

RAT/GP

013131

Watson Bar Prop.

920/1E

920110

SEP 26 1991

SUPERINTENDENT OF BROKERS

AND

Geological Survey Branch
MEMPR

VANCOUVER STOCK EXCHANGE

(The Issuer is, under the Rules of the Exchange, a Venture Company)

STATEMENT OF MATERIAL FACTS (#90/91)

EFFECTIVE DATE: September 9, 1991

COMMONWEALTH GOLD CORPORATION

1700 - 355 Burrard Street, Vancouver, B.C. V6C 2G8 (604) 683-0312
NAME OF ISSUER, ADDRESS OF HEAD OFFICE AND TELEPHONE NUMBER

7th Floor, 625 Howe Street, Vancouver, B. C. V6C 2T6

ADDRESS OF REGISTERED AND RECORDS OFFICE OF ISSUER

MONTREAL TRUST COMPANY OF CANADA

2nd Floor, 510 Burrard Street, Vancouver, B. C. V6C 3B9

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

OFFERING: 2,500,000 UNITS

(Each Unit consists of one common share without par value and one Series "A" Share Purchase Warrant. One Series "A" Warrant entitles the holder thereof to purchase one additional common share of the Issuer at the Offering Price at any time up to the close of business one year from the Offering Day.)

	Offering Price (estimated)*	Commission	Estimated Net Proceeds to be Received by the Issuer
Per Unit:	\$0.50	\$0.0375	\$0.4625
Total:	\$1,250,000	\$93,750	\$1,156,250

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

ADDITIONAL OFFERING

The Agents have agreed to purchase (the "Guarantee") any of the Units offered hereby for which subscriptions have not been received at the conclusion of the Offering Day, and in consideration therefor the Agents have been granted Agents' Warrants (see "Consideration to Agents"). 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.

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.

AGENTS

L.O.M. WESTERN SECURITIES LTD.
2200 - 609 Granville Street
Vancouver, B. C. V7Y 1H2
688-8151

YORKTON SECURITIES INC.
1000 - 1055 Dunsmuir Street
Vancouver, B. C. V7X 1L4
640-0400

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

The Offering

By agreement dated for reference June 25, 1991 (the "Agency Agreement"), COMMONWEALTH GOLD CORPORATION (the "Issuer") appointed the following as its agents (the "Agents") to offer to the public through the facilities of the Vancouver Stock Exchange (the "Exchange") 2,500,000 Units of the Issuer (each Unit consisting of one (1) common share of the Issuer and one (1) Series "A" Share Purchase Warrant [the "Series 'A' Warrants"]), at a fixed price, in the amounts set opposite their respective names (the "Offering"):

<u>Name of Agents</u>	<u>Participation</u>
L.O.M. Western Securities Ltd.	1,500,000 Units
Yorkton Securities Inc.	1,000,000 Units

The Offering will take place on a day (the "Offering Day") determined by the Issuer and the Agents with the consent of the Exchange, which will be not more than one hundred and eighty (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 price of the Units (the "Offering Price") will be determined by the Issuer and the Agents with the approval of the Exchange in accordance with its rules and policies, at a premium over the average trading price (the "Average Price") of the Issuer's shares, as determined by the Exchange.

Consideration to Agents

The Agents will receive a commission from the Issuer at the time the Units are sold of 7.5% of the gross proceeds from the sale of the Units. The purchasers of any Units will be required to pay commission at the rate charged by their brokers.

The Agents have agreed to purchase (the "Guarantee") any Units unsubscribed for on the Offering Day, at the Offering Price, in consideration of which the Issuer has agreed to issue to the Agents, in the same proportions as their participation in the Offering, non-transferable share purchase warrants (the "Agents' Warrants") entitling them to purchase up to 750,000 common shares of the Issuer. Any Units acquired by the Agent under the Guarantee will be

distributed under this Statement of Material Facts through the facilities of the Exchange at the market price at the time of sale.

The Agents' Warrants are exercisable, in whole or in part, at the Offering Price at any time up to one year following the Offering Day.

Series "A" Warrants

The Series "A" Warrants to be issued pursuant to the Offering will be transferable and in bearer form and, subject to filing with the Exchange evidence of satisfactory distribution, will be posted for trading on the Exchange. One (1) Series "A" Warrant will entitle the holder thereof to purchase one (1) share of the Issuer at the Offering Price at any time up to the close of business one (1) year following the Offering Day.

The terms governing the Series "A" Warrants will include, among other things, provisions for the appropriate adjustment in the class, number and price of shares issuable under the Series "A" Warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the 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 licensed dealers, brokers and investment dealers who may or may not be offered part of the commissions or bonuses derived from this Offering.

The obligations of the Agents under the Agency Agreement may be terminated at any time prior to the opening of the market on the Offering Day at their discretion, on the basis of their assessments 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 agreed to notify the Agents of any further equity financing that it may require or propose to obtain during the 12-month period following the Effective Date and the Agents shall have the right of first refusal to provide such financing.

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 or company in connection with the Offering. The directors, officers and other insiders of the Issuer may purchase Units from the Offering.

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

The net proceeds from this Offering cannot be estimated. However, if the Units offered by this Statement of Material Facts are sold at \$0.50 per Unit, the Issuer will receive gross proceeds of \$1,250,000, less commissions of \$93,750 for a net amount of \$1,156,250.

The principal purposes for which the estimated net proceeds from the Offering, less the working capital deficit at August 27, 1991 of approximately \$18,000, are to be spent, are as follows:

(a)	to estimated costs of this issue	\$ 25,000
(b)	to repay Directors' loans plus interest accrued thereon to date of repayment (see "Other Material Facts" for details)	80,000
(c)	to repay loan from L.O.M. Western Securities Ltd. plus interest accrued thereon to date of repayment (see "Group I of Material Natural Resource Properties" and "Other Material Facts" for details)	100,000
(d)	to repay loan from a Director of the Issuer plus interest accrued thereon to date of repayment (see "Group I of Material Natural Resource Properties" and "Other Material Facts" for details)	100,000
(e)	to deposit into escrow the balance of the guaranteed exploration commitment to carry out the work program recommended on the Watson Bar Property by Gordon D. House, F.G.A.C. in his Summary Report dated April 8, 1991 (see "Group I of Material Natural Resource Properties" for details)	250,000
(f)	to reserve for general working capital	<u>583,250</u>
	Total:	\$1,138,250

Any proceeds derived from the exercise of the Series "A" Warrants and the Agents' Warrants will be added to the working capital of the Issuer.

The Issuer may employ any or all of the working capital derived from this Offering for other business purposes, subject to the restrictions contained in the rules and regulations of the Exchange.

If a material change in the affairs of the Issuer or the terms or conditions of this Offering occurs, the Issuer shall issue a news release and file an amendment to this Statement of Material Facts in respect of the same, in accordance with the Securities Act and the rules and regulations of the Exchange.

3. MATERIAL NATURAL RESOURCE PROPERTIES

Summary of Material Mining Properties

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

Group	Property Name	Issuer's Acquisition and Exploration Costs to Date (in \$)	Shares Issued to Date	Planned Expenditures from Funds available upon Completion of the Offering
I	Watson Bar	NIL Acquisition NIL Exploration	NIL	\$450,000

II	Benoist Township	\$ 75,000 Acquisition NIL Exploration	100,000***	NIL
	Evans-Terra	\$ 31,000 Acquisition	150,000*	NIL
	Yeoward 1-16	\$ 20,000 Staking	NIL	NIL
	Rainbow	\$ 32,000 Acquisition \$ 9,000 Exploration	100,000**	NIL
	RB 1-2	\$ 40,000 Acquisition \$ 56,755 Exploration	50,000** 50,000***	NIL
III	Story	\$ 50,000 Acquisition \$100,000 Exploration	100,000**	NIL
	Shaeffer	US \$250,000 Lease Payments \$741,794 Exploration	125,000* 37,500***	NIL
	Jana/Leo	NIL Lease Payments NIL Exploration	50,000*	NIL
<p>* Pre-amalgamation shares of Yellow Band Resources Inc. Upon amalgamation these shares were exchanged on the basis of two Yellow Band shares for one share of the Issuer.</p> <p>** Pre-amalgamation shares of Golden Arrow Resources Inc. Upon amalgamation these shares were exchanged on the basis of three shares of Golden Arrow for one share of the Issuer.</p> <p>*** Post-amalgamation shares of the Issuer</p>				

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

Watson Bar Property

By an agreement dated for reference May 14, 1991, as amended by letter agreements dated July 11 and August 13, 1991 (the "Earn-in Agreement") made between Rudolf M. Durfeld of 180 Yorston Street, Williams Lake, B. C. and John A. McClintock of 4044 Mars Place, Port Coquitlam, B. C. (together, "DM"), Cyprus Gold (Canada) Limited ("Cyprus"), of Vancouver, B. C. and the Issuer, the Issuer was granted an option to acquire (the "Option") a 35% interest in the Watson Bar Property from Cyprus. The said interest represents 50% of the 70% interest in the Watson Bar Property which can be earned by Cyprus pursuant to an agreement dated October 10, 1987 (the "Head Agreement") between Cyprus and DM. After all required expenditures have been made by Cyprus under the Head Agreement and by the Issuer under the Earn-in Agreement, the Joint Venture Agreement (the "JVA") which forms part of the Head Agreement shall become operative between DM as to 30%, Cyprus as to 35% and the Issuer as to 35%. Cyprus shall be the operator under the JVA.

Pursuant to the Head Agreement, Cyprus is required to make payments and incur exploration expenditures in the following non-cumulative amounts:

<u>Payment</u>	<u>Exploration Expenditures</u>	<u>Date</u>
\$10,000		Effective Date of agreement (PAID);
\$20,000		By October 10, 1988 (PAID);
	\$170,000	By December 31, 1988 (INCURRED);
\$30,000		By October 10, 1989 (PAID);
	\$330,000	By December 31, 1989 (INCURRED);
\$40,000		By October 10, 1990 (PAID);
	\$500,000	By December 31, 1990 (INCURRED);
\$50,000		By October 10, 1991; and
	\$1,000,000	By July 30, 1992.

In order to exercise the Option, the Issuer must make the following Exploration Expenditures over a two-year period:

- (a) \$900,000 by July 30, 1992; and
- (b) a further \$200,000 by December 31, 1992.

Of the \$900,000 payable by July 30, 1992, the first \$450,000 is a guaranteed commitment required to be deposited in an escrow account by September 28, 1991. Of the guaranteed commitment, the sum of \$200,000 has been deposited by the

Issuer as required. This sum was raised by way of loans to the Issuer as follows:

- (a) On July 16, 1991, L.O.M. Western Securities Ltd. ("LOM"), one of the Agents hereunder, advanced the sum of \$100,000 to the Issuer (see "Other Material Facts" for details relating to the LOM loan); and
- (b) On August 15, 1991, Douglas L. Mason ("Mason"), a Director of the Issuer, advanced the sum of \$100,000 to the Issuer (see "Other Material Facts" for details relating to the Mason loan).

Deposit into escrow of the remaining \$250,000 of the guaranteed commitment due by September 28, 1991, and repayment of the LOM and Mason loans, will be made out of funds to be derived from this Offering. If the entire \$450,000 guaranteed commitment is not deposited in escrow by September 28, 1991, the \$200,000 presently on deposit will become the sole property of Cyprus and Cyprus will be under no obligation to fund an exploration program on the Watson Bar Property. In addition, Cyprus has the option of utilizing \$50,000 of the guaranteed commitment on deposit to make the \$50,000 payment due on October 10, 1991 to DM under the Head Agreement.

The Earn-in Agreement and JVA also contain, inter alia, the following other provisions:

1. The JVA contains industry standard dilution provisions for non-participation in exploration programs and if a party's interest is diluted to a 10% working interest, it will automatically convert to a 10% net proceeds of production royalty ("NPP"). If DM elect to convert their 30% interest to a 10% NPP, a \$50,000 per year advance royalty becomes due each year on January 10.
2. Should DM elect to revert immediately to a 10% NPP as provided for in the JVA, upon completion of the \$2,000,000 earn-in requirements, Cyprus shall be vested of a 100% interest in the Watson Bar Property. Upon the Issuer's completion of its \$1,100,000 earn-in expenditure obligation, it shall be vested of 50% of Cyprus' interest in the Watson Bar Property.
3. If DM elects to revert immediately to 10% NPP, all payments which are required to be made by the remaining participants shall be in their proportionate shares.
4. If DM elects to revert immediately to a 10% NPP, the following shall represent the deemed amounts of prior exploration costs:

Cyprus	\$1,000,000
Issuer	\$1,000,000

5. If DM elects to continue participation and does not revert to a 10% NPP, the following shall represent the deemed amounts of prior exploration costs:

Cyprus	\$1,000,000
Issuer	\$1,000,000
DM	\$ 857,000

The Issuer entered into an agreement (the "Finder's Fee Agreement") dated March 8, 1991 with Commonwealth Ventures Inc. ("Ventures") of 211 - 470 Granville Street, Vancouver, British Columbia, in connection with the acquisition of the Issuer's interest in the Watson Bar Property. Ventures is a private British Columbia company controlled by Mike Parker of Vancouver, B. C., and is not an insider nor an associate of an insider of the Issuer. The finder's fee is payable as follows:

- (a) 50,000 free-trading shares of the Issuer at a deemed price of \$0.40 per share payable within five business days of receipt of Exchange approval to the Finder's Fee Agreement; and
- (b) a fee of 5% of the actual amounts of exploration expenditures incurred by the Issuer exceeding \$400,000 to a maximum of \$700,000, to be paid to Ventures by the issuance of free-trading shares of the Issuer at a deemed price per share based on the average trading price of the Issuer's shares on the Exchange from time to time as such exploration expenditures are incurred.

The Watson Bar Property is located in the Clinton Mining Division and consists of 24 Modified Grid claims containing a total of 439 units, as follows:

<u>Claim Names</u>	<u>Record Numbers</u>	<u>No. of Units</u>	<u>Expiry Dates</u>
Second 1 and 2	2082/2083	40	September 19, 1993
Second 3 and 4	2097/2098	22	October 16, 1993
Second 5	2298	18	June 29, 1996
Ulcer	2322	15	August 12, 1996
AJ 1 to 5 inclusive	2823-2827	95	December 19, 1992
AJ 6	2828	18	December 20, 1992
AJ 7 and 8	2831/2832	38	December 22, 1992
AJ 9 and 10	2829/2830	38	December 22, 1992
AJ 11	2833	20	January 7, 1993
AJ 12 to 14 inclusive	2834-2836	60	January 8, 1993
DS 1 to 4 inclusive	2900-2903	75	February 20, 1993

The claims are located in south central British Columbia, 33 kilometres due west of the town of Clinton and 7 kilometres west of the Fraser River. Access to the claims can be had by the all-weather Slok Creek logging road from the village of Lillooet, a distance of 71 kilometres, or by helicopter from either Williams Lake or Lillooet. The Slok Creek logging road runs through the Watson Bar Property and, with a network of secondary logging roads and cat trails, provides good access to much of the property.

A review was made by Gordon D. House, F.G.A.C., of a report prepared for Cyprus by Rudolf M. Durfeld and Alvin W. Jackson describing work done by them on the Watson Bar Property during 1987, 1988 and 1989. Thereafter, a Summary Report dated April 8, 1991 (the "Summary Report") was prepared by Mr. House, a copy of which is attached to and forms part of this Statement of Material Facts. The complete report prepared for Cyprus is available for inspection at the office of the Issuer at the address set forth on the cover of this Statement of Material Facts. The following is a portion of the Summary contained in the Summary Report:

" . . . Cyprus Gold (Canada) Ltd. carried out exploration work on the property in 1987, 1988 and 1989. The work included geological mapping, regional geochemical stream sediment sampling, grid geochemical soil sampling, hand and back-hoe trenching, Induced Polarization geophysical surveying and diamond drilling.

The exploration carried out to date has successfully identified four separate areas with significant gold mineralization in bedrock, only one of which has been tested by drilling. Fourteen Zones of interest were outlined by rock and soil geochemistry, characterized by anomalous values in gold, arsenic, and mercury and to a lesser extent by values in copper, lead, zinc, silver, and antimony. Twelve of these Zones have coincident or peripheral geophysical anomalies, in chargeability and resistivity. The nature of the mineralization and the large areas of silicification and hydrothermal alteration, associated with the mercury - arsenic - gold geochemistry, indicates there is good potential for high level epithermal gold deposits.

Recommendations are made for further staged exploration on the property. The Stage I program would consist of trenching on selected Zones to confirm the trends of the mineralization, followed by a combination of diamond and reverse circulation drilling. The Stage I program is estimated to cost

\$175,000.00. The Stage II program would be contingent on favourable results from the Stage I program, and would consist of an expanded drilling program on the favourable areas defined by the Stage I program. There would also be ongoing exploration by means of trenching and deep soil sampling on other selected Zones to define additional drill targets. The Stage II program is estimated to cost \$255,000."

The Issuer has deposited in escrow the sum of \$100,000 against the guaranteed commitment of \$400,000 to be used on exploration of the Watson Bar Property. The remaining \$300,000 will be deposited out of the proceeds to be derived from this Offering.

There is no known body of commercial ore on the Watson Bar Property.

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

Benoist Township, Quebec

By an agreement dated April 11, 1991 between Orient Resources Inc. ("Orient") and the Issuer, the Issuer was granted a three-year option to acquire a 50% interest in 63 mining claims located in Benoist Township, in northwestern Quebec, being numbered 5012455 to 5012458, inclusive, and 5012692 to 5012750, inclusive. Orient acquired the Benoist Township property from Benoit Bourdreault of Val Senneville, Quebec, and Mr. Bourdreault retained a 2% net smelter return interest therein.

In order to exercise the option, the Issuer has issued to Orient 100,000 free-trading shares in its capital stock, and has agreed to pay the sum of \$200,000 to Orient, as follows:

- (a) \$25,000 (paid upon execution of the Agreement);
- (b) \$50,000 by June 1, 1991 (PAID);
- (c) \$50,000 by March 31, 1992; and
- (d) \$75,000 by March 31, 1993.

In addition, the Issuer must expend a total amount of \$750,000, as follows:

- (a) \$250,000 by March 31, 1992;
- (b) a further \$250,000 by March 31, 1993; and
- (c) a further \$250,000 by March 31, 1994.

Orient is the operator of the property during the term of the option.

The Issuer does not intend to expend any of the monies to be derived from this Offering on exploration of the Quebec claims. There is no known body of commercial ore on the Benoist Township Property.

Evans-Terra Property, British Columbia

By an agreement dated November 3, 1988 (amended November 1, 1989 and June 18, 1990), the Issuer acquired a 100% interest from Dominion Pioneer Resources Ltd. ("Dominion") in the Evans #1 and Terra #3 located mineral claims (the "Evans-Terra Claims"), consisting of 40 units, in the Fort Steele Mining Division of British Columbia, subject to an underlying royalty of 1-1/2% of net smelter returns. The Issuer paid the sum of \$31,000 and issued 150,000 pre-amalgamation shares of Yellow Band to Dominion in consideration for the claims.

There is no known body of commercial ore on the Evans-Terra Property.

Yeoward 1-16 Claims, British Columbia

In August 1990 the Issuer staked the Yeoward 1-16 Claims, comprised of 255 units, contiguous to the Top Claims described below, at a cost to the Issuer of \$20,000. The claims expire on various dates in August, 1992. There is no known body of commercial ore on the Yeoward 1-16 Claims.

Rainbow Property, Stewart, British Columbia

By an agreement dated March 2, 1990 the Issuer was granted an option by Johann Foerster ("Foerster") to acquire a 100% interest in the Rainbow 1, 2 and 3 unpatented mineral claims (the "Rainbow Claims"), consisting of 44 units, in the Kate/Ryan Creek Area of the Skeena Mining Division, British Columbia, subject to an underlying royalty of 2.5% of net smelter returns.

The Issuer has paid \$32,000 and issued 100,000 pre-amalgamation shares of Golden Arrow to Foerster to date, and is obligated to pay an additional \$30,000 by March 21, 1992 and \$40,000 by March 21, 1993.

In May 1990 the Issuer expended \$9,000 on the Rainbow Claims in order to conduct reconnaissance stream sediment and rock geochemistry on the property. Anomalous gold values were present in five silt samples taken from a small creek in the centre of the Rainbow Claims, and these ranged from 110 to 460 parts per billion gold. It was determined that further work on the Rainbow Claims was required in order to define the anomalies and a 3-phase exploration program at a total

cost of \$200,000 was recommended by Ken Konkin, Geologist, in his report dated May 31, 1990.

On July 3, 1990 the Issuer entered into a joint venture and option agreement with Golden Ring Resources Limited ("Golden Ring") whereby Golden Ring was granted an option to acquire a 50% interest in the Issuer's interest in the Rainbow Claims. In consideration therefor, Golden Ring issued 100,000 shares in its capital stock to the Issuer, 10,000 of which were paid by the Issuer as a finder's fee to Hi-Tec Resource Management Ltd. of Vancouver, B. C. The Issuer disposed of the remaining 90,000 shares for the sum of \$35,208. Golden Ring is also required to pay the sum of \$60,000 to the Issuer and to expend \$100,000 on exploration on the Rainbow Claims as follows:

- (a) \$20,000 (PAID on May 10, 1991);
- (b) \$20,000 on May 10, 1992;
- (c) \$20,000 on May 10, 1993; and
- (d) \$100,000 on exploration expenditures by May 2, 1992.

Upon the exercise of the option, the Issuer and Golden Ring shall associate themselves as a joint venture with Golden Ring as operator.

Golden Ring is currently carrying out a Stage I exploration program on the Rainbow Claims consisting of geological mapping and prospecting, trenching and geochemical sampling to provide more detailed lithological and structural control on the types and characteristics of any alteration and mineralization present thereon, at an estimated cost of \$50,000. These monies will be expended from the proceeds derived from a recently completed public offering of shares of Golden Ring.

There is no underground or surface plant or equipment on the Rainbow claims, nor any known body of commercial ore. The work program is an exploratory search for ore.

RB 1 - 2 Claims, Galore Creek, British Columbia

By an agreement dated March 20, 1990 (as amended by agreements dated March 28, 1991 and by letter agreement dated May 23, 1991) the Issuer was granted an option by Cariboo Discoveries Ltd. ("Cariboo") to acquire a 100% interest in the RB 1 and RB 2 unpatented mineral claims in the Galore Creek Area of the Liard Mining Division, British Columbia (the "RB Claims"), subject to a royalty of 2.5% of net smelter returns, payable to Cariboo.

In consideration therefor, the Issuer has paid the sum of \$40,000 in cash and issued to Cariboo 50,000 pre-amalgamation shares of Golden Arrow and 50,000 shares of

the Issuer, and is obligated to make the following additional cash payments, issue the following additional shares of the Issuer, and expend the following sums:

- (a) \$35,000 on or before March 20, 1992;
- (b) 50,000 shares upon the acceptance by the Exchange of an engineering report describing a Phase II program on the RB Claims and recommending further work, but in any event, no later than March 20, 1992;
- (c) 50,000 shares upon the acceptance by the Exchange of an engineering report describing a Phase III program on the RB Claims and recommending further work, but in any event, no later than March 20, 1993;
- (d) \$30,000 in exploration expenditures on the RB Claims before March 20, 1992 (which obligation has been satisfied);
- (e) \$300,000 in exploration expenditures on the RB Claims before March 20, 1993.

The Issuer has the right to purchase the net smelter return royalty from Cariboo at any time for the sum of \$1,500,000.

During the 1990 season a total of \$56,755 was expended to conduct a preliminary program consisting of prospecting, silt sampling, contour soil sampling, grid soil sampling, geological mapping and minor trenching. The most significant soil geochemistry anomalies occurred below the Swimshow Zone, consisting of mineralization of either massive pyrrhotite with minor chalcopyrite and bornite, or massive pyrite and arsenopyrite with minor galena, sphalerite and chalcopyrite. Assays of up to 3.174 oz. per ton gold, 6.13 oz. per ton silver and 20.33% arsenic, and geochemical analysis of up to 49.12% iron, 5,811 parts per million copper, 7,234 parts per million lead, 3,027 parts per million zinc and 53.9 parts per million cadmium have been returned from this area.

There is no known body of ore reserves on the RB Claims.

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

Story Claim Group, Iskut River, British Columbia

By an agreement dated February 28, 1990 (amended April 5, 1990) the Issuer was granted an option by Ecstall Mining Corporation and Omega Gold Corp. (the "Optionors") to

acquire a 100% interest, subject to an underlying royalty of 1% of net smelter returns, in the Story 1, 2 and 5 claims (the "Story Claims"), consisting of 20 units which cover approximately 500 hectares located 80 km. north of Stewart, in the Skeena Mining Division of British Columbia. Bevan Anderson, a Director of the Issuer, is also a director of Omega Gold Corp.

To date the Issuer has paid the sum of \$50,000 and issued 100,000 pre-amalgamation shares of Golden Arrow to the Optionors. In addition, the Issuer has expended the sum of \$91,000 on the Story Claims to date. The remainder of the exploration obligation to keep the option in good standing was paid by the Issuer to the Optionors in cash, as permitted under the option agreement.

The Issuer is obligated to make the following further payments in order to exercise the option:

- (a) cash in the amount of:
 - \$25,000 on or before February 28, 1992; and
 - \$25,000 on or before February 28, 1993;
- (b) shares of the Issuer in amounts of:
 - 16,667 on February 28, 1992; and
 - 16,667 on February 28, 1993; and
- (c) exploration expenditures of:
 - \$125,000 by February 28, 1992;
 - \$150,000 by February 28, 1993; and
 - \$125,000 by February 28, 1994.

Upon exercise of the option, the Optionors have 60 days to elect to either:

- (a) purchase an undivided 50% interest in the Story Claims and participate in a joint venture thereon as to 50% by the Issuer and 25% by each of the Optionees; or
- (b) receive an additional 33,333 shares of the Issuer upon commencement of commercial production plus 2% of net smelter returns; or
- (c) receive an additional 33,333 shares of the Issuer upon commencement of commercial production plus 20% of net profits.

The ownership of the Story Claims is subject to the determination of a complaint made pursuant to section 35 of

The Mineral Tenure Act (British Columbia). By a report dated August 23, 1990, James S. Turner, Mineral Title Inspector with the Mineral Resources Division - Titles Branch, Province of British Columbia, recommended to the Gold Commissioner that the complaint filed be dismissed. On May 16, 1991, the Gold Commissioner upheld the complaint and ordered the cancellation of the Story Claims. The Optionors have informed the Issuer that they intend to appeal the Gold Commissioner's decision. Until such appeal has been determined, all cash payments and share issuances pursuant to the option agreement have been and will continue to be made to an escrow account, pursuant to an escrow agreement dated February 28, 1990. As part of the escrow agreement, the Issuer has agreed to provide 50% of all costs and expenses incurred in defending and protecting the Optionors' title to the Story Claims. All such costs and expenses assessed to the Issuer shall be credited as exploration expenditures under the option agreement.

In 1990 a first phase mapping and geochemical survey program was completed on the Story Claims. The results of the program were reported by Len Gal, M.Sc. in his report of October 1990. The Story Claims were geologically mapped and prospected, rock and soil samples taken from throughout the property, and a large gossan on the east end of the property (Jack Glacier gossan) was intensively sampled. Mercury anomalies up to 681250 parts per billion over a five metre continuous chip sample on a gossanous rhyolite were contained north of Jack Glacier. Soil sampling on an established grid revealed coincident anomalies of mercury, silver, barium, zinc and, to a lesser extent, copper and lead. Quartz-carbonate-sulphide veins within an aphyric andesite yield assay samples of up to 3.83 grams per tonne (.112 ounces per ton) gold. The veins are relatively thin but traceable from 15 to 50 metres. One brecciated quartz vein/fault zone assayed 20.8 parts per million silver over 2 metres with higher grade grab samples taken from the same zone.

The Story Claims have no known ore reserves.

Shaeffer Property, Montana, U.S.A.

By agreement dated October 1, 1986 (amended October 13, 1989) (the "Lease") between Yellow Band Mines, Inc. ("Yellow Band USA"), the wholly-owned subsidiary of the Issuer, and E.E. Nelson ("Nelson"), Yellow Band USA leased 87 unpatented lode mineral claims in the Argenta Mining Division of the State of Montana (the "Shaeffer Property"). The Lease was for an initial term of five years, and has been extended for an additional two-year term.

A total of 125,000 pre-amalgamation shares of Yellow Band have been issued to Nelson. In addition, 37,500 shares of the Issuer have been issued to Nelson in accordance with the Lease. The Lease further requires the following:

- (a) annual advance minimum (adjusted for inflation) payments of \$50,000 (U.S.) payable on October 1 in each year, of which 60% of each payment may be credited against production royalty that may be due to Nelson and 40% of which may be credited against any consulting services provided by Nelson to the Issuer;
- (b) monthly advance payments of \$2,600 (U.S.) which may be credited in full against production royalty that may be due to be paid by Yellow Band USA; and
- (c) payment of a minimum 2% and a maximum 4% production royalty.

In April 1989, Charles Goddard, a consulting geologist, was commissioned by the Issuer to write an audit of ore reserves, the results of which audit were:

Proven ore:	143,383 tons of .244 oz/ton Au
Probable ore:	436,171 tons of .331 oz/ton Au
Possible ore:	1,412,477 tons of .272 oz/ton Au

The Issuer has expended \$741,794 (Cdn.) on exploration expenditures on the Shaeffer Property to May 31, 1990, which costs included mapping, sampling, I.P. geochemical and geochemical surveys as well as drilling approximately 80 core and reserve circulation drill holes. In addition, a total of US\$250,000 has been paid in lease payments.

Jana/Leo Group Claims, Montana, U.S.A.

Yellow Band USA is party to a five-year lease with Nelson dated March 15, 1988 (the "Jana Lease") for certain unpatented mineral claims known as the Jana Group and the Leo Group of lode mining claims (the "Jana/Leo Property") located adjacent to the Shaeffer Property, subject to an underlying 4% production royalty.

A total of 50,000 pre-amalgamation Yellow Band shares have been issued to Nelson and a further 75,000 post-amalgamation shares of the Issuer are to be issued, 25,000 upon the completion of each Phase of a three-phase work program and the filing of reports acceptable to the Exchange.

Pursuant to an option/joint venture agreement dated May 28, 1990 Pacific Gold Mines Inc. ("Pacific") was granted an option to earn a 60% interest in the interest of Yellow Band

USA in both the Shaeffer Property and the Jana/Leo Property. Pacific has paid the sum of \$81,200 (U.S.) to Yellow Band USA and is required to expend a total of \$4,000,000 (U.S.) in exploration on the properties by October 1, 1993. The Issuer may convert its 40% interest to a 20% net profits royalty if Pacific exercises its option.

Pacific has expended \$500,000 (U.S.) on exploration of the Shaeffer and Jana/Leo properties to date and has completed approximately 4,000 feet of DTH drilling in the reserve area. Results are as follows:

<u>Hole</u>	<u>Width</u>	<u>Oz/ton Gold</u>
168	12.5	.090
169	12.5	.055
171	15.0	1.000(uncut)
177	7.5	.080
	15.0	.070

RISK FACTORS

The securities offered hereby must be considered speculative due to the general nature of the Issuer's business. A prospective investor should, therefore, carefully consider the following factors:

1. There is no known body of commercial ore on the Issuer's mineral properties. The purpose of the present offering is to raise funds to carry out further exploration with the objective of establishing an economic body of ore. If the Issuer's exploration programs are successful, additional funds will be required for the development of an economic orebody and to place it in commercial production. The only sources of future funds presently available to the Issuer are the sale of equity capital, or the offering by the Issuer of an interest in its properties to be earned by another party or parties carrying out further exploration or development thereof.
2. Exploration for minerals is a speculative venture necessarily involving some substantial risk. There is no certainty that the expenditures to be made by the Issuer will result in discoveries of commercial quantities of ore.
3. Resource exploration and development is a speculative business and involves a high degree of risk. The marketability of natural resources which may be acquired or discovered by the Issuer will be affected by numerous factors beyond the control of the Issuer. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment,

government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Issuer not receiving an adequate return on invested capital.

4. Mining operations generally involve a high degree of risk. Hazards such as unusual or unexpected formations and other conditions are involved. The Issuer may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on the Issuer's financial position.
5. While the Issuer has obtained the usual industry standard title report with respect to its properties in British Columbia, Quebec and the State of Montana, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers or native land claims, and title may be affected by undetected defects.
6. The Issuer's properties consist of recorded mineral claims which have not been surveyed and, therefore, the precise area and location of such claims may be in doubt.
7. Please refer to the heading DIRECTORS, OFFICERS, PROMOTERS AND PERSONS HOLDING MORE THAN A 10% INTEREST IN THE SHARES OF THE ISSUER concerning possible conflicts of interest involving Directors and Officers of the Issuer.

4. PARTICULARS OF NON-RESOURCE ASSETS

The Issuer holds all of the issued and outstanding shares in the capital stock of Yellow Band Mines, Inc., a company incorporated under the laws of the State of Montana, in the United States of America.

5. CORPORATE INFORMATION

The Issuer was amalgamated under the British Columbia Company Act (the "Company Act") on March 1, 1991 by the amalgamation of Commonwealth Gold Corporation ("Commonwealth"), Golden Arrow Resources Inc. ("Golden Arrow") and Yellow Band Resources Inc. ("Yellow Band").

Commonwealth was incorporated under the Company Act on December 8, 1982 under the name El Paraiso Resources Ltd. and changed its name to Commonwealth on October 28, 1988. Golden Arrow was incorporated under the Company Act on April 14, 1987. Yellow Band was incorporated under the Company Act on November 14, 1985 as Bluebird Silver Mines Inc. and changed its name to Yellow Band on November 14, 1986.

On amalgamation the shares of Commonwealth, Golden Arrow and Yellow Band were exchanged for shares of the Issuer in the following ratios:

- one share of Commonwealth for one share of the Issuer;
- two shares of Yellow Band for one share of the Issuer; and
- three shares of Golden Arrow for one share of the Issuer.

The authorized capital of the Issuer consists of 100,000,000 common shares without par value, of which 11,632,037 were issued and outstanding as at July 31, 1991. They are not subject to any future call or assessment and they all have equal voting rights. There are no special rights or restrictions of any nature attached to any of the shares and they all rank pari passu, each with the other, as to all benefits that might accrue to the holder thereof.

Since May 31, 1991, being the date of the unaudited consolidated financial statements of the Issuer which are attached to and form part of this Statement of Material Facts, a total of 37,500 shares have been issued in the capital stock of the Issuer pursuant to the lease held by the the Issuer's subsidiary on the Schaeffer Property in Montana.

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

<u>Name, Address and Position with Issuer</u>	<u>Principal Occupation for Past Five Years</u>	<u>No. of Shares of Issuer Beneficially Owned as at July 31, 1991</u>
MASON, Douglas Laurence 639 Croydon Place North Vancouver British Columbia V7N 3A2 Chairman of the Board, Chief Executive Officer, Director and Promoter	President of Clearly Canadian Beverage Corporation; Marketing Consultant in the field of food products and consumer durable goods	262,500 Escrow 1,507,115 Free-trading

<u>Name, Address and Position with Issuer</u>	<u>Principal Occupation for Past Five Years</u>	<u>No. of Shares of Issuer Beneficially Owned as at July 31, 1991</u>
ANDERSON, Bevan William 506-518 Moberley Rd. Vancouver British Columbia V5Z 4G3 President and Director	Management Consultant to various public companies; prior to the amalgamation, he was President of Yellow Band Resources Inc. and Golden Arrow Resources Inc. from 1986 and 1987 respectively	259,375* Escrow 36,207 Free-trading
HORTON, Donald Bruce P2-1038 W. 7th Ave. Vancouver British Columbia V6H 1B3 Vice-President Finance, Secretary and Director	Vice-President Finance Clearly Canadian Beverage Corporation; Certified General Accountant	1,276,126 Free-trading
AINSWORTH, Benjamin 1989 Dunstone Place North Vancouver British Columbia V7H 2M3 Director	Geologist and Professional Engineer; prior to the amalgamation, he was Vice-President, Exploration, of Commonwealth	7,000 Free-trading
KANGRO, Mihkel 2280 Palmerston Ave. West Vancouver British Columbia V7V 2W1 Director	Self-employed Investment Consultant	70,000 Escrow 1,500 Free-trading

* Of these shares 251,042 are held by Two B's Management Limited, a private British Columbia company controlled by Mr. Anderson.

The audit committee of the Issuer consists of Messrs. Ainsworth, Kangro and Horton.

Messrs. Mason and Horton are the Promoters of the Issuer.

The following Directors, Officers and Promoters of the Issuer are or have, within the past five years, been directors ("D"), officers ("O") and/or promoters ("P") of other reporting British Columbia companies as set out below:

Douglas L. Mason

<u>Name of Reporting Company</u>	<u>Position</u>	<u>From</u>	<u>To</u>
Mountain Lake Resources Inc.	D	1987	1988
Allied Environmental Services Inc.	D	1987	1991
Clearly Canadian Beverage Corp.	D/O/P	1987	Present
Venturex Resources Ltd.	D/P	1988	Present
Cruiser Minerals Ltd.	D	1989	Present
Optival International Laboratories Inc.	D/O	1989	Present
Arakis Energy Corp.	D	1990	Present
International Mega-Dyne Industrial Corp.	D/O/P	1991	Present
International Consort Industries Inc.	D	1991	Present

Bevan W. Anderson

<u>Name of Reporting Company</u>	<u>Position</u>	<u>From</u>	<u>To</u>
Golden Princess Mining Corp.	D	1986	1988
Yellow Band Resources Inc.	P/D	1986	1991
Golden Arrow Resources Inc.	P/D	1987	1991
Omega Gold Corp.	D	1989	1991

D. Bruce Horton

<u>Name of Reporting Company</u>	<u>Position</u>	<u>From</u>	<u>To</u>
Diversified Baywest Capital Corp.	D	1987	1988
Clearly Canadian Beverage Corp.	D/O/P	1987	Present
Venturex Resources Ltd.	D/O	1988	Present
Cruiser Minerals Ltd.	D	1989	Present
Optival International Laboratories Inc.	D	1989	Present
International Mega-Dyne Industrial Corp.	O	1991	Present

Benjamin Ainsworth

<u>Name of Reporting Company</u>	<u>Position</u>	<u>From</u>	<u>To</u>
Golden Pyramid Resources Ltd.	D	1987	1990
Nevada North Resources Ltd.	D	1988	Present
Cazador Explorations Limited	P	1988	Present
Appian Resources Ltd.	D	1989	Present

Mihkel Kangro

<u>Name of Reporting Company</u>	<u>Position</u>	<u>From</u>	<u>To</u>
Cruiser Minerals Ltd.	D/O	1983	Present

None of the Directors, Officers or Promoters of the Issuer are, or have been within the past five years, a director, officer or promoter of any other reporting company whose securities were, during the period he was a director, officer or promoter of the company, struck off the Register of Companies by the British Columbia Registrar of Companies, or other similar authority, or whose securities were the subject of a cease trade or suspension order for a period of more than 30 consecutive days.

None of the Directors, Officers or Promoters of the Issuer has, within the past ten years, been 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.

Transactions involving Insiders from January 1, 1990 to date

Prior to the amalgamation, during the period January 1, 1990 to January 31, 1991, Commonwealth, Golden Arrow and Yellow Band had the following transactions involving Insiders:

Commonwealth

- (a) Commonwealth accrued and paid loans in the amount of \$20,167 to Clearly Canadian Beverage Corp. ("Clearly Canadian"), a company having two directors in common with Commonwealth, namely Douglas Mason and Bruce Horton.
- (b) The sum of \$4,000 was paid to Clearly Canadian for rent payable by Commonwealth.
- (c) Shareholder loans totalling \$12,450 from Douglas Mason and were repaid by Commonwealth. Since the amalgamation the Issuer has repaid a further \$500 to Mr. Mason and the sum of \$650 to Bruce Horton.
- (d) Under the terms of an agreement dated July 1, 1990, Criterion Capital Ltd. ("Criterion") agreed to provide administrative services to Commonwealth, including the rental of office space and the provision of secretarial services, at a rate of \$2,500 per month commencing in July, 1990. As of January 31, 1991 a total of \$12,500 had been paid to Criterion. Since the amalgamation, an additional \$13,375 (including applicable GST for 1991) has been paid to Criterion under the terms of the agreement. Criterion is controlled by Douglas Mason, a Director of the Issuer. The agreement with Criterion remains in full force and effect as between Criterion and the Issuer.
- (e) Under the terms of a management agreement dated October 1, 1990, Two B's Management Limited ("Two B's") agreed to provide management services to Commonwealth at a rate of \$2,500 per month commencing in October, 1990. As of January 31, 1991 a total of \$5,000 had been paid. Since the amalgamation, an additional \$13,375 (including applicable GST for 1991) has been paid by the Issuer to Two B's under the terms of the agreement. Two B's is controlled by Bevan Anderson, a Director of the Issuer. The agreement with Two B's remains in full force and effect between Two B's and the Issuer.

Golden Arrow

- (a) Under the terms of a management agreement dated June 1, 1988, Two B's provided general management and administrative services at \$2,000 per month to Golden Arrow, pursuant to which Golden Arrow paid \$26,140 (including GST). This agreement terminated the day prior to the effective date of the amalgamation.

Yellow Band

- (a) Under the terms of a management agreement dated February 1, 1987, Two B's provided general management and administrative services at \$2,000 per month to Golden Arrow, pursuant to which Golden Arrow paid \$28,140 (including GST). This agreement terminated the day prior to the effective date of the amalgamation.
- (b) Marilyn Ployart, a director of Yellow Band, was paid approximately \$19,300 for office services rendered on behalf of Yellow Band.

For the year ended March 31, 1991, \$123,491 was paid to Ainsworth Jenkins Holdings Inc. ("Ainsworth Jenkins"), a mineral exploration consulting company of which Benjamin Ainsworth, a Director of the Issuer, is principal. Of these monies, approximately \$22,000 was retained by Ainsworth Jenkins, the remainder being disbursed to assayers, geophysical contractors, field crews, etc. relative to exploration work done on the properties of the Issuer.

During the months of June, July and August, 1991, each of Douglas Mason and Bruce Horton, Directors of the Issuer, loaned the Issuer \$40,000, which monies were used by the Issuer for working capital purposes. These monies are repayable to Messrs. Mason and Horton, on demand, with interest at 12% per annum. The total amount of \$80,000 will be repaid from funds to be derived from this Offering.

Other than as disclosed elsewhere in this Statement of Material Facts, no remuneration or other consideration has been paid to the Directors, Officers or Promoters of the Issuer since its amalgamation.

To the knowledge of the Directors of the Issuer, only the following parties (excluding Directors, Officers and Promoters of the Issuer) hold more than 10% of the equity shares of the Issuer as at July 31, 1991:

<u>Name and Address</u>	<u>No. of Shares</u>	<u>Percentage</u>
West Canada Depository Trust Company P.O. Box 10338 609 Granville Street Vancouver, B. C.	5,184,737	45%

The above shares are of record only, and the Directors of the Issuer do not know the beneficial ownership thereof.

7. OPTIONS TO PURCHASE SECURITIES OF THE ISSUER

Incentive Stock Options

The Issuer has incentive stock options outstanding for the purchase of an aggregate of 1,015,454 shares in its capital stock, as follows:

<u>Name of Optionee</u>	<u>No. of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Daniel Evans	235,000	\$0.84	July 31, 1992
Donald Morrison	40,000	\$0.84	July 31, 1992
Marilyn Ployart	7,667	\$0.87	May 18, 1992
	17,787	\$0.76	May 8, 1992
Mihkel Kangro	200,000	\$0.45	March 14, 1993
Michael Gustavson	515,000	\$0.45	March 14, 1993

To date, none of the above options have been exercised. Shareholder approval to the above incentive stock options was obtained on September 6, 1990.

Private Placement Share Purchase Warrants

Pursuant to private placement agreements entered into prior to the amalgamation between various private places and Commonwealth, Golden Arrow and Yellow Band, there are share purchase warrants outstanding which entitle the holders thereof to purchase an aggregate of 1,000,000 shares in the capital stock of the Issuer, exercisable at the following prices and expiring on the following dates:

<u>No. of Warrants</u>	<u>Exercise Price</u>		<u>Expiry Date</u>
	<u>1st Year</u>	<u>2nd Year</u>	
500,000	N/A	\$0.30	May 22, 1992
500,000	\$0.50	\$0.60	September 4, 1992

Loan by L.O.M. Western Securities Ltd.

L.O.M. Western Securities Ltd., one of the Agents hereunder, was granted an option to acquire up to 40,000 free-trading shares of the Issuer exercisable at a price of \$0.50 per

share, expiring on July 15, 1992, in consideration for a loan to the Issuer made on July 16, 1991. See "Other Material Facts" for details.

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

Escrowed Shares

By an agreement dated for reference March 1, 1991 there are 821,875 shares of the Issuer held in escrow by Montreal Trust Company of Canada. The 821,875 shares are made up of shares which had been held in escrow in Commonwealth, Yellow Band and Golden Arrow prior to the Amalgamation, which shares were exchanged for a total of 821,875 shares in the capital stock of the Issuer. These shares are held pursuant to the provisions of the March 1, 1991 escrow agreement except for the dates upon which the shares will be cancelled if still not released from escrow. The dates for cancellation are as follows:

<u>No. of Shares</u>	<u>To be cancelled if not released by</u>
525,000	August 23, 1993
46,875	August 4, 1997
250,000	February 15, 1999

The escrow shares are held by parties entitled to hold escrow shares in the Issuer, as follows:

<u>Name of Escrowholder</u>	<u>No. of Shares</u>
Douglas Mason	262,500
Two B's Management Limited	251,042
James D. Mawhinney	122,500
Mihkel Kangro	70,000
Barbara Kwiecien	70,000
James Anderson	25,000
Gregory B. Chornyj	12,500
Bevan Anderson	8,333
	<u>821,875</u>

Pooled Shares

There are no shares of the Issuer held in pool.

Shares Held Subject to Hold Restrictions

A total of 500,000 shares of the Issuer are subject to hold periods. There are warrants outstanding to acquire up to a further 500,000 of the Issuer. The hold periods on the shares issued and on any shares issued upon exercise of the warrants attached thereto expire on September 4, 1992.

9. PARTICULARS OF ANY OTHER MATERIAL FACTS

Benoist Township, Quebec

By an agreement dated February 28, 1991, the Issuer acquired a 100% interest in 28 unpatented mining claims in Benoist Township, Quebec from Gestion E. Ingham Inc. ("Ingham") of Val d'Or, Quebec, subject to a 1.5% net smelter royalty payable to Ingham. In consideration for the Benoist Township property, the Issuer paid Ingham the sum of \$14,000 and issued 50,000 shares in its capital stock to Ingham at a deemed value of \$0.40 per share.

On March 22, 1991, the Issuer granted an option to earn a 50% interest in the Benoist Township property to Venturex Resources Ltd. ("Venturex"). To earn its interest Venturex must spend \$50,000 in exploration expenditures on the Benoist Township property during 1991 and issue 50,000 common shares in its capital stock to the Issuer. Douglas Mason and Bruce Horton, Directors of the Issuer, are also directors of Venturex.

The Benoist Township property adjoins the eastern portion of Freewest's property in Benoist Township, where an important new gold discovery was recently announced.

The Issuer does not intend to expend any monies on this property at this time. There is no known body of commercial ore on the Benoist Township property.

Mineral Properties Allowed to Lapse

Top and Bottom Claims, Vernon, British Columbia

By an agreement dated May 31, 1988 and amended August 12, 1991, the Issuer acquired from James E. Irwin, six contiguous mineral claims known as the Top 1 to 4 and Bottom 1 and 2 claims (the "Top and Bottom Claims"), in the Vernon Mining Division of British Columbia in consideration for \$62,000, which has been paid. The Top and Bottom claims are in good standing for five years. During 1990, the sum of \$500,000 was expended on exploration of the Top and Bottom Claims. Commencing on June 20, 1991 the Issuer was required to commence annual payments to Mr. Irwin in an amount in each year equal to the greater of \$30,000 or a 2.5% net smelter royalty. The Issuer was granted an extension by Mr. Irwin to August 31, 1991 for the payment of the \$30,000 which was due to him on June 20, 1991. The Issuer paid Mr. Irwin \$15,000 of this amount on August 21, 1991, which payment allowed the Issuer the right to terminate the agreement without further obligation to Mr. Irwin, in which event the claims would revert back to Mr. Irwin. The Issuer

has elected to exercise this right and terminate this agreement.

By a letter agreement of July 15, 1988 the Issuer granted Venturex Resources Ltd. ("Venturex") an option to acquire 50% of the interest earned by the Issuer in the Top and Bottom Claims. Venturex paid \$25,000 to the Issuer and \$25,000 toward an obligation to expend \$100,000 on exploration of the claims. Venturex elected to cease its participation under the option. Douglas Mason and Bruce Horton, Directors of the Issuer, are also directors of Venturex.

Brovinia Property Claims, Queensland, Australia

The Issuer had a 20% working interest in the Authority to Prospect 4576M on the Brovinia Property Claims located in Eidsvold Warden's District of Queensland, Australia, which it acquired from Black Swan Gold Mines N.L. for the sum of \$200,000. This interest has been allowed to lapse by the Issuer.

Porc 1-3 Claims, British Columbia

The Issuer had an option to acquire a 51% interest in the Porc 1-3 mineral claims located in the Liard Mining Division of British Columbia. This option was acquired from Pass Lake Resources Ltd. and the sum of \$20,000 was paid, 50,000 shares were issued and \$50,077 was spent on exploration of the Porc 1-3 Claims by the Issuer. The Issuer has allowed this option to lapse.

MacGold North Property, Iskut River, British Columbia

The Issuer had an option to acquire 100% interest in the MacGold Claims in the Skeena Mining Division of British Columbia which it acquired from Ecstall Mining Corporation and Omega Gold Corp (the "Optionor"). The sum of \$30,000 was paid on the option and 75,000 pre-amalgamation shares of Golden Arrow were issued to the Optionors. During the course of the option the Issuer expended the sum of \$33,000 on exploration work on the MacGold Claims. The \$30,000 payment due on the option by February 28, 1991 was not made by the Issuer and the option was allowed to lapse. However, the Optionor has informed the Issuer that it considers the Issuer to have been obligated to incur exploration expenditures of not less than \$100,000. The Issuer is not aware of any proceedings having been commenced by the Optionor in respect hereof. Bevan Anderson, a Director of the Issuer, is also a director of Omega Gold Corp.

Chukuni Property, Red Lake, Ontario

The Issuer had an option to acquire a 100% interest in the Chukuni Claims in Balmer Township in the Red Lake Mining Division of western Ontario from Marian K. Howes. The sum of \$35,000 was paid on the option and 50,000 pre-amalgamation shares of Golden Arrow were issued to the Optionor. During the course of the option the Issuer expended the sum of \$145,000 on exploration work on the Chukuni Property, and on a recommendation received from its consultant in a September 1990 report, the option was allowed to lapse.

Isk Property, British Columbia

The Issuer had an option to acquire 100% interest in the Isk Claims in the Liard Mining Division of British Columbia which it acquired from Ecstall Mining Corporation and Omega Gold Corp. The sum of \$25,000 was paid on the option and 50,000 pre-amalgamation shares of Yellow Band were issued to the Optionors. During the course of the option the Issuer expended the sum of \$36,000 on exploration work on the Isk Claims. The \$25,000 payment due on the option by February 28, 1991 was not made by the Issuer and the option was allowed to lapse.

Lark 1 and Lark 3 Claims, British Columbia

The Issuer had an option to acquire a 100% interest in the Lark 1 Claim from Metamin Enterprises Inc. in consideration of which it paid the sum of \$4,000. Under the option, the Issuer was under no obligation to maintain the Lark 1 claim in good standing. On the same date, the Issuer purchased a 100% interest in the Lark 3 Claim from James Irwin and D. Wilmot in consideration of \$20,000. On a recommendation received from its consultants, the Lark 1 and Lark 3 Claims were allowed to lapse in July, 1991.

Other Material FactsLoan to Optival International Laboratories Inc.

The Issuer loaned the sum of \$10,000 to Optival International Laboratories Inc. ("Optival"), a British Columbia company, the shares of which trade on the Exchange. The principal of the loan is payable on demand together with interest accrued to the time of payment at the rate of prime plus 2% per annum. Messrs. Mason and Horton, Directors of the Issuer, are also directors of Optival.

Loan from L.O.M. Western Securities Ltd. ("LOM")

On July 16, 1991 LOM, one of the Agents hereunder, loaned the sum of \$100,000 to the Issuer, to allow it to meet an obligation to deposit monies into trust against a guaranteed exploration expenditure commitment on its Watson Bar Property. See "Material Natural Resource Properties - Group I" for details. The loan is secured by a promissory note delivered to LOM by the Issuer, payable on demand, with interest at The Royal Bank of Canada prime rate plus 2% per annum. In addition, the Issuer granted LOM a bonus of a non-transferable warrant to purchase up to 40,000 free-trading shares of the Issuer exercisable at a price of \$0.50 per share, expiring on July 15, 1992. The Issuer intends to repay the LOM loan, plus interest accrued thereon, out of the funds to be derived from this Offering.

Loan from Douglas L. Mason ("Mason")

On August 15, 1991 Mason, a Director of the Issuer, loaned the sum of \$100,000 to the Issuer, to allow it to meet an obligation to deposit monies into trust against a guaranteed exploration expenditure commitment on its Watson Bar Property. See "Material Natural Resource Properties - Group I" for details. The loan is secured by a promissory note delivered by the Issuer to Mason, which note is payable on demand and bears interest at the rate of 12% per annum. The Issuer intends to repay the Mason loan, plus interest accrued thereon, out of the funds to be derived from this Offering.

Loans from Directors

During the months of June, July and August of 1991, each of Douglas Mason and Bruce Horton, Directors of the Issuer, loaned the Issuer a total of \$40,000 for working capital purposes. These monies were secured by promissory notes, and are payable on demand, with interest at 12% per annum. The Issuer intends to repay the total of \$80,000 out of the funds to be derived from this Offering.

There are no actual or pending material legal proceedings to which the Issuer is or is likely to be a party or of which any of its properties are or are likely to be the subject, which are not disclosed elsewhere in this Statement.

Except as set out herein, there are no bonds, debentures, notes or other debt obligations outstanding.

Except as set out herein, the Issuer's liabilities have not significantly increased or altered subsequent to the date of the financial statements included in this Statement of Material Facts.

To the best of the knowledge of the Directors of the Issuer, there are no other material facts not previously disclosed herein.

Inspection of Documents

The material contracts described herein may be inspected at the offices of Maitland & Company, Barristers and Solicitors, 700 - 625 Howe Street, Vancouver, B. C., during normal business hours, during the primary distribution of the shares offered hereunder and for 30 days after completion of primary distribution.

Neither the solicitor responsible for the preparation of this Statement of Material Facts, nor any of the partners or associates of the responsible solicitor's firm, are directors or officers of the Issuer and do not have any beneficial interest, direct or indirect, in any securities or properties of the Issuer.

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.

COMMONWEALTH GOLD CORPORATION (AMALGAMATED)

CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 1991

(UNAUDITED)

COMMONWEALTH GOLD CORPORATION (AMALGAMATED)

CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 1991

(UNAUDITED)

INDEX

	Page
Review Engagement Report	1
Consolidated Balance Sheet	2
Consolidated Statement of Deficit	3
Consolidated Statement of Deferred Exploration and Development Costs	4
Consolidated Statement of Administration Costs	5
Consolidated Statement of Changes in Cash	6
Notes to the Consolidated Financial Statements	7-9

BOYCE F. BUTLER

Certified General Accountant

1

REVIEW ENGAGEMENT REPORT

I have reviewed the consolidated balance sheet of Commonwealth Gold Corporation as at May 31, 1991 and the statements of deficit, deferred costs and changes in financial position for the two months then ended. My 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 me by the Company.

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

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



BOYCE F. BUTLER
Certified General Accountant

Vancouver, B.C.
June 25, 1991

COMMONWEALTH GOLD CORPORATION (AMALGAMATED)

CONSOLIDATED BALANCE SHEET

MAY 31, 1991

(UNAUDITED)

ASSETS

CURRENT	
Cash	\$ 50,258
Reclamation permit - B.C. Government	1,000
Accounts receivable	<u>10,000</u>
	61,258
RESOURCE PROPERTIES (Note 3)	418,616
DEFERRED COSTS	1,514,824
FIXED - at cost less accumulated depreciation	10,440
INCORPORATION COSTS	<u>500</u>
	<u>\$ 2,005,638</u>

LIABILITIES

CURRENT	
Accounts payable	\$ 29,187
Loans payable to related company (Note 6)	<u>4,000</u>
	<u>\$ 33,187</u>

SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 4)	3,676,826
DEFICIT	<u>(1,704,375)</u>
	<u>1,972,451</u>
	<u>\$ 2,005,638</u>

APPROVED BY THE BOARD:


 _____ Director
 D. Bruce Horton


 _____ Director
 Douglas L. Mason

See accompanying notes

COMMONWEALTH GOLD CORPORATION (AMALGAMATED)

CONSOLIDATED STATEMENT OF DEFICIT

FOR THE TWO MONTHS ENDED MAY 31, 1991

(UNAUDITED)

DEFICIT - BEGINNING OF THE PERIOD	\$ 1,651,862
Write-off administration costs	<u>52,513</u>
DEFICIT - END OF THE PERIOD	<u><u>\$ 1,704,375</u></u>

See accompanying notes

BOYCE F. BUTLER

Certified General Accountant

COMMONWEALTH GOLD CORPORATION (AMALGAMATED)
 CONSOLIDATED STATEMENT OF DEFERRED EXPLORATION AND DEVELOPMENT COSTS
 FOR THE YEAR ENDED MARCH 31, 1991

	<u>COMMONWEALTH</u>	<u>GOLDEN ARROW</u>	<u>YELLOW BAND</u>	<u>AMALGAMATED</u>
	\$	\$	\$	\$
BALANCE - Beginning of year	250,293	-	-	250,293
Attributed on amalgamation effective October 31, 1990	-	391,820	753,926	1,145,746
Added in period/year	531,816	2,881	4,736	539,433
Write-off costs regarding Hiko Bell Property	<u>(4,166)</u>	<u>-</u>	<u>-</u>	<u>(4,166)</u>
	777,943	394,701	758,662	1,931,306
Less funds received from Ontario Ministry of Natural Resources	<u>-</u>	<u>(13,404)</u>	<u>-</u>	<u>(13,404)</u>
	777,943	381,297	758,662	1,917,902
Less exploration work related to properties written off (Note 4)	<u>-</u>	<u>-</u>	<u>-</u>	<u>414,077</u>
BALANCE - End of year	<u>777,943</u>	<u>381,297</u>	<u>758,662</u>	<u>1,503,825</u>

See accompanying notes

COMMONWEALTH GOLD CORPORATION (AMALGAMATED)
CONSOLIDATED STATEMENT OF DEFERRED ADMINISTRATION COSTS
FOR THE YEAR ENDED MARCH 31, 1991

	<u>1991</u>	<u>1990</u>
BALANCE - BEGINNING OF THE YEAR	<u>\$ 314,390</u>	<u>\$ 268,000</u>
COSTS INCURRED DURING THE YEAR		
Management fees	52,330	4,000
Interest income	(12,762)	(213)
Bank charges and interest	1,330	408
Consulting	-	4,000
Filing fees	18,693	3,419
Office, telephone and wages	49,415	4,393
Printing	1,470	14,475
Professional fees	67,773	6,377
Finder's fees	55,900	-
Rent	13,462	6,000
Transfer agent	19,359	2,773
Travel and promotion	28,523	758
	<u>295,493</u>	<u>46,390</u>
	609,883	314,390
Less written off to deficit (Note 9)	<u>(609,883)</u>	<u>-</u>
BALANCE - END OF THE YEAR	<u>\$ -</u>	<u>\$ 314,390</u>

See accompanying notes

COMMONWEALTH GOLD CORPORATION (AMALGAMATED)

CONSOLIDATED STATEMENT OF CHANGES IN CASH

FOR THE YEAR ENDED MARCH 31, 1991

	<u>1991</u>	<u>1990</u>
CASH PROVIDED (USED) BY:		
FINANCING ACTIVITIES		
Advances from shareholders and officers (repaid)	\$ (122,450)	\$ 12,100
Issue of shares	938,256	-
Advances (to) from related companies	<u>(28,976)</u>	<u>33,000</u>
	<u>786,830</u>	<u>45,100</u>
INVESTING ACTIVITIES		
Accounts payable	(38,604)	27,016
Accounts receivable	(10,000)	1,010
Reclamation permit	-	(1,000)
Non-cash items	64,135	-
Deferred administration costs	(295,493)	(46,390)
Deferred exploration and development costs	(526,029)	(10,517)
Acquisition of mineral properties	(177,811)	(10,000)
Travel advances	<u>5,500</u>	<u>(5,500)</u>
	<u>(978,302)</u>	<u>(73,407)</u>
INCREASE (DECREASE) IN CASH	(191,472)	(281)
CASH ACQUIRED ON AMALGAMATION	271,678	-
CASH - BEGINNING OF THE YEAR	<u>264</u>	<u>545</u>
CASH - END OF THE YEAR	<u>\$ 80,470</u>	<u>\$ 264</u>

See accompanying notes

COMMONWEALTH GOLD CORPORATION (AMALGAMATED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1991

1. SIGNIFICANT ACCOUNTING POLICIES

The CONSOLIDATED FINANCIAL STATEMENTS have been prepared in accordance with accounting principles generally accepted in Canada and include the following:

Resource Properties

a) Deferred Costs

The Company is in the exploration stage with respect to its investment in mineral properties and accordingly follows the practice of deferring exploration costs related to the exploration project, until such time as the project is put into commercial production, sold or abandoned. Should the property be deemed uneconomic, these costs are charged to earnings at that time.

In instances where option revenue is received, and those funds are used in the work program on a property, exploration and development costs applicable to the particular property are expensed to the extent of the option income.

b) Values

The amount shown for the mineral properties and deferred costs represent costs to date and are not intended to reflect present or future values as they are entirely dependent on the economic recovery of current and future reserves.

c) Consolidation

The accounts include those of the Company and its wholly-owned subsidiary Yellow Band Mines, Inc., a Montana corporation.

2. NATURE OF OPERATIONS

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves and confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production.

COMMONWEALTH GOLD CORPORATION (AMALGAMATED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1991

3. RESOURCE PROPERTIES

A) Top and Bottom Claims, Vernon, British Columbia

By an agreement dated May 31, 1988, the Company acquired six contiguous mineral claims known as the Top 1 to 4 and Bottom 1 and 2 claims (the "Top and Bottom Claims"), in the Vernon Mining Division of British Columbia in consideration for \$62,000, which has been paid. Commencing on June 20, 1991 the Company is required to commence annual payments to the vendor in an amount in each year equal to the greater of \$30,000 or a 2.5% net smelter royalty. The Company has the right to buy out the vendor's net smelter royalty interest at any time for \$500,000. An amount of \$500,000 was expended on exploration in 1990.

By a letter of agreement of July 15, 1988 the Company granted Venturex Resources Ltd. ("Venturex") an option to acquire 50% of the interest earned by the Company in the Top and Bottom Claims. Venturex paid \$25,000 to the Company and \$25,000 toward an obligation to expend \$100,000 on exploration of the claim. Venturex has since elected to cease its participation under the option and has retained an option to acquire a 5% interest in the interest earned by the Company in the Top and Bottom Claims for \$250,000.

B) Lark 1 and Lark 3 Claims, Vernon Mining District, British Columbia

By an agreement dated August 12, 1988 the Company acquired a 100% interest in the Lark 1 claim in consideration of \$4,000. On the same date, the Company purchased a 100% interest in the Lark 3 claim in consideration of \$20,000. The Lark 1 and Lark 3 claims each consist of 20 units and are located in the Vernon Mining District of British Columbia.

C) Evans-Terra Property, Fort Steele Mining Division, British Columbia

By an agreement dated November 2, 1988 (amended November 1, 1989 and July 18, 1990) the Company acquired a 100% interest in the Evans #1 and the Terra #3 mineral claims in the Fort Steele Mining Division of British Columbia, subject to an underlying royalty of 1 1/2% of net smelter returns. The Company paid the sum of \$31,000 and issued 150,000 pre-amalgamation shares of Yellow Band to the vendor in consideration for the claims.

D) Yeoward 1 - 16 Claims, British Columbia

In August 1990 the Company staked the Yeoward 1 - 16 claims, comprised of 255 units, contiguous to the Top Claims described above for \$20,000.

COMMONWEALTH GOLD CORPORATION (AMALGAMATED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1991

3. RESOURCE PROPERTIES (Continued)

E) Rainbow Property, Stewart, Skeena Mining Division, British Columbia

By an agreement dated March 2, 1990 the Company was granted an option to acquire a 100% interest in the Rainbow 1,2 and 3 unpatented mineral claims (the "Rainbow Claims") consisting of 44 units, in the Kate/Ryan Creek area of the Skeena Mining Division, British Columbia, subject to an underlying royalty of 2.5% of net smelter returns.

The Company has paid \$32,000 and issued 100,000 pre-amalgamated shares of Golden Arrow to the optionor to date, and is obligated to pay an additional \$30,000 by March 21, 1992 and \$40,000 by March 21, 1993.

In May 1990 the Company expended \$9,000 on the Rainbow claims in order to conduct reconnaissance stream sediment and rock geochemistry on the property.

On July 3, 1990 the Company entered into an agreement with Golden Ring Resources Limited ("Golden Ring") whereby Golden Ring was granted an option to acquire a 50% interest in the Company's interest in the Rainbow Claims. In consideration therefore, Golden Ring is to issue 100,000 shares in its capital stock, 90,000 to the Company and 10,000 as a finder's fee, and is required to pay \$60,000 in cash to the Company and incur \$100,000 on exploration expenditures on the Rainbow Claims.

F) RB 1 - 2 Claims, Galore Creek, Liard Mining Division, British Columbia

By an agreement dated March 20, 1990 (amended February 28, 1991 and March 7, 1991) the Company was granted an option to acquire a 100% interest in the RB 1 and RB 2 unpatented mineral claims in the Galore Creek area of the Liard Mining Division, British Columbia (the "RB Claims") subject to a royalty of 2.5% of net smelter returns.

In consideration therefore, the Company has paid the sum of \$40,000 in cash and issued 50,000 pre-amalgamation shares of Golden Arrow and is obligated to make the following additional cash payments, issue the following additional shares and expend the following sums on exploration of the RB Claims:

- a) \$30,000 on or before March 20, 1992;
- b) 50,000 shares upon the acceptance by the Exchange of an engineering report describing a Phase I program on the RB Claims and recommending further work, but in any event, no later than March 20, 1992;

.../Cont'd

COMMONWEALTH GOLD CORPORATION (AMALGAMATED)
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 MARCH 31, 1991

3. RESOURCE PROPERTIES (Continued)

- c) 50,000 shares upon the acceptance by the Exchange of an engineering report describing a Phase II program on the RB Claims and recommending further work, but in any event, not later than March 20, 1993;
- d) \$30,000 in exploration expenditures on the RB Claims before March 20, 1992;
- e) an additional \$300,000 in exploration expenditures on the RB Claims before March 20, 1993;

The Company has the right to purchase the net smelter return royalty at any time for the sum of \$1,500,000.

Upon exercise of the option, a joint venture will be established between the Company and the optionor for all further exploration and development of the RB Claims.

G) Story Claim Group, Iskut River, Skeena Mining Division, British Columbia

By an agreement dated February 28, 1990 (amended April 5, 1990) the Company was granted an option to acquire a 100% interest, subject to an underlying royalty of 1% of net smelter returns, in the Story 1, 2, and 5 Claims (the "Story Claims") consisting of 20 units in the Skeena Mining Division of British Columbia.

To date the Company has paid the sum of \$50,000 and issued 100,000 pre-amalgamation shares of Golden Arrow. In addition, the Company has expended the sum of \$91,000 on the Story Claims to date.

The Company is obligated to make the following further payments in order to exercise the option:

- i) cash in the amount of:
 - \$25,000 on or before February 28, 1992; and
 - \$25,000 on or before February 28, 1993;
- ii) shares of the Company in amounts of:
 - 16,667 on February 28, 1992; and
 - 16,667 on February 28, 1993;
- iii) exploration expenditures of:
 - \$125,000 by February 28, 1992;
 - \$150,000 by February 28, 1993; and
 - \$125,000 by February 28, 1994

COMMONWEALTH GOLD CORPORATION (AMALGAMATED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1991

3. RESOURCE PROPERTIES (Continued)

Upon exercise of the option, the Optionors have 60 days to elect to either:

- a) participate in a joint venture on the Story Claims as to 50% by the Company and 25% by each of the Optionors;
- b) receive an additional 33,333 shares of the Company upon commencement of commercial production plus 2% of net smelter returns; or
- c) receive an additional 33,333 shares of the Company upon commencement of commercial production plus 20% of net profits.

This property is presently in dispute.

H) Shaeffer Property, Argenta Mining Division, Montana, U.S.A.

By an agreement dated October 1, 1986 (amended October 13, 1989) (the "Lease") between Yellow Band Mines Inc. ("Yellow Band USA") the wholly-owned subsidiary of the Company and E.E. Nelson ("Nelson"), Yellow Band USA leased 87 unpatented lode mineral claims in the Argenta Mining Division of the State of Montana (the "Shaeffer Property") for an initial term of five years.

A total of 125,000 pre-amalgamation shares of Yellow Band have been issued to Nelson. A further 37,500 shares of the Company are to be issued to Nelson upon completion of recommended work programs on the Shaeffer Property and the filing of reports acceptable to the Exchange. The Lease requires the following:

- i) annual advance minimum (adjusted for inflation) payments of \$50,000 (US) payable on October 1 in each year, of which 60% of each payment may be credited against production royalty that may be due to Nelson and 40% of which may be credited against any consulting services provided by Nelson to the Company;
- ii) monthly advance payments of \$2,600 (US) which may be credited in full against production royalty that may be due to Nelson; and
- iii) payment of a minimum 2% and a maximum 4% production royalty.

COMMONWEALTH GOLD CORPORATION (AMALGAMATED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1991

3. RESOURCE PROPERTIES (Continued)

The Lease has been extended for an additional two-year term contingent upon the completion of Phase III of a recommended pre-feasibility study on the Shaeffer Property and submission of same together with a report to the Exchange and issuance of the 37,500 shares of the Company as above described.

The Company has expended \$741,794 (CDN) on exploration and acquisition costs of the Shaeffer Property to May 31, 1990.

I) Jana/Leo Group Claims, Montana, U.S.A.

Yellow Band USA is party to a five year lease with Nelson dated March 15, 1988 (the "Jana Lease") for certain unpatented mineral claims known as the Jana Group and the Leo Group of lode mining claims (the "Jana/Leo Property") located adjacent to the Shaeffer Property, subject to an underlying 4% production royalty.

A total of 50,000 pre-amalgamation Yellow Band shares have been issued to Nelson and a further 75,000 shares of the Company are to be issued upon completion of recommended work programs and the filing of reports acceptable to the Exchange.

Pursuant to an option/joint venture agreement dated May 28, 1990, Pacific Gold Mines Inc. ("Pacific") was granted an option to earn a 60% interest of Yellow Band USA in both the Shaeffer Property and the Jana/Leo Property. Pacific has paid the sum of \$81,200 (US) to Yellow Band USA and is required to expend a total of \$4,000,000 (US) in exploration on the properties.

Pacific has expended \$500,000 (US) on exploration of the Shaeffer and Jana/Leo properties to date.

J) Benoist Township, Quebec

By an agreement dated February 28, 1991, the Company acquired a 100% interest in 28 unpatented mining claims in Benoist Township, Quebec from Gestion E. Ingham Inc. ("Ingham") of Val d'Or, Quebec, subject to a 1.5% net smelter royalty payable to Ingham. In consideration for the Benoist Township property, the Company paid Ingham the sum of \$14,000 (after the year end) and issued 50,000 shares in its capital stock to Ingham at a deemed value of \$0.40 per share.

On March 22, 1991, the Company granted an option to earn a 50% interest in the Benoist Township property to Venturex Resources Ltd. ("Venturex"). To earn its interest Venturex must spend \$50,000 in exploration expenditures on the Benoist Township property during 1991 and issue 50,000 common shares in its capital stock to the Company.

COMMONWEALTH GOLD CORPORATION (AMALGAMATED)
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 MARCH 31, 1991

3. RESOURCE PROPERTIES (Continued)

Summary of Mineral Properties

	<u>Golden Arrow</u>	<u>Yellow Band</u>	<u>Commonwealth</u>	<u>Amalgamation</u>
	\$	\$	\$	\$
Balance, March 31, 1990	-	-	124,000	124,000
Added to, October 31, 1990	<u>-</u>	<u>-</u>	<u>156,400</u>	<u>156,400</u>
Balance, October 31, 1990	<u>-</u>	<u>-</u>	<u>280,400</u>	<u>280,400</u>
Attributed on amalgamation, effective October 31, 1990	259,250	947,238	-	1,206,488
Deficiency on issuance of capital stock attributed to mineral properties (Note 8)	<u>(680,005)</u>	<u>(925,424)</u>	<u>-</u>	<u>(993,429)</u>
	<u>191,245</u>	<u>21,814</u>	<u>-</u>	<u>213,059</u>
Balance, after amalgamation	191,245	21,814	280,400	493,459
Added since amalgamation	<u>-</u>	<u>35,153</u>	<u>68,258</u>	<u>103,411</u>
	<u>191,245</u>	<u>56,967</u>	<u>348,658</u>	<u>596,870</u>
Less properties written off (Note 4)				<u>233,000</u>
				<u>\$ 363,870</u>

COMMONWEALTH GOLD CORPORATION (AMALGAMATED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1991

4. MINERAL PROPERTIES ALLOWED TO LAPSE

Brovinia Property Claims, Queensland, Australia

The Company had a 20% working interest in the Authority to Prospect 4576M on the Brovinia Property Claims located in Eidsvold Warden's District of Queensland, Australia, which it acquired from Black Swan Gold Mines N.L. for the sum of \$200,000. This interest has been allowed to lapse by the Company.

Porc 1 - 3 Claims, British Columbia

The Company had an option to acquire a 51% interest in the Porc 1 - 3 mineral claims located in the Liard Mining Division of British Columbia. This option was acquired from Pass Lake Resources Ltd. and the sum of \$20,000 has been paid, 50,000 shares have been issued and \$50,077 has been spent on exploration of the Porc 1 - 3 claims by the Company to date. The Company has allowed its option to lapse.

MacGold North Property, Inskut River, British Columbia

The Company had an option to acquire 100% interest in the MacGold Claims in the Skeena Mining Division of British Columbia. The sum of \$30,000 was paid on the option and 75,000 pre-amalgamation shares of Golden Arrow were issued to the Optionors. During the course of the option the Company expended the sum of \$33,000 on exploration work on the MacGold Claims. The \$30,000 payment due on the option by February 28, 1991 was not made by the Company and the option was allowed to lapse. The Optionor states, however, that the Company is obligated to incur a further \$67,000 of exploration expenses.

Chukuni Property, Red Lake, Ontario

The Company had an option to acquire a 100% interest in the Chukuni Claims in Balmer Township in the Red Lake Mining Division of western Ontario. The sum of \$35,000 was paid on the option and 50,000 pre-amalgamation shares of Golden Arrow were issued to the Optionor. During the course of the option the Company expended the sum of \$145,000 on exploration work on the Chukuni Property, and on a recommendation received from its consultant in a September 1990 report, the option was allowed to lapse.

COMMONWEALTH GOLD CORPORATION (AMALGAMATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1991

4. MINERAL PROPERTIES ALLOWED TO LAPSE (Continued)

Isk Property, British Columbia

The Company had an option to acquire 100% interest in the Isk Claims in the Liard Mining Division of British Columbia. The sum of \$25,000 was paid on the option and 50,000 pre-amalgamation shares of Yellow Band were issued to the Optionors. During the course of the option the Company expended the sum of \$36,000 on exploration work on the Isk Claims. The \$25,000 payment due on the option by February 28, 1991 was not made by the Company and the option was allowed to lapse.

5. SHARE CAPITAL

Authorized: 100,000,000 common shares
with no par value

	<u>Shares</u>	<u>Amount</u>
BALANCE, MARCH 31, 1990	4,106,746	\$ 1,022,307
Issued in the year:		
Private Placement @ \$0.25 per share	500,000	125,000
Options @ \$0.25 per share	170,000	42,500
Options @ \$0.20 per share	48,528	9,706
Options @ \$0.15 per share	190,000	28,500
Options @ \$0.41 per share	55,000	22,550
Finder's fees @ \$0.49 per share	10,000	4,900
Finder's fees @ \$0.51 per share	100,000	51,000
Exercise of Warrants @ \$0.30 per share	200,000	60,000
Private Placement (flow through) @ \$0.30 per share	800,000	240,000
Private Placement @ \$0.50 per share	500,000	250,000
Pass Lake Property @ \$0.26 per share	50,000	13,000
Terra/Evans Property @ \$0.49 per share	100,000	49,000
Quebec Property @ \$0.40 per share	50,000	20,000
Legal costs of financing	-	(20,000)
Cancel shares of Commonwealth held by Yellow Band	(70,000)	(49,000)
Issued on amalgamation:		
Re: Golden Arrow	1,199,995	461,498
Re: Yellow Band	<u>2,809,268</u>	<u>1,095,615</u>
BALANCE, MARCH 31, 1991	<u>10,819,537</u>	<u>\$ 3,426,576</u>

COMMONWEALTH GOLD CORPORATION (AMALGAMATED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1991

5. SHARE CAPITAL (Continued)

At March 31, 1991 the following stock options/Warrants were outstanding:

<u>NUMBER OF SHARES/WARRANTS</u>	<u>EXERCISE PRICE</u>	<u>EXPIRY DATE</u>	
25,000	\$0.41	October	22, 1992
275,000	\$0.84	July	31, 1992
600,000 WTS	\$0.30	June	19, 1991
500,000 WTS	\$0.25 - \$0.30	May	22/91-92
500,000 WTS	\$0.50 - \$0.60	September	04/91-92
50,000 WTS	\$0.96	July	10, 1991
8,333 WTS	\$0.96	July	26, 1991
133,332 WTS	\$0.96	August	01, 1991
66,668 WTS	\$0.96	August	09, 1991
7,667	\$0.87	May	18, 1992
17,787	\$0.76	May	08, 1992

In addition, pursuant to a Statement of Material Facts of Yellow Band, there are 1,800,000 series "A" Warrants outstanding, two of which Warrants entitle the holder to purchase one share at \$0.90 per share expiring July 10, 1991.

Also, there are 450,000 Agent's Warrants outstanding pursuant to the Yellow Band Statement of Material Facts exercisable at \$0.90 per share expiring July 10, 1991.

The Company has 821,875 shares held pursuant to an escrow agreement.

6. RELATED PARTY TRANSACTIONS

- (a) The amalgamated Company paid a total of \$52,330 in consulting and administration fees to directors or to corporations owned by Directors.
- (b) Included in office expenses is an amount of \$6,875 paid to a Director as wages since November 1, 1990, the effective date of the amalgamation.
- (c) The \$10,000 accounts receivable is due from a related company and is payable on demand with interest accruing at prime plus 2%.
- (d) An amount of \$123,491 was paid to a company controlled by a Director that is included in exploration expenses.

7. LOANS PAYABLE TO A RELATED COMPANY

The loans payable to a Company having common directors with the Company bear no interest rate and have no fixed terms of repayment.

COMMONWEALTH GOLD CORPORATION (AMALGAMATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1991

8. AMALGAMATION

The Company has amalgamated with Golden Arrow Resources Inc. and Yellow Band Resources Inc. on the following basis:

- a) One share of Commonwealth for one share of the amalgamated company;
- b) Three shares of Golden Arrow for one share of the amalgamated company;
- c) Two shares of Yellow Band for one share of the amalgamated company.

The amalgamation has been accounted for using the purchase method of accounting.

Fair market value of 1,199,995 shares of Commonwealth issued at \$0.39 per share for Golden Arrow		\$ 461,498
Fair market value of 2,809,268 shares of Commonwealth issued at \$0.39 per share for Yellow Band		<u>1,095,615</u>
		1,557,113
Less book values: Golden Arrow	\$ 529,503	
Yellow Band	<u>2,021,039</u>	<u>2,550,542</u>
DEFICIENCY (Note 3)		<u>\$ (993,429)</u>

The deficiency has been attributed to mineral properties

9. DEFERRED COSTS

Both Golden Arrow and Yellow Band had adopted the practice of writing off administration costs to deficit. Commonwealth Gold Corporation had been capitalizing administration costs as deferred costs but has written off administration costs at its year end of March 31, 1991.

10. SUBSEQUENT EVENTS

- (a) The Company is preparing a Statement of Material Facts to sell 2,500,000 Units to the public to net the treasury a minimum of \$1,156,250 after commission. Each Unit consists of one common share and one series "A" Warrant to purchase one additional share within one year.
- (b) A Director exercised his option to purchase 25,000 shares at a price of \$0.41 per share.

COMMONWEALTH GOLD CORPORATION (AMALGAMATED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1991

10. SUBSEQUENT EVENTS

- (c) An additional 600,000 shares were issued to two Directors at \$0.30 per share for the exercise of share purchase warrants. This represents the \$180,000 item on the Balance Sheet entitled "shares subscribed".
- (d) The Company granted new options to purchase 715,000 shares at a price of \$0.45 per share expiring March 14, 1993.
- (e) The \$14,000 payment due on the 28 Claim Benoist Township, Quebec property was paid.
- (f) The Company is negotiating for approximately \$500,000 in Flow Through Funds to be spent on its property in the Freewest - Benoist Township area of North West Quebec.
- (g) The Company was granted an option to purchase a 35% interest in the Watson Bar Property located in the Clinton Mining Division of B.C. In order to exercise the option the Company must incur \$900,000 in exploration expenses in 1991, of which the first \$400,000 is a guaranteed commitment and shall be deposited in an Escrow account by July 15, 1991; and \$200,000 of expenditures in 1992. A finder's fee is payable on the transaction.
- (h) The Company was granted a three year option to purchase a 50% interest in 63 mining claims located in Benoist Township, Quebec, for 100,000 shares of the Company and \$200,000 by March 31, 1993 and by incurring \$750,000 exploration expenses by March 31, 1994. The 100,000 shares have now been issued.
- (i) A further 37,500 shares of the Company were issued for the Shaeffer Property mentioned in Note 3H.
- (j) A further 50,000 shares of the Company were issued for the RB 1-2 Claims mentioned in Note 3F.
- (k) The Company received the 100,000 shares of Golden Ring Resources and \$20,000 cash related to the Rainbow property mentioned in Note 3E. The Shares were sold for proceeds of \$35,208.

SUMMARY REPORT
on the
WATSON BAR PROPERTY
CLINTON MINING DIVISION, B.C.
for
COMMONWEALTH GOLD CORPORATION

April 8th, 1991

TABLE OF CONTENTS

	Page
INTRODUCTION	1
SUMMARY	3
PROPERTY AND OWNERSHIP	4
Table I - List of Claims	4
LOCATION AND ACCESS	6
PREVIOUS WORK	7
CONCLUSIONS AND RECOMMENDATIONS	11
COST ESTIMATES	11
CERTIFICATE OF QUALIFICATIONS	13

List of Illustrations

Figure 1	General Location Map; scale 1:10 million	2
Figure 2	Claim Map; scale 1:100,000	5
Figure 3	Generalised Geology map; scale 1:250,000	8

INTRODUCTION

Commonwealth Gold Corporation, a Vancouver based junior resource company, can acquire 50% of the interest held by Cyprus Gold (Canada) Ltd. in the Watson Bar gold property. Under the terms of the Earn - in Agreement dated March 8th, 1991, Commonwealth Gold Corporation shall acquire a 35% beneficial interest in the Property by making certain Exploration Expenditures over a two year period. This interest represents 50% of Cyprus' interest in the property.

The Watson Bar gold property is located in the Clinton Mining Division and consists of the Second, Ulcer, AJ, and DS Mineral Claims, 24 Claims totalling 444 units. The property is situated 33 kilometers due west of the village of Clinton, B.C., and 7 kilometers west of the Fraser River, centered at Latitude 51° 3' North and Longitude 122° 3' West, on Map sheet NTS 920 1/E.

The property was optioned by Cyprus Gold (Canada) Ltd. from Messrs. Durfeld and McClintock under the terms of the Property Acquisition Agreement dated October 10th, 1987. Cyprus Gold (Canada) Ltd. carried out a soil sampling and geological mapping program later in 1987, the results confirming the presence of large areas of hydrothermal alteration and silicification associated with arsenic, mercury and gold geochemical soil anomalies. In 1988 programs of detailed geological mapping, geochemical rock and soil sampling, trenching and geophysical surveying were carried out. Additional claims were acquired by staking later in 1988. An expanded program of geological mapping, sampling, geophysical surveying, backhoe trenching and diamond drilling was completed during 1989. Recommendations were made for further staged exploration programs.

The author was requested by the Directors of Commonwealth Gold Corporation to review the work carried out by Cyprus Gold (Canada) Ltd. and to prepare a Summary Report for inclusion with a Statement of Material Facts for submission to the Vancouver Stock Exchange in connection with the approval of the Earn - in Agreement. The author has not visited the property, but has reviewed Reports made available by Commonwealth Gold Corporation and has carried out literature research on the area.

This Summary Report presents the main points of the exploration programs carried out by Cyprus Gold (Canada) Ltd. on the property and is based on the Report titled :- " Report on the Geology, Geochemistry, Trenching, Induced Polarization and Diamond Drilling on the Watson Bar Project, Clinton Mining Division, B.C." prepared for Cyprus Gold (Canada) Ltd. by Rudolf M. Durfeld and Alvin M. Jackson, dated February, 1990, describing the work carried out during 1988 and 1989.

This Summary Report is intended to meet the requirements of the British Columbia Securities Commission and of the Vancouver Stock Exchange, in connection with filing of a Prospectus or other documents.

The more complete and comprehensive Report is available at the offices of Commonwealth Gold Corporation. Readers are referred to this Report for more complete data including maps, plans and references to technical reports and publications.

SUMMARY

Commonwealth Gold Corporation can acquire a 35% beneficial interest in the Watson Bar property from Cyprus Gold (Canada) Ltd. by making certain Exploration Expenditures over a two year period. Cyprus Gold (Canada) Ltd. are acquiring a 70% beneficial interest in the property from Messrs. Durfeld and McClintock under the terms of a Property Acquisition Agreement, dated October 10th, 1987.

Cyprus Gold (Canada) Ltd. carried out exploration work on the property in 1987, 1988, and 1989. The work included geological mapping, regional geochemical stream sediment sampling, grid geochemical soil sampling, hand and back-hoe trenching, Induced Polarization geophysical surveying and diamond drilling.

The exploration carried out to date has successfully identified four separate areas with significant gold mineralization in bedrock, only one of which has been tested by drilling. Fourteen Zones of interest were outlined by rock and soil geochemistry, characterized by anomalous values in gold, arsenic, and mercury and to a lesser extent by values in copper, lead, zinc, silver, and antimony. Twelve of these Zones have coincident or peripheral geophysical anomalies, in chargeability and resistivity. The nature of the mineralization and the large areas of silicification and hydrothermal alteration, associated with the mercury - arsenic - gold geochemistry, indicates there is good potential for high level epithermal gold deposits.

Recommendations are made for further staged exploration on the property. The Stage I program would consist of trenching on selected Zones to confirm the trends of the mineralization, followed by a combination of diamond and reverse circulation drilling. The Stage I program is estimated to cost \$175,000.00. The Stage II program would be contingent on favourable results from the Stage I program, and would consist of an expanded drilling program on the favourable areas defined by the Stage I program. There would also be ongoing exploration by means of trenching and deep soil sampling on other selected Zones to define additional drill targets. The Stage II program is estimated to cost \$225,000.00.

PROPERTY AND OWNERSHIP

Commonwealth Gold Corporation has negotiated an Earn - in agreement with Cyprus Gold (Canada) Ltd. to acquire 50% of Cyprus' working interest in the Watson Bar gold property by making specified exploration expenditures over a two year period.

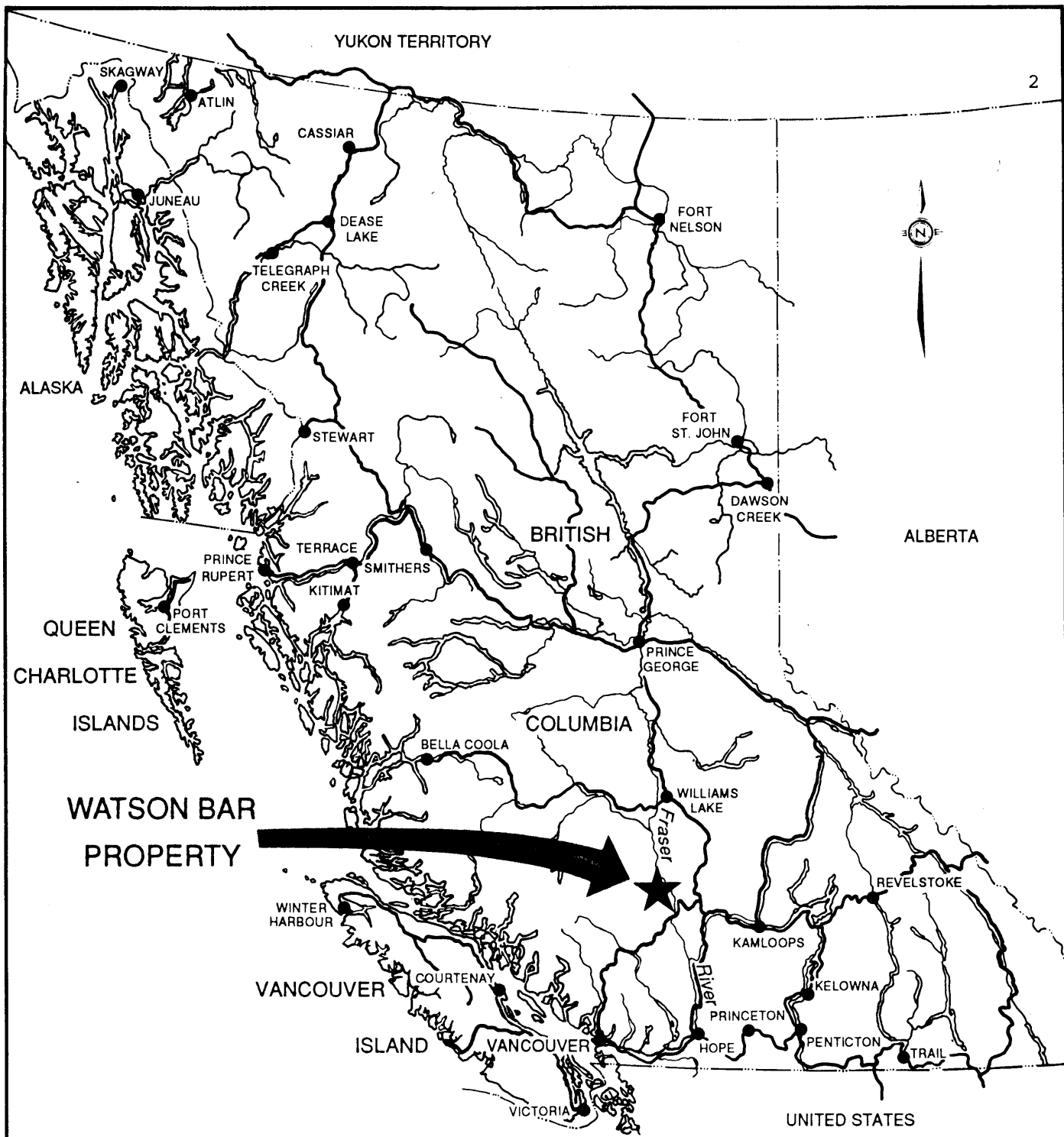
Cyprus Gold (Canada) Ltd will acquire a 70% legal and beneficial ownership of the Watson Bar gold property from the vendors, Rudolf M. Durfeld and John A. McClintock, upon completion of certain expenditures and payments as outlined in the Property Acquisition Agreement dated October 10, 1987.

The Property Acquisition Agreement covered the Second # 1 - 5 claims and the Ulcer # 1 claim, totalling 95 units, staked in 1986 and 1987. The AJ # 1 - 14 claims and the DS # 1 - 4 claims totalling 349 units were subsequently acquired by staking and included in the property under the area of interest clause specified in the Agreement. The claims are shown on the Claim Sketch, Figure 2, and listed in Table I following.

TABLE I

LIST OF CLAIMS

Claim Name	Record Number	Number of Units	Date of Record	Year of Expiry
Second #1	2082	20	19/09/'86	1993
Second #2	2083	20	19/09/'86	1993
Second #3	2097	10	16/10/'86	1993
Second #4	2098	12	16/10/'86	1993
Second #5	2298	18	29/06/'87	1996
Ulcer #1	2322	15	12/08/'87	1996
AJ #1	2823	20	19/12/'88	1992
AJ #2	2824	20	19/12/'88	1992
AJ #3	2825	20	19/12/'88	1992
AJ #4	2826	15	19/12/'88	1992
AJ #5	2827	20	19/12/'88	1992
AJ #6	2828	18	20/12/'88	1992
AJ #7	2831	20	22/12/'88	1992
AJ #8	2832	18	22/12/'88	1992
AJ #9	2829	20	22/12/'88	1992
AJ #10	2830	18	22/12/'88	1992
AJ #11	2833	20	07/01/'89	1993
AJ #12	2834	20	08/01/'89	1993
AJ #13	2835	20	08/01/'89	1993
AJ #14	2836	20	08/01/'89	1993
DS #1	2900	20	20/02/'89	1993
DS #2	2901	20	20/02/'89	1993
DS #3	2902	20	20/02/'89	1993
DS #4	2903	20	20/02/'89	1993

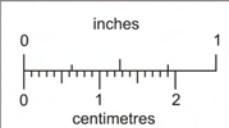


**WATSON BAR
PROPERTY**

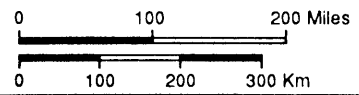
COMMONWEALTH GOLD CORPORATION

WATSON BAR PROPERTY

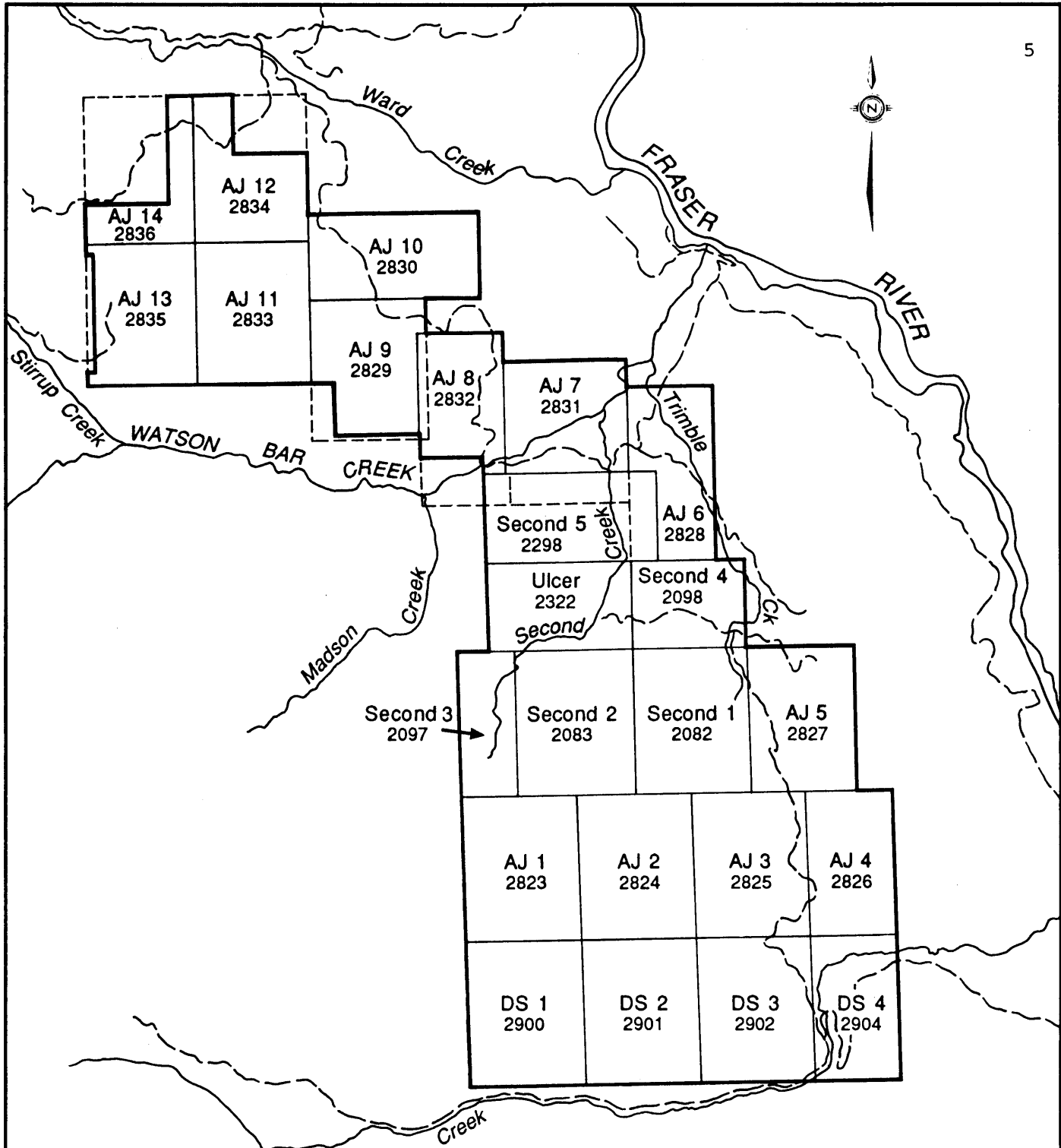
GENERAL LOCATION MAP



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



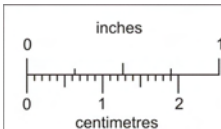
DRAWN BY: XY3 DESIGNED BY: GDH APRIL 1991
FIGURE 1



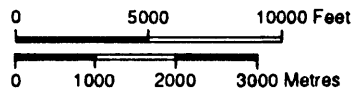
COMMONWEALTH GOLD CORPORATION

WATSON BAR PROPERTY

CLAIM SKETCH



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



DRAWN BY: XY3

DESIGNED BY: GDH

APRIL 1991
FIGURE 2

LOCATION AND ACCESS

The Watson Bar gold property consists of 24 Modified Grid claims containing a total of 444 units. The claims are located in the Clinton Mining Division in south central British Columbia, situated 33 kilometers due west of the town of Clinton and 7 kilometers west of the Fraser River. The property is centred at Latitude $51^{\circ} 3'$ North and Longitude $122^{\circ} 3'$ West, shown on Map Sheet NTS 920 1/E, at a scale of 1:50,000.

Access to the property can be had by the all-weather Slok Creek logging road from the village of Lillooet, a distance of 71 kilometers, or by helicopter from either Williams Lake or Lillooet. The Slok Creek logging road runs through the property, and with a network of secondary logging roads and cat trails provides good access to much of the property.

The property is bisected by the broad and steep valley of Watson Bar Creek, and by the narrow, "V" shaped immature valleys of Second Creek and its tributaries. Elevations on the property vary from 400 meters in Watson Bar Creek to over 2,000 meters on the summits near Hogback Mountain to the south.

The vegetation cover on the property is characterized by open forests of mature fir and pine, with the grassy undergrowth typical of the dry climate of the Interior. In the lower elevations towards Watson Bar Creek the timber gives way to Sage brush, tumbleweed and bunch grasses. In localized areas of recent forest fires the forest cover consists of closely spaced immature pine and fir.

The climate of the area is typical of the central Interior of British Columbia, with mean annual precipitation of less than 30 centimeters, usually falling as snow during the winter. The summers are dry and hot with little rainfall, while the winters are cold with moderate to heavy snow falls.

PREVIOUS WORK

The earliest mining activity in the area was related to the placer gold mining operations on the Fraser River from 1860 to 1900. The lower reaches of Watson Bar Creek were mined for placer gold and several old pits and adits from this period occur in the vicinity of the present claims. Intermittent placer mining continues to the present.






The area was mapped by the Geological Survey of Canada in the 1940's, Memoir 262, Duffel & McTaggard, 1950, and again in the 1970's, Open File Report 534, Tipper, 1978. The Geological Survey Branch of the British Columbia Ministry of Energy, Mines and Petroleum Resources mapped the country to the north and west during the period from 1986 to 1990, based on the Bridge River-Bralorne Gold Camp, covering the area lying west of the Yalakom Fault, while the Tertiary sediments of the Fraser River from Lytton to the Gang Ranch were mapped in 1987, P.B. Read, Paper 1988-29.

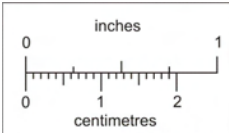
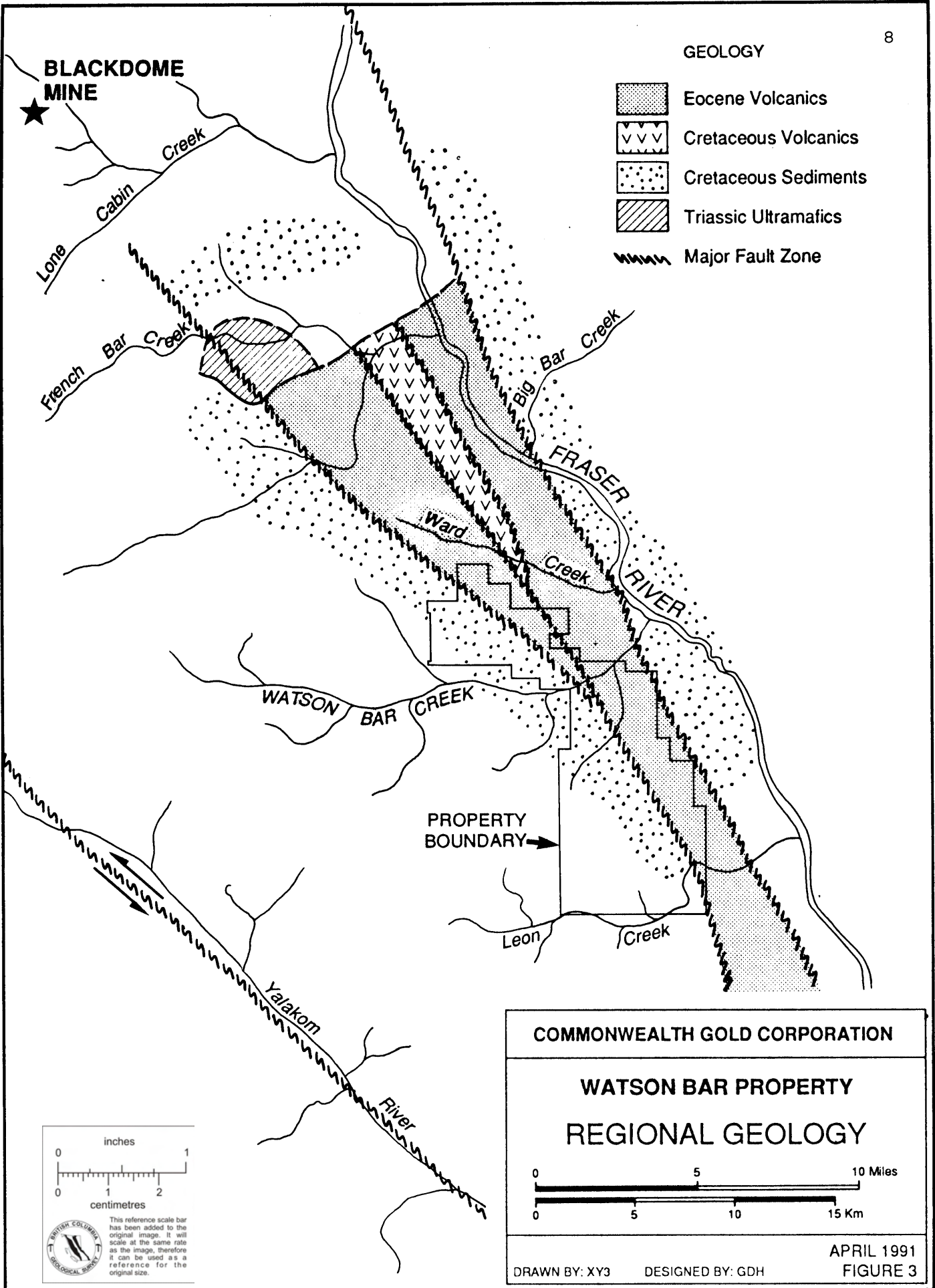
The major part of the property is underlain by lower Cretaceous sediments of the Jackass Mountain Group, broken by northwesterly trending splays of the Fraser River Fault. In the central part of the property a north-westerly trending splay of the Fraser River Fault has brought the sandstones of the lower Cretaceous Jackass Mountain Group in contact with the phyric andesites of the Spences Bridge Group of middle Cretaceous age. The Spences Bridge Group pinches out to the northwest on another splay of the Fraser River Fault which brings the Jackass Mountain Group in contact with rhyolitic and dacitic volcanics of Eocene age. The sediments and volcanic rocks are locally intruded by irregular stocks and related dykes of granodiorite, probably of late Cretaceous or early Tertiary age. All these rock types are intruded by later granitic dykes, sills and quartz porphyry dykes which may be related to the Eocene volcanics. The geology of the property is illustrated in Figure 3 - General Geology.

In 1980 E & B Explorations Ltd staked the Carolyn claims on the Watson Bar property to cover large alteration zones hosted by sediments of the Cretaceous Jackass Mountain Group. Exploration consisted of prospecting, contour geochemical soil sampling and rock geochemistry, and identified northwesterly trending zones of silicification, kaolinization, and carbonate alteration with coincident anomalies in arsenic, mercury and gold. The area south of the Carolyn claims was staked by Dome Mines Ltd. in 1980, prospecting and geochemical soil sampling programs were carried out on the claims. All of these claims were subsequently allowed to lapse.


The areas of alteration and silicification were staked by Durfeld and McClintock in 1986, who carried out some exploration work and acquired additional claims in 1987. Cyprus Gold

GEOLOGY

-  Eocene Volcanics
-  Cretaceous Volcanics
-  Cretaceous Sediments
-  Triassic Ultramafics
-  Major Fault Zone

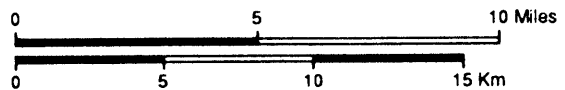


This reference scale bar has been added to the original image. It will scale at the same rate as the image, therefore it can be used as a reference for the original size.



COMMONWEALTH GOLD CORPORATION

WATSON BAR PROPERTY
REGIONAL GEOLOGY



DRAWN BY: XY3

DESIGNED BY: GDH

APRIL 1991
FIGURE 3

(Canada) Ltd. optioned the property in 1987, recognising the geological setting, alteration and associated geochemistry as characteristics of an epithermal style of mineralization. A program of grid geochemical soil sampling and detailed geological mapping was carried out late in 1987 over the Second claims and located six zones of intense silicification and argillic alteration in a 3,500m by 1,500m area of hydrothermally altered sedimentary and intrusive rocks. The soil sampling outlined five zones with anomalous arsenic and mercury values associated with smaller and less intense gold anomalies. Detailed geological mapping, trenching and rock chip sampling as well as an Induced Polarization Survey were carried out in 1988 to identify the most prospective areas within the broader zones of hydrothermal alteration and associated geochemical anomalies. A zone of gold bearing quartz veins was discovered by trenching on a gold - arsenic soil anomaly, rock chip sampling returned an assay of 0.27 Troy ounces per short ton (9.26 grams/tonne) over 49.2 feet (15 meters).

The 1989 exploration program was expanded to include additional claim acquisition, grid soil geochemistry, Induced Polarization surveying, trenching and diamond drilling. Regional stream silt sampling was carried out early in the season over most of the property, and based on the results of this survey three compass grids were put in during the 1989 program, the Northwest grid north of Watson Bar Creek, the Central grid - the largest grid - centred on Second Creek, and the Southeast grid lying to the southeast of the Central grid within the Second # 1 claim. The grid lines totalled about 125 Kilometers, soil samples were generally taken every 20 meters on the grid lines spaced at 100 meter intervals. The anomalous zones were subsequently confirmed by the excavation of deep sample pits.

The results of the soil sampling programs outlined fourteen zones within the Central grid which are anomalous in gold, with values greater than 15 ppb. These zones are also anomalous in arsenic, but only nine of the fourteen are anomalous in mercury. The results of the surveys on the Northwest and Southeast grids did not disclose any anomalous zones, although some areas returned geochemical soil values above 15 ppb. Several of the streams in the Southeast grid had returned highly anomalous values in gold but the grid soil samples failed to locate the source of the high values.

The follow up confirmation sampling of the zones of anomalous gold values by the excavation and sampling of deep pits showed that the surface soils were depleted in gold relative to samples taken at depth. Several of the anomalous zones were subsequently trenched and the sources of the gold values located. One example of the sources was on Zone V where a series of quartz - sulphide veins were located and sampled, returning values of 0.38 Troy ounces per short ton (13.03 grams/tonne) over 52 feet (16 meters). The fact that areas weakly anomalous in gold (<40 ppb) were shown to be sourced by

significant gold mineralization indicates that all "gold in soil" anomalies greater than 40 ppb warrant detailed evaluation. The soil geochemical survey indicated that zones of gold mineralization on the property invariably had a strong arsenic expression, while areas anomalous in mercury, if associated with arsenic and even weak gold values, warranted detailed follow up work.

The fourteen anomalous zones within the Central grid were tested by hand trenching during the 1988 program and by bulldozer and back - hoe trenching in 1989. Rock sampling was carried out over all the zones as well, generally before the machine trenching in order to define a priority for the trenching programs. Zones V, VIII, IX, and X were trenched by back hoe or bulldozer after initial rock sampling had shown many samples were anomalous to strongly anomalous in gold, associated with strong to very strong arsenic anomalies (>100,000 ppm) and weak to moderate mercury anomalies. The sources of the mineralization were found to be quartz - sulphide veins and disseminations in altered sedimentary, volcanic and intrusive rocks.

A total of 56 line kilometers of Geophysical surveying, Induced Polarization Surveying, has been carried out in three separate programs over most of the Zones, except for Zones VIII, IX, XI, XIV and parts of Zones V, XI, XII, and XIII. The surveys were designed to outline the bedrock geology as well as delimit the alteration zones. It was found that the areas of silicification returned high resistivity values and areas of sulphide mineralization returned high chargeability values. The surveys outlined areas within the Zones that warrant further detailed exploration.

A total of 5,813 feet (1,771.3 meters) of HQ diamond core drilling in 13 holes was carried out on Zones II, V, and VII in 1989. Eleven of the holes were drilled on Zone V, where the quartz - sulphide veins uncovered by trenching were tested down dip by diamond drilling. Sampling of mineralized drill core returned values such as the samples from DDH 89 - 1, 0.58 Troy ounces per short ton (19.88 grams/tonne) over 16.4 feet (5 meters), and the samples from DDH 89 - 12 which returned 0.21 Troy ounces per short ton (7.2 grams/tonne) over 13 feet (4 meters).

CONCLUSIONS AND RECOMMENDATIONS

The work carried out to date on the Watson Bar property has been successful in identifying four separate areas with significant gold mineralization in bedrock, only one of which has been tested by drilling to date. The nature of the mineralization and the associated mercury - arsenic - antimony geochemistry indicates good potential for a high level epithermal gold deposit. Fourteen zones of interest have been identified by rock and soil geochemistry, characterized by combinations of the elements gold, arsenic, and mercury, and to a lesser extent copper, lead, zinc, silver, and antimony. Twelve of these zones have coincident or peripheral chargeability and resistivity anomalies.

Recommendations have been made for further staged exploration work on the property. The Stage I program would consist of limited trenching on Zones VIII, IX, and X to confirm the trends of the mineralization, followed by a combination of diamond and reverse circulation drilling. The Stage II program would be contingent upon favourable results from the Stage I program and should consist of an expanded drilling program on the favourable areas defined by the Stage I program. Ongoing exploration by means of trenching and deep soil sampling should be carried out in Zones IV, XI, XII, and XIII to define additional drill targets.

The following Cost Estimates are based on the Recommendations in the Report by Durfeld and Jackson, but have been modified and expanded to better reflect the work commitments outlined in the Agreement between Commonwealth Gold Corporation and Cyprus Gold (Canada) Ltd..

COST ESTIMATES

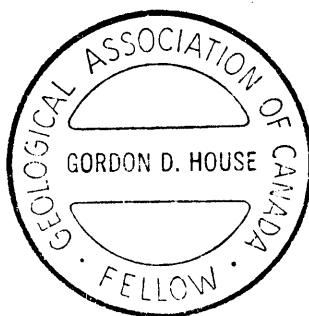
STAGE I

Limited trenching of Zones VIII, IX and X to confirm trends of mineralization	\$7,500.00
Drilling, Diamond Core drilling and Reverse Circulation drilling	
2,000 feet of HQ @ \$35.00/foot all up	\$70,000.00
3,000 feet of RC @ \$15.00/foot all up	\$45,000.00
Assaying of core, chips and trench samples allow for 1,000 samples @ \$15.00/sample	\$15,000.00
Road and drill site construction, allow	\$7,500.00
Geology, engineering and supervision, allow	\$30,000.00
	<hr/>
TOTAL - STAGE I	\$175,000.00

STAGE II

Expanded deep soil sampling over Zones IV, XI, XII, XIII, say 100 Km. @ \$330.00/Km.	\$33,000.00
Trenching of new anomalies, allow	\$10,000.00
Detailed Diamond drilling of favourable targets from Stage I drilling, 3,500 ft. of HQ @ \$35.00/foot all up	\$122,500.00
Assaying of drill core, trench samples, etc., allow	\$21,000.00
Road and drill site construction, allow	\$8,500.00
Geology, engineering and supervision, allow	\$30,000.00
	<hr/>
TOTAL - STAGE II	\$225,000.00
	<hr/>
TOTAL - STAGE I & STAGE II	\$400,000.00

Respectfully submitted

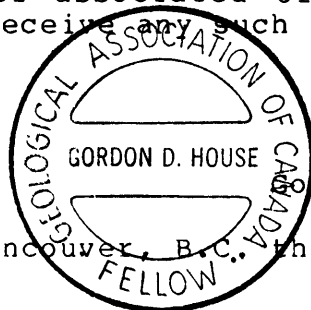


Gordon D. House
Gordon D. House, F.G.A.C.

CERTIFICATE OF QUALIFICATIONS

I, Gordon D. House, of North Vancouver, British Columbia, DO HEREBY CERTIFY:

1. That I am a Consulting Geologist with business office at #203 - 4001 Mount Seymour Parkway, North Vancouver, B.C., V7G 1C2.
2. That I am a graduate of Trinity College, Dublin, in 1961 with a B.A. in Honors Natural Science - Geology. I received a M.S. degree in Geology from the University of Alaska, Fairbanks, in 1980.
3. That I am a Member of the Institution of Mining and Metallurgy, London, and a Registered Chartered Engineer with the Council of Engineering Institutions, London. I am a Fellow of the Geological Society, London; a Member of the Society for Mining, Metallurgy, and Exploration of the American Institute of Mining, Metallurgical and Petroleum Engineers; a Member of the Canadian Institute of Mining and Metallurgy; and a Fellow of the Geological Association of Canada.
4. That I have practised my profession as a Geologist since 1962 in Ireland and West Africa; since 1965 in British Columbia, Yukon, Northwest Territories, Ontario, Saskatchewan, Manitoba, Nova Scotia, Alaska, Arizona, California, Nevada, Oregon, and Idaho. I have undertaken professional visits to Australia, Fiji, Germany, Mexico, New Zealand, South Africa and Turkey.
5. That the information, opinions, and recommendations in this Report are based on my review of the Report on the Watson Bar Property, Clinton Mining Division, B.C. prepared for Cyprus Gold (Canada) Ltd. by Rudolf M. Durfeld, B.Sc. and Alvin W. Jackson, B. Sc. dated February 1990, and on my research of literature on the area.
6. That I have not visited the Watson Bar Gold property, nor have I worked on any adjoining or adjacent properties.
7. That I have no direct or indirect interest in any of the subject properties of this report, nor in the shares or securities of Commonwealth Gold Corporation or Cyprus Gold (Canada) Ltd., or associated or affiliated companies, nor do I expect to receive any such interest.



Gordon D. House

Gordon D. House, M.S., F.G.A.C.

Dated at North Vancouver, B.C. this 8th day of April, 1991.

GORDON D. HOUSE & ASSOCIATES
P.O. BOX 91553
WEST VANCOUVER, B.C.
CANADA V7G 3P2
Telephone (604)-929-1383
April 10th, 1991

Commonwealth Gold Corporation
710 - 580 Hornby Street
Vancouver, B.C.
V6B 3G6

Dear Sirs:

This letter will provide your authority to use the Summary Report on the Watson Bar Property, Clinton Mining Division, B.C. prepared by Gordon D. House for Commonwealth Gold Corporation, for the purposes of filing with the Office of the Superintendent of Brokers and Real Estate of the British Columbia Ministry of Finance and Corporate Relations, or with the Vancouver Stock Exchange, in connection with the filing of a Prospectus or other similar documents.

In granting this permission I assume that the Report is to be filed or reproduced in its entirety. If this is not the case I reserve the right to review any abridged or altered versions prior to publication to ensure that the original sense is maintained.

Yours very truly,


Gordon D. House, M.S., F.G.A.C.

CERTIFICATE OF THE ISSUER

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

DATED: August 27, 1991



Bevan W. Anderson
President

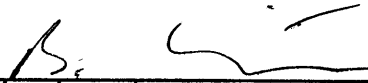


D. Bruce Horton
Secretary

ON BEHALF OF THE BOARD OF DIRECTORS



Mihkel Kangro



Benjamin Ainsworth

PROMOTER



Douglas L. Mason

CERTIFICATE OF THE AGENTS

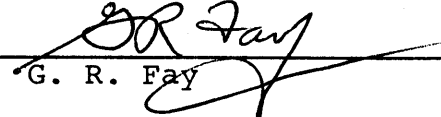
To the best of our knowledge, information, and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Statement of Material Facts as required by the Securities Act and its regulations.

DATED: August 27, 1991

L.O.M. WESTERN SECURITIES LTD.

Per: 
Peter M. Brown

YORKTON SECURITIES INC.

Per: 
G. R. Fay