

SUPERINTENDENT OF BROKERS
AND
VANCOUVER STOCK EXCHANGE
(Development Company)

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PROPERTY FILE
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Gold Drop

STATEMENT OF MATERIAL FACTS (#141/87)

EFFECTIVE DATE: OCTOBER 8, 1987

KENAR RESOURCES LTD.

#463 - 1155 West Georgia Street, Vancouver, B.C., (604) 685-6426

NAME OF ISSUER, ADDRESS OF HEAD OFFICE AND TELEPHONE NUMBER

#800 - 885 West Georgia Street, Vancouver, British Columbia V6C 3H1

ADDRESS OF REGISTERED AND RECORDS OFFICES OF ISSUER

CANADA TRUST COMPANY

1055 Dunsmuir Street, Vancouver, B.C. V7X 1P3

NAME AND ADDRESS OF REGISTRAR AND TRANSFER AGENT FOR ISSUER'S SECURITIES
IN BRITISH COLUMBIA

The securities offered hereunder are 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.

OFFERING:

600,000 COMMON SHARES

	Price to Public (Estimated)*	Commission (Estimated)	Estimated Net Proceeds to be received by the Issuer (Estimated)
Per Share	\$ 0.35	\$ 0.02625	\$ 0.32375
Total	\$210,000.00	\$ 15,750.00	\$194,250.00*

*To be calculated in accordance with the rules of the Vancouver Stock Exchange but, in any event, not less than \$0.35 per Share. Before deduction of the cost of the Offering expected not to exceed \$15,000.

ADDITIONAL OFFERING:

300,000 WARRANTS

THIS STATEMENT OF MATERIAL FACTS ALSO QUALIFIES THE RESALE OF THE SHARES ISSUED TO THE AGENT UPON THE EXERCISE OF THE AGENTS' WARRANTS. THE ISSUANCE TO THE AGENTS OF THE AGENTS' WARRANTS TO ACQUIRE UP TO AN ADDITIONAL 300,000 SHARES OF THE ISSUER AND THE EXERCISE BY THE AGENT OF SUCH WARRANTS MAY BE EFFECTED PURSUANT TO APPLICABLE PROVISIONS OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA. Reference should be made to "Plan of Distribution" on Page 1.

AGENTS:

GEORGIA PACIFIC SECURITIES CORP.
1500 - 789 West Pender Street
Vancouver, B.C. V6C 1H2

WEST COAST SECURITIES LTD.
400 - 815 West Hastings Street
Vancouver, B.C. V6C 3G9

JONES, GABLE & COMPANY LIMITED
400 - 700 West Pender Street
Vancouver, B.C. V6C 1C1

C.M. OLIVER & COMPANY LIMITED
2nd Floor, 750 West Pender Street
Vancouver, B.C. V6C 1B5

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

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1. PLAN OF DISTRIBUTION

Offering

The Issuer by its agents hereby offers (the "Offering") to the public through the facilities of the Vancouver Stock Exchange (the "Exchange"), 600,000 shares (the "Shares"). The Offering shall be made on a day (the "Offering Day") within the period of thirty (30) business days following the Effective Date of this Statement (the "Effective Date" being the date of acceptance of this Statement by the Exchange and the Superintendent as noted on the cover page of this Statement).

The price of the Shares (the "Offering Price") will be determined by the Issuer and the Agent in accordance with the rules and policies of the Exchange, at a discount from the average trading price (the "Average Price") of the Issuer's common shares as traded on the Exchange and as determined by the Exchange, but, in any event, not less than \$0.35 per Share. The purchaser of any Shares will be required to pay regular commission rates as specified in the rules and by-laws of the Exchange.

Appointment of Agents

The Issuer, by an agreement (the "Agency Agreement") dated August 25, 1987 and amended October 2, 1987, appointed the following as its agents ("Agents") to offer the Shares to the public as follows:

<u>Name and Address of Agents</u>	<u>Participation</u>
GEORGIA PACIFIC SECURITIES CORP. 1500, 789 West Pender Street Vancouver, B.C., V6C 1H2	300,000 Shares
WEST COAST SECURITIES LTD. 400, 815 West Hastings Street Vancouver, B.C., V6C 3G9	100,000 Shares
JONES, GABLE & COMPANY LIMITED 400, 700 West Pender Street Vancouver, B.C., V6C 1C1	100,000 Shares
C.M. OLIVER & COMPANY LIMITED 2nd Floor, 750 West Pender Street Vancouver, B.C., V6C 1B5	100,000 Shares

The Issuer will pay the Agents a fee of 7½% of the selling price of the Shares sold on completion of the Offering.

The Issuer has granted the Agents a right of first refusal with respect to any future equity financings it may require during the twelve (12) month period following the Effective Date.

The Agents reserve the right to offer selling group participation in the normal course of the brokerage business to selling groups of other licenced broker-dealers, brokers and investment dealers who may or may not be offered part of the commissions or bonuses derived from this Offering.

The Agents may offer some of the Shares to their clients in Great Britain or Europe. The Agents have advised that any sales in Great Britain or Europe will be to corporations or institutional buyers who may be considered sophisticated investors.

The obligations of the Agents under the Agency Agreement may be terminated prior to the opening of the market on the Offering Day, at the Agents discretion, on the basis of their assessment of the state of the financial markets and may also be terminated at any time upon the occurrence of certain stated events.

The directors, officers and other insiders of the Issuer may purchase shares from this Offering.

There are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder or any other person or company in connection with the Offering.

There are no shares of the Issuer beneficially owned, directly or indirectly by the Agents.

The Agents have agreed to purchase from their respective portions of the Offering any shares not sold at the conclusion of the Offering. In consideration therefor, the Agents have been granted non-transferable share purchase warrants ("Agents' Warrants") in proportion to their participation in the Offering, entitling them to purchase up to 300,000 Shares of the Issuer at a price which is determined in accordance with the rules and policies of the Exchange, at any time up to the close of business one (1) year following the Offering Day. The Agents' Warrants will contain, among other things, anti-dilution provisions and provisions for appropriate adjustment of the class, number and price of shares issuable pursuant to any exercise

thereof upon the occurrence of certain events including any subdivision, consolidation or re-classification of the Shares or the payment of stock dividends.

Additional Offering

This Statement of Material Facts also qualifies the issuance to the Agents of the Agents' Warrants entitling the Agents to purchase up to an aggregate of 300,000 common shares at a price which is determined in accordance with the rules and policies of the Exchange, at any time up to one year from the Effective Date, and the resale to the public of common shares of the Issuer acquired by the Agents on exercise of such warrants or pursuant to their obligation to purchase any shares remaining unsold at the conclusion of the Offering. The exercise by the Agent of such Warrants may be effected pursuant to applicable provisions of the securities legislation of British Columbia. The Issuer will not receive any proceeds from the sale of any such Shares by the Agents, all of which proceeds will in such event accrue to the Agents.

2. HOW THE NET PROCEEDS OF THE ISSUE ARE TO BE SPENT

It is the intention of the Issuer that the estimated net proceeds to be derived by the Issuer from this Offering of \$194,250.00, in addition to cash on hand as at June 30, 1987 in the approximate amount of \$8,154.00 for a total of \$202,404.00, will be spent as follows:

(a) Estimated cost of this issue, including legal, audit and printing costs (approx.)	\$ 15,000.00
(b) to begin work on the Gold Drop Property in accordance with the recommendations of E. Livgard, P. Eng. in his report dated December, 1986	\$ 90,000.00
(c) to pay amount due on mortgage on the Gold Drop Property, due September 30, 1987 (see section "Liabilities")	\$ 30,000.00
(d) to pay current accounts payable	\$ 11,354.77
(e) reserve for administrative expenses and general working capital to acquire and/or develop properties of merit	\$ 56,049.23*
TOTAL:	<u>\$ 202,404.00</u>

* Any proceeds received from the exercise of the Agents' Warrants will be added to general working capital.

None of the proceeds from the sale of Shares pursuant to the Offering described in Item 1 hereof will be spent on any properties other than those disclosed above, without the Issuer first having satisfactory consulting or engineering reports accepted by the Vancouver Stock Exchange in accordance with Exchange Policy.

There are no provisions or arrangements for holding any part of the net proceeds received from the sale of the securities in trust or subject to the fulfillment of any conditions.

3. MATERIAL NATURAL RESOURCE PROPERTIES

Summary of Material Mining Properties

- Group I Properties for which regulatory approval has been obtained under this Statement of Material Facts.
- Group II Presently held properties which are currently producing or being explored, or upon which exploration is planned within the next year.
- Group III Other presently held properties upon which the Issuer's acquisition and exploration costs to date exceed \$100,000.

Group	Property Name	Issuer's Acquisition and Exploration Costs to date	Shares Issued to Date	Planned Expenditures from Funds Available upon Completion of the Offering
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I n/a

II n/a

III Gold Drop Claims \$264,845 750,000 \$ 90,000

A. GOLD DROP CLAIMS
GREENWOOD MINING DIVISION, BRITISH COLUMBIA

- (i) The Issuer owns a 100% interest in six located mineral claims, seven reverted Crown granted mineral claims

and two Crown granted mineral claims, all situate near the town of Greenwood, British Columbia, in the Greenwood Mining Division, Penticton Assessment Area (the "Gold Drop Claims" or the "Claims"). The Issuer is responsible for all costs incurred in the exploration and development of the Gold Drop Claims.

(ii) In July and August, 1981, the Issuer carried out a work program on the Gold Drop Claims consisting of road building, rehabilitation of existing adits, trenching and ore dump sampling. In addition, the Issuer conducted exploratory diamond drilling and a program of geochemical testing. Six relatively short holes totalling 1,584 feet were completed on the Claims however no commercial ore was intersected. The total cost to the Issuer for the above-stated program was \$63,645. A program of geological mapping and geochemical surveying was completed on the Claims in 1982 at a cost of approximately \$9,000.

A Joint Venture Agreement was made between the Issuer and Solex Energy Inc. in May 1984 for the expenditure of \$250,000 for rehabilitation and development work on the Gold Drop Claims. During 1984 and 1986, reconstruction of the 2 main portals, timbering of the lower North Star adit and the laying of 690 feet of new track was completed. The Issuer estimates the value of the work done by Solex Energy Inc. to be approximately \$145,000.00 (see section headed "Liabilities").

Recently the Issuer completed the rehabilitation of a 250 foot raise, to allow for sampling of the vein in the upper level adit. The dewatering of an 80 foot winze has allowed for sampling of the vein in the winze and in the 150 foot drift which is found at the bottom of the winze. Sampling of the vein in the drift which runs from the winze has also been carried out. Total expenditures have been \$12,000.

The Issuer proposes to carry out additional exploration and development work on the Gold Drop Claims by the expenditure of \$90,000, pursuant to the report of Livgard Consultants Ltd. dated December 19, 1986, which recommends an exploration program at an aggregate cost of \$218,000. The report contemplates some milling work which may produce some revenue. If the Issuer receives favourable results after the expenditure of \$90,000 on the exploration program, then at that time it will consider completing the program.

(iii) The Issuer has no commitments to maintain the Gold Drop Claims in good standing save and except the performance of assessment work on the property in accordance with the laws of the Province of British Columbia. The Gold Drop

Claims are subject to a mortgage (see section headed "Liabilities").

(iv) The Gold Drop claims are without a known body of commercial ore.

4. PARTICULARS OF NON-RESOURCE ASSETS

The Issuer is not engaged nor does it propose to engage, in whole or in part, in a business other than for the exploration and development of natural resources.

5. CORPORATE INFORMATION

The Issuer was incorporated on January 31, 1980 under the laws of the Province of British Columbia by Memorandum and Articles.

By special resolution passed by the shareholders on August 28, 1985, the share capital of the Issuer was increased from five million (5,000,000) common shares to ten million (10,000,000) common shares without par value.

The authorized share capital of the Issuer consists of 10,000,000 common shares without par value, of which 2,963,239 common shares are presently issued and outstanding.

The share capital of the Issuer consists of one class of shares only. All shares issued by the Issuer rank equally in all respects. There are no conversion rights, special liquidation rights, pre-emptory rights or subscription rights attached to the shares of the Issuer.

A total of 214,656 shares of the Issuer have been issued to certain investors by way of private placement at a price of \$0.17 per share (the "Initial Shares"). In consideration therefor, the Issuer granted to the investors non-transferable Series "A" Share Purchase Warrants (the "Warrants") entitling the investors to purchase a further 214,656 shares of the Issuer at a price of \$0.30 per share on or before September 9, 1987. On September 1, 1987 Warrants were exercised as to 10,000 shares of the Issuer, increasing the Issuer's cash position by \$3,000.00. On September 9, 1987 the remaining Warrants outstanding expired unexercised. Reference should be made to section headed "Other Securities".

Since the date of the Issuer's audited financial statements for the period ending February 28, 1987 attached hereto and forming a part of this Statement of Material

Facts, an aggregate of 186,868 shares have been issued as follows:

- (a) an aggregate of 65,000 shares were issued to certain private placees pursuant to the exercise of certain Series "A" Share Purchase Warrants with respect to the private placement more particularly disclosed under the heading "Other Securities";
- (b) an aggregate of 71,868 shares were issued to certain directors of the Issuer upon exercise of directors' stock options; and
- (c) an aggregate of 50,000 shares were issued with respect to the acquisition of the No.7 claims.

6. DIRECTORS, OFFICERS, PROMOTERS AND PERSONS HOLDING MORE THAN 10% OF THE ISSUED EQUITY SHARES

(1) Directors, Officers and Promoters of the Issuer

<u>Full Name, Residential or Postal Address, and Position with Issuer</u>	<u>Principal Occupation in the Previous Five (5) Years</u>	<u>No. of Equity Shares of Issuer Beneficially Owned</u>
ARNOLD JOHN KUCHERHAN* 8121 Wiltshire Blvd. North Delta, B.C. PRESIDENT, DIRECTOR & PROMOTER	High School Teacher, Vancouver, B.C., 1977 to date	200,091 free trading 68,000 escrow
KENNETH ALFRED PRICE 106 3rd Avenue Vancouver, B.C. SECRETARY, DIRECTOR & PROMOTER	Barrister & Solicitor, Burnet & Fenton, 1977-1984; Price, Shimuzu; 1984 to date	112,824 free trading 68,000 escrow
JOHN ARNOLD KUCHERHAN* 197 Granby Avenue Penticton, B.C. DIRECTOR & PROMOTER	Retired since 1980	313,351 free trading 348,500 escrow
DANIEL MAGTOTO BASCO* 1203 - 1740 Comox St. Vancouver, B.C. DIRECTOR	Retired; previously Consulting Geologist	30,000 free trading 55,000 escrow

* Denotes member of the audit committee

(2) Other Directorships

(a) Within the past three years, certain directors, officers or promoters of the Issuer are or have been a director, officer or promoter of other reporting companies, as set forth below:

Daniel Basco is a director/officer/promoter of two reporting companies in British Columbia.

A list of the names of these British Columbia reporting companies is available for inspection at the offices of Messrs. Clark, Wilson, Barristers & Solicitors, 800 - 885 West Georgia Street, Vancouver, British Columbia during the times as specified in Item 9(5) hereof.

(b) During the period that the above noted individual was a director, officer and/or promoter of such companies, none of such companies has been struck off the Register of Companies by the British Columbia Registrar of Companies, or other similar authority, nor were the securities of any of these companies the subject of a cease trade or suspension order for a period of more than thirty (30) consecutive days.

(3) Remuneration from Issuer

(a) During the year ended February 28, 1987, Ar-Tax Data Services Ltd., of 463 - 1155 West Georgia Street, Vancouver, B.C., has accrued direct remuneration in the amount of \$2,000 per month for the provision of secretarial and office services. Ar-Tax Data Services Ltd. is a non-reporting British Columbia company owned as to 33 1/3% by Kenneth A. Price, as to 33 1/3% by John A. Kucherhan and as to 33 1/3% by Arnold J. Kucherhan, all directors of the Issuer.

(b) During the year ended February 28, 1987, the Issuer accrued an indebtedness in the aggregate of \$9,447, with respect to rent and legal fees to a legal firm, of which Kenneth Price, a director of the Issuer, is a partner.

(c) Within the past year certain directors, officers and promoters of the Issuer have received the following items of value, directly and indirectly, from the Issuer which are not otherwise disclosed in this Statement of Material Facts:

(i) by Option Agreement dated October 16, 1985, the Issuer granted to John Kucherhan an option to purchase 110,000 common shares of the Issuer at a price of \$0.16 per share, exercisable at any time

on or before October 16, 1988. As at the date hereof, the aforesaid option was exercised in full;

- (ii) 43,734 common shares in the capital stock of the Issuer at a price of \$0.25 per share were issued in settlement of a debt in the amount of \$10,934.00 due to a legal firm, of which Kenneth Price, a director of the Issuer, is a partner;
 - (iii) 166,000 common shares in the capital stock of the Issuer at a price of \$0.25 per share were issued in settlement of a debt in the amount of \$41,500.00 due to Ar-Tax Data Services Ltd.;
 - (iv) 50,000 common shares in the capital stock of the Issuer at a price of \$0.01 per share were issued to Arnold J. Kucherhan in partial consideration for the acquisition by the Issuer of the No. 7 Mining Property, Greenwood Mining Division, British Columbia; and
 - (v) \$7,500.00 was paid to Arnold J. Kucherhan for the acquisition of the No. 7 Mining Property. Reference should be made to the section headed "Liabilities".
- (4) Persons Owning More than 10% of the Equity Shares of the Issuer

To the knowledge of the signatories hereto, there are no persons or companies who own beneficially, directly or indirectly, more than 10% of the equity shares of the Issuer other than as disclosed in Item 6(1) hereof.

7. OPTIONS TO PURCHASE SECURITIES OF THE ISSUER

(1) Insiders and Promoters

By agreements, dated October 16, 1985, the Issuer granted to the following directors of the Issuer, incentive stock options to purchase an aggregate of 110,000 shares in the capital stock of the Issuer at a price of \$0.16 per share exercisable at any time up to and including October 16, 1988, as follows:

<u>Name of Director</u>	<u>No. of Shares</u>
Arnold J. Kucherhan	50,000
Kenneth Price	50,000
Daniel Basco	10,000

As at the date hereof, the aforesaid stock options have been exercised as follows:

Arnold Kucherhan as to 9,590 shares	BALANCE: 40,410 shares
Kenneth Price as to 9,590 shares	BALANCE: 40,410 shares
Daniel Basco as to 10,000 shares	BALANCE: Nil shares

(2) Employees

By agreement, dated April 15, 1987, the Issuer granted to a certain employee of the Issuer, an incentive stock option to purchase an aggregate of 135,000 shares in the capital stock of the Issuer at a price of \$0.25 exercisable at any time up to and including April 15, 1988. The option is subject to the approval of the Vancouver Stock Exchange, which has not yet been given. As at the date hereof, the option has not been exercised.

8. SECURITIES OF THE ISSUER HELD IN ESCROW, IN POOL OR SUBJECT TO HOLD RESTRICTIONS

(1) Escrow Shares

There are 637,500 shares of the Issuer held in escrow by the Issuer's Registrar and Transfer Agent, The Canada Trust Company, of 1055 Dunsmuir Street, Vancouver, B.C., subject to the direction or determination of the Vancouver Stock Exchange.

The escrow restrictions provide, inter alia, that the shares may not be traded in or dealt with in any manner whatsoever nor released, nor may the Issuer, its transfer agent or escrow holder make any transfer or record any trading of shares without the consent of the Vancouver Stock Exchange.

The escrow arrangements also provide, among other matters that in the event the Issuer loses, abandons, or fails to obtain title to all or part of the property or assets for which it allotted all or part of the escrow shares, the Issuer will declare any such event to the Exchange and the holder of such shares, the trustee thereof and the Issuer have agreed that such number of shares as the Exchange may determine shall become subject to cancellation and shall be transferred to the Issuer by way of gift for cancellation.

(2) Pooled Shares

There are no shares of the Issuer held in pool.

(3) Other Securities

A total of 214,656 shares of the Issuer have been issued to certain investors by way of private placement at a price of \$0.17 per share (the "Initial Shares"). In consideration therefor, the Issuer granted to the investors non-transferable Series "A" Share Purchase Warrants (the "Warrants") entitling the investors to purchase a further 214,656 shares of the Issuer at a price of \$0.30 per share on or before September 9, 1987. On September 1, 1987 Warrants were exercised as to 10,000 shares of the Issuer, increasing the Issuer's cash position by \$3,000.00. On September 9, 1987 the remaining Warrants outstanding expired unexercised.

The Initial Shares and any shares which may be acquired pursuant to the exercise of the Warrants must be held for a period of twelve (12) months from the date of advancement of the funds to the Issuer for the Initial Shares. Reference should be made to the information contained under the heading "Corporate Information".

9. PARTICULARS OF ANY OTHER MATERIAL FACTS

(1) Legal Proceedings

The Issuer commenced an action in the County Court of Vancouver against Mikado Resources Ltd., claiming \$15,000 damages plus interest and costs with respect to monies wrongly had and received on account of a repudiated agreement regarding the work program on the Redcliffe Claims in Revelstoke District. The dispute relates to a deposit paid by the Issuer and the Issuer has no title or interest in the Redcliffe Claims. The Issuer is currently pursuing this action.

Excepting the foregoing, to the knowledge of the signatories hereto, there are no legal proceedings, either actual or pending, to which the Issuer is or is likely to be a party or of which any of its property is or is likely to be the subject.

(2) Properties for which Regulatory Approval is not Sought

A. ADAMS LAKE PLATEAU PROPERTY

The Issuer owns a 100% interest in three mineral claims comprising a total of 39 units, located in the Adams Lake Plateau area of British Columbia and recorded under numbers 5327 (12), 5328 (12), and 5329 (12) (the "Adams Lake Claims"). The Issuer is responsible for all costs incurred

in the exploration and development of the Adams Lake Claims.

The Issuer has conducted limited geophysical work on the Adams Lake Claims with the costs of such exploration work amounting to approximately \$6,000.00. The results of the geophysical work performed thus far by the Issuer on the Adams Lake Claims indicate anomalous features which the Issuer feels deserve further exploration. The Issuer does not plan to do further exploration and development on the Adams Lake Claims at this time.

B. NO. 7 MINING PROPERTY
GREENWOOD MINING DIVISION, BRITISH COLUMBIA

The Issuer acquired an option to purchase a 100% interest in eight located mineral claims and one reverted crown grant, all situate near the town of Greenwood, British Columbia, in the Greenwood Mining Division, Penticton Assessment Area (the "No. 7 Claims"). The Issuer is responsible for all costs incurred in the exploration and development of the No. 7 Claims.

In July and August of 1986 the Issuer carried out a work program on the No. 7 Claims consisting of limited rehabilitation of the main adit and geological mapping to establish diamond drill sites on the property. The cost to the Issuer of the above stated program was \$10,400.00. The partial rehabilitation of the 300 foot level revealed severe caving past the main cave, and the cost of rehabilitating the 300 foot level could be higher than estimated. In view of this situation, the Issuer does not intend to continue rehabilitating the 300 foot level at this time. The Issuer does not plan to do further exploration and development on the No. 7 Claims at this time.

There are no other properties proposed to be acquired by the Issuer for which regulatory approval is not being sought under this Statement of Material Facts.

(3) Liabilities

- (i) The liabilities of the Issuer have increased significantly since the date of the audited financial statements included in and made a part of this Statement of Material Facts as a result of an action brought by Solex Energy Inc., claiming \$250,000 on account of money expended on work programs on the Gold Drop claims in 1984 and 1986. In full settlement of this action, the Issuer has granted to Solex Energy Inc. a first mortgage charge over 50% of the Gold Drop property in the amount of \$145,000.00. To secure discharge of the

Mortgage, the Issuer must pay \$30,000.00 to Solex Energy Inc. by September 30, 1987 and \$115,000.00 by December 30, 1988. The mortgage is non-interest bearing. The funds raised by this Statement of Material Facts will be used to retire the \$30,000.00 due under the mortgage and to carry out the work program on the Gold Drop Claims as set out herein (reference should be made to "How the Net Proceeds are to be Spent"). The Issuer expects to derive some revenue from the work program from milling as contemplated in the report of E. Livgard which, if received in sufficient amounts, may be used to pay down the outstanding balance on the mortgage if management determines that such use of funds is in the Issuer's best interests. If minimal or no revenue is derived from the work program, but the results of the work program are promising, the Issuer may raise more funds to continue development of the Gold Drop Claims and to pay out the mortgage. If the management of the Issuer determines that it is not in the best interests of the Issuer to continue work on the Gold Drop Claims, the Issuer may enter into negotiations with Solex Energy Inc. or other interested parties to vend the Issuer's interest in the Gold Drop Claims. If the Issuer does not enter into such negotiations, Solex Energy Inc. will receive a 50% interest in the Gold Drop Claims.

- (ii) The Issuer has a liability to pay to Arnold J. Kucherhan, a director and officer of the Issuer, \$41,000 on account of an option agreement dated May 1, 1986 for the acquisition of the No. 7 property, being the acquisition cost by Arnold Kucherhan from J. McArthur, the original vendor of the property, in the amount of \$35,000, plus accrued interest at 11%. To date, the Issuer has paid the sum of \$7,500 on account of this liability.

(4) Other Material Facts

There are no other material facts which are not previously disclosed herein.

Inspection of Documents

The following documents of the Issuer, as referred to in this Statement of Material Facts, may be inspected during normal business hours at the Issuer's head office at #463 - 1155 West Georgia Street, Vancouver, B.C. or at the records office of the Issuer located at the offices of Messrs.

Clark, Wilson, Barristers and solicitors, #800 - 885 West Georgia Street, Vancouver, B.C. during normal business hours while primary distribution of the securities offered hereunder is in progress and for a period of thirty (30) days after completion of such primary distribution:

- (a) all contracts referred to in this Statement of Material Facts;
- (b) all technical reports summarized or referred to in Item 3 of this Statement of Material Facts; and
- (c) a list of the names of the reporting companies referred to in Item 6(2)(a) of this Statement of Material Facts.

10. STATUTORY RIGHTS OF RESCISSION

The Securities Act provides a purchaser with a right to withdraw from an agreement to purchase securities within two business days after receipt of a Statement of Material Facts and further provides a purchaser with remedies for rescission or damages where the Statement of Material Facts and any amendment contains a material misrepresentation or is not delivered to the purchaser prior to delivery of the written confirmation of sale or prior to midnight on the second business day after entering into the agreement, but such remedies must be exercised by the purchaser within the time limit prescribed. For further information concerning these rights and the time limits within which they must be exercised the purchaser should refer to Sections 66, 114, 118 and 124 of the Securities Act and Section 115 of the Securities Act Regulations or consult a lawyer.

KENAR RESOURCES LTD.

FINANCIAL STATEMENTS

February 28, 1987

ARTHUR LAM Chartered Accountant

Suite 808 - 1155 West Georgia Street • Vancouver, B.C. V6E 3H4 • Tel: (604)669-5617

AUDITOR'S REPORT

To the Shareholders,
Kenar Resources Ltd.

I have examined the balance sheet of Kenar Resources Ltd. as at February 28, 1987 and the statements of loss, deficit, deferred exploration and development costs and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the company as at February 28, 1987 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles except that they are prepared on a non-consolidated basis as explained in Note 1, applied on a basis consistent with that of the preceding year.

Vancouver, British Columbia
May 19, 1987.


Chartered Accountant.

KENAR RESOURCES LTD.

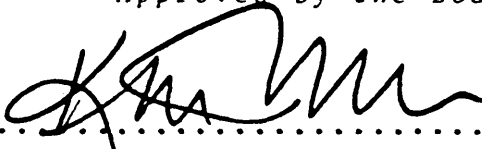
BALANCE SHEET

As at February 28, 1987

	<u>1987</u>	<u>1986</u>
ASSETS		
CURRENT		
Cash	\$ 3,019	\$ 525
DEPOSIT ON MINERAL PROPERTIES		22,500
INVESTMENT IN SUBSIDIARY COMPANY (Notes 1 & 6)		135,184
MINERAL PROPERTIES (Notes 1, 2, 4, & 7)	90,500	49,500
DEFERRED EXPLORATION AND DEVELOPMENT COSTS		
Per statement (Notes 1, 3 & 4)	<u>414,497</u>	<u>214,750</u>
TOTAL ASSETS	<u>\$ 508,016</u>	<u>\$ 422,459</u>
LIABILITIES		
CURRENT		
Accounts payable	\$ 72,858	\$ 60,621
Due to directors (Note 7)	<u>47,100</u>	<u>21,100</u>
	119,958	81,721
DEPOSIT FOR SHARES	2,439	
LONG-TERM DEBT (Notes 3 & 4)		
Account payable	<u>115,000</u>	
	<u>237,397</u>	<u>81,721</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 5)	560,648	460,953
DEFICIT	<u>(290,029)</u>	<u>(120,215)</u>
	270,619	340,738
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	<u>\$ 508,016</u>	<u>\$ 422,459</u>

(See Accompanying Notes)

Approved by the Board

..........Director.

..........Director.

KENAR RESOURCES LTD.

STATEMENT OF LOSS

For the year ended February 28, 1987

	<u>1987</u>	<u>1986</u>
MINERAL EXPLORATION EXPENSES		
Sundry exploration expenses	\$ <u>2,958</u>	\$ <u>2,581</u>
ADMINISTRATIVE EXPENSES		
Deposit on mineral property written-off	15,000	
Mineral property written-off		12,875
Deferred exploration and development costs written-off	<u>16,610</u>	<u>61,750</u>
	31,610	74,625
Deduct: Sundry income		(10,048)
	<u>31,610</u>	<u>64,577</u>
NET LOSS BEFORE EXTRAORDINARY ITEM	34,568	67,518
EXTRAORDINARY ITEM		
Investment in subsidiary company written-off (Note 6)	<u>135,246</u>	
NET LOSS FOR THE YEAR	\$ <u>169,814</u>	\$ <u>67,518</u>
NET LOSS PER SHARE (Note 8)		

(See Accompanying Notes)

STATEMENT OF DEFICIT

For the year ended February 28, 1987

(With comparative figures for the year ended February 28, 1986)

	<u>1987</u>	<u>1986</u>
DEFICIT, beginning of year	\$ 120,215	\$ 51,168
Net loss of the year	169,814	67,158
Share issuance expenses		<u>1,889</u>
DEFICIT, end of year	\$ <u>290,029</u>	\$ <u>120,215</u>

(See Accompanying Notes)

KENAR RESOURCES LTD.

STATEMENT OF DEFERRED EXPLORATION AND DEVELOPMENT COSTS

For the year ended February 28, 1987

	<u>1987</u>	<u>1986</u>
EXPLORATION AND DEVELOPMENT COSTS		
Mineral exploration		
Greenwood Mining Division, B.C.		
Geological fees and expenses	\$ 9,796	\$
Field work	153,234	
Government fees, licences and taxes	360	5
Assays	412	
	<u>163,802</u>	<u>5</u>
Kamloops Mining Division, B.C.		
Geological fees and expenses	2,356	
Government fees, licences and taxes	195	
Assays	82	
	<u>2,633</u>	
Total for the year	<u>166,435</u>	<u>5</u>
ADMINISTRATIVE COSTS		
Rent	4,900	2,400
Management fee	24,000	24,000
Legal	7,527	5,051
Audit and accounting	3,000	2,800
Transfer agent's fees	2,994	1,265
Regulatory fees	3,147	2,370
Telephone and sundries	4,354	2,684
Total for the year	<u>49,922</u>	<u>40,570</u>
TOTAL COSTS FOR THE YEAR	216,357	40,575
BALANCE, beginning of year	214,750	235,925
	<u>431,107</u>	<u>276,500</u>
Deduct: Deferred costs written-off	(16,610)	(61,750)
BALANCE, end of year	<u>\$ 414,497</u>	<u>\$ 214,750</u>

(See Accompanying Notes)

KENAR RESOURCES LTD.

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended February 28, 1987

	<u>1987</u>	<u>1986</u>
OPERATING ACTIVITIES		
Net (loss) for the year	\$(169,814)	\$(67,158)
Add: items not requiring a cash outlay		
-investment in subsidiary written-off	135,246	
-deposit on mineral property written-off	15,000	
-mineral property written-off		12,875
-deferred exploration & development costs written-off	16,610	61,750
	<u>(2,958)</u>	<u>7,467</u>
Changes in non-cash current assets and liabilities	38,237	21,577
Cash provided from operations	<u>35,279</u>	<u>29,044</u>
FINANCING ACTIVITIES		
Deposit for shares	2,439	
Issue of capital stock	99,695	32,938
Share issuance expenses		(1,889)
Long-term debt	115,000	
	<u>217,134</u>	<u>31,049</u>
INVESTING ACTIVITIES		
Advances (to)/from subsidiary company	(62)	2,917
Deposit on mineral properties		(22,500)
Acquisition of mineral properties	(41,000)	
Deferred exploration & development costs	(216,357)	(40,575)
	<u>(257,419)</u>	<u>(60,158)</u>
OTHER ACTIVITIES		
Refund of deposit on mineral properties	<u>7,500</u>	
INCREASE (DECREASE) IN CASH	2,494	(65)
CASH, beginning of year	<u>525</u>	<u>590</u>
CASH, end of year	<u>\$ 3,019</u>	<u>\$ 525</u>

(See Accompanying Notes)

KENAR RESOURCES LTD.

NOTES TO FINANCIAL STATEMENTS

February 28, 1987

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial condition

For the year ended February 28, 1987, the Company excluded from consolidation its wholly owned subsidiary Kenar Resources Texas Inc.

The exclusion of the subsidiary was effected because, in the Company's opinion, any future benefits from the subsidiary will accrue solely to the benefit of the creditors of the subsidiary and not to the Company in its capacity as common shareholder. The carrying value of the investment has been written-off, which is reflected as an extraordinary item in the statement of loss (Note 6). Summarized financial information of the subsidiary is as follows:

Financial position at February 28	1987	1986
Current assets	\$	\$ 450
Oil and gas properties	\$	\$ 7,419
Current liabilities	\$(5,275)	\$(5,330)
Due to parent company	\$(134,013)*	\$(133,951)
Shareholders' deficit	\$ 139,288	\$ 131,412

Results of operations for the years ended February 28	1987	1986
Sales, oil and gas revenue	\$ 1,073	\$ 12,584
Operating loss	\$ 1,562	\$ 8,112
Net loss	\$ 8,151	\$ 8,889

*Prior to amount written-off by parent company (Note 8).

(b) Mineral properties,

Deferred exploration and development costs

(i) Mineral properties

The Company's mineral exploration and development activities are presently in an exploratory stage of operations. Until such time as an economic level of activity has been attained, all costs are being capitalized. The Company intends to deplete the capitalized costs of mineral properties which have become productive on the unit of production method based on estimated proven reserve. When it is determined that a mineral property has no productive value, the capitalized costs will be written off. Administrative expenditures are deferred without reference to properties. At such time as a property is proven either successful or unsuccessful the portion of such expenditures estimated as relating to such property will be either amortized or charged to operations as indicated for other expenditures above.

The amounts shown on the balance sheet for the above noted items represented amounts expended to date and are not intended to reflect present or future values of those items.

2. MINERAL PROPERTIES, at cost

	1987		1986
	Cost	Accumulated Depreciation and Amortization	Net
Mineral properties			
British Columbia			
Greenwood Mining Div.	\$ 87,450	\$	\$ 87,450
Kamloops Mining Div.	<u>3,050</u>		<u>3,050</u>
	<u>90,500</u>		<u>49,500</u>

During the year ended February 28, 1987 the Company acquired seven mineral claims (#7 Mines) situated in the Greenwood Mining Division, British Columbia, at a price of \$41,500 payable as hereunder:

Cash	\$ 41,000
Issuance of 50,000 common shares at a deemed price of \$.01 per share	<u>500</u>
	<u>\$ 41,500</u>

The shares for the mineral claims were issued after February 28, 1987 and were not recorded in the accounts of the Company for the year then ended (See Note 5).

3. DEFERRED EXPLORATION AND DEVELOPMENT COSTS

Deferred exploration and development costs recorded for the year ended February 28, 1987 included an account payable of \$145,000, for settlement of a dispute with an operator for the value of exploration work done on the Company's Gold Drop mineral claims property in Greenwood Mining Division, British Columbia (See Note 4).

4. LONG-TERM DEBT

A portion of the above-noted settlement is reflected as long-term debt in the Balance Sheet as follows:

Total due	\$ 145,000
Less: payment due September 30, 1987, classified as current liabilities	<u>(30,000)</u>
Balance, due December 1, 1988	<u>\$ 115,000</u>

The settlement will be secured by a mortgage of 50% of the Company's interest in the Gold Drop mineral claims to be executed at a later date.

5. CAPITAL STOCK

Authorized: 10,000,000 common shares without par value.
 Issued and fully paid:

	1987		1986	
	Shares	Amount	Shares	Amount
For:				
Mineral properties	750,000	\$ 7,500	750,000	\$ 7,500
Cash	1,741,637	487,276	1,459,669	440,015
Debt extinguishment	274,734	65,872	65,000	13,438
	<u>2,766,371</u>	<u>\$ 560,648</u>	<u>2,274,669</u>	<u>\$ 460,953</u>

Summary of changes in issued share capital:

	1987		1986	
	Shares	Amount	Shares	Amount
Balance, beginning of year	2,274,669	\$ 460,953	2,079,669	\$ 428,015
Issued during year				
For:				
Cash	281,968	47,261	130,000	19,500
Debt extinguishment	209,734	52,434	65,000	13,438
	<u>2,766,371</u>	<u>\$ 560,648</u>	<u>2,274,669</u>	<u>\$ 460,953</u>

(a) Shares issued for debt extinguishment

During the year ended February 28, 1987, 209,734 common shares at \$0.25 per share were issued to two creditors of the Company in settlement of overdue accounts totalling \$52,434 (see Note 7).

(b) Option on shares

The Company has granted the following Incentive Stock Options to three of its Directors and one of its Employees at \$0.16 per share, expiring October 16, 1988:

	Directors Shares	Employee Shares	Total Shares
Balance, beginning of year	110,000	110,000	220,000
Exercised during year		(67,312)	(82,556)
Balance, end of year	<u>110,000</u>	<u>42,688</u>	<u>137,444</u>

(c) Share warrants

Of the shares issued for cash during the year, 214,656 shares were issued each with a common share purchase warrant which entitles the holder to buy one common share at \$0.30 on or before January 26, 1988. At February 28, 1987, there were 214,656 common share purchase warrants outstanding.

(d) Commitment for issuance of shares

At February 28, 1987, there was a commitment outstanding for the issuance of 50,000 common shares at a deemed price of \$0.01 per share relating to the acquisition of #7 mines mineral claims as discussed in Note 2.

6. EXTRAORDINARY ITEM

During the year ended February 28, 1987, the Company's wholly owned subsidiary Kenar Resources Texas Inc. decided to abandon all its holdings of oil and gas properties in U.S.A. and ceased operations. As discussed in Note 1, the Company has written-off its investment in the subsidiary which consisted of:

Shares in subsidiary	\$	1,233
Advances to subsidiary		<u>134,013</u>
	\$	<u>135,246</u>

7. RELATED PARTIES TRANSACTIONS

(a) Due to Directors

Amounts due to the Company's Directors are non-interest bearing, and they do not bear any specific repayment terms.

(b) Management fee

The Company makes use of the management services provided by a company owned by its president and two of its directors. The management fee accrued for the year ended February 28, 1987 amounted to \$24,000 (1986-\$24,000).

(c) Rent & legal fees

During the year ended February 28, 1987, the Company made the following transactions with a legal firm of which a partner is a director of the Company:

	<u>1987</u>	<u>1986</u>
(i) Rent	\$ 4,900	\$ 2,400
(ii) Legal	\$ 4,547	\$ 3,639

(d) Mineral claims

The Vendor of the #7 Mines mineral claims is a Director of the Company.

(e) Shares issued for debt extinguishment

During the year ended February 28, 1987, 43,734 common shares @ \$.25 per share were issued in settlement of a debt of \$10,934 due to a legal firm of which a partner is a director of the Company, and 166,000 common shares @ \$.25 per share were issued in settlement of management fees due to a company owned by its president and two directors.

8. NET LOSS PER SHARE

Net loss per share is not shown in the financial statements as such information is not considered to be meaningful.

9. COMPARATIVE FIGURES

Comparative figures are stated on a non-consolidated basis in order to conform with current year's financial statements presentation.

KENAR RESOURCES LTD.
INTERIM FINANCIAL STATEMENTS
(Unaudited)
June 30, 1987

ARTHUR LAM Chartered Accountant

Suite 808 – 1155 West Georgia Street • Vancouver, B.C. V6E 3H4 • Tel: (604)669-5617

ACCOUNTANT'S COMMENTS

To the Directors,
Kenar Resources Ltd.

I have prepared the accompanying interim balance sheet as at June 30, 1987 and the interim statements of loss and deficit, deferred exploration and development costs and changes in financial position for the four months then ended from the records of Kenar Resources Ltd. and from other information supplied to me. In order to prepare these interim financial statements, I made a review, consisting primarily of enquiry, comparison and discussion, of such information. However, in accordance with the terms of my engagement, I have not performed an audit and consequently do not express an opinion on these interim financial statements.

The most recent audited financial statements issued to shareholders on which I have expressed an opinion were for the year ended February 28, 1987.

July 16, 1987.
Vancouver, B.C.


Chartered Accountant.

KENAR RESOURCES LTD.
 INTERIM BALANCE SHEET
 (Unaudited)

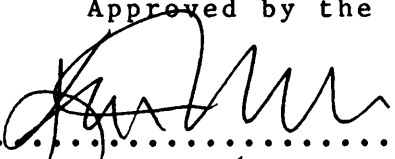
As at June 30, 1987

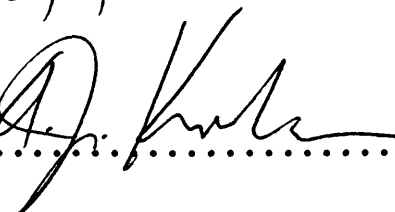
(With comparative figures as at February 28, 1987)

	<u>June 30, 1987</u>	<u>February 28, 1987</u>
ASSETS		
CURRENT		
Cash	\$ 8,154	\$ 3,019
MINERAL PROPERTIES (Notes 2, 4 & 5)	91,000	90,500
DEFERRED EXPLORATION AND DEVELOPMENT COSTS Per statement (Notes 1 & 3)	<u>459,222</u>	<u>414,497</u>
TOTAL ASSETS	<u>\$ 558,376</u>	<u>\$ 508,016</u>
LIABILITIES		
CURRENT		
Accounts payable	\$ 41,355	\$ 72,858
Due to directors (Note 3)	<u>41,355</u>	<u>47,100</u>
		<u>119,958</u>
DEPOSIT FOR SHARES		<u>2,439</u>
LONG-TERM DEBTS (Note 3)		
Accounts payable	168,433	115,000
Due to directors	<u>46,470</u>	<u>115,000</u>
	<u>214,903</u>	<u>115,000</u>
TOTAL LIABILITIES	<u>256,258</u>	<u>237,397</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 4)	592,147	560,648
DEFICIT	<u>(290,029)</u>	<u>(290,029)</u>
	<u>302,118</u>	<u>270,619</u>
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	<u>\$ 558,376</u>	<u>\$ 508,016</u>

(See Accompanying Notes)

Approved by the Board


Director.


Director.

KENAR RESOURCES LTD.

INTERIM STATEMENT OF LOSS AND DEFICIT

(Unaudited)

For the four months ended June 30, 1987

(With comparative figures for the year ended February 28, 1987)

	<u>June 30, 1987</u>	<u>February 28, 1987</u>
MINERAL EXPLORATION EXPENSES		
Sundry exploration expenses		\$ <u>2,958</u>
ADMINISTRATIVE EXPENSES		
Deposit on mineral property written-off		15,000
Deferred exploration and development costs written-off		<u>16,610</u>
		<u>31,610</u>
NET LOSS BEFORE EXTRAORDINARY ITEM		34,568
EXTRAORDINARY ITEM		
Investment in subsidiary company written-off		<u>135,246</u>
NET LOSS FOR THE YEAR		169,814
DEFICIT, beginning of period	<u>290,029</u>	<u>120,215</u>
DEFICIT, end of period	\$ <u>290,029</u>	\$ <u>290,029</u>

(See Accompanying Notes)

KENAR RESOURCES LTD.

INTERIM STATEMENT OF DEFERRED EXPLORATION AND DEVELOPMENT COSTS

(Unaudited)

For the four months ended June 30, 1987

(With comparative figures for the year ended February 28, 1987)

	June 30, 1987	February 28, 1987
EXPLORATION AND DEVELOPMENT COSTS		
Mineral exploration		
Greenwood Mining Division, B.C.		
Geological fees and expenses	\$ 200	\$ 9,796
Field work	11,181	153,234
Government fees, licences and taxes		360
Assays	1,257	412
	<u>12,638</u>	<u>163,802</u>
Kamloops Mining Division, B.C.		
Geological fees and expenses		2,356
Government fees, licences and taxes		195
Assays		82
		<u>2,633</u>
Total for the year	<u>12,638</u>	<u>166,435</u>
ADMINISTRATIVE COSTS		
Rent		4,900
Management fee	8,000	24,000
Legal	15,049	7,527
Audit and accounting	950	3,000
Transfer agent's fees	353	2,994
Regulatory fees	1,125	3,147
Telephone and sundries	6,610	4,354
	<u>32,087</u>	<u>49,922</u>
Total for the year	<u>32,087</u>	<u>49,922</u>
TOTAL COSTS FOR THE YEAR	44,725	216,357
BALANCE, beginning of period	414,497	214,750
	<u>459,222</u>	<u>431,107</u>
Deduct: Deferred costs written-off		<u>(16,610)</u>
BALANCE, end of period	\$ <u>459,222</u>	\$ <u>414,497</u>

(See Accompanying Notes)

KENAR RESOURCES LTD.

INTERIM STATEMENT OF CHANGES IN FINANCIAL POSITION

(Unaudited)

For the four months ended June 30, 1987

(With comparative figures for the year ended February 28, 1987)

	June 30, 1987	February 28, 1987
OPERATING ACTIVITIES		
Net (loss) for the period	\$	\$(169,814)
Add: items not requiring a cash outlay		
-investment in subsidiary written-off		135,246
-deposit on mineral property written-off		15,000
-deferred exploration & development costs written-off		16,610
		<u>(2,958)</u>
Changes in non-cash current assets and liabilities	(78,603)	38,237
Cash provided from operations	<u>(78,603)</u>	<u>35,279</u>
FINANCING ACTIVITIES		
Deposit for shares (applied)	(2,439)	2,439
Issue of capital stock	31,499	99,695
Increase in long-term debts	99,903	115,000
	<u>128,963</u>	<u>217,134</u>
INVESTING ACTIVITIES		
Advances (to)/from subsidiary company		(62)
Acquisition of mineral properties	(500)	(41,000)
Deferred exploration & development costs	(44,725)	(216,357)
	<u>(45,225)</u>	<u>(257,419)</u>
OTHER ACTIVITIES		
Refund of deposit on mineral properties		<u>7,500</u>
INCREASE IN CASH	5,135	2,494
CASH, beginning of period	<u>3,019</u>	<u>525</u>
CASH, end of period	<u>\$ 8,154</u>	<u>\$ 3,019</u>

(See Accompanying Notes)

KENAR RESOURCES LTD.

NOTES TO INTERIM FINANCIAL STATEMENTS

(Unaudited)

June 30, 1987

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial condition

Commencing from the year ended February 28, 1987, the Company excluded from consolidation its wholly owned subsidiary Kenar Resources Texas Inc.

The exclusion of the subsidiary was effected because, in the Company's opinion, any future benefits from the subsidiary will accrue solely to the benefit of the creditors of the subsidiary and not to the Company in its capacity as common shareholder. The carrying value of the investment was written-off during the year ended February 28, 1987 and the subsidiary has not been operating since that date. Financial information of the subsidiary is considered to be immaterial.

(b) Mineral properties, Deferred exploration and development costs

(i) Mineral properties

The Company's mineral exploration and development activities are presently in an exploratory stage of operations. Until such time as an economic level of activity has been attained, all costs are being capitalized. The Company intends to deplete the capitalized costs of mineral properties which have become productive on the unit of production method based on estimated proven reserve. When it is determined that a mineral property has no productive value, the capitalized costs will be written off. Administrative expenditures are deferred without reference to properties. At such time as a property is proven either successful or unsuccessful the portion of such expenditures estimated as relating to such property will be either amortized or charged to operations as indicated for other expenditures above.

The amounts shown on the balance sheet for the above noted items represented amounts expended to date and are not intended to reflect present or future values of those items.

2. MINERAL PROPERTIES, at cost

	June 30, 1987			Feb. 28, 1987 Net
	Cost	Accumulated Depreciation and Amortization	Net	
Mineral claims				
British Columbia				
Greenwood Mining Div.				
Gold Drop	\$ 42,700	\$	\$ 42,700	\$ 42,700
Lakewood	3,000		3,000	3,000
Kenar 1-3	750		750	750
#7 Mines	41,500		41,500	41,000
	<u>87,950</u>		<u>87,950</u>	<u>87,450</u>
Kamloops Mining Div.				
Forest Lake	3,050		3,050	3,050
	<u>\$ 91,000</u>	<u>\$</u>	<u>\$ 91,000</u>	<u>\$ 90,500</u>

The #7 Mines mineral claims were acquired from a Director of the Company during the year ended February 28, 1987 at a cost of \$41,500 payable as follows:

Cash	\$ 41,000
Issuance of 50,000 common shares at a deemed price of \$.01 per share	500
	<u>\$ 41,500</u>

The cash payment due was recorded in the year ended February 28, 1987 as to \$7,500 paid and \$33,500 due to the said Director. The shares for the mineral claims were issued during the four months ended June 30, 1987 and were recorded in the accounts of the Company for the period then ended (See Note 4).

3. LONG-TERM DEBTS

(a) Accounts payable

(i) Exploration expenses due	\$ 145,000
Less: payment due September 30, 1987, classified as current liabilities	(30,000)
Balance, due December 1, 1988	<u>115,000</u>
(ii) Legal fees	21,433
(iii) Management fee	<u>32,000</u>
	<u>\$ 168,433</u>

During the year ended February 28, 1987, the Company settled a dispute with an operator for \$145,000 for the value of exploration work done on the Company's Gold Drop mineral claims property in Greenwood Mining Division, British Columbia. The settlement is secured by a mortgage of 50% of the Company's interest in the Gold Drop mineral claims, Greenwood Mining Division, B.C. and is non-interest bearing.

3. LONG-TERM DEBTS (CONT'D)

(a) Accounts payable (cont'd)

The creditors to whom legal and management fees are due have indicated that the debts will not be required to be paid within the next eighteen (18) months. Hence, the amounts due are classified as non-current liabilities. Both of the amounts due are non-interest bearing.

(b) Due to directors

The amounts due to directors are non-interest bearing and are not due for repayment within the next eighteen (18) months. Hence, they are classified as non-current liabilities.

4. CAPITAL STOCK

Authorized: 10,000,000 common shares without par value.

Issued and fully paid:

	1987		February 28, 1987	
	Shares	Amount	Shares	Amount
For:				
Mineral properties	800,000	\$ 8,000	750,000	\$ 7,500
Cash	1,878,505	518,275	1,741,637	487,276
Debt extinguishment	274,734	65,872	274,734	65,872
	<u>2,953,239</u>	<u>\$ 592,147</u>	<u>2,766,371</u>	<u>\$ 560,648</u>

Summary of changes in issued share capital:

	1987		February 28, 1987	
	Shares	Amount	Shares	Amount
Balance, beginning of period	2,766,371	\$ 560,648	2,274,669	\$ 460,953
Issued during year				
For:				
Mineral properties	50,000	500		
Cash	136,868	30,999	281,968	47,261
Debt extinguishment			209,734	52,434
	<u>2,953,239</u>	<u>\$ 592,147</u>	<u>2,766,371</u>	<u>\$ 560,648</u>

(a) Shares issued for mineral properties

During the period ended June 30, 1987, 50,000 shares were issued at a deemed price of \$0.01 per share, totalling \$500, in relation to the #7 Mines mineral claims acquired in prior year (See Note 2).

(b) Shares issued for cash

Shares issued for cash during the period ended June 30, 1987 were as follows:

	Shares	Price per Shares	Amount
Employee's options	42,688	\$ 0.16	\$ 6,830
Directors' options	29,180	0.16	4,669
Warrants	65,000	0.30	19,500
Balance, end of year	<u>136,868</u>		<u>\$ 30,999</u>

4. CAPITAL STOCK (CONT'D)

(c) Option on shares (cont'd)

As at June 30, 1987, there were incentive share purchase options granted to two of the Directors of the Company outstanding for the purchase of 80,820 shares at a price of \$0.16 per share, expiring October 16, 1988.

(d) Share warrants

As at June 30, 1987, there were share purchase warrants outstanding for the purchase of 149,656 shares at a price of \$0.30 per share, expiring January 26, 1988.

(e) Escrowed shares

As at June 30, 1987, there were 637,500 issued shares held in escrow. The shares were issued at a deemed price of \$0.01 per share in 1981 in relation to the acquisition of Gold Drop mineral claims (See Note 2). The escrow agreement provides that the shares may not be traded or dealt with in any manner whatsoever nor released without the consent of the Vancouver Stock Exchange.

5. RELATED PARTIES TRANSACTIONS

(a) Management fee

The Company makes use of the management services provided by a company owned by its president and two of its directors. The management fee accrued for the period ended June 30, 1987 amounted to \$8,000.

(b) Share capital

The 50,000 shares for mineral properties (Note 4) were issued to a Director of the Company.

6. GOING CONCERN

As at June 30, 1987, there was a working capital deficiency of \$33,201. As the Company is in an exploratory stage of its mineral properties development, the Company's continued operations are dependent upon future financings.

7. COMPARATIVE FIGURES

Comparative figures are stated on a non-consolidated basis.

REPORT ON
THE GOLD DROP PROPERTY
GREENWOOD, B.C.

FOR
KENAR RESOURCES LTD.

E. Livgard P. Eng.
LIVGARD CONSULTANTS LTD.
Vancouver, B.C.

December 1986



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APPENDIX

Sample Description

Assay Certificate

Superior Mines Sampling

Mineral Inventory - Production

Dump Sampling

References

Geology Map

Soil Geochemistry - Ag, As

Soil Geochemistry - Pb, Zn

Soil Geochemistry - Ag, Pb

Soil Geochemistry - Cu, Zn

Certificate



LIVGARD CONSULTANTS LTD.

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INTRODUCTION

The writer was asked by Arnold Kucheran, President of Kenar Resources Ltd., to examine and evaluate the Gold Drop property and to write an evaluation report setting out conclusions and if warranted recommendations for exploration and eventual development of the property.

The writer examined the property on October 18th, 1986 accompanied by Arnold Kucheran, President, John Kucheran, Director and Ken Price, Director of Kenar Resources Ltd.

The chapter on geology in this report has been taken largely from Peter Peto, Ph.D. report to Kenar Resources Ltd., dated July 11th, 1983.

It should be noted that in this report (and in many past reports) the name Gold Drop property, Gold Drop workings and Gold Drop mine is used about all the company's workings, etc. on Pelly Mountain, except where it deals specifically with the Gold Drop or North Star reverted Crown Grants. That part of the company's claim group which extends north to Roderick Dhu Mountain has been considered only under the heading North Claims. Past exploration has not given favourable results and the writer has not examined the claim.

The writer wishes to acknowledge the very able assistance rendered by Roy Kregosky, B.Sc., Geol.

SUMMARY

The Gold Drop property consists of 77 contiguous mineral claims (Crown Grants, Reverted Crown Grants and Modified Grid Units). They are located on Pelly Mountain, 9 km NE of Greenwood, B.C. A large amount of underground work has been done on the claims in the past.

The metal interest is gold which occurs highly irregularly in irregular quartz veins in Anarchist group metasediments. The main quartz vein has been developed underground through five adit levels with a total of over 800 metres of



development. Several small stopes have been mined and smelter returns show moderate tonnage of good grade has been shipped. In the 1930's a small mill was erected in Greenwood. It operated for 2-3 years at very low grade.

In the last few years, geological mapping, surveying, diamond drilling, and mine rehabilitation has been carried out.

CONCLUSIONS

Promising vein geology and assay results suggest that further development of the mine workings will locate mineralization which can be mined and shipped at a profit to local custom milling. Such shipping tonnage will probably be modest but could be of good grade and return a considerable profit.

Kenar Resources Ltd. should pursue a policy of locating, mining and shipping ore as a primary objective.

RECOMMENDATIONS

1. To provide a good base map for further work, the Pelly Mountain portion of the claims should be mapped topographically using existing photographs.
2. Two miners should be hired for a short period to rehabilitate parts of the mine to make it safe for access. This applies particularly to Raise #2-3. Installation of safe ladders is required.
3. It is recommended that transit surveying be carried out to establish a few surface control points. All portals should be surveyed in. The underground workings appear, from existing maps to have been surveyed but the writer does not know what type of survey this was nor its accuracy. It is recommended that a few underground points be surveyed in to check the accuracy and that unsurveyed workings, particularly the Upper Adit and Raises #2-2 and #2-3 be transit surveyed.



4. Known geology should be transferred onto the topographic base map.
5. Old caved portals should be opened up using a hoe to give access for mapping and sampling.
6. Following the surveying the underground geology should be mapped in detail.
7. All quartz veins and other mineralized areas should be systematically channel sampled with sample spacing of not more than 2.0 metres, and where values of interest are encountered, intermediate channel samples should be taken. The samples should be large, requiring two men using a moil and sledgehammer.
8. The samples should be assayed for gold and silver. A few samples should also be run for lead, zinc and tellurium.
9. The above maps and values should be evaluated by an engineer and the recommendations regarding underground development following below, refined and perhaps altered based on the findings.
10. It is recommended that the following underground exploration development be carried out in sequence as listed:
 - a) Rehabilitation of #2 Level to the west end
 - 60 metres remaining to be done
 - rail and pipes to be installed;
 - b) Extend #2-2 raise to break through into #1 level
 - providing better ventilation
 - estimated distance 6 metres;
 - c) Extend #2 Level west
 - distance 8 metres;
 - d) Drive #2-1 raise to break through into #1 Level underhand stope
 - estimated distance 28 metres;
 - e) Drive #2-3 subdrift to intersect the east end of #1 Level
 - estimated distance 8 metres;



- f) Drive #1-3 raise to break through into the upper adit
 - estimated distance 38 metres
 - uncertain ground conditions in this area because of old mining may preclude this development;
- g) Drive #2-4 subdrift on the vein east
 - distance 40 metres;
- h) Drive #1 Level west
 - distance 10 metres;
- i) Drive #1-1 raise to surface
 - estimated distance 22 metres.

The total recommended development is 160 metres. It is estimated to take 60 working days for two crews (4 miners).

The above underground exploration is designed to test the vein below or near old stoping and in areas where the geology appears interesting.

Before drifting and raising commences, the economics of shipping and treating ore at a nearby custom mill should be worked out in order to determine an economic cut off grade for shipping development muck. It will be necessary during the mining to visually determine an approximate grade. Where the vein carries an estimated economic grade selective mining should be done and the mineralized muck stockpiled and sampled for eventual later shipment to the custom mill. **It is highly important that good grade control be practiced. Careless work in this regard will quickly render shipments uneconomic.**

The writer believes it is highly likely that part of the development muck will be economic shipping grade, and it is recommended that working capital be set aside for shipping and milling purposes.

11. The new workings and the surface should be carefully mapped and systematically sampled while development is in progress.
12. An independent engineering evaluation report should be commissioned.



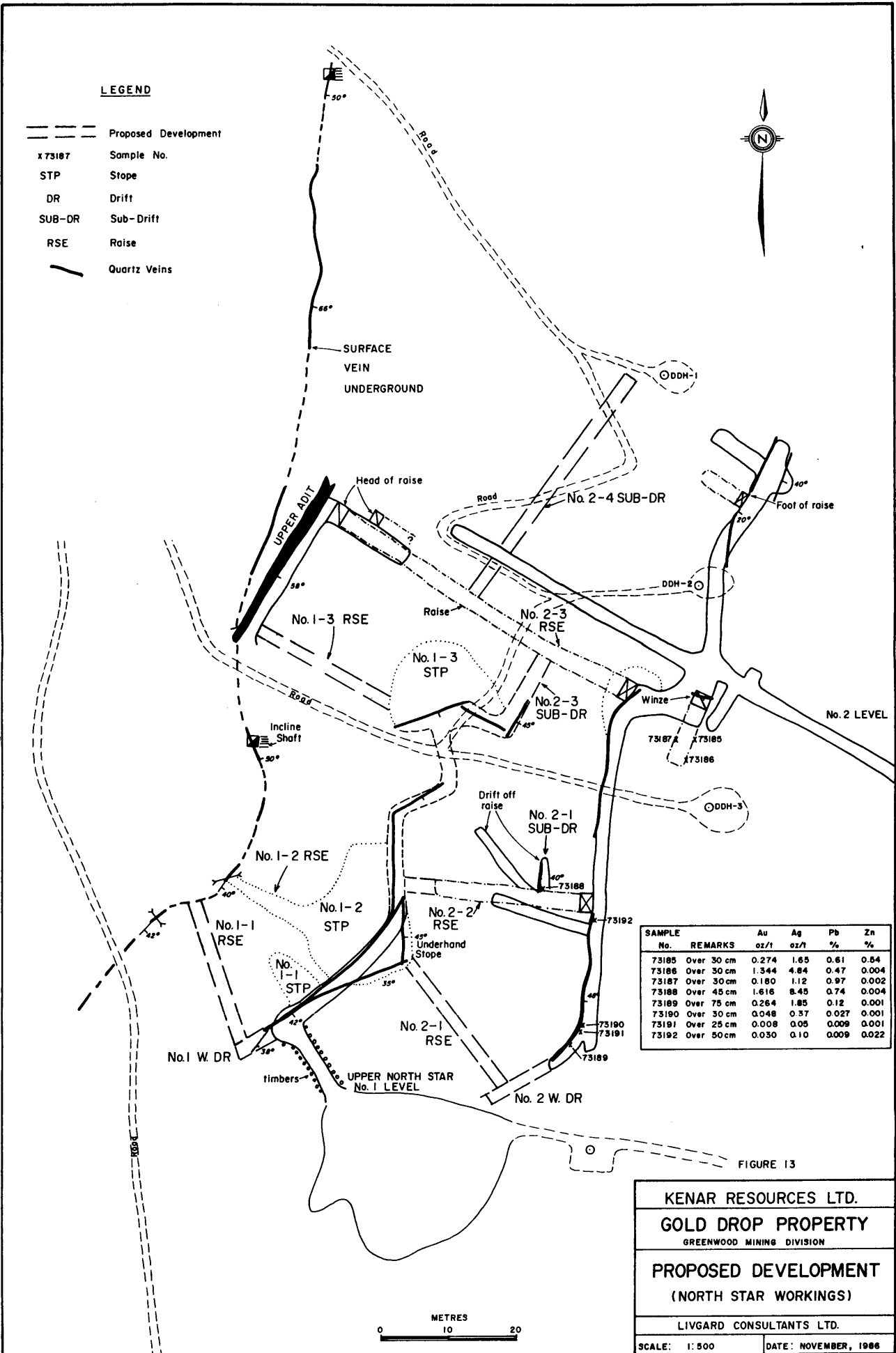


FIGURE 13

KENAR RESOURCES LTD.
GOLD DROP PROPERTY
 GREENWOOD MINING DIVISION
PROPOSED DEVELOPMENT
(NORTH STAR WORKINGS)
 LIVGARD CONSULTANTS LTD.
 SCALE: 1:500 DATE: NOVEMBER, 1986

ESTIMATED COSTS OF RECOMMENDATIONS

1.	Topographic base map	\$ 3,000
2.	Mine rehabilitation - raise ladders	
	Two local miners, 10 days at \$300/day	3,000
	Supplies	2,000
3.	Transit surveying	
	7 days at \$400/day	2,800
	Maps	1,000
4.	Map preparation, geology	1,000
5.	Opening old portals	
	Backhoe, 2 days at \$400/day	800
6.	Geological mapping	
	Geologist and helper, 5 days at \$520/day, all inclusive	2,600
7.	Sampling	
	Sampler and helper, 7 days at \$400/day, all inclusive	2,800
8.	Assaying	
	150 samples at \$13/sample	2,000
9.	Engineering layout	
	2 days at \$250/day	900
10.	Rehabilitation of #2 Level West	2,000
	Supplies (rail, pipes, hose)	4,500
	Underground development, 160 metres at \$800/m	128,000
	Working capital - shipping and milling	15,000
11.	Supervision of development, mapping and sampling (underground and surface)	
	Junior geologist, 50 days at \$350/day, all incl.	17,500
	Engineering Supervision, 10 days at \$650/day, all incl.	6,500
12.	Engineering evaluation report	2,000
	Maps	1,000
		<hr/>
		198,400
	Contingencies 10%	19,600
		<hr/>
	TOTAL	\$ 218,000



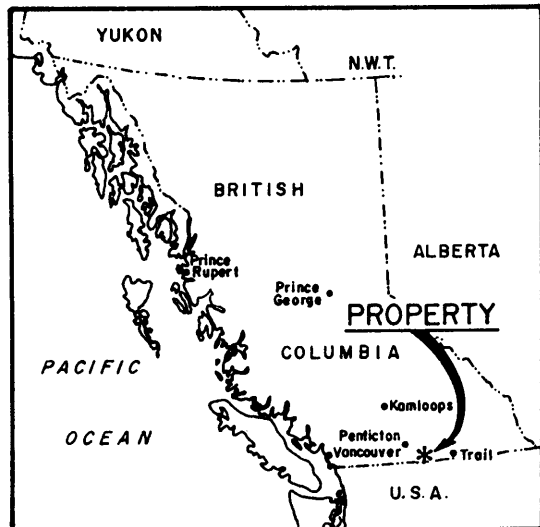
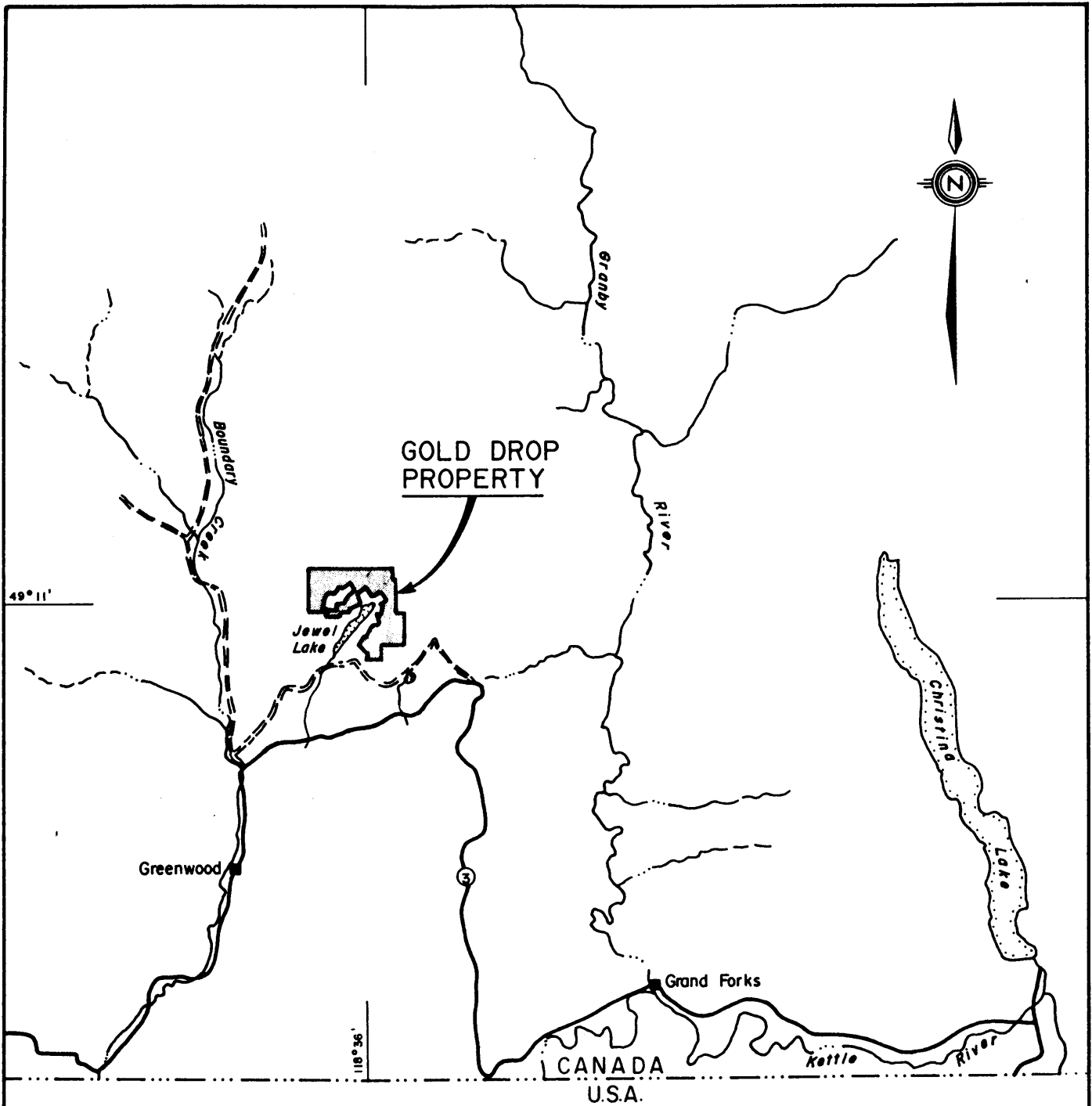
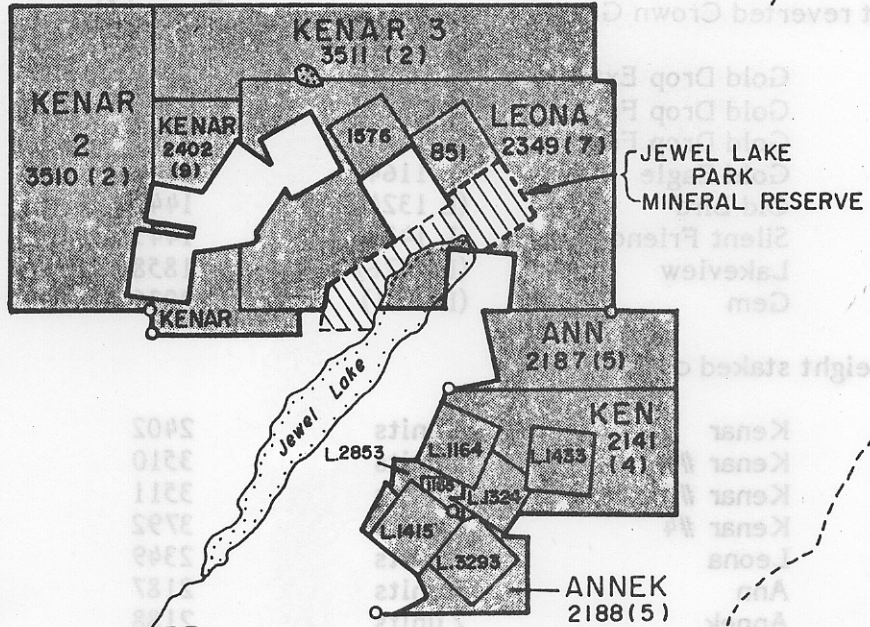


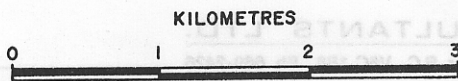
FIGURE 1

KENAR RESOURCES LTD.	
GOLD DROP PROPERTY	
GREENWOOD MINING DIVISION	
LOCATION MAP	
LIVGARD CONSULTANTS LTD.	
SCALE: 1:250,000	DATE: NOVEMBER, 1986



To Greenwood

FIGURE 2



KENAR RESOURCES LTD.	
GOLD DROP PROPERTY	
GREENWOOD MINING DIVISION	
CLAIM MAP	
LIVGARD CONSULTANTS LTD.	
SCALE: 1:50,000	DATE: NOVEMBER, 1986

PROPERTY

The property consists of two Crown Grants:

Cairn Gorn	L 2853
North Star	L 1165

Eight reverted Crown Grants:

		<u>Record No.</u>	<u>Due Date</u>
Gold Drop Extension	(L 3293)	1372	Nov 8/87
Gold Drop Fraction	(L 2425)	1373	Nov 8/87
Gold Drop Fraction	(L 1415)	1374	Nov 8/87
Gold Eagle	(L 1164)	1441	Mar 29/87
Old Bird	(L 1324)	1442	Mar 29/87
Silent Friend	(L 1433)	1443	Mar 29/87
Lakeview	(L 1576)	1858	Nov 5/87
Gem	(L 821)	2036	Feb 5/87

And eight staked claims:

Kenar	6 units	2402	Sept 15/87
Kenar #2	8 units	3510	Feb 23/87
Kenar #3	18 units	3511	Feb 23/87
Kenar #4	6 units	3792	Jun 20/87
Leona	15 units	2349	Jul 4/87
Ann	3 units	2187	May 21/87
Annek	2 units	2188	May 21/87
Ken	9 units	2141	Apr 24/87

This is a total in Crown Grants, reverted Crown Grants and staked claim units of 77.

The records were examined at the Mining Recorder's office in Vancouver on October 28th, 1986. The claims are all in the name of Kenar Resources Ltd. The claims are in good standing until 1987.

As noted above, staked claims have in part overstaked Crown Grants, reverted Crown Grants and Jewell Lake Park and the mineral rights may consist of a little less than 3,000 acres (1,214 hectares).

The property is contiguous and has been grouped for the purpose of assessment work. The writer has not examined any claim posts. It was not considered necessary as the most important claims are surveyed Crown Grants and Reverted Crown Grants. The writer has not examined any agreements regarding the claims.



LOCATION AND ACCESS

The property is found on map sheet 82E/2E in the Greenwood Mining Division. The main workings on the property are located about 9 km northeast of Greenwood, B.C. The claims cover the top of Pelly Mountain, extend north on the east side of the Jewel Lake and then west to cover the southeast and west slopes of the Roderick Dhu Mountain. The property can be reached via Jewel Lake Road from Highway #3 and the main workings via a branch road through the old Dentonia Mine Camp. The northern part of the claims can be reached by a 4-wheel drive road to the lookout on Roderick Dhu Mountain.

TOPOGRAPHY AND CLIMATE

The main workings lie at elevations of about 1,350 to 1,450 metres above sea level on the southeast and northwest slopes of Mount Pelly. The slopes are moderate. Other parts of the claims cover steep slopes facing southeast between Mt. Roderick Dhu and Jewel Lake. The peak of Mt. Roderick Dhu is about 1,820 metres above sea level.

The area has a typical interior type climate with dry and warm summers and cold winters. The snowfall is light at the lower elevations.

HISTORY

The Gold Drop claim (L 1374) was the first staked in the Jewel Lake Camp (1895). Intermittent exploration was carried out and in 1925 to 1928 underground work on two levels and minor stoping was done. Prior to 1931, thirteen tons averaging 1.846 oz. Au and 10.85 oz. Ag per ton had been shipped (hand sorted).

In 1931 an extension of the vein to the northeast onto the North Star claim was uncovered. Over the next few years the vein was explored on surface by pits and shafts over a length of 150 metres. Underground work in cross-cuts, drifts, raises and shafts totalled about 500 metres by 1935.



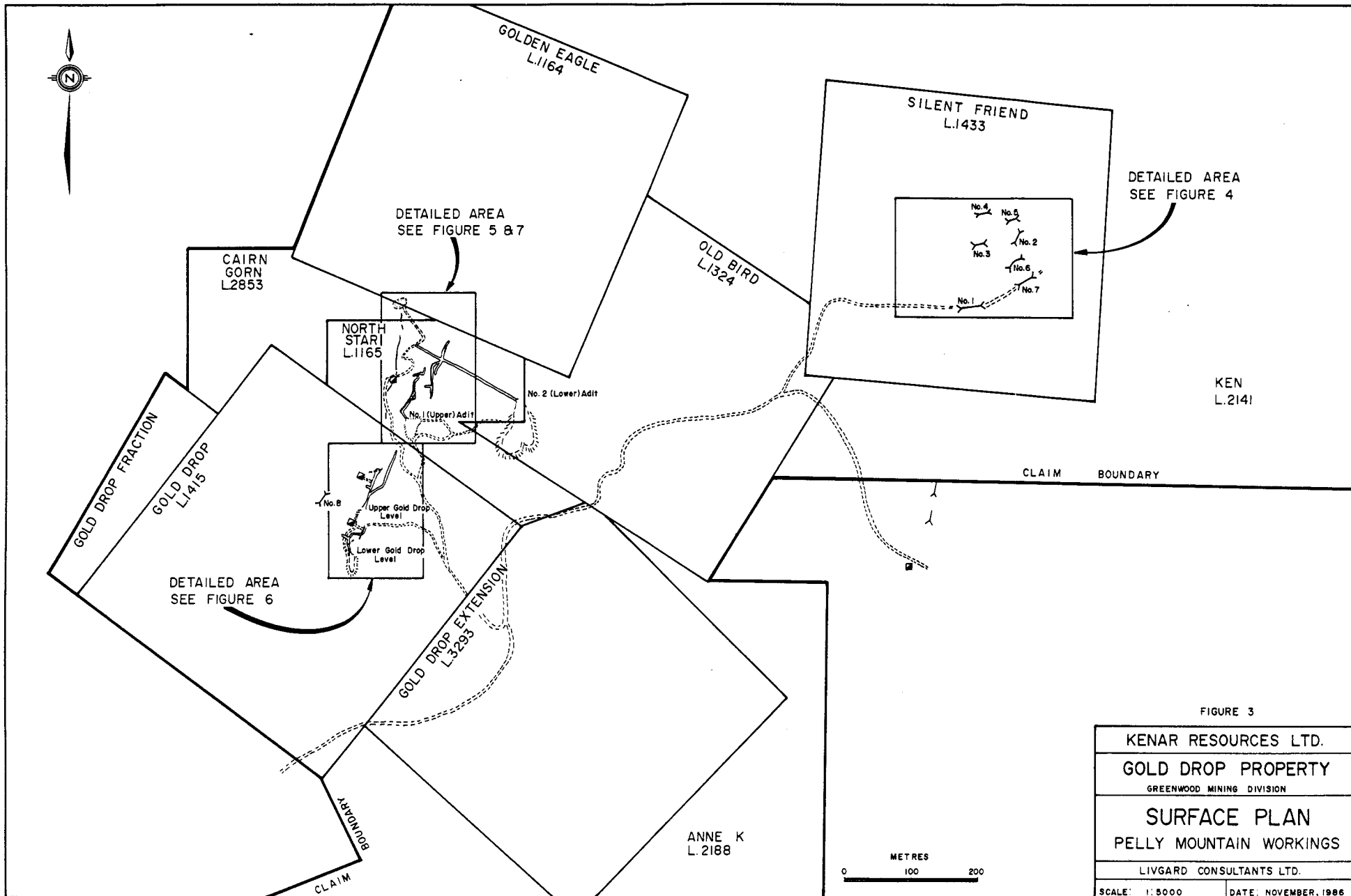


FIGURE 3

KENAR RESOURCES LTD.	
GOLD DROP PROPERTY	
GREENWOOD MINING DIVISION	
SURFACE PLAN	
PELLEY MOUNTAIN WORKINGS	
LIVGARD CONSULTANTS LTD.	
SCALE: 1:5000	DATE: NOVEMBER, 1986

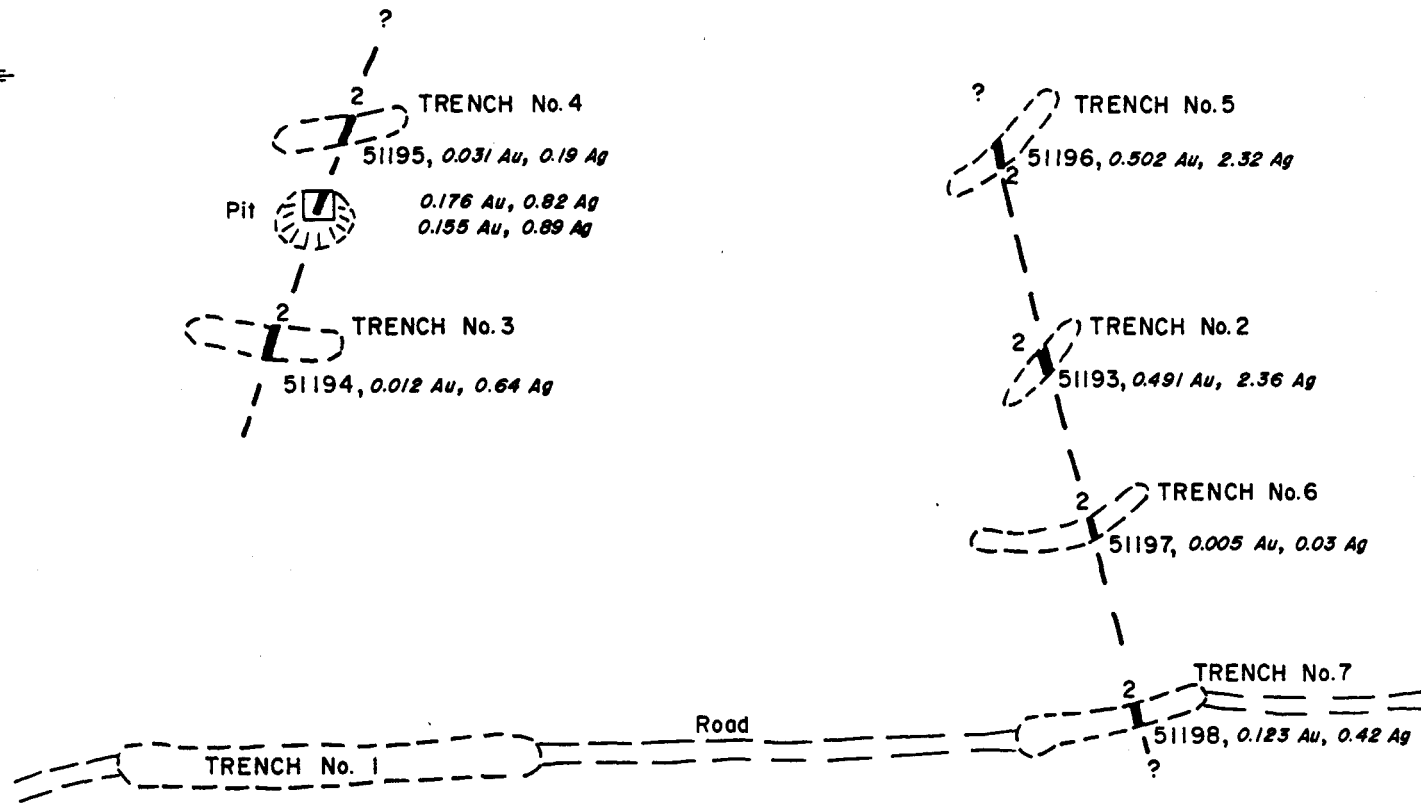


FIGURE 4

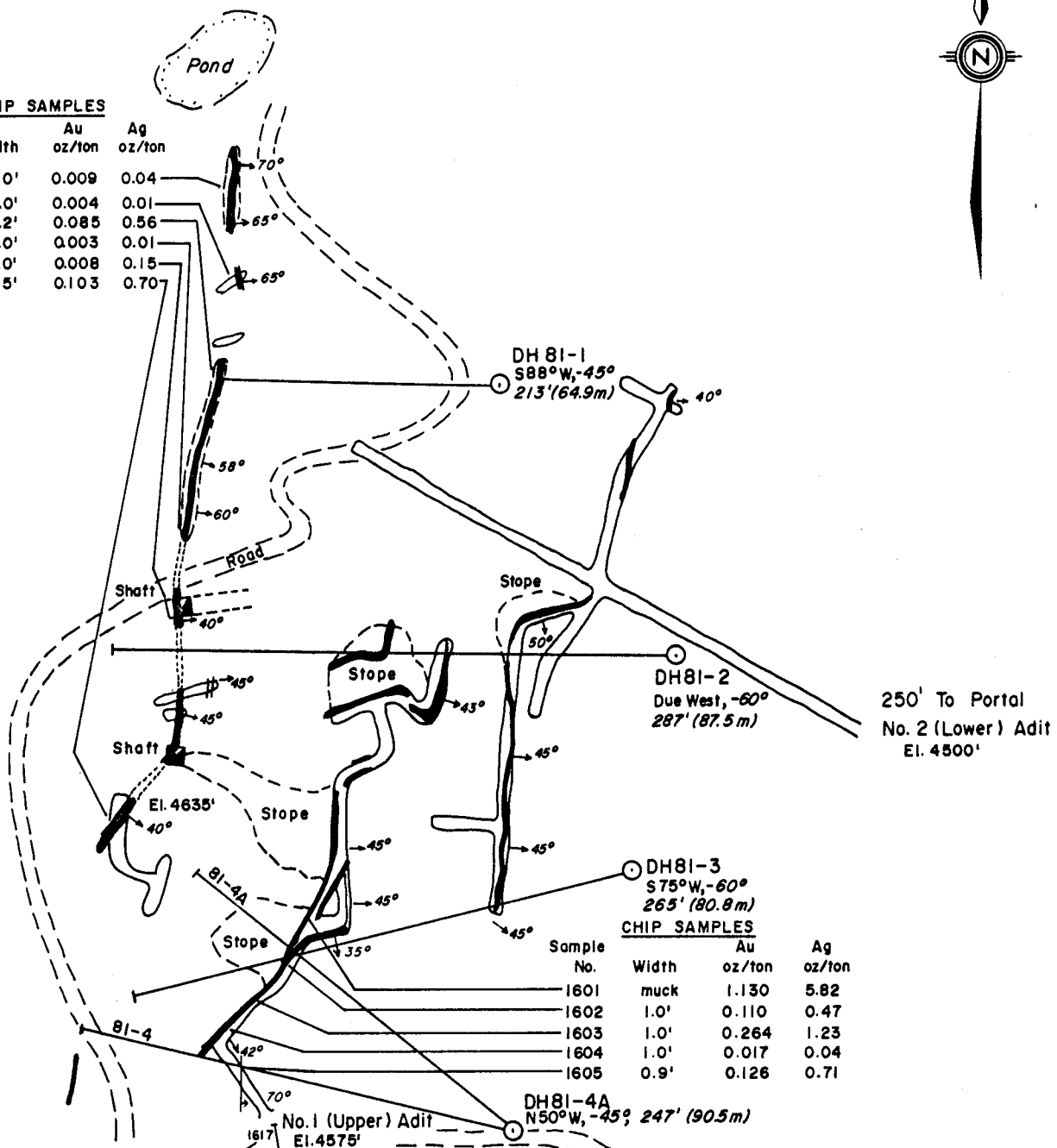
KENAR RESOURCES LTD.	
GOLD DROP PROPERTY	
GREENWOOD MINING DIVISION	
TRENCHING AND ASSAYS ON SILENT FRIEND C.G. REV.	
LIVGARD CONSULTANTS LTD.	
SCALE: 1:1000	DATE: NOVEMBER, 1986





CHIP SAMPLES

Sample No.	Width	Au oz/ton	Ag oz/ton
1607	1.0'	0.009	0.04
1608	1.0'	0.004	0.01
1609	1.2'	0.085	0.56
1610	2.0'	0.003	0.01
1611	5.0'	0.008	0.15
1612	1.5'	0.103	0.70



250' To Portal
No. 2 (Lower) Adit
El. 4500'

CHIP SAMPLES

Sample No.	Width	Au oz/ton	Ag oz/ton
1601	muck	1.130	5.82
1602	1.0'	0.110	0.47
1603	1.0'	0.264	1.23
1604	1.0'	0.017	0.04
1605	0.9'	0.126	0.71

MUCK SAMPLES

Sample No.	Length	Au oz/ton	Ag oz/ton
1613	15'	0.004	0.04
1614	15'	0.088	0.07
1615	12'	0.213	1.12
1616	15'	0.055	0.21
1617	12'	0.098	0.36
1618	17'	0.250	1.38
1619	17'	0.044	0.19
Average		0.107	0.48 (uncut)
		0.102	0.40 (cut)

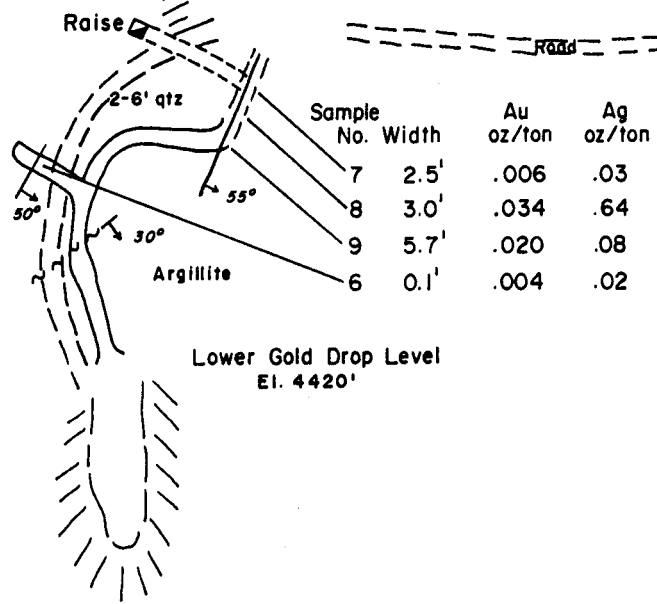
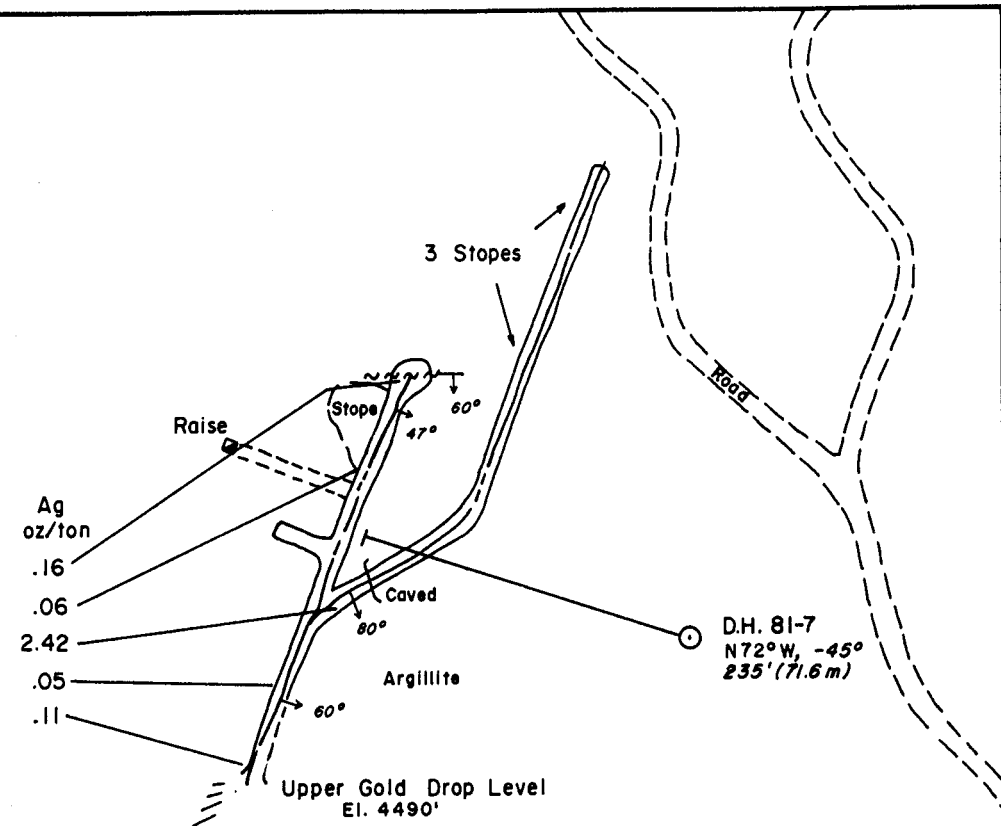
FIGURE 5

KENAR RESOURCES LTD.	
GOLD DROP PROPERTY	
GREENWOOD MINING DIVISION	
ROCK CHIP SAMPLES	
AFTER R. PHENDLER 1981	
(NORTH STAR WORKINGS)	
LIVGARD CONSULTANTS LTD.	
SCALE: 1:1000	DATE: NOVEMBER, 1986





Sample No.	Width	Au oz/ton	Ag oz/ton
1	1.0'	.036	.16
2	1.0'	.016	.06
3	1.0'	.455	2.42
4	0.4'	.012	.05
5	0.4'	.018	.11



Sample No.	Width	Au oz/ton	Ag oz/ton
7	2.5'	.006	.03
8	3.0'	.034	.64
9	5.7'	.020	.08
6	0.1'	.004	.02

FIGURE 6



KENAR RESOURCES LTD.	
GOLD DROP PROPERTY	
GREENWOOD MINING DIVISION	
ROCK CHIP SAMPLES	
AFTER R. PHENDLER 1981	
GOLD DROP WORKINGS	
LIVGARD CONSULTANTS LTD.	
SCALE: 1:1000	DATE: NOVEMBER, 1986



Sample No.	Au oz/ton	Ag oz/ton
4882	0.016	0.32
4881	0.004	0.18
2048	1.36	7.28
4880	0.115	1.13
4870	0.112	0.13
4878	0.022	0.05
4887	0.034	0.05
4876	0.293	1.12

Sample No.	Au oz/ton	Ag oz/ton
# 3	4.6	22.8

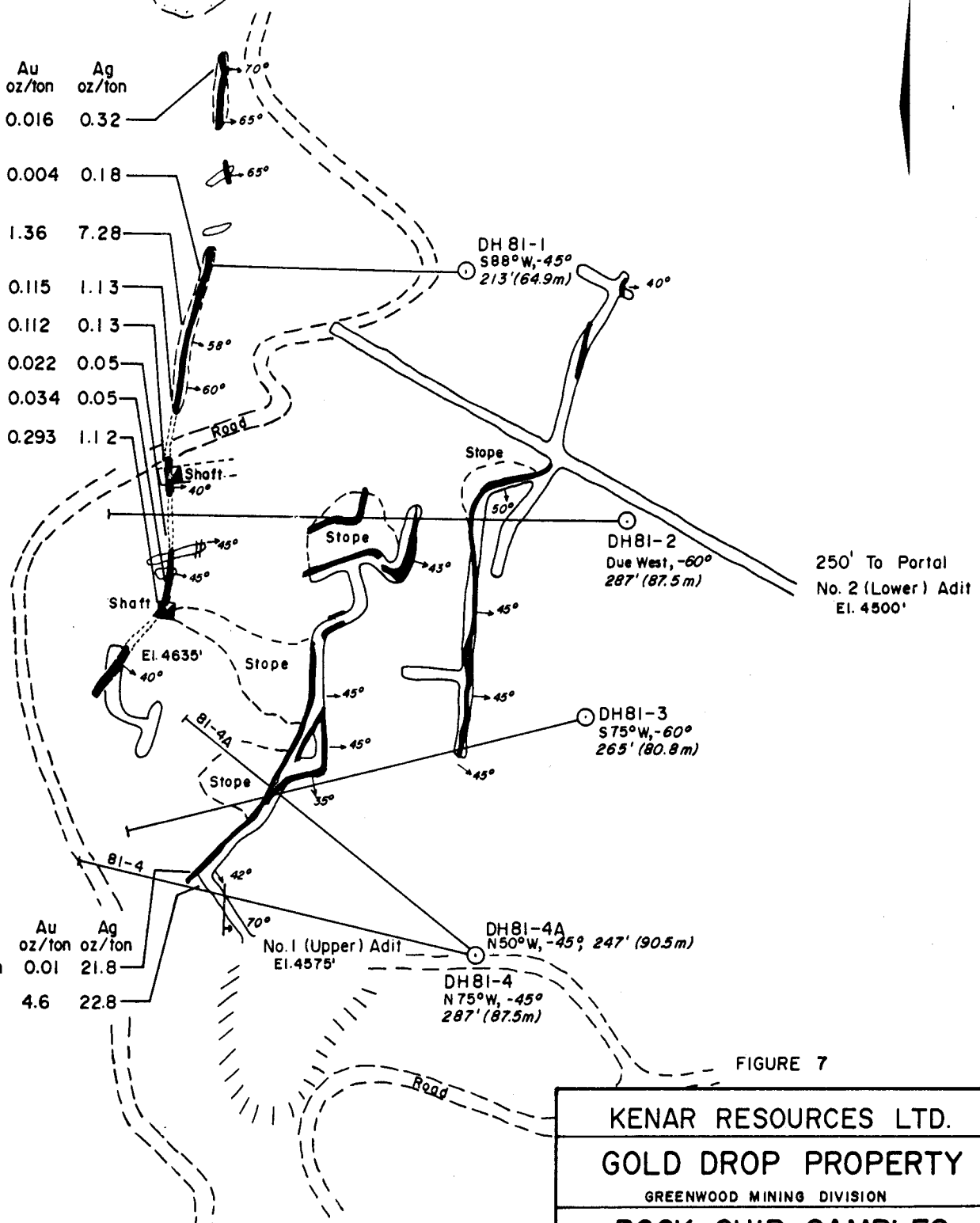
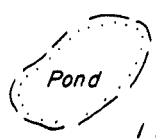


FIGURE 7



KENAR RESOURCES LTD.	
GOLD DROP PROPERTY	
GREENWOOD MINING DIVISION	
ROCK CHIP SAMPLES	
AFTER R. PETO PhD	
(NORTH STAR WORKINGS)	
LIVGARD CONSULTANTS LTD.	
SCALE: 1:1000	DATE: NOVEMBER, 1986

The writer noticed that mine workings exist connecting the lower North Star workings (elevation 1,372 m) to the surface at an elevation of about 1,473 m. The writer has seen no maps or records of this work.

Production records show (Mineral Inventory 82E2E - 152,153) that the first ore shipment from the Gold Drop took place in 1926 and up to 1940, 180 tonnes had been shipped grading 23.87 g/tonne Au and 143.3 g/tonne Ag.

The first North Star shipment is recorded in 1919 and by 1940, 680 tonnes had been shipped grading 22.96 g/tonne Au and 128.7 g/tonne Ag.

Superior Mine constructed a mill in Greenwood and in 1934, 1935, 1937, a total of 5,309 tonnes of muck from the North Star was treated in this mill. The recorded recovery of gold and silver is very low, even lower than the indicated grade for the present waste dumps on the property. The grade is suspect.

Three diamond drill holes were drilled in 1946. The results of the drilling are not known to the writer. The area was mapped by the Geologic Survey of Canada in 1957.

During the past six years, physical work, surveys and 483 m of diamond drilling have been carried out by Kenar Resources Ltd. Reports detailing this work are listed in the references.

In the last two years, a partial rehabilitation of the two adits on the North Star claim has been carried out. Forty tons of ore has also been shipped to a custom mill.



GEOLOGY

Rock Types (mapping by P. Peto Ph.D. 1983)

The property covers highly metamorphosed "schists" which have been correlated with the Paleozoic rocks of the Anarchist group and Valhalla Granodiorite intrusions of late Cretaceous age. These rocks have been intruded by early Tertiary porphyries belonging to the Coryell intrusions.

The "schists" are schistose to gneissose metasediments subdivides as follows:

- 1a) Beige to brown, tan weathering, fine grained, sugary textured quartzose rock with 1 to 2 mm thick biotite foliae (previously designated quartzite)
- 1b) Dark brown to green, rusty weathering, flaser to augen gneiss consisting of discrete elongated quartzitic fragments or bands 1 to 10 cm across set in a fine grained micaceous matrix (previously probably represented as metaconglomeratic horizon).
- 1c) Dark green, very fine grained, milaceous schist believed to represent a hornfels argillite.
- 1d) Dark green, fine grained, quartz-poor greenstone which represents a basic metavolcanic horizon found on the S.E. corner of the property.
- 2) Pink weathering massive, medium grained, biotite-hornblende, granodiorite which intrudes paragneiss north of Mount Pelly.
- 3) Medium grained, quartz-feldspar porphyry consisting of 1 to 5 mm bipyramidal quartz and 3 to 10 mm equant feldspar phenocrysts set in a



compact, very fine grained, biotite-rich granitic matrix. This rock is found mainly in two relatively thick, north-trending intrusions.

- 4) Grey, fine to medium grained, biotite-feldspar porphyry dykes. The dykes measure from 5 to 60 metres in thickness and strike northerly and dip steeply. It is uncertain whether these dykes are derived from the late Cretaceous granodiorites or the early Tertiary Coryell intrusions.

Structure

"According to the long established and well tried theory of Emmons (1940) the most favourable ground for lode gold deposits is near apical, contacts or "hood" zones of large batholithic intrusions with older, deformed, country rocks. The intrusive configuration of the Jewel Lake area is strongly indicative of an apical hood zone inasmuch as the contact metamorphic country rocks underlying Mount Roderick Dhu and Mount Pelly are underlain by granodiorites along the valley floor and are flanked by large granite apophysis on either side. Indeed the persistent, north-trending, metalliferous quartz vein systems of the Mount Roderick Dhu, Dentonia and Gold Drop properties are indicative of an underlying, elongate intrusive cupola with its attendant system of parallel tensional fractures. Now if the property were underlain by such a mineralizing cupola, it would be reasonable to expect a cluster of other precious metal bearing lode quartz veins similar to the Dentonia and Gold Drop veins. In fact the old diggings which expose quartz veins on lots of 1324 and 1433 and well mineralized quartz float reported by Hedley (1945), on the Gold Drop extension, may be cited as evidence for such veins." (P. Peto Ph.D., 1983).

Mineralization

Mineralization is found in quartz veins which contain pyrite, galena, sphalerite, chalcopyrite, telluride and free gold.

Ore grade values (in gold and silver) are found in lenses or shoots with sulphides. Galena was generally considered an indicator of good values. The widest quartz zones tend to strike northeasterly rather than northerly. Most of the production from the Jewel vein (sub-parallel to the Gold Drop vein) came from a wide quartz



zone at a bend to the northeast and a split in the vein structure. Another ore control appears to be flattening of the vein which tend to give increased ore. The Gold Drop quartz veins occupy generally northeast trending fracture systems with dips varying from 20° to 70° to the east. The width of the main vein varies widely from 5 cm to 3.35 metres and it has been traced over a length of more than 300 metres.

Underground work shows a complex mineral bearing structure with horsetail splits, cymoid loops, faulting, lensing and intrusions by narrow, irregular dykes. The 1934 MMR states: "In the region where the vein splits the schistose rocks are generally highly pyritized and stoping - widths of milling-ore may be found."

The primary value is in gold. The values are erratically distributed and range from very low to remarkably high. The mineable lenses therefore tend to be small but of high grade.

UNDERGROUND MINE DEVELOPMENT

The Gold Drop workings consist of an upper level at 1,368.5 m (4,490') elevation consisting of about 140 m of drifts and raises on two veins, four stoping areas are indicated. A lower level has been driven at an elevation of 1,347 m (4,420') for about 90 m consisting of drifts (only partly on the vein) and a cross-cut exposing a second vein and a raise on the vein. Because of the gently sloping surface the lower level does not extend under the upper level.

The North Star workings consist of an upper level at elevation 1,394 m (4,575') consisting of 100 m of a short cross-cut and drifting on the vein and three stopes one of which extends to the surface.

The lower North Star working at elevation 1,372 m consist of about 340 m of mainly cross-cutting to and through the vein and some drifting and raising the vein.

The North Star workings have been partly (60 - 70%) rehabilitated in the past two years.



The lower level also has a winze which follows the vein down dip at a reported 25 m. It is partly filled with water. In addition to the above workings, unmapped workings exist which apparently connect the lower North Star and the surface at an elevation of about 1,420 m. These workings should be mapped and sampled.

DIAMOND DRILLING

Three diamond drill holes were drilled on the property in 1946. No results are available to the writer regarding this drilling.

Kenar Resources Ltd. carried out 483 metres (1,584') of B.Q. diamond drilling in six holes in 1981. Four of these holes were drilled below the old North Star workings, one was drilled north of these workings and one was drilled under the Gold Drop workings to the south.

None of the holes returned gold values and only one hole intersected a quartz vein (2 feet). The diamond drilling program was obviously very disappointing.

Judging by the mapping, geology, production, assay values and distribution of these values the exploration targets on this property are relatively small but high grade ore shoots.

- 1) The main vein varies from a few centimetres of gouge to 3.35 metres of quartz.
- 2) The values go from trace to 600 grams of gold over a distance of a few metres.
- 3) The mineralization occurs as patches of sulphides rather than streaks.
- 4) The vein geology is very complex and in general not well understood.

Under these circumstances the writer believes that diamond drilling is the wrong exploration approach. Too many diamond drill intersections will be required to give a statistically valid picture of the mineralization.



The writer made sketches of the drill holes and the attendant geology in order to project where vein and drill hole intersections might have been expected. He then commissioned Roy Kregosky (B.Sc., Geol) to examine in detail the available core at these expected intersections. The results of this examination was that in most of these areas from 0.3 to 0.6 metres of core representing up to 50% of some core intervals was missing and apparently ground away. This suggest that diamond drilling here is unreliable and may do more harm than good.

Production and Grade

The gold mineralization is highly erratic varying from barren quartz to spectacular pockets of native gold.

The 1925 Minister of Mines Report shows that very high grade material does occur:

Samples From Surface Pits

<u>oz/T Au</u>	<u>oz/T Ag</u>	<u>grammes per tonne/Au</u>	<u>grammes per tonne/Ag</u>
11.40	42.0	370.66	1439.26
2.0	17.5	68.54	599.69
0.30	1.2	10.28	41.12
17.56	88.7	601.75	3,039.57
2.44	16.3	83.61	558.57

Smelter return sheets from 1932 (Superior Mine) showed 85.6 tons, grading:

(1.46 oz Au/T) 50.03 g/tonne and

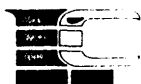
(8.07 oz Ag/T) 276.54 g/tonne.

This material apparently was hand sorted.

Mineral inventory records 82E2E - 153 Gold Drop, 1926 - 1940 shows that 180 Tons were shipped grading:

(0.7 oz Au/T) 23.87 g/tonne and

(4.19 oz Ag/T) 143.40 g/tonne.



Mineral inventory 82E2E-152 (North Star) shows 6,178 tonnes produced from 1919 to 1940. Of this 680 tonnes (748 tons) was direct shipping grading:

22.96 g Au/tonne (0.67 oz/Au/T) and
128.7 g Ag/tonne (3.76 oz Ag/T).

5309 tonnes are designated as milled, grading:

1.52 g Au/tonne (0.04 oz Au/Ton)
71.87 g Ag/tonne (2.10 oz Ag/Ton).

This mill grade is lower than that indicated for the waste dumps remaining on the property. The above grade figures appear suspect.

Systematic sampling by Superior Mines in 1934 of the Upper North Star workings (only partly completed at that time) gave:

Drift 29 metres (95') grading 15.76 g Au/tonne (0.46 oz Au/t) and
82.9 g Au/tonne (2.42 oz Ag/ton) over a width of 0.49 m (19").

Stope samples averaged out to very nearly the same.

Samples by R. Kregosky (B.Sc., Geol) in 1985 from this same stope gave:

Coarse muck remaining 29.37 g Au/tonne, 145.0 g Ag/tonne
(Very minor tonnage) (.857 oz Au/tonne, 4.23 oz Ag/tonne)
Fines remaining 8.36 g Au/tonne 54.8 g Ag/tonne
(Very minor tonnage) (.244 oz Au/Ton, 1.6 oz Ag/Ton)

Sampling by Roy Kregosky (B.Sc., Geol) in November 1986 on behalf of the writer in the #2 level North Star gave encouraging values (Appendix).



SHOWINGS

In addition to the old mine workings on the main vein discussed above, there are a number of showings on other veins.

Those on the Silent Friend (L1433) are perhaps the most promising. Prospecting has located at least two mineralized quartz veins. Sampling of exposures in these trenches gave the following values (by P. Peto, Ph.D.).

<u>Width</u>	<u>Au g/tonne</u>	<u>Au oz/t</u>	<u>Ag g/tonne</u>	<u>Ag oz/t</u>	
40 cm approx.	0.411	0.012	21.93	0.64	FIRST VEIN
10 cm approx.	1.06	0.031	6.51	0.19	
50 cm approx.	16.83	0.491	80.87	2.36	SECOND VEIN
20 cm approx.	17.20	0.502	79.50	2.32	
10 cm approx.	0.17	0.005	1.03	0.03	
25 cm approx.	4.21	0.123	14.39	0.42	

Further prospecting on the extensions of these quartz veins located old workings with mineralized quartz veins which also gave promising assays. A second promising zone is located 120 metres west of the upper portal on the Gold Drop reverted Crown grant. P. Peto, Ph.D. reports the following results:

(Report 11 July, 1983)

Samples from 25 cm wide quartz vein

<u>Sample No.</u>	<u>Au g/tonne</u>	<u>Au oz/t</u>	<u>Ag g/tonne</u>	<u>Ag oz/ton</u>
808	17.55	.512	55.86	1.63
R51014	2.19	.064	14	0.41
R51015	6.20	.181	15	0.44
R51015	6.20	.181	15	0.44

An area near the southeast corner of the Gold Drop Extension (L3293) has in the past yielded a number of mineralized quartz boulders which give high gold values. The source of these boulders has not been located.



It is apparent that several promising exploration targets exist on the property in addition to the old mine workings. The writer feels, however, that work on these showings should take second place to further development in the old mine workings and no work will be recommended on them at the present time.

North Claim Ground (Lakeview - L1576)

The northern part of the Gold Drop claim ground covers most of the west and southeast facing slopes of Mount Roderick Dhu. The rocks in the area are of the Anarchist Group cut by a long narrow band of Nelson Intrusives.

The writer has not examined this part of the claims and Kenar Resources Ltd. has done only minor work consisting of prospecting and a short VLF-EM16 survey on the Lakeview reverted Crown grant. The prospecting was not successful in locating old workings and a mineralized quartz vein referred to in BCMMR 1896-97, but it did locate trenches which exposed oxidized quartz which assayed 170 g/tonne in silver. The VLF-EM16 survey covered the claim with widely spaced lines. No response was recorded. In view of the fact that mineralized quartz veins are known on the claim it was concluded that VLF surveying is not a suitable method for locating the mineralized quartz veins. The writer recommends that no further work be done on the northern part of the claim group for the time being. The company's efforts should at present be concentrated on and near the workings on Pelly Mountain.

SOIL SURVEYS

Two soil surveys have in the past been carried out on the property in the area of the old workings (D.M. Basco, 1981 and P. Peto, 1983).

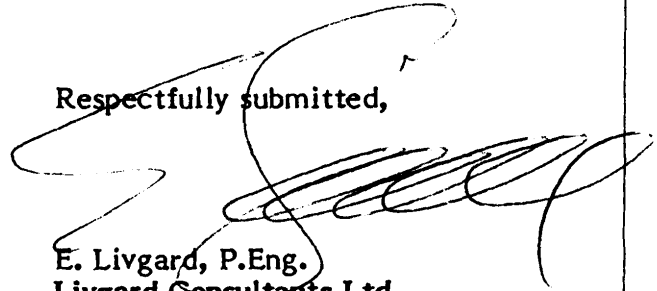
The surveys did not outline any definitive anomalies. The results consisted essentially of scattered anomalous values which cannot be correlated.



The Silent Fried (L1433) claim has a higher concentrations of anomalous values than any other part of the survey area. The Gold Drop (L1415) claim also has a concentration of anomalous values south and west of the old workings.

On the whole soil surveying does not appear to be a particularly useful exploration tool on the claims.

Respectfully submitted,



E. Livgard, P.Eng.
Livgard Consultants Ltd.



APPENDIX

SAMPLE DESCRIPTION

Number	Width	Location	Remarks
#73 / 85	.30 m	#2 level winze	Disseminated pyrite and galena in quartz vein
#73 / 86	.30 m	" "	Quartz vein - irregular stringers of galena - patches of pyrite
#73 / 87	.30 m	" "	Irregular stringers of galena on the hanging wall contact
#73 / 88	.45 m	#2-1 sub drift	Quartz vein large patches of pyrite thin stringers of galena
#73 / 89	0.75 m	#2 west drift	Quartz vein - pyrite and galena stringers and dissemination - 50% silicified wall rock with pyrite
#73 / 90	0.30 m	" "	Quartz vein - disseminated pyrite
#73 / 91	0.25 m	" "	Quartz vein - minor disseminated pyrite and galena
#73 / 92	0.50 m	" "	Quartz vein with disseminated pyrite and galena on footwall and hangingwall contacts

Sampled by Roy Kregosky on behalf of
Livgard Consultants Ltd.



LIVGARD CONSULTANTS LTD.

717 - 837 West Hastings, Vancouver, B.C. V6C 1B6 Ph. 669-2426

CERTIFICATE OF ASSAY

Date: November 28, 1986

File: 8611-2051



SGS SUPERVISION SERVICES INC.
General Testing Laboratories Division

1001 East Pender Street,
Vancouver, B.C., Canada. V6A 1W2
Telephone: (604) 254-1647
Telex: 04-507514

TO: **KENAR RESOURCES LTD.**
#463 - 1155 West Georgia St.
Vancouver, B.C.
V6E 3H4

We hereby certify that the following are the results of assays on: **Ore**

MARKED	GOLD	SILVER	Lead	Zinc	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX
	oz/st	oz/st	Pb (%)	Zn (%)				
73185	0.274	1.65	0.61	0.54				
73186	1.344	4.84	0.47	0.004				
73187	0.180	1.12	0.97	0.002				
73188	1.616	8.45	0.74	0.004				
73189	0.264	1.85	0.12	0.001				
73190	0.048	0.37	0.027	0.001				
73191	0.008	0.05	0.009	0.001				
73192	0.030	0.10	0.009	0.022				

cc. Mr. E. Livgard
cc. Mr. Roy Kregosky

L. Wong
L. Wong

NOTE: REJECTS RETAINED ONE MONTH. PULPS RETAINED THREE MONTHS ON REQUEST PULPS AND AND REJECTS WILL BE STORE FOR A MAXIMUM OF ONE YEAR.
ALL REPORTS ARE THE CONFIDENTIAL PROPERTY OF CLIENTS. PUBLICATION OF STATEMENTS CONCLUSION OR EXTRACTS FROM OR REGARDING OUR REPORTS IN NOT PERMITTED WITHOUT OUR WRITTEN APPROVAL. ANY LIABILITY ATTACHED THERETO IS LIMITED TO THE FEE CHARGED.

PROVINCIAL ASSAYER

SUPERIOR MINES

Sampling (1934?)

#1 Level (North Star)

<u>Sample No.</u>	<u>Width Metres</u>	<u>Au g/tonne</u>	<u>Au oz/ton</u>	<u>Ag g/tonne</u>	<u>Ag oz/ton</u>	
1	0.46	33.58	0.98	244.7	7.14	Drift length: 25.9 m average width: 0.5 m Average grade 15.63 g/tonne Au 82.92 g/tonne Ag
2	1.02	4.80	0.14	36.3	1.06	
13	0.36	22.27	0.65	62.7	1.83	
14	0.36	4.80	0.14	22.6	0.66	
15	0.30	7.88	0.23	45.6	1.33	
16	0.46	32.55	0.95	185.4	5.41	
17	0.51	13.36	0.39	16.8	0.49	
<hr/>						
18	0.46	3.77	0.11	18.2	0.53	Drift length: 29.0 m
19	0.61	0.34	0.01	5.1	0.15	
21	0.51	1.37	0.04	-	-	
22	0.56	1.03	0.03	4.5	.13	
23	0.61	10.97	0.32	52.1	1.52	

Stope

3	1.07	31.87	0.43	149.01	4.35	Stope length: 198 m Average width: 0.64 m Average grade: 15.25 g/tonne Au 81.05 g/tonne Ag
4	0.46	0.34	0.01	-	-	
5	0.36	1.71	0.05	6.51	0.19	
6	0.30	25.36	0.74	113.08	3.30	
7	0.76	2.74	0.08	6.17	0.18	
8	0.61	15.08	0.44	49.35	1.44	
9	0.46	25.02	0.73	273.80	7.99	
10	0.51	24.33	0.71	131.93	3.85	
12	0.91	5.83	0.17	18.85	0.55	

X-Vein

11	0.76	0.69	0.02	-	-
20	0.15	8.57	0.25	11.99	0.35

Surface

24	0.61	Tr	-	-	-
25	0.91	132.27	3.86	-	-
26	?	1.37	0.04	-	-
27	?	1.37	0.04	71.96	2.1



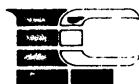
MINERAL INVENTORY - PRODUCTION

Gold Drop Claim (82E 2E 153)

Year	Tonnes Shipped	Tonnes Milled	Total Recovered Production		Au g/tonne	Ag g/tonne	Au oz/ton	Ag oz/ton
			grammes Au	grammes Ag				
1926	1	-	156	746	156	746.0	4.55	21.77
1927	2	-	156	1804	78	902.0	2.28	26.32
1928	4	-	438	1991	48.67	221.2	1.42	6.46
1931	15	-	653	2861	43.53	190.7	1.27	5.57
1932	16	-	746	4354	46.63	272.1	1.36	7.94
1933	28	-	840	4914	30.00	175.5	0.88	5.12
1934	16	-	342	3328	21.38	208.0	0.62	6.07
1938	58	-	467	3017	8.05	52.0	0.23	1.52
1939	17	-	218	1120	12.82	65.9	0.37	1.92
1940	18	-	280	1680	15.56	43.3	0.45	2.72
<hr/>								
Total	180	-	4296	25815	23.87	143.4	0.696	4.19
1941 Dump	114	-	560	3079	4.9	27.0	0.14	0.79
1980 Dump	40	-	42	4728	2.30	118.2	0.07	3.45

North Star Claim (82E 2E 152)

1932	115	-	4883	27246	42.46	236.9	1.24	6.91
1933	34	-	778	3763	22.88	110.7	0.67	3.23
1934	-	3098	2146	216259	0.69	69.8	0.021	1.99
1935	-	1814	4448	156044	2.45	86.0	0.07	2.41
1936	154	-	6189	39283	40.19	255.1	1.17	7.44
1937	-	397	1493	9238	3.76	23.3	0.10	.63
1938	224	-	1244	6065	5.55	27.1	0.16	0.79
1939	128	-	2115	10917	16.52	85.3	0.48	2.49
1940	25	-	404	247	16.16	9.9	0.47	0.29
<hr/>								
	680		15613	87521	22.96	128.7	0.67	3.76
		5309	8087	381541	1.52	71.87	0.044	2.10



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DUMP SAMPLING

(BCMMR 1935, p. D5)

Three large samples of ore dump from small stopes in lower level south drift (North Star Workings).

5.83 g/tonne (0.17 oz/ton) gold
22.96 g/tonne (0.67 oz/ton) silver

R.W. PHENDLER

Report on Gold Drop property, May 17th, 1980.

Upper North Star Dump
(Sampling by R. Phendler)

<u>Channel Length Metres</u>	<u>Au g/tonne</u>	<u>Au oz/ton</u>	<u>Ag g/tonne</u>	<u>Ag oz/ton</u>
4.57	0.14	0.004	1.37	0.04
4.57	3.02	0.088	2.40	0.07
3.66	7.30	0.213	38.38	1.12
4.57	1.88	0.055	7.20	0.21
3.66	3.36	0.098	12.34	0.36
5.18	8.57	0.250	47.29	1.38
5.18	1.51	0.044	6.51	0.19
<hr/>				
Average grade	3.64	0.106	14.07	0.41



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R.W. Phendler, P.Eng.

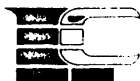
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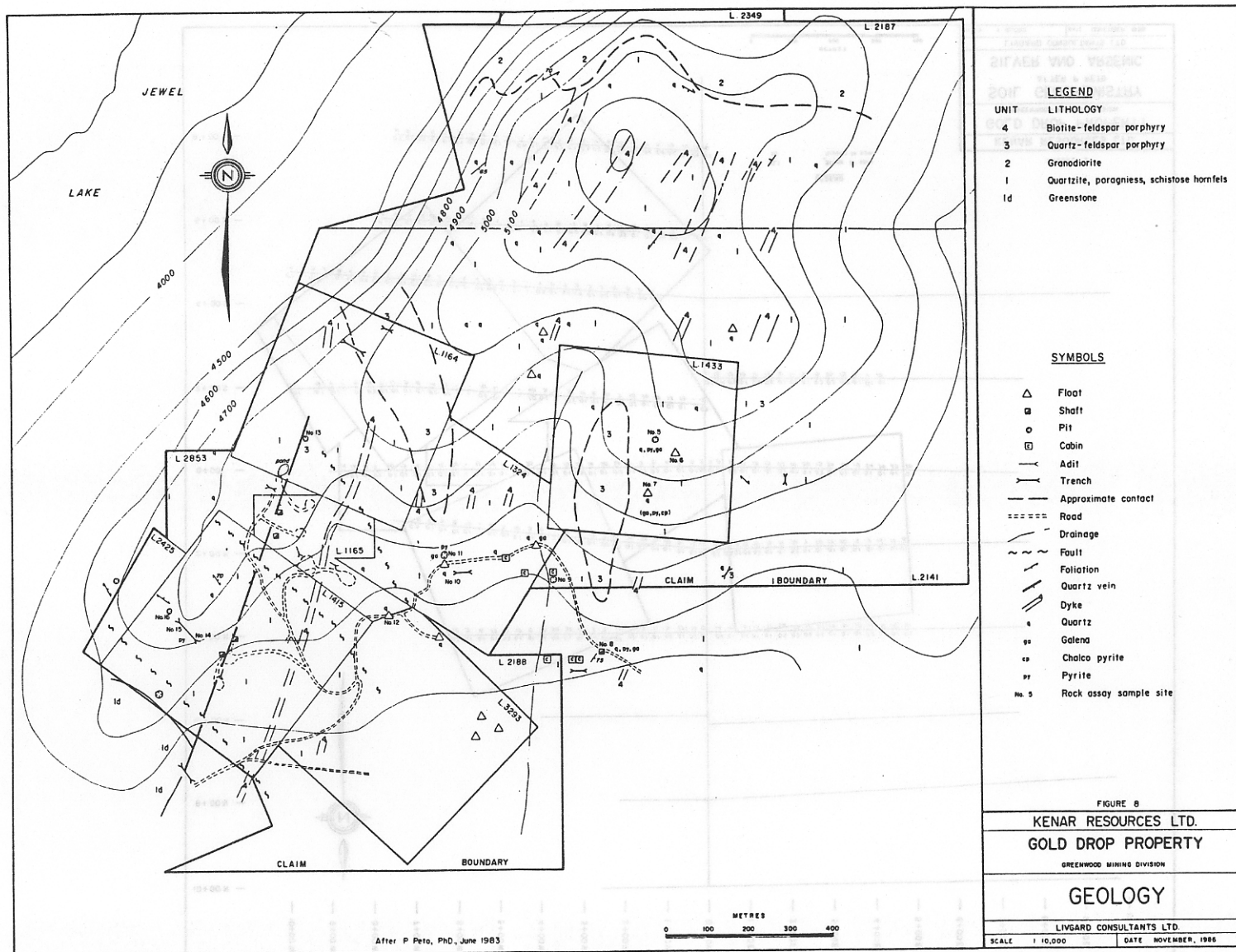
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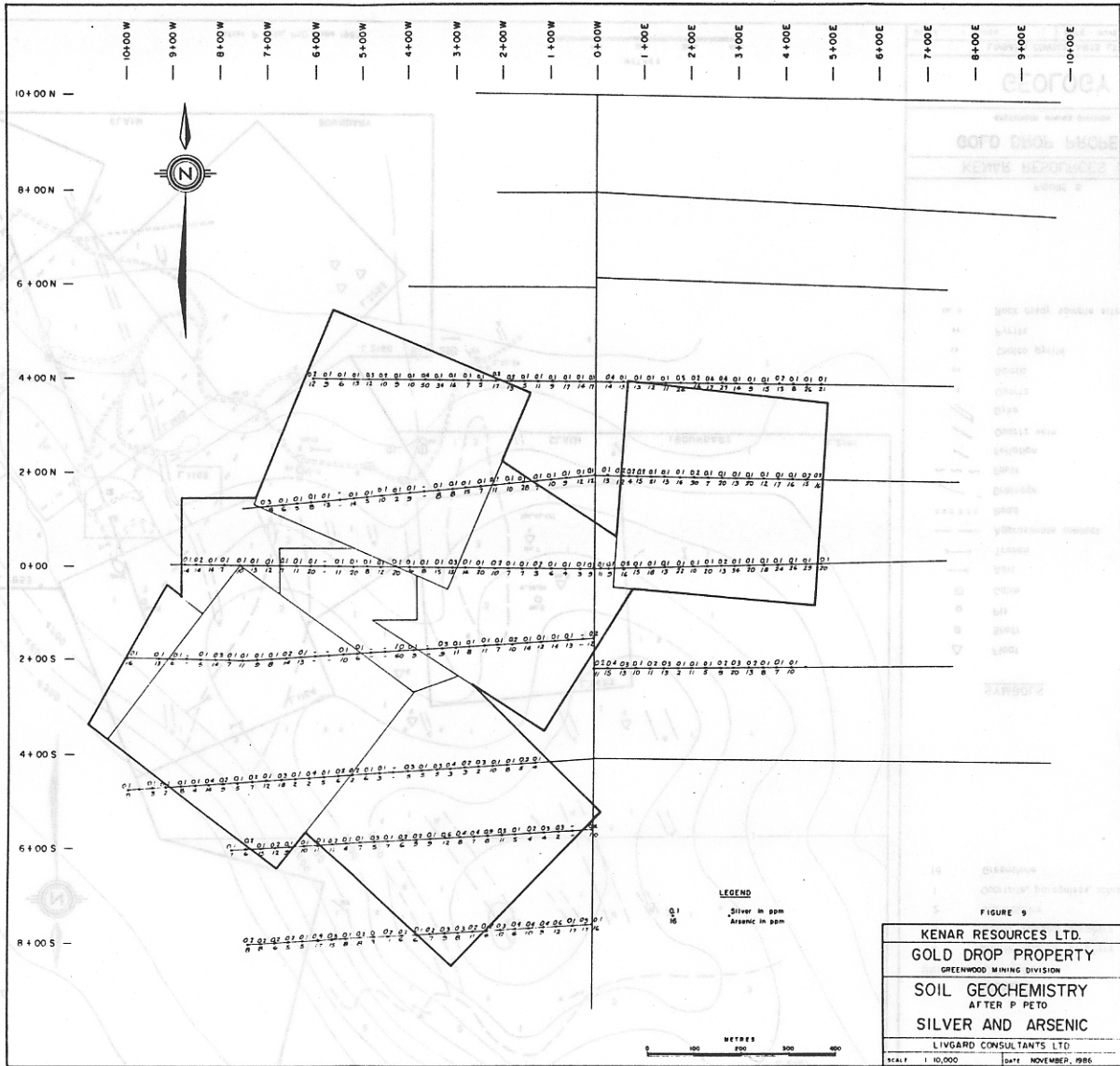
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KENAR RESOURCES LTD.
 GOLD DROP PROPERTY
 GREENWOOD MINING DIVISION
 SOIL GEOCHEMISTRY
 AFTER P. PETO
 SILVER AND ARSENIC
 LINGARD CONSULTANTS LTD.
 SCALE: 1:10,000 DATE: NOVEMBER, 1986

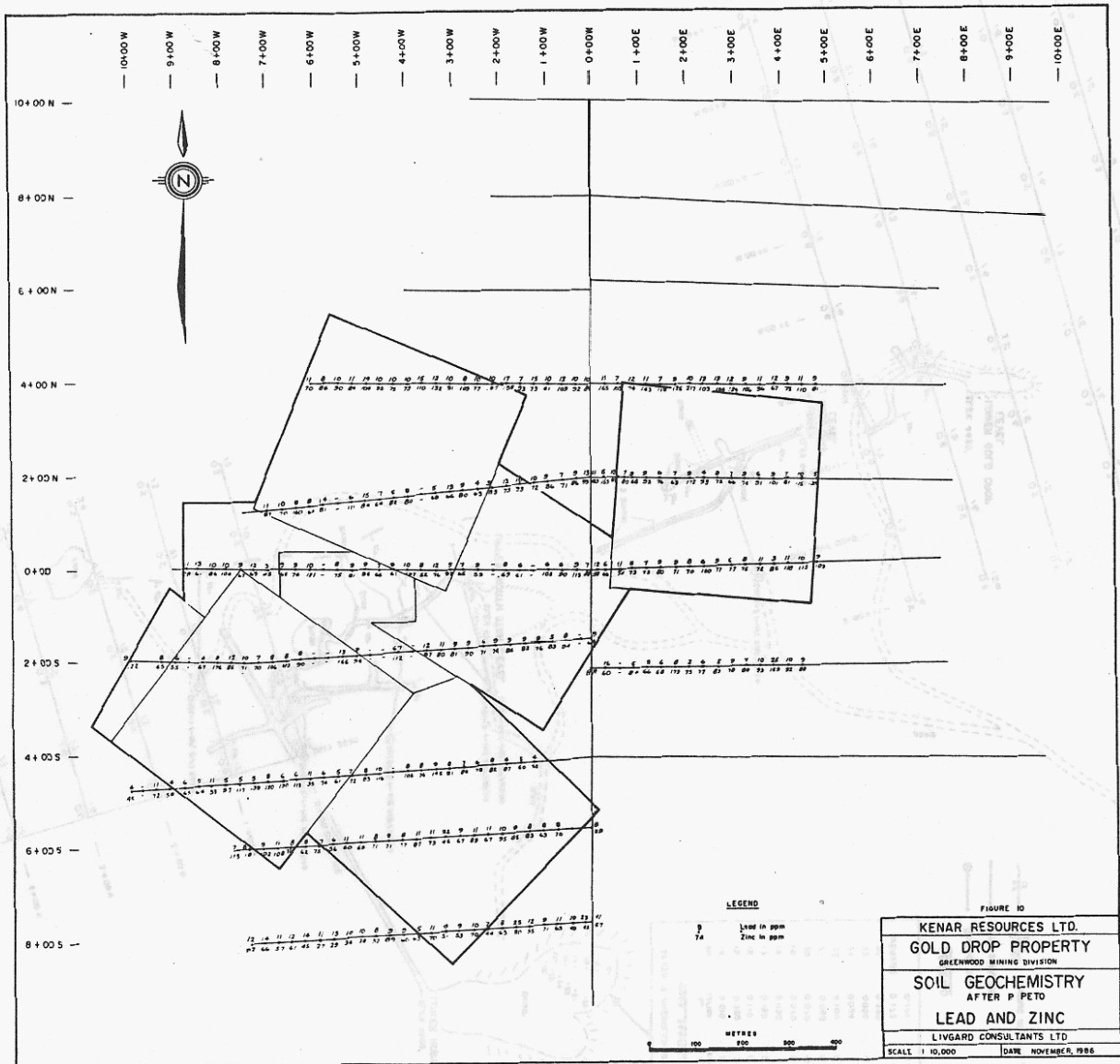


FIGURE 10

KENAR RESOURCES LTD.
GOLD DROP PROPERTY
GREENWOOD MINING DIVISION

SOIL GEOCHEMISTRY
AFTER P. P. P. ETO

LEAD AND ZINC

LIVGARD CONSULTANTS LTD.
SCALE 1:10,000 DATE NOVEMBER, 1986

LEAD AND ZINC CONCENTRATIONS IN SOIL SAMPLES

UNIT: ppm

100 200 400

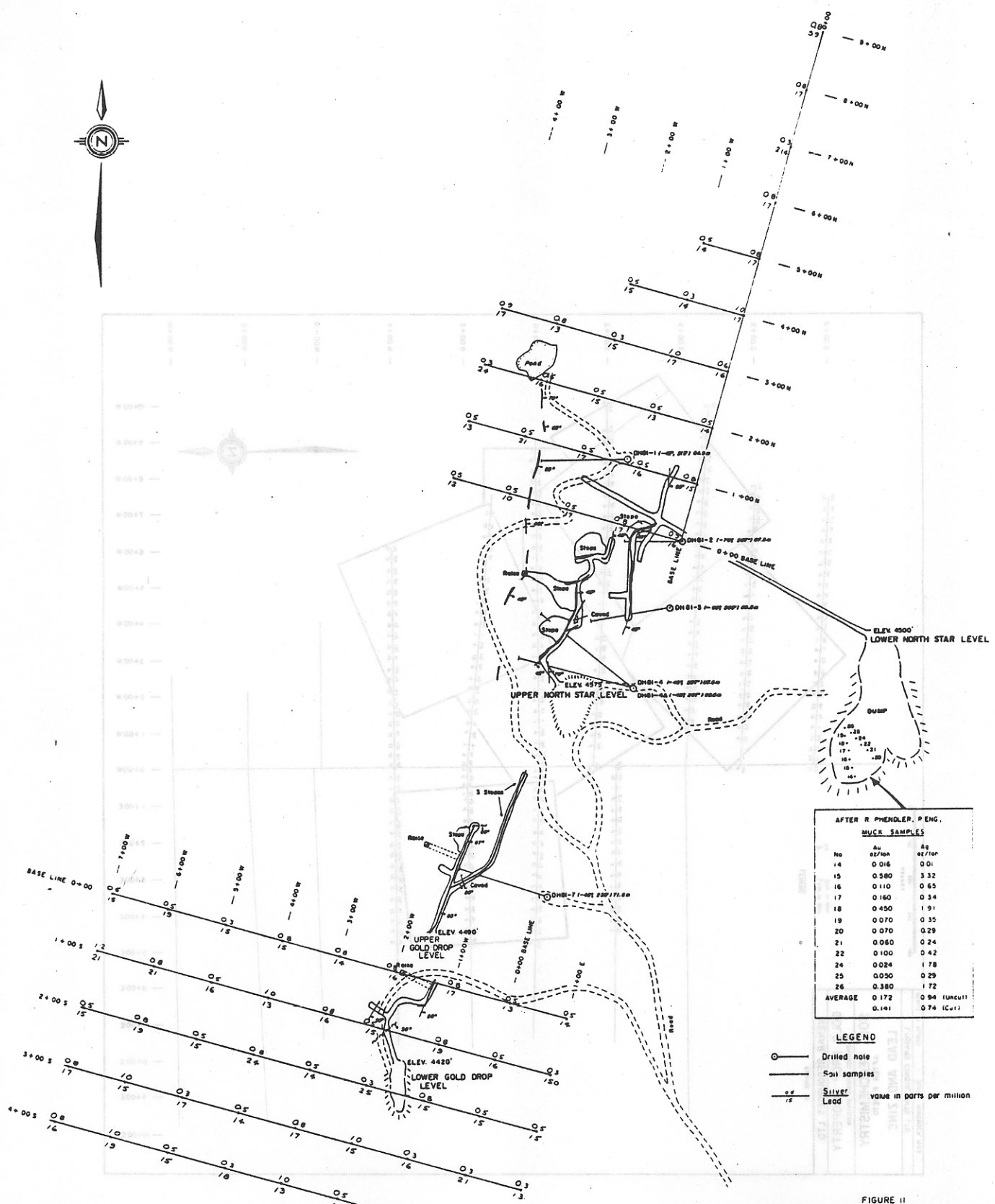
METRES

0 100 200 400

METRES

SOIL GEOCHEMISTRY
AFTER P. P. P. ETO
GOLD DROP PROPERTY
KENAR RESOURCES LTD.

LIVGARD CONSULTANTS LTD.



AFTER R. PHENDLER, P. ENG.
MUCK SAMPLES

No	Au	Pb
14	0.016	0.01
15	0.580	3.32
16	0.110	0.65
17	0.160	0.34
18	0.450	1.91
19	0.070	0.35
20	0.070	0.29
21	0.060	0.24
22	0.100	0.42
24	0.024	1.78
25	0.030	0.29
26	0.380	1.72
AVERAGE	0.172	0.94 (Cu11)
	0.141	0.74 (Cu11)

LEGEND

- Drilled note
- Soil samples
- Silver value in parts per million
- Lead value in parts per million

GEOCHEMICAL CATEGORY IN PPM

Silver (Ag)
 Background 0.9 maximum
 Anomalous 1.0 and over

LEAD (Pb)
 Background 200.0 maximum
 Anomalous 201.0 and over



FIGURE 11

KENAR RESOURCES LTD.
GOLD DROP PROPERTY
 GREENWOOD MINING DIVISION, B.C.

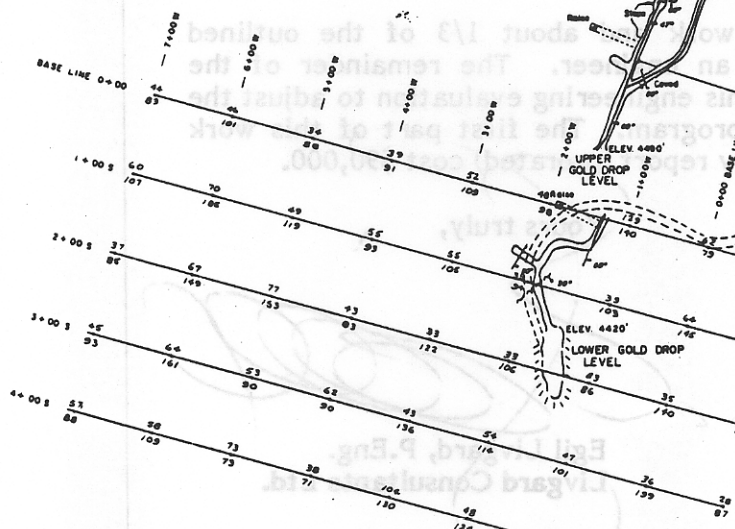
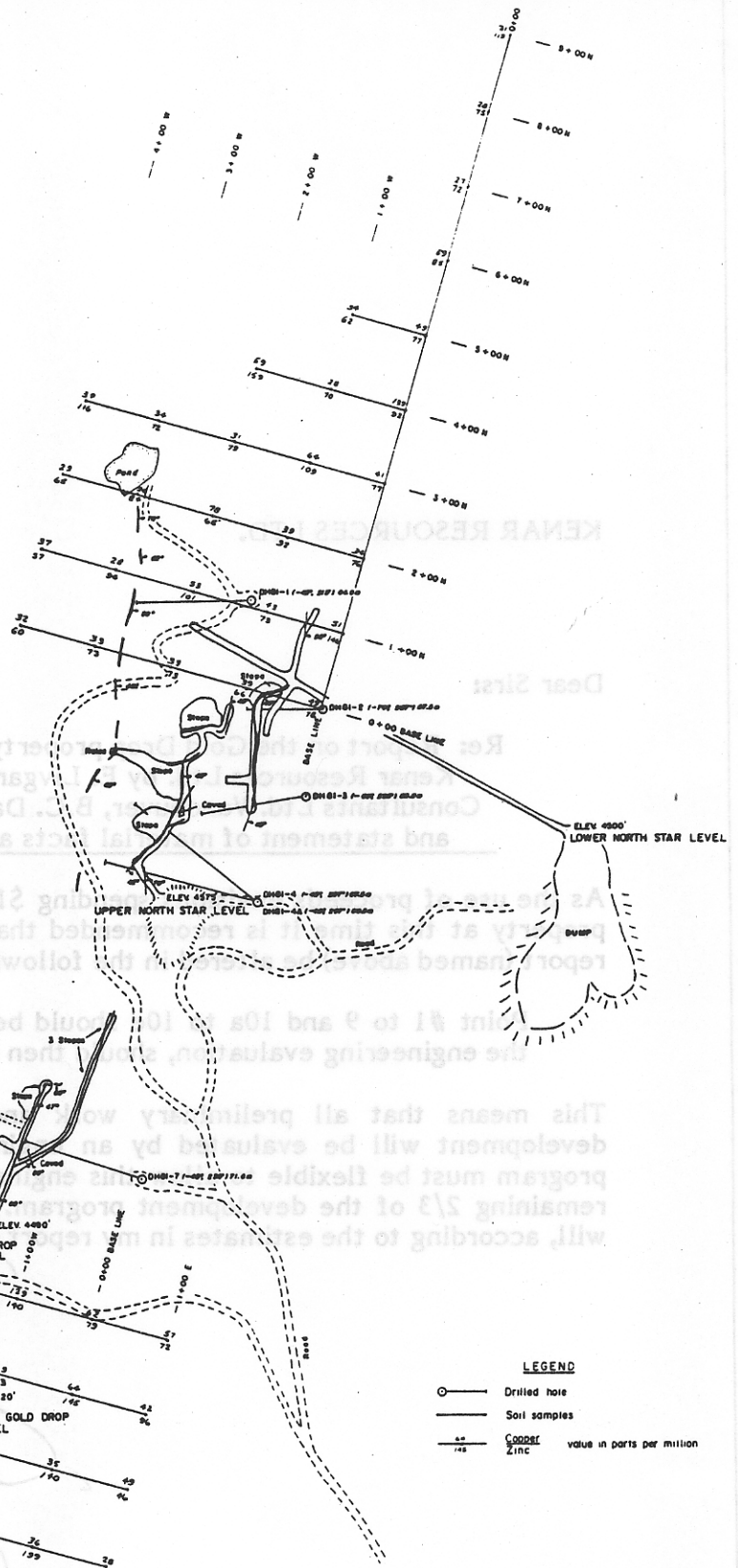
SOIL GEOCHEMISTRY
 AFTER D. M. BASCO 1981

SILVER AND LEAD

LIVGARD CONSULTANTS LTD
 SCALE: 1:2500 DATE: NOVEMBER, 1988



September 18, 1987



LEGEND

- — Drilled hole
- Soil samples
- Copper value in parts per million
- Zinc value in parts per million

GEOCHEMICAL CATEGORY IN PPM

Copper (Cu)	Background	100.0 maximum
	Anomalous	101.0 and over
ZINC (Zn)	Background	300.0 maximum
	Anomalous	301.0 and over

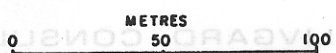


FIGURE 12

KENAR RESOURCES LTD. GOLD DROP PROPERTY <small>GREENWOOD MINING DIVISION, B.C.</small>
SOIL GEOCHEMISTRY <small>AFTER D. M. BASCO 1981</small> COPPER AND ZINC
<small>LIVGARD CONSULTANTS LTD</small>
<small>SCALE: 1:2500 DATE: NOVEMBER, 1986</small>

September 18, 1987

KENAR RESOURCES LTD.

Dear Sirs:

Re: Report on the Gold Drop property Greenwood, B.C. for
Kenar Resources Ltd. by E. Livgard P. Eng., Livgard
Consultants Ltd. Vancouver, B.C. Dated December 1986
and statement of material facts and use of proceeds

As the use of proceeds envisions spending \$100,000 only on the Gold Drop property at this time it is recommended that the recommendations in my report (named above) be altered in the following manner:

Point #1 to 9 and 10a to 10e should be completed now and point 12, the engineering evaluation, should then be carried out.

This means that all preliminary work and about 1/3 of the outlined development will be evaluated by an engineer. The remainder of the program must be flexible to allow this engineering evaluation to adjust the remaining 2/3 of the development program. The first part of this work will, according to the estimates in my report (prorated) cost \$90,000.

Yours truly,



Egil Livgard, P.Eng.
Livgard Consultants Ltd.



LIVGARD CONSULTANTS LTD.

717 - 837 West Hastings, Vancouver, B.C. V6C 1B6 Ph. 669-2426

August 31, 1987

KENAR RESOURCES LTD.
#463, 1155 West Georgia Street
Vancouver, B.C.
V6E 3H4

Dear Sirs:

I hereby consent to the use of my report entitled "Report on The Gold Drop Property Greenwood, B.C. for Kenar Resources Ltd.", or relevant and representative extracts therefrom, in connection with a submission to the Vancouver Stock Exchange and Superintendent of Brokers for British Columbia and its subsequent use in any duly authorized statement of material facts of Kenar Resources Ltd., so long as the use of portions of the report or quotations from the report are agreed to in writing or verbally before release.

Yours truly,



EGIL LIVGARD, B.Sc., P.Eng.

CERTIFICATE

I, EGIL LIVGARD, of 1990 King Albert Avenue, Coquitlam, B.C., DO HEREBY CERTIFY:

1. I am a Consulting Geological Engineer, practicing from #717 - 837 West Hastings Street, Vancouver, B.C.
2. I am a graduate of the University of British Columbia, with a B.Sc., 1960 in Geological Sciences.
3. I am a registered member in good standing of the Association of Professional Engineers of the Province of British Columbia.
4. I have practised my profession for over 25 years.
5. I have no direct, indirect or contingent interest in the Gold Drop Property, which is held by Kenar Resources Ltd., in the securities of Kenar Resources Ltd., nor do I intend to receive any such interest.
6. This report dated December 19th, 1986 is based on an examinations of the property on October 18th, 1986 and on references as listed.

DATED AT VANCOUVER, BRITISH COLUMBIA THIS 19TH, OF DECEMBER, 1986.



Egil Livgard, B.Sc., P.Eng.



LIVGARD CONSULTANTS LTD.


717 - 837 West Hastings, Vancouver, B.C. V6C 1B6 Ph. 669-2426

CERTIFICATE OF THE DIRECTORS AND PROMOTERS OF THE ISSUER

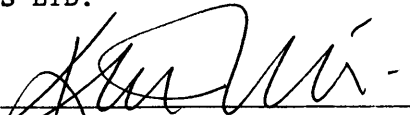
The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Statement of Material Facts.

DATED: August 31st, 1987

KENAR RESOURCES LTD.



ARNOLD JOHN KUCHERHAN,
Chief Executive Officer,
President, Director and
Promoter



KENNETH ALFRED PRICE,
Chief Financial Officer,
Secretary, Director and
Promoter

ON BEHALF OF THE BOARD OF DIRECTORS



JOHN ARNOLD KUCHERHAN
Director



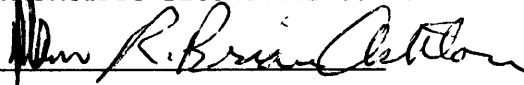
DANIEL MAGTOTO BASCO
Director

CERTIFICATE OF THE AGENTS


To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Statement of Material Facts.

DATED: August 31st, 1987


GEORGIA PACIFIC SECURITIES CORP.

Per: 

WEST COAST SECURITIES LTD.

Per: 

JONES, GABLE & COMPANY LIMITED

Per: 

C.M. OLIVER & COMPANY LIMITED

Per: 