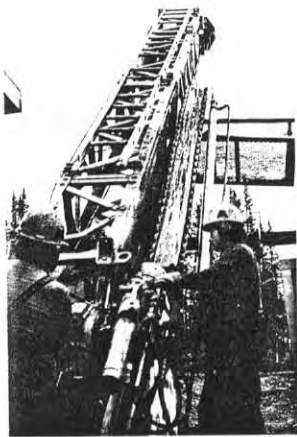


ENERGEX



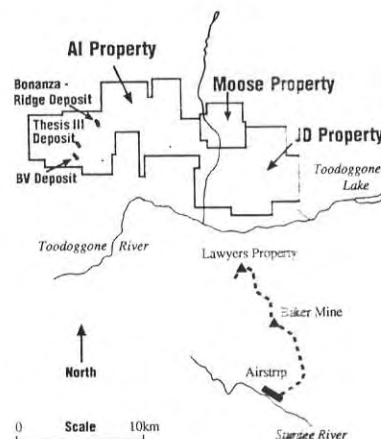
Toodoggone: The AI Project

THE AI PROJECT IS THE MOST WESTERLY TOODOGGONE CLAIM GROUP, comprising over 18,000 acres with more than 19 surface gold showings identified to date. Epithermal gold mineralization is localized along three main structural features which appear to have been the mineralizing conduits for precious metals. These faults, associated with volcanic resurgent domes and collapsed calderas, have a combined length of over five miles. Positioned along these major faults are three deposits with drill-proven reserves: the Bonanza, BV and the Thesis and their extensions, as well as numerous other gold showings. Less than 20% of the length of these structures had been tested by the 40,000 feet of diamond drilling completed to the end of 1986.

Current reserves in all categories on the AI Project stand at one million tons grading 0.20 oz/ton gold. Proven-probable reserves to approximately 125 feet of depth include 262,000 tons grading 0.25 oz/ton gold, uncut and undiluted.

A \$3.7 million phased exploration and development program is underway on the AI Project. More than 25,000 feet of diamond drilling is planned. The majority of drill footage will be used to explore the Project's larger potential

Toodoggone Holdings



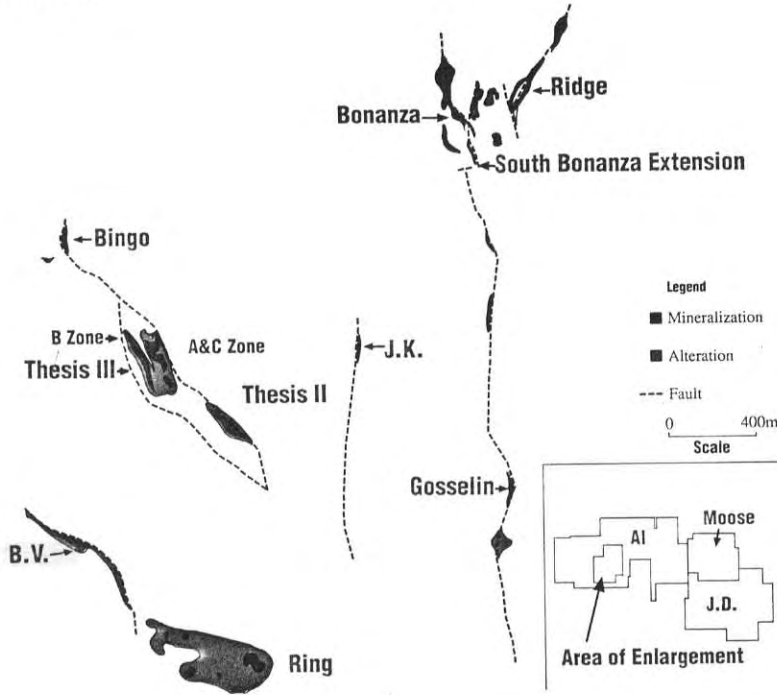
by deep drilling and wide-spaced stepouts along strike. Approximately one-third will be infill development drilling which is projected to add 15,000 ounces to the proven-probable category, increasing the proposed milling rate and mine life.

Activity	1987 (quarters)				1988 (quarters)			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
Field Program 1987		■	■					
Field Program 1988							■	■
Engineering			■					
Road Design		■	■					
Permitting				■	■			
Feasibility			■	■	■	■		
Equipment & Construct.						■	■	■

Pre-production activities tied to the 1988 production start-up include:

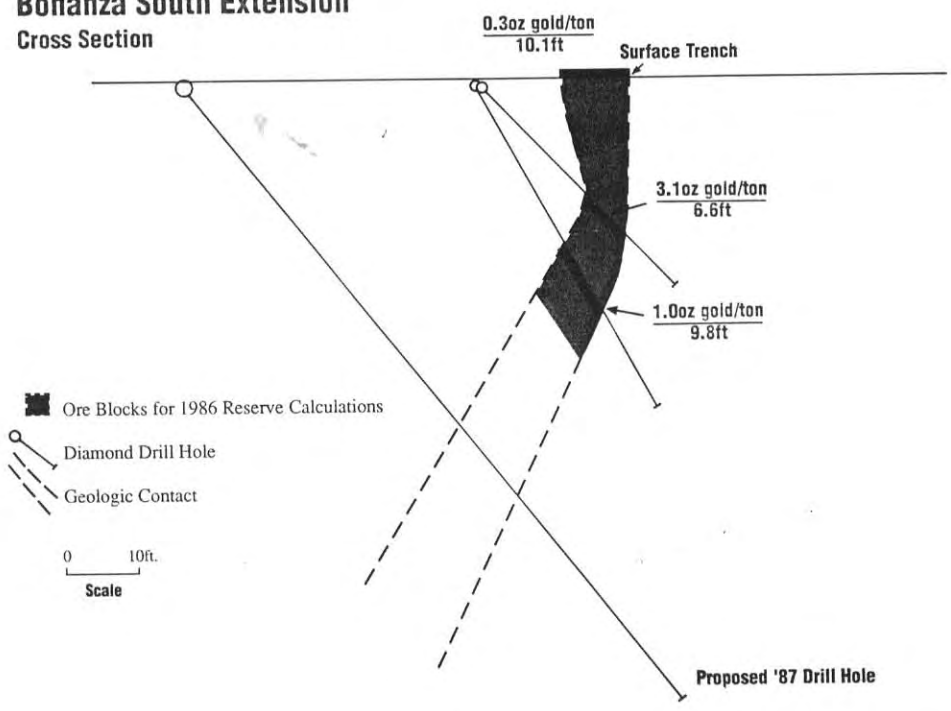
sampling, metallurgical testing, final feasibility studies scheduled for late 1987, and engineering design of milling and tailings facilities. Route selection, surveying, and road design have been initiated for the extension of the Omineca mine access road to the AI Project, starting from the turnoff to the Lawyers property, nine miles south.

Gold Bearing Structures



Current reserves stand at one million tons grading 0.20 oz/ton gold. Deeper, wider-spaced drilling in 1987 will test the AI's larger potential.

Bonanza South Extension Cross Section



Energex holds mineral title to 565 claim units covering over 36,300 acres in the Toodoggone gold camp, 180 miles north of Smithers, British Columbia.

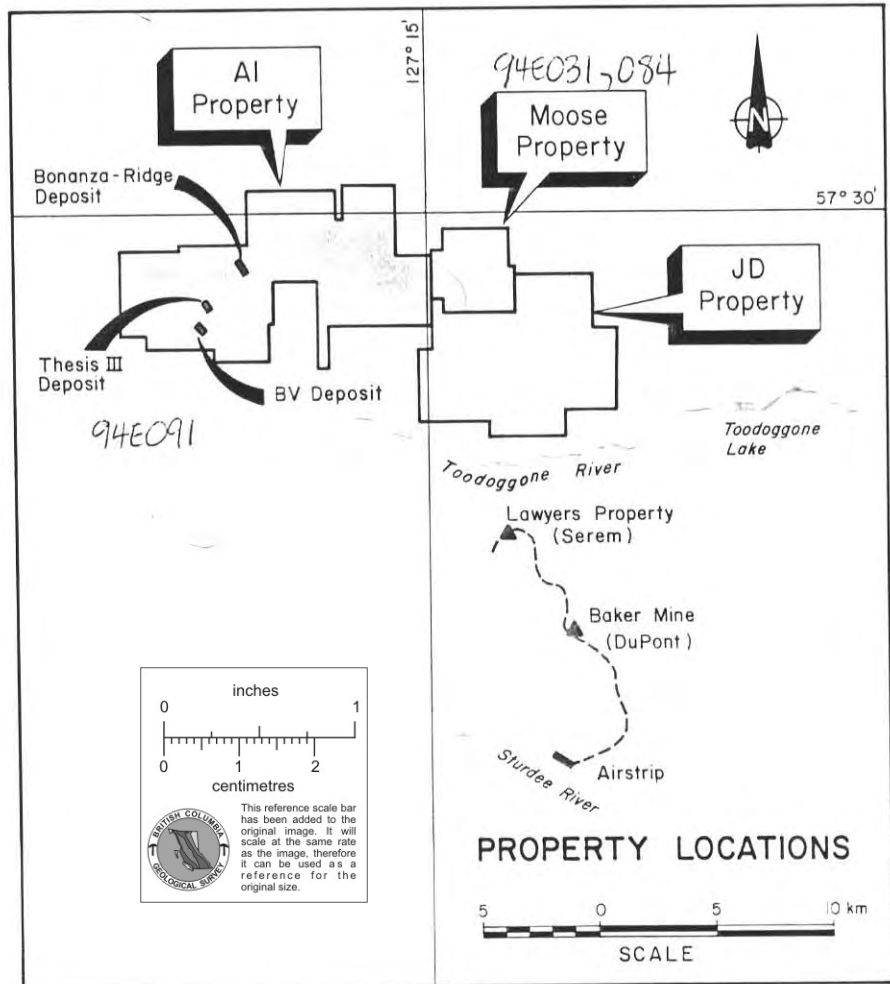
Energex was one of the first mining companies to recognize the area's outstanding potential for hosting major epithermal precious metal deposits. The Company has been very aggressive in acquiring and exploring its keystone land position, an area of approximately 70 square miles, which encompasses some of the highest quality gold deposits in what, over the past two years has been, the most active exploration camp in British Columbia.

To date, \$6.5 million has been spent to explore the Company's Toodoggone holdings. Extensive mapping, sampling, geophysical and trenching programs have been carried out as well as 32,000 feet of diamond drilling. Over 28 documented and sampled precious metals zones have been discovered on Energex's claims.

At the end of the 1985 season, baseline ore reserve calculations were initiated by Wright Engineers Ltd. for the Thesis III and BV deposits which resulted in a combined mineral inventory having a gross metal value of \$32,800,000 (gold @ C\$500).

The 1986 exploration efforts are being concentrated on the AI property, which includes three outstanding deposits: the Thesis III, the BV, and the Bonanza Ridge. High grade gold assays across broad widths encountered in surface trenching and diamond drilling make all three deposits the most likely areas to provide reserves for near-term production. Energex's \$2 million 1986 Toodoggone exploration program commenced in June. Objectives of the program are:

- Increase reserves by conducting at least 10,000 feet of diamond drilling on the Thesis III and BV deposits to a production threshold target of 1 million tons mineable by combined open pit/underground methods.
- Establish reserves on the Bonanza Ridge deposit.



- Strip and channel sample the high grade A zone of the Thesis III deposit on a tight grid spacing for grade control. Mine and stockpile bulk samples and high grade ore.
- Assemble and operate on site a 6 ton per day pilot plant for metallurgical testing of Thesis III/Bonanza Ridge ore and production test milling of stockpiled high grade ore.
- Locate and define additional gold showings by airborne and surface geophysical surveys using the geophysical signatures of the drilled deposits for baseline interpretation. Carry out soil geochemistry and prospecting in conjunction with the geophysical surveys.
- Delineate new precious metals zones by backhoe trenching and undertake systematic sampling programs including follow-up drilling.

BV Deposit

The BV deposit is considered to be part of a strong mineralizing structure trending southeast to northwest and roughly parallel to the Thesis zones. Trenching and drilling in 1985 delineated a sinuous feature continuing for over 1,500 feet, characterized by barite and quartz veining containing native gold. Average width of surface exposures is 10 to 15 feet with structural dislocation and stacking of the zone apparently enhancing the vein width.

In 1985, 3,017 feet of diamond drilling tested the BV deposit, returning consistent ore grade intercepts across mining widths. Core assays ran as high as **0.75 oz gold/ton across 7.4 feet and**; 1985 drilling tested the deposit to a depth of approximately 125 feet. Preliminary ore reserve calculations, undertaken by Wright Engineers Ltd., have been calculated as follows:

MINERAL INVENTORY
(all categories, undiluted)
130,000 tons grading 0.249 oz gold/ton
Gross metal value **\$16,185,000** (Gold @ C\$500/oz)

Early in the current exploration program, a geophysical survey detected an anomaly directly coincident with

precious metal mineralization as defined in previous surface trenching and drilling. This anomaly extends the potential BV ore zone substantially.

1986 Exploration

In addition to the successful geophysical survey, 1540 feet of diamond drilling has been completed on the BV deposit, comprising 7 holes, designed to test the deposit along a strike length of approximately 1000 feet. The program's objective is to delineate additional reserves within the deposit and develop a more complete geological picture of the deposit and its extensions.

The best results received to date have been very encouraging with assays across a zone of quartz/barite breccia averaging **1.72 oz gold/ton across 4.7 feet** (A86-13).

The geophysical survey and encouraging diamond drilling results from the BV deposit indicate the potential for far more extensive gold mineralization along strike and to depth. Only a small fraction of the deposit has been explored in detail and a substantial amount of exploration potential remains to be tested.



Detailed Channel Sampling, Proposed "A" Zone Pit, Thesis III Deposit

A significant improvement in earnings and substantial increase in cash flow coupled with Energex's gold exploration activities place the Company in an exciting period of development.

FINANCIAL SUMMARY

The Company's financial statements for the year ended May 31, 1986 show a significant improvement in earnings and a substantial increase in cash generated from operations.

The Company's cash position increased \$1,117,085 over the year to show total cash available at May 31, 1986 of \$1,282,936. This increase results from significant financing activities: equity issues and project funding by joint venture partners and from major turnaround in cash generated from operations; the Company's investment in Giddings, Ltd. generated \$875,000 in cash.

The loss of \$51,413 for the year ended May 31, 1986 improved by \$564,513 from the loss of \$615,926 for the prior year.

The Company's current cash position of \$1,282,936 and working capital position of \$1,478,478 placed the Company in a sound financial position. In addition, the recent flow-through share placements totalling an additional \$2,000,000 will ensure that the ongoing development of the Company's Toodoggone project will continue this year as planned.

TOODOGGONE AL PROJECT

The 1986 exploration and development program on Energex's Toodoggone project commenced during early June. Drilling, geophysics, stripping and channel sampling are now underway through a \$2 million program financed by the private placement of flow-through shares.

The objective of the program is twofold. Firstly, a minimum of 12,000 feet of diamond

drilling to increase reserves at depth on the Thesis III and BV zones - target reserves are 1 million tons of 0.25 oz/ton gold, mineable by a combination of open-pit and underground methods.

Secondly, the stripped portion of the Thesis III will be channel sampled in detail and a bulk metallurgical sample will be processed. Detailed surface sampling and additional infill drilling are expected to confirm high grade surface reserves. Pilot plant operation is expected to demonstrate that high recoveries are possible from conventional milling techniques.

Up to July 13, 1986, 11 diamond drill holes totalling approximately 2,500 feet had been drilled on the Thesis III zone to test depth potential. All 11 holes have intersected clay alteration flanking silica bodies containing barite, the same host to gold values encountered in the drilling last year. The zone is persistent at depth and appears to widen on some sections. Hole A86-11 will test the zone at approximately 450 feet from surface, some 325 feet below the deepest intersection in this zone in 1985.

Poor core recovery on the flanks of the silicified bodies are interpreted by management as favourable, indicating that the high grade zone persists at depth. Poor core recovery was encountered in the high grade intersections in the previous 2 years drilling. Visible gold has been noted in some sections of the core with assays from drill holes expected by the third week in July. The BV zone will be the next drilling target and holes will be drilled on section beneath the best results that were received last year.

Geophysical surveys have been completed over the Thesis III, BV and Bonanza zones. The IP anomaly which occurs on the Thesis III zone projects southeastwards past the Thesis II and northwestwards towards the Bingo zone over a strike length of approximately 3,300 feet, of which the Thesis III drilling and trenching occupies only a very short interval. This anomaly is open along strike in both directions and additional

coverage is underway. At the BV zone, the IP anomaly extends for over 3,300 feet and is directly coincident with the mineralization as defined in previous trenching and drilling.

The main discovery outcrop area in the Thesis III zone has been stripped and channel sampled in detail. Several blocks with a minimum grade of 1.3 oz/ton gold are emerging. This stripping and detailed sampling is being done prior to mining a bulk sample for metallurgical test work purposes. Two hundred to 500 tons of surface material with a grade of at least 1.3 oz/ton gold will be processed in a 4 to 6 ton per day pilot plant. Preliminary metallurgical tests indicate excellent recoveries of gold by a combination of jig and flotation processes. Currently the pilot plant is being assembled in Vancouver with mining scheduled to start on July 21, 1986 and milling on August 1, 1986. Milling is scheduled to continue until winter weather conditions shut down operations.

Contingent upon verification of last year's reserves by detailed surface channelling, infill drilling and anticipated high recoveries from metallurgical bulk testing, a positive feasibility study may allow debt financing of small scale operations in 1987.

GOLD SPRINGS PROGRAM

Exploration activities continued during the month of June 1986 on Energex's Gold Springs property located 150 miles northeast of Las Vegas on the Nevada/Utah border.

Under a joint venture with Geostar Mining Corporation, Energex as operator conducted the balance of the drill program initiated in late 1985 on the Thor vein system. Surface and underground sampling have indicated ore grade mineralization over at least a 350 foot strike length of the Thor vein. Two 1985 drill holes intersected this zone. Values ranged from 0.17 to 0.37 oz/ton gold over widths from 4.5 to 7.0 feet.

In June an additional 1,230 feet of reverse circulation drilling was completed in seven holes. All of the reverse circulation holes hit the zone very close to the predicted