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Initial Public Offering

May 12, 1987



CHENI GOLD MINES INC.

\$37,000,000
4,000,000 Units

and
3,000,000 Common Shares

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PROPERTY FILE

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Each Unit consists of one common share (a "Common Share") of Cheni Gold Mines Inc. (the "Corporation") and one-half of a common share purchase warrant (a "Warrant"). The 3,000,000 Common Shares offered hereby will be purchased by Cheni Canada Inc. ("Cheni Canada").

Common Share Purchase Warrants

One whole Warrant will entitle the holder thereof to purchase one Common Share for \$6.00 at any time after July 31, 1987 (the "Record Date") up to and including November 29, 1990, after which the Warrant will be null and void. The half Warrant may not be separated from its corresponding Common Share up to and including the Record Date. The Warrants will be issued in bearer form. The Corporation has allocated \$5.00 of the \$5.50 price per Unit for the Common Share and \$0.50 for the one-half of a Warrant. See "Details of the Offering" and "Federal Income Tax Considerations".

The Montreal, Toronto and Vancouver stock exchanges have conditionally approved the listing of the Units, the Common Shares and the Warrants. The listings are subject to the Corporation fulfilling all of the requirements of such exchanges on or before August 1, 1987, including distribution of the Units to a minimum number of public holders.

The respective prices of the Units, Common Shares and Warrants were determined by negotiation between the Corporation and the Underwriters. The portion of the Unit price allocated to the Common Share exceeds the net tangible book value per Common Share as at December 31, 1986 by \$1.61, a dilution of 32.2%, after giving effect to this offering but before giving effect to the exercise of any Warrants and of the Underwriters' option. See "Dilution". **The purchase of Units should be regarded as speculative due to the nature of the Corporation's business and its present stage of development.** See "Risk Factors".

PRICE: \$5.50 per Unit

The Corporation has agreed to sell, and Cheni Canada has agreed to purchase, concurrently with the sale of the Units to the public, the 3,000,000 Common Shares offered hereby at the price of \$5.00 per share, being the price allocated to each Common Share included in the Units (see "Concurrent Purchase of Common Shares"). No fee will be paid to the Underwriters with respect to the sale of Common Shares to Cheni Canada.

	<u>Issue Price</u>	<u>Underwriters' Fees</u>	<u>Net Proceeds to the Corporation (1)</u>
Per Unit to the public	\$5.50	\$0.3575	\$5.1425
Per Common Share to Cheni Canada	\$5.00	—	\$5.00
Total (2)	—	\$1,430,000	\$35,570,000

(1) Before deducting expenses of the offering estimated at \$400,000.

(2) The Corporation has granted the Underwriters an option to purchase up to 200,000 additional Units at the price of \$5.50 per Unit to cover over-allotments which, if fully exercised, will provide additional net proceeds of \$1,057,100 to the Corporation. In connection with the exercise of this option, the Corporation has agreed to pay the Underwriters a fee of \$0.2145 per additional Unit.

The Underwriters conditionally offer the Units offered hereby, subject to their prior sale, issue and delivery by the Corporation and their acceptance in accordance with the conditions contained in the underwriting agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Corporation by Ogilvy, Renault of Montreal and on behalf of the Underwriters by Aird & Berlis of Toronto.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of this offering will take place on May 29, 1987, or such other date as may be agreed upon, but not later than June 23, 1987 (the "Closing Date"). Legended share certificates representing the Units and certificates representing the Common Shares will be available for delivery on the Closing Date. Up to and including the Record Date, the legended share certificates will represent Common Shares and their half Warrants and thereafter will represent only Common Shares. Certificates for the Warrants will be sent by the Corporation to the holders of legended share certificates registered as of the close of business on the Record Date.

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CURRENCY AND METRIC CONVERSIONS

All currency amounts in this prospectus are stated in Canadian dollars unless otherwise indicated. On May 11, 1987, the Bank of Canada noon rate of exchange for the conversion of United States dollars into Canadian dollars was \$1.3349 (Cdn. \$1.00 equals U.S. \$0.7491).

On May 11, 1987, the afternoon fixing price of gold on the London Bullion Market was U.S. \$453.00 (Cdn. \$604.71) per ounce and, on the same date, the closing price for silver on the New York Commodities Exchange was U.S. \$8.56 (Cdn. \$11.427) per ounce for delivery May, 1987.

Conversion from Imperial into equivalent metric units can be made as follows:

<u>To Convert</u>	<u>To Metric Measurement Units</u>	<u>Multiply by</u>
Acres	Hectares	0.4047
Feet	Metres	0.3048
Miles	Kilometres	1.6093
Ounces (troy) ("ounces" or "oz")	Grams	31.1035
Tons	Tonnes	0.9072
Ounces (troy)/ton	Grams/tonnes	34.2857

PROSPECTUS SUMMARY

The Offering

Amount:	\$37,000,000 (up to a maximum of \$38,100,000).
Issue:	4,000,000 Units (up to a maximum of 4,200,000 Units), each Unit consisting of one Common Share and one-half of a Common Share Purchase Warrant, and 3,000,000 Common Shares.
Price:	\$5.50 per Unit and \$5.00 per Common Share.
Purchase by Cheni Canada:	Cheni Canada has agreed to purchase the 3,000,000 Common Shares concurrently offered hereby.
Warrants:	One whole Warrant will entitle the holder thereof to purchase one Common Share for \$6.00 at any time after the Record Date up to and including November 29, 1990, after which the Warrant will be null and void.
Use of Proceeds:	The net proceeds of this offering, together with the loan from the Province of British Columbia mentioned below, will be used principally to develop and place into commercial production the Corporation's Lawyers property in the Toodoggone area of north-central British Columbia (the "Lawyers Project").
Financial and Technical Assistance:	The Province of British Columbia has agreed to provide financial assistance for the construction of a summer access road to the Lawyers property by way of a loan of one-half of the cost of construction up to a maximum loan amount of \$4,500,000. The loan is repayable and bears interest only after the expiration of a 120-day break-in period after commencement of production and then only while the composite price of gold and silver exceeds a specified level. The loan is also forgivable under certain circumstances. Cheni SA has undertaken to provide the Corporation with an unsecured line of credit of up to \$3,250,000 to finance the completion of the Lawyers Project, if required. Bureau de Recherches Géologiques et Minières ("BRGM"), an industrial and commercial entity created by the Government of France, has agreed to provide the Corporation with technical assistance.
Risk Factors:	Prospective purchasers should consider, among other things, the risks normally encountered in the mining business, fluctuations in the prices of gold and silver and aboriginal claims. See "Location and Access", "Title" and "Risk Factors".

Cheni Gold Mines Inc.

The Corporation is engaged in mineral exploration and development activities. In recent years, such activities have been concentrated principally on its Lawyers property in north-central British Columbia which is now entering the preproduction stage. The Corporation expects to commence production of gold and silver from its Lawyers property by the first quarter of 1989, with an estimated annual average production of approximately 38,000 ounces of gold and 1,000,000 ounces of silver. The Corporation also intends to pursue its exploration activities on all its properties and may, as circumstances permit, acquire other properties with potential for near-term gold production.

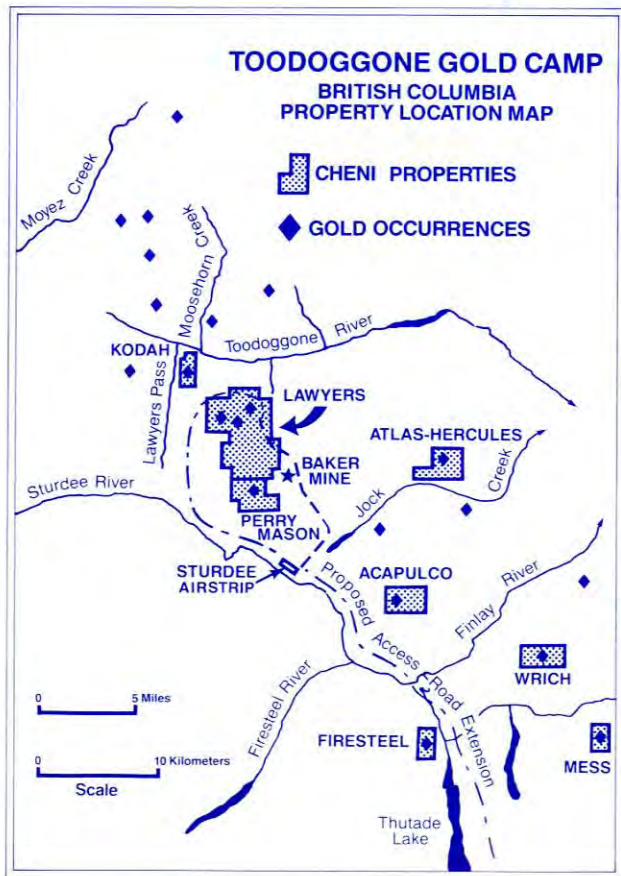
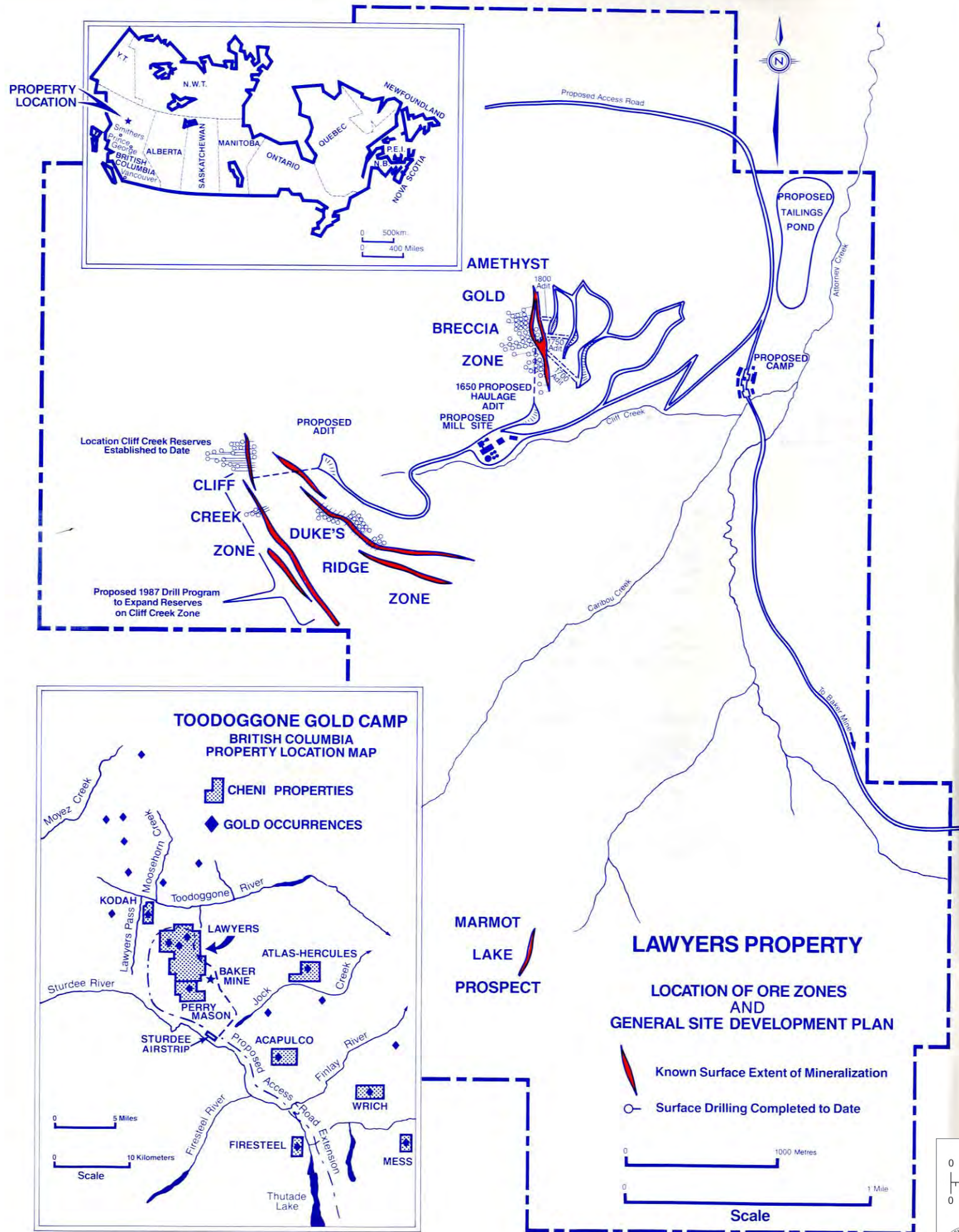
The Corporation has no long-term debt and has available, in addition to amounts expended to place the Lawyers property into commercial production, tax pools of approximately \$28,697,000 which may be used to reduce future taxable income.

The Lawyers Project

The Corporation's independent consultant, Wright Engineers Limited ("Wright"), has calculated proven and probable mineable ore reserves to date on the Lawyers property at 1,037,600 tons grading 0.209 ounce of gold per ton and 7.57 ounces of silver per ton. At the approximate gold/silver price ratio of 70 to one, the 7.57 ounces of silver per ton equates in value to 0.108 ounce of gold per ton, resulting in a total combined gold and silver content of 0.317 equivalent ounce of gold per ton ("gold equivalent").

Wright has estimated the total initial capital cost of placing the Lawyers property into commercial production at approximately \$35,900,000 (including \$6,500,000 to build the access road, one-half of which amount will be loaned to the Corporation by the Province of British Columbia) and the average operating costs at \$73.83 per ton of ore. At full production, operating costs are expected to be approximately U.S. \$206 (Cdn. \$275) per gold equivalent ounce produced. All costs are expressed in terms of constant 1987 dollars.

This a summary only and reference is made to the more detailed information appearing elsewhere in the prospectus.



THE CORPORATION

The Corporation was incorporated pursuant to the Canada Corporations Act on December 28, 1966 under the name S.E.R.E.M. Ltd. and was continued under the Canada Business Corporations Act on January 24, 1980 under the name Serem Ltd. On March 25, 1987, the Corporation obtained a Certificate of Amendment to change its name to its present form and to modify its share capital and, on May 11, 1987, the Corporation filed Articles of Amendment to subdivide its then outstanding 102,512 Common Shares into 3,800,000 Common Shares and to reduce by an amount of \$13,787,964 the stated capital account related to the Common Shares, thereby reducing the Corporation's deficit by an equivalent amount. The registered office and principal place of business of the Corporation is located at 1055 West Georgia Street, Vancouver, British Columbia, Canada V6E 3R5.

BUSINESS OF THE CORPORATION

General

The Corporation is engaged in mineral exploration and development activities. Since 1985, the Corporation has concentrated its activities mainly on its Lawyers property in north-central British Columbia. Proven and probable reserves of gold and silver have been delineated by extensive underground development work on this property and the property is now entering the preproduction stage (the "Lawyers Project"). Commercial production is expected to commence by the first quarter of 1989 at a projected rate of 550 tons per day with an estimated average annual production of approximately 38,000 ounces of gold and 1,000,000 ounces of silver. In addition, the Corporation proposes to expend approximately \$500,000 in each of 1987 and 1988 on further detailed exploration drilling on the Lawyers property to extend ore reserves.

Gold and silver values have been discovered by the Corporation on its Toadoggone properties which are located in the immediate vicinity of its Lawyers property and the Corporation also intends to pursue its exploration activities on these properties.

As circumstances permit, the Corporation may acquire other properties with potential for near-term gold production.

The Lawyers Project

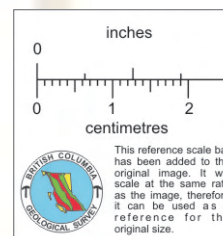
Location and Access

The Lawyers property consists of a single claim group of 156 units covering 15 square miles located in the Toadoggone area of the Omineca Mining District of north-central British Columbia, approximately 175 miles north of the town of Smithers.

At present, the property is accessible only by helicopter or by fixed-wing aircraft using a 5,300-foot gravel airstrip at Sturdee Valley, 14 miles by gravel road south of the property. The airstrip is capable of handling aircraft up to the size of a Hercules.

With the financial assistance of the Province of British Columbia, the Corporation will build a 64.3-mile gravel extension to the Omineca mining access road from its present terminus at Moose Valley to the Sturdee Valley airstrip and through Lawyers Pass to the property. Preliminary layout and bridge design have already been carried out by a local engineering firm and tenders have been called for construction. The road will be constructed in 1987, prior to major on-site construction activity, and will be used as a summer access road for the transportation of fuel and bulk supplies. During the winter months, the road will be closed and light freight will be transported by air.

A part of the existing road (immediately south of Moose Valley) as well as parts of the proposed extension (immediately north of Moose Valley and at the northern end of Thutade Lake) are included within the boundaries of a native land claim instituted in the Supreme Court of British Columbia by the Gitksan-Wet'suwet'en Tribal Council against the Attorney General of British Columbia and the Attorney General of Canada. This claim, which seeks confirmation of native ownership and jurisdiction as well as compensation for wrongful uses, covers some 22,000 square miles of land in British Columbia and includes the towns of Smithers and Hazelton. The Supreme Court of British Columbia began hearing this claim on May 11, 1987. The Corporation is not in a position to assess the validity of the Gitksan-Wet'suwet'en claim. The existing Omineca mining access road, together with most of the proposed extension thereto, also falls within territorial claims asserted by the Carrier-Sekani Tribal Council. The Corporation is not aware of any legal action having been instituted by the Carrier-Sekani Tribal Council.



of underground development work have been completed to date, strikes north-south and extends for at least 1,800 feet with widths of up to 40 feet. The Cliff Creek Zone, a parallel zone which lies approximately 1.2 miles to the west of the AGB Zone, extends for a strike length of at least 1.0 mile. Approximately 18,095 feet of diamond drilling has been carried out on the north end of this zone but only over a strike length of about 680 feet and to a depth of 860 feet. To date, no underground work has been carried out on this zone. The Duke's Ridge Zone, discovered in 1982 and extending for at least 4,000 feet, is a cross structure between the Cliff Creek Zone and the AGB Zone. To date, only shallow preliminary drilling has been carried out on this zone over a strike length of approximately 1,470 feet while the balance has been exposed by surface trenching.

Ore Reserves

The Corporation retained Wright Engineers Limited ("Wright"), 1444 Alberni Street, Vancouver, British Columbia, Canada V6E 2Z4, in the fall of 1984 to carry out a preliminary feasibility study of the Lawyers Project and, in June 1985, commissioned a full feasibility report. In its report entitled "Technical/Economic Study" dated January 1986, which was updated by a report dated March 1987 (the "Wright Report"), Wright estimated the mineable ore reserves of the Lawyers Project to be as follows:

Zone	Classification	Estimated Tons	Grade		Gold Equivalent oz/ton (1)
			Silver oz/ton	Gold oz/ton	
AGB.....	proven	498,900	7.69	0.243	0.353
Cliff Creek.....	probable	463,300	7.61	0.170	0.279
Duke's Ridge.....	probable	75,400	6.59	0.230	0.324
Total/Weighted average.....		1,037,600 (2)	7.57	0.209	0.317

(1) At a gold/silver price ratio of 70 oz of silver to 1.0 oz of gold.

(2) Mineable ore reserves have been taken as 95% of the total of the proven and probable geological ore reserves, using the conventional shrinkage stope mining method.

Wright independently verified the Corporation's sampling and assaying methods, conducted check sampling and assaying at a different laboratory and independently calculated the foregoing ore reserves.

In addition, the Corporation considers, and Wright has confirmed, that, with additional exploration effort, there is potential for an increase in reserves within the three zones explored to date since the three known zones are presently open at depth and on strike. Trenching at the south end of the Cliff Creek Zone has revealed gold and silver values over mineable widths comparable to the grades obtained by drilling at the north end. Approximately 20% of the known surface strike length of the three zones has been explored to date. The Lawyers property has additional exploration potential, as only 7% of the total surface area has been explored to date in any detail.

Feasibility Report

In addition to ore reserve calculations, the Wright Report includes the preliminary design of surface plant and facilities, initial mining plan, water management and tailings disposal, a comprehensive review of the proposed gold and silver processing and extraction methods and a study of rock mechanics. The Wright Report also proposes a construction schedule and presents a detailed estimate of capital and operating costs as well as a cash flow analysis using various parameters.

Based on the Wright Report and current gold and silver prices, the Corporation has decided to place the Lawyers property into commercial production at a rate of 550 tons per day. Production is expected to commence on the AGB Zone in early 1989 and, in 1992, on the Cliff Creek and Duke's Ridge zones. It is anticipated that, at full production, approximately 192,900 tons of ore will be milled annually, yielding an average of approximately 38,000 ounces of gold and 1,000,000 ounces of silver.

The Wright Report estimates the initial capital cost to place the Lawyers property into commercial production to be approximately as follows:

Mine development	\$ 3,400,000
Mill construction	8,900,000
Surface facilities and waste disposal	7,600,000
Access road	6,500,000*
Contingencies	2,700,000
Working capital	2,600,000
Indirect costs	4,200,000
Total	<u>\$35,900,000</u>

*Includes \$3,250,000 which will be loaned to the Corporation by the Province of British Columbia (see "Governmental Assistance").

In March 1986, the Corporation retained David S. Robertson & Associates ("Robertson"), a member of the Coopers & Lybrand Consulting Group, to review the initial Wright Report dated January 1986. In its report dated May 12, 1986 (the "Robertson Report"), Robertson confirmed the classification of the mineable reserves estimated by Wright as proven and probable, confirmed gold recovery at 95%, recommended a 75% silver recovery and considered Wright's estimated capital and operating costs as generally reasonable.

Mining

To date, the AGB Zone has been partially developed by adits on three levels at 165-foot intervals and interconnected by three raises which extend to surface. Approximately 780 feet of drifting, 3,494 feet of cross-cutting and 587 feet of raising have been carried out, of which 1,457 feet have been driven in ore to prove the continuity and consistency of the AGB Zone. No underground development work has yet been performed on the Cliff Creek or Duke's Ridge zones.

Based on Wright's recommended mine development plan, the Corporation proposes, as a first step after construction of the access road, to drive a lower adit on the AGB Zone for haulage purposes 165 feet below the lowest existing level. This adit will be equipped for rail tramping to the proposed mill site. It is proposed to access the Cliff Creek and Duke's Ridge zones in 1990 by an adit from the head of Cliff Creek valley, with ore haulage carried out by underground diesel trucks by means of internal ramps.

Based on the steeply dipping vein configuration and rock mechanic studies on the AGB Zone, Wright has recommended the conventional shrinkage stope method of mining for all three zones using diesel-powered scooptrams. The underground operation will be carried out on a three-shift-per-day basis, 350 days per year.

Based on the preliminary production and grade schedule prepared by Wright, which assumes that both proven and probable mineable ore reserves will be recovered, the following table summarizes mill feed and annual gold and silver production through 1993 based on mill recoveries of 95% for gold and 75% for silver:

Year	Mill Feed (tons)	Head Grade (oz/ton)		Ounces Produced (1)		
		Gold	Silver	Gold	Silver	Gold Equivalent (2)
1989 (3)	96,450	0.266	9.18	24,370	664,000	33,860
1990	192,900	0.240	8.32	43,980	1,204,000	61,180
1991	192,900	0.251	6.69	46,000	968,000	59,825
1992	192,900	0.175	6.50	32,070	940,000	45,505
1993	192,900	0.173	6.55	31,700	948,000	45,240

(1) The numbers shown have been rounded.

(2) At a gold/silver price ratio of 70 oz of silver to 1.0 oz of gold.

(3) Based on six months full production.

The mine plan has sufficient flexibility to permit the Corporation to select ore grades and mining methods in response to fluctuations in the prices of gold and silver. Accordingly, the Corporation will modify the mine plan from time to time in order to minimize mining costs while at the same time maximizing net cash flow.

Milling and Marketing

Wright has recommended the construction of a 550-ton-per-day mill to be located in the Cliff Creek valley, approximately equidistant from the three ore zones, with tailings disposal 1.5 miles further down the valley. The flowsheet, based on tests performed by Lakefield Research, a division of Falconbridge Limited ("Lakefield"), consists of a conventional process with two-stage crushing, grinding and primary cyanidation (which will recover most of the gold values) followed by flotation of the cyanide residue designed to recover most of the silver values and additional gold values when subjected to a strong cyanide leach. Precipitated gold and silver, using the conventional Merrill-Crowe process, will be refined in an on-site induction furnace to produce gold and silver bullion in doré bars which will be further refined off-site on a tolling basis. The Corporation will then sell the gold and silver at prevailing market prices. As management deems appropriate from time to time, price protection may be sought through hedging transactions.

Based on the Lakefield test results, Wright used mill recoveries at 95% for gold and 75% for silver; however, the Corporation believes, and Wright confirms, that it is reasonable to expect higher recoveries, particularly for silver, during actual milling operations because of superior leaching conditions in a full-scale plant. Sufficient flexibility is available in the flowsheet to adjust process conditions during operation to optimize recovery.

Tailings Disposal and Environmental Considerations

The tailings disposal system will be designed as a closed system. The tailings ponds will be located in the natural Attorney Creek valley and will be underlain with impervious glacial till. The tailings dam will be constructed in at least two stages with the water reclaimed for use in the mill process. Seepage will be monitored by a number of external wells below the dam. The above system has received approval in principle from the Province of British Columbia provided the Corporation meets certain governmental criteria which will be incorporated in the final tailings dam design.

The Corporation has retained Norecol Environmental Consultants Ltd. ("Norecol") to carry out extensive environmental studies for both the mine and the access road. On the basis of these studies, which were carried out in cooperation with Wright and applicable governmental authorities, the Province of British Columbia granted, on August 19, 1986, its approval in principle for the mine, at the projected milling rate of 550 tons per day, and for the access road. Subsequently, the Ministry of Energy, Mines and Petroleum Resources of the Province of British Columbia issued a reclamation permit for the mine. The approvals and permits obtained to date allow the Corporation to commence road construction, and approvals and permits with respect to site preparation and underground development are being applied for. Further permits will be applied for as required. The Province of British Columbia, in an agreement with the Corporation dated March 20, 1986, undertook to use its best efforts to coordinate and expedite all necessary further approvals to achieve commercial production.

Estimated Operating Costs

Based on its studies, preliminary plant design and recommended mining method, Wright has estimated the average operating costs per ton of ore milled, at the projected milling rate of approximately 192,900 tons per year and expressed in constant 1987 dollars, to be as follows:

	<u>Per ton Milled</u>
Mine	\$23.97
Mill	13.47
Plant and Administration	<u>36.39</u>
	<u>\$73.83</u>

For the first six months of production, Wright has estimated operating costs at \$87.12 per ton milled because of the additional manpower required during this period. Wright has calculated average operating costs in constant 1987 dollars over the life of the mine at \$275 per ounce of gold equivalent, or U.S. \$206, which places the project in an average cost position with respect to gold producers in the Western World.

Personnel

Wright estimates the operating work force of the Lawyers Project at 138 employees distributed as follows: 62 at the mine, 29 in the mill and 47 in administration, maintenance and camp operation, most of whom the Corporation anticipates will be recruited from communities in north-central British Columbia.

In the fall of 1987, the Corporation will erect permanent living quarters on-site to accommodate approximately 140 people who will work on a two-week-in, one-week-out rotation.

Governmental Assistance

Pursuant to an agreement dated March 20, 1986, as amended, entered into by the Minister of Energy, Mines and Petroleum Resources of the Province of British Columbia (the "Minister") and the Corporation, the Province of British Columbia will loan to the Corporation, provided certain conditions are met, one-half of the cost of construction of a 64.3-mile extension of the Omineca mining access road from Moose Valley to the site of the Lawyers mine, up to a maximum loan amount of \$4,500,000. The road, which is to be constructed and maintained by the Corporation, will be a private restricted access road.

The loan will be secured by a debenture creating a first fixed charge against the Lawyers Project assets until the mine is placed into commercial production and, thereafter, if required, will become subordinated. Repayment of the loan will be by fixed monthly installments commencing 120 days after the mine is placed into commercial production; however, installments are due only during those months when the price of a combination of an ounce of gold plus 50 ounces of silver reaches a certain level (the "Trigger Price"). Interest, at a rate equal to the prime rate of a specified Canadian chartered bank, will accrue only in those months when installments are due. At U.S. \$760, the first Trigger Price, monthly repayment installments are fixed at \$75,000 and will double to \$150,000 at U.S. \$900, the second Trigger Price. The first and second Trigger Prices will be adjusted monthly, using the United States Consumer Price Index, commencing 120 days after the mine is in production.

The outstanding balance of the loan is forgivable at the expiration of a three-year period following cessation of operations on the Lawyers Project or if, at any time after the expiration of a five-year period after the mine is in production, the Minister, in his sole discretion, determines that the access road is beneficial to users engaged in activities unrelated to the Lawyers Project.

Financial Assistance

Cheni SA, an affiliate of the Corporation, has undertaken, pursuant to a Financial Support Agreement dated May 12, 1987, to provide the Corporation with an unsecured line of credit of up to \$3,250,000 to finance the completion of the Lawyers Project, if required. Any loan made under this line of credit will be repayable from the first cash flow available following financing of the Corporation's ongoing operations, including exploration expenditures, and will bear interest at 1% above the rate charged to the Corporation by its bankers. The Corporation is confident that the cost of the Lawyers Project will not exceed Wright's estimate. Cheni SA owns, among other things, 46.7% of the equity shares (representing 60% of the voting rights) of Mines et Produits Chimiques de Salsigne SA, a French public company producing gold, silver and arsenic whose shares are listed on the Marseille stock exchange.

The Toodoggone Project

As a result of an extensive regional exploration program commenced in 1979 in the Toodoggone area, the Corporation acquired, by staking, eight separate mineral claim groups in the immediate vicinity of the Lawyers property. These claims are presently subject to a joint venture agreement dated October 25, 1982, between the Corporation, Agnico-Eagle and Sudbury Contact, with the Corporation as operator. Agnico-Eagle and Sudbury Contact have elected not to continue participation in the joint venture and, as further monies are expended, will be diluted down on a formula basis to an aggregate 5% retained interest entitling them to 5% of the net profits of production from the property after recovery of all preproduction expenditures. The Corporation has the right to purchase the aggregate interest of Agnico-Eagle and Sudbury Contact for a total amount of \$1,000,000.

Exploration work to date aggregating approximately \$1,210,000, of which Agnico-Eagle and Sudbury Contact contributed \$375,511, has consisted of a regional geochemical program followed by claim staking, prospecting, geological mapping, soil geochemical surveys, geophysical surveys and some trenching over anomalous areas. Gold and silver mineralization has been discovered on seven claim groups.

The Corporation is planning a two-phase ongoing exploration program for these claims in 1987, estimated to cost approximately \$500,000. The first phase, estimated to cost \$50,000, is designed to carry out the required assessment work and will be financed from the proceeds of this offering. The second phase, estimated to cost \$450,000, will consist of a minimum of 1,000 feet of diamond drilling. To finance this second phase, the Corporation has agreed by way of a letter of intent with NIM Management Ltd. ("NIM") to do a flow-through issue of Common Shares at a price per share equal to \$7.50, being the portion of the purchase price for each Unit offered hereby allocated to the Common Share plus a 50% premium. NIM has also agreed to provide \$1,000,000 for additional exploration expenses during 1988 on the Toodoggone properties for which the Corporation shall issue flow-through Common Shares at a price per share based on the market price of the Common Shares, plus a 100% premium. The Corporation has agreed to renounce its tax benefits related to Canadian exploration expenses with respect to the expenditures incurred under the foregoing arrangement.

The following table sets out a description of the mineral claim groups, results obtained to date and the proposed phase 1 work programs:

<u>Claim Group</u>	<u>Results Obtained</u>	<u>Work Program</u>
Acapulco 35 units 2,162 acres	Occurrence of a copper-gold bearing skarn over 4,250 feet in length in volcanics with assays up to 0.58 oz of gold per ton and 1.0 oz of silver per ton from chip samples in one trench over a 10-foot section	Magnetometer survey to delineate the skarn
Perry Mason 43 units 2,656 acres	650-foot strike length of quartz vein containing sulphides, gold and silver in volcanics; trench assays up to 4.81 oz of gold per ton and 78.6 oz of silver per ton over a 10-foot wide section	Trenching to delineate strike extension of the quartz vein system
Atlas Hercules 32 units 1,977 acres	Gold and silver-bearing quartz breccia epithermal veins in volcanics	Additional trenching and soil geochemical surveys
Wrigh 32 units 1,977 acres	Extensive epithermal alteration in volcanics; grab samples from an alunite silica cap assayed up to 0.192 oz of gold per ton and 20.4 oz of silver per ton	Trenching
Kodah 17 units 1,050 acres	Quartz veinlets grading up to 0.85 oz of gold per ton and 62.0 oz of silver per ton in volcanics	Resistivity survey
Firesteel 18 units 1,112 acres	Massive sulfides containing sphalerite, galena and chalcopryrite associated with a geophysical conductor; also narrow veins assaying up to 32.6 oz of silver per ton	Geophysical survey and trenching
Mountain 32 units 1,977 acres	Magnetite skarn in volcanics associated with gold and silver soil geochemical anomalies	Trenching
Mess 6 units 371 acres	Sphalerite, galena and chalcopryrite in a shear zone within volcanics associated with a gold and silver soil geochemical anomaly	Soil geochemical survey and prospecting

Available Tax Deductions

The Corporation believes that the total initial capital cost of placing the Lawyers property into commercial production will be available to the Corporation for deduction against any future taxable income, with no limit as to the period during which such deduction may be used.

In addition, as at December 31, 1986, the Corporation had accumulated Canadian exploration and development expenses which will be available to the Corporation to reduce future taxable income, with no limit as to the period during which such deduction may be used. Such expenses are as follows:

Canadian exploration expense incurred	\$21,428,552 (1)
Canadian development expense incurred	<u>425,398 (2)</u>
Total expenses incurred	21,853,950
Earned depletion base	4,834,927 (3)
Mining exploration depletion base	<u>2,008,765 (4)</u>
	<u>6,843,692</u>
Total:	<u>\$28,697,642</u>

- (1) Generally deductible immediately against any future taxable income.
- (2) Generally deductible at a rate of 30% per year on a declining-balance basis against any future taxable income.
- (3) Generally deductible up to 25% of future resource profits in any given year.
- (4) Generally deductible up to 25% of future taxable income in any given year.

CAPITAL STRUCTURE

	<u>Authorized</u>	<u>Outstanding as at December 31, 1986</u>	<u>Outstanding as at April 30, 1987 (unaudited)</u>	<u>Outstanding as at April 30, 1987 after giving effect to this offering (1) (unaudited)</u>
Long-term advances from affiliate ...		\$ 3,452,212	—	—
Shareholders' equity:				
First Preferred Shares	Unlimited	—	—	—
Second Preferred Shares	Unlimited	—	—	—
Common Shares	Unlimited	19,632,919 (48,041 shares)	\$26,260,131 (3,800,000 shares) (2)	\$47,472,167 (3) (10,800,000 shares)
Warrants	2,100,000	—	—	2,000,000 (2,000,000 warrants)
Deficit		<u>(13,787,964)</u>	<u>(13,787,964)</u>	<u>(1,830,000) (3) (4)</u>
Total		<u>\$ 9,297,167</u>	<u>\$12,472,167</u>	<u>\$47,642,167</u>

Notes:

- (1) Without taking into account the option granted to the Underwriters to cover over-allotments as described under "Plan of Distribution"; up to 200,000 additional Common Shares would be outstanding after giving effect to the exercise in full of the said option.
- (2) After giving effect to the issue of 2,019,176 Common Shares as provided under "Prior Sales" and the subdivision on May 11, 1987 of the then outstanding 102,512 Common Shares into 3,800,000 Common Shares.
- (3) After giving effect to a reorganization effective May 11, 1987 by which the Corporation's stated capital was reduced by \$13,787,964 and the deficit was reduced by an equivalent amount.
- (4) After deducting the estimated expenses of the offering and the Underwriters' fees.
- (5) Up to 2,000,000 Common Shares are subject to issuance upon the exercise of the Warrants, up to 105,000 Common Shares are subject to issuance upon the exercise of share purchase options granted to officers and an undetermined number of Common Shares are subject to issuance pursuant to the letter of intent between the Corporation and NIM referred to under "The Toodoggone Project".

SHARE CAPITAL

The authorized share capital of the Corporation consists of an unlimited number of first preferred shares without nominal or par value, issuable in series (the "First Preferred Shares"), an unlimited number of second preferred shares without nominal or par value, issuable in series (the "Second Preferred Shares"), and an unlimited number of common shares without nominal or par value (the "Common Shares").

Preferred Shares

The First Preferred Shares rank senior to all other classes of shares in the capital of the Corporation as to the payment of dividends and return of capital in the event of the liquidation, dissolution or winding-up of the Corporation; the Second Preferred Shares rank junior to the First Preferred Shares and senior to the Common Shares with respect to such matters. **The terms of the various series of the First Preferred Shares and the Second Preferred Shares, including dividend rates, conversion rights, voting rights, redemption prices, if any, and other matters will be determined in the future by the directors of the Corporation without shareholders' approval.** The determination by the directors of the Corporation of the voting rights attaching to any series of the First Preferred Shares and of the Second Preferred Shares may result in the Common Shares becoming subordinate voting shares. The creation of a series of First Preferred Shares or Second Preferred Shares with superior voting rights to the Common Shares may require, under applicable policies of the relevant regulatory authorities, the approval of the majority of the minority shareholders.

Common Shares

Each Common Share ranks equally with all other Common Shares but ranks junior to the First Preferred Shares and the Second Preferred Shares as to the payment of dividends and return of capital in the event of the liquidation, dissolution or winding-up of the Corporation. The holders of Common Shares are entitled to one vote per Common Share.

DETAILS OF THE OFFERING

The offering consists of 4,000,000 Units at a price of \$5.50 per Unit and 3,000,000 Common Shares at a price of \$5.00 per Common Share. In addition, up to 200,000 additional Units may be issued at a price of \$5.50 per Unit to cover over-allotments.

Each Unit consists of one Common Share and one-half of a Warrant. The half Warrant may not be separated from its corresponding Common Share up to and including July 31, 1987 (the "Record Date"). Purchasers of Units will receive legended share certificates which, up to and including the Record Date, will represent Common Shares and their corresponding half Warrants and, thereafter, will represent only Common Shares. Certificates for the Warrants will be sent by the Corporation to holders of legended share certificates registered as at the close of business on the Record Date. Only certificates representing whole Warrants will be issued and holders of legended share certificates on the Record Date will not be entitled to any cash payment or other compensation with respect to any fraction of a Warrant which might have otherwise been issued.

Description of Warrants

The Warrants offered hereby will be issued in bearer form and will be governed by an indenture (the "Warrant Indenture") to be dated as of May 29, 1987 between the Corporation and Montreal Trust Company (the "Warrant Agent"), as agent.

One whole Warrant will entitle its holder to purchase one Common Share for \$6.00 at any time after the Record Date up to and including November 29, 1990.

The Warrant Indenture will provide for adjustments to the exercise price and to the number of Common Shares issuable upon the exercise of a Warrant upon the occurrence of certain events, including: the issuance of Common Shares as an extraordinary dividend (as defined) on the Common Shares; subdivisions, consolidations, combinations or certain reclassifications of the Common Shares; the issuance, to the holders of Common Shares generally, of rights, options or warrants (expiring within 45 days after the record date for determining shareholders entitled to receive them) to subscribe for Common Shares at less than 95% of the current market price (as defined); or the distribution, by way of an extraordinary dividend (as defined), to the holders of Common Shares generally, of shares other than Common Shares, or evidences of indebtedness, or assets, or rights, options or warrants (other than those mentioned above) to subscribe for Common Shares or to acquire assets of the Corporation. No adjustment will be required to be made with respect to the Warrants until the cumulative adjustments amount to 1% or more of the exercise price or of the number of Common Shares which may be issued upon the exercise of the Warrants; however, any such adjustment which does not have to be made will be carried forward and will be taken into account should there be any subsequent adjustment.

Under the Warrant Indenture, the Corporation may purchase in the market, by private contract or otherwise, all or any portion of the Warrants then exercisable.

No fractional Common Share will be issuable upon exercise of any Warrant. In lieu of any fractional share, the holder will receive a cash payment based upon the then current market price of the Common Shares. Holders of Warrants have no voting rights or preemptive rights or any other rights which a holder of Common Shares or a holder of other shares of the Corporation may have.

FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Ogilvy, Renault and Aird & Berlis, the following is a summary of the principal federal income tax considerations which may be of interest to persons who acquire, hold and dispose of the Common Shares and Warrants as capital property and who are dealing at arm's length with the Corporation. This summary takes into consideration the current provisions of the Income Tax Act (Canada) (the "Tax Act"), the current Regulations thereunder, proposals to amend the Tax Act and Regulations set out in Releases issued by the Department of Finance on November 27, 1986, January 15, 1987 and February 6, 1987, the Notice of Ways and Means Motion relating to the Income Tax Act tabled in the House of Commons on February 18, 1987 and counsel's understanding of the current administrative practices of Revenue Canada, Taxation. This summary does not take into account income tax legislation or considerations of any of the provinces or other political subdivisions or taxing authorities of Canada or those of a foreign jurisdiction.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Accordingly, prospective purchasers should consult their own tax advisers with respect to their individual circumstances.

Persons Residing in Canada

Allocation of Purchase Price

Purchasers of the Units offered hereby will be required to allocate the price paid for each such Unit on a reasonable basis between the Common Share and the one-half of a Warrant in order to determine their respective costs for tax purposes. The administrative practice of Revenue Canada, Taxation is that the allocation made by the Corporation and that made by a purchaser must be the same.

The Corporation will allocate \$5.00 to each Common Share and \$0.50 to each one-half of a Warrant. Such allocation will not be binding on Revenue Canada, Taxation.

Exercise of Warrants

No gain or loss will be realized by a holder of Warrants upon the exercise of Warrants. When Warrants are exercised, the cost of the Common Share acquired thereby to the holder of the Warrants will be the aggregate of the adjusted cost base of the Warrants and the exercise price paid for the Common Share.

Disposition or Expiry of Warrants

If a holder of a Warrant disposes of a Warrant, such holder will realize a capital gain (or a capital loss) upon such disposition to the extent that the proceeds of disposition of the Warrant, net of disposition costs, exceed (or are exceeded by) the adjusted cost base of the Warrant.

Upon the expiry of an unexercised Warrant, the holder of a Warrant will realize a capital loss equal to the adjusted cost base of the Warrant.

Disposition of Common Shares

Upon the disposition of a Common Share by a holder, a capital gain (or a capital loss) will be realized to the extent that the proceeds of disposition of the Common Share, net of disposition costs, exceed (or are exceeded by) the adjusted cost base of the Common Share.

Capital Gains Exemption

The Tax Act provides for a cumulative lifetime capital gains tax exemption for an individual (other than a trust, except an exclusive trust in favour of a spouse in the year of death of the spouse who was the beneficiary of the trust) up to a limit of \$500,000 (net taxable capital gains of \$250,000). This exemption is phased in gradually and

the cumulative limit increases as follows: \$100,000 of capital gains in 1987, \$200,000 in 1988, \$300,000 in 1989 and \$500,000 in 1990 and subsequent taxation years.

Eligibility for Investment

The Common Shares and the Warrants offered hereby, when listed on a prescribed stock exchange, will be qualified investments for registered retirement savings plans, deferred profit sharing plans and registered retirement income funds under the Tax Act.

Persons not Residing in Canada

Subject to the provisions of any applicable tax treaties, a non-resident purchaser who does not and is not deemed to carry on business in Canada and who realizes a capital gain upon the disposition of a Common Share or Warrant will have no tax to pay in Canada under the Tax Act on account of such capital gain unless, at any time in the period of five years immediately preceding such disposition, 25% or more of the issued shares of any class of the share capital of the Corporation belonged to that non-resident purchaser, to persons with whom such purchaser did not deal at arm's length or to that non-resident purchaser and persons with whom such purchaser did not deal at arm's length.

DIVIDEND POLICY

The Corporation does not expect to be in a position to pay dividends in the near future. The payment of dividends will depend on the earnings and financial condition of the Corporation and such other factors as the Board of Directors of the Corporation may consider appropriate.

CONCURRENT PURCHASE OF COMMON SHARES

Pursuant to an agreement dated May 12, 1987, the Corporation has agreed to sell, and Cheni Canada has agreed to purchase, the 3,000,000 Common Shares offered hereby at a price of \$5.00 per share, being the price allocated to each Common Share included in the Units offered to the public. No fee will be paid to the Underwriters with respect to the Common Shares sold to Cheni Canada. This purchase is conditional upon and will be made concurrently with the purchase by the Underwriters of the Units being offered to the public.

PLAN OF DISTRIBUTION

Under an agreement dated May 12, 1987 (the "Underwriting Agreement") between the Corporation and Midland Doherty Limited and Lévesque, Beaubien Inc. (collectively, the "Underwriters"), the Corporation has agreed to sell, and the Underwriters have agreed to purchase, on May 29, 1987, or on such other date, not later than June 23, 1987, as may be agreed upon, subject to the terms and conditions stated therein, the Units offered hereby at a price of \$5.50 per Unit payable in cash to the Corporation against delivery of legended share certificates representing such Units. The Underwriting Agreement provides that the Corporation will pay the Underwriters a fee of \$1,430,000 for services rendered in connection with this offering.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events, including the non-completion of the purchase referred to under "Concurrent Purchase of Common Shares". The Underwriters are, however, obligated to take up and pay for all Units if any of the Units are purchased under the Underwriting Agreement.

The Corporation has also granted to the Underwriters an option to purchase up to 200,000 additional Units at the price of \$5.50 per Unit, payable in cash against delivery of legended share certificates representing such additional Units. The Corporation will pay the Underwriters a fee of \$0.2145 per additional Unit. The option may be exercised in whole or in part at any time prior to the Closing Date solely for the purpose of covering over-allotments, if any, made by the Underwriters in connection with this offering.

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Units, the Common Shares and the Warrants at levels above that which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

USE OF PROCEEDS

The net proceeds of the sale of the Units and of the Common Shares offered by this prospectus, estimated to be a minimum of \$35,170,000 and a maximum of \$36,227,100, together with the loan from the Province of British Columbia referred to under "Governmental Assistance", will be used, up to approximately \$35,900,000, to develop the Lawyers property as described under "Business of the Corporation — The Lawyers Project", up to approximately \$500,000 for further exploration on the Lawyers property during the summer of 1987, and up to approximately \$50,000 for exploration work on the Toodoggone properties, with the balance to be added to the working capital of the Corporation. Pending the expenditure of such funds, the net proceeds will be invested in short-term interest bearing securities of major financial institutions or federal or provincial governments.

PRINCIPAL SHAREHOLDER

At the date of this prospectus, all of the outstanding Common Shares of the Corporation are owned beneficially and of record by Cheni Canada, Suite 1100, 1981 McGill College Avenue, Montreal, Quebec, Canada H3A 3C1.

Cheni Canada is an indirect subsidiary of Bureau de Recherches Géologiques et Minières ("BRGM") of France. BRGM is an industrial and commercial entity wholly-owned by the French Government and was created to promote research and development of natural resources. In pursuance of this purpose, it acts on a national and international scale as a contractor, an industrial operator or in the framework of international cooperation, in the fields of geological infrastructure, ores and industrial minerals, water and rural planning, geothermal energy and engineering geology.

At the date of this prospectus, all the outstanding shares of Cheni Canada are indirectly beneficially owned by Cheni SA, Tour Mirabeau, 39/43 Quai André Citroën, 75739 Paris, Cedex 15, France, 70% of all the outstanding shares of Cheni SA are owned beneficially and of record by Coframines SA, of the same address, and 30% of such shares are owned beneficially and of record by Kuwait Foreign Trading and Contracting Investment Company, P. O. Box 5665, Safat, Kuwait. BRGM owns beneficially and of record 68.6% of all the outstanding shares of Coframines SA.

After giving effect to this offering and before giving effect to the exercise of any Warrants and of the Underwriters' option, Cheni Canada will own, beneficially and of record, 63% of the outstanding Common Shares of the Corporation.

The Corporation is a non-Canadian as defined in the Investment Canada Act and it has complied with all requirements thereunder in connection with its present activities and projects. The future acquisition by the Corporation of an existing Canadian business with assets of more than \$5,000,000 would be reviewable under the said Act. The Corporation does not presently contemplate any such acquisitions.

ESCROWED SHARES

Pursuant to an escrow agreement dated May 12, 1987 (the "Escrow Agreement") with Montreal Trust Company (the "Trustee"), Cheni Canada has agreed to deposit with the Trustee 1,543,301 Common Shares (the "Escrowed Shares") representing, after giving effect to this offering and before giving effect to the exercise of any Warrants and of the Underwriters' option, 14.3% of all the issued and outstanding Common Shares. The Escrow Agreement provides that the Escrowed Shares will not be released without the prior written consent of the Ontario Securities Commission. The current policies of the Ontario Securities Commission provide that 10% of the Escrowed Shares will be released nine months from the date of receipt for this prospectus by the Ontario Securities Commission and 30% on each of the first, second and third anniversaries of such date.

PRIOR SALES

On March 11, 1987, the Corporation issued 1,722,107 Common Shares at \$3.28 per share (after giving effect to the subdivision of 102,512 Common Shares into 3,800,000 Common Shares on May 11, 1987) to Cheni SA in consideration for the forgiveness of indebtedness of the Corporation to Cheni SA amounting to \$5,652,212. Such Common Shares were transferred to Cheni Canada on March 11, 1987. On March 27, 1987, the Corporation issued 297,069 Common Shares at \$3.28 per share (after giving effect to the above-mentioned subdivision) to Cheni Canada in consideration for \$975,000.

On March 30, 1987, the Corporation agreed to do a flow-through issue of Common Shares for an aggregate amount of \$450,000 at \$7.50 per share in respect of the 1987 year and a second flow-through issue of Common

Shares for an aggregate amount of \$1,000,000 at a price per share equal to 200% of the market price (as defined) in respect of the 1988 year. See "The Toodoggone Project".

PROMOTER

Until June 1, 1985, the Corporation was engaged in mineral exploration activities in British Columbia, Quebec, the Yukon Territory and the Northwest Territories. In June 1985, BRGM initiated the reorganization of the Corporation whereby the Corporation transferred all its assets owned on May 31, 1985, other than assets related to its Lawyers and Toodoggone properties, to an affiliate, Serem Québec Inc. ("Serem Quebec"), in exchange for shares of Serem Quebec. These shares were redeemed by Serem Quebec on December 9, 1985 for an aggregate price of \$5,459,765 paid as to \$2,600,000 by the transfer to the Corporation of a promissory note issued by its shareholder, Cheni Canada, and as to \$2,859,765 by the assumption, up to the same amount, of the Corporation's indebtedness as at May 31, 1985. On December 9, 1985, the Corporation's stated capital was reduced by \$2,600,000 upon the return of the \$2,600,000 promissory note to Cheni Canada.

BRGM may be considered to be the promoter of the Corporation by virtue of its having taken the initiative in founding and reorganizing the business of the Corporation. See "Principal Shareholder".

Pursuant to a Technical Assistance Agreement dated May 12, 1987, BRGM has agreed to provide to the Corporation, until May 12, 1992 and at the Corporation's request, technical assistance, including access to BRGM's technical specialists and the use of BRGM's software and hardware computer facilities. Such assistance will be provided to the Corporation at competitive rates.

DIRECTORS AND OFFICERS

The following table sets forth the name and municipality of residence, the office held with the Corporation and the principal occupation of each of the directors and officers of the Corporation.

<u>Name and Municipality of Residence</u>	<u>Office with the Corporation</u>	<u>Principal Occupation</u>
MALCOLM AUGUSTE TASCHEREAU..... Toronto, Ontario	Chairman of the Board and Director	Mining consultant
PAUL GIRARD, ENG., Ph.D. Laval, Quebec	President, Chief Executive Officer and Director	President and Chief Executive Officer of the Corporation
FRANÇOIS CHARRON Westmount, Quebec	Director	Senior Vice-President, Operations and Secretary of BNP (Canada) Inc. (banking institution)
JEAN LESPINE Paris, France	Director	Directeur général of Coframines SA (mining company)
PETER MICHAEL MCENTYRE*, C.A., C.F.A. Westmount, Quebec	Director	President and Director of Ashburton Investments (1984) Limited (holding company)
RENÉ MICHEL* Paris, France	Director	President of Mines et Produits Chimiques de Salsigne SA (mining company) and of Cheni SA (holding company)
EDWIN CHARLES PHILLIPS* Vancouver, British Columbia	Director	Chairman of British Columbia Resources Investment Corp. (investment holding company)
GÉRARD RENON Paris, France	Director	President of BRGM and of Coframines SA

<u>Name and Municipality of Residence</u>	<u>Office with the Corporation</u>	<u>Principal Occupation</u>
JOHN RONALD LONGSTAFFE Vancouver, British Columbia	Treasurer and Chief Financial Officer	Consultant
SERGE GRAVEL Laval, Quebec	Secretary	Partner, Ogilvy, Renault (barristers and solicitors)
PETER TEGART North Vancouver, British Columbia	Vice-President, Exploration and Chief Geologist	Vice-President, Exploration and Chief Geologist of the Corporation

* Member of the Audit Committee.

During the last five years, the directors and officers of the Corporation have held a position with the Corporation or with the company or firm set out opposite their respective names, except for Mr. Taschereau who was, prior to June 1983, President and Chief Executive Officer of Dome Mines Limited, a mining company; Mr. McEntyre who was, prior to August 1983, President and a director of Comtrust Holdings Inc., a holding company; Mr. Phillips, a director of Midland Doherty Financial Corporation, who was, prior to October 1986, Vice-Chairman of Belkin Inc., a packaging manufacturer, prior to August 1985, a business consultant and, prior to April 1983, Chairman of the Board of Westcoast Transmission Company Limited, an oil and gas pipeline company; Mr. Renon who was, prior to June 1986, President and, prior to July 1983, Deputy President of the Commissariat à l'Énergie Atomique, a French government agency, and, prior to May 1982, advisor for Science and Energy matters to the President of the French Republic; and Mr. Longstaffe who was, prior to November 1985, Executive Vice-President of Canfor Corporation, a forest products company.

Remuneration of Directors and Senior Executives

The aggregate cash remuneration paid by the Corporation to three senior executives of the Corporation for services rendered during the fiscal year ended December 31, 1986 was \$175,700.

The Chairman of the Board of the Corporation is entitled to receive an annual fee of \$5,000 and each of the other non-employee Canadian directors is entitled to receive an annual fee of \$2,500. An attendance fee of \$500 per meeting of the Board of Directors or any committee thereof is paid to each non-employee Canadian director. It is intended to increase the fees payable to non-employee Canadian directors so as to be commensurate with the time expended by such directors in discharging their duties.

Management

Mr. Paul Girard, Director, President and Chief Executive Officer of the Corporation, obtained a geological engineer's degree in 1963 and a master's degree in applied sciences in 1965 from École Polytechnique of Montréal, Quebec, and a doctorate degree in economic geology in 1971 from McGill University of Montreal, Quebec. Since 1971, Mr. Girard has been employed by the Corporation initially as a geological engineer in charge of projects, then as chief geologist. He was appointed President and Chief Executive Officer of the Corporation in 1983. Mr. Girard was instrumental in the discovery of the Madeleine Mines Ltd. copper deposit, in the Gaspé Peninsula, Quebec, in 1966. Mr. Girard is in the process of moving to Vancouver.

Mr. Peter Tegart, Vice-President, Exploration and Chief Geologist of the Corporation, obtained a Bachelor of Science (Geology) degree in 1971 from the University of British Columbia. Prior to attending university, he acquired extensive practical experience by working in several underground mining operations in southern British Columbia. Since 1971, Mr. Tegart has been in charge of various projects of the Corporation in western Canada, Ontario and the United States and became Manager for exploration in western Canada in 1976. In 1978, Mr. Tegart recognized the potential of the Lawyers prospect, was instrumental in negotiating the option from Semco and has been directly responsible for the exploration and development of the Lawyers property.

Immediately following the completion of this offering, the Corporation will engage, as project manager in charge of placing the Lawyers property into commercial production, a Canadian mining engineer with the relevant experience. The Corporation will recruit other officers or key employees as required.

Share Purchase Options

On May 12, 1987, the Corporation granted to two of its senior officers, subject to the approval of certain regulatory authorities and its shareholders, non-assignable options to purchase an aggregate of 105,000 Common Shares at an option price of \$5.00 per share, being the price allocated by the Corporation to the Common Share included in each Unit offered hereby. The option price is payable in full at the time of exercise of the options. The options may be exercised until May 11, 1992 at a rate of 20% per year on a cumulative basis. The number of Common Shares granted to each optionee has been determined at the discretion of the Board of Directors and was based on the degree of responsibility of the optionee.

RISK FACTORS

Prospective purchasers should consider, among other things, the following risk factors.

The profitability of the Corporation's operations will be directly related to the market prices of gold and silver. If, as a result of a decline in these prices, the Corporation's revenues were to fall below its operating costs, operations might be suspended.

Although the Corporation and Wright have determined the ore reserve figures presented in this prospectus and believe they are appropriate, these figures are estimates only as are the indicated levels of recovery of gold and silver. Market price fluctuations of gold and silver may render ore reserves containing relatively lower grades of gold and silver mineralization uneconomical. Moreover, short-term operating factors relating to the ore reserves, such as the need for orderly development of ore bodies or the processing of different ore grades, may reduce the profitability in any particular accounting period. In addition, the actual capital and operating costs may vary from Wright's estimates, depending on actual mining conditions.

The Corporation's mining operations and achievement of its mining plan will be subject to the risks normally encountered in the mining business. The Corporation carries property insurance in such amounts as it considers adequate. However, the Corporation may become subject to liability for pollution, cave-ins or other hazards against which it cannot insure or against which it may elect not to insure where premium costs are disproportionate to the Corporation's perception of the relevant risks. The payment of insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

The Corporation's mineral claims have not yet been surveyed and accordingly the exact location of the outside boundaries of the Corporation's mineral properties are not known with certainty.

The Corporation's operations are subject to environmental regulations promulgated by governmental agencies from time to time. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

As with most projects of this nature in Canada, aboriginal rights may be claimed on Crown properties with respect to which mining rights have been conferred. No legal actions have been instituted with respect to the mining properties in which the Corporation has an interest although the Corporation understands that the Lawyers property is located within areas covered by aboriginal claims asserted by the Association of United Tahltans and the Kaska-Dena Council. Part of the existing Omineca mining access road as well as parts of the proposed extension thereto are included within the boundaries of a native land claim filed in the Supreme Court of British Columbia by the Gitksan-Wet'suwet'en Tribal Council. In addition, the existing Omineca mining access road together with most of the proposed extension thereto also falls within territorial claims asserted by the Carrier-Sekani Tribal Council. See "Location and Access" and "Title".

DILUTION

The portion of the Unit price allocated to a Common Share, namely \$5.00, exceeds the net tangible book value per Common Share as at December 31, 1986 by \$1.61, a dilution of 32.2%, after giving effect to this offering but before giving effect to the exercise of any Warrants and the Underwriters' option. The following presents the dilution per Common Share:

Issue price per Common Share included in each Unit	\$	5.00
Net tangible book value per Common Share before giving effect to this offering	\$	0.87
Increase in net tangible book value per Common Share attributable to this offering ..		<u>2.52*</u>
Net tangible book value per Common Share after giving effect to this offering		<u>3.39*</u>
Dilution to purchaser	\$	<u>1.61</u>
Percentage of dilution		<u>32.2%</u>

*After deducting the estimated expenses of the offering and the Underwriters' fees and excluding the net proceeds allocated to the sale of the Warrants.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts which the Corporation has entered into since its reorganization and which are presently material to the purchasers of Units are the following:

- (a) the agreement dated March 20, 1986, as amended, between the Corporation and the Province of British Columbia described under "Governmental Assistance";
- (b) the Financial Support Agreement dated May 12, 1987 between the Corporation and Cheni SA described under "Financial Assistance";
- (c) the Technical Assistance Agreement dated May 12, 1987 between the Corporation and BRGM described under "Promoter";
- (d) the Warrant Indenture to be dated May 29, 1987 between the Corporation and the Warrant Agent described under "Details of the Offering";
- (e) the Underwriting Agreement dated May 12, 1987 between the Corporation and the Underwriters described under "Plan of Distribution";
- (f) the Escrow Agreement dated May 12, 1987 between the Corporation, Cheni Canada and the Trustee described under "Escrowed Shares"; and
- (g) the agreement dated May 12, 1987 between the Corporation and Cheni Canada described under "Concurrent Purchase of Common Shares".

Copies of the foregoing contracts, as well as the Wright Report and the Robertson Report, may be examined at the registered office of the Corporation during normal business hours while the securities offered by this prospectus are in the course of distribution to the public and for a period of 30 days thereafter.

AUDITORS, TRANSFER AGENT, REGISTRAR AND WARRANT AGENT

Price Waterhouse, Chartered Accountants, 601 West Hastings Street, Vancouver, British Columbia, Canada V6B 5A5, are the auditors of the Corporation. For the period up to December 31, 1985, the auditors of the Corporation were Petrie Raymond, Chartered Accountants, 1320 Graham Boulevard, Montreal, Quebec, Canada H3P 3C8.

Montreal Trust Company, at its principal offices in Montreal, Toronto, Calgary and Vancouver, is the registrar and transfer agent for the Units and the Common Shares and is the Warrant Agent for the Warrants under the Warrant Indenture.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in several of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase the securities offered hereby within two business days after receipt, or deemed receipt, of this prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of his province. A purchaser should refer to any applicable provisions of the securities legislation of his province for the particulars of these rights or consult with a legal adviser.

AUDITORS' REPORTS

To the Directors of
Cheni Gold Mines Inc.:

We have examined the balance sheet of Cheni Gold Mines Inc. (formerly Serem Inc.) as at December 31, 1986 and the statements of deficit, deferred mining exploration expenses and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1986 and the changes in its financial position and its deferred mining exploration expenses for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, British Columbia
January 22, 1987
(except as to Note 12
as to which the date is May 12, 1987)

(Signed) PRICE WATERHOUSE
Chartered Accountants

To the Directors of
Serem Inc.

We have examined the balance sheet of Serem Inc. as at December 31, 1985 and the consolidated statements of deficit, deferred mining exploration expenses and changes in financial position for each of the four years ended December 31, 1985. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, this balance sheet and these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1985 and the changes in its financial position and its deferred mining exploration expenses for each of the four years ended December 31, 1985 in accordance with generally accepted accounting principles applied on a consistent basis.

Montreal, Quebec
January 17, 1986

(Signed) PETRIE RAYMOND
Chartered Accountants

CHENI GOLD MINES INC.

(formerly Serem Inc.)

Balance Sheet

(in thousands of dollars)

	December 31	
	1986	1985
Assets		
Current assets:		
Cash and term deposits	\$ 62	\$ 200
Accounts receivable (Note 4)	12	39
	74	239
Term deposit (Note 5)	100	—
Deferred mining exploration expenses	9,180	8,518
	\$ 9,354	\$ 8,757
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities (Note 6)	\$ 57	\$ 281
Long-term debt (Note 7)	3,452	2,400
	3,509	2,681
Shareholder's Equity		
Share capital (Note 8)	19,633	19,633
Deficit	13,788	13,557
	5,845	6,076
	\$ 9,354	\$ 8,757

On behalf of the Board of Directors:

(Signed) F. CHARRON, Director

(Signed) P. M. MCENTYRE, Director

CHENI GOLD MINES INC.
(formerly Serem Inc.)
Statement of Deficit
(in thousands of dollars)

	Year ended December 31				
	1986	1985	1984	1983	1982
Deficit, beginning of year	\$13,557	\$ 8,731	\$8,162	\$7,117	\$7,117
Deferred mining exploration expenses on abandoned projects and administrative expenses	231	70	573	1,061	—
Less: Minority interest	—	—	4	16	—
	<u>231</u>	<u>70</u>	<u>569</u>	<u>1,045</u>	<u>—</u>
Excess of deferred mining exploration expenses over proceeds of disposition of projects sold to Serem Quebec Inc. (Note 10)	—	4,756	—	—	—
Deficit, end of year	<u>\$13,788</u>	<u>\$13,557</u>	<u>\$8,731</u>	<u>\$8,162</u>	<u>\$7,117</u>

CHENI GOLD MINES INC.
(formerly Serem Inc.)
Statement of Deferred Mining Exploration Expenses
(in thousands of dollars)

	Year ended December 31				
	1986	1985	1984	1983	1982
Deferred mining exploration expenses, beginning of year	\$8,518	\$15,735	\$14,429	\$13,771	\$10,412
Mining exploration expenses:					
Assays (geochemical and chemical)	4	46	61	33	66
Contracts —					
Environmental and topographical surveys	158	—	—	—	—
Other	70	262	71	50	25
Surface drilling	—	8	343	217	119
Underground drilling	—	895	68	—	154
Feasibility study	108	304	86	—	—
Field expenses and rentals of equipment	26	136	145	158	189
Metallurgical tests	—	—	17	5	6
Option to purchase carried interest in properties	10	—	—	—	—
Overhead	108	207	111	114	120
Salaries	140	345	234	395	435
Sundry	—	3	1	6	15
Transportation (aircraft and other)	38	375	99	89	185
Total active project expenses before reimbursements from partners	662	2,581	1,236	1,067	1,314
Reimbursements from partners	—	—	—	—	(62)
Net active project expenses	662	2,581	1,236	1,067	1,252
Expenses on projects sold or abandoned	—	57	131	419	1,528
Share of expenses in projects managed by partners	—	3	13	58	400
Net administrative expenses	231	61	499	175	179
	<u>893</u>	<u>2,702</u>	<u>1,879</u>	<u>1,719</u>	<u>3,359</u>
Write-off:					
Abandoned project expenses and administrative expenses	(231)	(70)	(573)	(1,061)	—
Net mining exploration expenses	662	2,632	1,306	658	3,359
Write-off of deferred mining exploration expenses relating to projects sold during 1985 to Serem Quebec Inc. (Note 10)	—	9,849	—	—	—
Deferred mining exploration expenses, end of year	<u>\$9,180</u>	<u>\$ 8,518</u>	<u>\$15,735</u>	<u>\$14,429</u>	<u>\$13,771</u>

CHENI GOLD MINES INC.

(formerly Serem Inc.)

Statement of Changes in Financial Position

(in thousands of dollars)

	Year ended December 31				
	1986	1985	1984	1983	1982
Cash provided by (used in) operating activities:					
Operations —					
Net mining exploration expenses	\$ (662)	\$(2,632)	\$ (1,306)	\$ (658)	\$(3,359)
Write-off of expenses on abandoned projects and administrative expenses	(231)	(70)	(573)	(1,061)	—
Items not affecting cash —					
Depreciation and profit on disposal of fixed assets	—	(86)	(41)	50	98
Profit on sale of investments	—	—	—	(45)	—
	(893)	(2,788)	(1,920)	(1,714)	(3,261)
Changes in non-cash working capital —					
Accounts receivable and prepaid expenses	27	(54)	(28)	150	335
Other short-term liabilities	(224)	255	(193)	680	(323)
	(197)	201	(221)	830	12
	(1,090)	(2,587)	(2,141)	(884)	(3,249)
Cash provided by (used in) financing activities:					
Long-term debt	1,052	2,900	1,743	2,025	4,566
Reduction of long-term debt	—	(2)	(22,186)	(2,504)	(2)
Issue of share capital	—	—	22,183	—	—
	1,052	2,898	1,740	(479)	4,564
Cash provided by (used in) investing activities:					
Additions to term deposits	(100)	—	—	—	—
Additions to investments —					
Shares of affiliated company, Serem Québec Inc. ..	—	(5,460)	—	—	—
Loan to immediate parent company, Cheni Canada Inc.	—	(2,600)	—	—	—
Loan to affiliated company, Explo-Zinc Inc.	—	(35)	—	—	—
Proceeds from sale of certain assets and liabilities to Serem Québec Inc., net of cash of \$127,865	—	2,472	—	—	—
Proceeds from sale of investments —					
Shares of affiliated company, Serem Québec Inc.	—	5,460	—	—	—
Loan to immediate parent company, Cheni Canada Inc.	—	2,600	—	—	—
Shares and advances of affiliated companies sold to Serem SA (net)	—	—	—	1,490	(1,200)
Decrease in share capital	—	(2,600)	—	—	—
Proceeds on sale of fixed assets	—	—	175	27	3
Additions to fixed assets	—	—	—	—	(35)
	(100)	(163)	175	1,517	(1,232)
(Decrease) increase in cash	(138)	148	(226)	154	83
Cash and term deposits, beginning of year	200	52	278	124	41
Cash and term deposits, end of year	\$ 62	\$ 200	\$ 52	\$ 278	\$ 124

CHENI GOLD MINES INC.

(formerly Serem Inc.)

Notes to Financial Statements

1. Basis of presentation:

The balance sheet for the years ended December 31, 1985 and 1986 and the statements of deficit, deferred mining exploration expenses and changes in financial position for the year ended December 31, 1986 relate to the accounts of the Corporation only.

The statements of deficit, deferred mining exploration expenses and changes in financial position for the years ended December 31, 1982, 1983, 1984 and 1985 relate to the accounts of the Corporation and its 95% owned subsidiary Explo-Zinc Inc. The subsidiary was sold during 1985, which sale represented a portion of the assets sold as referred to in Note 10.

2. Accounting policy:

The Corporation is engaged in the exploration for mining properties and capitalizes all costs relating to exploration projects until such time as the projects achieve commercial production, are sold or are abandoned. All unallocated administration expenditures are expensed in the year in which they are incurred.

The amounts shown for deferred mining exploration expenses represent unamortized net costs incurred to date and do not necessarily reflect present or future values.

3. Incorporation:

The Corporation is incorporated under the Canada Business Corporations Act.

4. Accounts receivable:

	1986	1985
	(000's)	
Affiliated company, Serem Quebec Inc.	\$10	\$—
Others	2	39
	<u>\$12</u>	<u>\$39</u>

5. Term deposit:

The term deposit is held as security for the Province of British Columbia for a reclamation permit required for the Lawyers Project, and matures in the 1989 fiscal year. All instructions concerning the sale, transfer or disposition of the term deposit must be received from or approved by the Minister of Finance for the Province of British Columbia. Interest of 10¼% per annum accrues to the benefit of the Corporation.

6. Accounts payable and accrued liabilities:

	1986	1985
	(000's)	
Accounts payable and accrued liabilities	\$57	\$207
Affiliated company, Serem Quebec Inc.	—	74
	<u>\$57</u>	<u>\$281</u>

7. Long-term debt:

	1986	1985
	(000's)	
Loans from Cheni SA, an affiliate of the Corporation, with conditional interest and terms of reimbursement to be determined at the start of the Lawyers Project operations	<u>\$3,452</u>	<u>\$2,400</u>

8. Share capital:

	1986	1985
	(000's)	
Authorized —		
Unlimited number of preference shares of no par value		
Unlimited number of common shares of no par value		
Issued and outstanding —		
48,041 common shares	<u>\$19,633</u>	<u>\$19,633</u>

On December 9, 1985, the Corporation's stated capital was reduced by \$2,600,000. The reduction was achieved by the return of a \$2,600,000 promissory note to Cheni Canada Inc.

9. Net administrative expenses:

Administrative expenses are comprised of the following —

	Year ended December 31				
	1986	1985	1984	1983	1982
			(000's)		
Administrative expenses after allocation to projects	\$246	\$202	\$578	\$732	\$388
Sundry income —					
Salaries billed to related companies	—	5	9	34	84
Interest and dividends	13	48	16	516	122
Profit on sale of fixed assets	—	88	54	7	3
Miscellaneous	2	—	—	—	—
	<u>15</u>	<u>141</u>	<u>79</u>	<u>557</u>	<u>209</u>
	<u>\$231</u>	<u>\$ 61</u>	<u>\$499</u>	<u>\$175</u>	<u>\$179</u>

10. Related party transactions:

December 31, 1986 —

The Corporation incurred feasibility study expenses of \$25,253 carried out by Coframines SA, an affiliated company.

December 31, 1985 —

On October 29, 1985, the Corporation sold all its assets owned on May 31, 1985, other than assets related to its Lawyers and Toodoggone properties. The assets sold were comprised of deferred mining exploration expenses of a net book value of \$9,849,333 and of other assets of a net book value of \$365,865. The sale was made to an affiliated company, Serem Quebec Inc., for \$5,459,765 which was settled by the issue of one class C share for \$2,859,765 and one class D share for \$2,600,000; the Corporation incurred a net loss of \$4,755,338 on the sale of the assets. Subsequently, the class C and D shares were redeemed by Serem Quebec Inc. in consideration of a \$2,600,000 note receivable and by the assumption of debts totalling \$2,859,765.

11. Income taxes:

The aggregate of \$21,853,950 expended by the Corporation since the beginning of its operations consists of Canadian exploration expense of \$21,428,552 and Canadian development expense of \$425,398. Canadian exploration expense is generally deductible immediately against any future taxable income. Canadian development expense is generally deductible at a rate of 30% per year on a declining - balance basis against any future taxable income. The tax benefits arising from these expenditures have not been recorded in the accounts.

12. Subsequent events:

(a) During January and February 1987, the Corporation purchased all the remaining third-party interests in the Lawyers Project for an aggregate price of \$3,185,000. The purchase was partially financed by a \$2,200,000 loan from Cheni SA and the remainder of the purchase price was paid out of the proceeds of the issue of common shares to the immediate parent company.

(b) Issue of shares —

On March 11, 1987, the Corporation issued 1,722,107 common shares at \$3.28 per share (after giving effect to the subdivision of 102,512 common shares into 3,800,000 common shares on May 11, 1987) to Cheni SA, an affiliate of the Corporation, in consideration for the forgiveness of indebtedness of the Corporation to Cheni SA amounting to \$5,652,212.

On March 27, 1987, the Corporation issued 297,069 common shares at \$3.28 per share (after giving effect to the subdivision of 102,512 common shares into 3,800,000 common shares on May 11, 1987) to its immediate parent company in consideration for \$975,000.

(c) Certificates of amendment —

On March 25, 1987, the Corporation obtained a certificate of amendment changing its name from Serem Inc. to Cheni Gold Mines Inc. and amending its authorized share capital by removing the existing class of preference shares and creating two new classes of shares, issuable in series, being an unlimited number of first preferred shares without par value and an unlimited number of second preferred shares without par value.

On May 11, 1987, the Corporation filed articles of amendment changing its issued share capital by subdividing the outstanding 102,512 common shares into 3,800,000 common shares and reducing its stated share capital by an amount of \$13,787,964, thereby reducing the deficit by an equivalent amount.

(d) Underwriting agreement —

The Corporation entered into an underwriting agreement dated May 12, 1987 with Midland Doherty Limited and Lévesque, Beaubien Inc. with respect to the issue and sale of a minimum of 4,000,000 units and a maximum of 4,200,000 units, each unit consisting of one common share and one-half of a common share purchase warrant. The net proceeds are estimated to be a minimum of \$20,170,000 and a maximum of \$21,227,100, after deducting the estimated expenses of issue and the underwriters' fees.

(e) Concurrent issue of shares —

The Corporation entered into an agreement dated May 12, 1987 with its immediate parent company with respect to the issue and sale of 3,000,000 common shares at \$5.00 per share.

(f) Shares subject to issuance —

2,000,000 common shares are subject to issuance at a price of \$6.00 per common share upon the exercise of the common share purchase warrants and 105,000 common shares are subject to issuance at a price of \$5.00 per common share upon the exercise of share purchase options granted to officers.

On March 30, 1987, the Corporation agreed to sell flow-through common shares for an aggregate amount of \$450,000 at \$7.50 per share in respect of the 1987 year and flow-through common shares for an aggregate amount of \$1,000,000 at a price per share equal to 200% of the market price (as defined) in respect of the 1988 year.

CERTIFICATES

Dated May 12, 1987

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the Securities Act (British Columbia), by Part 8 of the Securities Act (Alberta), by Part VIII of The Securities Act (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XIV of the Securities Act (Ontario) and the respective regulations thereunder, and section 13 of the Securities Act (New Brunswick) and contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed as required by the Securities Act (Quebec) and regulations thereunder.

(Signed) PAUL GIRARD
President and
Chief Executive Officer

(Signed) J. R. LONGSTAFFE
Treasurer and
Chief Financial Officer

On behalf of the Board of Directors

(Signed) F. CHARRON
Director

(Signed) P. M. McENTYRE
Director

PROMOTER
BUREAU DE RECHERCHES
GÉOLOGIQUES ET MINIÈRES

by: (Signed) JEAN ALISSE

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the Securities Act (British Columbia), by Part 8 of the Securities Act (Alberta), by Part VIII of The Securities Act (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XIV of the Securities Act (Ontario) and the respective regulations thereunder, and section 13 of the Securities Act (New Brunswick) and contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed as required by the Securities Act (Quebec) and regulations thereunder.

MIDLAND DOHERTY LIMITED

LÉVESQUE, BEAUBIEN INC.

By: (Signed) A. MACLELLAN

By: (Signed) DAVID SCOTT

The following includes the names of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of the Underwriters:

MIDLAND DOHERTY LIMITED is a wholly-owned subsidiary of Midland Doherty Financial Corporation; and

LÉVESQUE, BEAUBIEN INC.: Lévesque, Beaubien and Company Inc., Pierre Brunet, André Charron, Paul. A. Pommier, Hubert R. Marleau, Gaston Ostiguy, André D. Godbout, André Lemire, Anthony R. Graham and Gilbert Gravel.