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**SUPERINTENDENT OF BROKERS
AND VANCOUVER STOCK EXCHANGE**

STATEMENT OF MATERIAL FACTS (#07/88)

EFFECTIVE DATE: January 29, 1988

PROPERTY FILE
R.H.
921N/E/167
5A1

PASS LAKE RESOURCES LTD.

(formerly CHAMPAGNE RESOURCES LTD.) (the "Issuer")

1134 Rochester Avenue, Coquitlam, British Columbia, V3K 2X4
(604) 931-3070

NAME OF ISSUER, ADDRESS OF REGISTERED OFFICE AND HEAD OFFICE AND
TELEPHONE NUMBER

1700 - 401 West Georgia Street Vancouver, British Columbia, V6B
ADDRESS OF RECORDS OFFICES OF ISSUER

National Trust Company, 900 - 666 Burrard Street
Vancouver, British Columbia, V6C 2Z4

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

THE SECURITIES OFFERED HEREUNDER ARE SPECULATIVE IN NATURE.
INFORMATION CONCERNING THE RISKS INVOLVED MAY BE OBTAINED BY REFERENCE
TO THIS DOCUMENT; FURTHER CLARIFICATION, IF REQUIRED, MAY BE SOUGHT
FROM A BROKER.

OFFERING: 1,000,000 Common Shares

| | Estimated Price to Public * | Estimated Agent's Commission | Estimated Net Proceeds to be Received by Issuer |
|------------|--------------------------------|---------------------------------|---|
| Per Share: | \$ 0.17 | \$ 0.01275 | \$ 0.15725 |
| Total | \$ 170,000 | \$ 12,750 | \$ 157,250 |

* To be calculated in accordance with the rules of the Vancouver Stock Exchange.

ADDITIONAL OFFERING: up to 500,000 Common Shares

This Statement of Material Facts also qualifies for sale to the public, at the market price for the shares at the time of sale, any shares of the Issuer which the Agent may acquire pursuant to the exercise of the Agent's Warrants. Reference should also be made to the sub-heading "Additional Offering" under Item 1 ("Plan of Distribution") herein.

AGENT

**McDermid St. Lawrence Limited
10th Floor
601 West Hastings Street
Vancouver, British Columbia**

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

1. PLAN OF DISTRIBUTION

Offering

The Issuer by its Agent hereby offers (the "Offering") to the public through the facilities of the Vancouver Stock Exchange (the "Exchange"), 1,000,000 common shares (the "Shares"). The Offering shall be made on a day (the "Offering Day") within the period of thirty (30) business days after the date (the "Effective Date") this Statement of Material Facts is accepted for filing by the Exchange and the Superintendent of Brokers for British Columbia (the "Superintendent").

The Shares will be sold at a fixed price of \$0.17 per share by agreement between the Issuer and the Agent (as hereinafter defined), in accordance with the rules and policies of the Exchange.

Appointment of Agent

The Issuer, by an agreement dated as of September 24, 1987, and amended as of December 16, 1987 (collectively called the "Agency Agreement") appointed McDermid St. Lawrence Limited, of 10th Floor - 601 West Hastings Street, Vancouver, B.C. as its agent ("Agent") to offer the Shares to the public, as follows:

| <u>Name of Agent</u> | <u>Participation</u> |
|-------------------------------|----------------------|
| McDermid St. Lawrence Limited | 1,000,000 shares |

The Issuer will pay the Agent a commission of 7 1/2% of the selling price of the Shares.

The Agent has agreed to purchase from the Offering any Shares which remain unsubscribed for at the conclusion of the Offering Day and, in consideration therefor, the Issuer has agreed to allot and issue to the Agent, immediately following the Offering Day, non-transferable share purchase warrants ("Agent's Warrants") entitling the Agent to purchase a total of Five Hundred Thousand (500,000) common shares of the Issuer. The Agent may exercise any of the Agent's Warrants within three hundred and sixty-five (365) days after the Offering Day at a price which is set at a premium over the Offering Price, as determined in accordance with the rules and policies of the Exchange.

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

The Agent reserves the right to offer selling group participation in the normal course of the brokerage business to selling groups of other licenced broker-dealers, brokers and investment dealers who may or may

not be offered part of the commission or bonuses derived from this Offering.

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

Agent's Warrants

The Agent's Warrants will be non-transferable and will contain, among other things, anti-dilution provisions and provisions for appropriate adjustment in 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 shares of the Issuer, or the payment of stock dividends.

Additional Offering

This Statement of Material Facts also qualifies for sale to the public through the facilities of the Exchange at the market price prevailing for the shares at the time of the sale, for a period of three hundred and sixty-five (365) days from the Offering Day, any Shares purchased by the Agent and any of the common shares which may be acquired by the Agent on the exercise of the Agent's Warrants. The Issuer will not receive any proceeds from the sale of any such shares so acquired by the Agent, all of which proceeds will, in such event, accrue to the Agent.

Market Maker

The Agent may be considered the "Market Maker" of the Issuer of the Shares during the period of primary distribution of this Offering and for thirty (30) days thereafter. The Agent and its respective principals have no shares of the Issuer under its control. The Agent owns no shares of the Issuer, directly or indirectly. Subject to the by-laws of the Exchange, the Agent may make purchases and sales of Shares of the Issuer for the purpose of maintaining an orderly market for the Shares and assisting in the distribution of the offered Shares.

Some of the Directors, Officers and other Insiders of the Issuer intend to purchase a portion of the Shares from this Offering.

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

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

The Issuer will receive gross proceeds of \$170,000 from the sale of the Shares which, after deduction of commissions of \$12,750, will net the Issuer \$157,250. This amount, which is exclusive of \$49,833 on hand

reserved for expenditure on Canadian Exploration Expenses, will be expended as follows:

| | |
|---|---------------------|
| (a) to pay the costs of the Offering | \$ 3,500 |
| (b) to pay accounts payable (\$73,726) as at October 31, 1987 | 73,726 |
| (c) to repay loans from shareholders and/or directors or officers | 34,820 |
| (d) to provide working capital | 45,204 |
| | <hr/> |
| TOTAL: | \$ 157,250 ===== |

If any or all of the Agent's Warrants are exercised, the additional proceeds will be added to the working capital of the Issuer.

The Issuer intends to apply its working capital toward pursuing new mining property acquisitions or joint ventures and other non-resource investments, which future transactions will be subject to regulatory approval. The Issuer may also apply some working capital toward undertaking a review of the Pass Lake Property upon completion of the 1987 work program, which program has already been funded by way of a private placement of units as described herein in Item 9(1).

3. MATERIAL NATURAL RESOURCE PROPERTIES

Summary of Material Mining Properties

Definitions:

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

| Group | Property Name | Issuer's Acquisition and Exploration Costs to November 30, 1987 | Shares Issued to Date | Planned Expenditure from Funds Available upon Completion of the Offering |
|-------|--------------------|---|-----------------------|--|
| I | Nil | Nil | Nil | Nil |
| II | Pass Lake Property | \$20,166.32* | Nil | Nil |
| III | Nil | Nil | Nil | Nil |

* an additional \$49,833.68 reserved in trust for expenditure by Esso Minerals Canada

GROUP I - PROPERTIES FOR WHICH REGULATORY APPROVAL HAS BEEN OBTAINED UNDER THIS STATEMENT OF MATERIAL FACTS.

Nil

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

THE PASS LAKE PROPERTY, KAMLOOPS

Interest to be earned by the Issuer:

The Pass Lake Property consists of six contiguous mining claims (99 units or 2475 hectares), including part of a Federal Agricultural Reserve (565 hectares), located in the Kamloops Mining Division, British Columbia and more particularly described as follows:

| <u>Name of Claim</u> | <u>Record Number</u> | <u>Expiry Date</u> |
|----------------------|----------------------|--------------------|
| Darcy I* | 5910 | October 15, 1988 |
| Darcy II | 5911 | October 15, 1988 |
| Darcy III | 5912 | October 15, 1988 |
| Darcy IV* | 5913 | October 15, 1988 |
| Pass I | 5914 | October 15, 1988 |
| Dawn I* | 5915 | October 15, 1988 |

* Part of these claims appear to be staked over other claims previously recorded by a third party, which may mean that the overlapping portion is rightfully owned by such third party. The actual boundaries of the Pass Lake Property cannot, therefore, be determined until a survey is completed.

Agriculture Canada has to date denied access to that portion of the Pass Lake Property which forms part of the Federal Agricultural

Reserve.

By an Agreement dated as of May 4, 1987 (the "Esso Agreement") between the Issuer and Esso Minerals Canada, a Division of Esso Resources Canada Limited, ("Esso"), Esso granted to the Issuer an option to acquire a 49% undivided interest in the Pass Lake Property. In order to earn its 49% interest, the Issuer must provide funds to Esso to be utilized for exploration and development of the property, as follows:

- (a) \$50,000 upon execution of the Esso Agreement and \$20,000 on or before June 15, 1987, which funds are held in trust by the Issuer's solicitors, Holmes Greenslade, to be utilized by Esso for the 1987 work program;
- (b) up to \$80,000 to be paid upon the request of Esso and in accordance with estimates for each calendar month, in respect of the 1988 work program;
- (c) up to \$100,000 to be paid upon the request of Esso and in accordance with estimates for each calendar month, in respect of the 1989 work program;

If the cost of the work program exceeds \$70,000 in 1987, \$80,000 in 1988 or \$100,000 in 1989, then the Issuer must pay Esso the amount of the excess up to a maximum of \$7,000 in respect of the 1987 work program, \$8,000 in respect of the 1988 work program and \$10,000 in respect of the 1989 work program. All such payments will be credited against expenditures to be incurred by the Issuer in future years.

During the option period, Esso will be the operator. If the Issuer makes all payments and exercises the option, Esso and the Issuer will enter into a Joint Venture Agreement with Esso having a 51% interest and the Issuer having a 49% interest in the Pass Lake Property.

Location and Access:

The Pass Lake Property is located fifteen kilometres north-northwest of Kamloops in the central portion of the Watching Creek Drainage and the area surrounding Pass Lake. There are excellent gravel logging roads through the middle of the property.

History:

Follow-up by Esso of a 1984 heavy mineral stream gold anomaly resulted in the discovery of gold-bearing quartz veins at the south margin of a picrite pluton. The area was staked by Esso and, in 1985, Esso's exploration program included geological mapping (1:2,000 and 1:10,000 scales), soil/rock geochemistry (331 samples analysed for 30 element ICP and gold), VLF-EM and magnetometer surveys (20.1 line km) and follow-up mechanical trenching (105 m and 7 pits to 6 m depth), and chip sampling (12 samples analysed as above).

The local geology is composed primarily of Nicola Group volcanics, Picrite, Hornblende-Feldspar Porphyries, and the Kamloops Group.

The Nicola Group volcanics are primarily a green fine grained tuff and tuff breccias. Much of these tuffs have been altered by pervasive carbonation and have predominant epidote in the matrix. The southern part of the claim group is dominated by these volcanic rocks.

Approximately 50% of the Pass Lake Property is underlain by picrite which occurs as a relatively elongated intrusive southeast to northwest across the property. The picrite has several altered zones with a range of light green to red-brown depending on the olivine content.

The Watching Creek hornblende-feldspar porphyries consist of 30% quartz with 40% feldspar and 30% hornblende phenocrysts. Some internal stringers contain minor pyrite and some wallrock may host up to 5% pyrite. K-feldspar alteration is patchy with alteration dominated by carbonate veining and hornblende destruction to chlorite, sericite and pyrite.

The southwest corner of the property has abundant breccia flows of the Eocene Kamloops Group. Most of these breccias contain white zeolites in vesicular/amygdaloidal fragments.

Alteration and Mineralization:

Previous work done by Esso identified three anomalous gold occurrences. The first occurrence located on Grid A is associated with quartz-sulphide veins intruding a picrite/volcanic rock breccia. Grab samples have been recorded assaying up to 7 grams per ton of gold. The majority of the carbonate K-feldspar alteration surrounding this occurrence lies within the boundaries of an Agriculture Canada Research Station with limited exploration access to this area. Part of the alteration pattern extends off the federal land and the extent of the mineralized picrite/breccia is not known.

A second occurrence located on Grid A has gold associated with a stockwork of sulphides in quartz veinlets again with carbonate K-feldspar alteration. Gold values are low at this occurrence with the highest values recorded 225 parts per billion ("ppb") gold over very narrow widths.

Results to date do not indicate additional exploration should be carried out on this Grid.

The third gold showing is contained in a quartz vein stockwork in the Watching Creek hornblende feldspar porphyries, which has intruded picrite. Values up to 180 ppb of gold over 10 metres occurs where the porphyritic rocks come in contact with the north westerly trending picrite body which has, in turn, intruded Triassic Nicola Group volcanics.

Esso has recommended additional work at an estimated cost of \$70,000 be done on Occurrences #1 and #3 but not on Occurrence #2. Both of these showings exhibit potential for additional mineralization to be discovered, especially the Watching Creek showing which could host high grade zones. The Issuer has required a report on the Pass Lake Property prepared by Robert D. Willis, P.Eng., of Majekemik Resources Ltd., dated August 4, 1987 (the "Willis Report"). The Willis Report supports the recommendation of Esso. A copy of the Willis Report is attached to this Statement of Material Facts.

Work Proposal:

The proposed work program by Esso as supported by the Willis Report consists of the following:

1. Establish a flagged grid on target area 3. The grid should be roughly 1 kilometre square and consist initially of 100 metre line spacings and 25 metre station intervals. Map, characterize the till and soil sample where feasible. Establish 50 metre lines where warranted.
2. Evaluate areas in target area 3 for trenching, trench if feasible and thoroughly channel sample altered porphyries.
3. Soil sample either side of the Watching Creek Valley near the base of the till, but away from its masking effects.

The proposed Phase I work program should give some vertical magnitude to the surface mineralization.

Work Done:

As of November 30, 1987, the Issuer has expended \$20,166.32 of the \$70,000 held in trust for Esso on the work program recommended by Esso and supported by the Willis Report.

A 7.2 line km grid was established in Occurrence #3. A 1.7 km long north-south baseline centered on the Watching Creek porphyries was established on the east side of Watching Creek. Grid lines at 100 m intervals from 5+00N to 14+00N and lines 16+00N and 18+00N were started at the baseline and run 600 m to the west. Thicknesses of glacial drift, location of stream channels and areas of outcrop were noted while running the grid lines. Areas suitable for soil sampling were confined to the creek valley where the thickness of overburden is minimal; 188 soil samples were collected on the grid.

About 240 soil samples were also collected at 25 m intervals at the break in slope between the Watching Creek flood plain and the till banks on the east and west side of Watching Creek.

In conjunction with the soil sampling along Watching Creek, 14 sieved silt samples for heavy media concentration (HMC) and analysis were collected at 250 m intervals. The location of all soil and HMC samples are plotted on the attached 1:2000 plan.

Geological mapping was conducted on a systematic basis in the grid area. The results of this mapping have been compiled at a scale of 1:500. Rock chip sampling of altered and silicified outcroppings was conducted in conjunction with this geological mapping.

Mapping and sampling of permissive outcrops was done over the entire grid, although outcrop was mainly localized between lines 7+00 and 13+00N. Results are plotted on a 1:500 scale.

The main highlight of the above work is definition of a 250 m long gold-barium + silver + copper soil anomaly located between lines 7+00E and 10+00N in Watching Creek. Gold values range up to 2360 ppb, silver 5.6 ppm, barium 1862 ppm and copper 154 ppm.

The remaining budget of approximately \$50,000 will be absorbed mainly by drilling six reverse circulation holes. If possible, the holes will reach 75 to 100 m depth and be inclined to provide a better picture of the geology in Occurrence #3. Additional holes will be completed in this area depending on earlier results and budget constraints.

There are currently no known ore reserves on the property.

GROUP III - OTHER PRESENTLY HELD PROPERTIES UPON WHICH THE ISSUER'S ACQUISITION AND EXPLORATION COSTS TO DATE EXCEED \$100,000.

Nil

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

The Issuer has no non-resource assets.

5. **CORPORATE INFORMATION**

The Issuer was incorporated on April 14, 1983 under the laws of the Province of British Columbia by the registration of its Memorandum and Articles.

The Issuer is undergoing a "reorganization" within the meaning of Listings Policy Statement #17/84 (revised) of the Vancouver Stock Exchange. On January 28, 1987, regulatory approval was obtained to a transfer of a total of 750,000 escrow shares of the Issuer to Leonard W. Brownlie from the following transferors:

| <u>Transferor</u> | <u>Number of Shares</u> |
|---------------------------|-------------------------|
| Balthazar Management Ltd. | 675,000 |
| Deane Williams | 50,000 |
| Dean Newmann | 25,000 |

The transfer within escrow and the consequent change of control of the Issuer was approved by the shareholders of the Issuer at the Annual General Meeting held on December 18, 1986.

At the Annual General Meeting held on December 18, 1986, the shareholders of the Issuer also approved of a change of the name of the Issuer from "Champagne Resources Ltd." to "Pass Lake Resources Ltd." At an Extraordinary General Meeting held on June 26, 1987, the following changes were approved by the shareholders of the Issuer:

- (a) the consolidation of the Issuer's authorized capital on a two-for-one (2:1) basis, so that the existing 10,000,000 common shares, of which 2,015,955 were issued and outstanding, were consolidated into 5,000,000 common shares, of which 1,007,977.5 were issued and outstanding;
- (b) an increase in the authorized capital of the Issuer from 5,000,000 common shares to 20,000,000 common shares; and
- (c) the alteration of the Issuer's Memorandum to reflect the foregoing changes.

The foregoing changes became effective on January 27, 1988 upon filing of the appropriate resolutions and altered Memorandum with the Registrar of Companies for British Columbia.

At the Extraordinary Meeting held on June 26, 1987, the shareholders of the Issuer authorized, by special resolution, the issuance of up to a total of 656,250 post-consolidation additional principal's shares in the capital stock of the Issuer. In connection with the reorganization of the Issuer, management proposes to issue 281,250 post-consolidated shares of the Issuer to Leonard W. Brownlie at a price of \$0.02 per share to be paid in cash. The additional principal's shares will be held in escrow.

Following the issuance of the additional principal's shares and on approval of the private placements and the issuance of shares of the Issuer in settlement of debts as disclosed herein in Item 9(1) and (2), there will be 1,765,816 shares of the Issuer issued and outstanding.

All of the Issuer's shares, including those offered by this Statement, are common shares without par value. The shares rank equally as to dividends, voting rights, participation in assets and in all other respects. They are not subject to any future call or assessment and there are no pre-emptive or conversion rights. There are no special rights or restrictions of any nature attached to any of the shares and

they all rank pari passu, each with the other, as to all benefits that may accrue to the holders thereof.

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

(1) **Directors, Officers and Promoters**

| <u>Name, Address and Position</u> | <u>Principal Occupation for Previous Five Years</u> | <u>Number of Shares Beneficially Owned Following the Share Consolidation**</u> |
|--|---|--|
| KENNETH BROWNLIE 3529 Kennedy Street Port Coquitlam, B.C. V3B 4B3 PRESIDENT/DIRECTOR | Retired; formerly Machinist employed by Canadian National Railway | 44,250 (free) |
| LEONARD BROWNLIE* 1134 Rochester Avenue Coquitlam, B.C. V3K 2X4 SECRETARY/DIRECTOR | Doctorate Student, Simon Fraser University; formerly M.Sc. Student and Teaching Assistant, Simon Fraser University | 656,250 (escrow) 58,917 (free) |
| ANDY SOVIO 204-1501 Haro Street Vancouver, B.C. V6G 1G4 DIRECTOR | Employee of Goldwest Resources Ltd.; Building Operations Technician with B.C. Telephone Co.; Graduate of Simon Fraser University, Business Administration | Nil |
| MAURICE MATHIEU* 1764 Juniper Avenue Box 1101 Merritt, B.C. VOK 2B0 DIRECTOR | President of Scope Exploration Services Ltd. | Nil |
| KIM PHILLIPS 126-7295 Moffatt Road Richmond, B.C. V6Y 3E6 VICE-PRESIDENT | Management Consultant; President of Strive Management Ltd.; formerly Assistant Food and Beverage Manager for Alma Mater Society of U.B.C. | 20,000 (free) |

* Denotes a Member of the Audit Committee

**Includes shares to be issued on approval of the private placements as described in Item 9(1) herein.

(2) Relationship of Directors, Officers or Promoters of the Issuer to Other Reporting Companies

Leonard W. Brownlie and Kim Phillips are a director, officer or promoter of one (1) other reporting issuer. No other director, officer or promoter of the Issuer is, or has been within the past three years, a director, officer or promoter of any other reporting issuer.

(3) Remuneration of Directors, Officers, Promoters or Insiders Within the Past Year

Pursuant to a management agreement dated February 1, 1986, between the Issuer and Leonard W. Brownlie, a Director of the Issuer, a management fee of \$2,000 per month was payable by the Issuer to Mr. Brownlie up to December 31, 1986. Thereafter, commencing January 1, 1987, a management fee of \$1,000 per month was payable to Mr. Brownlie.

Pursuant to a management agreement dated for reference January 1, 1987 between the Company and Strive Management Ltd. ("Strive"), a management fee of \$1,000 per month is payable to Strive by the Company. Strive is wholly owned by Kim Phillips, Vice-President of the Company.

Other than as disclosed herein, no director, officer, promoter or insider has received direct or indirect remuneration or anything of value from the Issuer within the past year.

Reference is also made to Item 7 herein for the particulars of options to purchase securities of the Issuer granted to directors and officers of the Issuer.

(4) Other Holders of More Than 10% of the Voting Shares of the Issuer

To the best of knowledge of the directors and senior officers of the Issuer, other than those persons disclosed in Item 6(1), there are no other persons who own beneficially, directly or indirectly, more than 10% of the voting shares of the Issuer.

7. OPTIONS TO PURCHASE SECURITIES OF THE ISSUER

(1) Directors' Options

| <u>Name</u> | <u>Date Option Granted</u> | <u>Expiry Date of Option</u> | <u>Number of Shares</u> | <u>Price Per Share</u> |
|---------------------|------------------------------------|----------------------------------|-----------------------------|--------------------------------|
| Kenneth G. Brownlie | Jan. 27, 1988 | Jan. 27, 1990 | 88,000 | \$0.17 |
| Andy Sovio | Jan. 27, 1988 | Jan. 27, 1990 | 40,000 | \$0.17 |
| Maurice A. Mathieu | Jan. 27, 1988 | Jan. 27, 1990 | 10,000 | \$0.17 |

(2) Employees' Options

| <u>Name</u> | <u>Date Option Granted</u> | <u>Expiry Date Of Option</u> | <u>Number of Shares</u> | <u>Price Per Share</u> |
|---------------------|------------------------------------|----------------------------------|-----------------------------|--------------------------------|
| Leonard W. Brownlie | Jan. 27, 1988 | Jan. 27, 1990 | 84,000 | \$0.17 |
| Kim Phillips | Jan. 27, 1988 | Jan. 27, 1990 | 54,000 | \$0.17 |

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

(1) Escrow Shares

There are 656,250 shares of the Issuer held in escrow by National Trust Company, 900-666 Burrard Street, Vancouver, British Columbia. Such shares may not be sold, assigned, hypothecated, alienated, released from escrow, transferred within escrow or otherwise in any manner dealt with without the express consent, order or direction in writing of the Superintendent or the Exchange being first obtained except as may be required by reason of the death or bankruptcy of any shareholder.

In the event that the Issuer has lost or alienated the property or asset, the Issuer or any shareholder has the express obligation to declare any such event or circumstance and the particulars thereof to the Superintendent or the Exchange. Upon the Superintendent or the Exchange being advised of the loss or alienation of the property or asset, they may, at their discretion, make such order or direction for the cancellation of all or any portion of the escrow shares as they deem advisable, provided however, that the fact that the property or asset has been lost or alienated shall not in itself be cause for cancellation of all or a part of the escrow shares.

(2) Pooled Shares

There are no shares of the Issuer held in pool.

(3) Other Securities Subject to an Unexpired Hold Period

Reference is made to Item 9(1) herein for particulars of the private placement of flow-through shares of the Issuer, which shares are subject to a one year hold period.

9. PARTICULARS OF ANY OTHER MATERIAL FACTS

(1) Rescission of Cease Trade Order

The Superintendent of Brokers issued an Order dated January 10, 1986 and extended on January 24, 1986, (collectively called the "Cease Trade Order") prohibiting trading in the shares of the Company. On January 25, 1988, the Superintendent of Brokers issued an Order for the temporary rescission of the Cease Trade Order against the Company to permit the completion of the reorganization of the Company as described in Item 5 herein. On the Offering Day, the Superintendent of Brokers will issue an Order for the absolute rescission of the Cease Trade Order. The shares of the Company will be reinstated for trading on the Vancouver Stock Exchange following completion of the Offering, at which time the Company will have met the minimum listing requirements of the Exchange.

(2) Private Placement

Pursuant to Expenditure and Share Purchase Agreements dated June 12, 1987, the Issuer agreed to issue a total of 466,667 post-consolidated units in its capital stock to the following private investors at a deemed price of \$0.15 per post-consolidation unit for total proceeds of \$70,000.00:

| <u>Name and Address of Placee</u> | <u>Total Investment</u> | <u>No. of Units to be Subscribed for on a Consolidated Basis</u> |
|--|-------------------------|--|
| Randy Butchard 8954 Nelsonview Delta, B.C. V4C 7V5 | \$ 7,500.00 | 50,000 |
| Leonard Brownlie 1134 Rochester Avenue Coquitlam, B.C. V3K 2X4 | 7,000.00 | 46,667 |
| Kenneth Brownlie 3529 Kennedy Street Port Coquitlam, B.C. V3B 4B3 | 4,500.00 | 30,000 |

| | | |
|--|----------|--------|
| Ernest Sali 421 Maple Bay Estevan, Saskatchewan S4A 2E6 | 3,000.00 | 20,000 |
| Jurgen Mathewes 307-111 West 10th Avenue Vancouver, B.C. V5Y 1R7 | 3,000.00 | 20,000 |
| Microstat Investments Corporation* 101-1565 West 15th Avenue Vancouver, B.C. V6J 2K5 | 3,000.00 | 20,000 |

*Microstat Investments Corporation is wholly owned by Jurgen Mathewes and Duncan Suttles, each as to 50% of the issued and outstanding shares.

Each unit will consist of one common share and one non-transferable share purchase warrant. Each share purchase warrant will entitle the investor to purchase one common share of the Issuer for each share purchase warrant held at a price of \$0.20 per post-consolidation share at any time up to one year from the date of the advance of the investor's payment to the Issuer.

The shares of the Issuer issued pursuant to the private placements may not be sold or otherwise disposed of for a period of one year from the date of issue of the shares. This hold period will also apply to any shares acquired by the investors pursuant to the exercise of the share purchase warrants.

The Issuer proposes to use the proceeds from the private placements to meet its funding obligations pursuant to the Esso Agreement, which is described herein in Item 3. The Issuer will use its best efforts to qualify under the flow-through share provisions with respect to Canada Eligible Expenditures in the Income Tax Act of Canada.

There is no finder's fee or commission payable as a result of these private placements.

Shareholder approval of the private placements was obtained at an Extraordinary General Meeting of the Issuer held on June 26, 1987.

(3) Shares for Debt

Subject to regulatory approval, by an agreement dated April 2, 1987, the Issuer agreed to issue 6,377 pre-consolidation shares of the Issuer to Jeff Ciachurski at a deemed price of \$0.30 per share in full

| | | |
|--|----------|--------|
| Ernest Sali 421 Maple Bay Estevan, Saskatchewan S4A 2E6 | 3,000.00 | 20,000 |
| Jurgen Mathewes 307-111 West 10th Avenue Vancouver, B.C. V5Y 1R7 | 3,000.00 | 20,000 |
| Microstat Investments Corporation* 101-1565 West 15th Avenue Vancouver, B.C. V6J 2K5 | 3,000.00 | 20,000 |

*Microstat Investments Corporation is wholly owned by Jurgen Mathewes and Duncan Suttles, each as to 50% of the issued and outstanding shares.

Each unit will consist of one common share and one non-transferable share purchase warrant. Each share purchase warrant will entitle the investor to purchase one common share of the Issuer for each share purchase warrant held at a price of \$0.20 per post-consolidation share at any time up to one year from the date of the advance of the investor's payment to the Issuer.

The shares of the Issuer issued pursuant to the private placements may not be sold or otherwise disposed of for a period of one year from the date of payment of the shares. This hold period will also apply to any shares acquired by the investors pursuant to the exercise of the share purchase warrants.

The Issuer proposes to use the proceeds from the private placements to meet its funding obligations pursuant to the Esso Agreement, which is described herein in Item 3. The Issuer will use its best efforts to qualify under the flow-through share provisions with respect to Canada Eligible Expenditures in the Income Tax Act of Canada.

There is no finder's fee or commission payable as a result of these private placements.

Shareholder approval of the private placements was obtained at an Extraordinary General Meeting of the Issuer held on June 26, 1987.

(3) Shares for Debt

Subject to regulatory approval, by an agreement dated April 2, 1987, the Issuer agreed to issue 6,377 pre-consolidation shares of the Issuer to Jeff Ciachurski at a deemed price of \$0.30 per share in full

satisfaction of the Issuer's indebtedness to Mr. Ciachurski in the amount of \$1,913.10 for management services rendered up to June 1, 1985.

Subject to regulatory approval, by an agreement dated June 1, 1987, as amended on December 14, 1987, the Issuer agreed to issue 6,734 post-consolidation shares of the Issuer to Locke B. Goldsmith at a deemed price of \$0.30 per share in full satisfaction of the Issuer's indebtedness to Mr. Goldsmith in the amount of \$2,020.20 for geological consulting services rendered in January, 1985.

(4) Legal Proceedings

The Supreme Court of British Columbia has granted a Declaration that an alleged agreement made between the Issuer and Pacific Inland Communications ("PIC") on March 25, 1985 is void and of no force and effect as between the parties, and a Declaration that the Issuer is discharged from all duties, obligations and liabilities whatsoever arising under the alleged agreement.

Pursuant to the alleged agreement, the Issuer purportedly agreed to, among other things, pay to PIC the sum of \$260,000.00 (U.S.). Apart from this covenant, there is no foundation for the debt. There is also doubt as to the validity of the execution of the agreement. A former director of the Issuer has provided his sworn statement that his signature, as it appears on the alleged agreement, is a forgery and that he did not execute the document.

There are no other legal proceedings to which the Issuer or its properties are a party nor are there pending any such legal proceedings.

(5) Proposed Property Acquisition

There are no properties proposed to be acquired for which regulatory approval is not being sought under this Agreement.

(6) Changes in Liabilities

The liabilities of the Issuer have not significantly increased or altered subsequent to the date of the financial statements included in this Statement.

(7) Other Material Facts

There are no other material facts relating to the securities being offered hereunder and not disclosed under any other item.

(8) Inspection of Documents

All contracts, technical reports and lists of reporting companies

referred to in this Statement may be inspected at the Issuer's registered office, 1700-401 West Georgia Street, Vancouver, British Columbia, registered during normal business hours during the period of distribution of the securities offered hereby and for the period of thirty days thereafter.

10. **STATUTORY RIGHTS OF RESCISSION**

The British Columbia Securities Act provides purchasers with the right to rescind a contract for the purchase of securities where the statement of material facts and existing amendments thereto either contain misrepresentation or are not delivered to the purchaser before delivery of the written confirmation of sale. For further information concerning these rights, and the time limits within which they must be exercised, refer to Sections 66, 114, 118 and 124 of the Securities Act or consult a lawyer.

Champagne Resources Ltd.

Financial Statements

for the six months

May 1 - October 31, 1987

Unaudited: Prepared by Management

Champagne Resources Ltd.

Balance Sheet
as at October 31, 1987

Unaudited - Prepared by Management


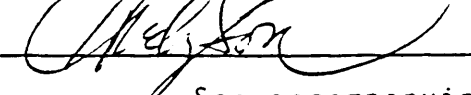
| | <u>ASSETS</u> | | |
|-----------------------------------|---------------|--------------|-------------|
| | | October 31 | October 31 |
| | | <u>1987</u> | <u>1986</u> |
| Current | | | |
| Cash in trust - Note 2 | \$ 49,833 | \$ - | - |
| Drilling advance | <u>-</u> | <u>8,170</u> | - |
| | 49,833 | 8,170 | - |
| Mineral property - Note 2 | - | - | - |
| Deferred exploration expenditures | 20,166 | - | - |
| Incorporation costs | <u>600</u> | <u>600</u> | - |
| | \$ 70,599 | \$ 8,770 | - |
| | ===== | ===== | - |

| | <u>LIABILITIES</u> | | |
|---|--------------------|----------------|---|
| Current | | | |
| Accounts payable | \$ 73,726 | \$ 31,518 | - |
| Agreement payable - Note 3 | <u>-</u> | <u>318,979</u> | - |
| | 73,726 | 350,497 | - |
| Accounts payable to be settled by issuance of common shares - Note 5 | 6,870 | 21,566 | - |
| Shareholders' loan - Note 6 | <u>104,820</u> | <u>-</u> | - |
| | \$185,416 | \$372,063 | - |

DEFICIENCY IN ASSETS

| | | |
|---|------------------|------------------|
| Capital Stock - Note 4 | | |
| Authorized: | | |
| 10,000,000 common shares without par value | | |
| Issued: | | |
| 2,015,955 common shares (1986 - 1,945,955) | 411,257 | 390,257 |
| Deficit | (526,074) | (753,550) |
| | <u>(114,817)</u> | <u>(363,293)</u> |
| | \$ 70,599 | \$ 8,770 |
| | ===== | ===== |

APPROVED BY THE DIRECTORS:


 _____ Director

 _____ Director

See accompanying notes to the financial statements

Champagne Resources Ltd.

Statement of Deferred Exploration Expenditures
for the Six Month Period ended October 31, 1987

Unaudited - Prepared by Management

| | <u>October 31</u> 1987 | <u>October 31</u> 1986 |
|---|---------------------------|---------------------------|
| Exploration Expenditures | | |
| Geochemistry | \$ 5,669 | \$ - |
| Geology | 10,963 | - |
| Transportation and Accommodation | 318 | - |
| Supervision | 975 | - |
| Direct Support Services (Overhead) | <u>2,241</u> | <u>-</u> |
| | 20,166 | - |
| | | |
| Deferred exploration expenditures, beginning of period | <u>-</u> | <u>-</u> |
| | | |
| Deferred exploration expenditures, end of period | \$ 20,166 ===== | \$ - ===== |

See accompanying notes to the financial statements

Champagne Resources Ltd.

Statement of Operations and Deficit
for the Six Month Period ended October 31, 1987

Unaudited - Prepared by Management

| | <u>October 31</u> 1987 | <u>October 31</u> 1986 |
|---------------------------------------|---------------------------|---------------------------|
| Administrative | | |
| Accounting and audit | \$ 618 | \$ 1,250 |
| Dues and fees | 108 | 300 |
| Consulting fees | 12,000 | - |
| Office | 626 | 98 |
| Legal | 19,378 | 575 |
| Stock exchange fees | 4,448 | 425 |
| Travel and promotion | 32 | - |
| Telephone | 133 | 222 |
| Transfer agent | 968 | - |
| Rent | 300 | - |
| Utilities | <u>86</u> | <u>-</u> |
| | 38,697 | 2,870 |
| Less: Void agreement payable (Note 3) | <u>(318,979)</u> | <u>-</u> |
| Net (income) loss for the period | (280,282) | 2,870 |
| Deficit, beginning of the period | <u>806,356</u> | <u>750,680</u> |
| Deficit, end of the period | \$526,074 ===== | 753,550 ===== |

See accompanying notes to the financial statements

Champagne Resources Ltd.

Statement of Changes in Financial Position
for the Six Month Period ended October 31, 1987

Unaudited - Prepared by Management

| | <u>October 31 1987</u> | <u>October 31 1986</u> |
|--|----------------------------|----------------------------|
| Operating activities | | |
| From operations | | |
| Income (loss) for the period | \$280,282 | \$(2,870) |
| Items not requiring an outlay of cash; void agreement payable | <u>(318,979)</u> | <u>-</u> |
| | (38,697) | (2,870) |
| Net decrease in non-cash working capital items | <u>22,969</u> | <u>2,870</u> |
| | <u>(15,728)</u> | <u>-</u> |
| Investing Activities | | |
| Exploration expenditure | <u>(20,166)</u> | <u>-</u> |
| Financing activities | | |
| Accounts payable to be settled by issuance of common shares | 2,020 | - |
| Shareholder loans | <u>33,707</u> | <u>-</u> |
| | <u>35,727</u> | <u>-</u> |
| Decrease in cash | (167) | - |
| Cash, beginning of the period | <u>50,000</u> | <u>-</u> |
| Cash, end of the period | \$ 49,833 ===== | \$ - ===== |

See accompanying notes to the financial statements

Champagne Resources Ltd.

Notes to the Financial Statements
October 31, 1987

Unaudited - Prepared by Management

Note 1 SIGNIFICANT ACCOUNTING POLICY

Mineral Property and Related Deferred Expenditure

The company defers all direct expenditures on mineral properties in which it has a continuing interest to be amortized over the productive period when a property reaches commercial production. On abandonment of any property, applicable accumulated deferred expenditures will be written off.

The amount shown for mineral property represents cost to date and does not necessarily represent present or future value.

Note 2

(a) Cash in Trust

Pursuant to Expenditure and Share Purchase Agreements dated June 12, 1987, the company agreed to issue a total of 466,667 post-consolidated units in its capital stock to private investors at a deemed price of \$0.15 per post-consolidation unit for total proceeds of \$70,000.00. As at October 31, 1987, \$49,833 remains in trust. Issuance of the units has been delayed pending regulatory authority approval of a proposed share consolidation (see Note 4).

(b) Mineral Property

The company has entered into an Option Agreement with Esso Minerals Canada to acquire a 49% interest in six contiguous mineral claims located in the Kamloops Mining Division, B.C. In order to earn its interest, the company must incur exploration expenditures as follows:

- \$ 70,000 by February 28, 1988
- \$ 80,000 by February 28, 1989
- \$100,000 by February 28, 1990.

As at October 31, 1987, the company has incurred exploration expenditures of \$20,166.

Champagne Resources Ltd.
Notes to the Financial Statements
October 31, 1987 - Page 2

Note 3 AGREEMENT PAYABLE

Under former management, the company purportedly entered into an agreement to borrow funds for its investment in a franchise. On September 8, 1987, the Supreme Court of British Columbia granted a Declaration that the alleged agreement is void and of no force and effect as between the parties, and a Declaration that the company is discharged from all duties, obligations and liabilities whatsoever arising under the alleged agreement.

Note 4 CAPITAL STOCK

| | <u>Shares</u> | <u>Amount</u> |
|--|---------------|---------------|
| Authorized: | | |
| 10,000,000 common shares without par value | | |
| Issued and fully paid: | | |
| For cash | 1,170,955 | \$379,007 |
| For properties | 25,000 | 3,750 |
| For properties - subject to escrow restrictions | 750,000 | 7,500 |
| For debt settlement | <u>70,000</u> | <u>21,000</u> |
| | 2,015,955 | \$411,257 |
| | ===== | ===== |

- (a) The shares subject to escrow restrictions may not be traded, transferred or released without the consent of the regulatory authorities.
- (b) Under the terms of an agreement whereby the company obtained an assignment of an option to purchase mineral claims the company was to issue 200,000 common shares as part consideration of obtaining the assignment. To date, 25,000 common shares have been issued and as the lease was terminated, no additional shares will be issued.

Subject to regulatory approval, at an Extraordinary General Meeting held on June 26, 1987, shareholder approval was received for consolidation of the company's shares on the basis of two old shares for one new share and an increase in the authorized share capital to 20,000,000 common shares without par value.

Note 5 SHARE COMMITMENTS

The company has agreed to issue 6,377 pre-consolidation shares at a deemed price of \$0.30 per share to settle accounts payable in the amount of \$4,850; 6,734 post-consolidation shares at a deemed price of \$0.30 per share to settle accounts payable in the amount of \$2,020.20. The shares have not yet been issued, pending receipt of regulatory approval and rescission of the cease trade order currently issued against the company.

Note 6 RELATED PARTY TRANSACTIONS

- (a) During the period, management and consulting fees of \$12,000 were accrued to directors of the company.
- (b) During the period, shareholders loaned a net amount of \$33,707 to the company. These loans are non-interest bearing and carry no specific terms for repayment.
- (c) Other related party transactions are disclosed elsewhere in the notes to these financial statements.

Note 7 LOSS CARRY-FORWARD

The company has a loss for tax purposes of \$184,403 which can be carried forward to reduce future taxable income. The potential benefits of this carry-forward expire as follows: \$80,088 in 1991, \$44,430 in 1992, \$12,379 in 1993, and \$47,506 in 1994.

REPORT ON THE
DARCY CLAIM GROUP

FOR

CHAMPAGNE RESOURCES LTD.
1700-401 WEST GEORGIA STREET
VANCOUVER, B.C.
V6B 5A1

REPORT ON THE
DARCY CLAIM GROUP

FOR

CHAMPAGNE RESOURCES LTD.
1700-401 WEST GEORGIA STREET
VANCOUVER, B.C.
V6B 5A1

by

R.D. WILLIS, P.ENG.
Majekemik Resources Ltd.

August 4, 1987

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SUMMARY AND RECOMMENDATIONS

Previous work done by Esso Minerals Canada Ltd. identified three anomalous gold occurrences. The first occurrence located on Grid A is associated with quartz-sulphide veins intruding a picrite/volcanic rock breccia. Grab samples have been recorded assaying up to 7 g/t Au. The majority of the carbonate K-feldspar alteration surrounding this occurrence lies within the boundaries of an Agricultural Canada Research Station whom have limited exploration access to this area. Part of the alteration pattern extends off the federal land and the extent of the mineralized picrite/breccia is not known.

A second occurrence located on Grid A has gold associated with a stockwork of sulphides in quartz veinlets again with carbonate K-feldspar alteration. Gold values are low at this occurrence with the highest values recorded 225 ppb Au over very narrow widths.

Results to date do not indicate additional exploration should be carried out on this Grid.

The third gold showing is contained in a quartz vein stockwork in the Watching Creek hornblende feldspar porphyries, which has intruded picrite. Values up to 180 ppb over 10 metres occurs where the porphyritic rocks come in contact with the north westerly trending picrite body which has, in turn, intruded Triassic Nicola Group volcanics.

Esso has recommended additional work be done on Occurrences #1 and #3 but not on Occurrence #2. Both of these showings exhibit potential for additional mineralization to be discovered; especially the Watching Creek showing which could host high grade zones.

The proposed Phase I work program should give some vertical magnitude to the surface mineralization.

INTRODUCTION

At the request of Champagne Resources Ltd., the writer travelled to the Darcy Claim Group on June 30, 1987. The purpose of the site visit was to review and comment on a proposed work program prepared by Esso Minerals Canada, a Division of Esso Resources Canada Limited. Champagne has entered into an option agreement with Esso, such that Champagne may acquire a 49% undivided interest in the Darcy claim group by funding a work program proposed by Esso. Upon Champagne spending \$250,000 on exploration and development, they will be deemed to have earned a 49% interest in the property, whereupon the parties will enter into a joint venture agreement. Esso shall be the operator and therefore manage and complete the proposed work program. The writer has made visits to the Esso data room and reviewed the backup technical data used by Esso in preparing the work program. Numerous maps prepared by Esso are acknowledged in this report.

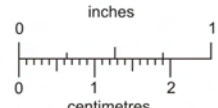
The Darcy claim group, approximately 15 kilometres northwest of Kamloops, British Columbia, was staked by Esso in September, 1984. In the summer of 1985, exploration began with firstly a geochemical, geophysical and geological mapping program and subsequently a trenching/rock chip sampling program.

Three anomalous gold zones were identified with a grid established on two zones, and trenching on the third.

LOCATION AND ACCESS

Located in south central British Columbia, the Darcy claim group is approximately 15 kilometres northwest of Kamloops (Figure 1). The claims surround Pass Lake (co-ordinate 51 50.5'N and 120 28.5'W) which is well known for its excellent trout fishing. All claims are located in the Watching Creek watershed adjacent on the south to the Tranquille Plateau.

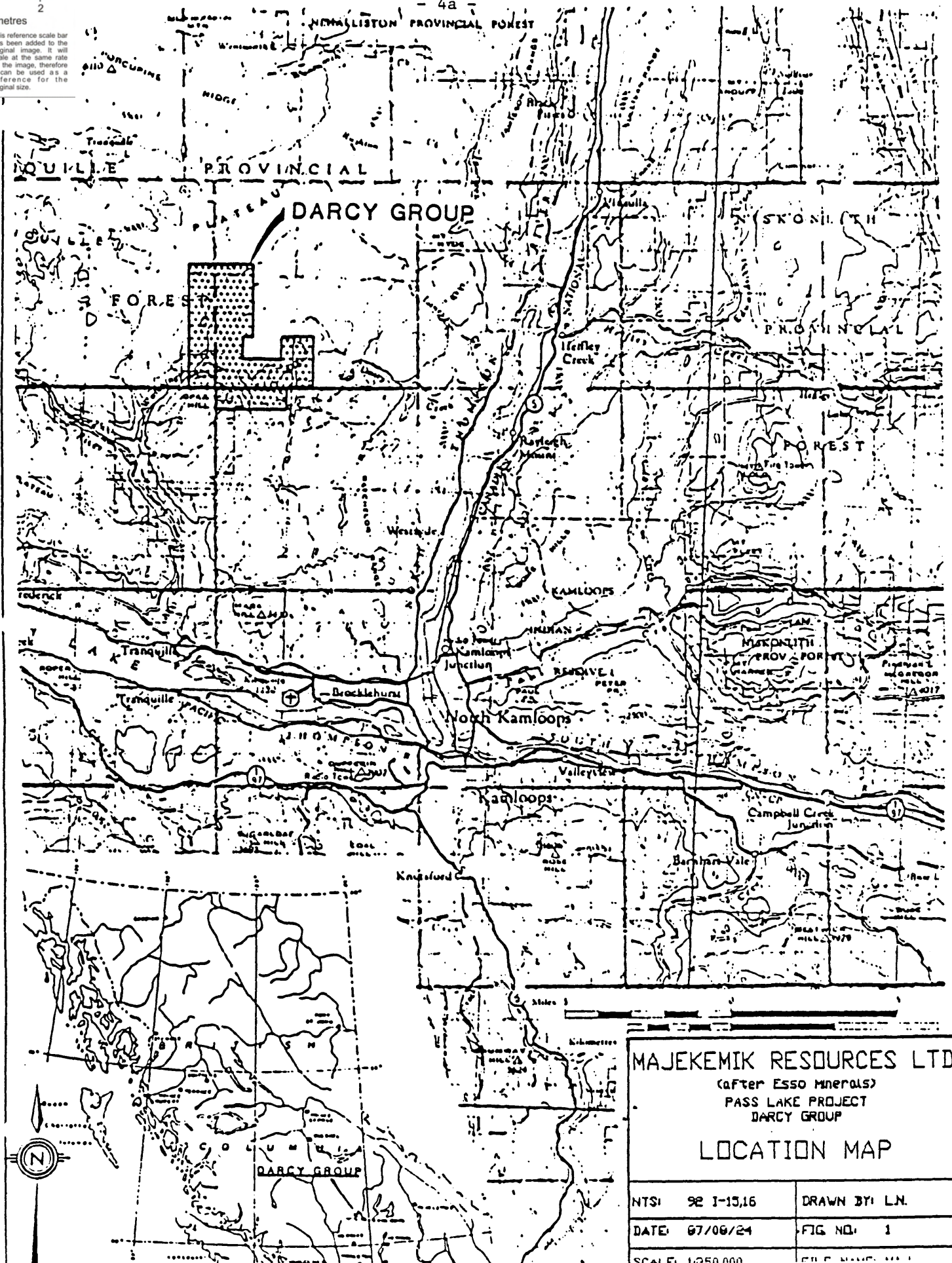
An 18 kilometre all weather gravel road from Batchelor Heights in North Kamloops leads northwesterly through open grassy rolling hills and sparsely located jack pine trees. This access road is well maintained due to the consistent logging taking place within the area of the Darcy claim group.



This reference scale bar has been added to the original image. It will scale at the same rate as the image, therefore it can be used as a reference for the original size.



- 4a -



MAJEKEMIK RESOURCES LTD.
 (AFTER ESSO MINERALS)
 PASS LAKE PROJECT
 DARCYS GROUP
LOCATION MAP

| | |
|-----------------|----------------|
| NTS: 92 I-15,16 | DRAWN BY: LN. |
| DATE: 07/09/24 | FIG. NO.: 1 |
| SCALE: 1:50,000 | FILE NAME: M11 |

OWNERSHIP

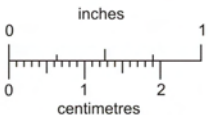
The Darcy claim group consists of 6 claim blocks containing 99 units, located in the Kamloops Mining District, British Columbia.

| <u>Claim Name</u> | <u>Record No.</u> | <u>Units</u> | <u>Date of Record</u> |
|-------------------|-------------------|--------------|-----------------------|
| Darcy I | 5910 | 20 | October 15, 1984 |
| Darcy II | 5911 | 20 | October 15, 1984 |
| Darcy III | 5912 | 12 | October 15, 1984 |
| Darcy IV | 5913 | 20 | October 15, 1984 |
| Pass I | 5914 | 12 | October 15, 1984 |
| Dawn I | 5915 | 15 | October 15, 1984 |

Esso Resources Canada Limited is the owner of the Darcy claim group.

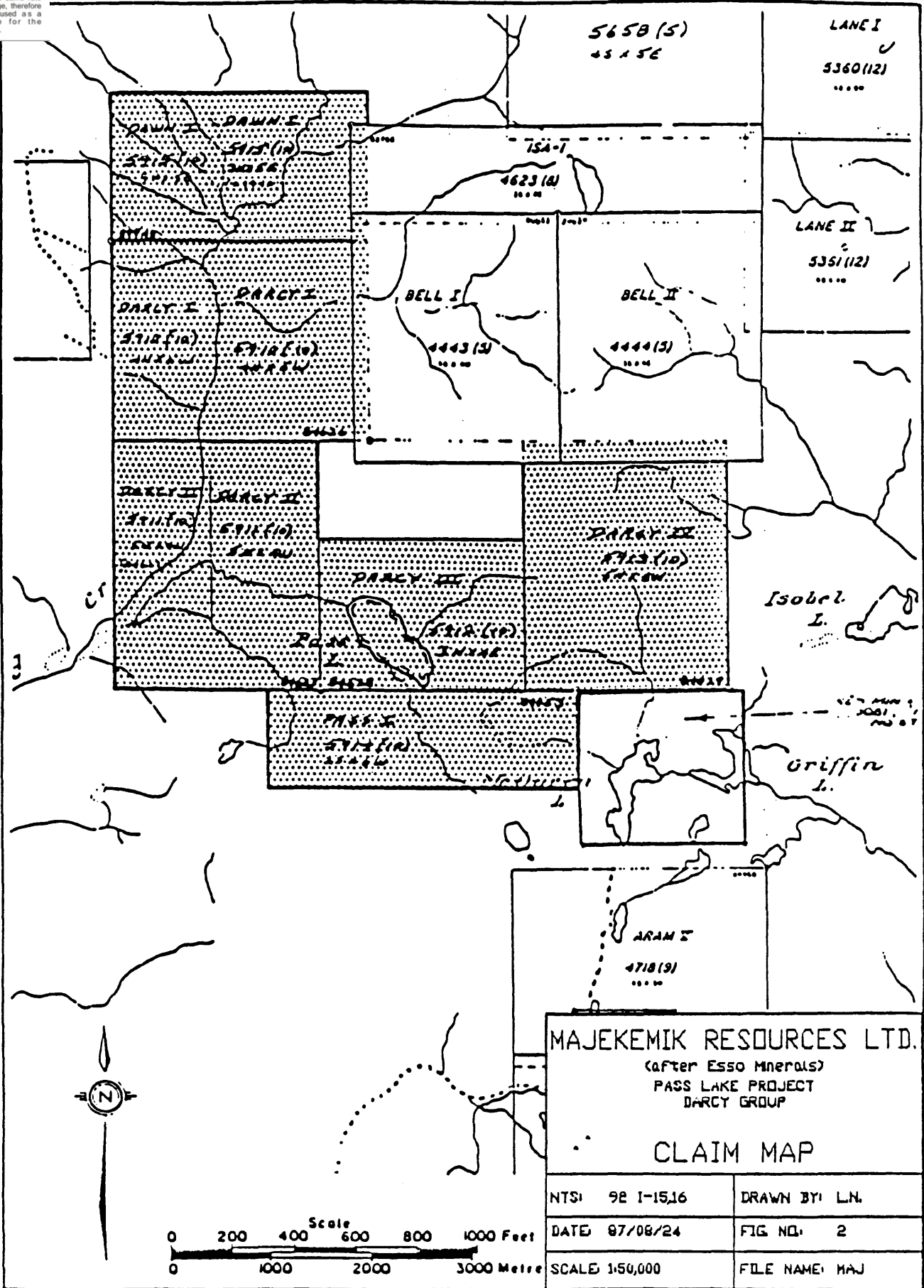
A British Columbia Ministry of Forests campsite is located on the south end of Pass Lake and within the Darcy claim group.

Agricultural Canada also has a research station which encompasses about one-fifth of the claim group. There is no recorded documentation as to the effect, if any, this federal agency may have on the mineral rights.



BRITISH COLUMBIA
GEOLOGICAL SURVEY

This reference scale bar has been added to the original image. It will scale at the same rate as the image, therefore it can be used as a reference for the original size.



MAJEKEMIK RESOURCES LTD.
 (after Esso Minerals)
 PASS LAKE PROJECT
 DARCY GROUP

CLAIM MAP

| | |
|-----------------|----------------|
| NTS: 92 I-15,16 | DRAWN BY: LN. |
| DATE: 97/08/24 | FIG NO: 2 |
| SCALE: 1:50,000 | FILE NAME: MAJ |

REGIONAL GEOLOGY

The general area of the Darcy claim group occurs within the Intermontaine structure belt located in the south central British Columbia Cordillera. Monger (1982) describes the Intermontaine belt as being founded on a Late Triassic arc; subduction complex (Nicola, Cache Creek groups) and uplifted by mid-Jurassic time. The Jackass Mountain Group of marine and non-marine clastics interfingers with the Intermontaine Belt, probably by Early Cretaceous time. The structural pattern of the Intermontaine Belt consists of right-lateral strike slip faulting (along the Fraser River fault system) (Monger, 1984) trending north westerly near and through the Darcy claim group (Figure 3).

PROPERTY GEOLOGY

The local geology is composed primarily of the Nicola Group volcanics, Picrite, Hornblende-Feldspar Porphyries, and the Kamloops Group.

The Nicola Group volcanics are primarily a green fine grained tuff and tuff breccias. Much of these tuffs have been altered by pervasive carbonation and have predominant epidote in the matrix. The southern part of the claim group is dominated by these volcanic rocks.

Approximately 50% of the Darcy claim group is underlain by picrite which occurs as a relatively elongated intrusive southeast to northwest across the property. The picrite has several altered zones with a range of light green to red-brown depending on the olivine content.

The Watching Creek Hornblende-Feldspar Porphyries consist of 30% quartz with 40% feldspar and 30% hornblende phenocrysts. Some internal stringers contain minor pyrite and some wallrock may host up to 5% pyrite. K-feldspar alteration is patchy with alteration dominated by

carbonate veining and hornblende destruction to chlorite, sericite and pyrite.

The southwest corner of the claim group has abundant breccia flows of the Eocene Kamloops Group. Most of these breccias contain white zeolites in vesicular/amygdaloidal fragments.

PREVIOUS WORK

Esso Resources Canada Limited staked the Darcy claim group in the early fall of 1984. There is no record of previous mineral exploration on the Darcy Group prior to Esso staking the claims as a result of a grab sample taken near the western edge of Pass Lake returning 0.22 oz. per ton of gold.

Well deformed sedimentary and volcanic rocks of the Nicola Group are intruded by a large ultramafic body located reasonably central to the claim group. The intrusive (mainly picrite) is crosscut by hornblende-feldspar intrusions primarily in the western half of the claim group.

Esso identified three areas of interest as a result of their 1985 exploration program which consisted of geophysical, geochemical and geological mapping.

Occurrence #1, over which Grid A was established, was located in picrite/volcanic breccia cut by quartz sulphide veins. K-feldspar alteration radiates for about 200 metres, however, no other breccia was

located elsewhere on the claim group. Assays up to 7 g/t Au were found in the "discovery showing" in a quartz-sulphide Au vein. The "discovery showing" was designated after two grab samples taken in 1984 from surface rubble assayed 0.22 and 0.14 oz. per ton of gold, respectively. The samples were primarily picrite and carbonatized breccia. Several follow-up chip samples gave rather disappointing results. The writer has not been able to locate maps showing the exact location of these chip samples. (Table I; Grid A after Esso 1985).

Occurrence #2, (Grid B) is a stockwork of carbonate quartz veins which have intruded volcanic and picrite rocks. Where quartz veins come in contact with the altered rocks, gold up to 225 ppb has been discovered. (Table II; Grid B after Esso 1985).

Occurrence #3 is located in the Watching Creek hornblende-feldspar porphyries which have intruded the picrite. Grab samples assaying 180 ppb and 265 ppb over 10 metres has been located. The presence of gold in the Watching Creek Porphyries is related to the alteration associated with the quartz veining stockworks. The results of geochemical sampling have indicated anomalous gold, however, not of ore grade. (Table III; Watching Creek Porphyries after Esso 1985).

Geochemical sampling results did not identify precious metal

zones which would be considered anomalous. Grid B has thick glacial till and, therefore, could mask indicator minerals generally associated with precious metal deposits.

Backhoe trenching was tried on Grid A and B, however, the glacial till was deeper than the excavation capabilities of the machine. Seven test pits were excavated with limited exposure of the picrite. These pits were subsequently backfilled.

Magnetometer and VLF-EM surveys failed to identify signatures which would indicate anomalous targets.

TABLE I - GRID A (after Esso 1985)

| <u>Sample No.</u> | <u>Location</u> | <u>Description</u> | <u>Type of Sample</u> | <u>Au</u> | <u>Ag</u> | <u>Cu</u> | <u>As</u> | <u>Ba</u> | <u>Sb</u> |
|-------------------|------------------------|---|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| *14097 | discovery (00N,00E) | quartz veins with chalcocite, bornite and malachite stain | grab | 480 | 25.9 | 1428 | 7 | 1175 | 15 |
| *15424 | discovery | veined breccia with pyrite, chcopyrite, chalcocite, bornite | grab | 7580 | 19.8 | 1109 | 3 | 1802 | 5 |
| 17138 | 5RB43 | carb-K-feldspar altered picrite with calcite veinlets | 2.5m chip | 19 | .7 | 26 | 2 | 104 | 2 |
| 17139 | 5RA43 | carb-K-feldspar altered picrite with botryoidal chalcedony veinlets | 2.5m chip | 1 | .5 | 19 | 3 | 64 | 2 |
| 17140 | 5RA42 | carb-K-feldspar altered picrite with with carbonate veinlets | 2m chip | 13 | .7 | 26 | 2 | 18 | 2 |
| 17141 | 5RA51 | silcified, carbonated, pyritized tuff and marble with quartz-sulphide veins | 1.5m chip | 3 | .5 | 27 | 6 | 71 | 2 |
| 17144 | 5RA51 | quartz-sulphide vein | 'high-grade' | 2 | .4 | 14 | 2 | 27 | 2 |
| 17201 | test pit 5 | carbonated picrite with calcite and chalcedonic veins/veinlets | grab | 4 | .1 | 11 | 2 | 95 | 2 |
| 17202 | test pit 5 | carbonated tuff with stockworking calcite veinlets and 0.3% disseminated pyrite | grab | 4 | .1 | 93 | 2 | 92 | 2 |
| 17203 | test pit 5 | tuff with 5% sparry calcite veins | grab | 1 | .1 | 40 | 2 | 174 | 2 |

N.B. All values in ppm except Au (ppb)

*samples collected in 1984; all others collected in 1985

TABLE II - GRID B (after Esso 1985)

| <u>Sample No.</u> | <u>Location</u> | <u>Description</u> | <u>Type of Sample</u> | <u>Au</u> | <u>Ag</u> | <u>Cu</u> | <u>As</u> | <u>Ba</u> | <u>Sb</u> |
|-------------------|--------------------|--|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| *15460 | 5RB08 vicinity | volcanic with quartz and carbonate veins | grab | 11 | 1.8 | 3585 | 3 | | 4 |
| *15461 | 5RB18 vicinity | carbonate breccia zone | grab | 1 | .3 | 19 | 2 | | 2 |
| *15462 | 5RB18 vicinity | carbonate breccia zone | grab | 1 | .2 | 6 | 2 | | 2 |
| 17126 | 5RB05 | quartz-carb veinlets with tetrahedrite | grab | 225 | 2.2 | 176 | 236 | 71 | 17 |
| 17127 | 5RB08B | quartz-carb veinlets with tetrahedrite | grab | 32 | 5.3 | 2398 | 176 | 372 | 1198 |
| 17128 | 5RB08C | calcite-quartz veinlets | grab | 8 | 1.2 | 565 | 14 | 1125 | 12 |
| 17129 | 5RB11 | quartz-tetrahedrite vein in volcanic | grab | 9 | 1.1 | 746 | 20 | 1022 | 81 |
| 17130 | 5RB12 | carb-quartz veinlets in volcanic | grab | 59 | .9 | 97 | 95 | 221 | 18 |
| 17204 | trench 4 | volcanic with stockworking calcite veinlets | grab | 6 | .1 | 25 | 5 | 37 | 2 |
| 17205 | trench 3 | volcanic (?) with quartz, quartz-carb, and carb veins; disseminated pyrite | grab | 90 | .7 | 90 | 197 | 80 | 2 |
| 17206 | trench 3 | picrite with sparry calcite veins | grab | 1 | .1 | 84 | 2 | 977 | 2 |
| 17207 | 5RB08C | carbonated picrite with carb veining | 4.5m chip | 5 | .5 | 157 | 30 | 283 | 34 |
| 17208 | 10m N of 5RB08A | picrite with quartz-carb veinlets | 6m chip | 3 | .1 | 33 | 24 | 273 | 2 |
| 17209 | 5RB05 | carbonated picrite (?) with abundant veins | 2m chip | 60 | .6 | 54 | 77 | 59 | 2 |

N.B. All values in ppm except Au (ppb)

*samples collected in 1984; all others collected in 1985

TABLE III - SUMMARY OF ROCK ANALYSES - WATCHING CREEK PROPERTIES

| <u>Sample No.</u> | <u>Location</u> | <u>Description</u> | <u>Type of Sample</u> | <u>Au</u> | <u>Ag</u> | <u>Cu</u> | <u>As</u> | <u>Ba</u> | <u>Sb</u> |
|-------------------|-------------------|--|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| 17136 | 5RB32 | ser-chl-alb(?) - carb-py altered porphyry | grab | 265 | .9 | 11 | 2 | 47 | 2 |
| 17137 | 5RB33 | carb veins in hbl-fel porphyry | grab | 38 | .3 | 1 | 2 | 1127 | 2 |
| 17210 | 5m S of 5RB32 | ser-py-chl altered intrusive | 2m chips | 230 | .5 | 14 | 2 | 102 | 2 |
| 17211 | 5RB32 | ser-chl-alb(?) - carb-py altered porphyry | 10m chips | 180 | .6 | 31 | 2 | 64 | 2 |
| 17212 | 15m S of 5RB32 | carb-pyrite-chlorite altered; specularite | 1m chips | 29 | .5 | 11 | 2 | 82 | 2 |

N.B. All values in ppm except Au (ppb)

TABLE IV - CLAIMS UPON WHICH WORK WAS PERFORMED

| | Darcy I | Darcy II | Darcy III | Darcy IV | Dawn I | Pass I |
|----------------------------|---------|----------|-----------|----------|--------|--------|
| <u>Geological Mapping</u> | | | | | | |
| 1:10,000 | X | X | X | X | X | X |
| 1: 2,000 | X | X | X | | X | X |
| <u>Geochemistry</u> | | | | | | |
| Soil Sampling | X | X | X | | X | X |
| <u>Geophysics</u> | | | | | | |
| VLF-EM16 | X | X | X | | X | X |
| Magnetometer | X | X | X | | X | X |
| <u>Trenching/Test Pits</u> | | | X | | X | |
| <u>Road Building</u> | X | | | | X | |

PROPOSED PROGRAM

The proposed work program by Esso Minerals Canada has been attached as Exhibit 1 in an Option Agreement dated May 4, 1987, between Esso Minerals Canada and Champagne Resources Ltd.

1. Establish a flagged grid on target area 3. The grid should be roughly 1 kilometre square and consist initially of 100 metre line spacings and 25 metre station intervals. Map, characterize the till and soil sample where feasible. Establish 50 metre lines where warranted. The attached budget covers 400 samples or 10 line kilometre sampled at 25 metre intervals.
2. Evaluate areas in target area 3 for trenching, trench if feasible and thoroughly channel sample altered porphyries.
3. Soil sample either side of the Watching Creek Valley near the base of the till, but away from its masking effects.

It is the opinion of the writer that the proposed work program will adequately identify any potential of continued mineralization to depth.

COST ESTIMATE

Geochemistry

| | | | |
|-----------------------|------------|----------|----------|
| Soil Samples | 400 @ \$12 | \$ 4,800 | |
| Rock | 40 @ \$15 | 600 | |
| Drillcore | 400 @ \$12 | 4,800 | |
| Labour (grid/sampler) | | 3,000 | |
| Materials/Supplies | | 200 | \$13,400 |

Geology

| | | | |
|--------------------|--|----------|----------|
| Geologist | | \$13,000 | |
| Equipment/Supplies | | 200 | |
| Drafting | | 735 | |
| Reproduction | | 100 | |
| Secretary | | 145 | \$14,180 |

Logistics

| | | | |
|------------------------------------|--|----------|----------|
| Motels/Meals 10 man wks @ \$350/wk | | \$ 3,500 | |
| Vehicle/Fuel/Maitenance | | 1,500 | |
| Freight | | 100 | |
| Expeditor | | 245 | \$ 5,345 |

Trenching

| | | | |
|------------------|--|----------|----------|
| Labour/Equipment | | \$ 2,300 | \$ 2,300 |
|------------------|--|----------|----------|

Drilling

| | | | |
|---------------------------------------|--|----------|----------|
| Mob/Demob | | \$ 1,000 | |
| Drill Contract (R.C. 2100' @ \$10/ft) | | 21,000 | |
| Site Access/Prep/Reclaim | | 1,000 | \$23,000 |

Land Retention

| | | | |
|--|--|--|----------|
| | | | \$ 3,000 |
|--|--|--|----------|

Supervision

| | | | |
|--|--|--|--------|
| | | | \$ 975 |
|--|--|--|--------|

| | | | |
|-----------|--|--|----------|
| Sub-total | | | \$62,200 |
|-----------|--|--|----------|

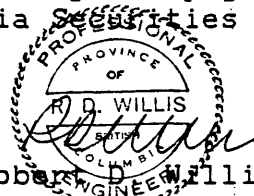
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| Overhead @ 12 1/2% | | | \$ 7,800 |
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| | | | |
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| TOTAL | | | \$70,000 ===== |
|-------|--|--|-------------------|

CERTIFICATE

I, ROBERT D. WILLIS, P.ENG. of 26217 Dewdney Trunk Road, Maple Ridge, British Columbia, do hereby certify that:

1. I am a geological engineer with an office at 26217 Dewdney Trunk Road, Maple Ridge, British Columbia.
2. I am a graduate of the University of British Columbia in 1973 with a B.Sc. Geology.
3. I have been involved in and about the mining industry since 1973.
4. I am a member in good standing with the Association of Professional Engineers of British Columbia.
5. I have no interest, either direct or indirect, in the properties or securities of Champagne Resources Ltd., nor do I expect to receive any such interest.
6. I consent to the use of this report by Champagne Resources Ltd. in submissions to the British Columbia Securities Commission and the Vancouver Stock Exchange.



Robert D. Willis, P.Eng.
26217 Dewdney Trunk Road
Maple Ridge, B.C.

August 4, 1987

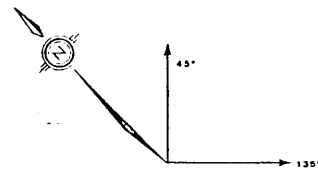
BIBLIOGRAPHY

Ditson, G.M. 1985: Geological Branch Assessment Report 14,194 - Report on Geological, Geochemical, Geophysical and Trenching Studies of the Darcy Claim Group (Darcy I - IV, Dawn 1, Pass I claims)

Ewing, T.E.: Geology of the Kamloops Group near Kamloops; Notes to Accompany Preliminary Map No. 48; B.C. Ministry of Energy, Mines and Petroleum Resources.

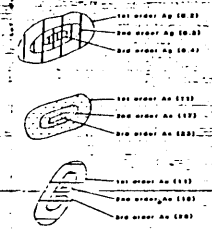
Monger, J.W.H. 1982: Geology of Ashcroft Map Area, South-western British Columbia, G.S.C. Paper 82-1A p. 293 - 297.

Monger, J.W.H. and McMillan, W.J. 1984: Bedrock Geology of Ashcroft (92 I) Map Area: G.S.C. Open File Map 980.



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Geological Survey of Canada
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NOTE: Non-ferrous values are approximate

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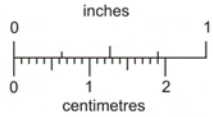


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| HAJEKEMIK RESOURCES LTD. | |
| Geophysical Exploration Division | |
| PACIFIC LAKE PROJECT | |
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| GEOCHEMISTRY | |
| ANALYSIS | |
| IND 92-1-16V | DPANN BY LAL |
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| SHEET NO. 1000 | FILE NO. HAJ |

Legend

See Map 1 for unit descriptions

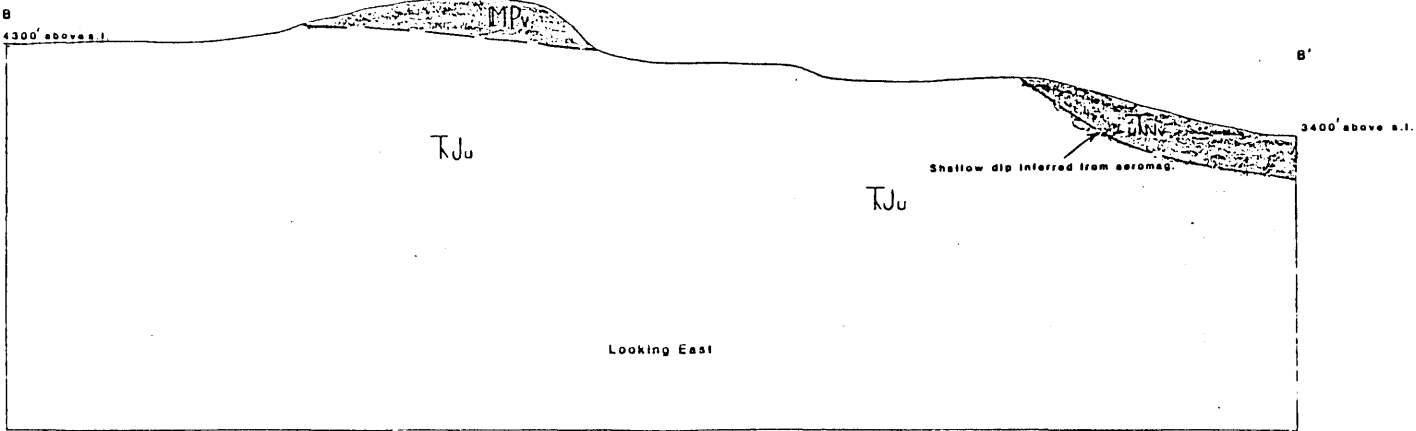
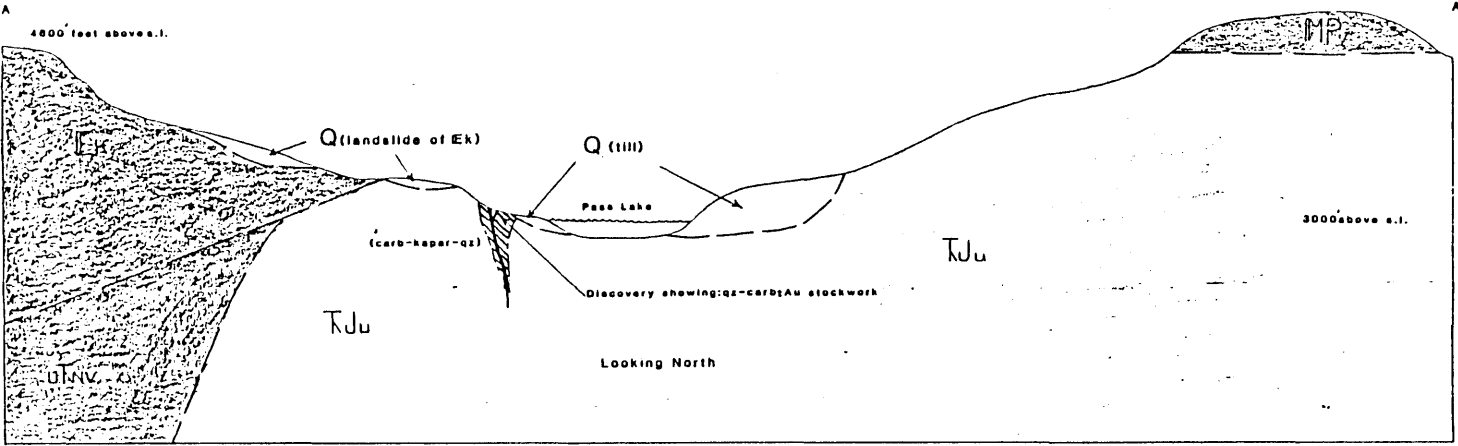
 Bedding attitude



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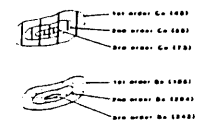
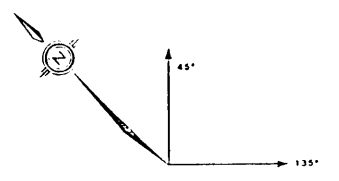
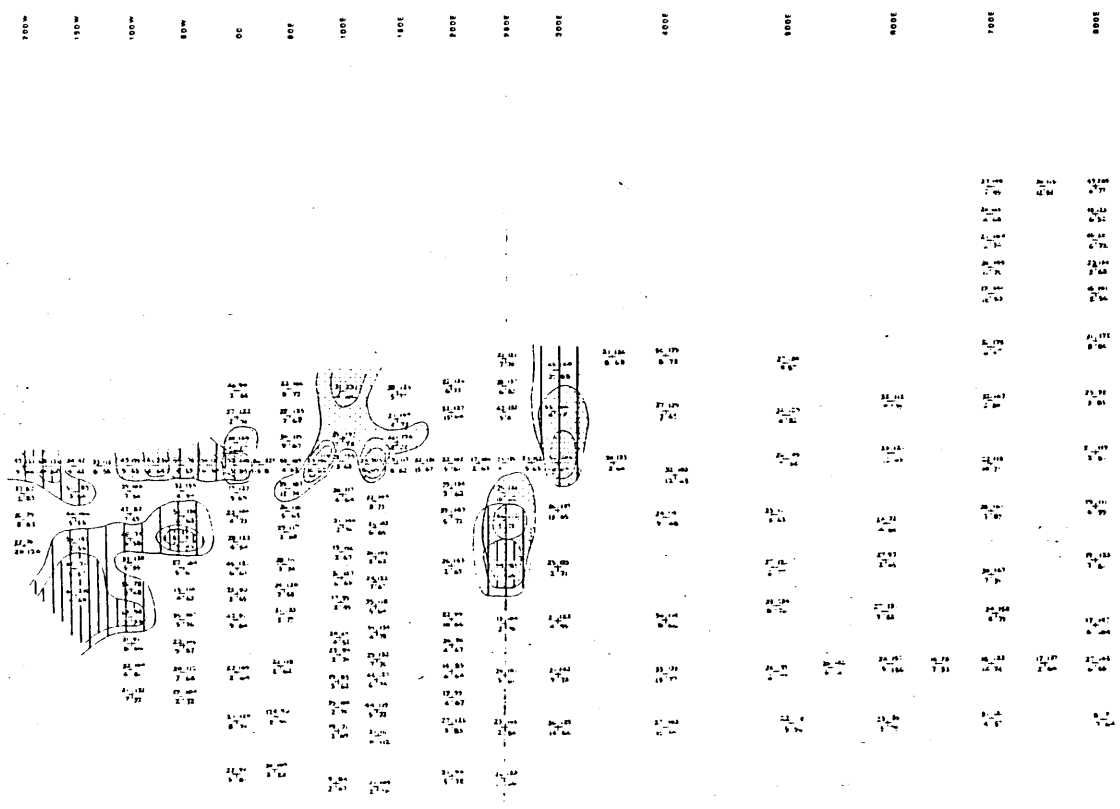


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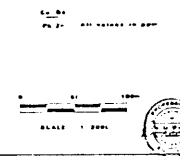
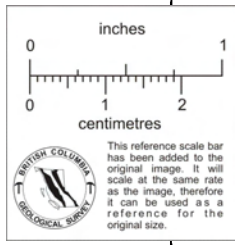


MAJEKEMIK RESOURCES LTD.
 (after Esso Minerals)
 PASS LAKE PROJECT
 DARCY GROUP
 GEOLOGICAL CROSS-SECTIONS
 A-A', B-B'

| | |
|-------------------|----------------|
| NTS: 92 I-15E.16W | DRAWN BY: L.N. |
| DATE: 67/08/24 | FIG. NO.: 1A |
| SCALE: 1:10,000 | FILE NAME: MAJ |



NOTE: Non-vegetation values not contained



| | |
|--|--------------|
| MAJEKEMIK RESOURCES LTD. <small>INCORPORATED IN CANADA</small> <small>PLACER MINING DIVISION</small> <small>MINING GROUP</small> <small>UNIT 1</small> GEOCHEMISTRY <small>Geological Services</small> | |
| NTS: 52 E-144 | SHEET NO. 14 |
| DATE: 07/14/74 | FILE NO. 5 |
| LOCAL NO. 100 | FILE NO. 100 |

CERTIFICATE OF THE DIRECTORS AND PROMOTERS OF THE ISSUER

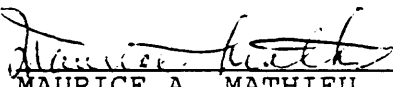
The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Statement of Material Facts as required by the Securities Act and its regulations.

Dated: *January 27, 1988*


LEONARD W. BROWNLIE
PROMOTER AND DIRECTOR


KENNETH G. BROWNLIE
DIRECTOR


ANDY SOZIO
DIRECTOR


MAURICE A. MATHIEU
DIRECTOR

CERTIFICATE OF THE AGENT/UNDERWRITER

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

Date: *January 27, 1988*

MCDERMID ST. LAWRENCE LIMITED

Per: 