RM/LD [redacted] 92I/15W

THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THESE SECURITIES ONLY IN THOSE JURI. WHERE THEY MAY BE LAWFULLY OFFERED FOR SALE AND THEREIN ONLY BY PERSONS PERMITTE SUCH SECURITIES. NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. 009925

Deadman Property

**PROSPECTUS**
**NEW ISSUE**

DATED: May 1, 1989

[redacted]
92INE 063 [redacted]

# BU-MAX GOLD CORP.

Suite 304 - 700 West Pender Street
Vancouver, British Columbia, V6C 1G8

(the "Issuer")

**700,000 COMMON SHARES (4)**

**PRICE: $0.35 PER COMMON SHARE**

Rcvd: July 26/89

| | Price to Public (2) | Agent's Commission | Proceeds to Corporation (1) |
|---|---|---|---|
| Per Common Share: | $0.35 | $0.05 | $0.30 |
| Total: | $245,000 | $35,000 | $210,000 |

(1) Before deducting the expenses of this issue estimated at $45,000.

(2) The price of the common shares has been determined in negotiation with the Agent.

(3) The Agent has agreed to purchase all the shares not subscribed for at the conclusion of the Offering. In consideration therefor, the Issuer has granted the Agent non-transferable warrants to purchase 175,000 common shares at a price of $0.35 per share during the first year and at a price of $0.4025 per share during the second year of the term of the Agent's Warrants. Further reference should be made to "Plan of Distribution," page 1.

(4) The size of the Offering may be increased by up to 15% pursuant to the Greenshoe Option. See "Plan of Distribution."

**THERE IS NO MARKET THROUGH WHICH THESE SECURITIES MAY BE SOLD.**

THE AGENT'S WARRANTS HAVE BEEN DISTRIBUTED TO THE AGENT UNDER THE PROSPECTUS. ANY SHARES ACQUIRED BY THE AGENT UNDER ITS GUARANTEE WILL ALSO BE DISTRIBUTED UNDER THIS PROSPECTUS, AS WILL ANY SHARES ISSUED PURSUANT TO THE GREENSHOE OPTION. ANY OF THE UP TO 175,000 COMMON SHARES ACQUIRED BY THE AGENT ON EXERCISE OF THE AGENT'S WARRANTS MAY BE SOLD PURSUANT TO THE *SECURITIES ACT* AND ITS REGULATIONS WITHOUT FURTHER QUALIFICATION. THE SELLER WILL RECEIVE THE PROCEEDS FROM THE SALE OF SUCH SHARES AND NONE OF THESE PROCEEDS WILL ACCRUE TO THE ISSUER.

A PURCHASE OF THE SECURITIES OFFERED BY THIS PROSPECTUS MUST BE CONSIDERED A SPECULATION. THE PROPERTIES IN WHICH THE ISSUER HAS AN INTEREST ARE IN THE EXPLORATION AND DEVELOPMENT STAGE ONLY AND ARE WITHOUT A KNOWN BODY OF COMMERCIAL ORE. NO SURVEY OF THE PROPERTIES OF THE ISSUER HAS BEEN MADE AND THEREFORE IN ACCORDANCE WITH THE LAWS OF THE JURISDICTION IN WHICH THE PROPERTIES ARE SITUATE, THEIR EXISTENCE AND AREA COULD BE IN DOUBT. SEE "RISK FACTORS" PAGE 19.

THE ISSUE PRICE TO THE PUBLIC PER COMMON SHARE EXCEEDED THE NET BOOK VALUE PER COMMON SHARE AT FEBRUARY 28, 1989 BY $0.227 REPRESENTING A DILUTION OF 51.4% AFTER GIVING EFFECT TO THIS OFFERING.

UPON COMPLETION OF THE OFFERING THIS ISSUE WILL REPRESENT 34.35% OF THE COMMON SHARES OF THE ISSUER THEN OUTSTANDING. THE COMMON SHARES NOW OWNED BY CONTROLLING PERSONS, PROMOTERS, DIRECTORS AND SENIOR OFFICERS OF THE ISSUER WILL REPRESENT 40.80% OF THE COMMON SHARES WHICH WILL BE ISSUED AND OUTSTANDING ON COMPLETION OF THIS OFFERING. THESE CALCULATIONS EXCLUDE THE EFFECT OF THE ISSUANCE OF COMMON SHARES UPON THE EXERCISE OF STOCK OPTIONS. SEE "OPTIONS TO PURCHASE SECURITIES" PAGE 22.

THE VANCOUVER STOCK EXCHANGE HAS CONDITIONALLY LISTED THE SECURITIES BEING OFFERED PURSUANT TO THIS PROSPECTUS. LISTING IS SUBJECT TO THE ISSUER FULFILLING ALL THE LISTING REQUIREMENTS OF THE VANCOUVER STOCK EXCHANGE ON OR BEFORE JULY 4, 1989 INCLUDING PRESCRIBED DISTRIBUTION AND FINANCIAL REQUIREMENTS.

ONE OR MORE OF THE DIRECTORS OF THE ISSUER HAS AN INTEREST, DIRECT OR INDIRECT, IN OTHER NATURAL RESOURCE COMPANIES. REFERENCE SHOULD BE MADE TO THE ITEM "DIRECTORS AND OFFICERS," PAGE 21, FOR A COMMENT AS TO THE RESOLUTION OF POSSIBLE CONFLICTS OF INTEREST.

NO PERSON IS AUTHORIZED BY THE ISSUER TO PROVIDE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE ISSUE AND SALE OF THE SECURITIES OFFERED BY THE ISSUER.

WE, AS AGENT, CONDITIONALLY OFFER THESE SECURITIES SUBJECT TO PRIOR SALE, IF, AS AND WHEN ISSUED BY THE ISSUER AND ACCEPTED BY US IN ACCORDANCE WITH THE CONDITIONS CONTAINED IN THE AGENCY AGREEMENT REFERRED TO UNDER THE ITEM "PLAN OF DISTRIBUTION" OF THIS PROSPECTUS.

**AGENT**

**WOLVERTON SECURITIES LTD.**
1700 - 701 West Georgia Street
Vancouver, British Columbia, V7Y 1J5
EFFECTIVE DATE: MAY 5, 1989

PROPERTY FILE

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## STATUTORY RIGHTS OF RESCISSION AND WITHDRAWAL

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





## PROSPECTUS SUMMARY

The information given below is intended to provide a summary only of the principal features of the Offering. Reference is made to the detailed information appearing elsewhere in the Prospectus.

**The Offering:**

| | |
|---|---|
| Offering: | 700,000 Common Shares |
| Gross Proceeds: | $245,000 |
| Price: | $0.35 per Common Share |
| Net Proceeds: | $210,000 |

The Agent has agreed to purchase all the shares unsubscribed for at the conclusion of the Offering. In consideration therefor, the Issuer has granted the Agent non-transferable warrants to purchase 175,000 common shares. These warrants are exercisable at any time up to the close of business not more than two years from the date on which the common shares of the Issuer are listed, posted and called for trading on the Exchange, at a price of $0.35 per share during the first year and at a price of $0.4025 per share during the second year of their term. The Agent may sell any shares acquired on the exercise of the warrants pursuant to the Securities Act or its regulations without further qualification.

**Greenshoe:**

The Agent is entitled to over allot the common shares of the Issuer in connection with this Offering, and the Issuer has granted the Agent an option (the "Greenshoe Option") to sell at $0.35 per share the lesser of 15% of the Offering or the actual number of common shares subscribed for by way of an oversubscription. The Greenshoe Option is exercisable for a period of 60 calendar days from the Offering Day. See "Plan of Distribution".

**The Issuer:**

The principal business which the Issuer carries on or intends to carry on is the acquisition, exploration and development of natural resource properties.

**The Property:**

In addition to two mineral claims acquired by staking, the Issuer has been granted options to acquire a 75% interest in one mineral claim and a 100% interest (subject to a 5% net smelter return) in two mineral claims. The five claims are known as the Deadman property, totalling 76 units, located in the Kamloops Mining Division, British Columbia.

**Use of Proceeds:**

The Issuer intends to undertake a Phase I exploration programme of $72,712 including geological mapping, geochemical surveys, stripping, trenching and compilation of data. The balance of the proceeds from the offering will be used to provide for reserves to make payments under option agreements to acquire the mineral claims, to pay liabilities and to provide working capital. If the results of the Phase I exploration programme warrant, the Issuer will undertake part of a Phase II exploration programme costing an estimated $135,048, for which it will have to raise additional financing in order to complete the programme.

**Risk Factors:**

The securities offered hereby are speculative investments, and prospective purchasers should consider a number of risk factors. The Issuer's business is subject to the risks normally encountered in mineral resource exploration and development. The property of the Issuer is in the exploration and development stage only and is without a known body of commercial ore. No survey of the property of the Issuer has been made; therefore, in accordance with the laws of the jurisdiction in which the property is situated, its existence and area could be in doubt. In order to earn its interest in the Deadman property, the Issuer must make option payments and incur significant exploration expenditures by December 31, 1989. Failure to meet these obligations will result in a forfeiture of the Issuer's right to earn an interest in the mineral claims. None of the Issuer's directors or officers have any direct experience in mining, geologic or exploration activities.

## NAME AND INCORPORATION

Bu-Max Gold Corp. was incorporated on May 26, 1987, by Memorandum and Articles under the Company Act (British Columbia) and will become a reporting issuer in British Columbia on the date a final receipt is issued with respect to this prospectus by the British Columbia Securities Commission. The address of the principal office of the Issuer is Suite 304 - 700 West Pender Street, Vancouver, British Columbia, V6C 1G8, and its registered and records offices are located at 1500 - 885 West Georgia Street, Vancouver, British Columbia, V6C 3H7.

## PLAN OF DISTRIBUTION

Pursuant to an Agency Agreement dated March 14, 1989, between the Issuer and Wolverton Securities Ltd., the Issuer has appointed Wolverton Securities Ltd. (the "Agent") as its agent to offer for sale to the public through the facilities of the Vancouver Stock Exchange (the "Exchange") 700,000 common shares of the Issuer offered herein at $0.35 per common share, subject to the terms and conditions in the Agency Agreement (the "Offering"). The Offering will be made in accordance with the rules and policies of the Exchange on a day (the "Offering Day") on or before July 4, 1989, determined by the Agent and the Issuer with the consent of the Exchange.

The Agent will receive a commission of $0.05 per common share sold. The Agent has agreed to purchase any and all shares which remain unsubscribed for at the conclusion of the Offering (the "Guarantee"). In consideration therefor, the Agent has been granted non-transferable share purchase warrants (the "Agent's Warrants") to purchase 175,000 common shares of the Issuer at any time up to the close of business two years from the day on which the common shares of the Issuer are listed, posted and called for trading on the Exchange, at a price of $0.35 per share during the first year and at a price of $0.4025 per share during the second year of their term.

The Agent is entitled to over allot the common shares of the Issuer in connection with this Offering, and the Issuer has granted to the Agent an option (the "Greenshoe Option") to sell at $0.35 per share, such number of shares of the Issuer which is the lesser of 15% of the Offering or the actual number of shares subscribed for by way of oversubscription. The Greenshoe Option will be exercisable for a period of 60 calendar days from the Offering Day. The number of shares subject to the Greenshoe Option will be determined following the Offering Day but before the shares of the Issuer are listed, posted and called for trading on the Exchange. Alternatively, the Agent may cover such over allotment by purchasing the Issuer's shares in the open market through the facilities of the Exchange at the market price from time to time during the exercise period of the Greenshoe Option.

The Agent's Warrants will contain, among other things, anti-dilution provisions and provisions for appropriate adjustment of the class, number and price of shares issuable pursuant to any exercise thereof upon the occurrence of certain events including any subdivision, consolidation or reclassification of the Issuer's common shares or the payment of stock dividends.

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 parts of the commission or bonuses derived from this Offering.

The obligations of the Agent under the Agency Agreement may be terminated prior to the day on which the shares of the Issuer are listed, posted and called for trading on the Exchange at the discretion of the Agent 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 stated events.

The Issuer has granted the Agent a right of first refusal to provide future equity financing to the Issuer for a period of 12 months from the Effective Date.

The Exchange has conditionally listed the securities of the Issuer being offered pursuant to this Prospectus. Listing is subject to the Issuer fulfilling all the listing requirements of the Exchange on or before July 4, 1989, including prescribed distribution and financial requirements.

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.

Directors, officers and other insiders of the Issuer may purchase shares from the Offering.

This Prospectus also qualifies the issuance of the Agent's Warrants, the issuance of any common shares pursuant to the Greenshoe Option and the sale, at the market price at time of sale, of any common shares acquired by the Agent pursuant to the Guarantee. The Agent is entitled under the Securities Act and its regulations to sell any shares acquired on the exercise of the Agent's Warrants without further qualification. The Company will not receive any proceeds from the sale of such shares by the Agent, all of which proceeds will accrue to the Agent.



**USE OF PROCEEDS**

The gross proceeds to be received by the Issuer from the sale of the securities offered hereunder will be approximately $245,000, from which will be deducted commissions of $35,000, leaving net proceeds of $210,000. The principal purposes for which these funds are to be spent, together with cash on hand as at May 1, 1989 of $2,347, are as set out in the following table, in order of priority:

| | | |
|---|---|---|
| (a) | To pay the legal, audit and printing expenses of this Prospectus, estimated at | $ 45,000 |
| (b) | To pay the following accounts as at May 1, 1989*: | |
| | (i) Shareholder loan | 6,389 |
| Deadman Property: | | |
| (c) | To carry out Phase I of the exploration programme recommended by Stillwater Enterprises Ltd. in their report dated May 1988 | 72,712 |
| (d) | Reserve to make option payment due within five days of listing on the Vancouver Stock Exchange under the Conpak Agreement | 10,000 |
| (e) | Working Capital | 78,246 |
| | TOTAL: | $212,347 |

* Refer to "Interest of Management and Others in Material Transactions" and "Other Material Facts".

Any excess in the proceeds received and any proceeds received from the exercise of the Agent's Warrants or the sale of any common shares issued pursuant to the Greenshoe Option will be added to the working capital of the Issuer.

Athough the above use of proceeds describes Management's best present expectations, variations may be made in the expenditure of the net proceeds received based upon the results of the exploration and development programme on the Deadman Property. If the results of the Phase I exploration programme warrant, the Issuer will proceed to a Phase II exploration programme at an estimated cost of $135,048, for which the Issuer will have to raise additional financing in order to complete that programme. (See "Properties of the Issuer" below.)

No part of the proceeds shall be used to invest, underwrite or trade in securities other than those that qualify as investments in which trust funds may be invested under the laws of the jurisdictions in which the securities offered by this Prospectus may lawfully be sold.

Should the Issuer intend to use the proceeds to acquire other than trustee-type securities, approval by the shareholders of the Issuer must first be obtained, and notice of that intention must be filed with the securities regulatory authorities having jurisdiction over the sale of the securities offered by this Prospectus.

The Issuer may, pursuant to the written recommendations of a qualified engineer or geologist, abandon in whole or in part any of its property or may alter, as work progresses, the recommended work programmes, or may make arrangements for the performance of all or any portion of such work by other persons or companies and may use any money not so expended for the purpose of conducting work or examining other properties acquired by the Issuer after the date of this Prospectus. If any such event occurs during the primary distribution of the securities offered by the Prospectus an amendment will be filed. If any such event occurs subsequent to completion of the primary distribution, shareholders will be notified in accordance with the requirements of the appropriate regulatory authorities.

## DESCRIPTION OF BUSINESS

The principal business of the Issuer is the acquisition, exploration and development of natural resource properties of merit. The Issuer intends to seek and acquire additional properties worthy of exploration and development.

## PROPERTIES OF THE ISSUER

The Deadman property consists of five mineral claims located in the Kamloops Mining Division, British Columbia, as set out in the following table:

| Claim Name | Record Number | Record Date | Expiry Date | Number Units |
|---|---|---|---|---|
| Cayuse | 2986 | September 24, 1980 | September 24, 1989 | 12 |
| Cayuse 2 | 6841 | November 7, 1986 | November 7, 1989 | 4 |
| Goldgiant 1 | 6840 | November 7, 1986 | November 7, 1989 | 20 |
| G.I. Joey 1 | 7053 | May 29, 1987 | May 29, 1989 | 20 |
| G.I. Joey 2 | 7054 | May 29, 1987 | May 29, 1989 | 20 |



By arm's-length agreement dated August 13, 1987, as amended by agreements dated December 31, 1987, and November 28, 1988, with Conpak Seafoods Inc., of Post Office Box 13008, 2nd Floor - 31 Pippy Place, St. John's, Newfoundland (the "Conpak Agreement"), the Issuer was granted an option to purchase an undivided 75% interest in and to the Cayuse mineral claim by:

(a) paying $2,500.00 to Conpak on execution of the Conpak Agreement (this amount has been paid);

(b) making the following option payments:

  (i) $5,000.00 on or before March 31, 1988 (this amount has been paid);

  (ii) $10,000.00 within five business days after the day on which the shares of the Issuer are posted and called for trading on the Vancouver Stock Exchange;

  (iii) $20,000.00 on or before December 31, 1989; and

(c) making Exploration Expenditures as follows:

  (i) $5,000.00 on or before December 31, 1987;

  (ii) $85,000.00 on or before June 30, 1989;

  (iii) $110,000.00 on or before December 31, 1989.

Should the Issuer spend less than the required amount on Exploration Expenditures in any year, it may, before the end of the year, make up the difference between the actual amount spent and the amount required to be spent by paying Conpak the difference. Any amounts spent in excess of the required amounts will be applied to the amount to be expended in the next year. If the Issuer fails to make the payments or incur the Exploration Expenditures required under the terms of the Conpak Agreement, the option shall terminate and the Issuer shall not have any interest in the Cayuse mineral claim. To May 31, 1988, the Issuer had paid the $2,500.00 due on execution of the Conpak Agreement and the first option payment of $5,000.00. The Conpak Agreement does not provide for the formation of a joint venture upon exercise of the option by the Issuer.

The Issuer acquired its interest in the Goldgiant 1 and Cayuse 2 mineral claims from Gary Medford, of 3894 West 37th Avenue, Vancouver, British Columbia, V6N 2W3, by arm's-length agreement dated June 16, 1987, as amended December 18, 1987, March 31, 1988, July 25, 1988, November 23, 1988 and March 10, 1989 (the "Medford Agreement"). Under the Medford Agreement, the Issuer will acquire a 100% interest in and to the Goldgiant 1 and Cayuse

2 mineral claims, subject to a 5% net smelter return interest reserved to Gary Medford, upon paying a total of $5,000.00 and issuing 56,429 shares as follows:

(a) Payments:

(i) $5,000.00 upon execution of the Medford Agreement (this amount has been paid);

(b) Share Issuances:

(i) 10,000 shares by spending $30,000.00 on Exploration Expenditures on or before December 31, 1987 (these shares have been issued);

(ii) 21,429 shares within five business days of the Effective Date of this Prospectus;

(iii) 25,000 shares upon having spent $180,000.00 on Exploration Expenditures on or before December 31, 1990.

The share issuance set out in clause (iii) is subject to the filing with the Vancouver Stock Exchange of an acceptable engineering report recommending further work on the claims.

Should the Issuer spend less than the required amount on Exploration Expenditures in any year, it may, before the end of the year, make up the difference between the actual amount spent and the amount required to be spent by paying Medford the difference. Any amounts spent in excess of the required amounts will be applied to the amount to be expended in the next year. If the Issuer fails to make the payments, incur Exploration Expenditures or issue the shares as set out above, it will lose all its interest in the Goldgiant 1 and Cayuse 2 mineral claims. The Issuer has paid the $5,000.00 required to be paid on execution of the Medford Agreement and issued the first 10,000 shares.

The Issuer acquired by staking the G.I. Joey 1 and 2 mineral claims for $3,520, representing the cost of staking, from Stetson Resource Management Corp. ("Stetson") of 13 - 1155 Melville Street, Vancouver, British Columbia, a company owned 100% by John Dupuis, a former director of the Issuer, which staked the claims on behalf of the Company.

**The Report**

The following information on the geology, physiography and economic potential of a precious metal prospect covered by the Deadman property is extracted from the report of Stillwater Enterprises Ltd. dated May 1988, a copy of which may be inspected during normal business hours at the registered office of the



Issuer, 1500 - 885 West Georgia Street, Vancouver, British Columbia.

**Location and Access**

The Deadman property is situated in the Kamloops Mining Division in southern central British Columbia, approximately 50 air kilometers west-northwest of the city of Kamloops, and 20 air kilometers north of the village of Savona. The claim blocks cover 19 square kilometers (76 units) centered at 50°57'N and 120°55'W on NTS map sheet 92I/15W. Claim locations were verified by legal (and other) corner posts and blazed-flagged lines.

Distance by road from Kamloops to the property is 55 kilometers via the Trans Canada Highway and Deadman River Road, an all weather gravel road. Range roads cover most of the claims, providing excellent summer access and good four wheel drive access during the winter.

**Physiography and Climate**

The claims are situated in the southern part of the Interior Plateau within the Intermontane Belt. The region has a semi-arid climate; mean annual precipitation in the area ranges between 30 and 40 centimeters. Temperatures reach a low of -30°C in winter and exceed 40°C in summer. Elevations on the property range from 550 meters to 1,100 meters above sea level and the terrain is characterized by generally broad, forested hills and locally, steep-sided valleys.

**History**

The Deadman property area has been prospected since the late 1800's. Initially the area was explored for gold and copper. Independent placer operations worked Deadman River and Criss Creek intermittently up to the 1940's. Two lode prospects, the Veron and the Diamond S, contained pyrite mineralization, with minor copper, molybdenum, zinc and lead. Two mercury showings have been worked on the north side of Criss Creek above Criss Creek road. Exploration included the construction of short adits, pits and trenches.

Recent exploration over the area covered by the Deadman property has included geological mapping, geochemical, rock and soil sampling, and diamond drilling by Andex Mines Ltd. in 1972 and by Guichon Explorco Ltd. in 1981 and 1982. Anomalous gold, silver and arsenic zones were delineated in the soils. These zones were covered by the 1987 grids to confirm and further delineate the geochemical anomalies.

AR 4305

## 1987 Exploration Program

In 1987 an exploration program was undertaken by geologists, prospectors and field technicians employed by Stetson Resource Management Corp. under the direction of J.C. Freeze of Stillwater Enterprises Ltd. Approximately $90,000 was spent. The following surveys were carried between November 12 and December 1, 1987 and January 28 and February 2, 1988:

1. geological mapping was carried out over the center portion of the property at a scale of 1:10,000;

2. rock chip sampling of quartz and calcite veins, quartz-carbonate stockwork zones, hydrothermal alteration zones and all pyritic rocks was carried out;

3. grid preparation and "B" horizon soil sampling were carried out over three areas of the claim block. A total of 1,453 samples were collected at 25 meter stations along grid lines spaced 50 and 100 meters apart;

4. heavy mineral concentrate sampling was carried out on all major drainages in the property area; and

5. stream sediment sampling was carried out at two locations in the property area.

# GEOLOGY

## Regional Geology

The Deadman River valley was mapped as part of the Nicola Map Sheet No. 886A by W.E. Cockfield of the Geological Survey of Canada between 1939 and 1943. The oldest units in the area are the Triassic volcanic and sedimentary rocks of the Nicola group. These rocks are now considered the southern equivalent of the Takla volcanics which comprise the Quesnel Trough. The Nicola group is overlain by Cretaceous sediments which have been intruded by Upper Cretaceous igneous rocks known as the Copper Creek Intrusions. The Cretaceous sediments and Copper Creek Intrusions are overlain by Tertiary volcanic rocks of the Kamloops group. Overlying the Kamloops group volcanics is a small wedge of thin bedded Tertiary sediments known locally as the Tranquille Beds.

## Regional Mineralization

Both the Nicola and Takla volcanic packages host several base and precious metal occurrences and deposits. A significant deposit of precious and accessory base metal mineralization is located on Vidette Lake 30 kilometers north of the Deadman property. During the 1930's the mine produced 29,869 ounces of gold, 45,573 ounces



of silver, 96,614 pounds of copper and 356 pounds of lead from 54,199 tons milled. The average grade of the deposit was 0.55 oz per ton gold, 0.84 oz per ton silver, 0.09% copper and 0.0003% lead.

Ore deposits in the mine are described by Cockfield (1935) and B.C.M.M.A.R. (1936) as narrow continuous veins of quartz and sulphide clusters hosted by augite andesites of the Triassic Nicola group. The Nicola group is crosscut by granitic dykes indicating that a deeper seated intrusive body lies at depth.

Wall rock alteration is not considered important in the mine and leeching is rare.

A steeply dipping northwesterly trending fault, Tertiary or younger in age, appears to control the mineralization.

Several episodes of faulting are apparent at the mine. The gold and silver is believed to be part of a chalcopyrite-quartz-telluride mineralization phase which followed both the original quartz-pyrite fissure filling and subsequent brecciation caused by fault movement. Further episodes of faulting truncated and brecciated the ore shoots. Barren calcite veins also crosscut the ore shoots. Films of crystalline gypsum covering joint planes in quartz are believed to have precipitated from circulating meteoric waters which acidified under pyrite oxidation and dissolved calcium carbonate from the wall rocks and veins and precipitated it as calcium sulphate.

The Vidette ore body is believed to fit an epithermal deposit model called the Closed-cell convection type which is characterized by the following features:

1. An extensive dipping structure that acts as a channel way for mineralizing fluids;

2. Episodic brecciation and faulting followed by silicification and carbonate precipitation;

3. The presence of meteoric waters heated by cooling intrusive bodies at depth; and

4. Impermeable host rocks that restrict meteoric fluids to the main structure.

## Property Geology

The oldest rocks on the Deadman property belong to the Triassic Nicola group. These comprise andesite volcanics and cherty sediments. The volcanic assemblage consists of medium to dark green andesite flows, tuffs and breccias. The flows and tuffs are generally fine grained; breccia clasts vary in size up to 20 centimeters. Breccia clasts comprise Nicola volcanic flow rock and minor amounts of rhyolite and siliceous sediment clasts, both exhibiting dissolution features.

The volcanics are generally chloritized with varying degrees of epidote alteration in the form of stringers and blebs.

Nicola group sedimentary rocks comprise two distinct units. Unit "L" is a grey bedded limestone sequence marked at bedding contacts by grey siltstone and shale beds. Unit "C" is a cherty siltstone with a variable calcareous component.

Kamloops group volcanics and sediments of Miocene age or earlier unconformably overlie the Nicola group forming the cliffs and hoodoos found on the west side of the property and at higher elevations on the east side. The volcanics comprise predominantly andesite breccias with some andesite tuffs and flows and minor rhyolitic tuffs and breccias. Haematite coats extensive fracture surfaces, oxidizing to form deep red soils and gossans covering the western portions of the property. The sediments are called the Tranquille Beds which comprise a white granite cobble conglomerate grading up into a white cross-bedded sandstone unit.

Dark green and purple Miocene or later basalt flows are found at higher elevations on the property. Small sills of basalts similar in colour and composition were observed at lower elevations crosscutting Nicola volcanics. The vesicles are filled by amygdules of zeolites and quartz. A flat lying basalt unit lies in fault contact with a quartz-carbonate alteration zone on the Cayuse claim suggesting a Tertiary age for the hydrothermal fluids or at least the controlling structure.

Cretaceous or Tertiary felsic stocks intrude Nicola volcanics and sediments. The intrusions are medium to fine grained, pale pink to buff in colour, possibly granodioritic. Chlorite, clay alteration and pervasive weathering makes identification difficult. Haematite and limonite staining occurs in fractures in these rocks also.

## Property Mineralization and Alteration

Epigenetic pyrite occurs in quartz stringers throughout the Nicola volcanics, but does not appear to have any associated anomalous metal concentrations. Dolomite-quartz-carbonate veins are prevalent in the volcanics on the Cayuse claims. Limonite occurs within the veins and invades the country rock somewhat. Haematite occurs on fracture surfaces. These veins may be genetically related to an intense quartz-carbonate alteration zone controlled by a Tertiary fault structure on the east side of the Cayuse claims. Within this zone an east-southeasterly trending shear zone contains anomalous arsenic and antimony concentrations.



Stibnite mineralization occurs in limonitic quartz-dolomite veins and stockwork hosted by a brecciated andesite flow. Stibnite heals brecciated wall rock and crosscuts dolomite veins. In general, the zone strikes northwesterly and can be traced for 120 meters in shallow old trenches. The dolomite hosts fine grained pyrite and occasional pods of stibnite up to 15 cm along the long axis. Metal values reach 0.5 ppm silver, 32 ppm copper, 94 ppm arsenic and 27425 ppm antimony.

Pyrite and cinnabar $\pm$ sphalerite mineralization occurs in silicified dolomite-calcite veins and breccias with haematite and limonite staining. Episodic silicification is evidenced by crosscutting features in the breccias. Realgar is also reported to occur in this showing but was not observed by the writer.

## GEOCHEMISTRY

### Rock Chip Sampling

Rock chip samples were collected from all outcrops with visible mineralization, boxwork, iron staining or silicification, and from all quartz $\pm$ carbonate stockwork veins and alteration halos on Grid I. Selected samples were taken where the width of the zone of interest could not be determined. Chip samples were taken at regular intervals (according to the size of the unit) across: the width of lenses and veins; wallrock to beds and veins; and gossanous, siliceous or pyritic zones. Larger chip sample widths were divided into 1.5 meter intervals. A total of 26 rock samples were collected and were sent for analysis to Acme Analytical Laboratories Ltd. in Vancouver. As discussed above, three main zones of mineralization and alteration have been delineated on the Deadman property. In addition to the mineralized zones, several quartz-carbonate veins, stockwork zones and breccias contain anomalous levels of antimony and arsenic.

### Soil Sampling

On the Deadman property, soil samples were collected at 25 meter stations over three grids. A total of 1,453 samples were collected from the "B" soil horizon at an average depth of 10-15 centimeters using a lightweight mattock. All samples were sent to Acme Analytical Laboratories Ltd. in Vancouver for analysis, with the following results:

**Grid I**

Anomalous levels of copper, nickel and arsenic occur in several zones in the soils. Anomalous levels of gold, silver and arsenic occur as only one or two station anomalies.

Anomalous copper values are the most widespread occurring in four large and several small zones south of line 500mN and in a few small zones over the rest of the grid. Arsenic shows a moderate correlation with copper in that anomalous arsenic levels occur mostly within the copper anomalies south of line 500mN.

An epithermal dolomite vein with siliceous breccias in both the hanging wall and footwall occurs within the copper-arsenic anomaly at 300mN and 220mW. A selected sample from the vein contains 246 ppm arsenic.

A copper-arsenic anomaly centred at 350mN and 150mE may be related to a Cretaceous-Tertiary felsic intrusive body.

An arsenic-copper anomaly centred at 900mN and 600mE fringes a gulley which is suspected to follow the structural control for the Cayuse Iron Carbonate Zone. A quartz-dolomite vein is exposed within this zone.

Nickel occurs almost exclusively from copper. Anomalous nickel values occur predominantly in an extensive southeasterly zone just west of the Iron Carbonate Zone. The nickel zone is bound on both sides by parallel creeks, the easterly of which contacts the western edge of the Iron Carbonate Zone.

Anomalous gold and silver occur coincidentally at two sites, one within the anomalous nickel zone and the other within the anomalous copper zone. Both anomalies occur on line 0mN proximal to Criss Creek and may be attributed to placer concentrations.

**Grid II**

Anomalous arsenic concentrations were found in soil covering the central portion of Grid II from 200mW to 850mW between 025mN and 625mN. Anomalous copper levels occur within this area in two smaller zones.

A few small anomalous arsenic zones also occur at 025mN and 600mN on line 1,000mW.

Anomalous antimony concentrations were found in soils covering four small zones having a moderate correlation with copper.

Silver values are generally low; most anomalous levels occur at isolated sites. One small anomalous silver zone occurs within the central arsenic-copper anomaly.

Both gold and nickel show no correlation with other elements. Anomalous levels of each usually occur as one or two station anomalies. A three station gold anomaly occurs from 450mN to 500mN on line 1,200mW at the western edge of the grid.

The eastern edge of the antimony-copper anomaly is believed to indicate the contact between the Miocene basalts and the underlying Triassic Nicola group. The highest arsenic and copper



values occur proximal to a felsic intrusive belonging to the Cretaceous-Tertiary Kamloops group. A few anomalous nickel values also occur on the northern edge of this intrusive body.

**Grid III**

Anomalous levels of arsenic, copper and nickel occur in several zones which show a general zoning pattern from southwest to northeast. Silver occurs in anomalous concentrations in small zones within the larger nickel and copper anomalies. Zones of anomalous levels of antimony occur proximal to the copper anomalies. Anomalous gold values occur at two isolated sites, one of which lies within an arsenic anomaly on the edge of a fault.

The copper-antimony anomalies occur in soils overlying the Tertiary Tranquille Beds. A few copper anomalies occur over both Tertiary and Triassic volcanics. The other elements show no affinity to lithology.

**<u>Heavy Mineral Concentrate</u>**

A total of 19 heavy mineral concentrate samples were collected on the Deadman property. All samples were sent to the C.F. Mineral Research Ltd. laboratory in Kelowna for preparation, after which they were sent to Nuclear Activation Services in Hamilton, Ontario for analysis.

Anomalous levels of gold were obtained from several samples.

The fine fractions from samples collected on the parallel creeks draining the Cayuse claim contain 1,500 and 2,300 ppb gold with 9,200 and 4,800 ppm barium. A creek draining the northern portion of the G.I. Joey I claim contains 6,300 ppb gold and 1,800 ppm barium in the fine fraction. Creeks draining the G.I. Joey II claim contain up to 93,000 ppb gold and 2,000 ppm barium in the fine fraction and up to 4,300 ppb gold and 10,000 ppm barium in the coarse fraction.

## <u>CONCLUSIONS</u>

Cinnabar (and apparently realgar), pyrite ± sphalerite and stibnite mineralization occurs in quartz-dolomite-calcite vein stockwork zones and breccias often seen in crosscutting relationships.

Small zones of anomalous antimony, gold and silver concentrations occur within extensive zones of anomalous mercury, arsenic, copper and nickel levels in soils covering the Deadman property.

Gold and barium also occur in anomalous concentrations in heavy mineral concentrate samples from streams draining the property.

The geological environment underlying the Deadman property is believed to have excellent potential for hosting epithermal precious metal ore bodies for the following reasons:

1. The Triassic-Jurassic volcanic-sedimentary host rocks are well known to contain copper, lead, zinc, silver and gold mineral occurrences and deposits in a northwesterly trending belt referred to as the Quesnel Trough. The volcanics themselves may be the gold source.

2. Cretaceous-Tertiary intrusive bodies intruding the Nicola volcanics provided temperatures required to heat meteoric waters allowing them to dissolve elements including gold from the volcanics and redeposit (precipitate) them in higher concentrations.

3. Alteration and mineralization is found in association with extensive structures, often Tertiary in age. These structures play an important role in acting as conduits for ascending mineralizing fluids.

4. The geochemical signature (antimony-arsenic-mercury-barium) of both the rocks and soil fits that of the upper levels of a typical hotspring epithermal deposit.

5. Episodic brecciation and silicification evident in some of the showings is characteristic of overpressured systems and often represents hydrothermal flues in which sulphide and precious metal bearing quartz veins form. This process of sealing followed by brecciation is evident in multiple cycles in productive epithermal systems such as Round Mountain, Nevada and McLaughlin, California (Eimon, 1983).

The Vidette deposit, 30 kilometers north of the Deadman property, lies in the same geological belt and is also believed to be an epithermal deposit. The Vidette ore body differs from the Deadman prospect in that it seems to fit the Closed-Cell Convection epithermal model. These deposits form at a greater depth than a hot spring deposit; however, they both form in epithermal systems.

## RECOMMENDATIONS

Based on the conclusions stated, the following two-phased exploration programme is recommended. The decision to proceed with Phase II is contingent upon favourable results from Phase I.



### Phase I

1. Detailed mapping and rock chip sampling of the three main showings on the Cayuse claim. Special attention should be paid to evidence indicating direction of depth extensions for drilling targets.

2. All geochemical anomalies delineated in soils should be followed up by field examination followed by trenching where the source of the anomaly is indicated by topography.

3. All geochemical anomalies delineated in heavy mineral concentrates should be followed up by investigation upstream of the anomalies.

### Phase II

Diamond drilling should be carried out to test the depth extent to mineralized showings and investigate the potential for precious metal horizons.

## COST ESTIMATE

**PHASE I**

| | | |
|---|---|---|
| Project Preparation | $ 4,925.00 | |
| Mobilization and Demobilization | 1,750.00 | |
| Field Personnel | 15,900.00 | |
| Support | 8,305.00 | |
| Communication | 1,432.50 | |
| Transportation | 2,280.00 | |
| Supplies | 7,500.00 | |
| Assays | 10,000.00 | |
| Data Compilation | 6,000.00 | |
| Drafting, Reproduction, Typing | 2,000.00 | |
| | | 60,092.50 |
| Administration and Overhead at 10% | | 6,009.25 |
| | | 66,101.75 |
| Contingency - 10% | | 6,610.18 |
| Total, Phase I | | $ 72,712.00 |

**PHASE II**

| | | |
|---|---|---|
| Mobilization and Demobilization | $ 1,750.00 | |
| Personnel | 9,300.00 | |
| Drilling | 68,160.00 | |
| Support | 7,800.00 | |
| Communications | 1,380.00 | |
| Transportation | 2,220.00 | |
| Supplies | 5,000.00 | |
| Assays | 10,000.00 | |
| Data Compilation and Report Writing | 4,000.00 | |
| Drafting, Reproduction and Typing | 2,000.00 | |
| | | 111,610.00 |
| Administration and Overhead at 10% | | 11,161.00 |
| | | 122,771.00 |
| Contingency - 10% | | 12,277.00 |
| Total, Phase II | | 135,048.00 |
| Total, Phase I | | 72,712.00 |
| **TOTAL, PHASE I and PHASE II** | | **$207,760.00** |

If both phases of the programme are implemented, the total exploration expenditure would be $207,760. The programme as recommended could be altered as results become available to most effectively utilize the available funds. The Issuer plans to use the proceeds from this Offering to implement the Phase I exploration programme at an cost of $72,712. If the results from that programme so warrant, the Issuer would then undertake the Phase II exploration programme, for which it would need to raise additional financing to complete the programme.

No underground exploration has been done by the Issuer, and the Issuer has no surface or underground plant or equipment on the Deadman Property. There is no known body of commercial ore on such property, and the proposed programme is an exploratory search for ore.

## DESCRIPTION OF AUTHORIZED CAPITAL

The authorized capital of the Issuer consists of 300,000,000 shares divided into:

(a) 100,000,000 common shares without par value (the "Common Shares"), of which 1,316,350 are issued and outstanding;

(b) 100,000,000 Class "A" Preference shares with a par value of $10.00 each, none of which is issued and outstanding; and



(c) 100,000,000 Class "B" Preference shares with a par value of $50.00 each, none of which is issued and outstanding.

The Common Shares, Class "A" Preference shares and Class "B" Preference shares have special rights and restrictions which are set out in the Articles of the Issuer.

### Preference Shares

The Class "A" Preference shares and the Class "B" Preference shares (together, the "Preference Shares") may be issued from time to time in one or more series, and subject to the rights and restrictions contained in the Articles, the directors of the Issuer may fix the number of shares in each series and the designation, rights, privileges, restrictions and conditions attaching to such series prior to the issue thereof.

The Preference Shares of each series, if issued, shall with respect to any distribution of assets or return of capital rank on a parity with the Preference Shares of every other series and be entitled to preference over the Common Shares. The Preference Shares of any series may be made convertible into Common Shares. The determination by the directors of the Issuer of the voting rights attached to any series of Preference Shares may result in the Common Shares becoming subordinate voting shares. The creation of such a series of Preference Shares with superior voting rights to Common Shares may require, under applicable policies of relevant regulatory authorities, the approval of the majority of the minority shareholders.

### Common Shares

Holders of Common Shares are entitled to receive notice of, to attend and cast one vote for each Common Share held at any meeting of the shareholders of the Issuer except meetings at which only holders of a specified class of shares are entitled to vote.

Holders of Common Shares are entitled to receive dividends when and if declared by the board of directors. Subject to the prior rights of the holders of the Preference Shares, if any, the holders of the Common Shares are entitled to receive dividends and share in the assets of the Issuer available for distribution upon any liquidation, dissolution or winding-up of the Issuer or other distribution of assets.

## SHARE AND LOAN CAPITAL STRUCTURE

| Designation of Shares | Outstanding Shares Authorized | Outstanding on Feb. 28, 1989 | Outstanding at as at April 19, 1989 | Completion of Offering (1)(2)(3) |
|---|---|---|---|---|
| Common | 100,000,000 | 1,200,001 | 1,316,350 | 2,037,779 |
| Class "A" Preference | 100,000,000 | none | none | none |
| Class "B" Preference | 100,000,000 | none | none | none |

1. Does not give effect to the reservation of 180,000 Common Shares in respect of Director's and Employees' options.

2. Does not give effect to the reservation of 175,000 Common Shares to be issued upon exercise of the Agent's Warrants or the up to 105,000 Common Shares that may be issued pursuant to the Greenshoe Option.

3. Includes the 21,429 Common Shares to be issued under the Medford Agreement within five business days of the Effective Date of this Prospectus.

## PRIOR SALES

| Number Of Shares | Commission Price | Paid | Cash Received |
|---|---|---|---|
| 10,000* | $0.35 | Nil | Nil |
| 440,001 | $0.25 | Nil | $110,000.25 |
| 750,000** | $0.01 | Nil | 7,500.00 |
| 116,349*** | $0.35 | Nil | 40,722.00 |
| 1,316,350 | | | $158,222.25 |

* Issued for property at a deemed value of $0.35 per share (see "Properties of the Issuer").

** These shares are held in escrow (see "Escrowed Shares").

*** Refer to "Interest of Management and Others in Material Transactions".

Except for 10,000 shares issued pursuant to the Medford Agreement, all shares were issued for cash.



## RISK FACTORS

The securities offered hereby are speculative investments, and prospective purchasers should consider the following risk factors:

1. There is no known body of ore on the Issuer's mineral property. The purpose of the Offering is to raise funds to carry out further exploration with the objective of establishing an economic body of ore. If the Issuer's exploration programs are successful, additional funds will be required for the development of an economic ore body and to place it in commercial production. The only sources of future funds presently available to the Issuer are the sale of equity capital, or the offering by the Issuer of an interest in its property to be earned by another party or parties carrying out further exploration or development thereof.

2. There is no established market for the shares of the Issuer and no assurance that one will develop.

3. Exploration for minerals is a speculative venture necessarily involving some substantial risk. There is no certainty that the expenditures to be made by the Issuer in the exploration program described herein will result in discoveries of commercial quantities of ore.

4. Resource exploration and development is a speculative business and involves a high degree of risk. The marketability of natural resources which may be acquired or discovered by the Issuer will be affected by numerous factors beyond the control of the Issuer. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Issuer not receiving an adequate or any return on invested capital.

5. Mining operations generally involve a high degree of risk. Hazards such as unusual or unexpected formations and other conditions are involved. The Issuer may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on the Issuer's financial position.

6. While the Issuer has obtained the usual industry standard title report with respect to its property, this should not be construed as a guarantee of title. The property may be

subject to prior unregistered agreements or transfers or native land claims, and title may be affected by undetected defects.

7. The Issuer's property consists of recorded mineral claims which have not been surveyed, and therefore, the precise area and location of such claims may be in doubt.

8. Reference is made to the section headed "Directors and Officers" concerning possible conflicts of interest involving directors and officers of the Issuer.

9. None of the directors or officers of the Issuer have any direct experience in mining, geologic or exploration activities. Accordingly, the Issuer will engage professional geologists or engineers to conduct the Issuer's mining, geologic and exploration programs.

10. The securities offered under this Prospectus (excluding any securities acquired by underwriters, directors or employees from the exercise of share purchase options or warrants) will represent 34.35% of the outstanding shares of the Issuer on completion of the offering as compared to 40.80% held by promoters, directors, officers, substantial security holders (as defined in the British Columbia Securities Act) and underwriters for cash, property and services (assuming no further purchases by such persons under the Offering).

**DILUTION**

The following table reflects the dilution which will result from the purchase of the Shares offered pursuant to this Offering:

**Dilution per Share** (1)

| | | |
|---|---|---|
| Offering price per Common Share | | 0.35 |
| Net tangible book value before Offering | 0.123 | |
| Increase of net tangible book value attributable to the Offering (2) | 0.047 | |
| Net tangible book value after the Offering (2) | | 0.17 |
| Dilution to subscribers per Common Share | | 0.18 |
| Percentage of dilution in relation to Offering price (Common Shares) | | 51.4% |

(1) The dilution calculations do not reflect the effect of the issuance of any Common Shares upon the exercise of director and employee stock options (up to 180,000 Common Shares), the Agent's Warrants (up to 175,000 Common Shares), the Greenshoe Option (up to 105,000 Common Shares), or the issuance of 21,429 shares under the Medford Agreement.

(2) After the Agent's commissions and the balance of the cost of this Prospectus.



**DIRECTORS AND OFFICERS**

| Name & Municipality of Residence | Position with Issuer | Principal Occupation for the past 5 years |
|---|---|---|
| Leonard Edwin Tinkler* Vancouver, B.C. | President and Director | Since March 1988 Businessman and Director of Rough River Petroleum Corporation; March 1987 - February 1988 sales representative for Brick Corporation (furniture sales); prior thereto representative for Nessa Corporation (aluminum and industrial plastics distributor) |
| Peter Cox* Vancouver, B.C. | Director | Since 1984, President, Oxford Management; since 1986, President Bristol Capital Corp. (financial and managerial services); prior thereto, registered representative with C. M. Oliver |
| Gordon Cormack* Burnaby, B.C. | Director | Since 1989 sales representative for Centron Office Equipment; during 1988 sales representative Verster Office Equipment Ltd.; 1986 - 1988 sales manager for Page & Wilson (jewellry wholesalers, importers and distributors); prior thereto salesman for Bulova Watch Company. |
| William Scott MacLeod North Vancouver, B.C. | Secretary | President of Scott, McLeod Management Group (transportation consultants) since July 1987; President of Movers World Van Lines Inc. a division of U-Haul Co. Canada Ltd., prior thereto. |

*Members of the Audit Committee.

Certain of the directors of the Issuer are also directors or officers of other companies whose principal business is the acquisition, exploration and development of resource properties. It is possible, therefore, that a conflict may arise between their duties as directors or officers of the Issuer and their duties as directors or officers of such other companies. All such conflicts will be disclosed by them in accordance with the Company Act (British Columbia) and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

The Issuer has engaged John H. Hajek, mining consultant, on a client fee basis, to provide expertise with respect to the supervision of the exploration program and to provide any mineral exploration management services that are required by the Issuer.

**EXECUTIVE COMPENSATION**

The Issuer has one executive officer.

No cash compensation, including, salaries, fees, directors, fees, commissions and bonuses, among other things, has been paid by the Issuer to its executive officer or any former executive officers during the period since incorporation.

There are no existing pension or retirement plans or other agreements pursuant to which cash or non-cash compensation (including bonuses, non-accountable expense allowances and commissions) was paid since incorporation of the Issuer or is proposed to be paid hereunder apart from fees paid to Bristol Capital Corporation and to Accu-Comp Management Corp. referred to under "Interest of Management and Others in Material Transactions".

Three directors, one of whom is an executive officer, have been granted incentive stock options (see "Options to Purchase Securities").

**OPTIONS TO PURCHASE SECURITIES**

As of the date of this Prospectus the Issuer has, under certain Incentive Option Agreements dated as of May 31, 1988 and April 19, 1989 (the "Incentive Option Agreements"), granted options to three directors, one of whom is also an executive officer, of the Issuer to purchase up to that number of Common Shares of the Issuer as set out below, at a price of $0.35 per share, which may be exercised within five years after the Effective Date of this Prospectus. The options are not assignable and terminate if the optionee ceases to be an executive officer or director of the Issuer.

| Position | No. of Shares |
|---|---|
| Executive Officers (one person) | 90,000 |
| Directors (two persons) | 90,000 |



**ESCROWED SHARES**

| Designation of Shares | Number of Shares Held in Escrow | Percentage of Class |
|---|---|---|
| Common | 750,000 | 56.98 |

Leonard Tinkler (as to 100,000 shares), the President of the Issuer, and Gordon Cormack (as to 600,000 shares), a director of the Issuer, have acquired an aggregate of 700,000 Common Shares of the Issuer at a price of $0.02 per share from Peter Cox, a director and the former President of the Issuer (see "Interest of Management and Others in Material Transactions"). These shares are held as an incentive and to provide the directors with a measure of control in order that work on the development of the Issuer's property may proceed in an orderly fashion.

The 750,000 shares are held in escrow by The Royal Trust Company, 505 Burrard Street, Vancouver, British Columbia, pursuant to an agreement dated April 19, 1989. The escrow restrictions contained in the agreement provide that the shares may not be traded in, dealt with in any manner whatsoever, or released, nor may the Issuer, its transfer agent, or the escrow holder make any transfer or record any trading of the shares without the consent of the Superintendent of Brokers for British Columbia (the "Superintendent") or, while the shares are listed on the Vancouver Stock Exchange (the "Exchange"), without the consent of the Exchange.

The Superintendent or Exchange may permit the release of all or a portion of the escrow shares based, among other things, upon the future success of the Issuer. Any shares not released at the expiration of ten years from the Effective Date of this Prospectus will be automatically cancelled. The escrow agreement is available for inspection at the Issuer's registered office.

**PRINCIPAL HOLDER OF SECURITIES**

(a) As of the date of this Prospectus the only person holding 10% or more of the issued Common Shares of the Issuer is:

| Name and Address | Designation of Class | Type of Ownership | No. of Securities Owned | Percentage of Class |
|---|---|---|---|---|
| Gordon Cormack<br>305A-7360 Halifax St.<br>Burnaby, B.C. | Common | Of record and beneficial | 600,000 | 45.58 |

(b) As of the date of this Prospectus the directors and senior officers of the Issuer, as a group, beneficially own, directly or indirectly, in the aggregate, the percentage of Common Shares set out below:

| Designation of Class | No. of Shares | Percentage of Class |
|---|---|---|
| Common Shares | 831,455 | 63.16 |

**PROMOTER**

Peter Cox, a director and former President of the Issuer, is considered to be a promoter of the Issuer by virtue of having taken the initiative in founding and organizing the Issuer. Leonard Tinkler and Gordon Cormack, both directors of the Issuer, have purchased, respectively, 100,000 escrowed shares and 600,000 escrowed shares at a price of $0.02 per share from Peter Cox, who had acquired them from the Issuer for $0.01 per share (see "Escrowed shares" and "Principal Holder of Securities"). Pursuant to a management agreement dated as of July 22, 1987, between the Issuer and Bristol Capital Corporation ("Bristol"), Bristol is paid or accrued $2,000.00 per month for management services. Mr. Cox is the President and the sole director of Bristol (see "Interest of Management and Others in Material Transactions"). Bristol has subscribed for, and been issued, 81,454 shares at a price of $0.35 per share, a total subscription of $28,509.00 (see "Interest of Management and Others in Material Transactions"). The Issuer has granted Mr. Cox an option to purchase 45,000 shares of the Issuer at a price of $0.35 per share on or before the fifth anniversary of the Effective Date of this Prospectus. Refer to "Options to Purchase Securities". Two shareholders of the Issuer granted Mr. Cox an option to purchase their shareholdings (a total of 120,000 shares) at a price of $0.30 per share until December 15, 1988. This option expired unexercised. Refer to "Other Material Facts".

**DIVIDEND RECORD**

The Issuer has not paid any dividends since incorporation. The Board of Directors of the Issuer has not established a dividend policy at the present time as the Issuer is not in a position to pay any dividends and does not have any present plans to declare or pay dividends.

**INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Pursuant to a management agreement dated as of July 22, 1987, with Bristol Capital Corporation, of 304 - 700 West Pender Street, Vancouver, British Columbia, V6C 1G8 ("Bristol"), the Issuer agreed to pay Bristol $2,000.00 per month for management and consulting services for a period of two years from the date



of the agreement. To February 28, 1989, $38,509.00 had accrued due to Bristol under the agreement, of which $10,000.00 had been paid and of which the balance ($28,509.00) was paid subsequent to that date. Peter Cox, a director and the former President of the Issuer, is the 100% beneficial owner of Bristol. By agreement dated February 28, 1989, Bristol subscribed for 81,454 shares at a price of $0.35 per share a total subscription of $28,509.00. The shares were issued effective March 14, 1989.

In addition, by promissory note dated April 29, 1988, Bristol loaned $5,000.00 to the Issuer, payable on demand, bearing interest at a rate of 20% per annum until paid in full. The Issuer repaid this loan in full, without interest, on May 11, 1988. See also "Other Material Facts".

Pursuant to an agreement dated June 21, 1987 with Accu-Comp Management Corp., of 13 - 1155 Melville Street, Vancouver, British Columbia, V6E 4C4 ("Accu-Comp"), the Issuer agreed to pay Accu-Comp $1,000.00 per month for rent and office services. By letter dated June 1, 1988, effective July 1, 1988, the Issuer terminated this agreement. Under this agreement, $10,750.00 for rent and $3,393.00 for office and incorporation expenses had accrued due, of which $10,438.00 had been paid at February 28, 1989 and the balance of which ($3,705.00) has since been paid. See "Use of Proceeds". John Dupuis, a former director of the Issuer, is the 100% beneficial owner of Accu-Comp. By an agreement dated February 27, 1989, Accu-Comp subscribed for 10,586 shares at a price of $0.35 per share, a total subscription of $3,705.00. These shares were issued effective March 16, 1989.

During the past year, the Issuer acquired by staking, at a cost of $3,520.00, the G.I. Joey 1 and 2 mineral claims located in the Kamloops Mining Division, British Columbia. Stetson Resource Management Corp., of 13 - 1155 Melville Street, Vancouver, British Columbia, a company 100% owned by John Dupuis, a former director of the Issuer, staked the claims on behalf of the Company. The $3,520.00 staking cost has been paid. In addition, to February 28, 1989, Stetson had incurred on behalf of Issuer $87,903.00 in exploration expenditures on the Deadman property, of which $82,915.00 had been paid to that date and the balance of which ($4,988.00) was paid after that date. By agreement dated February 27, 1989, Stetson subscribed for 24,309 shares at a price of $0.35 per share. These shares were issued effective March 16, 1989.

**LEGAL PROCEEDINGS**

There are no legal proceedings material to the Issuer to which the Issuer is a party or of which any of its property is the subject, nor are any such proceedings known to be contemplated.

## OTHER MATERIAL FACTS

### (A) Flow-Through Agreements

By nine Flow-Through Share Funding and Renunciation Agreements dated in June and December, 1987, more particularly described in "Material Contracts", several investors (the "Investors") agreed to provide flow-through financing to the Issuer for which the Investors received a total of 320,000 flow-through Common shares of the Issuer at a price of $0.25 per share. The funds were spent on exploration and development of the Deadman property. The Investors authorized the Issuer to incur, before March 1, 1988, if possible and in any event before the second anniversary of the date of each agreement, expenditures that quality as Canadian exploration expenses within the meaning of the Income Tax Act (Canada) and its regulations ("CEE") and to renounce that CEE to the Investors.

By September 30, 1988, the Issuer had renounced CEE in the amount of $80,000.00 to the Investors.

### (B) Loans from Shareholders and a Related Party

By three promissory notes dated March 31, 1988, three shareholders of the Issuer, who are and were at arm's length from the Issuer and its directors, officers and promoters, loaned a total of $5,250.00 to the Issuer, payable on demand with interest at a rate of 20% per annum, until paid in full. The loans are still outstanding and will be repaid from the proceeds of the Offering. To February 28, 1989, the accrued interest on these notes was $968.00. Interest on these notes accrues at approximately $88 per month.

By promissory note dated April 29, 1988, Bristol Capital Corporation loaned $5,000.00 to the Issuer, payable on demand, bearing interest at a rate of 20% per annum until paid in full. The Issuer repaid this loan in full on May 11, 1988, without interest. Bristol Capital Corporation is 100% owned by Peter Cox, a director of the Issuer.

### (C) Share Buy-Back Agreements

By agreements dated in June, 1987, six shareholders of the Issuer granted J. Harold McGucken, of Vancouver, British Columbia and two shareholders granted Peter Cox, the President of the Issuer, an option to purchase all of their respective shareholdings (a total of 400,000 shares of which 120,000 shares would be bought by Cox and 280,000 shares by McGucken) at a price of $0.30 per share beginning June 15, 1987 and ending on December 15, 1988. The options expired unexercised.



## MATERIAL CONTRACTS

The only material contracts entered into by the Issuer since incorporation, other than in the ordinary course of business, are as follows:

1. Agency Offering Agreement dated March 14, 1989 between the Issuer and Wolverton Securities Ltd. in respect of the 700,000 Common shares offered hereby;

2. Agreement dated August 13, 1987, as amended December 31, 1987 and November 28, 1988, between the Issuer and Conpak Seafoods Inc. regarding the acquisition of an undivided 75% interest in the Cayuse mineral claim;

3. Agreement dated June 16, 1987, as amended December 18, 1987, March 31, 1988, July 25, 1988, November 23, 1988 and March 10, 1989, between the Issuer and Gary Medford regarding the acquisition of a 100% interest in the Goldgiant 1 and Cayuse 2 mineral claims;

4. Escrow Agreement dated April 19, 1989, referred to under "Escrow Shares";

5. Stock Option Agreements dated May 31, 1988, and April 19, 1989, whereby the Issuer granted the stock options referred to under "Options to Purchase Securities";

6. Management Agreement dated July 22, 1987, between the Issuer and Bristol Capital Corporation;

7. Nine various Flow-Through Share Funding and Renunciation Agreements described in "Other Material Facts", particulars of which are as follows:

    (a) agreement dated June 11, 1987, with respect to the subscription for 32,000 flow-through Common Shares of the Issuer at $0.25 per share;

    (b) agreement dated June 17, 1987, with respect to the subscription for 48,000 flow-through Common Shares of the Issuer at $0.25 per share;

    (c) agreement dated June 16, 1987 with respect to the subscription for 32,000 flow-through Common Shares of the Issuer at $0.25 per share;

    (d) agreement dated June 12, 1987, with respect to the subscription for 64,000 flow-through Common Shares of the Issuer at $0.25 per share;

    (e) agreement dated June 17, 1987, with respect to the subscription for 16,000 flow-through Common Shares of the Issuer at $0.25 per share;

(f) agreement dated June 15, 1987, with respect to the subscription for 32,000 flow-through Common Shares of the Issuer at $0.25 per share;

(g) agreement dated June 12, 1987, with respect to the subscription for 64,000 flow-through Common Shares of the Issuer at $0.25 per share;

(h) agreement dated June 17, 1987, with respect to the subscription for 32,000 flow-through Common Shares of the Issuer at $0.25 per share; and

(i) agreement dated December 30, 1987, with respect to the subscription for 40,000 flow-through Common Shares of the Issuer at $0.25 per share.

Only a total of 320,000 flow-through Common Shares was actually subscribed for and issued pursuant to these agreements.

All material contracts may be inspected at the Issuer's registered office, 1500 - 885 West Georgia Street, Vancouver, British Columbia, V6C 3H7, during normal business hours during the period of primary distribution of the securities offered hereby and for 30 days thereafter.

## AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of the Issuer is Grieves & Partners, Chartered Accountants, of 202 - 2112 West Broadway, Vancouver, British Columbia, V6K 2C8.

The transfer agent and registrar of the Common Shares of the Issuer is The Royal Trust Company, of 505 Burrard Street, Vancouver, British Columbia, V7X 1R5.

BU-MAX GOLD CORP.

FINANCIAL STATEMENTS

MAY 31, 1988

BU-MAX GOLD CORP.

INDEX TO THE FINANCIAL STATEMENTS

MAY 31, 1988



Grieves
& Partners
CHARTERED ACCOUNTANTS

202 - 2112 West Broadway
Vancouver, B.C. V6K 2C8

(604) 734-0555

W. WAYNE GRIEVES, C.A. LTD.
ROBERT I. McCAUSLAND, C.A.
JOHN E. RUSSELL, C.A. LTD.

AUDITORS' REPORT

To The Directors of
Bu-Max Gold Corp.

We have examined the balance sheet of Bu-Max Gold Corp. as at May 31, 1988 and the statement of changes in financial position for the period from the date of incorporation May 26, 1987 to May 31, 1988. 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 financial statements present fairly the financial position of the company as at May 31, 1988 and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

Grieves & Partners

Chartered Accountants
Vancouver, British Columbia

June 23, 1988

BU-MAX GOLD CORP.

(Under the Company Act, British Columbia - Note 1)

BALANCE SHEET AS AT MAY 31, 1988

## ASSETS

| | |
|---|---|
| CURRENT ASSET: | |
| Cash | $ 8,365 |
| OPTIONS ON MINERAL PROPERTIES (Notes 3 and 4) | 16,000 |
| DEFERRED EXPLORATION AND DEVELOPMENT COSTS (Note 4) | 87,453 |
| DEFERRED ADMINISTRATIVE COSTS (Note 4) | 35,837 |
| INCORPORATION COSTS | 587 |
| TOTAL | $148,242 |

## LIABILITIES AND SHAREHOLDERS' EQUITY

| | |
|---|---|
| CURRENT LIABILITIES: | |
| Accounts payable - trade | $ 3,717 |
| - related companies (Note 7) | 18,100 |
| Notes payable - shareholders - 20% | 5,425 |
| Total current liabilities | 27,242 |
| SHAREHOLDERS' EQUITY: | |
| Share capital (Note 5) | 121,000 |
| TOTAL | $148,242 |

APPROVED BY THE DIRECTORS:

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

PETER COX

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

JOHN DUPUIS

The accompanying notes are an integral part of the financial statements.

BU-MAX GOLD CORP.

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE PERIOD FROM THE DATE OF INCORPORATION

MAY 26, 1987 TO MAY 31, 1988

| | |
|---|---|
| OPERATING ACTIVITIES: | |
| Increases (decreases) in non-cash working capital: | |
| Accounts payable | $ 21,817 |
| Notes payable | 5,425 |
| CASH PROVIDED FROM OPERATING ACTIVITIES | 27,242 |
| INVESTING ACTIVITIES: | |
| Option on mineral properties | (16,000) |
| Deferred exploration and development costs | (87,453) |
| Deferred administrative costs | (35,837) |
| Incorporation costs | (587) |
| CASH (USED FOR) INVESTING ACTIVITIES | (139,877) |
| FINANCING ACTIVITIES: | |
| Share capital issued: | |
| For cash | 117,500 |
| For option on mineral properties | 3,500 |
| CASH PROVIDED BY FINANCING ACTIVITIES | 121,000 |
| INCREASE IN CASH FOR THE PERIOD | 8,365 |
| CASH AT END OF THE PERIOD | $ 8,365 |

The accompanying notes are an integral part of the financial statements.

1. INCORPORATION AND COMPANY OPERATIONS:

The company was incorporated under The Company Act, British Columbia on May 26, 1987 and commenced operations on June 1, 1987. The principal business of the company is the acquisition, exploration and development of mineral properties.

2. SIGNIFICANT ACCOUNTING POLICIES:

Deferred exploration and development costs and deferred administrative costs:

It is the company's policy to capitalize all direct exploration and development costs relating to the group of claims. Indirect administrative costs are deferred during the development period with administrative expenses allocated to the respective claim group. These costs are to be amortized over the estimated productive life of the claims group or charged to income in the year it is determined the claim group is no longer suited for future development.

3. OPTIONS ON MINERAL PROPERTIES:

During the period, the company entered into agreements to acquire an interest in claims in the Kamloops Mining Division of British Columbia known as the Deadman Properties:

(a) Agreement with Gary Medford (sole and exclusive option to acquire 100% of the following claims)

| | No. of Units |
|---|---|
| Goldgiant 1 | 20 |
| Cayuse 2 | 4 |

The company has paid $5,000 as the initial option payment and is required to issue 5,000 common shares on approval of the Vancouver Stock Exchange. The remaining payments are as follows:

| Amount | On or Before |
|---|---|
| $ 7,500 | December 31, 1987 |
| 15,000 | December 31, 1988 |
| 30,000 | December 31, 1989 |

The option shall remain open for exercise for twelve months beyond each of the respective dates referred to in column (1) below, provided that the company shall, prior to that date, spend the sum set out on the same line in column (2) on exploration expenditures and shall forthwith upon having spent such sums, allot and issue to the optionor, as fully paid and non-assessable, the shares set out on the same line in column (3).

BU-MAX GOLD CORP.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1988

3. OPTIONS ON MINERAL PROPERTIES: (con't)

| Column (1) Date | Column (2) Exploration Costs | Column (3) No. of Common Shares |
|---|---|---|
| December 31, 1987 | $30,000 | 10,000 |
| December 31, 1988 | 60,000 | 20,000 |
| December 31, 1989 | 90,000 | 40,000 |

Should the company spend, in any year, less than the required sum, it may pay to the optionor the difference between the actual costs and required costs before the expiry of that year. Should the company spend more than the required sum, the overage will be carried forward to apply to the succeeding year(s). Should the company default on any of the above requirements, all monies paid, exploration costs incurred, and shares issued shall be forfeited to and shall become the property of the optionor.

On March 31, 1988 an amending agreement was signed, extending the deadline of the $7,500 option payment to June 30, 1988. Under the terms of the amending agreement the company has agreed to pay 1% per month interest for each month that the option payment is extended from March 31, 1988.

(b) Agreement with Conpak Seafoods Inc. (sole and exclusive option to acquire a 75% undivided interest in the following claims)

| | No. of Units |
|---|---|
| Cayuse | 12 |

The company has paid $2,500 as the initial option payment as well as the $5,000 payment due December 31, 1987. The remaining payments are as follows:

| Amount | On or Before |
|---|---|
| $10,000 | December 31, 1988 |
| 20,000 | December 31, 1989 |

The option shall remain open for exercise for twelve months beyond each of the respective dates referred to in column (1) below, provided that the company shall, prior to that date, spend the sum set out on the same line in column (2) on exploration costs.

| Column (1) Date | Column (2) Exploration Costs |
|---|---|
| December 31, 1987 | $ 5,000 |
| December 31, 1988 | 85,000 |
| December 31, 1989 | 110,000 |

3. OPTIONS ON MINERAL PROPERTIES: (con't)

Should the company spend, in any year, less than the required sum, it may pay to the optionor the difference between the actual costs and required costs before the expiry of that year. Should the company spend more than the required sum, the overage will be carried forward to apply to the succeeding year(s). Should the company default on any of the above requirements, all monies paid, exploration costs incurred, and shares issued shall be forfeited to and shall become the property of the optionor.

4. OPTIONS ON MINERAL PROPERTIES, DEFERRED EXPLORATION AND DEVELOPMENT COSTS AND DEFERRED ADMINISTRATIVE COSTS:

| | Option Cost | Deferred Exploration and Development Costs | Deferred Administrative Costs |
|---|---|---|---|
| Deadman Properties | $16,000 | $87,453 | $35,837 |

Values:

The amounts shown in mineral claims and deferred exploration and development costs represent costs to date and are not intended to reflect present or future values. The mineral claims on which the company has an option are without known reserves; consequently, the underlying values of the properties are entirely dependent on the existence of economically recoverable proven reserves in the future.

5. SHARE CAPITAL:

Authorized:
100,000,000 Common shares of no par value
100,000,000 Class A preference shares with a par value of $10 each
100,000,000 Class B preference shares with a par value of $50 each

| Issued during the period: | # | $ |
|---|---|---|
| Common shares: | | |
| For cash ................................ | 870,001 | 37,500 |
| Flow-through share subscription for cash .. | 320,000 | 80,000 |
| For option on mineral properties .......... | 10,000 | 3,500 |
| | 1,200,001 | 121,000 |

BU-MAX GOLD CORP.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1988

5. SHARE CAPITAL: (con't)

Included in shares issued for cash are 750,000 shares at $.01 per share held in escrow by the escrow agent Royal Trust Corporation. The shares shall be released from escrow from time to time in accordance with the general policies of the Superintendent of Brokers and/or the Vancouver Stock Exchange. Any shares not released from escrow before the expiration of ten years from the date of the receipt issued by the Superintendent of Brokers for the prospectus of the company shall be cancelled.

Flow-through common shares:

The company has entered into flow-through share funding agreements with subscribers for 320,000 common shares of the company at an aggregate subscription price of $80,000 (the subscriber's contributions). The company has agreed to apply the subscribers' contributions to carry out an exploration program and to renounce the expenditures associated therewith. Qualified expenditures incurred for or on behalf of the subscribers are not available to the company as a deduction for income tax purposes.

6. STOCK OPTIONS:

The company has granted share options to a director and employees for a total of 180,000 shares of the company at $.35 each. The options will be outstanding for a period to expire five years from the date of receipt of the company's pending prospectus by the Superintendent of Brokers. The option agreements and any issue of shares thereunder are subject to regulatory approval.

7. RELATED PARTY TRANSACTIONS:

The company's exploration activities have been undertaken by Stetson Resource Management Corp. At May 31, 1988 exploration and development costs of $87,453 have been incurred of which $82,465 was paid. During the period the company also accrued rent to Accu-Comp Management Corp. of $10,000 of which $8,500 was paid and accrued administrative services to Bristol Capital Corporation of $20,500 of which $10,000 was paid. At May 31, 1988 the total amounts payable are as follows:

| | |
|---|---|
| Accu-Comp Management Corp. | $ 2,603 |
| Bristol Capital Corporation | 10,509 |
| Stetson Resource Management Corp. | 4,988 |
| | $18,100 |

Accu-Comp Management Corp., Bristol Capital Corporation and Stetson Resource Management Corp. are controlled by certain directors of the company.

BU-MAX GOLD CORP.

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 1988

8. SUBSEQUENT EVENTS:

a) By way of prospectus, the company intends to issue 600,000 shares to the public at a price of $.35 per share to net the treasury $180,000 after the underwriter's commission. The company proposes to enter into an agency agreement to offer the shares through the facilities of the Vancouver Stock Exchange. It is intended that the agent will purchase any of the shares not sold at the conclusion of the offering. In consideration therefore, the agent will be granted non-transferable share puchase warrants entitling it to purchase up to 150,000 shares at a price of $.40 per share at any time up to the closing of business one hundred and eighty days from the date upon which the shares are conditionally listed on the exchange.

b) Subsequent to May 31, 1988 the company purchased from Stetson Resource Management Corp. the GI Joey 1 and GI Joey 2 claims totalling 40 units of the Deadman Properties for cash of $3,520.

c) By an amending agreement dated July 25, 1988 between the company and Mr. Gary Medford the required dates for both the $7,500 option payment and the issuance of the 5,000 common shares were extended to five business days after the company's shares are listed on the Vancouver Stock Exchange.

BU-MAX GOLD CORP.

SCHEDULE OF DEFERRED EXPLORATION AND

DEVELOPMENT COSTS

FOR THE PERIOD FROM THE DATE OF INCORPORATION

MAY 26, 1987 TO MAY 31, 1988

DEADMAN PROPERTIES:

| | |
|---|---|
| Assaying | $ 17,478 |
| Camp costs | 7,092 |
| Equipment and vehicle rental costs | 8,790 |
| Geological and geochemical costs | 40,797 |
| Supervision | 10,546 |
| Project preparation and report fees | 2,750 |
| TOTAL | $ 87,453 |

The accompanying notes are an integral part of the financial statements.

BU-MAX GOLD CORP.

SCHEDULE OF DEFERRED ADMINISTRATIVE COSTS

FOR THE PERIOD FROM THE DATE OF INCORPORATION

MAY 26, 1987 TO MAY 31, 1988

| | |
|---|---|
| Administrative fees | $ 20,500 |
| Bank charges and interest | 739 |
| Office and sundry expenses | 2,868 |
| Professional fees | 3,510 |
| Regulatory fees | 120 |
| Rent | 10,000 |
| | 37,737 |
| Less: Interest income | 1,900 |
| TOTAL | $ 35,837 |

The accompanying notes are an integral part of the financial statements.

BU-MAX GOLD CORP.

FINANCIAL STATEMENTS

FEBRUARY 28, 1989

BU-MAX GOLD CORP.

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FEBRUARY 28, 1989



Grieves
& Partners
CHARTERED ACCOUNTANTS

202 - 2112 West Broadway
Vancouver, B.C. V6K 2C8

(604) 734-0555

W. WAYNE GRIEVES, C.A. LTD.
ROBERT I. McCAUSLAND, C.A.
JOHN E. RUSSELL, C.A. LTD.

REVIEW ENGAGEMENT REPORT

To The Directors of
Bu-Max Gold Corp.

We have reviewed the balance sheet of Bu-Max Gold Corp. as at February 28, 1989 and the statement of changes in financial position for the nine months then ended. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not consititute an audit and consequently we do not express an opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with generally accepted accounting principles.

Grieves & Partners

Chartered Accountants
Vancouver, British Columbia

March 14, 1989

BU-MAX GOLD CORP.

(Under the Company Act, British Columbia)

BALANCE SHEET AS AT FEBRUARY 28, 1989

(Unaudited)

(With audited figures at May 31, 1988 for comparison)

| ASSETS | February 28, 1989 | May 31, 1988 |
|---|---|---|
| CURRENT ASSET: | | |
| Cash | $ 625 | $ 8,365 |
| Share subscriptions receivable | 40,722 | - |
| Total current assets | 41,347 | 8,365 |
| OPTIONS ON MINERAL PROPERTIES (Notes 3 and 4) | 16,000 | 16,000 |
| MINERAL PROPERTIES (Note 5) | 3,520 | - |
| DEFERRED EXPLORATION AND DEVELOPMENT COSTS (Note 4) | 87,903 | 87,453 |
| DEFERRED ADMINISTRATIVE COSTS (Note 4) | 84,300 | 35,837 |
| INCORPORATION COSTS | 587 | 587 |
| TOTAL | $233,657 | $148,242 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable - trade | $ 25,000 | $ 3,717 |
| - related companies | 35,722 | 18,100 |
| Notes payable - shareholders - 20% | 6,213 | 5,425 |
| Total current liabilities | 66,935 | 27,242 |
| LONG-TERM DEBT (Note 6) | 5,000 | - |
| SHAREHOLDERS' EQUITY: | | |
| Share capital (Notes 7 and 9) | 161,722 | 121,000 |
| TOTAL | $233,657 | $148,242 |

APPROVED BY THE DIRECTORS:

.................................... Director
Peter Cox

.................................... Director
GORDON CORMACK

The accompanying notes are an integral part of the financial statements.

BU-MAX GOLD CORP.

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE NINE MONTHS ENDED FEBRUARY 28, 1989

(Unaudited)

(With audited prior period's figures for comparison - Note 10)

| | February 28, 1989 | May 31, 1988 |
|---|---|---|
| OPERATING ACTIVITIES: | | |
| Increases in non-cash working capital: | | |
| Accounts payable - trade | $ 21,283 | $ 21,817 |
| - related companies | 17,622 | - |
| Notes payable | 788 | 5,425 |
| CASH PROVIDED FROM OPERATING ACTIVITIES | 39,693 | 27,242 |
| INVESTING ACTIVITIES: | | |
| Mineral properties | (3,520) | - |
| Option on mineral properties | - | (16,000) |
| Deferred exploration and development costs | (450) | (87,453) |
| Deferred administrative costs | (48,463) | (35,837) |
| Incorporation costs | - | (587) |
| CASH (USED FOR) INVESTING ACTIVITIES | (52,433) | (139,877) |
| FINANCING ACTIVITIES: | | |
| Share capital issued: | | |
| For cash | - | 117,500 |
| For option on mineral properties | - | 3,500 |
| Increase in long-term debt | 5,000 | - |
| CASH PROVIDED BY FINANCING ACTIVITIES | 5,000 | 121,000 |
| (DECREASE) INCREASE IN CASH FOR THE PERIOD | (7,740) | 8,365 |
| CASH AT BEGINNING OF THE PERIOD | 8,365 | - |
| CASH AT END OF THE PERIOD | $ 625 | $ 8,365 |

The accompanying notes are an integral part of the financial statements.

1. INCORPORATION AND COMPANY OPERATIONS:

The company was incorporated under The Company Act, British Columbia on May 26, 1987 and commenced operations on June 1, 1987. The principal business of the company is the acquisition, exploration and development of mineral properties.

2. SIGNIFICANT ACCOUNTING POLICIES:

Deferred exploration and development costs
and deferred administrative costs:

It is the company's policy to capitalize all direct exploration and development costs relating to the group of claims. Indirect administrative costs are deferred during the development period with administrative expenses allocated to the respective claim group. These costs are to be amortized over the estimated productive life of the claims group or charged to income in the year it is determined the claim group is no longer suited for future development.

3. OPTIONS ON MINERAL PROPERTIES:

The company has entered into agreements to acquire an interest in claims in the Kamloops Mining Division of British Columbia known as the Deadman Properties:

(a) Agreement with Gary Medford (sole and exclusive option to acquire 100% of the following claims, subject to a 5% net smelter return interest reserved to Gary Medford)

| | No. of Units |
|---|---|
| Goldgiant 1 | 20 |
| Cayuse 2 | 4 |

The company has paid $5,000 as the initial option payment and is required to pay $7,500 and issue 15,000 common shares (see Note 11(b)) within five days after the company's shares are listed on the Vancouver Stock Exchange. The company has agreed to pay interest at the rate of 1% per month for each month that the option payment is extended from March 31, 1988. The remaining payments are as follows:

| Amount | On or Before |
|---|---|
| $15,000 | June 30, 1989 (see Note 11(b)) |
| 30,000 | December 31, 1989 |

BU-MAX GOLD CORP.

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 1989

(Unaudited)

3. OPTIONS ON MINERAL PROPERTIES: (con't)

The option shall remain open for exercise for twelve months beyond each of the respective dates referred to in column (1) below, provided that the company shall, prior to that date, spend the sum set out on the same line in column (2) on exploration expenditures and shall forthwith upon having spent such sums, allot and issue to the optionor, as fully paid and non-assessable, the shares set out on the same line in column (3). (see Note 11(b))

| Column (1) Date | Column (2) Exploration Costs | Column (3) No. of Common Shares |
|---|---|---|
| December 31, 1987 | $ 30,000 | 10,000 |
| June 30, 1989 | 30,000 | 25,000 |
| December 31, 1989 | 50,000 | 25,000 |
| December 31, 1990 | 100,000 | 25,000 |

Should the company spend, in any year, less than the required sum, it may pay to the optionor the difference between the actual costs and required costs before the expiry of that year. Should the company spend more than the required sum, the overage will be carried forward to apply to the succeeding year(s). Should the company default on any of the above requirements, all monies paid, exploration costs incurred, and shares issued shall be forfeited to and shall become the property of the optionor.

(b) Agreement with Conpak Seafoods Inc. (sole and exclusive option to acquire a 75% undivided interest in the following claims)

| | No. of Units |
|---|---|
| Cayuse | 12 |

The company has paid $2,500 as the initial option payment as well as the $5,000 payment due December 31, 1987. The remaining payments are as follows:

| Amount | On or Before |
|---|---|
| $10,000 | December 31, 1988 |
| 20,000 | December 31, 1989 |

3. OPTIONS ON MINERAL PROPERTIES: (con't)

The agreement was amended in November, 1988 to defer the $10,000 option payment until five business days after the shares are listed on the Vancouver Stock Exchange. The option shall remain open for exercise for twelve months beyond each of the respective dates referred to in column (1) below, provided that the company shall, prior to that date, spend the sum set out on the same line in column (2) on exploration costs.

| Column (1) Date | Column (2) Exploration Costs |
|---|---|
| December 31, 1987 | $ 5,000 |
| June 30, 1989 | 85,000 |
| December 31, 1989 | 110,000 |

Should the company spend, in any year, less than the required sum, it may pay to the optionor the difference between the actual costs and required costs before the expiry of that year. Should the company spend more than the required sum, the overage will be carried forward to apply to the succeeding year(s). Should the company default on any of the above requirements, all monies paid, exploration costs incurred, and shares issued shall be forfeited to and shall become the property of the optionor.

4. OPTIONS ON MINERAL PROPERTIES, DEFERRED EXPLORATION AND DEVELOPMENT COSTS AND DEFERRED ADMINISTRATIVE COSTS:

| | Option Cost | Deferred Exploration and Development Costs | Deferred Administrative Costs |
|---|---|---|---|
| Deadman Properties | $16,000 | $87,903 | $84,300 |

Values:

The amounts shown in mineral claims and deferred exploration and development costs represent costs to date and are not intended to reflect present or future values. The mineral claims on which the company has an option are without known reserves; consequently, the underlying values of the properties are entirely dependent on the existence of economically recoverable proven reserves in the future.

5. MINERAL PROPERTIES:

During the period the company acquired by staking the G.I. Joey 1 and G.I. Joey 2 mineral claims totalling 40 units of the Deadman Properties at a cost of $3,520. Reference to Notes 4 and 9 should be made for information pertaining to the valuation of the claims and the costs accumulated on the Deadman Properties to February 28, 1989.



6. LONG-TERM DEBT:

| | |
|---|---|
| Bristol Capital Corporation (a related company - see Note 9) - note payable, due December 31, 1989 without interest | $5,000 |

7. SHARE CAPITAL:

Authorized:
100,000,000 Common shares of no par value
100,000,000 Class A preference shares with a par value of $10 each
100,000,000 Class B preference shares with a par value of $50 each

| Issued and fully paid: | # | $ |
|---|---|---|
| Common shares: | | |
| For cash | 870,001 | 37,500 |
| Flow-through share subscription for cash | 320,000 | 80,000 |
| For option on mineral properties | 10,000 | 3,500 |
| Total issued and fully paid | 1,200,001 | 121,000 |
| Shares subscribed for and unissued: | | |
| Common shares | 116,349 | 40,722 |
| | 1,316,350 | 161,722 |

Included in shares issued for cash are 750,000 shares at $.01 per share held in escrow by the escrow agent Royal Trust Company. The shares shall be released from escrow from time to time in accordance with the general policies of the Superintendent of Brokers and/or the Vancouver Stock Exchange. Any shares not released from escrow before the expiration of ten years from the date of the receipt issued by the Superintendent of Brokers for the prospectus of the company shall be cancelled.

Flow-through common shares:

The company entered into flow-through share funding agreements with subscribers for 320,000 common shares of the company at an aggregate subscription price of $80,000 (the subscriber's contributions). The company has applied the subscribers' contributions to carry out an exploration program and has renounced expenditures of $80,000 associated therewith. Qualified expenditures incurred for or on behalf of the subscribers were not available to the company as a deduction for income tax purposes.

8. STOCK OPTIONS:

The company has granted share options to a director and employees for a total of 180,000 shares of the company at $.35 each. The options will be outstanding for a period to expire five years from the date of receipt of the company's pending prospectus by the Superintendent of Brokers. The option agreements and any issue of shares thereunder are subject to regulatory approval.

9. RELATED PARTY TRANSACTIONS:

The company's exploration activities have been undertaken by Stetson Resource Management Corp. At February 28, 1989 exploration and development costs of $87,903 have been incurred of which $82,915 was paid. Stetson Resource Management Corp. staked the G.I. Joey 1 and G.I. Joey 2 claims totalling 40 units of the Deadman Properties on behalf of the company at a cost of $3,520 which remains unpaid at February 28, 1989. The company also accrued rent of $10,750, office and sundry expenses of $2,806, and incorporation cost of $587 to Accu-Comp Management Corp. of which $10,438 was paid; and accrued administrative services to Bristol Capital Corporation of $38,509 of which $10,000 was paid and $5,000 added to long-term debt (see Note 6). The company intends to pay these amounts from share subscriptions. During the period these companies subscribed for shares for cash as follows:

| | # | $ |
|---|---|---|
| Accu-Comp Management Corp. | 10,586 | 3,705 |
| Bristol Capital Corporation | 81,454 | 28,509 |
| Stetson Resource Management Corp. | 24,309 | 8,508 |
| | 116,349 | 40,722 |

Accu-Comp Management Corp., Bristol Capital Corporation and Stetson Resource Management Corp. are controlled by certain directors of the company.

10. COMPARATIVE FIGURES:

The figures provided for comparison in the statement of changes in financial position are for the period from date of incorporation, May 26, 1987 to May 31, 1988.

BU-MAX GOLD CORP.

NOTES TO THE FINANCIAL STATEMENTS

FEBRUARY 28, 1989

(Unaudited)

11. SUBSEQUENT EVENTS:

(a) By way of prospectus, the company intends to issue 700,000 shares to the public at a price of $.35 per share to net the treasury $210,000 after the agent's commission. The company entered into an agency agreement to offer the shares through the facilities of the Vancouver Stock Exchange. The offering also includes a greenshoe option which allows the agent to sell at a price of $.35 per share such number of shares of the company which is the lessor of 15% of the offering or the actual number of shares subscribed for by way of an oversubscription. It is intended that the agent will purchase any of the shares not sold at the conclusion of the offering. In consideration therefor, the agent will be granted non-transferable share purchase warrants entitling it to purchase up to 175,000 shares at any time up to the closing of business two years from the date upon which the shares are listed, posted and called for trading on the Exchange at a price of $.35 per share during the first year and at a price of $.4025 per share during the second year of the term of the share purchase warrants.

(b) The agreement with Cary Medford (see Note 3(a)) has been amended to state that he will forego any further payments of cash or issuances of shares to be made under the agreement except for the following:

(i) 21,429 shares to be issued at a price of $.35 per share within five business days from the date on which a receipt is issued for the prospectus.

(ii) 25,000 shares upon having spent $180,000 on exploration on the claims on or before December 31, 1990, subject to the filing with the Vancouver Stock Exchange of an acceptable engineering report recommending further work on the claims.

Apart from these changes all other aspects of the agreement, as amended, are confirmed.

BU-MAX GOLD CORP.

SCHEDULE OF DEFERRED EXPLORATION AND

DEVELOPMENT COSTS

FOR THE PERIOD FROM THE DATE OF INCORPORATION

MAY 26, 1987 TO FEBRUARY 28, 1989

| DEADMAN PROPERTIES: | Nine Months Ended February 28, 1989 | May 26, 1987 To May 31, 1988 | Total |
|---|---|---|---|
| Assaying ............................ | $ - | $ 17,478 | $ 17,478 |
| Camp costs ............................ | - | 7,092 | 7,092 |
| Equipment and vehicle rental costs ... | - | 8,790 | 8,790 |
| Geological and geochemical costs ..... | - | 40,797 | 40,797 |
| Supervision .......................... | - | 10,546 | 10,546 |
| Project preparation and report fees .. | 450 | 2,750 | 3,200 |
| TOTAL ....... | $ 450 | $ 87,453 | $ 87,903 |

The accompanying notes are an integral part of the financial statements.

BU-MAX GOLD CORP.

SCHEDULE OF DEFERRED ADMINISTRATIVE COSTS

FOR THE PERIOD FROM THE DATE OF INCORPORATION

MAY 26, 1987 TO FEBRUARY 28, 1989

| | Nine Months Ended February 28, 1989 | May 26, 1987 To May 31, 1988 | Total |
|---|---|---|---|
| Administrative fees ................. | $ 18,000 | $ 20,500 | $ 38,500 |
| Bank charges and interest ........... | 805 | 739 | 1,544 |
| Office and sundry expenses .......... | 352 | 2,868 | 3,220 |
| Professional fees ................... | 21,700 | 3,510 | 25,210 |
| Regulatory fees ..................... | 5,834 | 120 | 5,954 |
| Rent ................................ | 750 | 10,000 | 10,750 |
| Transfer agent fees and share printing | 1,169 | - | 1,169 |
| | 48,610 | 37,737 | 86,347 |
| Less: Interest income ........... | 147 | 1,900 | 2,047 |
| TOTAL ...... | $ 48,463 | $ 35,837 | $ 84,300 |

The accompanying notes are an integral part of the financial statements.

## CERTIFICATE OF THE ISSUER

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the Securities Act and its regulations.

DATED: May 1, 1989

LEONARD EDWIN TINKLER
Chief Executive Officer
and Chief Financial Officer

On behalf of the Board of Directors

PETER COX
Director

GORDON CORMACK
Director

By a Promoter

PETER COX
Promoter

## 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 Prospectus as required by the Securities Act and its regulations.

DATED: May 1, 1989

WOLVERTON SECURITIES LTD.

Per: D. Lawrence

DIANE LAWRENCE
President