

Paul Wilton

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~~(Franklin Property Group)~~
Franklin Property
Greenwood
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MINISTRY OF ENERGY, MINES
& PETROLEUM RESOURCES.
REC'D MAR 18 1994
NELSON, B.C.

SUPERINTENDENT OF BROKERS
AND
VANCOUVER STOCK EXCHANGE

STATEMENT OF MATERIAL FACTS (#16/94)
EFFECTIVE DATE: February 14, 1994

FEB 28 1994

Geological Survey Branch
MEMPR

SWAY RESOURCES INC. (the "Issuer")
818 - 602 West Hastings Street, Vancouver, British Columbia V6B 1P2 (604) 681-3328
Name of Issuer, Address of Head Office and Telephone Number

2500 Three Bentall Centre, P.O. Box 49200
595 Burrard Street, Vancouver, British Columbia V7X 1L1
Address of Registered and Records Offices of Issuer

MONTREAL TRUST COMPANY OF CANADA
510 Burrard Street, Vancouver, British Columbia V6C 3B9
Name and Address of Registrar and Transfer Agent for Issuer's Securities in British Columbia

OFFERING: 1,000,000 UNITS - each Unit consisting of one common share without par value and one non-transferable flow-through share purchase warrant.

	<u>Number of Units to be Issued</u>	<u>Estimated Price to Public ⁽¹⁾</u>	<u>Estimated Agent's Commission</u>	<u>Estimated Net Proceeds to be Received by the Issuer ⁽²⁾</u>
Per Unit:	N/A	\$0.60	\$0.051	\$0.549
Totals - Minimum	600,000	\$360,000	\$30,600	\$329,400
- Maximum	1,000,000	\$600,000	\$51,000	\$549,000

⁽¹⁾ The actual price to the public will be determined by the Issuer and the Agent in accordance with the rules of the Vancouver Stock Exchange (the "Exchange").

⁽²⁾ Before deducting the balance of the costs of the issue estimated to be \$16,000.

The Issuer is, under the rules of the Exchange, classified as a Venture Company.

Minimum Subscription

This offering is subject to a minimum subscription of 600,000 units being subscribed for. Further particulars of the minimum subscription are disclosed under the heading "Plan of Distribution".

THIS STATEMENT OF MATERIAL FACTS IS NOT, UNDER ANY CIRCUMSTANCES, TO BE CONSTRUED AS AN OFFERING OF SECURITIES IN THE UNITED STATES OF AMERICA OR ANY TERRITORY OR POSSESSION THEREOF OR AS A SOLICITATION THEREIN OF ANY OFFER TO BUY SECURITIES.

The Securities offered hereunder are highly speculative in nature. Information concerning the risks involved may be obtained by reference to this document; further clarification, if required, may be sought from a broker.

AGENT:

UNION SECURITIES LTD.
Suite 900 - 609 Granville Street
Vancouver, British Columbia
V7Y 1H4

Neither the Superintendent of Brokers nor the Exchange has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

geological mapping of the designated prime target areas at an estimated cost of \$25,000. To date the Issuer has expended approximately \$15,700 in staking costs and \$18,000 in deferred exploration and development costs, which consisted of prospecting, geological mapping and sampling of chrome rich brecciated peridotite intrusives, more specifically identified as harzburgite. Several basin-like craters were located and yellow and blue clay materials were collected from two of the basins. One of the basins had several test pits and two timbered shafts completed by early prospectors, believed to date back to 1904. Initial samples were washed, screened and dried and sent to Loring Labs in Calgary, Alberta and tested for diamond indicator materials. Results of the testing revealed numerous pyrope garnets, chrome diopsides and illminites. Following these results, a two ton bulk sample was taken for further investigation. The Issuer does not intend to use of the proceeds of this offering to pay for any further exploration of the Kimberlite Claim Group.

There is no surface or underground plant or equipment on the Kimberlite Claim Group and the property is without a known body of ore. The proposed program of work is an exploratory search for ore.

Group II - PRESENTLY HELD PROPERTIES WHICH ARE CURRENTLY PRODUCING OR BEING EXPLORED, UPON WHICH EXPLORATION IS PLANNED WITHIN THE NEXT YEAR

Franklin (Homestake) Property

The Issuer either owns outright or has an option to acquire a 100% interest in 31 recorded mineral claims and 10 crown granted mineral claims located in the Greenwood Mining Division, British Columbia, subject to the payment of certain net smelter return royalties. Particulars of the agreements pursuant to which the Issuer acquired its interest in the aforesaid recorded and crown granted mineral claims (the "Franklin (Homestake) Property") are as follows:

Geronazzo et al Agreement

Pursuant to an option agreement dated January 29, 1993 and made among the Issuer as Optionee and Daniel D. Geronazzo, James J. McDougall and R.H. Seraphim Engineering Limited as Optionors (the "Optionors"), the Issuer acquired an option to earn a 66.88% interest in 25 recorded mineral claims and 10 crown granted mineral claims comprising part of the Franklin (Homestake) Property. These claims are as follows:

<u>Claim Name</u>	<u>Record No.</u>	<u>Expiry Date</u>
Spring 1	1573	June 18, 1998
Spring 4	1576	June 18, 1998
Spring 5	1577	June 18, 1998
Spring 9	1581	June 12, 1995
Eclipse	1543	June 6, 1998
Athelstan	1541	June 6, 1998
Ax	1542	June 6, 1998
Alto Fr.	1544	June 6, 1998

<u>Claim Name</u>	<u>Record No.</u>	<u>Expiry Date</u>
Eaganville	1545	June 6, 1998
Yellow Jacket	1546	June 6, 1998
Violet Fr.	1547	June 6, 1998
Hennekinn	1548	June 6, 1998
Verde	1549	June 6, 1998
Mac 1	1607	June 19, 1998
May Fraction	1611	June 29, 1998
Par	75	
Dodge	76	
Hit 1	1724	August 16, 1998
Jimmy	D'-42	July 21, 1998
Genie 1	1210	July 26, 1998
Genie 2	1211	July 26, 1998
Genie 3	1212	July 26, 1998
Genie 4	1213	July 26, 1998
Genie 5	1260	August 9, 1998
Genie 6	1261	August 9, 1998

Crown Grants

<u>Claim Name</u>	<u>Lot No.</u>
Homestake	589 S
Banner	1199
Bullion	1200
Aldie	3239
Deadwood	590 S
Rio	441 S
Union	1022 S
Union Fraction	1678 S
Idaho	1679 S
Paper Doll Fraction	1677 S

The Issuer has paid the Optionors \$10,000 cash and is required to pay an additional \$10,000 on or before February 28, 1994 and \$10,000 on each anniversary thereafter until an aggregate of \$100,000 in cash has been paid. The Issuer has also issued 50,000 common shares to the Optionors pursuant to the above-described option agreement and is not required to issue any further shares to the Optionors thereunder; however, the Issuer is required to pay to the Optionors a net smelter return royalty of the greater of \$10,000 per annum or 1.5% of net smelter returns from the said claims (the "Franklin

Claims") after commercial production has commenced therefrom and until \$1,000,000 in respect thereof has been paid.

The Issuer is also required to pay to Peat Marwick Thorne Inc., receiver manager of Sumac Ventures Inc., a net smelter return royalty of 0.5% in respect of the Franklin Claims. This is a pre-existing obligation of the Optionors which has been assumed by the Issuer.

The above-described option agreement was negotiated by the Optionors and the Issuer at arm's length.

Carson Agreement

Pursuant to an agreement dated April 30, 1993, John Carson, the President and a Director of the Issuer, has sold outright a 33.12% undivided interest in the Franklin Claims to the Issuer in consideration for the repayment to Mr. Carson of his out-of-pocket expenses incurred in connection with the acquisition of his interest in the Franklin Claims, namely \$25,000. The Issuer further agreed to pay Mr. Carson a royalty equal to the greater of \$5,000 per annum or 0.75% of net smelter returns after commercial production has commenced, subject to a maximum of \$500,000.

McDougall Agreement

Pursuant to an option agreement dated May 31, 1993 and made between Eugene V. McDougall as Optionor ("McDougall") and the Issuer as Optionee (the "McDougall Agreement"), the Issuer acquired an option to earn an undivided 100% interest in and to 6 recorded mineral claims located in the Greenwood Mining Division in proximity to the Franklin Claims. These claims are as follows:

<u>Name of Claim</u>	<u>Record Number</u>	<u>Expiry Date</u>
Buffalo	214310	August 17, 1998
Alpha	214604	September 24, 1998
AB1	214183	August 9, 1998
AB2	214184	August 9, 1998
AB3	214185	August 9, 1998
AB4	214186	August 9, 1998

(the "McDougall Claims")

Pursuant to the McDougall Agreement, the Issuer was required to pay to McDougall \$1,000 in cash (which has been paid) and to issue 10,000 common shares to McDougall upon the McDougall Agreement having been approved by the Exchange, which approval was granted on September 17, 1993. 10,000 common shares have now been issued to McDougall. Further, and in order to maintain the option in good standing, the Issuer is required to pay 2.5% of net smelter returns from production from the McDougall Claims subject to a maximum of \$100,000.

The Franklin Claims and McDougall Claims are hereinafter collectively called the "Franklin (Homestake) Property".

Location, Access and Geology

A summary of the Franklin (Homestake) Property is provided below and is derived from an evaluation report prepared for the Issuer by Laurence Sookochoff, P.Eng. dated November 24, 1993.

The Franklin (Homestake) Property is located within and at the north end of the Republic Graben, a depressed crustal unit which hosts one of the oldest producing gold mines in North America; the Knob Hill mine. Recent exploration at the Knob Hill mine, resulted in the discovery of additional gold reserves based on an epithermal vein system where drill sections of up to 6.62 oz Au/ton and 32.46 oz Ag/ton over "three feet" were intersected.

With the discovery of the increased Knob Hill gold reserves, which are blind deposits up to 250 metres below surface and which average 1.0 oz Au/t within ore shoots of up to 185 metres in length, the criteria for mineral exploration within the Graben was modified. As a result, deposits of gold bearing skarn and vein stockwork deposits within the Graben from north of the Knob Hill to the Canada boundary were delineated and brought into production.

The Franklin (Homestake) Property, which is located 40 kilometres north of the Canada-U.S. boundary and 105 kilometres north of the Knob Hill mine, occurs within the historic Franklin Mining Camp where exploration began, and has been intermittent since the late 1870's. The Union, which is part of the Franklin property, was the centre of exploration and production of the Camp and to 1931 production totalled 144,000 tons containing 48,158 ounces of gold and 1,407,975 ounces of silver and included the treatment of 56,000 tons of ore at the Union Mines concentrator.

Access is provided by paved road following the Granby River to the Burrell Creek road junction at km 48. The Burrell Creek road is a gravelled logging road paralleling Burrell Creek. At km 25 a secondary road leads to the Union Mine and the Franklin (Homestake) Property. Recently constructed forestry access roads provide access to many of the areas that had not been previously accessible by road. The forestry road and many secondary four-wheel drive roads provide access to most mineral showings on the Franklin (Homestake) Property.

The Homestake area at the Franklin (Homestake) Property has been historically regarded as having similar mineral showings to the mineral showings on the Union. In 1931, assays of "picked samples" from the Homestake returned assays of up to 24.9 oz Au/t in addition to assays of 2.20 oz Au/t across a "three foot" well mineralized section.

Prior to 1987 exploration on only segmented portions of the Property were completed due to the fragmentation of ownership. The exploration included: diamond drilling on and to the south of the Homestake workings the results of which were termed poor to not encouraging; geochemical surveys on the Banner claim and peripheral area delineated anomalous areas correlative with the Banner adit, with the North Banner Zone and with an extensive northerly trending limestone unit.

The 1987 Placer Dome exploration report on the Franklin Camp ground which, although excluding the Homestake Group and the Union Group, stated that the North Homestake Zone was the best area for gold mineralization. The conclusions were based on rock chip sampling of pits and trenches which returned assays of up to 1.01 oz Au/t from selected samples. Recent samples from the Homestake dump are reported as up to 17.536 oz Au/t and 6.60 oz Ag/t. (Kermeen, 1992)

Samples from the Deadwood Zone, 200 metres west of the North Homestake, returned assays of up to 0.17 oz Au/t from a large quartz vein within a heavily silicified area.

The 1993 exploration program, performed by Sway Resources, included prospecting, sampling and geological mapping in addition to 16 rotary and diamond drill holes on the North Banner-Homestake zone. The results as reported by Miller (1993) include assay values of drill core assays from the North Banner of up to 0.25 oz Au/t over three metres and drill core assays of 0.22 oz Au/t over a 1.2 meter section from the North Homestake.

It is concluded that based primarily on recent exploration results, the North Banner-Homestake zones of the Franklin (Homestake) Property contain the potential for the delineation of high grade or low grade bulk tonnage gold mineralization.

The 1993 test drilling of the North Banner-Homestake zones has indicated that, although the more significant gold assays from drill hole cores are not comparable to the high surface gold values, the drill results are encouraging to the delineation of potentially economic zones of gold bearing mineralization. The mineralization is comparable to that of the Union area and may be an expression of underlying gold bearing epithermal or skarn zones. Similar geological characteristics are also displayed at productive properties of the Republic Graben.

Additional follow-up exploration to the 1993 results should be completed to determine the significance of the drill hole intersections.

In his report, Mr. Sookochoff has recommended a two-stage program of exploration and development. Stage I, consisting of trenching, detailed geological mapping and diamond drilling, is already underway. Stage II, which will be funded from the proceeds of this Offering, will consist of diamond drilling of approximately 3,000 metres and associated costs and expenses.

To date, the Issuer has completed 1,400 feet of percussion drilling and in excess of 5,000 feet of diamond drilling. Results have indicated a gold bearing structure that has ore grade material when associated with the right geology.

Discovery Diamond Drill Hole #12 returned the following over a core length of 10 feet.

<u>Footage Interval</u>	<u>Gold Ounces per Ton</u>
48.9 - 50.9	.273
50.9 - 52.9	.212
52.9 - 54.9	.287
54.9 - 56.9	.015
56.9 - 58.9	.418

A check assay on 56.9 - 58.9 returned .490 gold.

A grab sample from a new discovery zone, which is coincident with a V.L.F. - EM conductor and a geochem lead-gold anomaly 400 yards to the north returned the following values:

<u>Copper</u>	<u>Lead</u>	<u>Zinc</u>	<u>Silver</u>	<u>Gold</u>
.499%	37.86%	1.43%	14.29%	.627opt

There is no surface or underground plant or equipment on the Franklin (Homestake) Property and the property is without a known body of ore. The proposed program of work is an exploratory search for ore.

Mountain Diatreme Property

Pursuant to an option agreement dated May 31, 1993 (the "Sway Option Agreement") between the Issuer as optionee and Island Arc Resources Corp., White Knight Resources Ltd. and Goldpac Investments Ltd. (collectively the "Optionors") as optionor, the Issuer acquired an option to purchase up to 60% of the Optionors' 100% interest in and to the Mount 1 Claim, Mapsheet 106A-3, Tag No. F11335 located in the Mackenzie Mining District in the Northwest Territories (the "Mountain Diatreme Property"). Under the terms of the Sway Option Agreement, the Issuer was required to pay the Optionors the sum of \$20,000 cash (which has been paid) together with a further \$220,000 payable at the following times:

- (a) \$20,000 on or before May 1, 1994;
- (b) \$50,000 on or before May 1, 1995;
- (c) \$50,000 on or before May 1, 1996;
- (d) \$50,000 on or before May 1, 1997; and
- (e) \$50,000 on or before May, 1998;

and incur exploration and development expenditures of \$150,000 by May 31, 1996.

In addition, the Issuer is required to issue an aggregate of 200,000 shares as follows:

- (a) 50,000 shares on receiving approval of the Option Agreement by the Exchange, which approval was granted on July 22, 1993. These shares have been issued;
- (b) 50,000 shares on completion of the first phase of exploration expenditures of \$50,000 and approval of the Exchange;
- (c) 50,000 shares on completion of the second phase of exploration expenditures of \$50,000 and approval of the Exchange; and
- (d) 50,000 shares on completion of the third phase of exploration expenditures of \$50,000 and approval of the Exchange.

A finder's fee of 5,000 shares and \$2,000 cash has been paid to Mr. Richard Lonsdale in respect of the acquisition of the Issuer's interest in the Mountain Diatreme Property. By agreement between the Optionors and the Issuer, this finder's fee was to be shared on a 50/50 basis and accordingly, the first 50,000 share tranche issued to the Optionors was reduced to 47,500 shares and the cash amount paid