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SUPERINTENDENT OF BROKERS

D.L ✓

VANCOUVER STOCK EXCHANGE  
(DEVELOPMENT COMPANY)

PROPERTY FILE

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STATEMENT OF MATERIAL FACTS (#143/87)  
EFFECTIVE DATE: OCTOBER 1, 1987

DORNOCH INTERNATIONAL INC. (FORMERLY "JAFTA INTERNATIONAL INC.")  
#3050 - 700 West Georgia Street, Vancouver, B.C. V7Y 1A1 (604)682-6677  
NAME OF ISSUER, ADDRESS OF HEAD OFFICE AND TELEPHONE NUMBER

#1600-595 Burrard Street, Vancouver, B.C. V7X 1K9  
ADDRESS OF REGISTERED AND RECORDS OFFICES OF ISSUER

National Trust Company, 666 Burrard Street, Vancouver, B.C. V6C 2Z9  
NAME AND ADDRESS OF REGISTRAR & TRANSFER AGENT FOR ISSUER'S SECURITIES  
IN BRITISH COLUMBIA

OFFERING: 650,000 COMMON SHARES

	Price to Public	Broker's Commission (1)	Net Proceeds to Issuer (2)
Per Share	\$1.09	\$0.08175	\$1.00825
Total	\$708,500	\$53,137.50	\$655,362.50

(1) Subject to the Offering being sold as set out herein. (2) Before deduction of the costs of this issue estimated to be \$25,000.

ADDITIONAL OFFERING:

In addition, the Agent will receive a warrant to purchase a total of 325,000 shares in return for guaranteeing the sale of the shares offered hereby. Any shares purchased pursuant to the exercise of the Agent's warrant are hereby qualified for sale at the market price for the shares at the time of the sale. See "Plan of Distribution" for further information concerning the sale of those shares.

SECONDARY OFFERING:

812,413 common shares of the Issuer are hereby qualified for sale, at the market price for such shares at the time of the sale, by a selling shareholder. See "Plan of Distribution" for further information concerning the sale of these shares.

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.

AGENT  
CANARIM INVESTMENT CORPORATION LTD.  
2200 - 609 GRANVILLE STREET  
VANCOUVER, BRITISH COLUMBIA  
V7Y 1H2

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.

## 1. PLAN OF DISTRIBUTION

### Offering

The Issuer, by its Agent, hereby offers (the "Offering") to the public through the facilities of the Vancouver Stock Exchange (the "Exchange"), 650,000 common shares (the "Shares"). All the shares will be sold at a fixed price of \$1.09 per share.

The Offering will take place on a day (the "Offering Day") not more than thirty (30) business days after the date (the "Effective Date") this Statement of Material Facts is accepted for filing by the Exchange and the Superintendent of Brokers for British Columbia (the "Superintendent").

The price of the Shares comprising the Offering has been determined by negotiation between the Issuer and the Agent, there being no public trading of the Issuer's shares on the Exchange as at the date hereof.

TRADING IN THE SHARES OF THE ISSUER WILL NOT BE REINSTATED UNTIL AFTER THE COMPLETION OF THE OFFERING THROUGH THE FACILITIES OF THE EXCHANGE, AND THEN ONLY AFTER EVIDENCE OF SATISFACTORY DISTRIBUTION OF THE OFFERING HAS BEEN FILED WITH THE EXCHANGE. IN THE EVENT SUCH DISTRIBUTION IS NOT FOUND TO EXIST, THEN ALL TRADES REPRESENTING THE OFFERING THROUGH THE EXCHANGE WILL BE CANCELLED AND THE SHARES OF THE ISSUER WILL BE DELISTED FROM TRADING ON THE EXCHANGE.

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 Agent

The Issuer, by an agreement (the "Agency Agreement") dated as of August 4, 1987 appointed Canarim Investment Corporation Ltd. as its agent ("Agent") to offer the Shares to the public. The Issuer will pay the Agent a fee of 7 1/2% of the selling price of the shares. The Agent has agreed to purchase any Shares which remain unsubscribed for at the conclusion of the Offering and, in consideration therefor, the Issuer has agreed to allot and issue to the Agent, immediately following the Offering Day, a non-transferable share purchase warrant ("Agent's Warrant") entitling the Agent to purchase a total of 325,000 common shares of the Issuer. The Agent may exercise the Agent's Warrant within one hundred and eighty (180) days after the Offering Day at a price of \$1.2535 per share.

The Issuer has granted the Agent a right of first refusal with respect to any future public equity financings it may

require during the twelve (12) month period following the Effective Date. The obligations of the Agent under the Agency Agreement may be terminated prior to the Offering Day, at the Agent's discretion, on the basis of its assessment of the state of the financial markets and may also be terminated at any time upon the occurrence of certain and 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.

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

#### Additional Offering

This Statement of Material Facts also qualifies for sale to the public, after the Offering through the facilities of the Exchange at the market price prevailing for the shares at the time of the sale, for a period of one hundred and eighty (180) days from the Offering Day, any shares purchased by the Agent on the exercise of the Agent's Warrants. The Issuer will not receive any proceeds from the sale of any such shares by the Agent, all of which proceeds will, in such event, accrue to the Agent.

#### Secondary Offering

This Statement of Material Facts also qualifies for sale to the public, after the Offering through the facilities of the Exchange at the market price prevailing at the time of such sale, for a period of one hundred and eighty (180) days from the Offering Day, 812,413 common shares of the Issuer now owned by Northwestern Bank, P.O. Box 819, Bellingham, Washington, U.S.A. 98227. The said Bank, which owns 812,413 common shares of the Issuer, will not sell any of the 812,413 common shares being qualified hereby until after the successful completion of the Offering on the Offering Day.

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

The principal purposes for which the net proceeds of \$655,362.50 (there being no cash on hand as at June 30, 1987), will be used, are as follows:

(a)	To pay the cost of issue	\$ 25,000
(b)	To pay current liabilities (other than those referred to immediately below) as at June 30, 1987	\$ 53,608
(c)	To pay Northwestern Bank (\$392,540) Tupper & Company (\$10,000) and Ryka Investment Corp. (\$39,120) as disclosed in Item 9 hereof	\$441,660
(d)	to pay for exploration work on the Issuer's Lasqueti Island claims as recommended in the report of MPH Consulting	\$ 50,000
(e)	Working capital	\$ 85,064
Total:		<u>\$655,362.50</u>

The said \$85,064 less a maximum sum of \$3,000 per month which will only be used for administrative purposes, will be held in escrow by the Issuer and will not be released therefrom without the express written consent of the Exchange being first obtained. The proceeds, if any, realized by the Issuer as a result of the exercise of the Agent's Warrant, will be added to the working capital and will become subject to the escrow provisions noted above.

### 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 (in \$)	Shares Issued to Date	Planned Expenditure from Funds Available upon Completion of the Offering
I	-	-	-	-
II	Lasqueti Island Claims	nil	450,000*	\$50,000
III	-	-	-	-

\* - escrow shares

### Lasqueti Island Claims

The Issuer is the beneficial owner of a 100% interest in the 25 claim "Raven" and "Golden" groups of contiguous claims located on Lasqueti Island, British Columbia. The claims were acquired in consideration of the original issuance of 750,000 pre-consolidation escrow shares which, as a result of the consolidation of the Issuer's shares have been consolidated to 450,000 escrow shares (reference should be made to Item 5 hereof for particulars of the share consolidation). Other than re-staking costs, the Issuer has not expended any funds for exploration work on the claims. The Issuer's consulting geologist, in its report dated July 28, 1987, a copy of which is attached hereto and forms part hereof, has recommended an initial program of exploration on the claims consisting of work designed to evaluate the known gold-silver-copper shear zones. This work would include soil geochemistry testing, magnetomer surveys and a VLF-EM survey as well as continued geological mapping and rock sampling. It should be noted that the map comprising page 2 of this Report showing the location of the Issuer's claims excludes the mineral leases numbered L50, L51, L52, L78 and L81. The Issuer will carry out the testing portion of the program when funds are available after the completion of the Offering described in Item 1 hereof. Further work will depend on the results of the first work. There are no specific commitments respecting the property, such as instalments of cash or share issuances to maintain the property nor are there any specific obligations to carry out exploration or drilling programs to maintain the property.

THERE ARE NO KNOWN RESERVES OF ORE ON THE PROPERTY AND THE PROPOSED PROGRAM IS EXPLORATORY IN NATURE.

#### 4. PARTICULARS OF NON-RESOURCE ASSETS

The Issuer has no material non-resource assets.

#### 5. CORPORATE INFORMATION

The Issuer was incorporated under the laws of the Province of British Columbia on April 14, 1967 under the name of "Bonnet Mines Ltd. (Non-Personal Liability)" by registration of its Memorandum and Articles. The Issuer's name was changed to "Bon-Val Mines Ltd. (N.P.L.)" on August 6, 1971 and to "Cameron Resources Ltd." on August 3, 1978 at which time the Issuer also converted from a specially limited company to a limited company pursuant to the Company Act of British Columbia. On February 15, 1983 the Issuer's name was changed to "Jafta International Inc." and to "Dornoch International Inc." on November 20, 1985.

The Issuer's shareholders approved at a General Meeting held on April 9, 1985, a share consolidation of the authorized and issued capital on the basis of 10 old shares for 6 new shares thereby reducing the authorized capital of the Issuer from 10,000,000 shares without par value to 6,000,000 shares without par value and subsequently, increased the authorized capital to 10,000,000 shares without par value. The number of issued shares of the Issuer as at the Effective Date hereof, on a post-consolidation basis, is 2,381,152. This share consolidation and capital increase was effected on the Effective Date hereof.

All of the Issuer's shares, including those offered by this Statement, are common shares. They are not subject to any future call or assessment and they all have equal voting rights. There are no special rights or restrictions of any nature attached to any of the shares and they all rank equally as to all benefits that might accrue to the holder thereof.

Since June 30, 1987, the date of the latest financial statements included with this Statement of Material Facts, the following shares have been issued by way of debt settlement, all at a deemed price of \$1.00 per share:

<u>Name and Address</u>	<u>No. of Shares</u>
Northwestern Bank Box 819 Bellingham, Washington 98227	812,413

Tupper, Jonsson & Shroff Barristers & Solicitors 1710 - 1177 West Hastings St. Vancouver, B.C.	15,000
Ryka Investment Corporation 1695 Pine Crescent Vancouver, B.C.	152,587
Grace Greenlea 14724 Ventura Blvd., #407 Sherman Oaks, California 19403	5,000
Charger Investments Ltd. 3074 Spencer Place West Vancouver, B.C. V7V 3C9	15,000

In addition to the above-noted 1,000,000 shares, a total of 225,000 additional principals' shares were issued to Harvey Bibicoff, a director of the Issuer, at a total price of \$16,356.

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

<u>Name, Address and Position with Issuer</u>	<u>Chief Occupation and Employer for Previous Five Years</u>	<u>Shares Beneficially Owned</u>
Jerome John Rak* 3910 Southridge Avenue West Vancouver, BC President & Director	Ex-Stockbroker & Businessman	nil
David Keith Edgell 235 Keith Road, #811 West Vancouver, BC Secretary-Treasurer & Director	Former Real Estate Agent	14,520 (free-trading)
Harvey Bibicoff 16530 Ventura Blvd., PH Encino, California USA Director	Financial Consultant, Bibicoff, Brown & Assoc. Los Angeles, California	16,500 (free-trading) 465,000** (escrow)
Maureen MacNeill* 1026 Queen's Ave., #1005 New Westminster, BC Director	Administrative Assistant	nil

Norman John Raymond MacKinnon* 818 Frederick Road North Vancouver, BC Director	President, Dex Management Group Inc. 1984-present; practicing chartered accountant, MacKinnon, Sapern, Lewis and MacDonald, Chartered Accountants 1981 to 1984	nil
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\* denotes Member of Audit Committee

\*\* 225,000 additional Principal's shares; 240,000 escrow shares

Jerome J. Rak is a director or officer of four other reporting companies. David K. Edgell is a director or officer of four other reporting companies. Harvey Bibicoff is a not director or officer of any other reporting companies. Maureen MacNeill is a director or officer of two other reporting companies. Norman J.R. MacKinnon is a director or officer of three other reporting companies. A list of the names of the companies referred to above is available for inspection at the location and during the times specified in Item 9 hereof. None of the companies referred to above were struck off the Register of Companies by the British Columbia Registrar of Companies or other similar authority during the periods that the directors, officers, or promoters were directors, officers or promoters of those companies.

During the last year, none of the current directors, officers, promoters or other insiders of the Issuer have received any direct or indirect remuneration from the Issuer.

#### Greater than 10% Shareholders

The only person who is known by the signatories hereto to own beneficially, directly or indirectly, more than 10% of the outstanding equity shares is the Northwestern Bank, Box 819, Bellingham, Washington 98227 which owns 812,413 non-escrow shares of the Issuer. These latter shares have been qualified for distribution to the public through the facilities of the Exchange. Reference should be made to Item 1 for particulars of this share qualification.

#### 7. OPTIONS TO PURCHASE SECURITIES OF THE ISSUER

There are no options of the Issuer outstanding, nor have any options or warrants been granted to any insider or promoter of the Issuer by a present security holder.



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

450,000 post-consolidation shares of the Issuer are held in escrow by Ryka Investment Corporation, subject to release or transfer only with the the written consent of the Exchange. 265,000 of these shares will be transferred forthwith after the Effective Date, within escrow, to Maureen MacNeill (as to 25,000 shares) and Harvey Bibicoff (as to 240,000 shares). The principal of Ryka Investment Corporation is Mary Kapoor. No other person or persons owns or own, respectively, more than 10% of the outstanding voting shares of Ryka Investment Corporation.

In the event the Issuer loses, abandons or fails to obtain title to all or part of the property or assets for which is allotted all or part of the above-noted escrowed shares, the Issuer is required to declare any such event to the Exchange by way of a Directors' resolution. The holders of such shares, the trustee thereof and the Issuer have agreed that such number of said shares as the Exchange determines shall have become subject to cancellation.

A further 225,000 post-consolidation shares of the Issuer are held in escrow pursuant to the terms of a Principals' Shares Agreement. The owner of these shares is Harvey Bibicoff, a director of the Issuer. Any of these shares remaining in escrow within two (2) years from the Effective Date will be cancelled.

The complete texts of the Escrow and Principals' Shares Agreements are available for inspection during normal business hours during the period of primary distribution and for a period of 30 days thereafter at the registered office of the Issuer, #1600 - 595 Burrard Street, Vancouver, British Columbia. There are no "pooled" shares of the Issuer nor are there any shares subject to a hold period requirement imposed by the Superintendent.

9. PARTICULARS OF ANY OTHER MATERIAL FACTS

There are no other material facts which have not been disclosed under another Item of this Statement of Material Facts, except as follows:

(a) By Agreements dated September 30, 1982, as amended January 19, 1983, pursuant to which the Issuer contracted to purchase, as of April 30, 1983, 100% of the issued shares of Jafta-I, Inc., a private California corporation engaged in supplying movies and related equipment for showing movies in hotel rooms. The number of shares which the Issuer agreed to issue was a maximum of 2,250,000 pre-consolidated treasury

shares. These shares, excepting for the 'up-front' issuance of 100,000 pre-consolidated shares, were to be issued on an earnings performance basis. To date, only the 100,000 pre-consolidated treasury shares have been issued and as the above-noted Agreements were terminated there are no further obligations to issue any further treasury shares. The Issuer is seeking to cancel the 100,000 pre-consolidated treasury shares previously issued. \$1,050,119.57 was advanced, between late 1982 and January, 1984 to fund Jafta-I, Inc. In addition, the Issuer also guaranteed loans that were made to Jafta-I, Inc. by Ryka Investment Corporation and by the Northwestern Bank at Bellingham, Washington.

(b) In late 1983, the Issuer received securities regulatory approval to proceed with the above-noted acquisition.

(c) On February 24, 1984, the Company requested the Exchange to halt trading in its shares pending a review of the business affairs of Jafta-I, Inc.

(d) On May 15, 1984, the Superintendent issued a cease-trading order against the securities of the Issuer as the Issuer could not comply with the applicable financial reporting requirements.

(e) It has been determined that, in February 1984, the business of Jafta-I, Inc. failed. As a result, filings were made under Chapter 11 of the United States bankruptcy laws. Jafta-I, Inc. is no longer an operating business.

(f) As at June 30, 1987, the Issuer had the following debts which are to be paid, in part, from the proceeds of the Offering and the issuance of shares for debt:

<u>Creditor</u>	<u>Amount</u>	<u>Shares Offered @ \$1.00</u>	<u>Still to be paid</u>
Northwestern Bank Bellingham, WASH	\$1,254,954	812,413	\$442,541
Tupper, Jonsson & Shroff Vancouver, BC	\$ 25,000	15,000	\$ 10,000
Ryka Investment Corporation	\$ 191,707	152,587	\$ 39,120
Grace Greenlea	\$ 5,000	5,000	-
Charger Investments Ltd.	\$ 15,000	15,000	-

(g) The Northwestern Bank has agreed to accept 812,413 shares of the Issuer, to be issued at a deemed price of \$1.00 per share, in satisfaction of a portion of the debt owed to it. In addition, the Northwestern Bank has agreed to forgive the Issuer a portion of the debt, namely \$50,000, if the outstanding balance, which would then aggregate \$392,541, is paid from the proceeds of the Offering. The other creditors noted above have agreed to accept the number of shares of the Issuer set forth opposite their names above, all at a deemed issuance price of \$1.00 per share.

A COPY OF ALL CONTRACTS AND THE TECHNICAL REPORT REFERRED TO OR SUMMARIZED HEREIN, AND ALL LISTS OF THE NAMES OF THE REPORTING COMPANIES REFERRED TO IN ITEM 6 HEREOF, MAY BE INSPECTED DURING NORMAL BUSINESS HOURS AT THE ISSUER'S REGISTERED OFFICE, CAMPNEY & MURPHY, BARRISTERS & SOLICITORS, #1600 - 595 BURRARD STREET, VANCOUVER, BRITISH COLUMBIA DURING THE PERIOD OF PRIMARY DISTRIBUTION AND FOR A PERIOD OF 30 DAYS THEREAFTER.

10. STATUTORY RIGHTS OF RESCISSION AND WITHDRAWAL

The British Columbia Securities Act provides purchasers with the right to rescind a contract for the purchase of securities where the statement of material facts and any existing amendments thereto either contain a misrepresentation or are not delivered to the purchaser before delivery of the written confirmation of sale. For further information concerning these rights, and the time limits within which they must be exercised, refer to Sections 66, 114 and 118 of the Securities Act or consult a lawyer.

**DORNOCH INTERNATIONAL INC.**

**UNAUDITED INTERIM FINANCIAL INFORMATION**

**JUNE 30, 1987**

**STEPHEN D. JEWETT**

Chartered Accountant

350 ~~430~~ 1665 WEST BROADWAY  
VANCOUVER, B.C. V6J 1X1  
TELEPHONE: (604) 734-2244

COMMENTS ON UNAUDITED  
INTERIM FINANCIAL INFORMATION

To the Directors of  
Dornoch International Inc.

I have prepared the accompanying unaudited interim financial information comprising balance sheet as at June 30, 1987 and the statements of loss and deficit and of changes in financial position for the eight months ended June 30, 1987 from the records of Dornoch International Inc. and from other information supplied to me by the company and have reviewed such interim financial information. My review, which was made in accordance with standards established for such reviews, consisted primarily of enquiry, comparison and discussion.

I have not performed an audit and consequently do not express an opinion on this interim financial information. The most recent audited financial statements issued to shareholders on which I have expressed an opinion were for the year ended October 31, 1986.

Vancouver, B.C.  
August 5, 1987

  
Chartered Accountant

DORNOCH INTERNATIONAL INC.

BALANCE SHEET AS AT JUNE 30, 1987

UNAUDITED

ASSETS

Current		
Cash		\$ 29
Mineral property - notes 1 & 2		<u>11,100</u>
		\$ <u>11,129</u>

LIABILITIES

Current		
Accounts payable	\$ 236,791	
Accrued interest	296,714	
Loan payable	<u>11,763</u>	\$ 545,268
Long term - note 3		1,000,000
Share subscriptions - note 4		<u>16,356</u>
		1,561,624

SHAREHOLDERS' DEFICIENCY

Share capital - note 4	\$ 1,819,745	
Deficit	<u>3,370,240</u>	<u>1,550,495</u>
		\$ <u>11,129</u>

Approved

Director

Director



**DORNOCH INTERNATIONAL INC.**

**STATEMENT OF LOSS AND DEFICIT FOR THE EIGHT MONTHS ENDED JUNE 30, 1987**

**UNAUDITED**

<b>Expenses</b>	
Audit and legal	\$ 9,730
Interest	96,610
Office costs	673
Transfer agent and listing fees	<u>6,072</u>
<b>Loss for the period</b>	<b>113,085</b>
<b>Deficit, opening</b>	<b><u>3,257,155</u></b>
<b>Deficit, closing</b>	<b>\$ <u>3,370,240</u></b>
<b>Loss per share, based on shares issued at period end.</b>	<b><u>\$ .10</u></b>

DORNOCH INTERNATIONAL INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE EIGHT MONTHS ENDED JUNE 30, 1987

UNAUDITED

Operating activities	
Loss for the period	( 113,085 )
Items included not involving cash	
Expenses accrued	<u>110,112</u>
	( 2,973 )
Cash used for changes in non-cash working capital items	( <u>11</u> )
	( 2,984 )
Financing activities	
Short term loan	5,763
Investing activities	
Mineral properties	( <u>2,750</u> )
Increase in cash	29
Cash at beginning of period	<u>-</u>
Cash at end of period	\$ <u>29</u>



DORNOCH INTERNATIONAL INC.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS AT JUNE 30, 1987

Note 1 - Accounting policies

General

The continued existence of the company depends upon the ability of the company to obtain financing to repay its indebtedness and to provide working capital and its ability to produce profitable operations. See note 5.

This interim financial information has been prepared for regulatory purposes. The information on the comparable eight month period in 1986 is not readily available so the information is not presented with comparative figures.

Subsidiary

The company is divesting itself of its ownership of Jafta-I, Inc. which it acquired in 1983. Accordingly these financial statements are not consolidated.

Resource interests

The company defers all costs of acquiring and developing its resource interests until the commencement of production from, sale or abandonment of the interests.

Foreign currencies

Transactions in foreign currencies are translated at the rate of exchange in effect at the time of the transaction.

Note 2 - Resource interests

The company has acquired the Golden and Raven mineral claims, Lasqueti Island, Nanaimo Mining Division, British Columbia, by issuing 450,000 escrow shares.

DORNOCH INTERNATIONAL INC.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS AT JUNE 30, 1987

Note 2 - Loans

The company has entered into agreements with certain creditors to issue 1,000,000 shares in settlement of indebtedness upon regulatory approval, as follows;

Bank loan guarantees of subsidiary	\$ 812,413
Direct indebtedness	<u>187,587</u>
Total	\$ 1,000,000

Interest is accruing on loans at \$ 410 per day.

Note 4 - Share capital

Authorized - 10,000,000 shares without par value

Issued	<u>Number</u>	<u>\$</u>
Outstanding, October 31, 1986	1,156,152	1,819,745
Unchanged to June 30, 1987		

Of the issued and outstanding shares, 450,000 shares are held in escrow, their release being subject to regulatory approval.

A director has subscribed for 225,000 escrow shares, yet to be issued, by paying the company \$ 16,356.

See notes 3 and 5.

Note 5 - Offering

The company is filing a Statement of Material Fact offering to the public 650,000 shares at \$ 1.09 per share to net the company \$ 655,362. In addition, by the terms of the Agency Agreement, a share purchase warrant will be issued entitling the Agent to purchase 325,000 shares at \$ 1.2535 per share within 180 days of the offering date.

**DORNOCH INTERNATIONAL INC.**

**FINANCIAL STATEMENTS**

**APRIL 30, 1986**

# STEPHEN D. JEWETT

Chartered Accountant

350 ~~438~~ 1665 WEST BROADWAY  
VANCOUVER, B.C. V6J 1X1  
TELEPHONE: (604) 734-2244

## AUDITOR'S REPORT

To the shareholders of  
Dornoch International Inc.

I have examined the balance sheet of Dornoch International Inc. as at April 30, 1986 and the statements of loss and deficit and of changes in financial position for the six months 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 April 30, 1986 and the results of its operations and the changes in its financial position for the six months then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the prior year.

Vancouver, B.C.  
July 28, 1986

  
Chartered Accountant

DORNOCH INTERNATIONAL INC.

BALANCE SHEET

ASSETS	April 1986 \$	Oct. 1985 \$
Current		
Cash	49	4,619
Mineral property - notes 1 & 2	<u>7,850</u>	<u>7,500</u>
	<u>7,899</u>	<u>12,119</u>

LIABILITIES

Current		
Accounts payable	27,417	24,027
Accrued interest	<u>122,778</u>	<u>49,654</u>
	150,195	73,681
Long term - note 3	1,184,947	1,169,947
Share subscriptions - note 4	<u>16,356</u>	<u>16,356</u>
	<u>1,351,498</u>	<u>1,259,984</u>

SHAREHOLDERS' DEFICIENCY

Share capital - note 4	1,819,745	1,819,745
Deficit	<u>3,163,344</u>	<u>3,067,610</u>
	<u>1,343,599</u>	<u>1,247,865</u>
	<u>7,899</u>	<u>12,119</u>

Approved

Director

Director

DORNOCH INTERNATIONAL INC.

STATEMENT OF LOSS AND DEFICIT

	6 mos. April 1986 <u>          </u> \$	year Oct. 1985 <u>          </u> \$
<b>Expenses</b>		
Accounting, audit and legal	16,800	2,215
Interest	73,164	77,069
Office and sundry	2,782	5,573
Transfer agent and listing fees	2,640	6,407
Travel and promotion	<u>348</u>	<u>6,300</u>
Loss before extraordinary item	95,734	97,564
Extraordinary item		
Guarantee of bank loans of Jafta-I, Inc. - note 3	<u>          -</u>	<u>997,360</u>
Loss for the period	95,734	1,094,924
Deficit, opening	<u>3,067,610</u>	<u>1,972,686</u>
Deficit, closing	<u>3,163,344</u>	<u>3,067,610</u>
Loss per share, based on shares issued at period end.		
Before extraordinary item	<u>\$ .08</u>	<u>\$ .08</u>
After extraordinary item	<u>\$ .08</u>	<u>\$ .95</u>

**DORNOCH INTERNATIONAL INC.**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

	6 mos. April 1986 \$	year Oct. 1985 \$
Working capital was provided by		
Long term financing - note 3	15,000	1,169,947
Share subscriptions	-	16,356
	<u>15,000</u>	<u>1,186,303</u>
 Working capital was used for		
Operations		
Loss for the period	95,734	1,094,924
Property development	350	-
	<u>96,084</u>	<u>1,094,924</u>
 Increase (decrease) in working capital	 ( 81,084 )	 91,379
Working capital deficiency, opening	<u>69,062</u>	<u>160,441</u>
 Working capital deficiency, closing	 <u>150,146</u>	 <u>69,062</u>

DORNOCH INTERNATIONAL INC.

NOTES TO THE FINANCIAL STATEMENTS AT APRIL 30, 1986

Note 1 - Accounting policies

General

The continued existence of the company depends upon the ability of the company to obtain financing to repay its indebtedness and to provide working capital and its ability to produce profitable operations.

Subsidiary

The company is divesting itself of its ownership of Jafta-I, Inc. which it acquired in 1983. Accordingly these financial statements are not consolidated.

Resource interests

The company defers all costs of acquiring and developing its resource interests until the commencement of production from, sale or abandonment of the interests.

Foreign currencies

Transactions in foreign currencies are translated at the rate of exchange in effect at the time of the transaction.

Note 2 - Resource interests

The company has acquired the Golden and Raven mineral claims, Lasqueti Island, Nanaimo Mining Division, British Columbia, by issuing 450,000 escrow shares.





**REVISED REPORT ON GEOLOGICAL, GEOCHEMICAL,  
AND GEOPHYSICAL WORK IN THE AREA OF  
THE RAVEN AND GOLDEN CLAIMS,  
LASQUETI ISLAND, B.C.**

Nanaimo Mining Division, British Columbia  
NTS 92F/8W, 92F/9W  
49°30'N Latitude, 124°20'W Longitude  
for

**IMAX INTERNATIONAL INC.**

July 28, 1987

**T.G. Hawkins, P.Geol.**



(i)

### SUMMARY

The Raven and Golden claims, operated by Imax International Inc., are located on northwestern Lasqueti Island, B.C., and total 25 units. Geological, geochemical, and geophysical exploration work conducted by MPH Consulting Limited for H.Q. Minerals Ltd. on the adjacent Aladdin property in April 1987 included some rock sampling and grid work on the Raven claim. Highly favourable results from the work in this area suggest that further exploration for Au-Ag-Cu mineralization is warranted on the Raven and Golden claims.

The regional geology of Lasqueti Island is dominated by basalt intruded by Jurassic biotite-hornblende quartz diorite, which crops out between False Bay and Barnes Cove on the west end of Lasqueti Island, trending north-northeast parallel to regional structure. A narrow "roof pendant" of Karmutsen Formation basalt crops out for approximately 2 km south-southeast from the mouth of Barnes Cove.

The principal showings are referred to as the Helen K adits, the Ohm adit, the Venus adits, the St. Joseph adits, the Upper St. Joseph adits, and the Hill 60 Zone. The Ohm adit and Hill 60 zone are located within the Raven claim. Mining took place in the early 1900's out of the Venus and St. Joseph adits primarily for their copper content. All of these showings comprise narrow shear zones hosting seams of massive pyrite, chalcopyrite, magnetite, and pyrrhotite. The shear zones are vertical, strike from  $010^{\circ}$  to  $040^{\circ}$ , and are hosted by basalt and quartz diorite. Assays returned from these showings are up to 36.55 g/t (1.066 oz/ton) Au, 127.5 g/t (37.2 oz/ton) Ag, and 13.56% Cu; with highest values from the Raven claim of 8.50 g/t (0.248 oz/ton) Au (sample 18090).

Grid A was established over the mineral leases and part of the Raven claim on the northern side of the island during Phase I exploration of the Aladdin property. A soil geochemical survey over this grid outlined significant Au and Cu anomalies with local Ag and As highs. Trends are observed parallel to the Venus and St. Joseph zones, as well as striking toward the Ohm showing on the Raven claim. A magnetometer survey over Grid A delineated the contact zone of basalt and quartz diorite; however, because of the high magnetic character of the host rock, it failed to define clearly massive magnetite observed within narrow shear zones. A VLF-EM survey over Grid A helped to define the mineralized shear zones seen on surface, and revealed the presence of a strong conductor striking southwest from the head of Barnes Cove, possibly extending onto the Raven claim.

Exploration work done to date on the property is limited yet extremely encouraging for the development of Au-Ag-Cu-bearing shear zones.

Phase I geological, geochemical, and geophysical (magnetometer and VLF-EM surveys) exploration is recommended for the Raven and Golden claims at an estimated cost of \$50,000.



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## 1.0 INTRODUCTION

The purpose of this report is to demonstrate the mineral exploration potential of the Raven and Golden claims on Lasqueti Island, B.C.

This report is written at the request of Imax International Inc. with the permission of H.Q. Minerals Ltd. for the use of information collected in March and April, 1987 by MPH Consulting Limited during a field program on the adjacent property. The H.Q. Minerals Ltd. property comprises the Aladdin, Harold 1 and Harold 2 claims, as well as Lots 50, 51, 52, and 81 (Figure 1; Gunning and Hawkins, 1987).

Because of the proximity of the Raven and Golden claims to the area reported on in Gunning and Hawkins (1987), the geological information in that report is considered to be pertinent to an assessment of the Raven and Golden claims. Some of the fieldwork was actually done on parts of the Raven claim, in order to assess the potential of old showings on and near the property, and thus these data are directly applicable to the Raven property.

Geological exploration conducted by MPH Consulting Limited on the Aladdin property consisted of regional geological mapping and sampling (at a scale of 1:10,000) and more detailed work in the area of the mineral leases located adjacent to the northern part of the Raven claim (at a scale of 1:2500, Figure 5).

Rock and stream sediment samples were analyzed for Au by AA and 30 elements by ICP; 35 rock samples were taken on the Raven claim.

Grid A, located on the mineral leases and extending onto the Raven claim, was established to cover the mineralized shear zones exposed at surface in many showings on the mineral leases. The grid comprises 10.1 line km on 14 lines perpendicular to a 1.0 km baseline trending 035°. Soil sampling, magnetometer, and VLF-EM surveys were done over Grid A; data are plotted at 1:2500 in Gunning and Hawkins (1987).

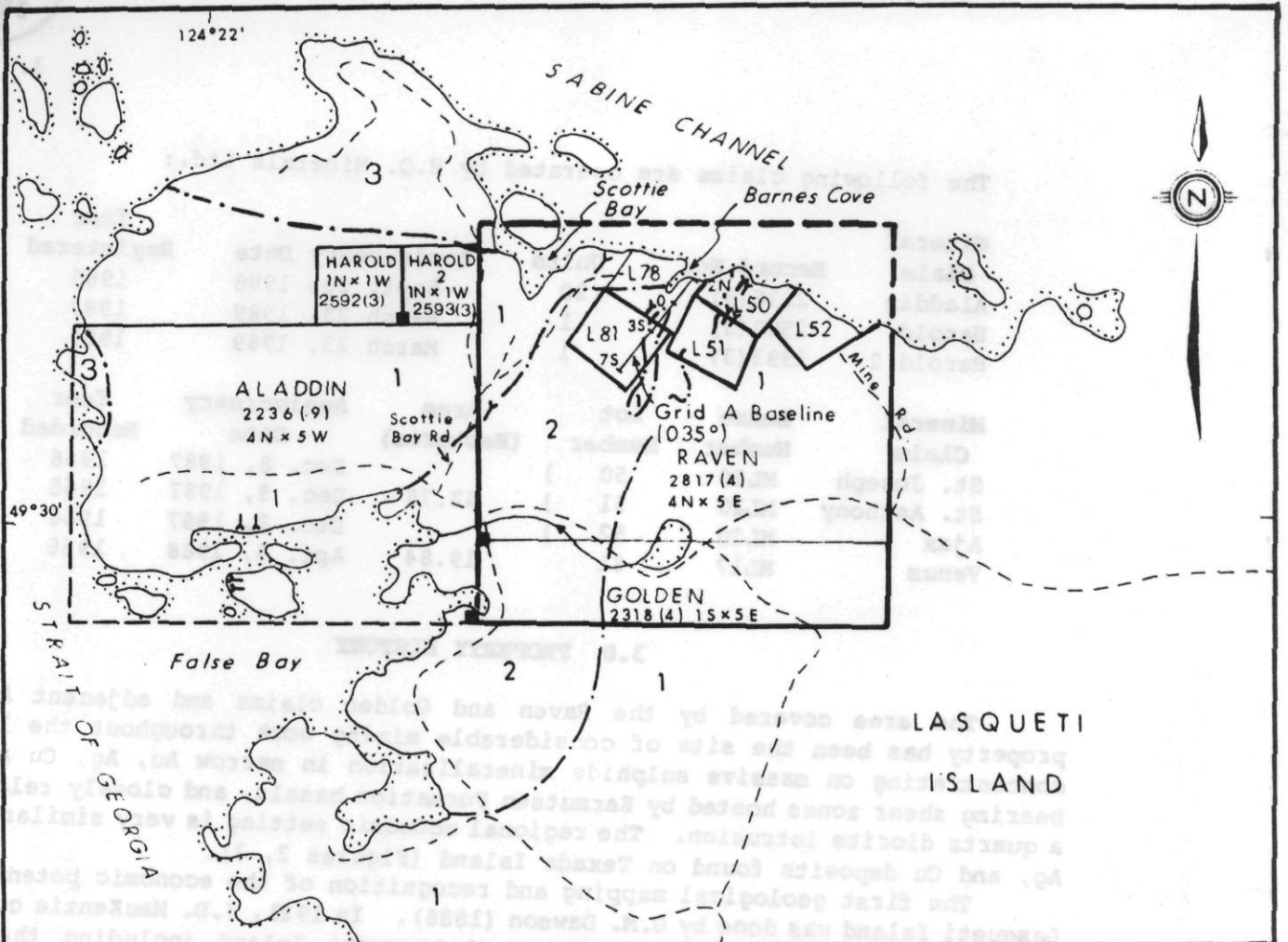
## 2.0 PROPERTY LOCATION, ACCESS AND TITLE

The Raven and Golden claims are located on northwestern Lasqueti Island between False Bay, Scottie Bay, and Barnes Cove. They are centred at approximately 49°30'N latitude, 124°20'W longitude, in the Nanaimo Mining Division, B.C. on map sheets 92F/8W and 92F/9W (Figure 1).

Access to Lasqueti Island is via ferry from French Creek located between Qualicum Beach and Parksville on Vancouver Island. The main road on Lasqueti Island is gravel. Logging roads provide good access throughout the property.

The Raven and Golden claims are owned by Hans E. Madeisky and operated by Imax International Inc. Claim information is summarized below:

Mineral Claim	Record No.	Units	Anniversary Date	Year Registered
Raven	2317(4)	20	April 7, 1988	1986
Golden	2318(4)	5	April 7, 1988	1986



Aladdin Group = Aladdin claim, Harold claim,  
Harold 2 claim  
Mineral Lease 17 = Lot 81  
Mineral Lease 20 = Lots 50, 51, 52

**LEGEND**

**Lithologic Units \***

- 3** Upper Cretaceous Nanaimo Group; conglomerates, sandstones, shales, and limestones.
- 2** Lower Jurassic Island Intrusions; medium grained, biotite-hornblende quartz diorite.
- 1** Upper Triassic Karmutsen Formation; amygdaloidal and agglomeratic basalt.

\* Muller, 1977, 1980 (a, b)

**Symbols**

- Road
- River
- - - Geologic contact
- LCP (as located in field)
- Adit
- Property boundary



0 1 2 km

Ref. N.T.S. 92F/8, 92F/9  
Gunning and Hawkins 1987.

**IMAX INTERNATIONAL INC.**

**COMPILATION MAP:  
CLAIM, GRID, GEOLOGY  
LASQUETI ISLAND PROJECT  
NANAIMO MINING DIVISION**

Project No:	V 256	By:	M.G.
Scale:		Drawn:	J.S.
Drawing No:	1	Date:	1987



**MPH Consulting Limited**



The following claims are operated by H.Q. Minerals Ltd.:

Mineral Claim	Record No.	Units	Anniversary Date	Year Registered
Aladdin	2236(9)	20	Sept. 20, 1988	1985
Harold	2592(3)	1	March 23, 1989	1987
Harold 2	2593(3)	1	March 23, 1989	1987

Mineral Claim	Lease Number	Lot Number	Area (Hectares)	Anniversary Date	Year Recorded
St. Joseph	ML20	50 )		Dec. 8, 1987	1966
St. Anthony	ML20	51 )	42.75	Dec. 8, 1987	1966
Ajax	ML20	52 )		Dec. 8, 1987	1966
Venus	ML17	81	19.84	Apr. 5, 1988	1966

### 3.0 PROPERTY HISTORY

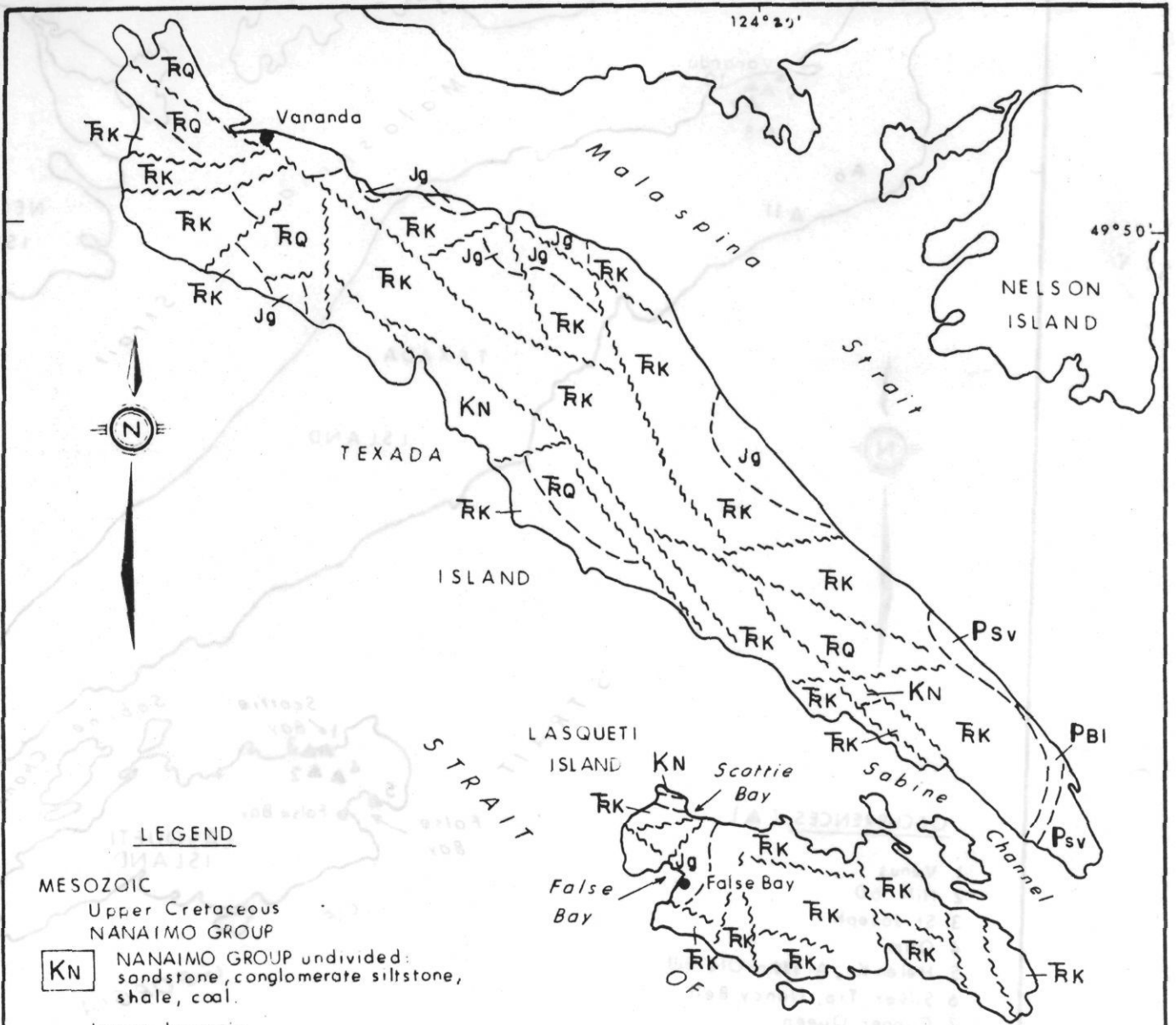
The area covered by the Raven and Golden claims and adjacent Aladdin property has been the site of considerable mining work throughout the 1900's, concentrating on massive sulphide mineralization in narrow Au, Ag, Cu and Fe-bearing shear zones hosted by Karmutsen Formation basalt, and closely related to a quartz diorite intrusion. The regional economic setting is very similar to Au, Ag, and Cu deposits found on Texada Island (Figures 2, 3).

The first geological mapping and recognition of the economic potential of Lasqueti Island was done by G.M. Dawson (1886). In 1921, J.D. MacKenzie compiled the most comprehensive geologic map of Lasqueti Island including the areas covering the crown grants around Barnes Cove. Major mining activity began prior to 1908 at the Lower St. Joseph adits with one main adit 35.4 m long and a vertical shaft dropped 30.5 m from an area above the shoreline in order to intersect the mineralized "crushed zone" that the main adit was following. The adit followed seams (20 to 41 cm) of massive pyrite, chalcopyrite, and magnetite. MacKenzie (1921) reports that ore from the showing typically grades 28.1 g/t (0.82 oz/ton) Au, 75.3 g/t (2.2 oz/ton) Ag, and 11.4% Cu, although the amount of ore shipped is not given.

According to local residents on Lasqueti Island, two barge loads of ore, the second rich in gold, were shipped from the Lower St. Joseph adit to Tacoma in 1955 after one summer of mining activity. The Upper St. Joseph adits have also been mined but no documentation is available.

In 1920, two tunnels, the upper 12.2 m, and the lower 42.7 m long, were driven and mined at the Venus showing. Up until December 1921, a total of 177.8 tonnes of ore was shipped from this site to a smelter in Tacoma. Grades averaged 21.6 g/t (0.63 oz/ton) Au, and 112.0 g/t (3.27 oz/ton) Ag, and 12.8% Cu. The ore consisted of massive pyrite, chalcopyrite, and magnetite hosted in vertical seams within a 10 to 60 cm shear zone. The Hill 60 mineralization zone, located within the present Raven claim, was also recognized in the early 1920's as a favourable target, but no ore was taken from the showings.

In 1923, three main occurrences were exploited in the False Bay area: the Aladdin showing, the Old Bill showing, and the Helen K showing, comprising a



**LEGEND**

**MESOZOIC**

Upper Cretaceous  
NANAIMO GROUP

**KN** NANAIMO GROUP undivided:  
sandstone, conglomerate siltstone,  
shale, coal.

Lower Jurassic

**Jg** Island Intrusions: granodiorite,  
quartz diorite, quartz monzonite.

Mid. to Upper Triassic  
VANCOUVER GROUP

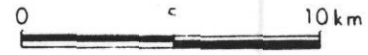
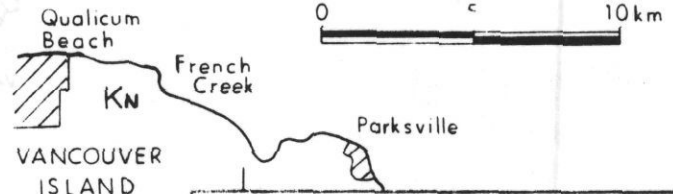
**RQ** Quatsino Formation: limestone

**RK** Karmutsen Formation: basaltic  
lava, pillow lava, breccia, tuff.

**PALEOZOIC**  
SICKER GROUP

**PBI** Buttle Lake Fm: limestone, chert

**Psv** volcanics: basaltic to rhyolitic  
metavolcanic flows, tuff, agglomerate



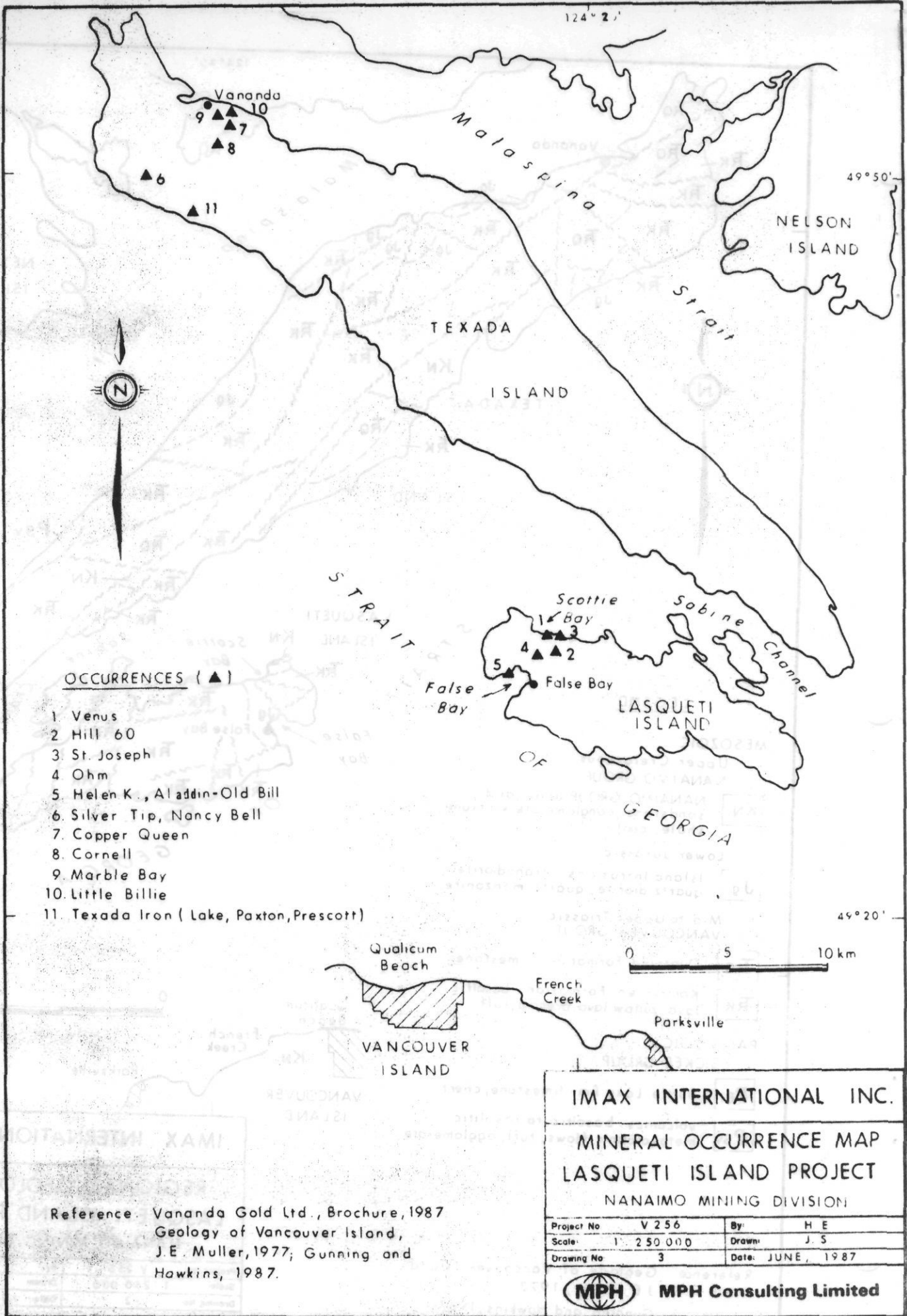
Reference: Geology of Vancouver Island,  
J E Muller, 1977  
Gunning and Hawkins, 1987.

**IMAX INTERNATIONAL INC.**

**REGIONAL GEOLOGY MAP  
LASQUETI ISLAND PROJECT  
NANAIMO MINING DIVISION**

Project No:	V 256	By:	H E
Scale:	1 : 250 000	Drawn:	J S
Drawing No:	2	Date:	JUNE 1987


**MPH** MPH Consulting Limited



**OCCURRENCES (▲)**

- 1. Venus
- 2. Hill 60
- 3. St. Joseph
- 4. Ohm
- 5. Helen K., Aladdin-Old Bill
- 6. Silver Tip, Nancy Bell
- 7. Copper Queen
- 8. Cornell
- 9. Marble Bay
- 10. Little Billie
- 11. Texada Iron ( Lake, Paxton, Prescott)

Reference: Vananda Gold Ltd., Brochure, 1987  
 Geology of Vancouver Island,  
 J.E. Muller, 1977; Gunning and  
 Hawkins, 1987.

<b>IMAX INTERNATIONAL INC.</b>	
<b>MINERAL OCCURRENCE MAP</b>	
<b>LASQUETI ISLAND PROJECT</b>	
NANAIMO MINING DIVISION	
Project No	V 256
Scale	1: 250 000
Drawing No	3
By	H E
Drawn	J. S
Date	JUNE, 1987
 <b>MPH Consulting Limited</b>	





single adit 9 m long. The Aladdin and Old Bill showings are related to a vertical, east-west striking shear zone hosting mineralized quartz veins. The Helen K showing is related to a 5 to 20 cm wide shear zone ( $070^{\circ}/30^{\circ}\text{NE}$ ). Although no ore is reported to have been taken from these areas, a report to the Minister of Mines (1923) suggests that the Helen K showing is the most promising mineral claim, especially considering the reported 275 m continuity of the mineralized area.

In 1926, several pits and trenches were dug on the Morare, Ohm, and Kim mineral leases, and the main Ohm adit was driven for about 25 m along strike of a narrow shear zone hosting mineralized quartz veins. Although no tonnage was removed, a sample from the mineralized zone averaged 6.9 g/t (0.2 oz/ton) Au, 41.1 g/t (1.2 oz/ton) Ag, and 19.6% Cu. The Ohm adit is located within the present Raven claim (Figures 3, 4, 5).

Surface prospecting continued on Lasqueti Island in 1928, and in 1929, rejuvenated interest in the Venus zone saw extension of the main tunnel for another 43 m. Ore was hosted in a 20 cm wide seam of massive pyrite and chalcopyrite averaging 17.1 g/t (0.5 oz/ton) Au and 14.5% Cu (Minister of Mines, 1928). Prospecting work on Lasqueti Island continued sporadically until 1945.

Numerous modern assessment programs have been conducted on Lasqueti Island, commencing in 1967. Work from that time on concentrated on the crown grant areas around the Venus, St. Joseph, and Hill 60 zones.

Sweepstakes Mines Ltd. conducted VLF-EM and magnetometer surveys in 1968 and a major IP survey in 1969. Various targets were defined, but no follow-up work was done.

In 1971, Anchor Mines Limited conducted a major exploration program over the crown grants (Sherwin Group) involving geophysical surveys and diamond drilling of two main targets defined by surface showings and geophysics: the St. Joseph zone 100 m south of the lower adit, and the Hill 60 zone. Significant intersections from the St. Joseph site included 4 m of 4.1 g/t (0.12 oz/ton) Au and 1.07% Cu containing a 1.2 m section of 11.0 g/t (0.32 oz/ton) Au and 4.23% Cu.

Grassroots surface exploration programs were conducted over the Barnes Cove area in 1981 and 1983 by H.E. Madeisky and D.G. Leighton, respectively. No follow-up work to these programs was initiated.

Geological, geochemical, and geophysical surveys (including magnetometer and VLF-EM) were conducted by MPH Consulting Limited for H.Q. Minerals Ltd. in 1987 (Gunning and Hawkins, 1987).

#### 4.0 REGIONAL GEOLOGY

The Lasqueti Island and Texada Island area is underlain mainly by Middle to Upper Triassic Vancouver Group limestone and mafic volcanic rocks of the Quatsino and Karmutsen Formations, intruded during the Lower Jurassic by granodiorite and diorite of the Island Intrusions. All are overlain by Upper Cretaceous Nanaimo Group sedimentary rocks (Muller, 1977). Paleozoic Sicker Group rocks occur only on southeastern Texada Island (Figure 2).

**Karmutsen Formation** volcanic rocks unconformably overlie Sicker Group limestone to form the base of the Vancouver Group. The Karmutsen Formation consists mainly of tholeiitic pillow basalt, massive basalt, flows, and pillow breccia. Pillow lavas generally occur toward the base of the section.



Upper Triassic sedimentary rocks (mainly limestone) of the Quatsino Formation are found on the northwestern part of Texada Island. Associated with the limestone are several significant Au-Ag-Cu skarn deposits.

Exposures of Island Intrusions consisting mainly of quartz diorite and lesser biotite-hornblende granodiorite occur throughout the area and are assigned an age of Middle to Upper Jurassic (Muller, 1977). Contacts with Karmutsen Formation volcanic rocks are sharp and well-defined. Skarn zones are reported at the contact of Island Intrusion rocks with Quatsino Formation limestone and less abundantly with Sicker Group limestone. Metalliferous deposits associated with these zones are common on both Texada and Lasqueti Island.

Cretaceous Nanaimo Group nearshore conglomerate, shale, and sandstone are minor and economically insignificant on Lasqueti Island.

Vancouver Group rocks are not as intensely folded as Sicker Group rocks; Karmutsen basalt on Lasqueti Island is apparently nearly flat-lying, and relatively undeformed.

Early Mesozoic faulting occurred in the Vancouver Island area prior to the emplacement of the Island Intrusions during the Jurassic. This event may have occurred during the outflow of Karmutsen lavas during the Late Triassic (Muller, 1977), and formed the main northwest-southeast trending fault structures which have imparted the main structural grain on Vancouver Island, Texada Island, and Lasqueti Island.

Extensive northeast-trending faulting also occurred in the Late Mesozoic and Tertiary. Rocks as young as Upper Cretaceous Nanaimo Group show offsets related to these major deformational events.

## 5.0 LOCAL GEOLOGY

### 5.1 Geology and Mineralization

The geology of the area around the Raven and Golden claims comprises three mappable lithologic units (Figures 1, 2, 5). Unit 1 is correlative with the Upper Triassic Karmutsen Formation of the Vancouver Group. This unit is characterized by medium to dark grey-green, amygdaloidal and agglomeratic basalt. Bedding or flow layering is rarely seen in the basalt, striking northwest and dipping gently northeast.

Unit 2, composed of biotite-hornblende quartz diorite, is exposed in a northeast-striking belt 3 km wide between Barnes Cove and False Bay. The intrusion is medium to light grey, generally fresh and unaltered, medium-grained and equigranular with approximately 10% mafic minerals (hornblende greater than biotite) and 20-30% quartz. Fine-grained, disseminated magnetite is common. The quartz diorite is compositionally heterogeneous. MacKenzie (1921) comments that the quartz diorite in the Barnes Cove area is generally more mafic than in the False Bay area.

The quartz diorite intrudes the basalt. Younger aplitic dykes, commonly exposed in the area, intrude both quartz diorite and basalt. A small roof pendant of hornfelsed basalt occurs as a narrow tongue striking southwest from the Barnes Cove area.



Unit 3 crops out on the northwest end of Lasqueti Island (Figures 1, 2). It is composed of Upper Cretaceous Nanaimo Group coarse conglomerate to sandstone, siltstone, shale and minor fragmental limestone, unconformably overlying Karmutsen Formation basalt.

The structure on Lasqueti Island is evident as distinctive, narrow, vertical shear zones or "crushed" zones (Dawson, 1886; MacKenzie, 1921). These zones are generally less than 2 m wide, strike from  $010^{\circ}$  to  $040^{\circ}$ , and often host seams of massive sulphide mineralization. The shear zones commonly occur along the contact of the quartz diorite and basalt and are hosted by both rock types. Most common on the north side of the island in the Barnes Cove area, the shear zones parallel a major air photo linear possibly representing a major fault, which passes through Barnes Cove and extends southwest onto the Raven claim. Further evaluation of this structure is recommended.

The quartz diorite body is elongated parallel to the regional trend, which suggests a structurally controlled emplacement.

East-west striking, possibly right-lateral faults evident in the Barnes Cove area are responsible for offset of the volcanic roof pendant as well as a possible offset of the St. Joseph mineralization zone. Abundant east-west trending aplitic dykes in the Barnes Cove area may have intruded along related fractures.

Massive sulphide mineralization, common in narrow shear zones hosted by basalt and quartz diorite, has been the target of numerous old workings and mining activities. A summary of results returned from samples taken from these zones is given in Table 1.

Table 1: ROCK GEOCHEMISTRY SUMMARY

Showing	Sample Number	Au g/t(oz/ton)	Ag g/t(oz/ton)	Cu %
Helen K Adits	18109	18.34 (0.535)	43.2 (1.26)	0.83
	18110	14.54 (0.424)	35.0 (1.02)	0.73
	18111	13.23 (0.386)	121.4 (3.54)	1.32
	18108	8.67 (0.253)	130.3 (3.80)	10.44
Old Bill - Aladdin Adits	18003	4.18 (0.122)	42.5 (1.24)	5.78
	18119	5.47 (0.158)	32.2 (0.94)	1.12
	18117	6.41 (0.187)	17.1 (0.50)	0.87
*Ohm Adit	18103	1.92 (0.056)	4.5 (0.13)	0.04
*Gravel Pit	18090	8.50 (0.248)	14.1 (0.41)	0.02
*Pits at L5+00S, 4+50W	18018	6.07 (0.177)	21.9 (0.64)	0.24
	18017	0.55 (0.016)	7.9 (0.23)	1.54
*Pit at L2+00S, 4+25W	18091	2.23 (0.065)	2.1 (0.06)	0.02
Venus Adits	18075	20.91 (0.610)	52.1 (1.52)	4.68
	18076	15.50 (0.452)	52.8 (1.54)	0.57
	18079	26.06 (0.760)	63.8 (1.86)	6.20
St. Joseph Adits - Shear 30 m east - Trench 100 m south	18035	30.93 (0.902)	127.5 (3.72)	13.56
	18094	5.83 (0.174)	15.8 (0.46)	0.19
	18065	36.55 (1.066)	71.3 (2.08)	5.48
Upper St. Joseph Adits	18073	6.72 (0.196)	9.3 (0.27)	0.24
	18067	4.11 (0.120)	67.9 (1.98)	6.64

\*Located on Raven claim



Detailed descriptions of the geology, mineralization, and former production of these occurrences can be found in Gunning and Hawkins (1987).

On the map of detailed geology and rock sample locations (Figure 5), 35 rock samples are shown to have been collected on the Raven claim. Of these 35 samples, 28 are anomalous (over 50 ppb) in Au, including 12 with over 500 ppb Au, of which 9 have over 1000 ppb Au. Assays of the best samples are shown above (Table 1).

## 5.2 Soil Geochemistry

Sampling of the B-Horizon soil was conducted on Grid A (Figures 4, 5) (Gunning and Hawkins, 1987). A total of 413 B-Horizon soil samples was taken on Grid A and analysed for Au by AA and 30 elements by ICP.

A statistical analysis of the Au, Cu, and As values was done to determine threshold concentrations. The thresholds for Au, Ag, Cu and As are 10 ppb, 0.2 ppm, 100 ppm, and 10 ppm respectively. Values range up to 9700 ppb Au, 27.3 ppm Ag, 8742 ppm Cu, and 977 ppm As.

Areas of elevated Au concentrations in soil form linear trends parallel to the regional structure in the area (Figure 4). The most pronounced zone of anomalous Au trends 600 m southwest from the mouth of the Barnes Cove to Line 6+00S. Gold concentrations along this zone are up to 820 ppb. This trend may indicate sulphide mineralization along the western margin of the basalt roof pendant. This zone may also correlate with the mineralization exposed in the Venus adits.

Discontinuous zones are found along the western edge of the grid on Lines 0N, 2S, 4S and 5S, associated with old workings along the western margin of the quartz diorite, located on the Raven claim.

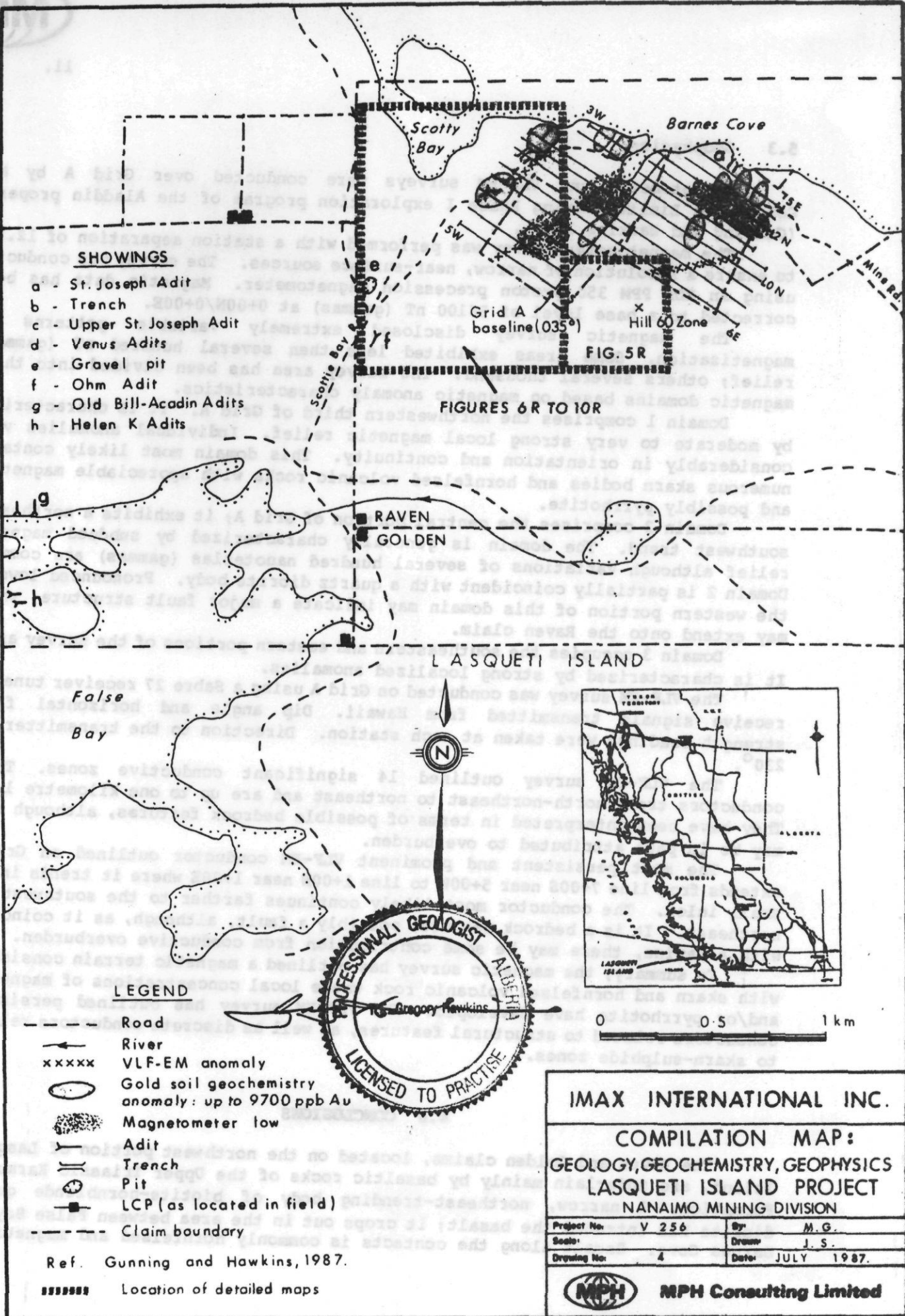
Another zone of anomalous Au concentrations (up to 1460 ppb) occurs west of Barnes Cove on Line 0+50N; the anomaly trends northeast parallel to regional structure and may indicate a localized, Au-bearing shear zone.

Two highly anomalous belts are defined in the area of the St. Joseph zone: one directly overlying the trench area with values up to 9700 ppb Au, and a second 150 m to the east with values up to 600 ppb Au. Both zones form linear trends parallel to the regional structure. A zone of modestly elevated Au values occurs south of the Upper St. Joseph adits; it is likely associated with the St. Joseph zone. There is a distinct 'break' in this northeast trending zone just north of the Upper St. Joseph adits, which may indicate an east-west fault.

Anomalous silver concentrations in soils on Grid A are spotty and subdued relative to gold, but correlate well with gold. Areas of increased Cu and As concentrations correlate very well with Au and Ag highs. In addition, a distinctive east-west trending zone of up to 1180 ppm Cu occurs along Line 1+50N from 1+75E to 3+00E, an area with an inferred fault. The anomaly may be caused by Cu derived from the St. Joseph zone and mobilized along the fault.

In summary, B-Horizon soil geochemistry has been very useful in outlining mineralized shear zones previously defined by rock geochemistry. In addition, soil sampling has provided indications of other mineralized shear zones not previously disclosed by prospecting, geological mapping, and rock sampling.

Gold geochemical anomalies on the Raven claim appear along a trend striking southwest from an old shoreline adit west of Barnes Cove toward the Ohm adit (Figure 4).





### 5.3 Geophysics

Magnetometer and VLF-EM surveys were conducted over Grid A by MPH Consulting Limited during Phase I exploration program of the Aladdin property (Gunning and Hawkins 1987).

The magnetometer survey was performed with a station separation of 12.5 m to ensure a resolution of narrow, near-surface sources. The survey was conducted using an EDA PPM 350 proton precession magnetometer. Magnetic data has been corrected to a base level of 56100 nT (gammas) at 0+00N/0+00E.

The magnetic survey disclosed extremely variable patterns of magnetization. Some areas exhibited less than several hundred nT (gammas) relief; others several thousand. The survey area has been divided into three magnetic domains based on magnetic anomaly characteristics.

Domain 1 comprises the northwestern third of Grid A. It is characterized by moderate to very strong local magnetic relief. Individual anomalies vary considerably in orientation and continuity. This domain most likely contains numerous skarn bodies and hornfelsed volcanic rocks with appreciable magnetite and possibly pyrrhotite.

Domain 2 comprises the central portion of Grid A; it exhibits a northeast-southwest trend. The domain is generally characterized by subdued magnetic relief although variations of several hundred nanoteslas (gammas) are common. Domain 2 is partially coincident with a quartz diorite body. Pronounced lows in the western portion of this domain may indicate a major fault structure, which may extend onto the Raven claim.

Domain 3 occupies the southeastern and eastern portions of the survey area. It is characterized by strong localized anomalies.

The VLF-EM survey was conducted on Grid A using a Sabre 27 receiver tuned to receive signals transmitted from Hawaii. Dip angle and horizontal field strength readings were taken at each station. Direction to the transmitter was 230°.

The VLF-EM survey outlined 14 significant conductive zones. These conductors trend north-northeast to northeast and are up to one kilometre long. They have been interpreted in terms of possible bedrock features, although some may be in part attributed to overburden.

The most persistent and prominent VLF-EM conductor outlined on Grid A extends from line 7+00S near 5+00W to line 1+00N near 1+00E where it trends into a small inlet. The conductor most likely continues farther to the southwest and northeast. It is a bedrock feature, possibly a fault, although, as it coincides with a ravine, there may be some contribution from conductive overburden.

In summary, the magnetic survey has outlined a magnetic terrain consistent with skarn and hornfelsed volcanic rock where local concentrations of magnetite and/or pyrrhotite have developed. The VLF-EM survey has outlined persistent conductors related to structural features, as well as discrete conductors related to skarn-sulphide zones.

### 6.0 CONCLUSIONS

The Raven and Golden claims, located on the northwest portion of Lasqueti Island, are underlain mainly by basaltic rocks of the Upper Triassic Karmutsen Formation. A narrow, northeast-trending body of biotite-hornblende quartz diorite has intruded the basalt; it crops out in the area between False Bay and Barnes Cove. Basalt along the contacts is commonly hornfelsed and magnetic.



The structural grain of the Island is characterized by abundant, narrow shear zones. The shear zones are vertical, strike from  $010^{\circ}$  to  $040^{\circ}$ , and commonly occur along the contacts of the basalt and quartz diorite. The timing of movement and mineralization along these structures relative to the emplacement of the intrusion is uncertain. It appears that a number of events related to plutonism and shearing are responsible for the present style of mineralization.

Mineralization along these shear zones is significant; numerous old mining activities have been concentrated on them. Mineralization generally occurs as seams of massive sulphides ranging from 30-50 cm wide that are hosted within one to two metre wide shear zones, separated by zones of barren host rock. Sulphide mineralization is generally fine-grained massive chalcopyrite, pyrite, and magnetite. The main showings are referred to as the Helen K adits, the Old Bill-Aladdin adits, the Ohm adits, the Venus adits, and the St. Joseph zone. The St. Joseph zone consists of several adits and trenches over a length of about 300 m. The Ohm adit and the Hill 60 zone are located on the Raven claim.

All of the showings have proven to be consistently rich in Au, Ag, Cu, and more sporadically in Mo, Co, Ni, and Fe. Gold assays are commonly from 6.9 to 24.0 g/t (0.2 to 0.7 oz/ton), and range up to 36.6 g/t (1.07 oz/ton). The highest value from the Raven claim is 8.50 g/t (0.248 oz/ton) Au (sample 18090). Previous mining activities in the early and mid-1900's mined the zones for their Cu content.

During geological exploration by MPH Consulting Limited in April 1987, Grid A was established over the area of the mineral leases and part of northern Raven claim in order to outline by soil geochemistry the mineralized zones defined by rock geochemistry. B-Horizon soil sampling over the grid defined the known showings with zones of elevated Au, Ag, Cu, and As. In addition, soil sampling also revealed two new anomalous zones previously undisclosed by surface mapping and rock sampling.

Soil geochemistry suggests a close correlation between Au and Cu enrichment which agrees with the rock geochemistry of the mineralized showings. Increased Au concentrations generally occur in seams of massive sulphide mineralization dominated by chalcopyrite.

Magnetometer and VLF-EM surveys were conducted over Grid A and were useful in defining the known areas of mineralization. Zones of massive magnetite mineralization within the main shear zones were not clearly defined due to the highly magnetic basaltic host rock. Conductive shear zones were clearly defined by the VLF-EM survey; the most persistent zone extends in a southwest direction for 700 m from the mouth of Barnes Cove. This anomaly coincides with a strong air-photo linear in that area and may indicate a major fault zone, which probably extends onto the Raven claim.

The soil geochemistry, magnetometer, and VLF-EM surveys over Grid A indicate that an east-west trending fault offsetting the St. Joseph zone may be present.

Geological, geochemical, and geophysical exploration work conducted by MPH Consulting Limited for H.Q. Minerals Ltd. on the Aladdin property in March and April 1987 included some rock sampling and grid work on the Raven claim. Highly favourable results from the work in this area suggest that further exploration for Au-Ag-Au mineralization is warranted on the Raven claim, and on the adjacent Golden claim.



## 7.0 RECOMMENDATIONS

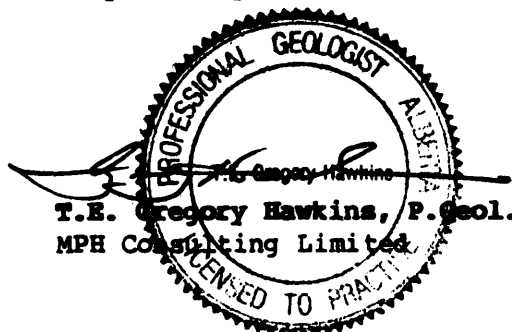
Phase I exploration of the Raven and Golden claims is recommended. Work should be directed at evaluating the known Au-Ag-Cu-bearing shear zones. Further investigation of possible new zones outlined by soil geochemistry and geophysical surveys is required.

A grid should be established over the Hill 60 zone, and over the area with known showings in the northwestern portion of the Raven claim (the Ohm adit and gravel pit areas). Soil geochemistry, magnetometer, and VLF-EM surveys need to be conducted on these grids. Continued geological mapping and rock sampling is required to evaluate further known showings and to follow up encouraging results from soil geochemistry and geophysical surveys.

Table 2: PHASE I BUDGET

Mobilization/Demobilization	\$ 3,500
Personnel	13,000
Disbursements	4,000
Transportation	2,000
Equipment Rental	1,500
Sample Analyses	6,000
Report Costs	<u>12,000</u>
	42,000
Administration @ 15% (on \$10,000)	<u>1,500</u>
	43,500
Contingency @ 15%	<u>6,525</u>
	50,025
<b>Total, say</b>	<b>\$ 50,000</b>
	*****

Respectfully submitted,



July 28, 1987



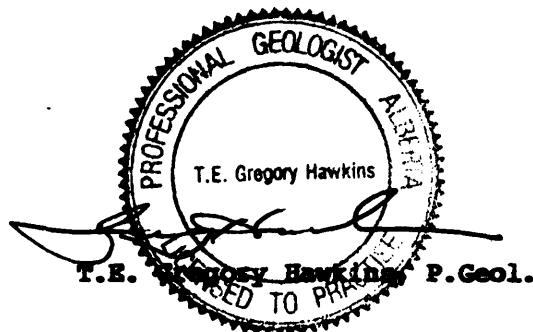


**CERTIFICATE**

I, T.E. Gregory Hawkins, do hereby certify:

1. That I am a Consulting Geologist with business offices at 2406 - 555 West Hastings Street, Vancouver, B.C. V6B 4N5.
2. That I am a graduate in geology of The University of Alberta, Edmonton (B.Sc. 1973), and of McGill University, Montreal, (M.Sc. 1979).
3. That I have practised within the geological profession for the past sixteen years.
4. That I am a Fellow of the Geological Association of Canada and a Professional Geologist registered in the Province of Alberta.
5. That the opinions, conclusions and recommendations contained herein are based on field work conducted on and near the property in 1987, and supervised by me.
6. That I do not own direct, indirect, or contingent interests in the subject property or shares or securities of IMAX International Inc. or associated companies.

July 28, 1987



**REFERENCES**

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- Richardson, J. 1876-1877: Report of Progress; Geological Survey of Canada, pp.168-169.

## ROSSBACHER LABORATORY LTD.

2225 E. SPRINGER A  
BURNABY, B.C. V5  
TEL : (604) 299 -

## CERTIFICATE OF ANALYSIS

TO : MPH CONSULTING LTD.  
301-409 GRANVILLE STREET  
VANCOUVER B.C.CERTIFICATE#: 87156  
INVOICE#: 7555  
DATE ENTERED: 87-04-10  
FILE NAME: MPH87156  
PAGE # : 1

PROJECT: V256

TYPE OF ANALYSIS: ASSAY

PRE FIX	SAMPLE NAME	Oz/T Au	OzTAu -100M	OzTAu +100M	mg. Au +100M	Wt. gm +100M	Wt. gm -100M	Oz T Au ORIG. *
A	18003	0.122	0.124	0.071	0.015	6.32	202.3	0.140
A	18005	0.110	0.112	0.061	0.015	7.35	172.9	0.107
A	18007	0.107	0.110	0.060	0.020	9.43	163.7	0.101
A	18010	0.036	0.037	0.014	0.005	10.74	162.7	0.037
A	18015	0.055	0.057	0.020	0.006	9.12	153.0	0.070
A	18018	0.177	0.180	0.031	0.004	3.92	176.9	0.192
A	18022	0.034	0.035	0.019	0.006	9.69	199.7	0.040
A	18028	0.208	0.210	0.117	0.019	4.61	209.2	0.226
A	18034	0.028	0.028	0.001	0.001	2.01	139.6	0.029
A	18035	0.902	0.878	2.647	0.216	2.38	176.1	0.892
A	18037	0.022	0.023	0.009	0.004	13.24	180.6	0.025
A	18046	0.016	0.016	0.001	0.001	0.81	152.5	0.019
A	18049	0.103	0.103	0.001	0.001	0.56	119.6	0.112
A	18051	0.187	0.181	1.278	0.024	0.54	103.3	0.204
A	18052	0.127	0.128	0.086	0.004	1.39	110.0	0.124
A	18054	0.215	0.216	0.129	0.004	0.93	101.7	0.228
A	18055	0.118	0.105	0.799	0.063	2.29	119.5	0.095
A	18090	0.248	0.242	9.000	0.025	0.08	117.0	0.260
A	18091	0.065	0.060	1.674	0.025	0.43	150.7	0.065
A	18093	0.039	0.040	0.001	0.001	2.46	127.4	0.037
A	18094	0.174	0.174	0.001	0.001	0.18	100.6	0.176
A	18097	0.018	0.018	0.001	0.001	1.23	157.0	0.017
A	18061	0.076	0.076	0.001	0.001	0.64	172.3	
A	18064	0.260	0.265	0.099	0.024	7.00	210.6	
A	18065	1.066	1.060	1.409	0.190	3.94	229.2	
A	18067	0.120	0.120	0.109	0.024	6.35	217.3	
A	18070	0.186	0.189	0.109	0.024	6.34	177.9	
A	18071	0.062	0.063	0.001	0.001	1.98	171.9	
A	18073	0.196	0.187	0.304	0.187	17.94	222.0	
A	18075	0.610	0.610	0.500	0.005	0.30	194.5	
A	18076	0.452	0.452	0.001	0.001	0.19	159.2	
A	18077	0.347	0.348	0.130	0.004	0.92	209.0	
A	18078	0.017	0.017	0.001	0.001	0.92	205.2	
A	18079	0.760	0.762	0.672	0.084	3.66	208.3	
A	18080	0.114	0.114	0.062	0.003	1.45	228.4	
A	18081	0.033	0.036	0.017	0.006	10.44	214.0	

\* AU VALUES OF PULPS BEFORE SCREENING. NO CHARGE.

CERTIFIED BY :





## Appendix II

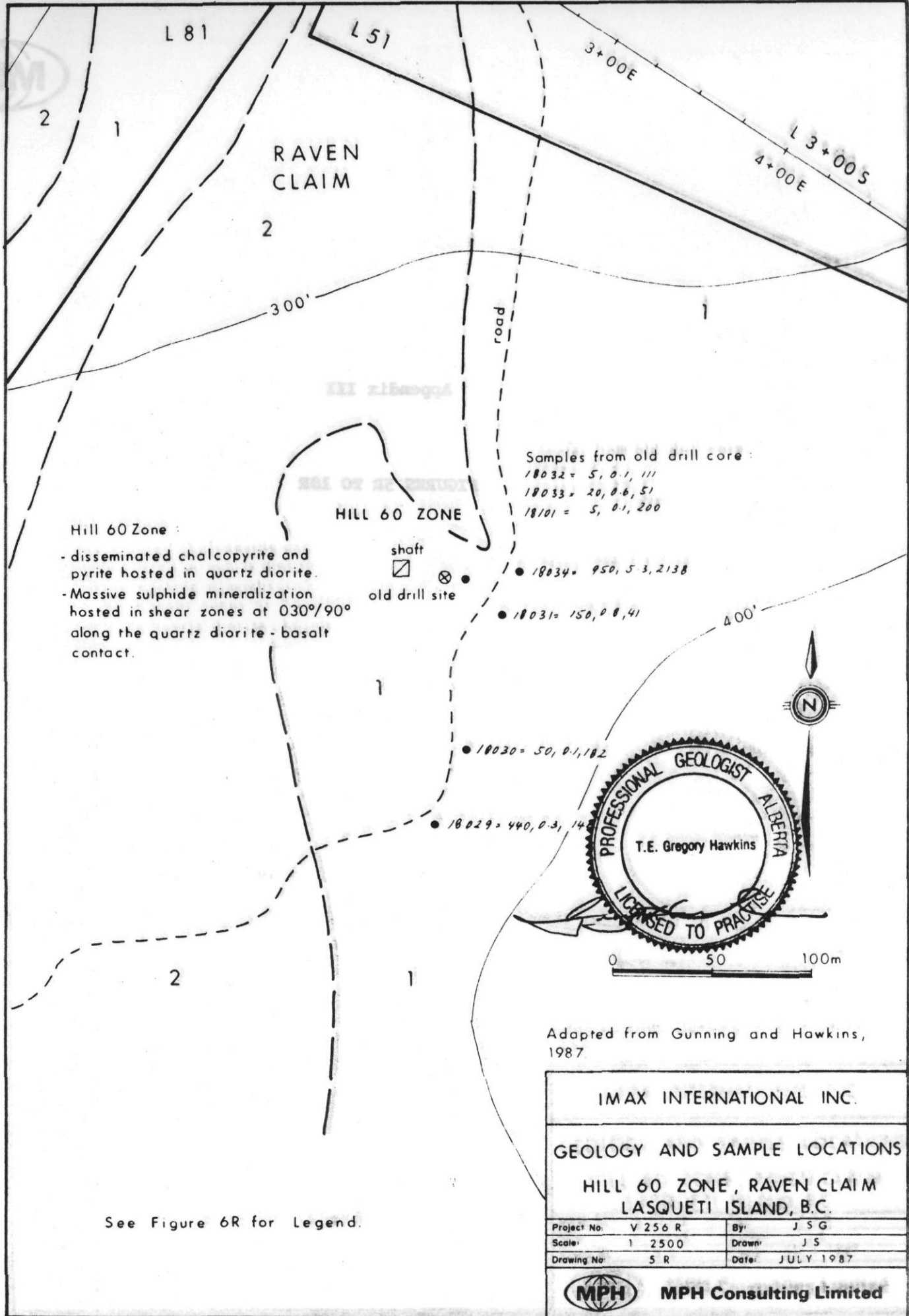
### Conversion Factors for Metric Units

1 inch	=	25.4 millimetres	(mm)
		or 2.54 centimetres	(cm)
1 cm	=	0.394 inch	
1 foot	=	0.3048 metre	(m)
1 m	=	3.281 feet	
1 mile	=	1.609 kilometres	(km)
1 km	=	0.621 mile	
1 acre	=	0.4047 hectares	(ha)
1 ha	=	2.471 acres	
1 ha	=	100 m x 100 m = 10,000 m <sup>2</sup>	
1 km <sup>2</sup>	=	100 ha	
1 troy ounce	=	31.103 grams	(g)
1 g	=	0.032 troy oz	
1 pound (lb)	=	0.454 kilogram	(kg)
1 kg	=	2.20 lb	
1 ton (2000 lb)	=	0.907 tonne	(t)
1 tonne	=	1.102 ton = 2205 lb	
1 troy ounce/ton	=	34.286 g/t	
1 g/tonne	=	0.0292 troy oz/ton	
1 g/t	=	1 part per million	(ppm)
1 ppm	=	1000 parts per billion	(ppb)
10,000 g/t	=	1%	



**Appendix III**

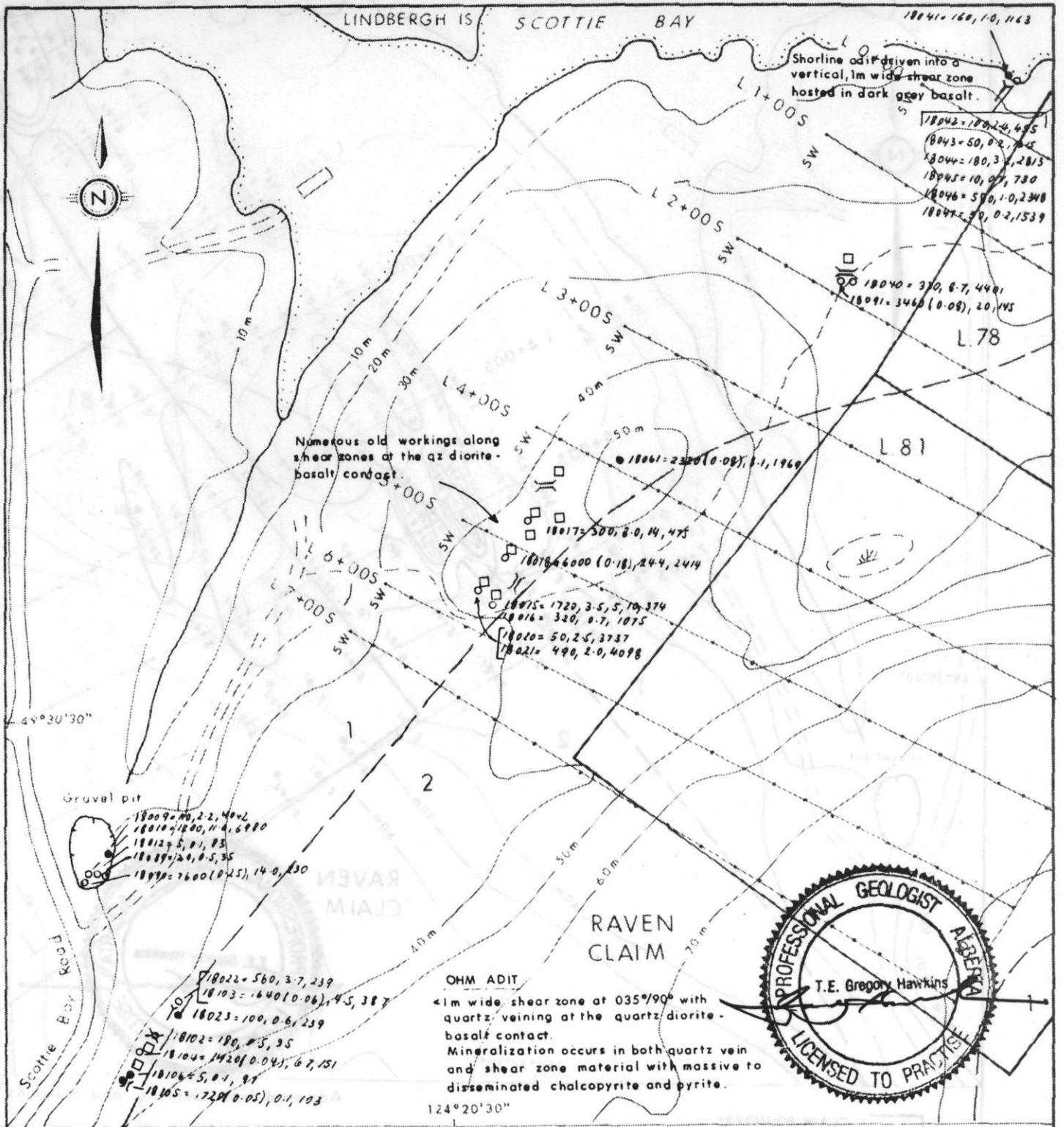
**FIGURES 5R TO 10R**



See Figure 6R for Legend.

Adapted from Gunning and Hawkins, 1987.

<b>IMAX INTERNATIONAL INC.</b>	
<b>GEOLOGY AND SAMPLE LOCATIONS</b>	
<b>HILL 60 ZONE, RAVEN CLAIM</b>	
<b>LASQUETI ISLAND, B.C.</b>	
Project No: V 256 R	By: J S G
Scale: 1 2500	Drawn: J S
Drawing No: 5 R	Date: JULY 1987
<b>MPH Consulting Limited</b>	

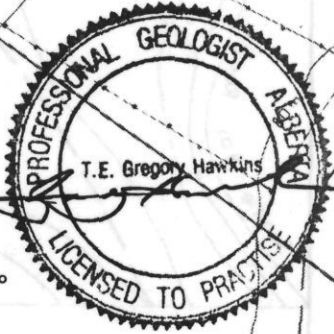


Gravel pit

1800 = 10, 2.2, 44.2  
 1801 = 10, 11.4, 59.0  
 1802 = 5, 0.1, 9.5  
 1803 = 2.0, 0.5, 3.5  
 1804 = 76.0 (0.25), 14.0, 130

18022 = 560, 3.7, 239  
 18103 = 1640 (0.06), 4.5, 38.7  
 18023 = 100, 0.6, 239  
 18102 = 180, 0.3, 3.5  
 18104 = 1420 (0.04), 6.7, 151  
 18106 = 5, 0.1, 9.5  
 18105 = 1720 (0.05), 0.1, 10.3

OHM ADIT  
 4m wide shear zone at 035°/90° with quartz veining at the quartz diorite-basalt contact. Mineralization occurs in both quartz vein and shear zone material with massive to disseminated chalcopyrite and pyrite.



- CLAIM BOUNDARY
- ROAD GRAVEL, ACCESS
- TRAIL
- ADIT
- TRENCH
- GEOLOGICAL CONTACT
- PIT
- OUTCROP
- FLOAT

18103 = 1640 (0.06), 4.5, 38.7  
 Sample no., Au ppb (oz/ton Au), Agppm, Cu ppm (%)

- GEOLOGY**
- 3 UPPER CRETACEOUS
  - 2 LOWER-MIDDLE JURASSIC ISLAND INTRUSIONS
  - 1 MIDDLE-UPPER TRIASSIC KARMUTSEN FORMATION

Adapted from Gunning and Hawkins 1987

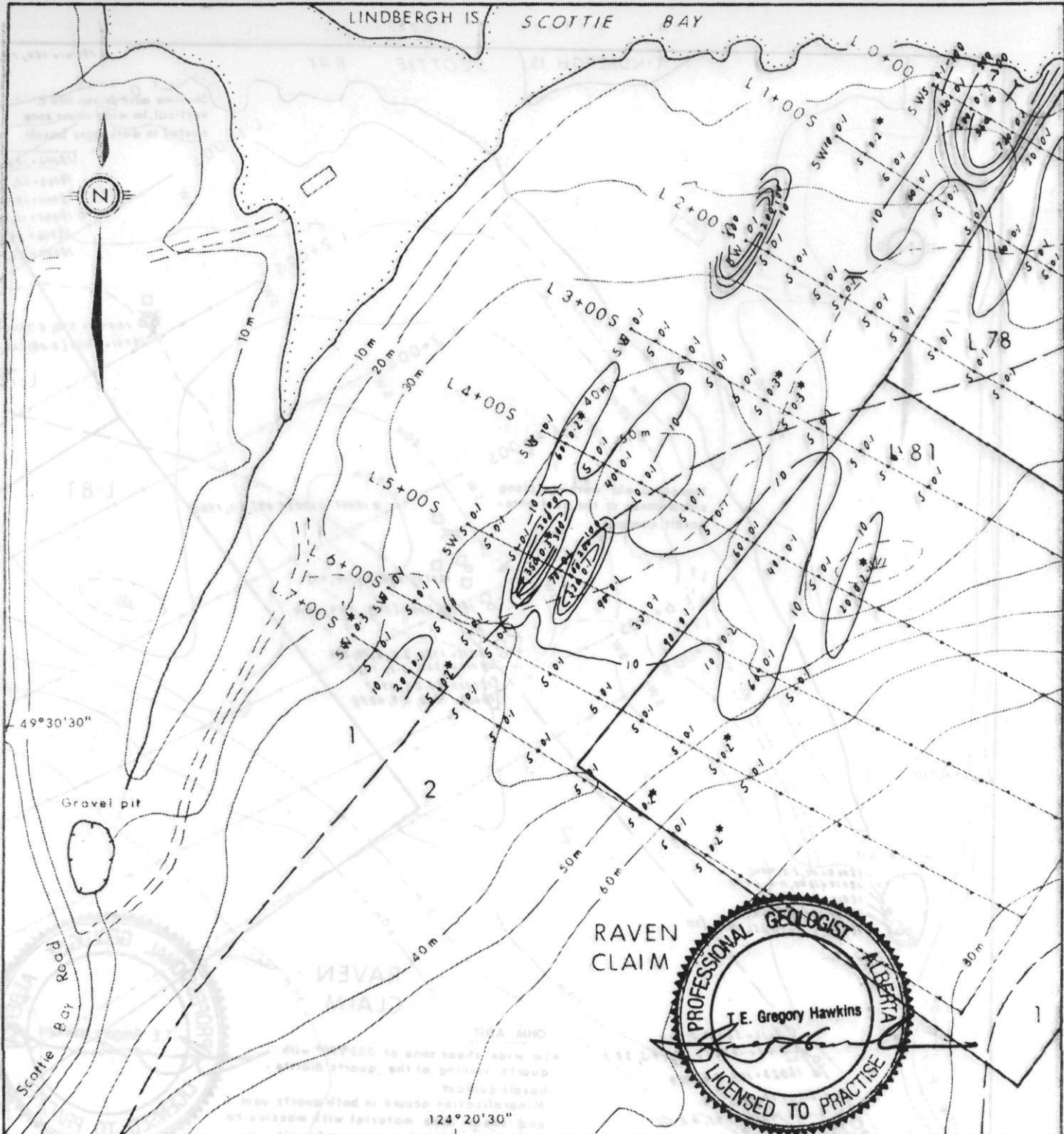


IMAX INTERNATIONAL INC.

**GEOLOGY AND SAMPLE LOCATIONS**

NW GRID AREA, RAVEN CLAIM  
 LASQUETI ISLAND, B.C.

Project No.	V 256 R	By	J.S.G.
Scale	1 : 5000	Drawn	J.S.
Drawing No.	6 R	Date	JULY, 1987



- CLAIM BOUNDARY
- ROAD GRAVEL, ACCESS
- TRAIL
- ADIT
- TRENCH
- GEOLOGICAL CONTACT
- Au ppm
- Ag ppb

ANOMALOUS VALUES		
	Au ppb	Ag ppm
Threshold	10	0.2
Contour intervals	100	0.2 - 1.0 *
	200	1.0 *
	300	
Range	5 - 9700	0.1 - 27.3

Adapted from Gunning and Hawkins 1987



IMAX INTERNATIONAL INC.

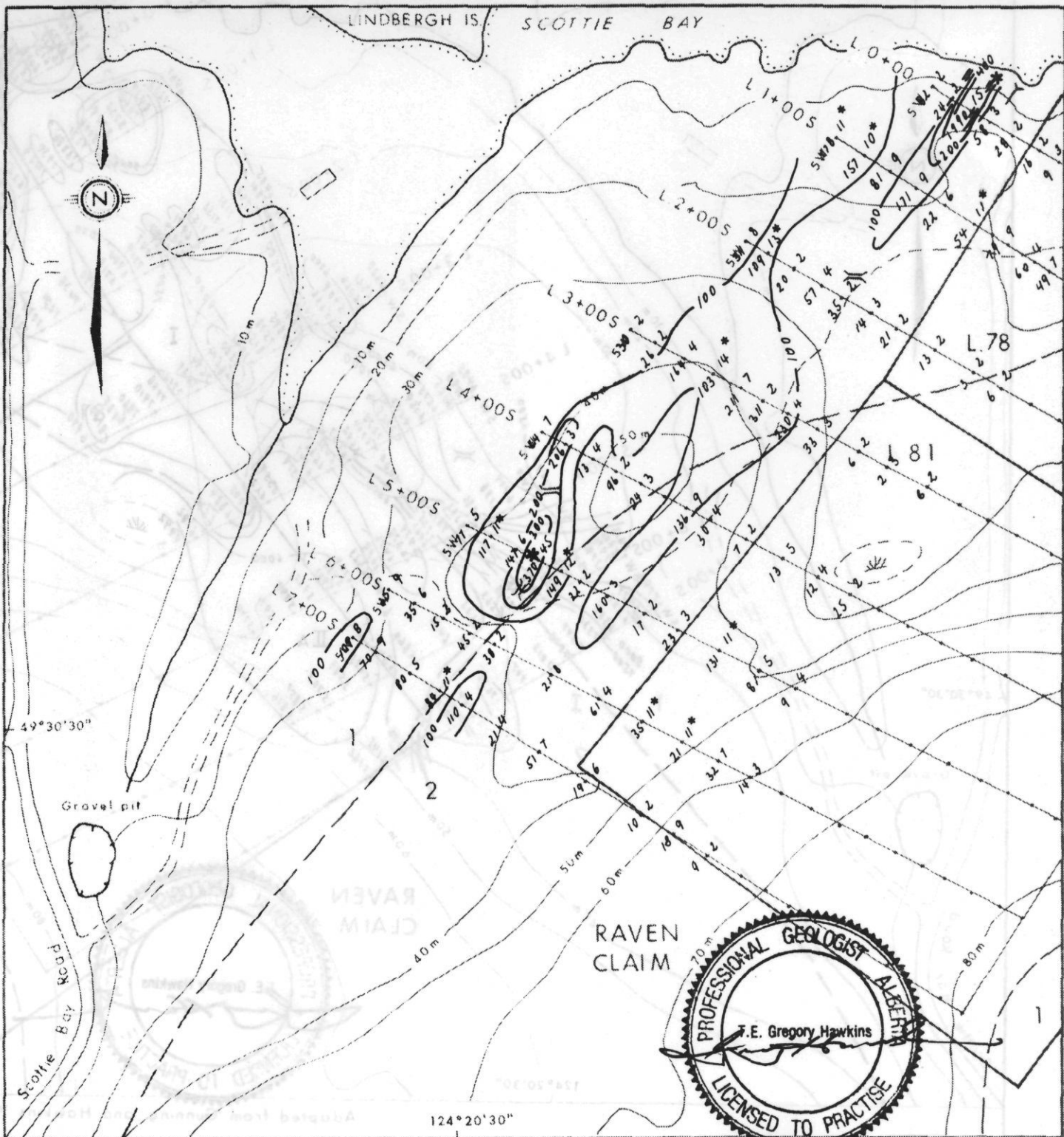
**SOIL GEOCHEMISTRY (Au, Ag)**

NW GRID AREA, RAVEN CLAIM  
LASQUETI ISLAND, B.C.

Project No	V 256 R	By	J.S.G.
Scale	1 : 5000	Drawn	J.S.
Drawing No	7 R	Date	JULY, 1987

**MPH Consulting Limited**





- CLAIM BOUNDARY
- ROAD GRAVEL, ACCESS
- TRAIL
- ADIT
- TRENCH
- GEOLOGICAL CONTACT
- As ppm
- Cu ppm

**ANOMALOUS VALUES**

	Cu ppm	As ppm
Threshold	100	10
Contour intervals	200	10 - 15 *
	300	> 15 *
	400	
Range	2 - 8742	2 - 977

Adapted from Gunning and Hawkins 1987.



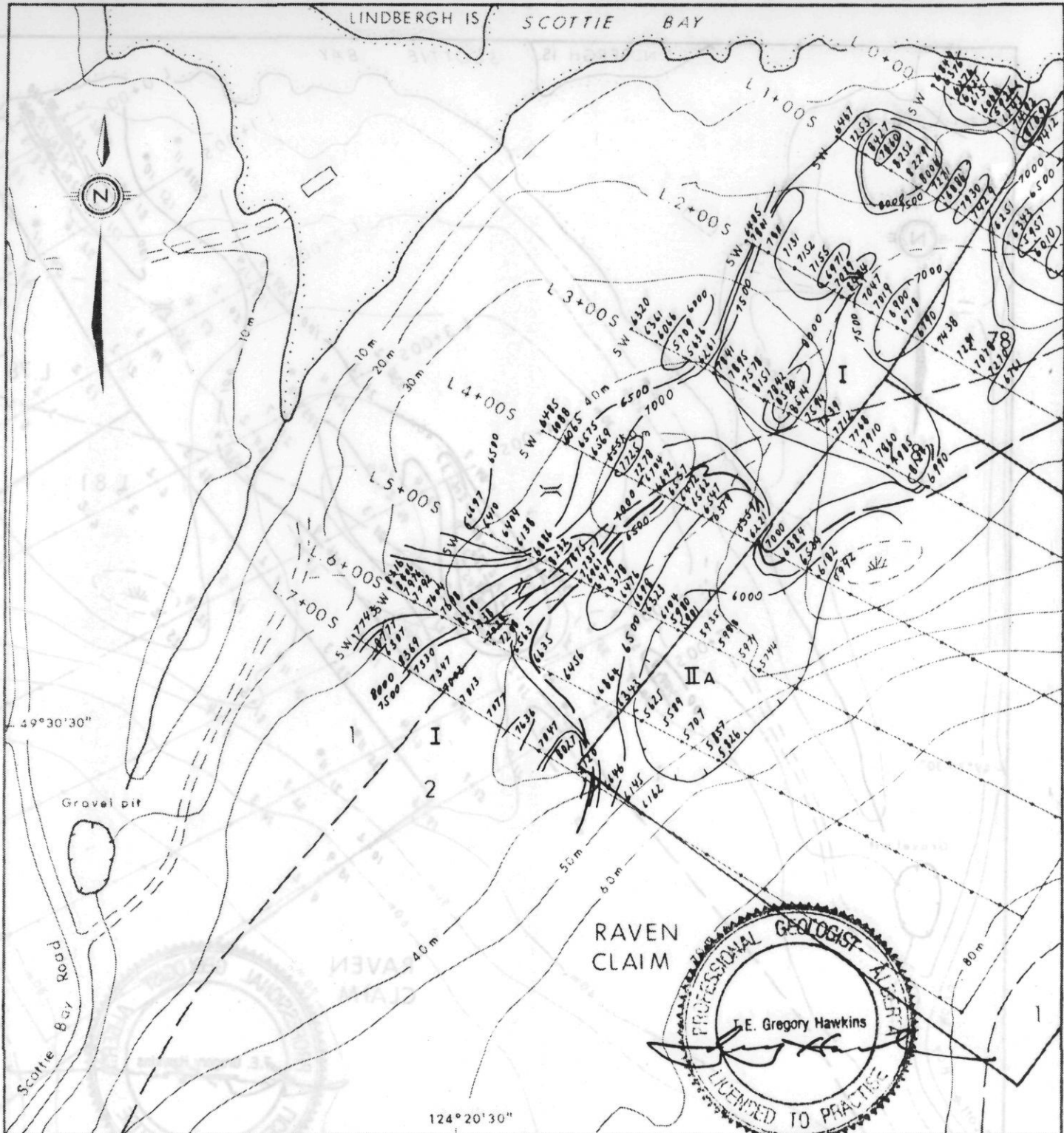
IMAX INTERNATIONAL INC.

**SOIL GEOCHEMISTRY (Cu, As)**

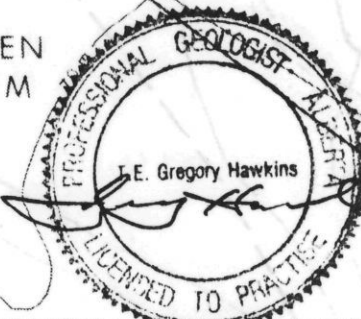
NW GRID AREA, RAVEN CLAIM  
LASQUETI ISLAND, B.C.

Project No: V 256 R	By: JSG
Scale: 1 : 5000	Drawn: J.S.
Drawing No: 8 R	Date: JULY, 1987

**MPH Consulting Limited**



RAVEN CLAIM



Adapted from Gunning and Hawkins 1987



- CLAIM BOUNDARY
- ROAD GRAVEL, ACCESS
- TRAIL
- ADIT
- TRENCH
- GEOLOGICAL CONTACT
- MAGNETIC LOW
- MAGNETIC DOMAINS

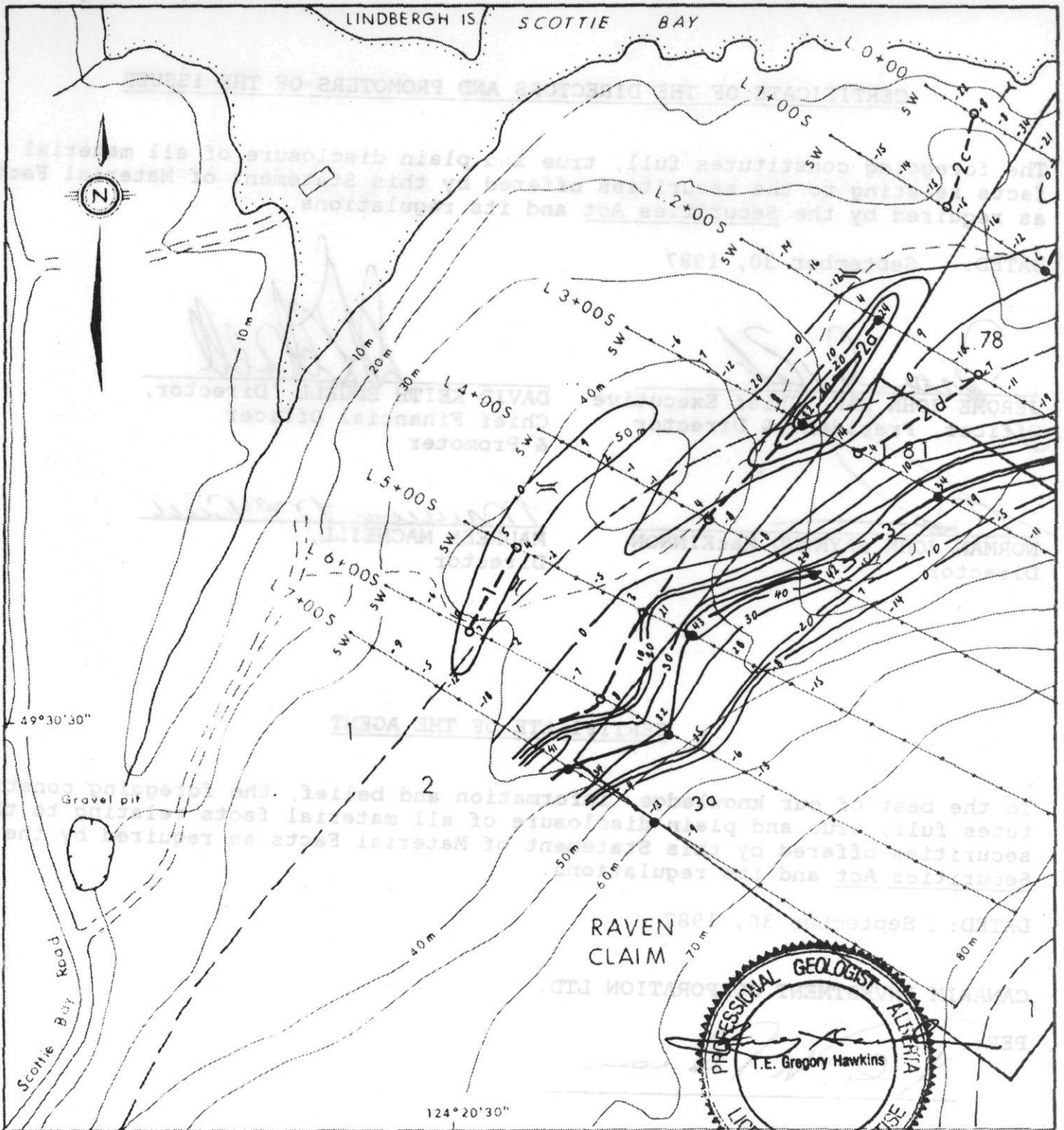
Magnetic contour interval = 500nT  
 Base level at 0+00N, 0+00E = 56 100nT  
 Field instrument: Scintrex MP-2 proton precession magnetometer  
 Correction techniques: Closed loop to base level

IMAX INTERNATIONAL INC.

**MAGNETOMETER SURVEY**  
 NW GRID AREA, RAVEN CLAIM  
 LASQUETI ISLAND, B.C.

Project No	V 256 R	By	J.S.G.
Scale	1 : 5000	Drawn	J.S.
Drawing No	9 R	Date	JULY, 1987

**MPH Consulting Limited**



- CLAIM BOUNDARY
- ROAD GRAVEL, ACCESS
- TRAIL
- ADIT
- TRENCH
- GEOLOGICAL CONTACT
- CONDUCTOR STRONG, MODERATE, WEAK
- CONDUCTOR NUMBER
- CONTINUITY DEFINITE, PROBABLE,

INSTRUMENT : SABRE 27  
 TRANSMITTER STATION : HAWAII , 23.4 Hz.  
 The field strength between lines has not been corrected to a base.

Adapted from unpublished report by T.E. Gregory Hawkins 1987



IMAX INTERNATIONAL INC.

VLF-EM SURVEY  
 FRASER-FILTERED DATA  
 NW GRID AREA, RAVEN CLAIM  
 LASQUETI ISLAND, B.C.

Project No	V 256 R	By	J.S.G.
Scale	1 : 5000	Drawn	J.S.
Drawing No	10 R	Date	JULY, 1987





MPH Consulting Limited

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 as required by the Securities Act and its regulations.

DATED: September 30, 1987

  
\_\_\_\_\_  
JEROME JOHN BAK, Chief Executive  
Officer, President & Director

  
\_\_\_\_\_  
DAVID KEITH EDGELL, Director,  
Chief Financial Officer  
& Promoter

  
\_\_\_\_\_  
NORMAN JOHN RAYMOND MacKINNON  
Director


  
\_\_\_\_\_  
MAUREEN MACNEILL,  
Director

CERTIFICATE OF THE AGENT

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 as required by the Securities Act and its regulations.

DATED: September 30, 1987

CANARIM INVESTMENT CORPORATION LTD.

PER:   
\_\_\_\_\_