

FILE UNDER → 092HNE 011
092HNE 014

RABBITT MTR

008392

SUPERINTENDENT OF BROKERS
AND
VANCOUVER STOCK EXCHANGE
STATEMENT OF MATERIAL FACTS #117/87
EFFECTIVE DATE: AUGUST 31, 1987

R.M.
PROPERTY FILE
~~92HNE 014~~

TWIN EAGLE RESOURCES INC. Cusip #90148C-10-7 Trading Symbol: TWN
8665 Barnard Street, Vancouver, B.C. V6P 5G6 (604) 261-5214
NAME OF ISSUER, ADDRESS OF HEAD OFFICE AND TELEPHONE NUMBER

#100, 200 Granville Street, Box 25, Vancouver, B.C. V6C 1S4
ADDRESS OF REGISTERED AND RECORDS OFFICES OF ISSUER

THE CANADA TRUST COMPANY, 1055 Dunsmuir Street, Vancouver, B.C. V7X 1P3 (604) 688-8444
NAME AND ADDRESS OF REGISTRAR & 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, maybe sought from a broker.

OFFERING - 600,000 Units, each Unit consisting of
one (1) Common Share and one (1) Series "A" Share Purchase Warrant (the "Offering")

	Estimated Price to Public*	Commission	Estimated Net Proceeds to be received by the Issuer **
Per Unit	\$0.45	\$0.03375	\$0.41625
Total	\$270,000	\$20,250	\$249,750

- * To be calculated in accordance with the Rules of the Vancouver Stock Exchange.
- ** Before the deduction of costs of this Offering estimated not to exceed \$15,000

This Offering is subject to a minimum of all 600,000 Units being sold on the Offering Day. Reference is made to Item 1 "Plan of Distribution".

AGENTS

HAYWOOD SECURITIES INC.
11th Floor, Commerce Place,
400 Burrard Street,
Vancouver, British Columbia
V6C 3A6

YORKTON SECURITIES INC.
800, 609 Granville Street,
Vancouver, British Columbia
V7Y 1G5

WOLVERTON & COMPANY
17th Floor,
701 West Georgia Street,
Vancouver, British Columbia
V7Y 1J5

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.

The Issuer is, under the rules of the Vancouver Stock Exchange, a non-development Company.

1. PLAN OF DISTRIBUTION

308800

A. THE OFFERING

By Agreement dated for reference July 23rd, 1987 (the "Agency Agreement"), TWIN EAGLE RESOURCES INC. (the "Issuer") appointed the following as its agents (the "Agents") to offer to the public through the facilities of the Vancouver Stock Exchange (the "Exchange") 600,000 Units of the Issuer (the "Units") (each Unit consisting of one Common Share and one Series "A" Share Purchase Warrant) at a fixed price in the amounts set opposite their respective names (the "Offering"):

<u>Agents</u>	<u>Number of Units</u>
Haywood Securities Inc.	250,000
Yorkton Securities Inc.	250,000
Wolverton & Company	100,000

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

The Units sold on the Offering Day will be sold at a fixed price to be determined by the Exchange in accordance with its rules and policies and accepted by the Issuer and the Agents, and if such price is not accepted by the Issuer or the Agents neither party shall be bound to complete the Offering. The purchasers of any Units under the Offering will be required to pay regular commission rates as specified by the by-laws and rules of the Exchange.

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

The obligations of the Agents under the Agency Agreement may be terminated prior to the opening of the market on the Offering Day at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events; however, if any of the Units are sold, the Agents are obligated to act as agents pursuant to the Agency Agreement.

The Issuer has agreed to notify the Agents of any further equity financing that it may require or propose to obtain during the twelve month period following the Effective Date and the Agents shall have the right of first refusal to provide such financing.

B. MINIMUM SUBSCRIPTION

This Offering is subject to a minimum of all 600,000 Units being sold on the Offering Day. If the 600,000 Units are not sold on the Offering Day, all funds will be returned to the subscribers without deduction.

C. CONSIDERATION TO AGENTS

The Issuer will pay the Agents a commission of 7 1/2% on the selling price of the Units sold pursuant to the Offering.

D. MARKET MAKERS

The Agents may be considered the "market makers" of the Shares and the Series "A" Share Purchase Warrants of the Issuer during the period of distribution of the Offering and for 30 trading days thereafter. Subject to the by-laws and rules of the Exchange, the Agents may make purchases and sales of Shares and the Series "A" Share Purchase Warrants of the Issuer on a continuous basis for the purpose of maintaining an orderly market for such Shares and Warrants of the Issuer and assisting in the distribution of the Units.

E. SERIES "A" SHARE PURCHASE WARRANTS

The Series "A" Share Purchase Warrants to be issued pursuant to the Unit Offering will be transferable and in bearer form and, subject to filing with the Exchange of evidence of satisfactory distribution, shall be posted for trading on the Exchange. One (1) such warrant will entitle the holder to purchase one (1) common share of the Issuer at any time up to the close of business one hundred and eighty (180) days following the Offering Day at a price which is at a premium over the Average Price, as determined in accordance with rules and policies of the Exchange. In calculating the exercise price of the warrants to be issued, the premium over the Average Trading Price for this Offering is 15%.

F. GENERAL

The directors, officers, and other insiders of the Issuer may purchase Units 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.

To the best knowledge of the Issuer, the Agents do not beneficially own, directly or indirectly, any shares of the Issuer.

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

The Issuer cannot estimate with certainty the price at which the Units will sell and accordingly is unable to determine the precise amount of the net proceeds which it will derive from the sale of the Units offered by this Statement of Material Facts. It is estimated however that the net proceeds will be approximately \$249,750 (\$270,000 gross proceeds less commissions of \$20,250 based on a Unit price of \$0.45 assuming all Units are sold).

The principal purposes for which the estimated net proceeds of \$249,750 is to be spent in the order of priority, is as follows:

(a) To pay the costs of this Offering.....	\$ 15,000.00
(b) To apply in reduction of bank indebtedness.....	67,000.00
(c) To pay current liabilities.....	147,000.00
(d) To provide a reserve for general corporate purposes and working capital.....	<u>20,750.00</u>
TOTAL:	\$ 249,750.00 =====

The proceeds received by the Issuer from the exercise of the Series "A" Share Purchase Warrants, if any, will be added to the working capital of the Issuer.

Since June 30, 1987, the date of the unaudited financial statements of the Issuer prepared by management attached hereto:

- (a) the sum of \$56,809 in current trade liabilities will be amortized and does not require any current cash payments;
- (b) the Issuer has received approximately \$14,000 net cash flow per month from the Issuer's oil and gas operations before general and administrative expenses and has used this cash flow in part to reduce its bank indebtedness, as shown in the said financial statements from \$74,891 to 67,366 approximately.

These developments, when combined with the proceeds of this Offering, as outlined above, would result in the Issuer having a working capital balance, as at August 1, 1987, of approximately \$20,000. Management believes this working capital is adequate because of the Issuer's current positive cash flow position referred to 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 \$100,000.00.

<u>Property Name</u>	<u>Issuer's Acquisition and Exploration Costs to Date (in \$)</u>	<u>Shares Issued to Date</u>	<u>Planned Expenditure From Funds Available upon Completion of the Offering</u>
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GROUP I

----- N/A -----

GROUP II

Gold Mount Claims, Similkameen Mining Division, B.C.	\$183,794	Nil	Nil
Casa Berardi Claims, Puisseaux Township, Quebec	\$ 29,250	150,000	Nil

GROUP III

----- N/A -----

GROUP II

Presently held properties which are currently producing or being explored, or upon which exploration is planned within the next year

A. Gold Mount Claims, Similkameen Mining Division, British Columbia

By an agreement dated March 25, 1986 with Monica Resources Ltd. ("Monica") of 8665 Barnard Street, Vancouver, B.C., V6P 5G6 (the "Agreement") the Issuer acquired from Monica the option to earn a 25% interest in the following contiguous mineral claims situate in the Similkameen Mining Division, British Columbia:

<u>Claim Name</u>	<u>Record Number</u>	<u>Expiry Date</u>
Gold Mount	340 (5)	May 8, 1989
Gail Gold	341 (5)	May 8, 1989
Weldonna	344 (5)	May 8, 1989
Bonanza Gold	573 (5)	May 11, 1989
Bonanza - Queen and Nevada	511 (2)	Feb. 12, 1989

<u>Claim Name</u>	<u>Record Number</u>	<u>Expiry Date</u>
Ace	1381 (3)	Mar. 16, 1989
Gold Creek	1382 (3)	Mar. 16, 1989
Grasshopper 1	1803 (1)	Jan. 10, 1990
Grasshopper 2	1804 (1)	Jan. 10, 1990
Au Fraction	1947 (6)	June 15, 1989

(hereinafter referred to as the "Claims").

The Agreement provides that the Issuer may earn its 25% interest in the Claims by paying one-third of all payments due pursuant to the underlying option agreement (the "Option Payments"), and one-third of an aggregate expenditure of \$400,000.00 (namely \$133,333.33) proposed for exploration and development of the Claims over the next four years (which exploration costs have been paid).

The Option Payments aggregate \$110,000.00 of which \$5,000.00 was paid December 15, 1986, \$5,000.00 is payable on or before December 15, 1987 and \$100,000.00 on or before December 15, 1988. The Issuer is therefore obliged to pay \$36,666.67 in the aggregate in respect of the Option Payments.

Upon the Issuer earning its 25% interest as aforesaid, the Issuer will enter into a joint venture agreement with Monica whereby it will be responsible for its share of all further exploration and development costs in proportion to its interest in the Claims, namely 25% ("E & D Costs"). The Agreement provides that the Issuer will be the operator of the joint venture.

The Agreement further provides that in the event either party fails to pay its share of E & D Costs, such party's interest will be subject to dilution in accordance with the following formula. The participating interest of each party in the Claims shall be calculated from time to time and shall equal the decimal equivalent (expressed as a percentage) of a fraction, the numerator of which shall be all monies expended on exploration and development operations by the party whose percentage participating interest is being calculated, and the denominator of which shall be the total sum of all monies expended by both parties toward exploration and development operations on the Claims. In the event that Monica's interest in the Claims is reduced to 10%, Monica's interest shall automatically convert to a 5% carried interest.

The Issuer is informed that Mt. Grant Mines Ltd. ("Mt. Grant") of 8665 Barnard Street, Vancouver, British Columbia and Scorpion Resources Inc. ("Scorpion") (formerly 297706 B.C. Ltd.) of 8665 Barnard Street, Vancouver, British Columbia have entered into similar agreements with Monica each dated March 25, 1986 in which each has an option to earn a 25% interest in the Claims.

Neither an insider nor a promoter of the Issuer has held any interest in the Claims during the past three years other than as follows:

Max Fugman, President of the Issuer, is an officer of Monica; and Sydney A. Belzberg, who holds in excess of 10% of the issued and outstanding shares of the Issuer, is a Director of Monica.

Max Fugman is the President and a Director and Estella Lo and Irwin Riback are directors of Mt. Grant, and Sydney Belzberg owns beneficially, directly or indirectly, more than 10% of the Shares of Mt. Grant.

Max Fugman is the President and a Director, and Irwin Riback and Estella Lo are Directors, of Scorpion.

By an agreement dated July 16, 1986 (the "Newmont Agreement") between Newmont Mines Limited ("Newmont") of 900 - 808 West Hastings Street, Vancouver, British Columbia, the Issuer, Monica, Mt. Grant and 297706, Monica granted Newmont the right to earn an interest in the westernmost 12 units of the Grasshopper 1 and Grasshopper 2 mineral claims (the "Newmont Property").

Newmont has the right to earn a 40% interest in the Newmont Property (Stage 1) by making the following payments to Monica:

\$ 5,000.00	- paid on execution of the Newmont Agreement
\$ 5,000.00	- by December 15, 1986 (which sum has been paid)*
\$ 5,000.00	- by December 15, 1987 *
\$ 100,000.00	- by December 15, 1988 *

* which sums represent the Option Payments as hereinbefore defined

and carrying out the following schedule of exploration work on the Newmont Property:

<u>Cumulative Work Commitment</u>	<u>By this Date</u>
\$30,000	March 31, 1987
\$120,000	March 31, 1988
\$250,000	March 31, 1989

Newmont has completed its exploration requirements to March 31, 1987 by having spent a total of \$51,717 in exploration work on the Newmont Property.

Upon completion of Stage 1, Newmont can increase its interest to 55% (Stage 2) by carrying out further work to a cumulative total of \$450,000.00. Upon completion of Stage 2, Newmont can increase its interest to 60% by carrying out further work to a cumulative total of \$1,000,000.00.

Upon Newmont earning its 60% interest in the Newmont Property, the Issuer, Monica, Mt. Grant and Scorpion may elect jointly to participate in respect of their aggregate 40% interest in all future expenditures and the parties shall enter into a joint venture agreement with Newmont as operator. If such an election is not made, Newmont may continue to work on the Newmont Property and shall increase its interest to 75% upon completion of a feasibility study and upon deciding to place the Newmont Property into production.

Upon Newmont earning its 75% interest in the Newmont Property, the Issuer, Monica, Mt. Grant and Scorpion may elect jointly to participate in respect of their aggregate 25% interest in all future expenditures and the parties shall enter into a joint venture agreement with Newmont as operator. If such an election is not made or if it is made and the Issuer, Monica, Mt. Grant and Scorpion fail to pay jointly their aggregate 25% share of all expenditures when due, their individual interests shall each convert to a 2 1/2% net proceeds interest and Newmont shall have the entire working interest in the Newmont Property.

By an agreement dated July 16, 1986 between Monica, the Issuer, Mt. Grant and Scorpion (the "Inter-Party Agreement"), the Issuer was released from its obligation to make the Option Payments and E & D costs but only to the extent that such Option Payments and E & D costs are made by Newmont. Upon Newmont earning a 60% interest in the Newmont Property, the Issuer shall be fully released from such obligation.

Mining development in the property area dates back to 1887 when gold was discovered on the Bonanza Queen and Nevada crown grant mineral claims, now reverted. The Rabbit Mine, located on the Gail Gold Claim, was located in 1938 by the Rabbit brothers. About 1,000 ounces of gold were recovered between 1938 and 1940. The Grasshopper No. 1 and Grasshopper No. 2 claims were recorded in 1978.

During October and November, 1983 Monica completed a program of surface prospecting, geochemical soil sampling, geophysical surveying and 146 metres of diamond drilling in three of the holes in the immediate area of the Rabbit Mine. In 1984 Monica extended prospecting, mapping and soil sampling as well as blasting and trenching to extend the Rabbit Mine vein to the southwest. A reconnaissance program of geological mapping, geophysics and geochemical soil and rock sampling over Grasshopper No. 1 and Grasshopper No. 2 claims was conducted by Monica during October and November of 1985.

During January, 1986 a horizontal loop electro-magnetic survey was performed over the Gail Gold claim. In addition, between January and March, 1986 Monica completed approximately 1,500 metres of diamond drilling in the immediate area of the former Rabbit Mine in order to define a mineralized vein which cuts across the Rabbit Mine on the Gail Gold Claim. The cost of the exploration and

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development program conducted between January 1, 1986 and March 31, 1986 on the Claims was \$348,582.00 which was funded equally by the Issuer, under the Agreement, and by Mt. Grant and Scorpion.

Since September, 1986, a \$200,000.00 work program was done on the Claims consisting of a detailed geological, geochemical and geophysical survey over areas where little or no previous work has been done, a program of diamond drilling to further define the vein cutting across the Gail Gold Claim referred to above, and the opening up of the Rabbitt Mine workings in order to gain access to valuable underground information. The results show the veins to be very limited in size. The bulk sample, collected from the southwest vein to avoid the erratic nature of gold values from smaller samples, assayed 0.085 troy ounces per ton. Drilling to the north and southeast of the Rabbitt adit vein failed to locate significant veining in these areas. The Report of Leif Christenson, M.Sc., dated February 25, 1987 states that further direct exploration of the Rabbitt vein system is not recommended at this time. The report does recommend continued exploration over the Gold Mount Claims to drill the quartz veining in the southwest grid area and to begin exploration work in the unprospected eastern area of the property. The Issuer does not plan to do any further work in the Gold Mount Claims within the next year.

The Issuer ^(OQUANE 011) is advised that the work program conducted by Newmont on the Newmont Property included a litho-geochemical survey which defined two types of chromite occurrences on the Property: (1) platinum-enhanced chromite segregations, and (2) platinum deficient chromite segregations. An anomalous area measuring 800m by 300m has been outlined, which included a 250 by 150m zone containing several platinum-bearing chromite occurrences containing up to 16000 ppb Pt (0.47 oz/ton) over 1.0m. Three of these occurrences have been extensively chip sampled, with platinum content averaging 1350 to 2915 ppb (0.04 to 0.09 oz/ton) over 6 x 6m areas. The platinum to palladium ratio averages 250 to 1. The irregularly shaped pods and lenses of chromite, up to a metre long, show no preferred attitudes and no systematic distribution in the dunite mass. Newmont has advised the Issuer that it intends to carry out the work program recommended on the western 12 claim units of the Grasshopper 1 and 2 claims in the report of Dennis M. Bohme, P.Eng., dated January 8, 1987, including beneficiation tests, a petrographic study, detailed mapping and sampling, and trenching.

To the knowledge of the Issuer, the Claims are without a known body of commercial ore and any programme conducted thereon would be an exploratory search for ore.

B. Casa Berardi Claims, Puisseaux Township, Quebec

In an agreement dated February 14, 1986, with Coulson Exploration Inc. (the "Coulson Agreement"), of 1905-62 Wellesley Street, West, Toronto, Ontario (the "Vendor"), the Issuer was granted an option to acquire an undivided 100% interest in 146 unpatented mining claims in Puisseaux Township, Province of Quebec, more particularly

described as 438663 1-5 to 438691 1-5 inclusive and 438692 1 Claim (the "Casa Berardi Claims"), in consideration of the sum of \$29,200.00 and the issuance of 200,000 shares in the capital stock of the Issuer, 150,000 shares of which have been issued. In order to exercise the option, the remaining 50,000 shares must be issued upon completion of the third phase of a three phase exploration program, but in any event, on or before October 12, 1987, subject to the filing of engineering reports recommending further work on the Casa Berardi Claims with the Exchange and the approval of the Exchange.

The Casa Berardi Claims are located within the north-central region of the Abitibi Greenstone Belt, the largest and most prolifically mineralized volcano sedimentary terrain in the Canadian Precambrian Shield. The geology of this belt is characterized by repeated sequences of mafic, and in some locations ultra-mafic, to felsic submarine volcanics, interspersed with units of clastic and chemical sediments. Synvolcanic intrusives of intermediate to felsic composition intrude this sequence at various levels, particularly in and around volcanic centres. Many gold deposits are found in close proximity to synvolcanic intrusives, especially quartz feldspar porphyries.

The Casa Berardi Claims straddle the northwest, west and southwest contact of a granodiorite-quartz diorite intrusive, the location and dimensions of which have been inferred on the basis of two outcrops and aeromagnetic data.

The report of Avrom Howard & Associates dated March 10, 1986 recommended that in order to fully and comprehensively evaluate the gold potential of the Casa Berardi Claims, a four phase programme of exploration and development should be undertaken. Phases I and II have now been completed. Phase I, at a cost of \$35,000.00 approximately consisted of 250 km of linecutting. Phase II, at a cost of \$70,000.00 approximately consisted of combined magnetic and EM surveys. The EM survey encountered 25 conductors below a substantial thickness of overburden, and the magnetic survey reflected the depth of overburden and indicated three well defined linear magnetic expressions, of probable formational origin. The results of Phases I and II have been reported on in the report of Howard Northfield, B.Sc., dated December, 1986, which report also recommends that Phase III be proceeded with. Prior to proceeding with the next phase of the said programme, targets for drill testing will be established.

The next phase, Phase III, will consist of 675 m of overburden drilling at an estimated cost of \$45,000.00. Phase IV, contingent upon the combined results in Phases II and III, will consist of 800 m of NQ diamond drilling at an estimated cost of \$100,000.00.

By an agreement dated May 15th 1986, with Lana Gold Corp. ("Lana"), a British Columbia reporting company, Lana acquired an undivided 50% interest of the Issuer's Interest in the Coulson

Agreement by expending in excess of \$105,000.00 on exploration and development of the Casa Berardi Claims, being the amounts expended for Phases I and II of the above programme. Pursuant to the terms of the said agreement, Lana and the Issuer have formed a joint venture with respect to the Casa Berardi Claims. Lana is designated as the initial operator of the joint venture and as such is responsible for proposing all exploration programmes on the Casa Berardi Claims. As of the date hereof, Lana has not proposed any such exploration programme. The Issuer's share of the cost of any work done on the Casa Berardi Claims pursuant to the joint venture is expected to be funded out of cash flow from the Issuer's oil and gas properties, as described above in Item 2.

Irwin Riback, a director of the Issuer, is also a director of Lana. Estella Lo, the secretary of the Issuer, is also the secretary and a director of Lana.

To the knowledge of the Issuer, the Casa Berardi Claims are without a known body of commercial ore and any programme conducted thereon would be an exploratory search for ore.

**Summary of Estimated Net Reserves of Oil and Gas Properties
By Jurisdiction and Category**

<u>Jurisdiction</u>	<u>Category</u>	<u>Quantity</u>		<u>Present Value of Undiscounted Oil and Gas</u>	<u>Net Cash Flow Discounted at 15% - Oil and Gas</u>
		<u>Oil BBLs</u>	<u>Gas MMCF</u>		
Canada	Proved Producing	54.7	407.9	\$1,710,400	\$ 989,800
	Proved Non-producing	Nil	954.2	1,558,700	446,400
	Probable	<u>Nil</u>	<u>64.7</u>	<u>97,300</u>	<u>28,100</u>
Subtotal:		<u>54.7</u>	<u>1426.8</u>	<u>\$3,366,400*</u>	<u>\$1,464,300*</u>

U.S.A. The Issuer does not have any directly owned oil and gas properties in the U.S.A. or other jurisdictions. The Issuer does have an indirect interest in oil and gas properties located in Ohio and Montana, as disclosed in paragraphs (B) and (C) below.

TOTAL:	<u>54.7</u>	<u>1426.8</u>	<u>\$3,366,400</u>	<u>\$1,464,300</u>
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Notes to above table:

- (a) The values reported above are before income tax and are on a constant price basis with no escalation of costs.
- (b) The values reported above may not necessarily be the fair market value of the reserves.
- (c) The estimated value reserves are based on a report prepared by Farries Engineering (1977) Ltd., Petroleum Consultants effective March 1, 1986. The estimated present value of existing reserves and the realization thereof is subject to many variables any one of which may alter realization of returns on the wells and accordingly alter the calculation of discounted net present value.

* The Issuer has received an update of the March 1, 1986 report revising only the cash flows to March 1, 1987, incorporating current selling prices in the Issuer's products at March 1, 1987 and recent changes affecting Crown royalties in Alberta and Saskatchewan. In the said update, performance was not reviewed and remaining reserves were only estimated by deducting forecasted production in the March 1, 1986 report from the reserves stated therein. Based on the revised cash flows, the present value of the total cash flow from the oil and gas reserves of the Issuer is \$2,142,300 undiscounted and \$992,900 discounted at 15% on a constant price basis with no escalation of costs.

Copies of the said report and update are available for inspection at the Issuer's head office during normal business hours during the distribution of the securities offered hereunder and for a period of 60 days thereafter.

Summary of Material Oil and Gas 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 or which have undiscounted reserves in excess of \$50,000.00 or current revenue in excess of \$1,000.00 per month.
- Group III Other presently held properties upon which the Issuer's acquisition and exploration costs to date exceed \$100,000.00.

<u>Description</u>	<u>Undiscounted Value of Existing Reserves, Net to the Issuer's Interest, as of March 31, 1986.</u>	<u>Present Value of Existing Reserves (15% Discount Rate Net to the Issuer's Interest as of March 31, 1986</u>	<u>Issuer's Acquisition & Exploration Costs June 30, 1987</u>	<u>Shares Issued to Date</u>	<u>Issuer's Revenue to June 30, 1987</u>	<u>Planned Expenditure from Funds Available upon Completion of the Offering</u>
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GROUP I

----- N/A -----

GROUP II

ALBERTA

Proven Producing

	<u>(\$)</u>	<u>(\$)</u>		
Judy Creek	67,700	40,300	Nil	Nil
Medicine Hat	24,700	17,600	Nil	Nil
Monitor	402,500	225,000	Nil	Nil
Provost North	144,800	55,500	Nil	Nil
Provost (Throne)	57,000	45,000	Nil	Nil
Provost (Veteran)	330,800	194,200	Nil	Nil
Provost West	45,600	36,000	Nil	Nil

GROUP II (cont'd)

ALBERTA

Proven Non-Producing

	(\$)	(\$)		
Acadia	56,700	16,100	Nil	Nil
Heathdale	337,100	98,600	Nil	Nil
Oyen	110,300	30,400	Nil	Nil
Monitor	766,700	219,700	Nil	Nil
Sibbald	288,000	81,500	Nil	Nil

Probable

	(\$)	(\$)		
Oyen	97,300	28,100	Nil	Nil

SASKATCHEWAN

Proven Producing

	(\$)	(\$)		
Avon Hill	171,800	135,000	Nil	Nil
Eagle Lake	55,900	34,500	Nil	Nil
Fletwode	14,400	12,400	Nil	Nil
Gleneath	27,900	12,700	Nil	Nil
Lucky Hills	181,400	107,400	Nil	Nil
Weyburn	185,900	74,400	Nil	Nil
TOTAL:	<u>3,366,400</u>	<u>1,464,300</u>	<u>\$ 1,816,466.00</u>	<u>\$2,742,889</u>

GROUP III

----- N/A -----

A. Oil and Gas Properties In Alberta and Saskatchewan

The Issuer's oil and gas properties in Alberta and Saskatchewan were acquired pursuant to agreements with Merchants Petroleum Company of Canada Ltd., of 260 North Belt East, Suite 300, P. O. Box 4391, Houston, Texas 77210, and Laurdan Resources Ltd., a California corporation with a mailing address c/o Damson Oil Corporation, 260 North Belt East, Suite 300, P. O. Box 4391, Houston, Texas 77210, dated 31 March, 1980. The total purchase price of these properties was the sum of \$1,245,000.00 which was paid in cash on September 30, 1980.

At the time of purchase, Merchants Petroleum Company of Canada Ltd. was a wholly-owned subsidiary of Laurdan Resources Ltd., which in turn was a wholly-owned subsidiary of Damson Oil Corporation, of 260 North Belt East, Suite 300, Houston, Texas 77210, a public company.

The Issuer is not the operator of any producing properties in which it has an interest. The said oil and gas properties have generated a total gross revenue of \$457,816.00 in the fiscal year ended March 31, 1986, and are currently generating gross revenue of \$20,000.00 approximately per month.

The Issuer has no future plans to further explore or develop these oil and gas properties, and has no on-going commitments with respect to these properties.

B. Glacier County, Montana, U.S.A.

The "Fourem Partnership", a Montana partnership, was formed in 1985 and acquired from Macquest Resources Inc. of Calgary, Alberta, certain petroleum and natural gas interests and a natural gas compression plant facility and gathering system in Glacier County, Montana, U.S.A. (the "Assets").

The partners of the Fourem Partnership are Kenesen Resources Inc. (as to 20%), Kingside Inc. (as to 40%), both of Calgary, Alberta, Carousel Resources U.S. Inc. ("Carousel"), the Issuer's Wyoming subsidiary (as to 20%) and L. Brook Henderson Inc., of Billings, Montana (as to 20%).

The total purchase price for the assets of the Partnership was \$550,000.00 (U.S.) of which Carousel's portion was \$110,000.00 (U.S.) which has been paid.

The Issuer has received revenue of \$28,511 (U.S.) in the aggregate from its interest in the Fourem Partnership to date, and is receiving approximately \$900 U.S. per month from Fourem Partnership. The Issuer has no future plans to acquire any further oil and gas interest in Montana, and has no on-going commitments to the Fourem Partnership.

C. Washington and Munroe Counties, Ohio, U.S.A.

The Issuer through its wholly-owned U.S. subsidiaries, Evergreen Energy Corp., Holiday Hills Inc., Carousel Resources U.S. Inc. and Chateau Padre Inc., holds 107,354 units representing approximately an 11.94% interest in the Halwell Limited Partnership, a West Virginia limited partnership, which holds various interests in oil and gas leases and wells in Washington and Munroe Counties, Ohio. The Issuer through its said subsidiaries originally paid \$3,186,980 approximately for its said interest in 1980 and 1981. Certain of Halwell properties are currently producing.

The Issuer has not received any revenue from its interest in the Halwell Limited Partnership other than \$19,805.00 received as of March 31, 1987 which sum represents the Issuer's share in part of the proceeds of the settlement of a legal action. The Issuer has no future plans to acquire any further oil and gas interest in Ohio, and has no on-going commitments to the Halwell Limited Partnership.

4. PARTICULARS OF NON-RESOURCE ASSETS

The Issuer is not engaged nor does it presently contemplate engaging, in whole or in part, in a business other than for the exploration and development of natural resource properties.

5. CORPORATE INFORMATION

The Issuer is an amalgamated company under the Company Act of British Columbia formed by the amalgamation on 20th March 1981 of Eagle River Mines Ltd., Carousel Resources Inc. and Evergreen Energy Corporation.

Effective 28th January 1985 the name of the Issuer was changed from Eagle River Mines Ltd. to "Twin Eagle Resources Inc." and the authorized share capital of the Issuer was altered by consolidating all of the 20,000,000 common shares without par value, of which 8,647,693 shares were issued and outstanding, into 4,000,000 common shares without par value of which 1,729,538 common shares were to be issued and outstanding, every five of such shares without par value being consolidated into one share without par value. Following the consolidation of common shares, the authorized capital of the Issuer was increased from 4,000,000 common shares without par value to 20,000,000 common shares without par value and the Memorandum of the Issuer was altered to reflect the consolidation of share capital and change of name of the Issuer.

The authorized capital of the Issuer consists of 25,000,000 shares divided into 20,000,000 Common Shares without par value of which 2,739,578 Common Shares are issued and outstanding and 5,000,000 Preferred Shares with a par value of \$1.00 each of which 1,732,297 are issued and outstanding.

All of the issued Preferred Shares were issued on September 7, 1983, upon conversion of a debt on a one share for \$1.00 of debt basis, to 243,546 B.C. Ltd., a company of which Max Fugman, a director of the Issuer, and Sydney Belzberg, who holds greater than 10% of the issued equity share capital of the Issuer each own one-third of the issued share capital. The debt arose as a result of shareholder's loans made, in part, in respect of the acquisition of certain of the Issuer's oil and gas assets. The holders of the Preferred Shares are entitled to noncumulative dividends at the rate of 10% per annum, rank in priority to the holders of Common Shares of the Issuer as to a return of capital paid up thereon. Five Preferred Shares are convertible into one Common Share of the Issuer at any time prior to redemption. The Preferred Shares are retractable after five years from the date of issuance. The Issuer is conducting very preliminary negotiations with 243,546 B.C. Ltd. with respect to creating alternatives to its right to retract the Preferred Shares, such as conversion of the Preferred Shares into a longer term debenture, postponing the right of retraction or, subject to regulatory approval, converting the Preferred Shares into a greater number of common shares than the Issuer's Articles presently allow.

The Issuer is required to call for redemption and redeem monthly such number of the Preferred Shares outstanding as may be redeemed out of 15% of the net cash flow of the Issuer in that month, and in addition is required to call for redemption and redeem such number of the Preferred Shares outstanding as may be redeemed out of 15% of all capital receipts of the Issuer, including without limitation the net proceeds of any underwriting of its securities (in respect of this Offering, the proceeds used for such redemption would be \$33,300.00) and any proceeds received from the sale of warrants or the exercise thereof. The Issuer is as at March 31, 1987 in arrears of said monthly redemptions out of cash flow in the sum of \$41,000.00. Pursuant to an agreement between the Issuer and 243,546 B.C. Ltd. dated July 22, 1987, 243,546 B.C. Ltd. has agreed to waive payment of all sums owing to it pursuant to such redemption rights as of the Offering Day and any funds payable to it out of the proceeds of the Offering or exercise of the warrants in respect of such redemption rights.

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

<u>Name, Residence & Positions Held in the Issuer</u>	<u>No. of Equity Shares of the Issuer Beneficially Owned</u>	<u>Principal Occupation and, if not at present an elected director, occupation during past 5 years</u>
Max FUGMAN * 3081, 910 Mainland Street Vancouver, B.C. V6B 1A9 President, Director and Promoter	(a) 26,868 (b) nil (c) 8,526	President of Fugman Agencies Ltd.; Director and/or Officer of 5 other reporting companies

<u>Name, Residence & Positions Held in the Company</u>	<u>No. of Equity Shares of the Issuer Beneficially Owned</u>	<u>Principal Occupation and, if not at present an elected director, occupation during past 5 years</u>
William McCANN 116 Tantramar Drive R.R. #1, Ganges, B.C. V0S 1E0 Director	(a) nil (b) nil (c) nil	Retired, previously Salesman, Fugman, Davis & Company; Director of 1 other reporting company
Irwin RIBACK * 4571 Pendlebury Road Richmond, B.C. V7E 1E6 Director	(a) nil (b) nil (c) nil	General Manager of Budget Rent-A-Car of B.C. Ltd. and a director of 3 other reporting companies
Joanne C. TYMKIW * 79 - 4900 Cartier Street Vancouver, B.C. V6M 4H2 Director	(a) nil (b) nil (c) 120	President of Global Leasing Ltd.
Estella LO 10280 Bissett Drive Richmond, B.C. V7A 4L1 Secretary	(a) nil (b) nil (c) 1,500	Senior Accountant, Seagull Leasing Ltd. and a director of 2 other reporting companies and an officer of 3 other reporting companies

* Members of the audit committee

Note: (a) escrow
(b) pooled
(c) other

A list of the companies of which each of the above is also a director, officer or promoter will be available for inspection at the Issuer's office during normal business hours while the distribution of the Shares offered herein is in progress and for a period of thirty (30) days thereafter. No such company was, during the period that the above persons were a director, officer or promoter thereof, struck off the Register of Companies by the British Columbia Registrar of Companies or similar authority, and no securities of such companies were the subject of a cease-trade or suspension order for a period of more than thirty (30) consecutive days.

Other than as disclosed herein, the signatories hereto are unaware of any person who owns, directly or indirectly, more than ten

percent (10%) of the issued and outstanding shares of the Issuer other than Sydney A. Belzberg, 8625 Angus Drive, Vancouver, B.C., who holds 645,835 equity shares of the Issuer (26,868 of which are in escrow, the rest are free trading).

No director, officer, promoter or insider of the Issuer has received direct remuneration from the Issuer during the past year. During the year ended March 31, 1987, the Issuer paid \$25,000.00 to Allxplor Management Ltd. ("Allxplor") pursuant to an oral agreement whereby Allxplor provides management, administrative, clerical and office services and office space to the Issuer for a fee of \$2,500.00 per month. Sydney Belzberg, an insider of the Issuer, and Max Fugman, the President, a Director and an employee of the Issuer, owned all of the issued and outstanding shares of Allxplor, prior to January 31, 1987.

7. OPTIONS TO PURCHASE SECURITIES OF THE ISSUER

The following directors' and employee stock options are currently in effect:

Directors' Options

<u>Name</u>	<u>No. of Shares</u>	<u>Exercise Price & Term</u>
William McCann	25,000) \$0.31 per share if) exercised at any time up) to and including) August 29, 1990.
Joanne Tymkiw	25,000	
Irwin Riback	66,000) \$0.38 per share if) exercised at any time up) to and including) September 30, 1991.

Employee Options

<u>Name</u>		
Max Fugman	85,000) \$0.31 per share if exer-) cised at any time up to) and including August 29th) 1990.
Estella Lo	20,000	
D. Lynn Scott	6,000) \$0.38 per share if exer-) cised at any time up to) and including September) 30, 1991.
Sharon D. Kelley	4,000	

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

136,793 shares of the Issuer are held in escrow by the Issuer's Transfer Agent, The Canada Trust Company, subject to release with the consent of the Vancouver Stock Exchange. The escrow agreement

provides that in the event the Issuer loses or abandons or fails to obtain title to all or part of the property for which the escrow shares were issued then the Exchange in its discretion may require that such number of shares as the Exchange may determine shall be surrendered to the Issuer for cancellation. There are no shares of the Issuer held in pool or subject to hold restrictions.

9. PARTICULARS OF ANY OTHER MATERIAL FACTS

There are no material legal proceedings either contemplated or in progress to which the Issuer or its properties are or may be a party other than set out below.

The Issuer has been named as a Defendant, among others, of claim filed in The Court of Queen's Bench of Alberta on April 1, 1982 on behalf of Douglas P. Hunt, James Will, Gordon Baldwin and Bruce McFadzean (the "Plaintiffs") in which the Plaintiffs are claiming that they are entitled to 4.336% gross overriding royalty interest in an Alberta Crown petroleum and natural gas lease in which the Issuer has a 30% working interest. The Issuer is actively defending this lawsuit. At the present time, the Plaintiffs must obtain a Court Order before they may take the next step in the lawsuit.

Copies of all contracts referred to herein, all technical reports referred to in Items 3 and 4, and a list of the companies of which each of the directors, officers and promoters listed in Item 6 above is also a director, officer or promoter will be available for inspection at the Issuer's head office during normal business hours during the distribution of the securities offered hereunto and for a period of thirty (30) days after the completion of said distribution.

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

10. STATUTORY RIGHTS OF RESCISSION

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 there- to 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.

TWIN EAGLE RESOURCES INC.
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1987



A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Clarkson Gordon

Chartered Accountants
P.O. Box 10101, Pacific Centre
700 West Georgia Street
Vancouver, Canada V7Y 1C7
Telephone: (604) 683-7133

AUDITORS' REPORT

To the Shareholders of
Twin Eagle Resources Inc.:

We have examined the consolidated balance sheet of Twin Eagle Resources Inc. as at March 31, 1987 and the consolidated statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at March 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada,
June 30, 1987 (except for
note 9(a) which is at
July 23, 1987).

Clarkson Gordon
Chartered Accountants

STATEMENT 1

TWIN EAGLE RESOURCES INC.
(Incorporated under the laws of British Columbia)

CONSOLIDATED BALANCE SHEET

MARCH 31

	<u>1987</u>	<u>1986</u>
<u>ASSETS</u>		
Current:		
Cash and term deposit	\$ 766	\$ 78,540
Accounts receivable	34,938	77,277
Income and resource taxes recoverable	<u> </u>	<u>22,516</u>
Total current assets	35,704	178,333
Oil, gas and mineral investments and properties (notes 2 and 3)	<u>1,630,831</u>	<u>1,655,261</u>
	<u>\$ 1,666,535</u>	<u>\$ 1,833,594</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current:		
Bank loans (note 3)	\$ 97,830	\$ 193,830
Accounts payable and accrued liabilities	298,245	320,623
Deferred revenue	<u>71,951</u>	<u>79,525</u>
Total current liabilities	<u>468,026</u>	<u>593,978</u>
Shareholders' equity:		
Share capital (note 4)	16,032,227	15,976,227
Deficit (statement 2)	<u>14,833,718</u>	<u>14,736,611</u>
	<u>1,198,509</u>	<u>1,239,616</u>
	<u>\$ 1,666,535</u>	<u>\$ 1,833,594</u>

On behalf of the Board:

Director 

Director 

(See accompanying notes)

TWIN EAGLE RESOURCES INC.
CONSOLIDATED STATEMENT OF INCOME AND DEFICIT
FOR THE YEAR ENDED MARCH 31

	<u>1987</u>	<u>1986</u>
Revenue:		
Oil and gas sales	\$ 274,837	\$ 411,295
Royalties	54,913	77,654
Interest and sundry	4,807	2,724
	<u>334,557</u>	<u>491,673</u>
Loss from Fourem Partnership	(17,047)	(31,000)
Loss from Halwell Partnership	(40,700)	(174,324)
	<u>276,810</u>	<u>286,349</u>
Expenses:		
Production and selling	175,702	186,816
General and administrative (note 7)	130,037	89,424
Depletion and amortization	37,063	40,950
Interest	16,715	26,170
Mineral property abandoned	14,400	
	<u>373,917</u>	<u>343,360</u>
Loss before income taxes and extraordinary item	97,107	57,011
Deferred income taxes		27,000
Loss before extraordinary item	97,107	84,011
Extraordinary recovery of income taxes through application of losses carried forward		27,000
Loss for the year (note 6)	97,107	57,011
Deficit, beginning of the year as restated (note 10)	14,736,611	14,679,600
Deficit, end of the year	<u>\$14,833,718</u>	<u>\$14,736,611</u>

(See accompanying notes)

TWIN EAGLE RESOURCES INC.CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITIONFOR THE YEAR ENDED MARCH 31

	<u>1987</u>	<u>1986</u>
Cash provided from (used in):		
Operating activities:		
Loss for the year before extraordinary item	\$ (97,107)	\$ (84,011)
Add items not affecting working capital or not relating to operations -		
Deferred income taxes		27,000
Depletion and amortization	37,063	40,950
Loss from Fourem Partnership	17,047	31,000
Loss from Halwell Partnership	40,700	174,324
Mineral property abandoned	14,400	
Net change in non-cash working capital balances related to operations	<u>34,903</u>	<u>47,998</u>
Cash provided from operating activities	<u>47,006</u>	<u>237,261</u>
Investment activities:		
Investment in oil, gas and mineral properties	(111,676)	(320,707)
Less: Shares issued for mineral properties	31,000	
Reversal of provision for claims	<u>26,896</u>	
Cash used in investment activities	<u>(53,780)</u>	<u>(320,707)</u>
Financing activities:		
Share subscriptions received		101,638
Common shares issued	157,638	
Less: share subscriptions received issued for mineral property	(101,638) (31,000)	
Redemption of preferred shares		<u>(44,070)</u>
Cash provided from financing activities	<u>25,000</u>	<u>57,568</u>
Net increase (decrease) in cash during the year	18,226	(25,878)
* Cash position - net, beginning of year	<u>(115,290)</u>	<u>(89,412)</u>
* Cash position - net, end of year	\$ <u>(97,064)</u>	\$ <u>(115,290)</u>

* Cash position comprises cash and term deposit net of bank loans

(See accompanying notes)

TWIN EAGLE RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1987

1. Significant accounting policies

The following is a summary of the Company's significant accounting policies:

(a) Consolidation

The consolidated financial statements include the accounts of Twin Eagle Resources Inc. and its wholly owned subsidiaries, Evergreen Energy Corporation (U.S.), Carousel Resources (U.S.), Inc., Holiday Hills, Inc., and Chateau Padre, Inc. The Company's interest in partnerships is accounted for on the equity basis.

(b) Foreign currency translation

The Company follows the temporal method of translation whereby cash and other monetary assets and liabilities representing amounts owing to or by the Company are translated at year end rates. Other balance sheet items are translated at historical rates. Revenue and expenses of the U.S. subsidiaries are translated at the average rate of exchange for the year, except depletion and amortization which are translated at rates prevailing when the related assets were acquired. Exchange translation gains or losses relating to current monetary items are included in income. Exchange translation gains or losses relating to long term monetary items are amortized to income over the remaining life of the related items.

(c) Income taxes

Income taxes are accounted for by the tax allocation method.

(d) Oil, gas and mineral properties

It is the Company's policy to capitalize the acquisition of mineral properties and to defer related exploration and development costs until such time as the properties are brought into production or abandoned. The costs of the properties are to be amortized over their estimated useful life following commencement of commercial production or written off if abandoned.

The Company follows the full cost method of accounting for gas and oil operations whereby all participation costs of exploring for and developing oil and gas related reserves are capitalized.

Capitalized oil and gas costs are limited to the extent that future estimated revenues at current prices less related expenses will be sufficient to recover such costs. When it is determined that capitalized costs, or some portion thereof, will not be recovered an amount equal to the unrecoverable portion is charged to depletion.

The provision for depletion on oil and gas properties is computed on the unit of production method based on proved reserves of oil and gas. In the unit of production calculation, natural gas reserves and production are converted to equivalent barrels of crude oil based on the relative energy content of each product.

2. Oil, gas and mineral investments and properties

Oil, gas and mineral properties include the following:

	Balance, March 31, 1986	Expended during the year	Partnership loss	Properties abandoned and depletion and amortization	Balance, March 31, 1987
Montana oil and gas partnership (note 2(a))	\$ 127,693		\$(17,047)	\$(1,317)	\$ 109,329
Ohio oil and gas partnership (notes 2(b) and (c))	440,076		(67,596)	(14,400)	358,080
Canadian oil and gas interests (note 3)	919,179	\$ 13,001		(35,746)	896,434
Hemlo claims, Ontario	22,869	75			22,944
Puiseaux claim, Quebec (note 2(d))	29,250	31,000			60,250
Gold Mount claims, B.C. (note 2(e))	116,194	67,600			183,794
	<u>\$1,655,261</u>	<u>\$111,676</u>	<u>\$(84,643)</u>	<u>\$(51,463)</u>	<u>\$1,630,831</u>

(a) The Company, through one of its United States subsidiaries, has a 20 per cent interest in the Fourem Partnership which has a gas gathering and distribution plant and producing wells in Montana.

(b) The Company, through its United States subsidiaries, has a 11 per cent interest in the Halwell Partnership which has producing oil and gas wells in Ohio.

(c) Included in the Ohio oil and gas partnership loss is an amount of \$26,896 representing the reversal of a provision for possible claims against the Company's subsidiaries.

- (d) The Company is party to option agreements wherein it will retain a 50% interest in certain mineral claims located in Puisseaux Township, Quebec. Under an option agreement to acquire an initial 100% interest in the claims the Company has issued 100,000 common shares and is required to issue a further 100,000 common shares (see note 9 (b)).

Under a separate agreement the Company optioned a 50% interest in the claims to a third Company related by common management in consideration for expending \$105,000, which sum has been expended, on exploration and development of the claims.

- (e) Pursuant to an agreement made as at December 30, 1985, the Company has an option to acquire a 25% interest in certain mining claims in the Similkameen Mining Division of British Columbia by committing to spend a minimum of \$133,333 on the exploration, development and evaluation of the claims. At March 31, 1987, the Company had expended the minimum required amount on the claims.

In addition, the Company must pay 1/3 of all option payments due beginning in 1986. The total option payments which the Company has assumed amount to \$36,667 payable in installments ending in December 1988.

On July 16, 1986, the Company entered into an agreement with Newmont Mines Ltd. ("Newmont") relating to the westernmost twelve units of the Grasshopper 1 and Grasshopper 2 mineral claims which form a portion of the claims.

The terms of the agreement provide that Newmont can earn up to a 60% interest in the property by assuming the Company's option payments referred to above and by carrying out the following schedule of exploration work:

	<u>% of interest earned</u>	<u>Amount</u>
Stage I	40%	\$ 250,000
Stage II	55%	200,000
Stage III	60%	<u>550,000</u>
		<u>\$1,000,000</u>

Stage I expenditures must be completed by March 31, 1989.

3. Bank loans

Bank loans comprise the following:

	<u>1987</u>	<u>1986</u>
Demand loan bearing interest at the bank's prime rate plus 1%	<u>\$97,830</u>	<u>\$193,830</u>

The demand loan is repayable from the operating income of certain Canadian oil and gas properties. The Canadian oil and gas properties have been pledged as collateral for this loan.

4. Share capital

Authorized:

20,000,000 common shares without par value
5,000,000 10% non-cumulative, convertible, retractable,
and redeemable (at par), non-voting preference
shares with \$1 par value
Five preferred shares are convertible into one
common share at any time prior to redemption and
are retractable after September 7, 1988.

Issued and outstanding March 31, 1987:

	<u>Number of Shares</u>	
Preference shares:		
Balance, beginning and end of year	<u>1,732,297</u>	<u>\$ 1,732,297</u>
Common shares:		
Balance, beginning of year	1,729,538	14,142,292
Issued for cash	647,335	126,638
Issued for mineral property	<u>100,000</u>	<u>31,000</u>
Balance, end of year	<u>2,476,873</u>	<u>14,299,930</u>
		<u>\$16,032,227</u>

- (a) Pursuant to an agreement dated December 30, 1985 an employee/shareholder contributed funds to the Company to incur eligible Canadian exploration expenses and Canadian development expenses (as defined under the Income Tax Act) and in consideration therefore to receive fully paid shares of the Company. At March 31, 1987 cumulative expenditures totalling \$126,638 were incurred of which \$25,000 was incurred during 1987 and 647,335 shares were issued. As a consequence of these transactions the Company is not entitled to deduct these expenditures for income tax purposes.
- (b) The company is required to redeem the preferred shares in an amount equal to 15% of the net cash flow from operations and capital receipts. At March 31, 1987 the redemptions are in arrears in the sum of \$41,000 (note 9(a)).

(c) Stock options outstanding at March 31, 1987 are as follows:

- (i) to directors for 50,000 common shares exercisable on or before August 29, 1990 at \$.31 per share, and 66,000 common shares exercisable on or before September 30, 1991 at \$.38 per share;
- (ii) to employees for 85,000 common shares exercisable on or before August 29, 1990 at \$.31 per share, and 30,000 common shares exercisable on or before September 30, 1991 at \$.38 per share.

5. Income taxes

(a) The Company has Canadian income tax losses of \$210,000 available to reduce taxable income of future years. These losses expire in 1988.

(b) The Company's U.S. subsidiaries have losses of approximately U.S. \$2,339,000 available to reduce taxable income of future years.

These losses expire as follows:

1995	\$ 704,000
1996	846,000
1997	350,000
1998	215,000
1999	46,000
2000	75,000
2001	60,000
2002	<u>43,000</u>
	<u>\$2,339,000</u>

.....

These losses arise primarily from exploration and development expenditures which have been deferred for financial reporting purposes but which are classified for income taxes as expenses in the year incurred. The potential income tax benefits of these losses have not been recognized in the accounts as realization is not virtually certain.

6. Loss per share

	<u>1987</u>	<u>1986</u>
Loss per share before extraordinary item	<u>\$0.04</u>	<u>\$0.05</u>
Loss per share for the year	<u>\$0.04</u>	<u>\$0.03</u>

Loss per share is calculated using the weighted monthly average number of shares outstanding. There would be no dilutive effect on loss per share as a result of the exercise of outstanding stock options.

7. Related party transactions

In addition to the related party transactions disclosed in note 2(d) and 4(a), the company paid a management fee of \$30,000 (1986 - \$30,000) to a company controlled by related parties.

8. Segmented information

(a) Industry segmentation

The Company's operations comprise the development of natural resource properties.

(b) Geographic segmentation

	<u>1987</u>	<u>Canada</u>	<u>United States</u>	<u>Total</u>
Revenue		\$ <u>311,097</u>	\$ <u>23,460</u>	\$ <u>334,557</u>
Segment operating income (loss)		\$ <u>103,554</u>	\$ <u>(53,909)</u>	\$ 49,645
General corporate expenses				(130,037)
Interest expense				(16,715)
Loss for the year				\$ <u>97,107</u>
Identifiable assets as at March 31, 1987		\$ <u>1,192,401</u>	\$ <u>474,134</u>	\$ <u>1,666,535</u>
	<u>1986</u>	<u>Canada</u>	<u>United States</u>	<u>Total</u>
Revenue		\$ <u>460,540</u>	\$ <u>31,133</u>	\$ <u>491,673</u>
Segment operating income		\$ <u>243,415</u>	\$ <u>(184,832)</u>	\$ 58,583
General corporate expenses				(89,424)
Interest expense				(26,170)
Income tax expense				(27,000)
Extraordinary item				27,000
Loss for the year				\$ <u>57,011</u>
Identifiable assets as at March 31, 1987		\$ <u>1,254,010</u>	\$ <u>579,584</u>	\$ <u>1,833,594</u>

9. Subsequent events

(a) Subsequent to year end the Company entered into an agreement under which agents for the Company shall offer to the public, through the facilities of the Vancouver Stock Exchange, 600,000 units (each consisting of one common share and one series A purchase warrant).

The estimated offering price of \$0.45 per unit is subject to the rules and policies of the Vancouver Stock Exchange. The agents shall receive a commission of 7 1/2%.

- (b) On April 2, 1987, the Company issued 50,000 common shares in connection with the Puiseaux claim.
- (c) On May 25, 1987 the Company issued 212,708 common shares in satisfaction of accounts payable in the amount of \$76,575.

10. Prior period adjustment

As a result of a litigated claim applicable to the years prior to fiscal 1985 the balance of deficit and accounts receivable has been adjusted by the net claim proceeds of \$19,805.

TWIN EAGLE RESOURCES INC.
CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1987

STATEMENT 1

TWIN EAGLE RESOURCES INC.
(Incorporated under the laws of British Columbia)

CONSOLIDATED BALANCE SHEET

JUNE 30, 1987

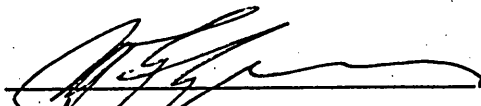
(Unaudited, Prepared by Management)

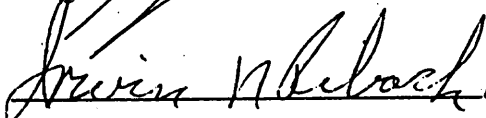
	<u>June 30</u> <u>1987</u>	<u>March 31</u> <u>1987</u>
<u>ASSETS</u>		
Current		
Cash and term deposit	\$ 3,024	\$ 766
Accounts receivable	<u>25,178</u>	<u>34,938</u>
Total current assets	28,202	35,704
Oil, gas and mineral investments and properties (notes 2 and 3)	<u>1,640,786</u>	<u>1,630,831</u>
	<u>\$ 1,668,988</u>	<u>\$ 1,666,535</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Bank loans (note 3)	\$ 74,891	\$ 97,830
Accounts payable and accrued liabilities	231,929	298,245
Deferred revenue	<u>69,984</u>	<u>71,951</u>
Total current liabilities	<u>376,804</u>	<u>468,026</u>
Shareholders' Equity:		
Share capital (note 4)	16,133,802	16,032,227
Deficit (statement 2)	<u>14,841,618</u>	<u>14,833,718</u>
	<u>1,292,184</u>	<u>1,198,509</u>
	<u>\$ 1,668,988</u>	<u>\$ 1,666,535</u>

ON BEHALF OF THE BOARD:

 Director

 Director

(See accompanying notes)

TWIN EAGLE RESOURCES INC.CONSOLIDATED STATEMENT OF INCOME AND DEFICITFOR THE THREE MONTHS ENDED JUNE 30, 1987

(Unaudited, Prepared by Management)

	<u>June 30</u> <u>1987</u>	<u>Year Ended</u> <u>March 31</u> <u>1987</u>
Revenue:		
Oil and gas sales	\$ 52,838	\$ 274,837
Royalties	6,486	54,913
Interest and sundry	<u>5,638</u>	<u>4,807</u>
	64,961	334,557
Loss from Fourem Partnership	(11,436)	(17,047)
Loss from Halwell Partnership (Note 2(c))	<u>-</u>	<u>(40,700)</u>
	<u>53,525</u>	<u>276,810</u>
Expenses:		
Production and selling	28,802	175,702
General and administrative	24,525	130,037
Depletion and amortization	5,906	37,063
Interest	2,192	16,715
Mineral property abandoned	<u>-</u>	<u>14,400</u>
	<u>61,425</u>	<u>373,917</u>
Loss for the period (note 6)	7,900	97,107
Deficit, beginning of the period	<u>14,833,718</u>	<u>14,736,611</u>
Deficit, end of the period	<u>\$14,841,618</u>	<u>\$14,833,718</u>

(See accompanying notes)

TWIN EAGLE RESOURCES INC.CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE THREE MONTHS ENDED JUNE 30, 1987
(Unaudited, Prepared by Management)

	<u>June 30</u> <u>1987</u>	<u>Year</u> <u>Ended</u> <u>March 31</u> <u>1987</u>
Cash provided from (used in):		
Operating activities:		
Loss for the period	\$ (7,900)	\$ (97,107)
Add items not affecting working capital or not relating to operations -		
Depletion and amortization	5,906	37,063
Loss from Fourem Partnership	11,436	17,047
Loss from Halwell Partnership	-	40,700
Mineral property abandoned	-	14,400
Net change in non-cash working capital balances related to operations	<u>(58,523)</u>	<u>34,903</u>
Cash provided from operating activities	<u>(49,081)</u>	<u>47,006</u>
Investment activities:		
Investment in oil and gas and mineral properties	(27,297)	(111,676)
Less: Shares issued for mineral properties	25,000	31,000
Reversal of provision for claims	-	26,896
Cash used in investment activities	<u>(2,297)</u>	<u>(53,780)</u>
Financing activities:		
Common shares issued	101,575	157,638
Less: share subscriptions received	-	(101,638)
issued for mineral property	<u>(25,000)</u>	<u>(31,000)</u>
Cash provided from financing activities	<u>76,575</u>	<u>25,000</u>
Net increase (decrease) in cash during the period	25,197	18,226
* Cash position - net, beginning of period	<u>(97,064)</u>	<u>(115,290)</u>
* Cash position - net, end of period	<u>\$ (71,867)</u>	<u>\$ (97,064)</u>
* Cash position comprises cash and term deposit net of bank loans		

(See accompanying notes)

TWIN EAGLE RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1987

1. Significant accounting policies

The following is a summary of the Company's significant accounting policies:

(a) Consolidation

The consolidated financial statements include the accounts of Twin Eagle Resources Inc. and its wholly owned subsidiaries, Evergreen Energy Corporation (U.S.), Carousel Resources (U.S.) Inc., Holiday Hills, Inc., and Chateau Padre, Inc.

The Company's interest in partnerships is accounted for on the equity basis.

(b) Foreign Currency Translation

The Company follows the temporal method of translation whereby cash and other monetary assets and liabilities representing amounts owing to or by the Company are translated at year end rates. Other balance sheet items are translated at historical rates. Revenue and expenses of the U.S. subsidiaries are translated at the average rate of exchange for the year, except depletion and amortization which are translated at rates prevailing when the related assets were acquired. Exchange translation gains or losses relating to current monetary items are included in income. Exchange translation gains or losses relating to long term monetary items are amortized to income over the remaining life of the related items.

(c) Income Taxes

Income taxes are accounted for by the tax allocation method.

(d) Oil, Gas and Mineral Properties

It is the Company's policy to capitalize the acquisition of mineral properties and to defer related exploration and development costs until such time as the properties are brought into production or abandoned. The costs of the properties are to be amortized over their estimated useful life following commencement of commercial production or written off if abandoned.

The Company follows the full cost method of accounting for gas and oil operations whereby all participation costs of exploring for and developing oil and gas related reserves are capitalized.

1. (d) Oil, Gas and Mineral Properties (Cont'd)

Capitalized oil and gas costs are limited to the extent that future estimated revenues at current prices less related expenses will be sufficient to recover such costs. When it is determined that capitalized costs, or some portion thereof, will not be recovered an amount equal to the unrecoverable portion is charged to depletion.

The provision for depletion on oil and gas properties is computed on the unit of production method based on proved reserves of oil and gas. In the unit of production calculation, natural gas reserves and production are converted to equivalent barrels of crude oil based on the relative energy content of each product.

2. Oil, gas and mineral properties

Oil, gas and mineral properties include the following:

	Balance March 31, 1987	Expended during the year	Partner- ship loss	Depletion and Amortization	Balance June 30 1987
Montana oil & gas partnership and other interests (note 2 (b))	\$ 109,329	\$ -	\$(11,436)	\$ (329)	\$ 97,564
Ohio oil & gas partnership (note 2(c))	358,080	-	-	-	358,080
Canadian oil & gas interests (Note 3)	896,434	(1,618)	-	(5,577)	889,239
Hemlo claims, Ontario	22,944	16,915	-	-	39,859
Puisseaux claim, Quebec (note 2(d))	60,250	25,000	-	-	85,250
Gold Mount claims, B.C. (Note 2(e) & 7)	183,794	(13,000)	-	-	170,794
	<u>\$1,630,831</u>	<u>\$ 27,297</u>	<u>\$(11,436)</u>	<u>\$(5,906)</u>	<u>\$1,640,786</u>
	=====	=====	=====	=====	=====

(a) Accumulated depletion on the Canadian oil and gas interests amounts to \$927,228 at June 30, 1987 (March 31, 1987 - \$921,651).

(b) The Company, through one of its United States subsidiaries, has a 20 per cent interest in the Fourem Partnership which has a gas gathering and distribution plant and producing wells in Montana;

2. Oil, gas and mineral properties (Cont'd)

- (c) The Company, through its United States subsidiaries, has an 11 per cent interest in the Halwell Partnership which has producing oil and gas wells in Ohio. Amounts shown reflect the Company's interest in the Partnership at December 31, 1986 as no financial information is available for the current period. Management is not aware of any material changes in the underlying book value of this investment.
- (d) The Company is party to option agreements wherein it will retain a 50% interest in certain mineral claims located in Puisseaux Township, Quebec. Under an option agreement to acquire an initial 100% interest in the claims the Company has issued 150,000 common shares and is required to issue a further 50,000 common shares.

Under a separate agreement the Company optioned a 50% interest in the claims to a third Company related by common management in consideration for expending \$105,000, which sum has been expended, on exploration and development of the claims.

- (e) Pursuant to an agreement made as at December 30, 1985, the Company has an option to acquire a 25% interest in certain mining claims in the Similkameen Mining Division of British Columbia by committing to spend a minimum of \$133,333 on the exploration, development and evaluation of the claims. At March 31, 1987, the Company had expended the minimum required amount on the claims.

In addition, the Company must pay 1/3 of all option payments due beginning in 1986. The total option payments which the Company has assumed amount to \$36,667 payable in installments ending in December 1988.

On July 16, 1986, the Company entered into an agreement with Newmont Mines Ltd. ("Newmont") relating to the westernmost twelve units of the Grasshopper 1 and Grasshopper 2 mineral claims which form a portion of the claims.

The terms of the agreement provide that Newmont can earn up to a 60% interest in the property by assuming the Company's option payments referred to above and by carrying out the following schedule of exploration work:

	<u>% of interest earned</u>	<u>Amount</u>
Stage I	40%	\$ 250,000
State II	55%	200,000
State III	60%	<u>550,000</u>
		<u>\$1,000,000</u>

Stage I expenditures must be completed by March 31, 1989.

3. Bank loans

Bank loans comprise the following:

	<u>June 30</u> <u>1987</u>	<u>March 31</u> <u>1987</u>
Demand loan bearing interest at the bank's prime rate plus 1%	\$ 74,891	\$ 97,830

The demand loan is repayable from the operating income of certain Canadian oil and gas properties. The Canadian oil and gas properties have been pledged as collateral for this loan.

4. Share capital

Authorized:

- 20,000,000 common shares without par value
- 5,000,000 10% non-cumulative, convertible, retractable,
and redeemable (at par), non-voting preference
shares with \$1.00 par value.
- Five preferred shares are convertible into one
common share at any time prior to redemption and
are retractable after September 7, 1988.

Issued and outstanding June 30, 1987:

	<u>Number of</u> <u>Shares</u>	<u>Amount</u>
Preference shares:		
Balance, beginning and end of period	<u>1,732,297</u>	<u>\$ 1,732,297</u>
Common shares:		
Balance, beginning of period	2,476,873	14,299,930
Issued for debt settlement	212,708	76,575
Issued for mineral property	<u>50,000</u>	<u>25,000</u>
Balance, end of period	<u>2,739,581</u>	<u>14,401,505</u>
		<u>\$16,133,802</u>

(a) The company is required to redeem the preferred shares in an amount equal to 15% of the net cash flow from operations and capital receipts. At June 30, 1987 the redemptions are in arrears in the sum of \$45,378.

(b) Stock options outstanding at June 30, 1987 are as follows:

- (i) to directors for 50,000 common shares exercisable on or before August 29, 1990 at \$0.31 per share, and 66,000 common shares exercisable on or before September 30, 1991 at \$0.38 per share.
- (ii) to employees for 85,000 common shares exercisable on or before August 29, 1990 at \$0.31 per share, and 30,000 common shares exercisable on or before September 30, 1991 at \$0.38 per share.

5. Income taxes

- (a) The Company has Canadian income tax losses of \$210,000 available to reduce taxable income of future years. These losses expire in 1988.
- (b) The Company's U.S. subsidiaries have losses of approximately U.S. \$2,339,000 available to reduce taxable income of future years.

These losses expire as follows:

1995	\$	704,000
1996		846,000
1997		350,000
1998		215,000
1999		46,000
2000		75,000
2001		60,000
2002		43,000
	\$	<u>2,339,000</u>

These losses arise primarily from exploration and development expenditures which have been deferred for financial reporting purposes but which are classified for income taxes as expenses in the year incurred. The potential income tax benefits of these losses have not been recognized in the accounts as realization is not virtually certain.

6. Loss per share

	<u>June 30</u> <u>1987</u>	<u>March 31</u> <u>1987</u>
Loss per share for the period	\$ <u>0.01</u>	\$ <u>0.04</u>

Loss per share is calculated using the weighted monthly average number of shares outstanding. There would be no dilutive effect on loss per share as a result of the exercise of outstanding stock options.

7. Government Assistance

The company received a grant under the British Columbia provincial government Financial Assistance for Mineral Exploration (FAME) program of \$13,000. This amount is shown as a reduction of exploration costs.

8. Public Offering

The Company has entered into an agreement under which agents for the Company shall offer to the public, through the facilities of the Vancouver Stock Exchange, 600,000 units (each consisting of one common share and one series A purchase warrant).

The estimated offering price of \$0.45 per unit is subject to the rules and policies of the Vancouver Stock Exchange. The agents shall receive a commission of 7 1/2%.

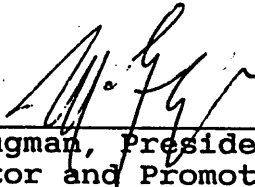
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CERTIFICATE OF THE DIRECTORS

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.


August 26, 1987

(Date)


Max Fugman, President,
Director and Promoter


Irwin Riback, Director


William McCann, Director


Joanne Tymkiw, 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 as required by the Securities Act and its Regulations.

August 26, 1987

(Date)

HAYWOOD SECURITIES INC.

Per: 

Authorized Signatory

YORKTON SECURITIES INC.

Per: 

Authorized Signatory

WOLVERTON & COMPANY

Per: 

Authorized Signatory