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011805 920/13E Newton Hill Prop. 920 080
East Thurlow Island Prop.
92K 135(?)

SUPERINTENDENT OF BROKERS
AND
VANCOUVER STOCK EXCHANGE

STATEMENT OF MATERIAL FACTS (#10/92)
EFFECTIVE DATE: FEBRUARY 14, 1992

VERDSTONE GOLD CORP.
#310, 1959 152nd Street
Surrey, B.C. V4A 9E3
(604) 531-9639

Name of Issuer, Address of Head Office and Telephone Number

700 - 625 Howe Street
Vancouver, B.C. V6C 2T6

Address of Registered and Records Office of Issuer

Montreal Trust Company of Canada
510 Burrard Street
Vancouver, B.C. V6C 3B9

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: 600,000 Units, each Unit comprising one common share and two Series "A" share purchase warrants, two warrants being required to purchase one further common share. The Agents have guaranteed the purchase of 400,000 of the Units on the Offering Day. Any Units acquired by the Agents under the guarantee will be distributed under this Statement of Material Facts through the facilities of the Vancouver Stock Exchange at the market price at the time of sale. See "Plan of Distribution".

	Estimated Offering Price[1]	Estimated Commission	Estimated Net Proceeds to be Received by the Issuer[2]
Per Unit:	$0.50	$0.0375	$0.4625
Total (Guaranteed):	$200,000	$15,000	$185,000
Total (Maximum):	$300,000	$22,500	$277,500

[1]To be calculated in accordance with the Rules of the Vancouver Stock Exchange.
[2]Before deduction of the costs of this Offering, estimated to be $25,000.

A G E N T S

BRINK, HUDSON & LEFEVER LTD.
1200, 595 Burrard Street
Vancouver, B.C.
V7X 1J1

L.O.M. WESTERN SECURITIES LTD.
2200, 609 Granville Street
Vancouver, B.C.
V7Y 1H2

McDERMID ST. LAWRENCE CHISHOLM LTD.
1000, 601 West Hastings Street
Vancouver, B.C.
V6B 5E2

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

By agreement dated for reference January 29, 1992 (the "Agency Agreement") Verdstone Gold Corp. (the "Issuer") appointed Brink, Hudson & Lefever Ltd., L.O.M. Western Securities Ltd. and McDermid St. Lawrence Chisholm Ltd (the "Agents") as its agents to offer through the facilities of the Vancouver Stock Exchange (the "Exchange") 600,000 units (the "Units") of the Issuer (the "Offering"). The Agents will participate in the Offering as follows:

Brink, Hudson & Lefever Ltd.....300,000 Units
L.O.M. Western Securities Ltd.....150,000 Units
McDermid St. Lawrence Chisholm Ltd...150,000 Units

Each Unit consists of one common share of the Issuer and two Series A share purchase warrants. The Series A share purchase warrants will be transferable and in bearer form and two warrants will entitle the holder to purchase one common share of the Issuer for a period of one year from the Offering Day, as defined below, at the Offering Price. The warrants will contain provisions for the appropriate adjustment in the class, number and price of shares issuable thereunder upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the common shares of the Issuer, the payment of stock dividends or the amalgamation of the Issuer.

The Offering will take place on a day (the "Offering Day") which will not be more than 180 calendar days after the date this Statement of Material Facts is accepted for filing by the Exchange and the Superintendent of Brokers (the "Effective Date"). The offering price of the Units (the "Offering Price") will be determined in accordance with the Rules of the Exchange, subject to the agreement of the Issuer and the Agents. Purchasers of any Units under the Offering will be required to pay commission at the rates charged by their brokers.

The Agents will receive from the Issuer a commission of 7.5% of the gross proceeds from the sale of the Units.

Each of the Agents will purchase (the "Guarantee") from its portion of the Offering such number of the Units which together with those purchased by the investors, from that Agent's portion, will equal in the case of:

Brink, Hudson & Lefever Ltd.....200,000 Units
L.O.M. Western Securities Ltd.....100,000 Units
McDermid St. Lawrence Chisholm Ltd...100,000 Units

Total: 400,000 Units
(the "Guaranteed Units)

Any Units acquired by the Agents under the Guarantee will be distributed under this Statement of Material Facts through the facilities of the Vancouver Stock Exchange at the market price at the time of sale.

In consideration for providing the Guarantee, the Agents have been granted non-transferable warrants (the "Agents' Warrants)

entitling them to purchase up to 200,000 shares of the Issuer for a period of one year from the Offering Day at the Offering Price. The Agents' Warrants will contain provisions for the appropriate adjustment in the class, number and price of shares issuable thereunder upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the common shares of the Issuer, the payment of stock dividends or the amalgamation of the Issuer.

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

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

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

Except as set out in this Statement of Material Facts, there are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder, or other person in connection with the Offering. The directors, officers and other insiders of the Issuer may purchase Units from the Offering. The Agents do not beneficially own, directly or indirectly, any securities of the Issuer.

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

The proceeds to be derived by the Issuer from the sale of the 400,000 Guaranteed Units offered hereunder at the estimated price of $0.50 per Unit will be $185,000, following deduction of the Agents' commission, which will be used for the following purposes:

To pay the estimated legal, printing and other costs of this offering	$ 25,000
To retire accounts payable as at the date hereof	36,000
To conduct the recommended Stage 2 program on the Newton Hill property	100,000
To provide working capital	24,000
TOTAL:	$185,000

Any proceeds derived from the sale of the 200,000 Units which are not Guaranteed Units or derived from the exercise of the Series A Warrants or Brokers' Warrants will be added to the working capital of the Issuer.

3. MATERIAL NATURAL RESOURCE PROPERTIES

Group I - Properties for which regulatory approval has been obtained under this Statement of Material Facts.

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

Group III - Other presently held properties upon which the Issuer's acquisition and exploration costs to date exceed $100,000.

Group	Property Name	Issuer's Acquisition and Exploration Costs to Date (in $)	Shares Issued To Date	Planned Expenditure from Funds Available upon Completion of the Offering
I	Newton Hill	$63,392	nil	$100,000
II	none	-	-	-
III	East Thurlow Island	$113,862	80,000	nil

THE NEWTON HILL PROPERTY

Acquisition

By Agreement dated July 15, 1991 and amended October 31, 1991 (the "Agreement") between the Issuer and Rea Gold Corporation of 536 - 999 Canada Place, Vancouver, B.C. V6C 3E1 ("Rea"), the Issuer acquired the option to earn an undivided 50% interest in the Newton Hill property. Rea is a reporting company listed on the Vancouver Stock Exchange. Larry W. Reaugh, the President of the Issuer is also the President and a director of Rea and beneficially owns 165,350 shares of Rea and holds a stock option for the purchase of 100,000 shares of Rea exercisable at $1.05 per share on or before July 3, 1994. Frederick Sveinson, a director of the Issuer is also an officer of Rea and holds a stock option for the purchase of 75,000 shares of Rea exercisable at $1.05 per share on or before July 3, 1994. John Fisher, a director of the Issuer, is also an officer of Rea and holds a

stock option for the purchase of 50,000 shares of Rea exercisable at $1.05 per share on or before July 3, 1994. Otherwise, Rea is at arm's length to the Issuer.

To exercise the option to acquire the 50% interest, the Issuer must make the following payments and expenditures on the property:

(a) the payment to the original optionors of the property of $20,000 on or before November 16, 1991, which has been paid;

(b) the payment to Rea of $30,000 on or before November 1, 1992; and

(c) the incurrence of expenditures on the property in the amount of $500,000 on or before December 31, 1993.

Once the Issuer has earned its 50% interest, the property will be operated as a joint venture, with Rea being the initial operator, and costs will be shared between the parties on the basis of their joint venture interests from time to time.

The title of Rea to the property is subject to the option agreement under which it originally acquired the property (the "Original Option Agreement"). Under the Original Option Agreement, Rea has to date paid the sum of $30,000 to the optionors and the Issuer has paid directly a further $20,000 as indicated in (a) above. Rea must pay a further $50,000 by November 16, 1992. Rea has covenanted under the Agreement to maintain the Original Option Agreement in good standing while the Agreement remains in effect. Under the Original Option Agreement, the optionors are entitled to receive a royalty of 2% of net smelter returns from the property. The optionors are also entitled to receive advance royalties in the sum of $20,000 on December 1, 1992 and on December 1 of each year thereafter until the commencement of commercial production, which royalties are deductible from the net smelter returns royalty.

The Property

The Newton Hill property comprises 6 contiguous mineral claims comprising a total of 104 units, located in the Clinton Mining Division, British Columbia, approximately 37 kilometres west-southwest of the community of Hanceville and 105 kilometres west-southwest of the City of Williams Lake.

The first documented exploration of the property is contained in a B.C. Department of Mines report from 1916 which documents a Mr. Newton working the property and obtaining gold assays of $1 to $3 per ton (i.e. up to 0.1 ounce per ton). The claims were held by several owners after Newton's time but the first documented work was conducted in 1971 and 1972 by Cyprus Exploration Corporation. Cyprus explored for a supergene

enriched, porphyry copper deposit with geological mapping, induced polarization and magnetometer surveys followed by drilling 10 BQ diamond drill holes totalling 1615 metres. The drilling, conducted to test high sulphide zones on the property, encountered low copper grades and the claims were permitted to lapse.

In 1981 Taseko Mines Limited acquired the Ski claims, covering the same ground and surrounding areas, and in 1982 drilled 8 percussion and 4 diamond drill holes. The holes, collared to test the outer portions of the anomalous induced polarization zones, are along the southern and western boundary of the property. Diamond drill hole 82-3, just inside the southern claim boundary, contained one 3 metre section of core assaying 1028 ppb gold.

Parts of the Ski claims subsequently lapsed and were then acquired by R.M. Durfeld in 1987 and 1988 as three of the existing Newton claims. New potential for an economic gold and/or copper deposit was seen and 82 soil samples and 129 rock samples (outcrop and 1972 drill core) were collected and analyzed for gold and pathfinder elements. This work showed two 3 metre sections of core in hole 72-6 to contain 2300 and 2790 ppb gold, respectively. The orientation soil survey indicated several zones anomalous to strongly anomalous in gold (up to 580 ppb) and mercury.

In 1989, Rea entered into an option agreement under which it holds the option to acquire a 100% interest in the three claims. In the fall of 1989, Rea conducted a reconnaissance scale geochemical soil survey. A total of 218 soil samples were collected and analyzed for gold, silver, arsenic and copper. A compilation of all the soil results (1987, 1988 and 1989 programs) indicated areas with anomalous to highly anomalous gold and pathfinder elements (mercury, arsenic, copper and silver) which warranted further evaluation. In February 1991, Rea staked the additional three claims comprising the property, at a cost of $3,789, to cover surrounding areas of geological interest. Under the option agreement, the additional claims are subject to the royalty interest in favour of the optionors but title to the claims will remain with Rea in the event that the option is dropped.

A report on the property dated August 7, 1991, has been prepared by Donald F. Penner, B.Sc., P.Geo, which is printed in this Statement of Material Facts. The Penner report recommends a two stage exploration program, as follows:

Stage 1 - Target Definition

The 1990 excavator trenching program exposed mineralized rock which represents the source of several of the anomalous zones located by soil sampling. Further trenching is required to define and extend the trend of these

mineralized zones prior to diamond drilling. There are areas anomalous in gold and/or copper, as defined by soil sampling, which have not been investigated to date. An initial trenching program of approximately 1.5 kilometres would test additional targets while defining the extent and structural controls of known mineralization. Reconnaissance Induced Polarization surveys should also be conducted at this stage to define additional areas of potential sulphide mineralization.

Estimated cost: $50,000

Stage 2 - Diamond Drilling

The Stage 2 program should consist primarily of diamond drilling to explore the depth potential of the mineralized structures defined by the trenching and induced polarization surveys. Additional targets defined by the induced polarization surveys that have no geochemical surface expression should also be tested. An initial drill program of 900 metres should test the targets defined by the Stage 1 work.

Estimated cost: $100,000

The Stage 1 program was completed in the Fall of 1991, at an approximate cost of $50,000. The results of the program are discussed in a letter report of Donald F. Penner, B.Sc., P.Geo, which is printed in this Statement of Material Facts. The letter report recommends proceeding to Stage 2, which will be carried out with the proceeds from the offering herein.

THE PROPERTY IS WITHOUT A KNOWN BODY OF COMMERCIAL ORE AND THE PROPOSED PROGRAM IS AN EXPLORATORY SEARCH FOR ORE.

THE EAST THURLOW ISLAND PROPERTY

The Issuer owns an unencumbered 50% joint venture interest in the East Thurlow Island property, with Rea owning the other 50% joint venture interest. The property comprises 5 located mineral claims, 2 reverted Crown-granted claims and 2 Crown-granted claims, located immediately south of Shoal Bay on the northeastern coast of East Thurlow Island, approximately 30 helicopter miles north of Campbell River, British Columbia.

The mineral showings of East Thurlow Island and the adjacent Channe Island have a long history of exploration and development dating back to the 1890s. During the 1930s, the Douglas Pine and White Pine showings on East Thurlow Island and the Yucataw prospect on Channe Island were re-prospected and many of the mines in the region, such as the Doratha Morton, were developed and worked with recorded production. With the onset of World War II, most operations in the region were terminated.

In January, 1987, a short exploration program to delineate the southern extent of the Douglas Pine vein was implemented. A grid was cut on part of the Bick #3 and Bick #4 claims. Soil sampling and VLF-EM electromagnetic surveys were carried out. Soil geochemistry returned low values and the geophysical survey showed no structures which correlated with previously inferred mineralization.

In October, 1987, a program was undertaken to evaluate the lode gold potential of the White Pine, Union, Electric and Stump Ranch claims. The program consisted of line cutting, soil sampling, VLF electromagnetic and magnetometer surveys, geological mapping, rock sampling, trenching and road reconstruction. Gold values to 2,310 parts per billion were returned from the White Pine sulphide-bearing quartz vein. The trenching program exposed surface vein widths to six metres. The VLF survey did not show the White Pine vein structure, but did locate a strong north-westerly trending anomaly on the Stump Ranch claim. Trenching of this anomaly failed to expose bedrock.

A program of diamond drilling was carried out between December 1987 and January 1988, designed to test the strike and depth extensions of the White Pine vein in the Shaft No. 1, Shaft No. 2 and Adit No. 2 workings, and to delineate the strong VLF electro-magnetic conductor located on the Stump Ranch claim. The program included the construction of 470 metres of drill road, the establishment of 11 diamond drill sites, the drilling of 13 bore holes totalling 1,163 metres, geologic logging, sampling, report writing and map preparation.

Eleven holes were drilled along the White Pine vein structure near the old workings. Of these, only one intersected a sulphide-bearing quartz vein with widths similar to veins observed on the surface. This hole intersected the quartz vein observed in Shaft No. 1, 20 metres below surface. A second hole was drilled on the same section in an attempt to intersect the vein at a depth of 45 to 60 metres below surface. It failed to intersect the vein, but did intersect a weak zone of alteration near the down dip projection of the surface vein.

Drillhole intercepts showed that the vein structure is of shallow depth. The strike lengths of the White Pine quartz vein are limited, the longest being in the Adit No. 2 area.

Lithogeochemical analyses indicated that the highest gold values are spatially related to the sulphides and generally occur in the sulphide-bearing quartz veins. Gold values returned from drill core analyses were lower than expected.

A drillhole on the Stump Ranch claim intersected a fault zone which correlated with the VLF electromagnetic conductor. Litho-geochemical analyses of the fault zone material did not return gold values.

No further exploration has been conducted on the property and the joint venture partners have no current plans for further explora-

tion. The Issuer does not consider the property to be material. The property is in good standing until 1998.

THE PROPERTY IS WITHOUT A KNOWN BODY OF COMMERCIAL ORE.

4. PARTICULARS OF NON-RESOURCE ASSETS

The Issuer has no non-resource assets.

5. CORPORATION INFORMATION

The Issuer was incorporated with the name "Varietal Resource Corporation" on March 2, 1981 under the laws of British Columbia, by the registration of its memorandum and articles. The name of the Issuer was changed to its present name on June 13, 1983.

The authorized capital of the Issuer consists of 15,000,000 common shares without par value, of which 4,202,697 shares are issued as of the date of this Statement of Material Facts.

Since November 30, 1991, the date of the latest financial statements included in this Statement of Material Facts, 200,000 units of the Issuer were issued at $0.35 per unit pursuant to a private placement conducted by the Issuer. Each unit consisted of one common share and one warrant for the purchase of a further share, exercisable for one year at $0.40. In addition, 82,000 common shares were issued at $0.33 per share pursuant to the exercise of a director's stock option.

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

Name Address & Position	Number of Shares Beneficially Owned	Chief Occupation in Previous Five Years
LARRY W. REAUGH 16318 9th Avenue Surrey, B.C. V4A 9B4 President, Chief Executive Officer, Director and Promoter	650,000 escrowed 499,232 non-escrowed*	President of the Issuer since June 1983; President, Rea Gold Corporation, a mining company, since July 1978; President, Midland Gold Corporation, a mining exploration company, March 1984 to March 1988.
WILLIAM E. PFAFFENBERGER 1520 Denman Street Victoria, B.C. V8R 1X6 Director and Chief Financial Officer	52,000 non-escrowed	Director of the Issuer since December 1990; Associate Professor of Mathematics, University of Victoria, since July 1969.

JOHN W. FISHER 4707 Wesley Drive Delta, B.C. V4M 1W6 Director	3,500 non-escrowed	Director of the Issuer since November 1986; Director, Rea Gold Corporation, a mining company, May 1986 to March 1991.
FREDERICK J. SVEINSON 4655 Brittania Drive Richmond, B.C. V7E 6B1 Director	nil	Vice-President Operations, Tonto Mining, a division of Dynatec International Ltd., a mine contracting and engineering company, since February 1992; Vice-President and Chief Operating Officer, Rea Gold Corporation, a mining company, February 1989 to January 1992; Vice-President Mining Operations, Noramco Mining Corp., a mining company, May 1988 to January 1989; General Manager, Echo Bay Mines Ltd., a mining company, January 1985 to April 1988.
DENNIS D. POSTMA 20355 Harrow Avenue N. Forest Lake Minnesota 55025 Director	32,000 non-escrowed	President and Co-owner, Brewster Consulting, Inc., a merger & acquisition consulting company, since May 1986.
WAYNE CARPENTER 2073 - 134th Street Surrey, B.C. V4A 9N8 Director and Secretary	3,300 non-escrowed	Director and Co-owner, Care Medical Supplies Ltd., a medical supply & equipment company, since September 1987; President and C.E.O., Surrey Credit Union, April 1977 to June 1986.

*Larry W. Reaugh also owns 50% of a private company which in turn owns 62,300 non-escrowed shares of the Issuer.

Larry W. Reaugh, John W. Fisher and Frederick J. Sveinson are or have been within the previous five years, directors, officers or promoters of other reporting issuers, as follows:

Larry W. Reaugh: President & Director, Rea Gold Corporation, July 1978 to present; Director, Globe Resources Inc., June 1987 to present; Director, Taywin Resources Inc., February 1990 to present; Director, Sirius Resources Inc., February 1990 to present; Director, Kemgas Sidney Inc., December 1987 to October

1988; Director, Current Technology Inc., April 1987 to December 1988; President & Director, Midland Gold Corporation, March 1984 to March 1988.

John W. Fisher: Director, Mink Minerals Inc., May 1985 to January 1988 and Director & Secretary, December 1989 to present; Director, Silverglance Resources Inc. (formerly Orbex Resources Inc.), January 1986 to present; Director, Rea Gold Corporation, May 1986 to March 1991; Director, Thitec Recovery Systems Inc., March 1989 to December 1989.

Frederick J. Sveinson: Director & President, QPX Minerals Inc., August 1991 to present; Vice-President & Chief Operating Officer, Rea Gold Corporation, February 1989 to present; Vice-President Mining Operations, Noramco Mining Corporation, May 1988 to January 1989; General Manager, Echo Bay Mines Ltd., January 1985 to April 1988; Director, Cazador Explorations Ltd., February 23, 1990 to present; Director, Zahavy Mines Ltd., August 1988 to January 1989.

No director, officer or promoter of the Issuer is, or within the past five years has been, a director, officer or promoter of any other reporting issuer that, while he was acting in that capacity, was struck off the register of companies by the British Columbia Registrar of Companies or other similar authority or was the subject of a cease trade or suspension order for a period of more than 30 consecutive days.

In July 1987, Larry W. Reaugh entered into an arrangement with the Ontario Securities Commission whereby he agreed to plead guilty to a charge of insider trading with respect to a transaction in 1985 involving shares of Rea Gold Corporation. Mr. Reaugh was fined $1,000. Otherwise, no director, officer or promoter of the Issuer has been, within the last ten years, the subject of any penalties or sanctions by a court or securities regulatory authority relating to trading in securities, the promotion, formation or management of a publicly traded company or involving theft or fraud.

The Issuer has three salaried employees in addition to Larry W. Reaugh who, by virtue of being among the five highest paid employees of the Issuer, are insiders of the Issuer. Larry W. Reaugh, the President & Chief Executive Officer of the Issuer, has received gross salary during the past year in the sum of $16,250, Sandra C. Bettis, the Office Manager of the Issuer, has received gross salary during the past year in the sum of $13,600. Ross McNaughton, a public relations officer for the Issuer, has received gross salary during the past year in the sum of $7,500. Michael Scott, a public relations officer for the Issuer, has received gross salary during the past year in the sum of $8,449.28.

Within the past year, the Issuer conducted a private placement of 189,300 common shares at $0.27 per share. Of the shares so issued, Larry W. Reaugh purchased 15,000 shares, William E. Pfaffenberger purchased 50,000 shares, Ann Postma and a trust for

her benefit purchased a total of 27,900 shares and R.P.Q. Funding, Inc. purchased 21,400 shares. Ann Postma is the wife of Dennis D. Postma and R.P.Q. Funding, Inc. is owned by Dennis D. Postma as to 33 $^1/_3$%.

Within the past year, the Issuer conducted a private placement of 200,000 units at $0.35 per unit. Each unit consisted of one common share and one warrant for the purchase of an additional share, exercisable for one year at $0.40. Larry W. Reaugh purchased 83,000 of the units.

Within the past year directors, officers and other insiders of the Issuer exercised stock options and share purchase warrants granted by the Issuer. John W. Fisher exercised an option on 20,000 shares with an aggregate net value of $1,800, Ross McNaughton exercised an option on 10,000 shares with an aggregate net value of $900 and Larry W. Reaugh exercised an option on 82,000 shares with an aggregate net value of $9,840 and a share purchase warrant for 17,000 shares with an aggregate net value of $340. Aggregate net value as referred to in the foregoing means market value at the date of exercise less exercise price.

Refer to "Options to Purchase Securities of the Issuer" for particulars of stock options held by directors and officers of the Issuer.

7. OPTIONS TO PURCHASE SECURITIES OF THE ISSUER

Insiders and promoters of the Issuer hold stock options for the the purchase of a total of 362,000 common shares, as follows:

Name of Optionee	Number of Shares	Exercise Price	Expiry Date
Larry W. Reaugh	100,000	$0.53	Jan. 22, '95*
Frederick Sveinson	40,000	$0.33	Jan. 8, '93
John W. Fisher	30,000	$0.33	Jan. 9, '94
W.E. Pfaffenberger	50,000	$0.33	Jan. 9, '94
Dennis D. Postma	60,000	$0.33	Jan. 9, '94
Michael Scott	15,000	$0.53	July 31, '94
Ross McNaughton	15,000	$0.53	July 31, '94
Sandra Bettis	12,000	$0.53	July 31, '94
Wayne Carpenter	40,000	$0.45	Oct. 1, '94

*Subject to Vancouver Stock Exchange approval.

Persons who are not insiders hold "employee" options on an additional 30,000 common shares of the Issuer of which 10,000 shares are exercisable at $0.89 on or before January 8, 1993, 15,000 shares are exercisable at $0.33 on or before January 8, 1993 and 5,000 are exercisable at $0.33 on or before January 9, 1994.

The Issuer has 200,000 warrants outstanding, each entitling the holder to purchase one common share of the Issuer at the price of

$0.40, exercisable until November 19, 1992.

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

750,000 shares of the Issuer are held in escrow pursuant to an escrow agreement dated January 27, 1984 and amended February 26, 1986 and June 6, 1988. 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 escrow holder make any transfer or record any trading of the shares without the consent of the Vancouver Stock Exchange.

The 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. The Vancouver Stock Exchange may order cancellation of all or a portion of the shares in the event that the Issuer loses or abandons the property for which the escrow shares were issued or if the Issuer ceases to own any substantial asset whatsoever.

No shares of the Issuer are held in pool.

189,300 shares of the Issuer, issued pursuant to a private placement, are subject to a one year hold period originally imposed by the Superintendent of Brokers under the Securities Act (B.C.) and the Regulations thereunder. The hold period expires April 16, 1992.

200,000 units of the Issuer, issued pursuant to a private placement, are subject to a one year hold originally imposed by the Superintendent of Brokers under the Securities Act (B.C.) and the Regulations thereunder. The hold period expires November 19, 1992. Each unit consists of one common share and one warrant for the purchase of an additional share exercisable at $0.40 on or before November 19, 1992.

9. PARTICULARS OF ANY OTHER MATERIAL FACTS

The Issuer held the right to receive a 1.25% net smelter returns royalty in 114 mineral claims located in the Kamloops Mining Division, British Columbia, in the event that Rea Gold Corporation ("Rea") exercised its option to acquire the property from the original optionor thereof. The right to receive the royalty and 270,000 shares of Rea were received by the Issuer in return for the Issuer's transfer to Rea of its 50% interest in the option. The 270,000 shares of Rea were held in escrow pursuant to an escrow agreement required by the Toronto Stock Exchange which provided in part that the shares would be cancelled in the event that Rea did not earn a 100% interest in the property by making the required option payments to the

original optionor. Rea has advised the Issuer that it has dropped the CK property. As a result, the Issuer will not receive a royalty interest in the property and the 270,000 escrow shares of Rea will be cancelled.

There are no legal proceedings to which the Issuer is a party or to which its property is subject. The Issuer does not know of any legal proceedings which are contemplated.

All agreements referred to in this Statement of Material Facts and the report and letter report of Donald F. Penner, B. Sc., P. Geo. dated August 7, 1991 and December 12, 1991, respectively, on the Newton Hill property may be inspected at the business office of the Issuer, #310, 1959 - 152nd Street Surrey, B.C. during normal business hours during distribution of the securities offered hereunder and for a period of 30 days after the completion of such distribution.

10. STATUTORY RIGHTS OF RESCISSION

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

SUMMARY REPORT

on the

NEWTON MINERAL CLAIMS

CLINTON MINING DIVISION

BRITISH COLUMBIA

NTS 92 0/13E

51°48' N. LATITUDE

123°37' W. LONGITUDE

for

VERDSTONE GOLD CORPORATION
Suite 310, 1959 - 152nd Street
Surrey, B.C.
V4A 9E3

by

Donald F. Penner, B.Sc., P.Geo.

August 7, 1991

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LIST OF FIGURES

1.0 INTRODUCTION

D.F. Penner Geological Consulting Ltd. was retained by Verdstone Gold Corporation to compile available information on the Newton property and to make recommendations for further exploration. The author conducted a field examination of the property on July 27, 1991 to verify previous work, to observe the geology, mineralization and alteration exposed in outcrop and trenches, to take several verification samples and to examine the Legal Corner Post of the Newton I and Newton 4 claims.

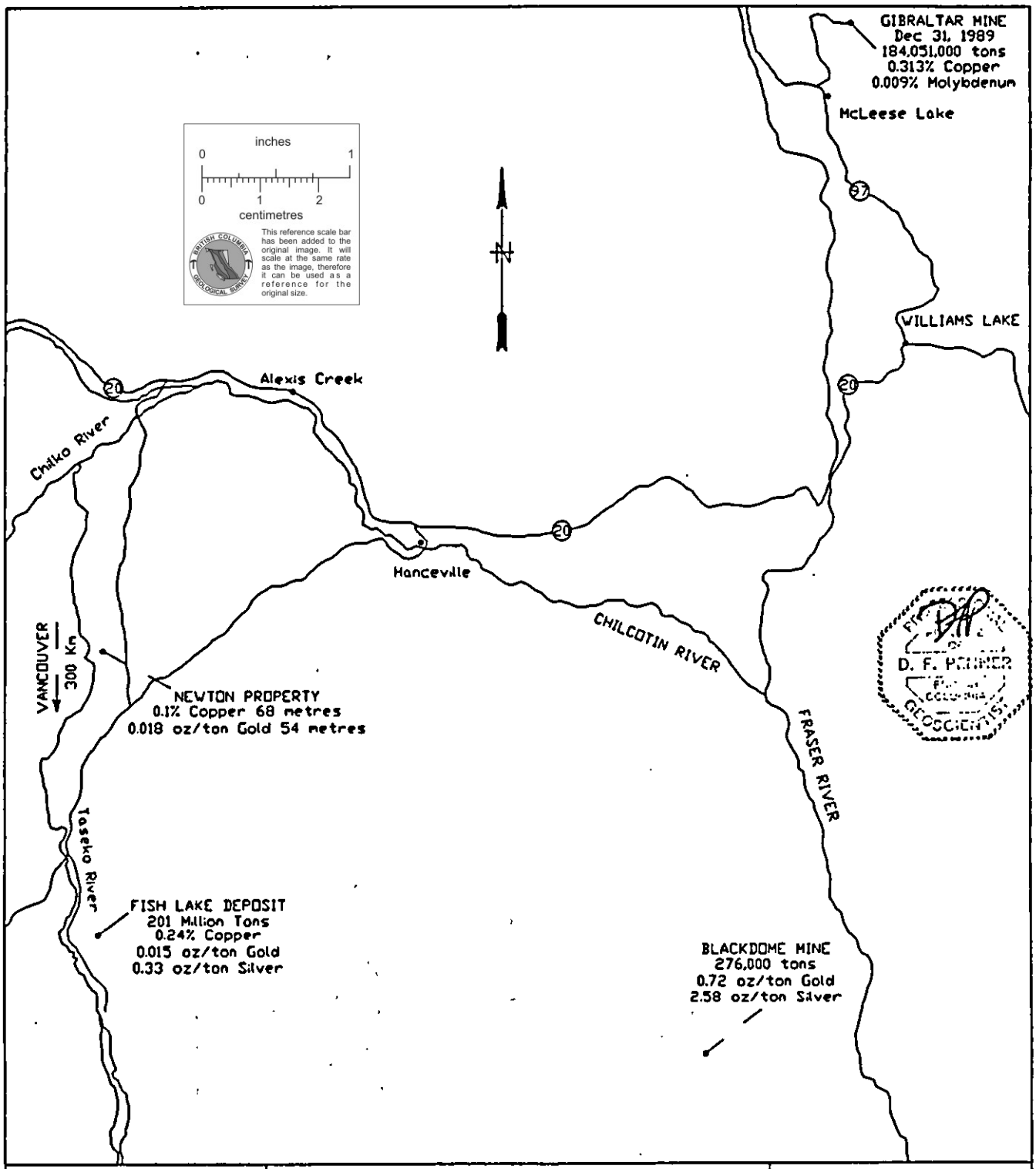
The property was acquired to explore an extensive hydrothermal alteration zone centred around Newton Hill in the Chilcotin Region of British Columbia. There is potential for this zone to host epithermal gold and/or porphyry copper-gold deposits similar in nature to those at the Blackdome Mine, located 80 kilometres southeast, and at the Fish Lake deposit, located 38 kilometres south. Original published reserves of the Blackdome Mine were 276,000 tons grading 0.72 oz/ton gold and 2.58 oz/ton silver. Published reserves of the Fish Lake deposit are 201 million tons grading 0.24% copper, 0.015 oz/ton gold and 0.33 oz/ton silver.

The Newton property encompasses an area underlain by volcanic and clastic rocks of the Upper Cretaceous Kingsvale Group, which have been intruded by hypabyssal to plutonic siliceous felsic intrusions of Eocene age. A 2 kilometre diameter hydrothermal alteration zone, characterized by sericite, kaolinite and quartz in highly fractured volcaniclastic and intrusive rocks, underlies much of the Newton Hill promontory. Previous work by Cyprus Explorations in 1972 indicated that much of this alteration zone contained greater than 5% sulphides. A major trenching program conducted for Rea Gold in 1990 also exposed significant mineralization.

2.0 LOCATION, ACCESS and PHYSIOGRAPHY

The Newton claims are located (Figure 1A) in the Clinton Mining Division, British Columbia, approximately 37 kilometres west-southwest of the community of Hanceville and 105 kilometres west-southwest of the city of Williams Lake. The claims are centred at 51 degrees 48 minutes north latitude and 123 degrees 37 minutes west longitude (NTS map sheet 92 O/13E).

The property is readily accessible from Williams Lake by two different routes. The first follows Highway 20 to Hanceville where the Taseko Lake access road branches off to the southwest. At approximately 48 kilometres along the Taseko Lake road, a rough four-wheel-drive trail to Scum Lake branches northwest, and after 8 kilometres bisects the Newton property from the south. The second route follows Highway 20 for approximately 120 kilometres west from Williams Lake, where the Weldwood 7000 logging road branches off to the south, crossing the Chilko River at the Siwash Bridge. The 7000



SCALE 1:750,000
500 0 500 1000 1500

VERDSTONE GOLD CORPORATION
NEWTON PROPERTY
LOCATION MAP

NTS 92 O/13E
Figure 1A

road ends at 28 kilometres and turns into a narrow four-wheel-drive trail which, after a further 11 kilometres, bisects the Newton property from the north. Previous exploration trails and a bulldozed seismic line provide good access on the property.

The physiography of the Newton property is dominated by Newton Hill, a dome shaped hill some four kilometres in diameter, which protrudes about 150 metres above the surrounding Fraser Plateau. Elevations on the property range from 1200 metres at Scum Lake to 1361 metres at the summit of Newton Hill.

Vegetation on the Newton property is characterized by open, mature forests of Douglas fir at higher elevations and lodgepole pine at lower elevations with willow in swampy areas. The undergrowth consists largely of grasses with occasional juniper bushes.

The Newton property provides adequate area for mine/mill development and for waste rock or tailings disposal. The Taseko River, two kilometres west of the property, could provide ample water for development. Power lines pass within 35 kilometres of the property. This area of the Chilcotin is not indicated as a proposed park.

3.0 PROPERTY STATUS and OWNERSHIP

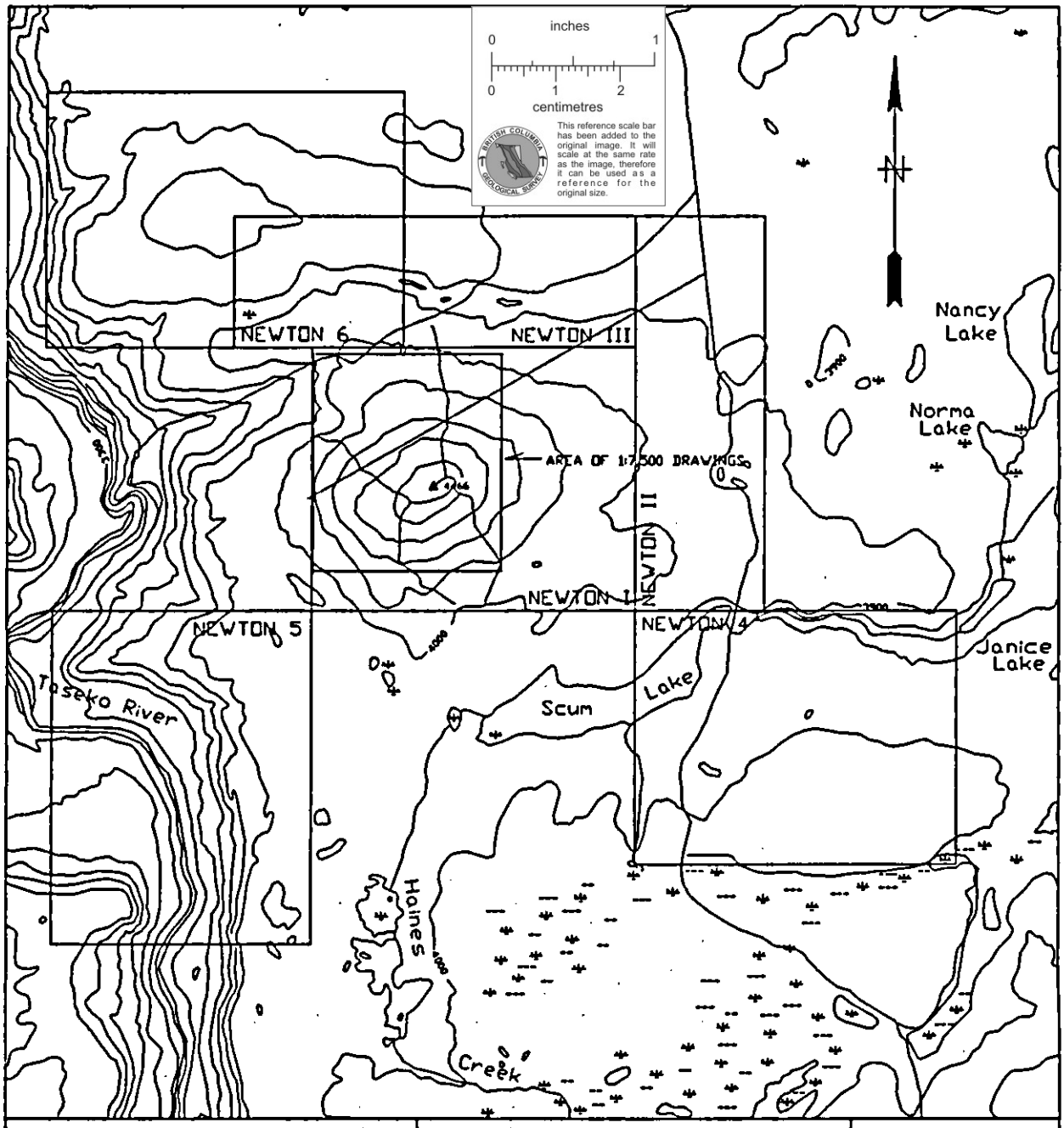
The Newton property consists of 6 contiguous Modified Grid mineral claims totalling 104 units and covering 2600 hectares (6424 acres). On July 26, 1991, the author examined each of the claim records for the Newton I to 6 claims at the government agent office in Clinton, B.C. The details are summarized below and the relative claim locations are outlined on the claim map (Figure 1B) at 1:50,000 scale.

TABLE 1: CLAIM INFORMATION

CLAIM NAME	RECORD NO.	NO. OF UNITS	DATE OF RECORD	YEAR OF EXPIRY
NEWTON I	2408	20	09/14/87	1995
NEWTON 2	2774	12	10/09/88	1995
NEWTON 3	2775	12	10/11/88	1995
NEWTON 4	3576	20	02/05/91	1992
NEWTON 5	3577	20	02/06/91	1992
NEWTON 6	3578	20	02/05/91	1992

Rea Gold Corporation is the registered owner of the Newton mineral claims and has reportedly granted an option to Verdstone Gold Corporation to earn an interest in the property.

The author also made a field examination of the Newton I and Newton 4 Legal Corner Posts. The author believes that the claims were



SCALE 1: 50 000

500m 0 1000 2000m

VERDSTONE GOLD CORPORATION

NEWTON PROPERTY

LOCATION MAP

NTS 92 O/13E

FIGURE 1B

PROFESSIONAL ENGINEER OF BRITISH COLUMBIA D. F. PEARIER GEOSCIENTIST

staked in accordance with the British Columbia Mineral Tenure Act and that the claims are not presently the subject of any legal dispute.

4.0 PREVIOUS EXPLORATION

A description of the property area is first given in the 1916 B.C. Department of Mines report which documents a Mr. Newton working on Newton Hill, and obtaining gold assays of $1 to $3 per ton (ie. up to 0.1 ounce per ton). His work is still evident: both the Newton Shaft, a small shaft near the top of Newton Hill, and some open cuts remain. Mr. Newton probably accessed the property from his ranch to the north, the Newton Place, which is located just north of the Siwash Bridge.

The claims on Newton Hill were held by several people after Newton's time, but the first documented work was in 1971 and 1972 by Cyprus Exploration Corporation, who conducted geological mapping, induced polarization and magnetometer surveys followed by drilling of 10 BQ diamond drill holes totalling 1615 metres. The objective of this program was to explore for a supergene enriched, porphyry copper deposit. Feldspar porphyry intrusives with related hydrothermal alteration and a leached cap up to 30 metres thick were investigated. The induced polarization survey indicated a large zone around Newton Hill interpreted to contain 5% sulphide mineralization. The diamond drill program was conducted to test these high sulphide zones. The copper grades encountered were low and the claims were permitted to lapse.

In 1981, Taseko Mines Limited acquired the Ski claims, covering the Newton property and the surrounding area. In 1982, Taseko drilled 8 percussion and 4 diamond drill holes on the property. These drill holes, collared to test the outer portions of the anomalous induced polarization zones, are along the southern and western property boundary. The results of this work are discussed in Assessment Report 11,001 by J.R. Woodcock. Diamond drill hole 82-3, just inside the southern claim boundary, contained one 3 metre section of core assaying 1028 ppb gold.

Parts of the Ski claims subsequently lapsed and were then acquired by R.M. Durfeld in 1987 and 1988 as the Newton I, Newton #2 and Newton #3 minerals claims. New potential for an economic gold and/or copper deposit was seen. Initially, 82 soil samples and 129 rock samples (outcrop and 1972 drill core) were collected and analyzed for gold and pathfinder elements. This work showed two 3 metre sections of core in hole 72-6 to contain 2300 and 2790 ppb gold respectively. The orientation soil survey indicated several zones anomalous to strongly anomalous in gold (up to 580 ppb) and mercury.

In 1989, Rea Gold Corporation entered into an option agreement with Messrs. R.M. Durfeld and A.J. Schmidt to acquire a 100% interest in the Newton property. In the fall of 1989, Rea Gold commissioned Mr. Schmidt to conduct a reconnaissance scale geochemical soil survey

on the Newton claims. A total of 218 soil samples were collected and analyzed for gold, silver, arsenic and copper. A compilation of all the soil results (1987, 1988 and 1989 programs) indicated areas on Newton Hill with anomalous to strongly anomalous gold and pathfinder elements (mercury, arsenic, copper and silver) which warranted further evaluation.

Subsequently, Rea Gold conducted further exploration in 1990 consisting of geochemical soil sampling, geological mapping and back-hoe trenching.

5.0 REGIONAL GEOLOGY

The regional geology of the Scum Lake area was mapped by H.W. Tipper of the Geological Survey of Canada and is published as Open File 534. This work shows the volcanic and clastic rocks of the Upper Cretaceous Kingsvale Group to be unconformably overlying a basement of Mid-Jurassic granitic rocks. Eocene felsic stocks, dykes and related volcanics intrude and overlie all rocks except the younger Miocene age plateau basalts of the Chilcotin Group. The limited outcrop in the property area is masked by these Miocene plateau basalts and glacial drift of Quarternary Age.

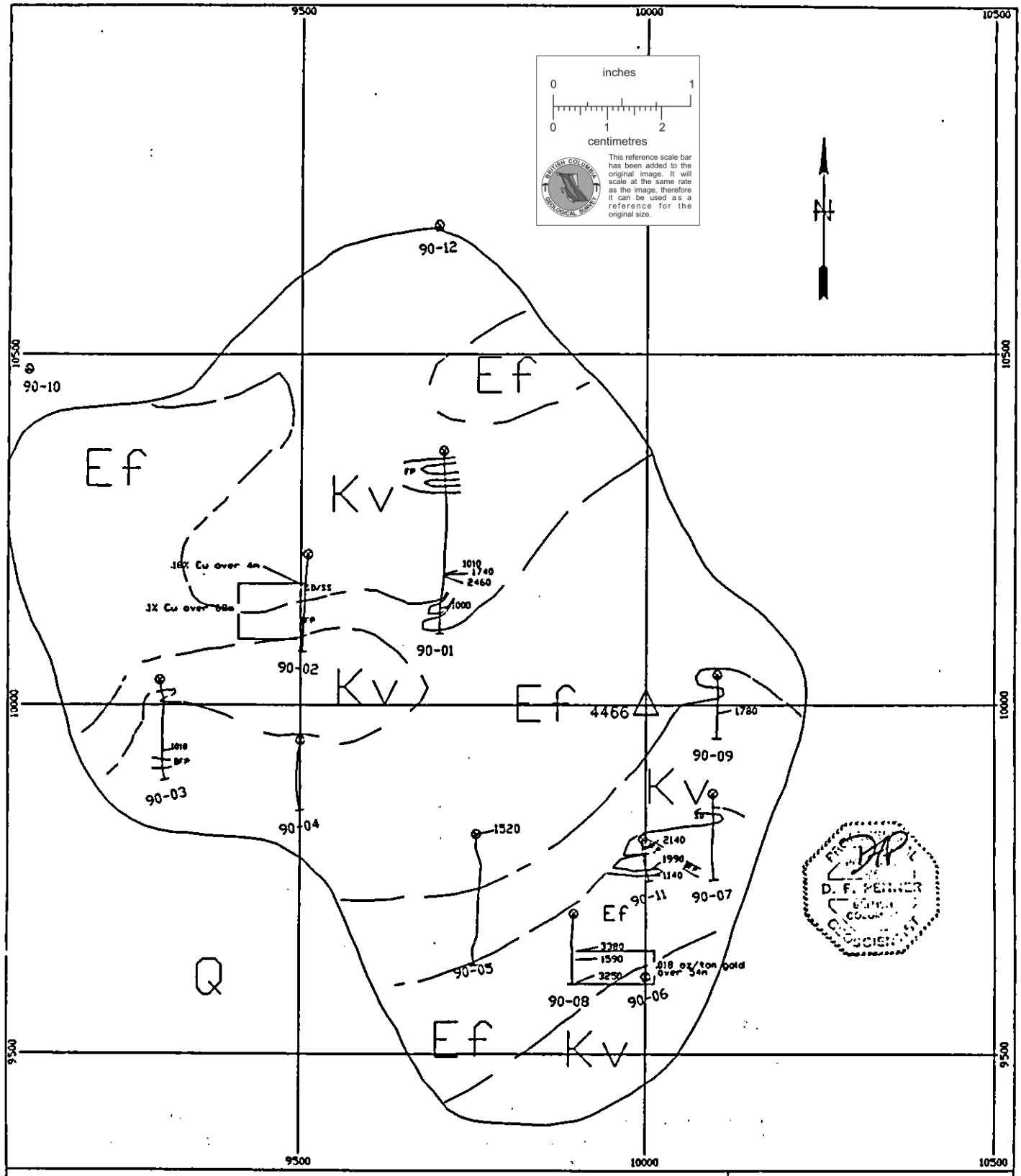
The dominant structural trend is northwesterly, parallel to the Yalakom and Chilcotin transcurrent faults, which lie south and north of the property respectively. Emplacement of the Newton Hill intrusions was controlled by this northwesterly structure, along with weaker northeasterly, easterly and north-south structures. Strong linear features on the flanks of Newton Hill are visual evidence for these structures. The hill is a topographic dome, probably related to the emplacement of the intrusive rocks. The Taseko River, immediately to the west of the Newton property, shows sharp northwesterly and northeasterly displacements from a regional north-south trend, further supporting the presence of strong structures in these directions.

Glacial striations indicate the direction of glacial movement to be north-northeast.

6.0 PROPERTY GEOLOGY AND MINERALIZATION

6.1 GEOLOGY

The initial 1:5000 scale geological mapping was done in conjunction with the grid soil sampling and is based on mapping of limited outcrop exposures and subcrop areas, as well as the prospecting of angular, local float from soil sample pits. Extensive Quarternary glacial till covers the flanks of Newton Hill and the surrounding Fraser Plateau. The trenches were mapped at a scale of 1:1000 and the lithological contacts on the 1:5000 Geology map were modified to reflect this work. The



LEGEND

4466 — Mountain Peak with Elevation (Ft)

90-12 — Location and Trace of 1990 Trenches

3380 — 2 metre sample location value in ppb gold

LITHOLOGY

Ef - Felsic Intrusions
- BFP - Biotite Feldspar Porphyry
- FP - Feldspar Porphyry

Kv - Kingsvale Group
- intermediate volcanics and sediments

Geological Contact

VERDSTONE GOLD CORPORATION

NEWTON PROJECT
GEOLOGICAL PLAN

Scale 1:7500

0 60 120 180 240 300 M

Date: August 1991	NTS 93O/13E	Figure: 2

D.F. PENNER GEOLOGICAL CONSULTING LTD

geology for the Newton property is given in Figure 2 (1:7,500 scale).

All rocks mapped on Newton Hill have undergone extensive hydrothermal alteration, making recognition of primary textures and compositions difficult.

The oldest rocks in the area are Mid-Jurassic granodiorite and andesite, and lie immediately west of the Newton property on the banks of the Taseko River.

The upper Cretaceous Kingsvale Group (Kv), formed by processes of continental sedimentation and volcanism, occurs on the Newton property as siltstone (SS), sandstone (SD), conglomerate (CNG) and intercalated tuffs (LAP).

The Kingsvale rocks have subsequently been intruded by irregular dykes, sills and stocks of Eocene age (Ef). The Eocene intrusions are felsic in composition, showing variation in texture and accessary minerals. The intrusions are often porphyritic in feldspar (F), quartz (Q) and/or biotite (B) showing both compositional and textural variation. These porphyries were mapped as quartz feldspar, quartz eye or granites representing a quartz saturated magma. In the central grid area,a medium grained biotite feldspar porphyry of monzonite composition shows no free quartz.

Megascopically, the Eocene intrusions occur as east-northeasterly trending dykes, sills or stocks with interfingered bands of Kingsvale Group rocks. Detailed mapping modifies these intrusive contacts, but also shows smaller dyke swarms with northeasterly and northwesterly trends.

6.2 STRUCTURE

The strongest structures in the property area are the northwesterly trending Yalakom and Chilcotin Faults with weaker structures trending northeasterly, easterly and northerly. Faults and joint sets in the property area are parallel to these major trends. Two prominent northeasterly trending fault and joint sets are most evident in a small shaft near the summit of Newton Hill. These joint sets are associated with small scale shears indicated by slickenside surfaces and narrow (up to 30 cm) fault breccia zones consisting of subangular clasts (up to 1 cm) in a fine grained limonitic matrix. The east-west distribution of the Eocene feldspar porphyry intrusions suggests that their emplacement was controlled by east-west structures.

6.3 ALTERATION

The geological mapping conducted in 1990 indicates the presence of a broad 2 km diameter hydrothermal alteration zone centred on

Newton Hill. The alteration products mapped are sericite, kaolinite and quartz as veining or silica flooding. Sericite and kaolinite are most common, with sericite alteration being the most intensive and extensive. Kaolinite alteration is strongest in zones of silicification and fracturing. In trenches one and two, a light green to yellow, soft, waxy mineral occurring in 1 to 2 centimetre thick veins has been identified as pyrophyllite. Secondary chlorite was noted in sections of andesitic to mafic Kingsvale rocks.

The Newton property displays strong surface weathering, as seen in diamond drill holes, to depths of 30 metres. Relict pyrite grains are common in surface samples. Bleaching of the bedrock was likely the result of acid development during the pyrite oxidation. Hematite and jarosite are two common oxide products mapped in the property.

6.4 MINERALIZATION

Pyrite has been observed in only a few locations on the property, occurring as fine grained disseminations in concentrations of up to 5% of the rock. Previous drilling indicates that oxidation and leaching are nearly complete to a depth of 30 metres, and that below this level, pyrite is ubiquitous in concentrations ranging from less than 1% to 10% of the rock.

The only evidence of primary copper mineralization on the surface is trace amounts of turquoise. A thin supergene enriched layer immediately below the oxidized cap returned assay values as high as 0.2% copper in drill core.

6.5 DIAMOND DRILLING

Cyprus Exploration Corporation was the first to conduct any drilling on the property. Ten holes totalling 1615 metres were drilled to test an IP anomaly around Newton Hill. Hole 72-3 intersected 40 feet of mineralization grading 0.2% copper on the edge of the IP anomaly. The rest of the holes had marginal results within the IP high. None of the samples were assayed for gold at that time.

Taseko Mines Limited subsequently acquired the property to test for copper/gold mineralization. The company drilled 8 percussion and 4 diamond drill holes in 1982. Hole 82-4, located near the southern property boundary, returned gold values of 0.015 oz/T over sixty feet, likely representing the extension of mineralization found in trench 90-8. Percussion hole 82-1 returned 45 feet of 0.023 Oz/T gold and another, hole 82-3, returned 20 feet of 0.085% copper. The remaining holes did not contain significant values and the claims were allowed to lapse.

7.0 GEOCHEMISTRY

7.1 INTRODUCTION

During the author's visit to the property, 5 check samples were taken in order to verify the presence of anomalous mineralization sampled during the 1990 trenching program. The trench walls had slumped in somewhat, making exact duplication of previous sampling difficult. A comparison of the results of the 1990 sampling and the author's check sampling are summarized in the following table. Note that the samples were assayed twice for gold.

1990 Sampling			1991 Sampling		
Sample No.	Au (ppb)	Cu (ppm)	Sample No.	Au (ppb)	Cu (ppm)
TR 01-142	1740	642	87501	240;290	193
TR 01-141	2460	320	87502	190;240	280
TR 02-240	250	1764	87503	360;410	1240
TR 08-825	3380	92	87504	310;190	98
TR 11-11124	2140	24	87505	90;10	49

The results of the check sampling verified the presence of anomalous copper and gold mineralization. Copper values correlated well with previous sampling, however, the results indicate the probability of a nugget effect for both gold and copper. Dilution from the sloughed-in trenches may also be a factor, nevertheless, the check samples did return anomalous values warranting further exploration.

Note that the geochemical contours shown on Figures 3 and 4 represent multiple sample anomalies. Previous soil surveys were conducted on lines 200 metres apart with sample stations every 25 metres over the area shown in Fig. 1B. It is presented in this manner to preserve clarity. Similarily, the trench results are displayed as histograms with only the values above 1000 ppb annotated.

7.2 GOLD GEOCHEMISTRY

The results for gold of the soil sampling and trenching are summarized in Figure 3.

Several areas have gold-in-soil values of greater than 150 ppb which, on the south side of the hill, correspond to subcrop of altered and silicified feldspar porphyry on a parallel northeasterly trend. Broad anomalous gold (>50 ppb) zones occur in the northwestern area with isolated highly anomalous values (up to 2120 ppb gold). Overlaying the property geology onto the geochemical map suggests that the anomalous gold zones occur in areas underlain by altered intrusives near the volcanic

contacts. These individual zones have possible widths of several hundred metres with lengths in excess of 800 metres parallel to the regional structures. The anomalous arsenic and mercury values coincident with the gold values on the south side of Newton Hill are indicative of an epithermal system.

Trenching of these gold-in-soil anomalies has shown significant gold mineralization assaying 2460 ppb (.07 oz/ton) over 2 metres or 1736 ppb (0.5 oz/ton) over 6 metres in trench 2, which tested the copper-gold anomaly in the north central grid area. Trenching of the southern gold-in-soil anomalies showed high gold values with generally lower copper values, particularly in trench 8 where a 2 metre section assayed to 3380 ppb (0.10 oz/ton) gold . This is part of a 54 metre section grading 599 ppb (.018 oz/ton) gold.

7.3 COPPER GEOCHEMISTRY

The results for copper of the soil sampling and trenching are summarized in Figure 4.

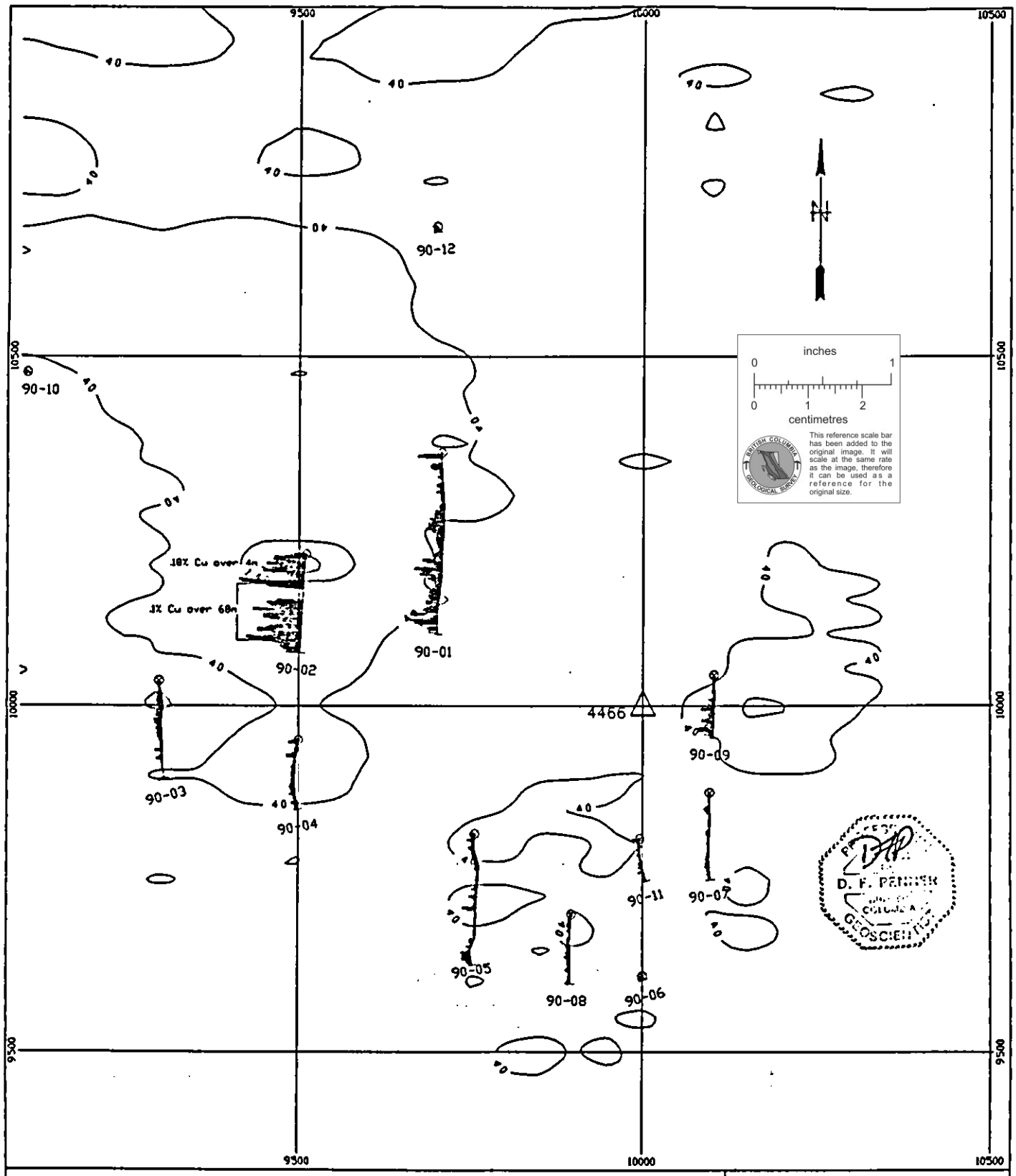
In the northwest section of the grid, a large area overlying altered intrusive and volcaniclastic rock contains anomalous copper (greater than 40 ppm) in soils covering an area 700 metres by 500 metres. Within this area, strongly anomalous copper (up to 380 ppm) occurs downslope from an altered biotite feldspar porphyry. Limited testing of this zone by trenches 1 and 2 showed this anomaly in part to be sourced by a mineralized biotite feldspar porphyry containing up to 0.18% copper and 235 ppb gold over 4 metres in a section grading 0.1% copper and 268 ppb gold over 68 metres. The copper anomaly in the east central grid area is largely untested.

Away from Newton Hill, the geochemical response is masked by thick accumulations of glacial drift.

8.0 GEOPHYSICS

In April 1991, Peter Walcott, of Peter E. Walcott and Associates, replotted and reviewed the results of the Induced Polarization Survey that he conducted for Cyprus Explorations in 1972. In this review, he comments on an arcuate high frequency effect anomaly along the west, north and eastern flanks of Newton Hill that would correspond to the pyritic halo of a potential porphyry system. Most of Cyprus' holes were drilled into this anomaly and encountered 5 to 10 percent pyrite with some significant copper values. In his report, Walcott suggests that "This scenario could leave a substantial area of potential porphyry copper mineralization untested as yet."

The high copper values in trenches 1 and 2 plot on the flanks of this frequency effect anomaly and the high gold values from trench 8



LEGEND

4466 — Mountain Peak with Elevation (Ft)

90-12 — Location and Trace of 1990 Trenches

40 — Contoured Copper in Soil (40, 140, 240, ... ppm)

TRENCH HISTOGRAMS (2 Metre Samples)

COPPER (ppm)

2000

VERDSTONE GOLD CORPORATION

NEWTON PROJECT

GEOCHEMICAL PLAN

COPPER (ppm)

Scale 1:7500

0 60 120 180 240 300 M

Date: August 1991	NTS 93O/13E	FIGURE 4

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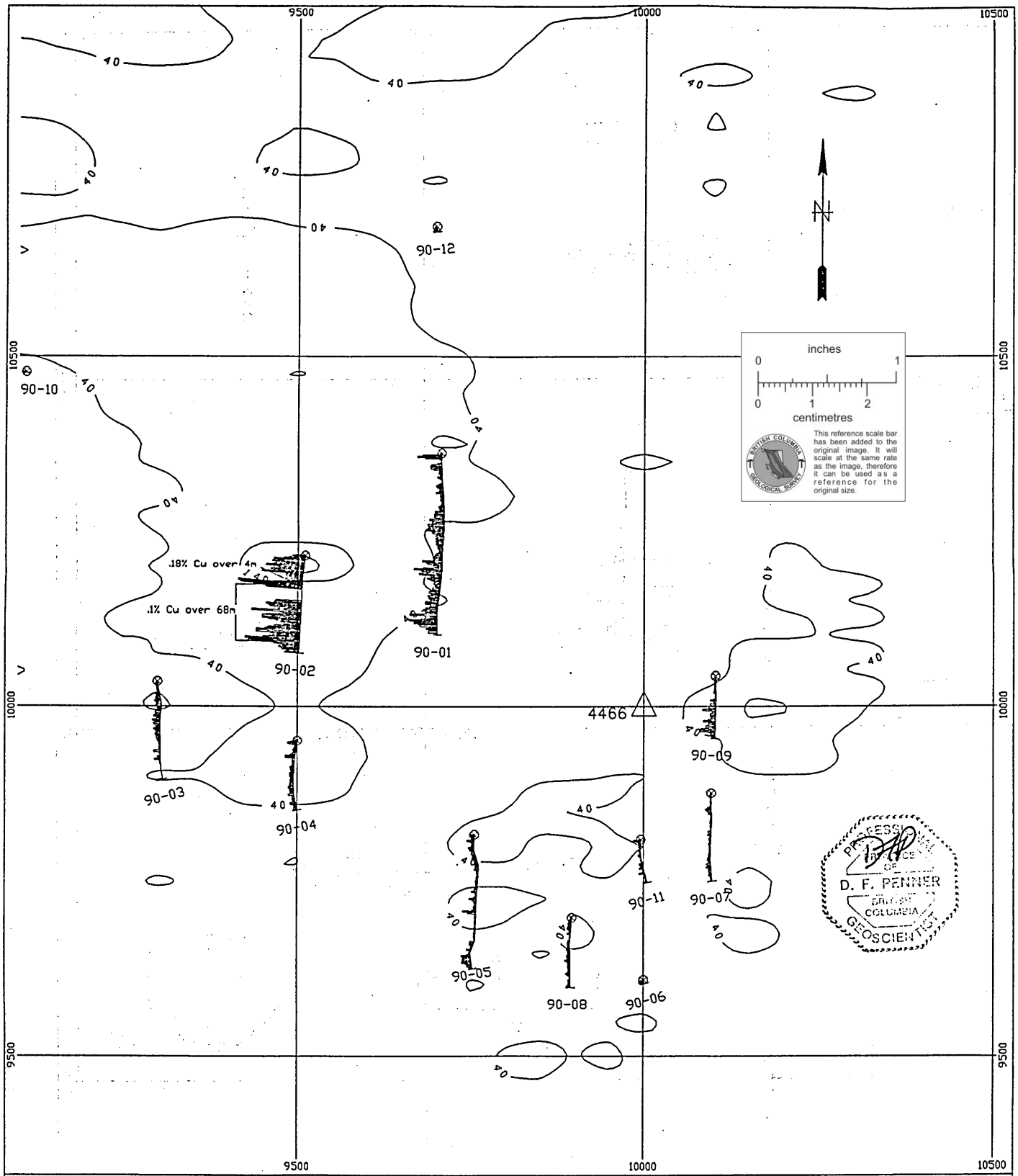

LEGEND

4466 — Mountain Peak with Elevation (Ft)

90-12 — Location and Trace of 1990 Trenches

40 — Contoured Copper in Soil (40, 140, 240, ... ppm)

TRENCH HISTOGRAMS (2 Metre Samples)

COPPER (ppm)

2000

VERDSTONE GOLD CORPORATION

NEWTON PROJECT

GEOCHEMICAL PLAN

COPPER (ppm)

Scale 1:7500

0 60 120 180 240 300 M

Date: August 1991 | NTS 93O/13E | FIGURE: 4

D.F. PENNER GEOLOGICAL CONSULTING LTD.

and the south side of Newton Hill would be within a frequency effect low.

Walcott also suggested conducting a reconnaissance Induced Polarization survey over the rest of the property to look for additional porphyry systems. He also noted ". . . that previous ground magnetic surveys had shown the quartz feldspar porphyry to exhibit lower magnetic relief, in particular in relation to the late Tertiary basalts", and as such, ground magnetic surveys would be of assistance in defining prospective areas.

9.0 CONCLUSIONS

The Newton property is underlain by volcanic and clastic rocks of the Upper Cretaceous Kingsvale Group, which were intruded by plutonic biotite feldspar porphyry and felsic hypabyssal rocks as irregular dykes, sills and stocks. The intrusive rocks represent calc-alkaline (quartz saturated) magmatism of probable Eocene age. Subsequent strong hydrothermal alteration, probably related to the Eocene intrusives have altered all rocks within a one kilometre radius of Newton Hill to sericite and kaolinite. The silicification, pyritization and gold-copper mineralization are probably related to this alteration event as well. Extensive steeply-dipping fractures and faults are present in all rocks parallel to the regional northwesterly, north-easterly, easterly and northerly structures. A zoned high level porphyry to epithermal copper-gold target best fits the Newton property.

A Fish Lake porphyry type copper-gold target is postulated for the large anomalous copper and gold zone in the northwest grid area. Trench 2 is in this area and cuts altered biotite feldspar porphyry that assayed 0.1% copper and 264 ppb gold over 68 metres. Trench 1, with anomalous copper and gold values, is 200 metres east of Trench 2. Both trenches tested a portion of a large anomalous copper zone (700 metres by 500 metres) warranting further systematic evaluation by trenching. The high gold and low copper analyses (0.18 oz/ton and 75 ppm copper respectively) over 54 metres in Trench 8 on the south side of Newton Hill, fit the high level porphyry to epithermal gold model. The extent of this mineralized zone, particularly to the south, should be tested by additional trenching. A zone of gold mineralization appears to extend from Trench 8 to 11 and remains open to the north and east of Trench 7. Additional trenching is required there as well.

Further exploration of the Newton property by backhoe trenching and induced polarization surveys followed by diamond drilling is warranted.

10.0 RECOMMENDATIONS

10.1 RECOMMENDED EXPLORATION PROGRAM

A two staged exploration program on the Newton property is warranted and recommended herein.

10.1.1 Stage 1 - Target Definition

The 1990 excavator trenching program exposed mineralized rock which represents the source of several of the anomalous zones located by soil sampling. Further trenching is required to define and extend the trend of these mineralized zones prior to diamond drilling. There are areas anomalous in gold and/or copper as defined by soil sampling, which have not been investigated to date. An initial trenching program of approximately 1.5 kilometres, using a Cat 215 or equivalent excavator, would test additional targets while defining the extent and structural controls of known mineralization. Reconnaissance Induced Polarization surveys should also be conducted at this stage to define additional areas of potential sulphide mineralization.

10.1.2 Stage 2 - Diamond Drilling

Contingent on favourable results from the Stage 1 program, the Stage 2 program should consist primarily of diamond drilling. This will explore the depth potential of the mineralized structures defined by the trenching and induced polarization surveys. Additional targets defined by the induced polarization surveys that have no geochemical surface expression should also be tested. An initial drill program of 900 metres should test the targets defined by the Stage 1 work.

10.2 PROPOSED BUDGET

STAGE 1

Wages		
Field Geologist	14 days @ $300 =	$ 4,200
Assistant	14 days @ $200 =	$ 2,800
Camp Support		
IP Crew	3 men x 6 days	
Geological staff	2 men x 14 days	
Cat operator	1 man x 10 days	
	56 man days @ $50	$ 2,800
Travel		$ 1,000
Field Supplies & Equipment		$ 1,000
Assaying 500 samples @ $15.00		$ 7,500
Induced Polarization Survey 10 km @ $900		$ 9,000
Trenching 10 days @ $1,100		$11,000
Report		$ 3,000
		$42,300
	Contingency @ 10%	$ 4,230
		$46,530
	G.S.T. @ 7%	$ 3,257
	Total Stage 1	$49,787
	Say	$50,000

STAGE 2

Wages

Field Geologist	12 days @ $300 =	$ 3,600
Assistant	12 days @ $200 =	$ 2,400

Camp Support	- 24 man days @ $50 =	$ 2,400
Travel		$ 1,000
Field Supplies & Equipment		$ 1,000
Diamond Drilling - 900m @ $75.		$67,500
Assaying - 450 samples @ $15.		$ 6,750
		$84,650
	Contingency @ 10%	$ 8,465
		$93,115
	G.S.T. @ 7%	$ 6,518
	TOTAL STAGE 2	$99,633
	Say	$100,000

TOTAL PROPOSED BUDGET	
STAGE 1 & STAGE 2	$150,000

Respectfully Submitted

PROFESSIONAL ENGINEER PROVINCE OF BRITISH COLUMBIA D. F. PENNER GEOSCIENTIST

Donald F. Penner

Donald F. Penner, B.Sc., P.Geo.
Vancouver, British Columbia
August 7, 1991

APPENDIX A

Bibliography

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APPENDIX B

ASSAY CERTIFICATE

VGC VANGEOCHEM LAB LIMITED

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1630 PANDORA STREET
VANCOUVER, B.C.
V5L 1L6
TEL (604) 251-5656
FAX (604) 254-5717

BRANCH OFFICES
BATHURST, N.B.
RENO, NEVADA, U.S.A.

GEOCHEMICAL ANALYTICAL REPORT

CLIENT: D.F. PENNER GEOL. CONSULT. LTD.
ADDRESS: 4715 Woodrow Crescent
: N. Vancouver BC
: V7K 3A9

DATE: AUG 02 1991
REPORT#: 910137 GA
JOB#: 910137

PROJECT#: NEWTON
SAMPLES ARRIVED: JULY 29 1991
REPORT COMPLETED: AUG 02 1991
ANALYSED FOR: Cu Au (FA/AAS) ICP

INVOICE#: 910137 NA
TOTAL SAMPLES: 5
SAMPLE TYPE: 5 ROCK
REJECTS: SAVED

SAMPLES FROM: MR. DONALD F. PENNER
COPY SENT TO: D.F. PENNER GEOLOGICAL CONSULTING LTD.

PREPARED FOR: MR. DONALD F. PENNER

ANALYSED BY: Raymond Chan

SIGNED: _____

GENERAL REMARK: None

VGC VANGEOCHEM LAB LIMITED

MAIN OFFICE
1630 PANDORA STREET
VANCOUVER, B.C.
V5L 1L6
TEL (604) 251-5656
FAX (604) 254-5717

BRANCH OFFICES
BATHURST, N.B.
RENO, NEVADA, U.S.A.

REPORT NUMBER: 910137 GA JOB NUMBER: 910137 D.F. PENNER GEOL. CONSULT. LTD.

SAMPLE #	Cu ppm	Au ppb
87501	193	240
87502	280	190
87503	1240	360
87504	98	310
87505	49	90
DETECTION LIMIT	1	5

nd = none detected -- = not analysed is = insufficient sample

VGC VANGEOCHEM LAB LIMITED

MAIN OFFICE
1630 PANDORA STREET
VANCOUVER, B.C.
V5L 1L6
TEL (604) 251-5656
FAX (604) 254-5717

BRANCH OFFICES
BATHURST, N.B.
RENO, NEVADA, U.S.A.

GEOCHEMICAL ANALYTICAL REPORT

CLIENT: D.F. PENNER GEOL. CONSULT. LTD.
ADDRESS: 4715 Woodrow Crescent
: N. Vancouver BC
: V7K 3A9

DATE: AUG 19 1991
REPORT#: 910137 GB
JOB#: 910137

PROJECT#: NEWTON
SAMPLES ARRIVED: JULY 29 1991
REPORT COMPLETED: AUG 19 1991
ANALYSED FOR: Au (FA/AAS) Recheck

INVOICE#: 910137 NB
TOTAL SAMPLES: 5
SAMPLE TYPE: 5 ROCK PULPS
REJECTS: SAVED

SAMPLES FROM: MR. DONALD F. PENNER
COPY SENT TO: D.F. PENNER GEOLOGICAL CONSULTING LTD.

PREPARED FOR: MR. DONALD F. PENNER

ANALYSED BY: Raymond Chan

SIGNED: _____

GENERAL REMARK: RESULTS FAXED TO MR. DONALD PENNER @ 689-4143.

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BATHURST, N.B.
RENO, NEVADA, U.S.A.

REPORT NUMBER: 910137 GB JOB NUMBER: 910137 D.P. PENNER GEOL. CONSULT. LTD.

SAMPLE #	Au ppb
87501	290
87502	240
87503	410
87504	190
87505	10

DETECTION LIMIT 5

nd = none detected -- = not analysed is = insufficient sample

APPENDIX C

Certificate of Qualifications

I, Donald F. Penner, of 4715 Woodrow Crescent, North Vancouver, in the Province of British Columbia, do hereby certify that:

1. I am a Consulting Geologist with offices at 4715 Woodrow Crescent, North Vancouver, British Columbia.

2. I am a graduate of the University of British Columbia in 1976 with a Bachelor of Science degree in Geology.

3. I am a member in good standing of the Association of Professional Engineers and Geoscientists of British Columbia.

4. I am a Fellow of the Geological Association of Canada and a member of the Canadian Institute of Mining.

5. This report is based on a review of reports supplied by Verdstone Gold Corporation, government publications and assessment reports filed with the British Columbia Ministry of Mines. I conducted a field examination of the property on July 27, 1991.

6. I have no interest in the Newton Property, nor do I expect to acquire any such interest. I do not own, directly or indirectly, any shares of Verdstone Gold Corporation, nor do I expect to receive any such shares.

7. I consent to the use by Verdstone Gold Corporation of this report in a Prospectus, Statement of Material Facts or any such other document as may be required by the Vancouver Stock Exchange or the Office of the Superintendent of Brokers.

Dated at Vancouver, British Columbia, this 7th day of August, 1991.

Respectfully Submitted

PROFESSIONAL ENGINEER PROVINCE OF BRITISH COLUMBIA D. F. PENNER

Donald F. Penner

Donald F. Penner, B.Sc., P.Geo.

D. F Penner Geological Consulting Ltd.,
4715 Woodrow Crescent,
North Vancouver, B.C. V7K 3A9

Verdstone Gold Corporation,
Suite 310, 1959-152nd Street,
Surrey, B.C. V4A 9E3

December 12, 1991

Dear Sir:

Re: Verdstone Gold Corporation Newton Project

The Company recently completed a phase I trenching program on its Newton Hill property, as set out in the recommendations of my report dated August 7, 1991. The work was conducted from October 24, 1991 to November 7, 1991 under my direct supervision. The results of the program were most impressive, and as such, I recommend that the company proceed to the phase II program as described in the above mentioned report.

The purpose of the trenching program was to follow up and confirm results of a 1990 trenching and soil geochemistry program, and to further define the areas of mineralization to facilitate the location of targets for drill testing.

The Newton property is located approximately 105 km west southwest of Williams Lake, British Columbia. It is comprised of 6 contiguous claims totalling 104 units in the vicinity of Newton Hill, located on NTS mapsheet 92 O/13E.

The geologic setting in the Newton Hill area indicates that Upper Cretaceous volcanic and clastic rocks of the Kingsvale Group are intruded by hypabyssal to plutonic siliceous felsic intrusions of Eocene age. The Newton Hill area is characterized by an intense alteration zone approximately 2 km in diameter that occurs in highly fractured volcaniclastic and intrusive rocks. This area has the potential to host epithermal gold and/or porphyry copper-gold deposits similar to those at the Blackdome Mine, located 80 km to the southeast, and the Fish Lake deposit, located 38 km to the south.

The 1991 trenching program was carried out with a Mitsubishi backhoe. 15

trenches totalling 1.7 km in length were excavated, mapped and sampled. Bedrock was exposed in the trenches over a width of 1.5 metres and chip samples were then taken along the floor of the trench at 2 metre intervals. 838 rock samples and 10 soils were taken.

The samples were shipped to Vangeochem lab in Vancouver where they were analysed for gold by fire assay prep/atomic absorption methods, and the copper analysis was part of a 25 element ICP geochemical package.

Virtually all the trenches returned anomalous to high values in gold and copper except for trench 91-25, which did not return anomalous gold values, but did have significant copper values up to 620 ppm. The highest gold value occurred in trench 91-20 where sample 91-20-36 assayed 0.136 oz/T over a 2 m width and was part of a 10 metre interval that averaged 0.067 oz/T gold. High values of 640,1630,1860,1090,1970 and 1200 ppb were returned from trenches 91-13,14,15,18,19 and 24 respectively. These values occur in strongly altered feldspar porphyry intrusive rocks.

Virtually all the trenches returned anomalous to high copper values with a significant concentration seen within a biotite feldspar porphyry unit in the northwest corner of the trenching area. A high value of 3882 ppm was returned from sample 91-13-56, which is part of a strongly anomalous zone that spans more than 350 metres in length. Trenches 91-15 and 16 both have intervals of more than 100 metres that contain highly anomalous values in the hundreds of ppm.

In summary, the 1991 trenching results corroborate those from the 1990 program by extending anomalous intervals and/or filling-in between anomalous trenches. The results are highly significant in terms of grade and extent, and along with the favorable geological setting, the property offers good potential for the discovery of a significant mineral deposit.

Based on the foregoing, I recommend that exploration on the Newton property proceed to the next phase as set out in my report dated August 7, 1991.

I consent to the, use by Verdstone Gold Corporation, of this report in a Prospectus, Statement of Material Facts or any such other document as may be required by the Vancouver Stock Exchange or the Office of the Superintendent of Brokers.

respectfully...submitted,

PROFESSIONAL PROVINCE OF D. F. PENNER GEOSCIENTIST

Donald F. Penner, B.Sc., P. Geo.

VERDSTONE GOLD CORPORATION

FINANCIAL STATEMENTS

JULY 31, 1991

DE VISSER & COMPANY
CHARTERED ACCOUNTANTS

201 - 960 RICHARDS STREET
VANCOUVER, B.C. CANADA
V6B 3C1

TEL: (604) 687-5447
FAX: (604) 687-6737

AUDITORS' REPORT

To the Shareholders of Verdstone Gold Corporation.

We have audited the balance sheet of Verdstone Gold Corporation as at July 31, 1991 and the statements of loss and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at July 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

De Visser & Co
CHARTERED ACCOUNTANTS

Vancouver, B.C.
October 2, 1991

VERDSTONE GOLD CORPORATION

BALANCE SHEET

JULY 31, 1991

	1991	1990
	$	$
A S S E T S		
CURRENT		
Cash	6,457	4,062
LONG-TERM INVESTMENT (note 3)	216,000	596,787
MINERAL PROPERTIES (note 4)	167,939	788,492
FIXED ASSETS	464	111
DEPOSIT ON PROPERTY	-	2,000
	390,860	1,391,452
L I A B I L I T I E S		
CURRENT		
Accounts payable	12,910	8,292
S H A R E H O L D E R S' E Q U I T Y		
SHARE CAPITAL (note 5)	1,711,384	1,642,673
DEFICIT	(1,333,434)	(259,513)
	377,950	1,383,160
	390,860	1,391,452

APPROVED BY THE DIRECTORS:

See accompanying notes to financial statements

VERDSTONE GOLD CORPORATION

STATEMENT OF LOSS AND DEFICIT

FOR THE YEAR ENDED JULY 31, 1991

	1991	1990
	$	$
INTEREST INCOME	315	8,140
EXPENSES		
Audit and accounting	4,436	7,374
Bank charges	197	202
Depreciation	64	27
Legal	14,399	20,280
Office and miscellaneous	9,236	3,862
Property investigations	4,845	-
Public relations	6,638	9,375
Rent	6,125	-
Trust and filing fees	9,874	8,262
Wages and benefits	4,624	-
	60,438	49,382
NET LOSS BEFORE OTHER ITEMS	(60,123)	(41,242)
MINERAL PROPERTIES WRITTEN OFF	(633,011)	-
WRITEDOWN OF LONG-TERM INVESTMENT	(380,787)	-
NET LOSS FOR THE YEAR	(1,073,921)	(41,242)
DEFICIT - BEGINNING OF YEAR	(259,513)	(218,271)
DEFICIT - END OF YEAR	(1,333,434)	(259,513)
LOSS PER SHARE (note 7)	$ (0.29)	$ (0.01)

See accompanying notes to financial statements

VERDSTONE GOLD CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED JULY 31, 1991

	1991	1990
	$	$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	(1,073,921)	(41,242)
Adjustment for items not involving cash		
Depreciation	64	27
Mineral properties written off	633,011	-
Writedown of long-term investment	380,787	-
	(60,059)	(41,215)
Changes in non-cash working capital component:		
Accounts payable	4,618	1,038
	(55,441)	(40,177)
INVESTING ACTIVITIES		
Purchase of fixed assets	(417)	-
Mineral property expenditures	(12,458)	(553,871)
Mineral property deposit	2,000	(2,000)
	(10,875)	(555,871)
FINANCING ACTIVITIES		
Issue of share capital	68,711	554,053
CASH INCREASE (DECREASE) DURING THE YEAR	2,395	(41,995)
CASH - BEGINNING OF YEAR	4,062	46,057
CASH - END OF YEAR	6,457	4,062

See accompanying notes to financial statements

VERDSTONE GOLD CORPORATION

STATEMENT OF MINERAL PROPERTY COSTS

JULY 31, 1991

	1991	1990
	$	$
CK Property		
Acquisition costs	1	1
East Thurlow Island Property		
Acquisition costs	48,397	48,373
Assays	1,652	1,652
Drilling	36,816	36,816
Engineering and geological	14,882	14,882
Equipment rentals	1,867	1,867
Supplies and field expenses	10,248	10,248
	113,862	113,838
Hematite Property		
Acquisition costs	10,000	10,000
Engineering and geological	17,385	17,385
	27,385	27,385
Syrup Property		
Acquisition costs	3,400	3,400
Engineering and geological	22,267	22,267
Supplies and field expenses	1,024	1,024
	26,691	26,691
Selena Gold Project		
Acquisition costs	-	17,500
Assays	-	11,258
Camp costs and travel	-	94,137
Engineering and geological	-	235,867
Equipment rentals and purchases	-	106,270
Staking costs	-	64,380
Supplies and field expenses	-	58,425
	-	587,837
DMW Property		
Acquisition costs	-	32,600
Recording fees	-	140
	-	32,740
TOTAL MINERAL PROPERTY COSTS	167,939	788,492

See accompanying notes to financial statements

VERDSTONE GOLD CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 1991

1. NATURE OF OPERATIONS

The Company is involved in the acquisition, exploration and development of resource properties and is currently in the exploratory stage of development of its mineral properties. The underlying value of these mineral properties and their related deferred costs is dependent upon confirmation of the Company's interest in the underlying claims and the existence of economic mineral reserves.

2. SIGNIFICANT ACCOUNTING POLICIES

Mineral Properties and Deferred Costs

The cost of resource properties and their related exploration costs are deferred until the properties are placed into production, sold or abandoned. These costs will be amortized over the estimated useful life of the properties following the commencement of production or written off if the properties are sold, allowed to lapse, or abandoned.

Cost includes the cash consideration and the fair market value of shares issued on the acquisition of mineral properties. Properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. The proceeds from options granted are applied to the cost of the related property and any excess is charged to earnings.

Fixed Assets

Fixed assets consist of office equipment which is recorded at cost and are depreciated by the declining balance basis at 20% per annum. Accumulated depreciation is $253 (1990-$189).

Long-Term Investment

Long-term investment which is valued at the lower of cost and market value, was written down by $380,787 during the year to reflect its current market value.

3. LONG-TERM INVESTMENT

The Company owns 270,000 common shares of Rea Gold Corporation ("Rea Gold") comprising 1.92% of the outstanding shares, which are subject to an escrow agreement whereby they will be released in the ratio of one common share for each $3.43 of exploration expenditures incurred by Rea Gold on the CK property prior to December 23, 1996. Any shares not released on that date will be cancelled.

Refer to note 4.

4. MINERAL PROPERTIES

CK Royalty
Kamloops Mining Division
British Columbia, Canada

The Company had sold its interest in the CK Property in 1989 to Rea Gold in consideration for 270,000 escrowed common shares of Rea Gold and the retention of a 1.25% net smelter returns royalty (note 3).

East Thurlow Island Property
Vancouver Mining Division
British Columbia, Canada

The Company has a 100% interest in 9 mineral claims.

Hematite Property
Similkameen Mining Division
British Columbia, Canada

The Company has a 100% interest in a 6 unit mineral claim.

Selena Creek Property
Nahanni Mining District
Northwest Territories, Canada

The Company had acquired a 49% interest in 15 mineral claims in 1990 from Sirius Resource Corporation in consideration for incurring $500,000 in exploration costs. The Company had also acquired a 50% interest in an additional 29 claims comprising approximately 17,000 acres which were staked in adjacent areas. Management decided to drop the Company's interest in the property during the year.

Syrup Property
Vernon Mining Division
British Columbia, Canada

The Company has a 100% interest in two mineral claims.

Newton Hill Property
Clinton Mining Division
British Columbia, Canada

The Company entered into an agreement with Rea Gold, whereby the Company has the option to acquire a 50% interest in six mineral claims in consideration for the payment of $50,000 to be paid in stages prior to November 1, 1992 and the expenditure of $500,000 in exploration costs on the property by December 31, 1993.

5. SHARE CAPITAL

Authorized share capital of the Company consists of 15,000,000 common shares without par value.

	Number of Shares	$
Issued at July 31, 1990	3,629,397	1,642,673
Issued during the year:		
Private placement at $0.27 per share	189,300	51,111
Directors' and employees' stock options exercised - at $0.33 per share	20,000	6,600
- at $0.22 per share	50,000	11,000
	259,300	68,711
Issued at July 31, 1991	3,888,697	1,711,384

Directors' and employees' stock options are outstanding for 337,000 shares exercisable at $0.33 per share of which options for 177,000 shares expire on January 8, 1993 and the remaining 160,000 options expire January 9, 1994.

During the year, options for the purchase of 175,000 shares at $0.33 per share expiring January 9, 1994 were granted to directors and employees. Options issued prior to the current year were amended to $0.22 and $0.33 per share from $0.50 and $0.89 per share, of which 10,000 options at $0.22 per share and 50,000 options at $0.33 per share were cancelled.

Warrants issued under a 1990 private placement are outstanding for the purchase of 767,000 shares at a price of $0.60 per share until August 11, 1991. Refer to note 9.

6. LOSS PER SHARE

Basic loss per share has been calculated using the weighted average number of shares outstanding during the year.

7. INCOME TAXES

The Company has non-capital losses which are available to be offset against future taxable income, and which expire prior to 1999 and also has available certain resource related deductions which may be carried forward indefinitely to reduce taxable income of future years. The potential benefit of these losses and deductions has not been recognized in these financial statements.

8. RELATED PARTY TRANSACTIONS

Directors and their related parties purchased 75,700 shares under a private placement for proceeds of $20,439 (note 5).

Rea Gold is related to the Company through common directors.

9. SUBSEQUENT EVENTS

An employee's stock option was exercised for 15,000 shares at $0.33 per share.

Warrants to purchase 17,000 shares were exercised at $0.60 per share for proceeds of $10,200 and the remaining 750,000 warrants expired without being exercised.

The Company granted stock options to employees for 42,000 shares exercisable at a price of $0.53 per share until July 31, 1994.

VERDSTONE GOLD CORPORATION

FINANCIAL STATEMENTS

NOVEMBER 30, 1991

DE VISSER & COMPANY
CHARTERED ACCOUNTANTS

201 - 960 RICHARDS STREET
VANCOUVER, B.C. CANADA
V6B 3C1

TEL: (604) 687-5447
FAX: (604) 687-6737

AUDITORS' REPORT

To the Shareholders of Verdstone Gold Corporation

We have audited the balance sheet of Verdstone Gold Corporation as at July 31, 1991 and the statements of loss and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

De Visser & Co

CHARTERED ACCOUNTANTS

Vancouver, B.C.
October 2, 1991

REVIEW ENGAGEMENT REPORT

To the Directors of Verdstone Gold Corporation

We have reviewed the balance sheet of Verdstone Gold Corporation as at November 30, 1991 and the statements of loss and deficit and changes in financial position for the four month period 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 constitute an audit and consequently we do not express an audit 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.

De Visser & Co

CHARTERED ACCOUNTANTS

Vancouver, B.C.
December 31, 1991

VERDSTONE GOLD CORPORATION

BALANCE SHEETS

	November 30, 1991 (Unaudited) $	July 31, 1991 $
A S S E T S		
CURRENT		
Cash	7,634	6,457
GST receivable	3,272	-
	10,906	6,457
LONG-TERM INVESTMENT (note 3)	126,900	216,000
MINERAL PROPERTIES (note 4)	198,824	167,939
CAPITAL ASSETS (note 2)	1,225	464
	337,855	390,860
L I A B I L I T I E S		
CURRENT		
Accounts payable	31,675	12,910
Due to related parties (note 8)	4,439	-
	36,114	12,910
LIABILITY TO ISSUE SHARES (note 9)	70,000	-
	106,114	12,910
S H A R E H O L D E R S' E Q U I T Y		
SHARE CAPITAL (note 5)	1,726,534	1,711,384
DEFICIT	(1,494,793)	(1,333,434)
	231,741	377,950
	337,855	390,860

APPROVED BY THE DIRECTORS:

John W. Fisher

Wayne Carpenter

See accompanying notes to financial statements

VERDSTONE GOLD CORPORATION

STATEMENTS OF LOSS AND DEFICIT

	Four month period ended November 30, 1991 (Unaudited) $	Year ended July 31, 1991 $
INTEREST INCOME	-	315
EXPENSES		
Audit and accounting	3,262	4,436
Bank charges	99	197
Depreciation	58	64
Legal	902	14,399
Office	12,990	9,236
Property investigations	9,927	4,845
Public relations	3,081	6,638
Rent	5,458	6,125
Travel	3,371	-
Trust and filing fees	4,473	9,874
Wages and benefits	28,638	4,624
	72,259	60,438
NET LOSS BEFORE OTHER ITEMS	(72,259)	(60,123)
MINERAL PROPERTIES WRITTEN-OFF	-	(633,011)
WRITEDOWN OF LONG-TERM INVESTMENT	(89,100)	(380,787)
NET LOSS FOR THE PERIOD	(161,359)	(1,073,921)
DEFICIT - BEGINNING OF PERIOD	(1,333,434)	(259,513)
DEFICIT - END OF PERIOD	(1,494,793)	(1,333,434)
LOSS PER SHARE (note 6)	$ (0.04)	$ (0.29)

See accompanying notes to financial statements

VERDSTONE GOLD CORPORATION

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Four month period ended November 30, 1991 (Unaudited) $	Year ended July 31, 1991 $
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	(161,359)	(1,073,921)
Adjustment for items not involving cash:		
Depreciation	58	64
Writedown of long-term investment	89,100	380,787
Mineral properties written-off	-	633,011
	(72,201)	(60,059)
Changes in non-cash working capital components:		
GST receivable	(3,272)	-
Accounts payable	18,765	4,618
Due to related parties	4,439	-
	(52,269)	(55,441)
INVESTING ACTIVITIES		
Purchase of fixed assets	(819)	(417)
Mineral property expenditures	(30,885)	(12,458)
Mineral property deposit	-	2,000
	(31,704)	(10,875)
FINANCING ACTIVITIES		
Issue of share capital	15,150	68,711
Private placement subscription	70,000	-
	85,150	68,711
CASH PROVIDED DURING THE PERIOD	1,177	2,395
CASH - BEGINNING OF PERIOD	6,457	4,062
CASH - END OF PERIOD	7,634	6,457

See accompanying notes to financial statements

VERDSTONE GOLD CORPORATION

STATEMENTS OF MINERAL PROPERTY COSTS

	November 30, 1991 (Unaudited) $	July 31, 1991 $
CK Property Royalty		
Acquisition costs	1	1
East Thurlow Island Property		
Acquisition costs	48,397	48,397
Assays	1,652	1,652
Drilling and trenching	36,816	36,816
Engineering and geological	14,882	14,882
Equipment rentals	1,867	1,867
Supplies and field expenses	10,248	10,248
	113,862	113,862
Hematite Property		
Acquisition costs	10,000	10,000
Engineering and geological	17,385	17,385
	27,385	27,385
Syrup Property		
Acquisition costs	3,400	3,400
Engineering and geological	22,267	22,267
Supplies and field expenses	1,024	1,024
	26,691	26,691
Newton Hill Property		
Acquisition costs	-	-
Assays	15,186	-
Drilling and trenching	8,090	-
Engineering and geological	7,609	-
	30,885	-
TOTAL MINERAL PROPERTY COSTS	198,824	167,939

See accompanying notes to financial statements

VERDSTONE GOLD CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 1991

1. NATURE OF OPERATIONS

The Company is involved in the acquisition, exploration and development of resource properties and is currently in the exploratory stage of development of its mineral properties. The underlying value of these mineral properties and their related deferred costs is dependent upon confirmation of the Company's interest in the underlying claims and the existence of economically recoverable mineral reserves.

2. SIGNIFICANT ACCOUNTING POLICIES

Mineral Properties and Deferred Costs

The cost of resource properties and their related exploration costs are deferred until the properties are placed into production, sold or abandoned. These costs will be amortized over the estimated useful life of the properties following the commencement of production or written off if the properties are sold, allowed to lapse, or abandoned.

Cost includes the cash consideration and the fair market value of shares issued on the acquisition of mineral properties. Properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. The proceeds from options granted are applied to the cost of the related property and any excess is charged to earnings.

Capital Assets

Capital assets consist of office equipment which is recorded at cost and is depreciated by the declining-balance basis at 20% per annum. Accumulated depreciation is $311 (July 31, 1991 - $253).

Long-term Investment

Long-term investment is valued at the lower of cost and market value.

3. LONG-TERM INVESTMENT

The Company owns 270,000 common shares of Rea Gold Corporation ("Rea Gold") comprising 1.5% of the outstanding shares, which are subject to an escrow agreement whereby they will be released in the ratio of one common share for each $3.43 of exploration expenditures incurred by Rea Gold on the CK property prior to December 23, 1996. Any shares not released on that date will be cancelled.

Refer to notes 4 & 8.

4. MINERAL PROPERTIES

CK Property Royalty
Kamloops Mining Division
British Columbia, Canada

The Company had sold its interest in the CK Property in 1989 to Rea Gold in consideration for 270,000 escrowed common shares of Rea Gold and the retention of a 1.25% net smelter returns royalty. Refer to note 3.

East Thurlow Island Property
Vancouver Mining Division
British Columbia, Canada

The Company has a 50% interest in nine mineral claims with a related company as a joint venture partner.

Hematite Property
Similkameen Mining Division
British Columbia, Canada

The Company has a 100% interest in a six unit mineral claim.

Syrup Property
Vernon Mining Division
British Columbia, Canada

The Company has a 100% interest in two mineral claims.

Newton Hill Property
Clinton Mining Division
British Columbia, Canada

The Company entered into an agreement with Rea Gold, whereby the Company has the option to acquire a 50% interest in six mineral claims in consideration for the payment of $50,000 to be paid in stages prior to November 1, 1992 and the expenditure of $500,000 in exploration costs on the property by December 31, 1993.

5. SHARE CAPITAL

Authorized share capital of the Company consists of 15,000,000 common shares without par value.

	Number of Shares	$
Issued at July 31, 1991	3,888,697	1,711,384
Issued during the period:		
Private placement warrants exercised at $0.60 per share	17,000	10,200
Directors' and employees' stock options exercised at $0.33 per share	15,000	4,950
	32,000	15,150
Issued at November 30, 1991	3,920,697	1,726,534

5. SHARE CAPITAL (continued)

Options were granted during the period to an employee for the purchase of 40,000 shares at $0.45 per share expiring October 1, 1994.

Other directors' and employees' stock options are outstanding for 334,000 shares as follows; 137,000 options exercisable at $0.33 per share expiring January 8, 1993, 145,000 options exercisable at $0.33 per share expiring January 9, 1994, 42,000 options exercisable at $0.53 per share expiring July 31, 1994 and 10,000 options exercisable at $0.89 per share expiring January 8, 1993.

Refer to note 9.

6. LOSS PER SHARE

Basic loss per share has been calculated using the weighted-average number of shares outstanding during the year.

7. INCOME TAXES

The Company has non-capital losses which are available to be offset against future taxable income which expire prior to 1999 and also has available certain resource related deductions which may be carried forward indefinitely to reduce taxable income of future years. The potential benefits of these losses and deductions has not been recognized in these financial statements as there is no virtual certainty that the benefits will be utilized by the Company.

8. DUE TO RELATED PARTIES

Amounts due to related parties are unsecured, non-interest bearing and have no specific terms for repayment. A director is owed $4,079 for working capital advances and Rea Gold is owed $360 for administrative services.

Wages of $10,000 were paid to a director during the period.

Rea Gold Corporation is related to the Company through certain common directors.

9. SUBSEQUENT EVENTS

The Company issued 200,000 units at a price of $0.35 per unit, each unit consisting of one share and one share purchase warrant which entitles the holder to purchase an additional share at 40¢ per share exercisable within one year. All of the private placement funds had been received prior to the period end.

The first $20,000 property option payment on the Newton Hill property was paid in December 1991, $10,000 of which was paid for by a director.

The Company is intending to file a Statement of Material Facts to qualify a distribution of up to 600,000 units at an expected price of $0.50. Each unit will consist of one share and two Series "A" share purchase warrants. Each two warrants can be exercised for the purchase of one common share for a one year period at the unit offering price plus $0.05.

CERTIFICATE OF THE ISSUER

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 (British Columbia) and its regulations.

DATED: FEBRUARY 5, 1992

LARRY W. REAUGH
Chief Executive Officer

WILLIAM E. PFAFFENBERGER
Chief Financial Officer

On Behalf of the Board

FREDERICK J. SVEINSON

JOHN W. FISHER

The Promoters

LARRY W. REAUGH

CERTIFICATE OF THE AGENTS

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

DATED: FEBRUARY 5, 1992

BRINK, HUDSON & LEFEVER LTD.

By: _____
BRIAN D. GRAVES
President

By: _____
JOHN L. MATHERS
Senior Vice-President

McDERMID ST. LAWRENCE CHISHOLM LTD.

By: _____
R. BUTCHARD
Director

L.O.M. WESTERN SECURITIES LTD.

By: _____
PETER M. BROWN
Chairman