Toronto, Ontario

HEAD OFFICE

Cliff Resources Corporation
Suite 3310
130 Adelaide Street West
Toronto, Ontario
M5H 3P5
Telephone: (416) 365-3003
Telefax: (416) 365-3006

NEVADA OFFICE

Cliff Resources, Inc.
Suite 249
1755 East Plumb Lane
Reno, Nevada
89502

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MANAGEMENT - CLIFF RESOURCES CORPORATION

Gary J. Last - Chairman. Over 30 years in the mineral and petroleum industries and formerly the President of American Barrick Resources Corporation, a company producing 300,000 ounces of gold annually from six mines in Utah, Nevada, Alaska, Ontario, and Quebec.

Mr. Last concentrates on Cliff's financial and corporate activities and is a major shareholder.

James A. Bates - President & Chief Executive Officer. A Canadian mining engineer with extensive international experience in mine operations and consulting. Mr. Bates recently completed an assignment in Brazil with responsibility for the technical operations of Consolidated TVX Mining Corporation, a significant Brazilian precious metals producer.

Mr. Bates oversees Cliff's mine development and operations, prospect evaluation and exploration activities.

Roberta A. Fraser - Secretary-Treasurer. Ms. Fraser is responsible for the Company's corporate affairs including financial reporting and shareholder communication.

E. Frank Evoy - Exploration Consultant. Dr. Evoy brings 35 years of varied exploration, engineering, and operating experience to Cliff's projects. Frank Evoy's previous responsibilities as a senior consultant with Watts Griffis McOuat were concentrated on precious and base metals exploration and development in Canada and the United States.

Dr. Evoy's background includes mine and mill operations, exploration management, mine development and reserve evaluation, and feasibility studies for major mine financing.

Thomas H. Young - Chief Geologist. Mr. Young is responsible for the management of Cliff's exploration programs in the United States and is based in Reno, Nevada.

James MacKay - Manager, Green Hill Mine. Mr. MacKay has over 30 years operations experience in both open pit and underground mines.

Guy E. Saco - Assistant Manager, Green Hill Mine. Since obtaining his degree in Mining Engineering Mr. Saco has concentrated on the development and operation of placer mines in North and South America.

Burton D. Collins - Manager, Government Relations. Following 30 years of senior service with the State of California Mr. Collins is now responsible for Cliff's contact with government, lease owners and the public in Nevada, Arizona and California.

CLIFF RESOURCES CORPORATION

TO ALL INVITEES:

The following is a brief itinerary for your day;

(1) Please meet the buses at the side entrance of Bally's no later than 8:45am; the buses leave at 9:00am.

(2) It is about an hour drive by bus to the mine where, upon arrival, you will disembark and have a coffee break and the welcoming speeches.

(3) We will then reload the buses and embark for the dragline operation, where the ribbon cutting ceremony will take place.

(4) We will then visit the trommel location where there will be an explanation of the workings of the system from the conveyors to the mill.

(5) Back on the buses and down to the mill building for a tour and explanation on the final process of the gold recovery.

(6) After the tour will be cocktails and a sit down lunch.

(7) Reload the buses and travel back to Bally's by 3:00pm.