

This prospectus constitutes a public offering of these securities in those jurisdictions where they may be lawfully offered for sale. NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER, AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE

1991 - spent \$1 million

New Issue

020745

\$1,125,000

**Geddes Resources Limited**  
500,000 units

*As return*

**DAL**

NOV 15 1982

*See P. 19*

Each unit consists of (a) the right to earn one common share and (b) a fully registered warrant conferring upon the holder the right to earn four additional common shares, exercisable in whole or in part at the following times and prices:  
 on or before January 31, 1983 ..... \$2.50 per share;  
 thereafter and on or before January 31, 1984 ..... \$3.25 per share;  
 thereafter and on or before January 31, 1985 ..... \$3.80 per share.

The Company will issue at closing (a) receipts evidencing the right to earn common shares, and (b) warrants. The warrants will be severable from the Units of which they form a part immediately upon issuance.

Shares to be issued pursuant to the rights offered hereby, and shares to be issued pursuant to the exercise of the warrants, are restricted under the applicable provisions of the Securities Act (Ontario) from trading in Ontario until December 14, 1982.

The purchase price of each unit is allocated as to the right to earn one share, \$2.00 and as to the warrant, \$.25. The net proceeds to the Company, allocable to the right to earn shares (the "eligible proceeds"), after the deduction of expenses of issue, will be applied by the Company, on behalf of the subscribers, in incurring expenditures, a substantial portion of which it is expected will qualify as Exploration Expenses under the Company's mineral exploration programs referred to under "Use of Proceeds", so as to entitle subscribers to deductions for income tax purposes. One share will be earned and issued in respect of each \$2.00 of expenditures, as defined under "Details of the Issue", incurred by the Company.

**Price:** \$2.00 per right to earn one common share  
           .25 per warrant  
**Total** \$2.25 per unit

These securities are speculative. There is no present market for any securities offered hereunder. The price of this offering was determined by negotiation between the Company and the Agent. While subscribers hereunder will not earn interests in the Company's projects, subscribers may nonetheless be exposed to claims for liability in the event of damage to persons or property under exploration programs where the risk is either uninsurable or underinsured. See "Risk Factors". Upon the issuance of shares pursuant to the rights offered hereunder at the subscription price of \$2.00 per share, unit holders will suffer an immediate dilution equal to \$.84 per share in the case of the sale of the minimum hereunder and \$.71 per share in the case of the sale of the maximum hereunder. See "Risk Factors."

	Units	Price to Public	Agency Commission (1)	Proceeds to the Company (2)
Per Unit .....	1	\$ 2.25	\$ 0.10	\$ 2.15
Minimum Offering .....	270,000	\$ 607,500	\$27,000	\$ 580,500
Maximum Offering .....	500,000	\$1,125,000	\$50,000	\$1,075,000

- (1) The agency commission consists of (a) one warrant conferring the right to earn four common shares of the Company in respect of each two units sold, exercisable at the times and prices above, (b) \$.10 cash per unit sold, and (c) one common share in respect of each ten units sold.
- (2) Before deducting the expenses of issue, estimated at \$50,000, of which the Agent will pay one-eleventh thereof, subject to the minimum 270,000 units being sold.

**Secondary Offering: up to 50,000 Common Shares and Warrants conferring the right to earn up to 1,000,000 Shares**

Following the termination of the sale of units hereunder, 50,000 Common Shares and Warrants conferring the right to earn up to 1,000,000 common shares, exercisable at the times and prices as above indicated, being part of the commission payable to the Agent on the basis of the maximum offering hereunder, (27,000 common shares and warrants conferring the right to earn 540,000 common shares on the basis of the minimum offering hereunder) will be offered by the Agent at the market from time to time. The proceeds from the sale of these common shares and warrants will not accrue to the Company. See "Plan of Distribution".

The entire proceeds of this offering will be deposited in trust with Guaranty Trust Company of Canada (the "Trustee") pending the sale of the minimum 270,000 units on or before September 30, 1982. If fewer than such minimum number of units are sold by such date, the entire proceeds of this offering will be returned to the subscribers forthwith without interest or deduction.

We, as agents, conditionally offer these units on a "best efforts" basis subject to prior sale, if, as and when issued by the Company in accordance with the terms of the agency agreement referred to under "Plan of Distribution" and subject to the approval of all legal matters on behalf of the Company by Thornley-Hall & Watson, Toronto, and on our behalf by Manley, Grant & Camisso, Toronto.

Subscriptions for units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books without notice. It is expected that units, consisting of interim receipts and warrants, will be available for delivery on or about September 30, 1982. Certificates representing shares earned by subscribers hereunder will be issued as soon after December 31, 1982, as reasonably possible.

P24 - Who is High Ridge?

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## PROSPECTUS SUMMARY

The following information is intended to provide a summary only of the principal features of this offering. Reference is made to the detailed information and the financial statements appearing in the prospectus.

### The Offering

- NEW ISSUE:** Minimum 270,000 units, maximum 500,000 units, each consisting of (a) the right to earn one share of the Company, and (b) a warrant conferring the right to earn four additional shares of the Company.
- RESTRICTIONS ON TRANSFER:** Shares issued pursuant to the units hereby offered, and upon exercise of the warrants, may not be resold until December 14, 1982.
- SECONDARY OFFERING:** Following completion of the sale of units hereunder, (a) up to 50,000 shares of the Company (minimum 27,000 shares) and (b) warrants conferring the right to earn a maximum of 1,000,000 additional shares (540,000 shares minimum) to be issued to the Agent as part of the agency commission, to be offered by the Agent at the market from time to time, none of the proceeds of which will accrue to the Company. See "Details of the Offering" and "Plan of Distribution".
- USE OF PROCEEDS:** The estimated net proceeds to the Company after costs of issue, (minimum \$530,500, maximum \$1,025,000) will be used to fund the Company's mineral exploration programs. At closing, the eligible proceeds will be paid to the Company and deposited in the Subscription Trust Account to be used, together with interest earned thereon, by the Company on behalf of subscribers for units in payment for expenditures incurred, of which the Company will use its reasonable best efforts to use at least 80% thereof for Canadian Exploration Expenses. The balance of 20% of eligible proceeds may be applied to administrative or general expenditures which will not qualify as Canadian Exploration Expenses.
- CANADIAN INCOME TAX CONSEQUENCES:** The Company will act as agent for subscribers for units to incur expenditures in connection with its business of exploration of mineral resource properties. To the extent that such expenditures qualify as Canadian Exploration Expense (CEE) as defined in the Income Tax Act (Canada) the subscriber will be entitled to claim as deductions from income his pro-rata portion of CEE. Subscribers will not be entitled to receive the benefit of CEE incurred by the Company prior to the date of execution of the form of Subscription Agreement, a sample of which appears at the end of this Prospectus.

## **PROSPECTUS SUMMARY (Continued)**

The Income Tax Act (Canada) as presently in force deems shares earned in respect of CEE to be inventory of the subscriber, with a cost of nil. Accordingly, any resale of such shares would result in the entire proceeds of resale being included in income of the initial subscriber. The 1981 Federal Budget contains a provision removing this inventory classification of "flow-through" shares so that any resale of such shares after November 12, 1981 would be treated in accordance with the normal rules applicable to the sale of shares of a corporation. However the cost of the shares would continue to be nil. The Company has received an advance tax ruling from the Department of National Revenue which sets forth the general income tax consequences to a resident of Canada of becoming a subscriber. (See "Canadian Income Tax Consequences"). **Subscribers hereunder should consult their own tax advisors to determine the particular tax consequences of an investment in the units hereunder.**

### **THE COMPANY:**

The Company is in the business of selecting and acquiring mineral resource properties in Canada, or participating interests therein, by means of "earn-in" agreements with owner-operators, whereby the Company undertakes to fund a specific Drilling Exploration program on a prospect, generally having some previously established degree of mineralization, thus acquiring an ownership interest therein. The Company is dependent upon its management company, Geddes Webster Company Limited ("Webster Management"), controlled by the President of the Company, Geddes M. Webster, and members of his immediate family. Webster Management provides all senior executive and managerial services for the Company, in addition to engineering advice.

### **WINDY CRAGGY PROSPECT**

The Company is a party to an "earn-in" agreement with Falconbridge Limited (the "Falconbridge Agreement") under which the Company has earned an undivided 35% interest in the Windy Craggy Prospect and which further entitles the Company, upon completion of an investment of \$1,500,000 on or before September 30, 1982, (the balance of which is estimated at \$400,000), to earn an undivided 49% participating interest therein; the Company is obligated to pay to Falconbridge all additional authorized expenditures. See "Falconbridge Agreement". The obligations of the Company under the Falconbridge Agreement are the subject of certain guarantees and commitments on the part of Management as set forth under "Management Guarantees and Commitments".

## **PROSPECTUS SUMMARY (Continued)**

**THE WARRANTS:** The Warrants, conferring the right to earn four additional shares of the Company, exercisable at the times and prices indicated under "Share Purchase Warrants" will be severable forthwith upon issuance. Warrantholders exercising warrants may elect to have their shares issued in consideration for the Company incurring CEE on their behalf. Deductibility of CEE by the warrantholders will depend on the provisions of the Income Tax Act (Canada) at the time CEE is incurred. In such cases, the shares will be issued as earned from time to time and certificates therefore delivered after the close of the calendar year in which the shares are earned.

Warrantholders will have the alternative of subscribing for shares without the right to further deductions from income, in which case their shares will be issued forthwith upon receipt of subscription monies, and they will have no further rights to claim CEE (See "Share Purchase Warrants").

**RISK FACTORS:** The Company has acquired an undivided interest in one mineral prospect, the Windy Craggy, owned by Falconbridge Limited, which interest is subject to dilution in the event that the Company is unable or unwilling to participate in subsequent programs thereon. The same will be generally true of the Company's future interests in mining properties. There is no guarantee that the Company's drilling programs, whether on the Windy Craggy or elsewhere, will yield positive results. Mining exploration involves financial risk and capital investment. The Company's only present means of acquiring investment capital is through the sale of equity shares. The Company will compete with other interests, many of which may be more heavily capitalized than the Company, for the opportunity to participate in promising exploration projects.

While subscribers hereunder will not earn interests in the Company's projects, subscribers may nonetheless be exposed to liability in the event of damage to persons or property under exploration programs where the risk is either uninsurable or underinsured.

There is no assurance that the Federal Budget of November 12, 1981, will be enacted into law, either during the current parliamentary session or otherwise. While the Department of National Revenue has indicated that it is proceeding with draft legislation to implement the Budget as it relates to the income tax treatment of the proceeds of sale of "flow-through" shares issued as consideration for incurring Canadian Exploration Expenses, or rights thereto, the legislation has not yet been passed by Parliament. Subscribers will not be entitled to receive the benefit of CEE incurred by the Company prior to the date of execution of the form of Subscription Agreement, a sample of which appears at the end of this Prospectus.

## PROSPECTUS SUMMARY (Continued)

### GEOLOGIST'S REPORT:

Derry, Michener & Booth ("DMB"), the Company's consulting geologists, reviewed the results of the 1981 program conducted by Falconbridge on the Windy Craggy sulphide deposit in a report dated February 19th, 1982. Their report states that drilling has to date indicated a wide zone of sulphide mineralization striking northwest coincident with an airborne Dighem anomaly which strengthens to the northwest. The drilling to date (as of February 19, 1982) has only explored some 1,250 feet of the southeast end of the anomaly which extends to the northwest for at least 1,800 feet beyond the present drilling and is not closed off in this direction and is open to depth.

Based on a cut-off grade of 1% Copper, DMB has delineated a wedge-shaped zone of massive sulphide within this wide zone of sulphide mineralization. Widely spaced drilling has intersected this wedge-shaped zone of copper mineralization in five holes along a strike length of 820 feet and a vertical range of some 820 feet. The zone widens to the northwest and true widths of these intersections vary from about five feet at the southeast end, in hole Number 10, to 310 feet in the last hole, Number 5, at the northwest limit of the drilling. DMB has estimated approximately 14,000 tons per vertical foot at the 1,500 meter level at a weighted average grade of approximately 1.36% Copper and 0.093% Cobalt for this zone of greater than 1% copper mineralization, with an average true width of 118 feet or 128 feet horizontal width.

DMB notes that, "the zone could extend at least 2,000 feet further to the northwest beyond the last completed hole of the 1981 series".

## THE COMPANY

Geddes Resources Limited (the "Company") was incorporated under the laws of the Province of Ontario by Articles of Incorporation bearing effective date of June 3, 1981. By Certificate of Amendment dated July 8, 1982, all of the 74,910 issued Class A Preference Shares of the Company were converted into 374,550 shares without par value. The address of the Company's head office and principal place of business is Suite 1604, 7 King Street East, Toronto, Ontario M5C 1A2. The Company was incorporated as a public company for the purpose among others of engaging in the exploration and development of mines and mineral properties in Canada. To date, the Company has acquired a working interest in a certain mineral reseed property located in British Columbia owned by Falconbridge Limited (formerly Falconbridge Nickel Mines Limited) ("Falconbridge") as described under "Windy Craggy". The Company has the exclusive right to acquire a 49% undivided working interest and to participate in further exploration therein.

## BUSINESS OF THE COMPANY

The Company is engaged in the selection and acquisition of participating interests in mineral properties in Canada. Through negotiation with the owners and operators of properties upon which previous mining exploration has been conducted, and which in the opinion of the Company's professional advisors warrant further exploratory work, the Company will conclude agreements ("earn-in agreements") under which it will agree to fund specific exploratory testing and drilling programs on identifiable targets which, upon completion, will yield the Company a percentage ownership interest in the underlying property. The interests to be earned by the Company through the funding of exploration programs will depend upon such factors as the magnitude of the projects, the amount of funding required having regard to the degree of prior exploration and monies expended, the extent of mineralization previously established and the goals to be achieved by further exploratory work.

It is the Company's policy to concentrate its efforts on identifying and exploring properties having a high degree of mineralization as indicated by existing engineering studies and the opinions of the Company's consulting engineers. The Company does not propose to engage in drilling directly, but will seek to develop promising mineral properties with industry partners who will have the responsibility for the operation of the drilling programs, the analysis of technical data, the compilation of results and the responsibility of making recommendations thereon.

The Company will use the proceeds of this offering, together with the proceeds of certain private subscriptions, in exploration drilling. The Company will act as agent for subscribers under the subscription agreements forming part of this prospectus, and for subscribers for units under the private subscriptions, and will thus incur expenditures which are expected to qualify as Canadian exploration expenses ("CEE") as defined under the Income Tax Act (Canada) so as to entitle investors hereunder (with certain exceptions as to mining companies) to claim deductions from their income from other sources, to the extent of their pro rata portion of CEE incurred by the Company as agent on their behalf. See "Canadian Income Tax Consequences".

The Company may elect to participate in the development of a given project to production, or may restrict its exploration program to the identification and delineation of certain defineable objectives indicated by engineering and economic considerations. The Company may at the conclusion of a given program either retain a carried, or royalty, interest therein or, depending upon the degree of economic enhancement resulting from the exploration work, dispose of its interest at a profit.

Most known undeveloped mineral prospects in Canada today, many of which have already had the benefit of significant exploration, are owned and operated by major companies in the mining industry. The Company's participation by means of earn-in agreements in such projects will enable the Company to share in the risk-taking and eventual rewards consequent upon joint exploration programs with owner-operators to an extent not otherwise possible, having regard to the Company's existing resources.

### **Management**

Geddes Webster Company Limited ("Webster Management") under a management agreement with the Company dated July 1, 1981, as amended by agreement dated December 7, 1981, manages all aspects of the Company's affairs. The Company's officers are employees of Webster Management and professional consultants to the Company or to Webster Management. Webster Management provides senior management, including the maintenance of all necessary corporate and financial records relating to shareholders and regulatory authorities.

Webster Management will select exploration prospects and will commission geological and geophysical surveys if and when considered prudent. The Company will rely entirely upon the skills of Webster Management in the negotiation of the terms of "earn-in" agreements on behalf of the Company as more particularly described under "Management Agreement".

### **Windy Craggy Prospect**

The Company's first earned interest in a mineral prospect is the Windy Craggy copper-cobalt property, located at Latitude  $59^{\circ} 44'N$  and Longitude  $137^{\circ} 44'W$  in the Northwest corner of the Province of British Columbia, owned by Falconbridge Limited ("Falconbridge"). The property, comprising approximately 2,718 acres, is 40 air miles west of the Haines Highway and approximately 75 miles from the ocean port of Haines, Alaska, which offers year round shipping facilities. Access to the property base camp at Tats Lake is by float plane or helicopter.

Future operations on the property are expected to be serviced by a 40-mile long road from the Haines Highway through crown lands to the base camp, about half of which has already been opened up as a working trail, and the balance of which will be opened during subsequent programs in 1983 and thereafter and may be completed at moderate cost. Working trails will be developed as required from the base camp to development sites.



The Windy Craggy prospect was discovered by Falconbridge in 1958. Pursuant to the terms of the Falconbridge Agreement referred to below, the Company financed the 1981 drilling program under the operation and management of Falconbridge to the amount of about One Million dollars. The 1981 drilling disclosed that the spotty showings of mineralized material visible on surface were in fact the side, or edge, expressions of a massive deposit of sulphide mineralization. A geophysical report of an airborne survey carried out during the 1981 drilling season indicates that the area drilled is the southerly end of a large anomaly extending northwesterly from the drill tested portion. The most northerly hole drilled at the end of the 1981 season intersected a width of mineralization of approximately 450 feet, assaying 1.55% copper and 0.09% cobalt. The Company's consulting geologists have assessed the detailed results of the 1981 program submitted by Falconbridge and their Report confirms that the Windy Craggy deposit is one of major proportions and that additional work is warranted in 1982. The 1982 program, accordingly, is a continuation of the 1981 drilling program.

The 1982 program will now concentrate on the strongest areas of the anomaly over an untested distance of at least 1,800 feet. Although the property is located in a glacial, mountainous area, and the drilling season is relatively short, an economical, comprehensive program is anticipated for 1982. Year-round mining could be conducted in the future, below the glacier, as an underground operation.

### **Geologist's Report**

Falconbridge, as operator, completed the drilling in late September 1981 and summarized its findings in a report entitled "Report of the 1981 Diamond Drill Programme on the Windy Craggy Sulphide Deposit and Proposed Programme for 1982".

Derry, Michener & Booth ("DMB"), the Company's consulting geologists, reviewed the results of the 1981 programme on the Windy Craggy sulphide deposit in a report dated February 19th, 1982. Their report, which is available for examination, states that widely spaced drilling has to date indicated a wide zone of sulphide mineralization striking northwest and dipping steeply northeast coincident with a Dighem anomaly which strengthens to the northwest. However, the drilling to date has only explored some 1,250 feet of the southeast end of this anomaly which extends to the northwest for at least 1,800 feet beyond the limits of the present drilling and is not closed off in this direction. A copy of the Geologist's Report is available for perusal at the Company's offices, Suite 1604, 7 King Street East, Toronto, Ontario M5C 1A2 during normal business hours. A copy is also available for perusal at the Ontario Securities Commission, 10 Wellesley Street East, Toronto, Ontario, M7A 2H7.

Within this wide sulphide zone, correlation between the widely spaced drill holes has indicated a wedge-shaped massive sulphide body, open to the northwest, which increases in width from five feet true width in hole Number 10 at the southeast end, to a maximum true width of 310 feet in the last hole of the 1981 drilling program, Number 5, at the northwest end. Based on a cut-off grade of 1% Copper, DMB has estimated a potential of approximately 14,000 tons per

Udy operation, Large tonnage  
Excellent potential of  
similar grade

≈ \$10.00  
≈ 8.00  
≈ 19.00

vertical foot at the 1,500 metre level for this massive sulphide zone, with an approximate average weighted grade of 1.36% Copper and 0.093% Cobalt over an average horizontal width of 128 feet (118 feet true width). DMB notes that "the zone could extend at least 2,000 feet further to the northwest beyond the last completed hole of the 1981 series". In their conclusions and recommendations DMB states that "the strengthening of the airborne anomalies and the copper-cobalt mineralization encountered during the 1981 drill program, to the northwest, warrants further drilling along strike in this direction."

### Falconbridge Agreement

By agreement made as of the 4th day of June, 1981 between the Company and Falconbridge (the "Falconbridge Agreement"), Falconbridge has agreed to grant to the Company the right or option to become the registered owner of an undivided 49% working interest in the Windy Craggy Property (the "Mining Property"), for a consideration consisting of the investment by the Company in the project of at least \$1,500,000 on or before June 4, 1983. By amending agreement dated September 9, 1982 (the "Amending Agreement"), the Company has agreed to complete the payment of \$1,500,000 on or before September 30, 1982. In the event that the Company fails to complete such payment on or before such date, the Company will forfeit its rights to acquire an additional 14% undivided interest in the Mining Property.

The Falconbridge Agreement entitles Falconbridge, on behalf of the Company, to carry out mining operations on the Mining Property as operator, pursuant to programs to be approved by the Company, in such manner as Falconbridge in its sole discretion determines.

The Company was required to invest at least \$750,000 on or before June 4, 1982, in order to become entitled to be registered as owner of an undivided 35% interest in the Mining Property. In order to (a) maintain its 35% interest in the Mining Property and (b) acquire an additional 14% interest therein, the Company is obligated to complete the payment of \$1,500,000 of total expenditures on or before September 30, 1982. The Falconbridge Agreement further provides that if the First Program disclosed results which warranted further exploration, Falconbridge should provide for the Company's approval a second program of mining operations (the "Second Program").

Approximately \$960,000 of expenditures on the Mining Property were incurred by Falconbridge for the Company's account at the end of 1981, all of which has now been paid. The Company has thus satisfied its obligation to incur expenditures in the requisite amount, and is entitled to become the recorded owner of an undivided 35% interest in the Mining Property.

The Company has approved the Second (1982) Program submitted by Falconbridge, to be conducted on or before June 4, 1983, and the Program is now proceeding. Pursuant to the Amending Agreement, the Company is thus obligated to deliver on or before September 30, 1982, such portion of \$1,500,000 not already paid, estimated at approximately \$400,000, whereupon the Company will earn a further 14% undivided interest in the Mining Property, bringing the total interest to 49%. Upon the acquisition of a 49% undivided interest in the Mining Property, the Company is entitled to participate to the extent of 49% in future mining operations on the Property.

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The Company has also agreed under the Amending Agreement to pay to Falconbridge on or before October 11, 1982, up to \$100,000 of additional expenditures incurred and to be incurred by Falconbridge in excess of the said \$1,500,000. Further expenditures, if any, incurred and to be incurred in addition to the said \$100,000 will be paid by the Company on a monthly basis pursuant to invoices to be rendered by Falconbridge. Such further expenditures are not expected to exceed \$100,000 in 1982. Additional demobilization costs will become payable in 1983 in certain events, the amounts of which are estimated not to exceed a further \$100,000.

The Company may elect not to participate in future mining operations after having acquired its 49% undivided interest, but in such event its interest will be diluted as future expenditures are incurred. The interest will not, however, be reduced below a 10% carried interest. In such event the interest of the Company will be automatically converted into a royalty interest equal to 5% of the net proceeds of production from the Mining Property. Under the Drilling Agreement, net proceeds of production are defined as the excess of (a) gross cash income received by Falconbridge from the sale of minerals after Falconbridge has recovered all of its capital investment and preproduction expenditures, including interest in respect of money borrowed or provided by Falconbridge, at a rate not exceeding 1% over the Canadian Imperial Bank of Commerce prime rate from time to time, over (b) all expenses properly incurred.

The Falconbridge Agreement also gives each of Falconbridge and the Company a right of first refusal to acquire the interest of the other party in the Mining Property in the event that a bona fide third party purchaser offers to acquire an interest in the Mining Property.

### **Management Guarantees and Commitments**

The obligation of the Company under the Second Program under the Falconbridge Agreement is the subject of certain guarantees and commitments by members of management, as follows:

- (a) Mr. Geddes M. Webster, the President of the Company, under a letter agreement with Falconbridge dated August 16, 1982, has personally guaranteed the payment of the Company's financial obligations to Falconbridge under the 1982 Drilling Program to the extent of \$400,000;
- (b) Under the provisions of agreements, both dated July 8, 1982, between HCI Holdings Ltd. ("HCI") and Geddes Webster Company Limited ("Webster Management"), both HCI and Webster Management agree (severally and not jointly) that each shall subscribe and pay for up to 75,000 shares of the Company, at the price of \$2.00 per share, on or before October 29, 1982 (the agreement with HCI being hereinafter referred to as the "HCI Amending Agreement" and the agreement with Webster Management being hereinafter referred to as the "Webster Management Commitment"). Should the Company succeed in raising additional capital under this prospectus or otherwise, the agreements provide that the commitments diminish, in accordance with a formula contained in the agreements, the effect of which is to reduce the commitments to nil in the event that the Company sells sufficient units under this prospectus, or any other securities, so as to net the Company \$300,000 on or before October 29, 1982.

The commitment of Webster Management is supported by the personal guarantee of Geddes M. Webster, President of the Company and of Webster Management, limited to the sum of \$150,000.

### HCI Drilling Fund Agreement

The Company entered into a Drilling Fund Agreement with HCI Holdings Ltd. ("HCI") dated as of June 4, 1981. Mr Michael Carter, a director of HCI, is Chairman of the Board of Directors of the Company, and the representative of HCI on the Board. The Drilling Fund Agreement provided that HCI agreed to pay up to \$750,000 of expenditures to be incurred in connection with the First Program under the Falconbridge Agreement, provided that such expenditures were incurred on or before September 30, 1981. The Company agreed to incur the expenditures as agent on behalf of HCI, and to allot one Class A share of the Company for each \$10 of expenditures so incurred.

As of September 30, 1981, expenditures totalling \$749,107 had been incurred under the First Program, and in accordance with the Drilling Fund Agreement 74,910 Class A shares were issued to HCI. By Articles of Amendment filed on the 8th day of July, 1982, all of the outstanding 74,910 Class A shares, all of which were issued to HCI, have been redesignated as 374,550 outstanding shares without par value, at the rate of five for one.

In addition, the Company has issued to HCI a further 374,910 shares at a subscription price of 30¢ per share payable in cash pursuant to the terms of the Drilling Fund Agreement.

HCI was obligated under the Drilling Fund Agreement to invest up to a further \$750,000 to be allocated to the Second Program under the Falconbridge Agreement, subject to the proviso that HCI should be reasonably satisfied that at least 85% of the Exploration Expenditures to be incurred by it should qualify as Canadian Exploration Expenses as defined under the Income Tax Act (Canada) and provided that 90% of such expenditures should be incurred prior to September 30, 1982.

Pursuant to the terms of an agreement dated July 9, 1982 amending the Drilling Fund Agreement, (the "HCI Amending Agreement") HCI is relieved of its obligation to contribute to the expenditures to be incurred under the Second Program as above indicated. In lieu thereof, HCI has agreed to subscribe for shares of the Company subject to certain conditions as set forth in the Amending Agreement referred to under "Management Guarantees and Commitments" above.

## DETAILS OF THE OFFERING

### The Units

Each of the units offered hereby consists of the right to earn one share without par value in the capital of the Company and a warrant conferring the right to earn four additional shares of the Company, exercisable in whole or in part from time to time at the times and prices indicated under "Share Purchase Warrants" below.

All of the proceeds from the sale of units hereunder will be deposited with Guaranty Trust Company of Canada as Depositary and Trustee for the subscribers, pending the sale of the minimum 270,000 units on or before September 30, 1982, as described under "Agency - Trust Agreement". If the minimum 270,000 units are not sold within the time prescribed, the total proceeds of sale will be returned to the subscribers forthwith without interest or deduction. In the event of completion of the sale of the minimum within the time prescribed, the proceeds of sale will be distributed by the Trustee in the manner described under "Use of Proceeds".

Of the purchase price of \$2.25 per unit, \$2.00 is allocated to the right to earn one share (the "eligible proceeds") and \$.25 is allocated to the warrant. The Company will issue interim receipts evidencing the right to earn shares, together with the warrants comprising the units, at the time of closing. The warrants will be severable from the units forthwith upon issuance.

The \$2.00 portion or "eligible proceeds" will be deposited to the Company's Subscription Trust Account for disbursement in payment of expenditures incurred and to be incurred under the Company's exploration programs.

The Subscription Agreement in the form appearing on the final page of this prospectus provides that the Company is appointed the agent of the subscriber for the purpose, among others, of incurring expenditures on his behalf, so as to entitle the subscriber to claim Canadian Exploration Expenses ("CEE") as deductions from income for tax purposes as described under "Canadian Income Tax Consequences". At the time expenditures, whether qualifying as CEE or otherwise, are incurred on behalf of subscribers, the Company will cause to be issued one share in respect of each \$2.00 of expenditures so incurred. The Company will use its reasonable best efforts to ensure that at least 80% of the eligible proceeds, together with interest or other income earned thereon, will be expended or committed for expenditure on or before December 31, 1983, on expenditures which will qualify as Canadian Exploration Expenses, as defined under the Income Tax Act (Canada). Such eligible proceeds not applied to expenditures incurred or committed for expenditure on or before December 31, 1983, whether qualifying as CEE or otherwise, will be returned to the original subscribers pro rata, together with interest earned thereon pro rata. Subscribers will not be entitled to receive the benefit of CEE incurred by the Company prior to the date of execution of the form of Subscription Agreement. The balance of 20% of eligible proceeds may be expended by the Company in payment of expenditures other than those qualifying as CEE, for the Company's own account.

The proceeds from the exercise of the warrants will be allocated as between qualifying and non-qualifying expenditures in similar manner, for disbursement on or before the completion of the calendar year next following the year of exercise of the warrant, and if expenditures, whether qualifying as CEE or otherwise are not so incurred on behalf of the subscriber, such proceeds, together with interest or other income earned thereon, will be returned to all subscribers within the year of exercise, pro rata.

The Company will report quarterly to subscribers as to the amounts of eligible proceeds expended on their behalf. The Company will notify each subscriber on or before the last day of February in each year as to the amount of expenditures incurred on his behalf in the year preceding which, in the opinion of the Company, qualify as Canadian Exploration Expense.

It is expected that definitive share certificates representing shares issued pursuant to the offering of rights hereunder will be mailed to subscribers as soon after December 31, 1982 as reasonably possible. The Company will make the disclosure required under the Securities Act (Ontario) to permit the resale, at any time after December 14, 1982, of shares issued pursuant to the offering of units hereunder or additional shares issued pursuant to the exercise of the warrants offered hereunder.

### **Secondary Offering**

The commission payable to the Agent consists in part of (a) one share of the Company to be allotted as fully paid to the Agent in respect of each ten units sold hereunder, up to 50,000 shares in the case of the maximum, and 27,000 shares in the case of the minimum, and (b) warrants conferring the right to earn 1,000,000 additional shares of the Company in the case of the maximum, and 540,000 additional shares in the case of the minimum, to be issued free to the Agent on the basis of one warrant in respect of each two units sold, such warrants to be issued under the provisions of the Warrant Indenture, and to be exercisable at the times and prices, as referred to under "Share Purchase Warrants", and to rank on a parity with the warrants forming part of the units offered hereunder. Following the completion and termination of the sale of the units hereunder, the Agent will offer the above-mentioned securities for sale at the market price from time to time, none of the proceeds of which will accrue to the Company.

Any shares issued or issuable pursuant to the offering of units hereunder, or pursuant to the exercise of warrants offered hereunder, will not be transferable prior to December 14, 1982, being twelve months subsequent to the date upon which the Company became a reporting issuer within the meaning of the Securities Act (Ontario), which restricts the resale of such shares for a period of twelve months following the date upon which the Company became a reporting issuer.

### **Attributes of the Shares**

The holders of the shares without par value in the capital of the Company are entitled to receive dividends when, as and if declared by the Board of Directors of the Company. In the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, after the payment of all outstanding debts, the remaining assets of the Company available for distribution would be distributed to the holders of outstanding shares. The shares have no pre-emptive, redemption or conversion rights.

All outstanding shares of the Company and all shares to be issued pursuant to the rights to earn shares offered hereunder will be fully paid and non-assessable.

Holders of shares without par value are entitled to receive notice of and to attend and vote at any meeting of the shareholders of the Company and each share carries the right to one vote at all meetings of the shareholders of the Company.

## Share Purchase Warrants

The warrants forming part of the units offered hereby will be issued in fully registered form under the provisions of a Warrant Indenture made between the Company and Guaranty Trust Company of Canada as Trustee for the warrant-holders dated the 24th day of August, 1982. Each warrant, upon issuance, will be severable from the unit of which it forms a part. Each warrant will confer upon the registered holder the further right to earn four additional shares without par value in the capital of the Company, exercisable in whole or in part from time to time at the following times and prices:

If exercised on or before the close of business	
January 31, 1983.....	\$2.50 per share;
If exercised thereafter and on or before the close of business	
January 31, 1984.....	\$3.25 per share;
If exercised thereafter and on or before the close of business	
January 31, 1985.....	\$3.80 per share.

The Warrant Indenture will contain anti-dilution provisions including, among other things, provisions for appropriate adjustment in the class and number of shares issuable pursuant to the Warrant Indenture, and in the price of such shares, upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the shares, the payment of stock dividends or the subsequent issue of shares at a price lower than current warrant exercise prices.

The Company will also covenant in the Warrant Indenture that, during the period in which the warrants are exercisable, it will give written notice before taking certain actions, including the payment of a stock dividend on any of its shares, the making of any other distribution of its shares or the issue of rights to the holders of its shares, such notice to be given at least 15 days prior to the record date for the determination of the shareholders entitled to such dividend, distribution or rights. Such notice need only set forth such particulars of such dividend, distribution or rights as shall have been determined at the date the notice is given.

To the extent that the holder of a warrant would otherwise be entitled to purchase a fraction of a share, such right may be exercised only in combination with other rights which in the aggregate entitle the holder to purchase a whole number of shares.

The proceeds from the exercise of the warrants will also be utilized by the Company in furtherance of its exploration programs, as well as for general corporate purposes, and the provisions relating to the use of proceeds of the units offered hereby as referred to under "The Units", will apply to the proceeds from the exercise of the warrants offered hereby, in addition to the proceeds from the exercise of certain warrants previously issued. Accordingly, to the extent that Exploration Expenditures are incurred by the Company on behalf of subscribers, the original subscribers for the shares issuable upon the exercise of the warrants will be entitled to a pro rata share of Canadian exploration expense available in the year of subscription and thereafter. Reference is made to "Canadian Income Tax Consequences" for the tax treatment of the subsequent disposition of shares issuable upon exercise of the warrants. The transferability of such shares is restricted, under certain provisions of the Securities Act (Ontario), until December 14, 1982.

The Warrant Indenture contains provisions substantially to the effect that each warrant entitles the holder (herein called the "subscriber"), upon exercise of his warrant, to elect whether to have his shares issued:

- (a) as earned, in the manner set forth in this prospectus, provided that at the relevant date the applicable provisions of the Income Tax Act remain in force substantially unamended from the present, or
- (b) forthwith upon payment of the subscription price therefor, without the right to have expenditures incurred on his behalf.

The subscriber may elect to have his shares issued wholly under (a) or wholly under (b) or partly under (a) and partly under (b), and may change his election at any time up to the date of expenditures being incurred on his behalf.

Under (a) the subscriber will earn shares as expenditures are incurred on his behalf by the Company as agent, in the same manner and to the same effect as in the case of the purchase of units hereunder. The Company will cause shares to be issued to the subscriber as expenditures are incurred for his account to the amount of the respective subscription price therefore in accordance with the schedule of dates and prices above, and to the extent that such expenditures qualify as CEE, the subscriber will be entitled to the deductions in calculating income, and will be notified to such effect, as herein provided under "Canadian Income Tax Consequences" and "Details of the Offering".

The Warrant Indenture further provides that in the event that: (1) the applicable provisions of the Income Tax Act relating to the issuance of "flow-through" shares are rescinded or otherwise amended so as to affect, in the sole opinion of the Company's management, the foregoing provisions, or (2) should the Company have ceased or curtailed its exploration business to a point where the issuance of shares pursuant to (a) above will be curtailed or substantially postponed, the Company reserves the right to decline to issue shares in accordance with (a) above, notwithstanding a subscriber's election to that effect, in which event the subscriber will be so notified in writing, and will have the opportunity, exercisable within ten days of the mailing of such notice, of (i) cancelling his subscription and obtaining the return of his subscription monies, or (ii) electing to have his shares issued as in (b) above. In the event of the subscriber failing to respond to the notice in writing as to the curtailment or substantial postponement of the issuance of shares under (a) above, the subscriber shall be conclusively deemed to have elected to have his shares issued in accordance with (b) above, and the Company will cause certificates representing the shares to be issued and delivered forthwith. Certificates representing shares earned in accordance with (a) above will be issued as soon as reasonably possible following the 31st day of December in the year in which the shares are earned.



## MANAGEMENT OF THE COMPANY

The Board of Directors of the Company consists of six directors. The names and municipalities of residence of the directors and officers of the Company, the positions currently held by them in the Company and their principal occupations are as follows:

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation</u>
MICHAEL FRANCIS KENNEDY CARTER, C.A., B.Comm North York, Ontario	Chairman of the Board of Directors	President of L&M Carter Management Ltd., (manage- ment consulting company); President of Mineral Resources International Limited and director of HCI Holdings Ltd.; prior to February 1981, Vice-President, Finance and a director of C&C Yachts Limited.
GEDDES MURRAY WEBSTER, B.Sc., B.Eng., P.Eng. Toronto, Ontario	A Director, President and Chief Executive Officer	Financial and corporate consultant in natural resource industry in Canada; President of Geddes Webster Company Limited.
KURT RUDOLPH SWINTON, M.Sc., P.Eng. Toronto, Ontario	A Director, Vice-President and Secretary- Treasurer	Financial consultant and Vice-Chairman of Carlson Marketing & Motivation Limited (marketing company) and Chairman of 20th Century Energy Corporation; prior to 1977 Executive Vice-President of Carlson Marketing and Motivation Limited; from 1972 to 1976 Executive Vice- President of Houghton Management Limited, Toronto.
WILLIAM MCKENZIE GILCHRIST, B.Sc., P.Eng. Ottawa, Ontario	Director	Retired; prior to 1974, President and a Director of Eldorado Nuclear Limited.

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation</u>
PATRICK R. HEENAN, B.A.Sc., P.Eng. Toronto, Ontario	A Director and Vice-President	Vice-President of Operations of the Company commencing January 1, 1982. From April 1, 1981 to January 1, 1982, self-employed mining consultant. Prior to March 31, 1981, Exploration Manager, Eastern Canada, for Western Mines Limited, Vancouver.
LOUIS P. STARCK, P.Eng. Vancouver, British Columbia	Director	Mining Consultant, President of L.P. Starck and Associates Ltd., Vancouver, and President of Mascot Gold Mines Limited. Also President of Giant Piper Explorations Inc. Formerly, President of G.M. Resources Ltd., all of Vancouver, B.C.

#### **President and Chief Executive Officer**

The President of the Company is Geddes M. Webster. Mr. Webster graduated from Dalhousie University with a Bachelor of Science degree in 1939, and from McGill University with a Bachelor of Engineering degree in 1941. Mr. Webster is a registered Professional Engineer in the provinces of British Columbia and Ontario. In addition to being President of the Company and Geddes Webster Company Limited, he is President of Waycot Systems Limited. At present, Mr. Webster also serves as a Commissioner of the Ontario Securities Commission. He is a past Chairman of the Toronto Branch of the Canadian Institute of Mining and Metallurgy and he is a member of the American Institute of Mining and Metallurgical Engineers.

Mr. Webster has devoted his career to the minerals and metals industry as a geologist, metallurgist, engineer and administrator. As a member of the Twin Cities Society of Securities Analysts in Minneapolis, Minnesota, and a director of the Toronto Society of Financial Analysts, he has specialized in mining and metal companies. In the course of his duties he has also assisted and advised on numerous evaluations, acquisitions, portfolio programs and research matters. He was the senior metals analyst for Investors Diversified Services before joining the Ventures-Falconbridge group in 1961. Mr. Webster joined the firm of Wisener MacKellar, and then was a founding partner of Wisener & Partners where he was the mines and metals analyst before becoming the senior partner of research and then Vice-President, Research. Since 1972 he has been an independent consultant, specializing in various aspects of natural resources. His clients have included governments, mining and oil companies, stock brokers, portfolio managers of pension and mutual funds and individuals. His work as an administrator and engineer has taken him to virtually every part of Canada and he has visited and advised upon mining properties throughout Canada and the U.S.A. and to a lesser degree in Australia and South Africa.

### **Vice-President and Secretary Treasurer**

The Vice-President and Secretary-Treasurer of the Company is Kurt R. Swinton, who is a registered Professional Engineer in the Province of Ontario. Mr. Swinton received his Master of Science degree in 1938 from Technical University in Vienna, Austria. As mentioned above, Mr. Swinton is currently a consultant to and Vice-Chairman of Carlson Marketing Group, and chairman of other companies, including 20th Century Energy Corporation in Vancouver. From 1972 to 1976, Mr. Swinton was Executive Vice-President of Haughton Management Limited, Toronto. Mr. Swinton has extensive involvement in the area of public service, including his present capacity as President of the Couchiching Institute on Public Affairs, and as Chairman of the recently created Futures Secretariat.

### **Vice-President, Operations**

The Vice-President of Operations of the Company is Patrick R. Heenan, a registered professional engineer in the Province of Ontario and a member of the Association of Professional Engineers of the Province of Ontario. He is also a member of the Canadian Institute of Mining and Metallurgy and the Geological Association of Canada. He attended St. Michael's College in Toronto, and obtained a B.A.Sc. in mining geology from the University of Toronto.

He was formerly Exploration Manager, Eastern Canada, for Western Mines Limited, and prior thereto was District Manager for Brascan Resources Limited in Toronto.

During the 1960's, he was involved in exploration and project management for the Denison and Conwest organisations, and his work took him throughout Canada, the U.S.A., the Carribean and many parts of South America.

He was instrumental in the discovery and development of the Ming deposit in Newfoundland for Consolidated Rambler Mines Limited.

### **Management Agreement**

By agreement dated July 1, 1981, as amended on December 7, 1981, Geddes Webster Company Limited ("Webster Management") agreed to provide management and other services to the Company. The agreement provides that Webster Management will provide office premises, secretarial and administrative staff, financial reporting and bookkeeping services. Webster Management will also select and screen new projects for the Company. The term of the agreement expires on December 31, 1983, but is automatically renewable from year to year, unless terminated by either party upon 60 days' notice prior to the expiry of the initial term or any extended term. In addition, the agreement may be terminated at the option of the Company in the event of the death of Mr. Webster.

Webster Management will receive an annual fee covering all services based on a budget of its actual costs, prepared by Webster Management, which budget must be approved by an independent committee of the Board of Directors of the Company. The fee portion of the budget with respect to the services of Messrs.

Webster and Swinton will be at competitive rates, and the balance of the budget will contain estimates of the actual costs to be incurred by Webster Management in providing services to the Company. The budget for the appropriate year must be submitted to the Company not later than 60 days before the end of the previous calendar year. It is estimated that total fees and expenses payable in any year will not exceed \$200,000. Fees and expenses payable by the Company to Webster Management for the period from incorporation to June 1st, 1982, amount to \$118,564.

The Management Agreement further provides that Webster Management will make available, as and when required, the services of Messrs. Geddes M. Webster and Kurt R. Swinton. The parties recognize, however, that neither Mr. Webster nor Mr. Swinton will be required to devote his full time and attention to the affairs of the Company, and that each may carry on other consulting services and may establish, or participate in, further drilling ventures in future years.

### USE OF PROCEEDS

The net proceeds to the Company on the basis of the minimum offering of units hereunder, after the deduction of estimated expenses of issue, will be approximately \$530,500. Based upon the maximum offering, the estimated net proceeds will be approximately \$1,025,000. Such proceeds, together with the \$500,000 proceeds of private financing, pending the sale of the minimum offering hereunder, will be utilized by the Company in payment of expenditures incurred and to be incurred by the Company in the course of its business of exploring and evaluating mineral prospects with a view to earning interests therein, and for the general operating expenses of the Company, as described under "Business of the Company". The \$2.00 portion of the proceeds of issue allocable to the right to earn one share (the "eligible proceeds") in respect of such unit will be placed in a special account (the "Subscription Trust Account") to be drawn upon by the Company as expenditures are incurred in the course of its business. The expenditures will consist of (a) exploration expenses of the type contemplated under Section 66 of the Income Tax Act (Canada) which entitle the investor to deductions for income tax purposes, (herein called "Exploration Expenditures") and (b) general corporate expenses of the Company.

The eligible proceeds to be allocated to Exploration Expenditures may be used in whole or in part to fund the balance of the 1982 Drilling Program under the Falconbridge Agreement. None of the proceeds of this issue will be used to pay any expenditures incurred during the 1981 year. Any part of the Exploration Expenditures not so allocated will be used by the Company together with interest earned thereon, on such other mineral prospects from time to time as may be selected by the Company under the advice and direction of its professional advisors.

Until applied as set forth above, the net proceeds of this issue will be invested only in securities of, or those guaranteed by, the Government of Canada or any Province of Canada, in certificates of deposit or interest bearing accounts of banks or trust companies, or in prime commercial paper.

The purchase price of \$2.25 per unit is allocated as to the right to earn one share, \$2.00 (the "eligible proceeds"), and to the Warrant, \$.25. The \$.25 portion will be allocated entirely to the general expenses of the Company and will not be applied in Exploration Expenditures. Of the eligible proceeds, the Company will use its reasonable best efforts to ensure that at least 80% thereof, together with interest earned thereon, will be applied by the Company as agent for the subscribers hereunder in payment of Exploration Expenditures which are expected to qualify as Canadian exploration expenses, as defined in the Income Tax Act, thus entitling subscribers to deductions for income tax purposes as described under "Canadian Income Tax Consequences". The balance of 20% of eligible proceeds may be applied to administrative or general expenditures which will not qualify as Canadian Exploration Expenses.

The obligations of the Company with respect to the Second Program under the Falconbridge Agreement are the subject of agreements between the Company on one hand and HCI and Webster Management on the other hand, as described under "Management Guarantees and Commitments".

### Private Subscriptions

Pursuant to a private offering, the Company has issued (a) to Noranda Pension Group, Toronto, units consisting of 125,000 fully paid shares of the Company together with warrants conferring the right to earn 500,000 additional shares of the Company, exercisable at the times and prices indicated under "Share Purchase Warrants" for an aggregate subscription price of \$250,000.00; and (b) to Mackenzie Financial Corporation, Toronto, units consisting of rights to earn 125,000 shares of the Company and warrants conferring the right to earn a further 500,000 shares of the Company, exercisable as above indicated, for an aggregate subscription price of \$250,000.00. The two investors are entirely unrelated and are at arm's length from the Company. The units issued to Mackenzie Financial Corporation will rank on a parity with the units offered hereunder, and the subscriber therefor will participate where possible, pro rata with subscribers under this prospectus. The warrants forming part of the units issued to Noranda Pension Group will rank on a parity with the warrants forming part of the units offered hereunder.

## CAPITALIZATION

Designation of Securities	Authorized	Outstanding at June 1, 1982 (1)	Outstanding at August 31, 1982	If all securities are sold
Class A convertible preferred shares par value \$10.00 each	10,000,000 shs.	74,910 shs. (\$749,100)	-	-
Shares without par value	10,000,000 shs.	909,910 (\$491,473)	1,284,460 (\$1,240,573)	1,959,460 (2) (\$2,590,573)
Warrants to earn or purchase four shares	375,000 <sup>(3)</sup> (1,500,000 shs.)	125,000 (500,000 shs.)	125,000 (500,000 shs.)	375,000 (1,500,000 shs.)
<hr/>				
<u>Units</u>				
consisting of				
(a) the right to earn one share, and	625,000 <sup>(4)</sup> (\$1,375,000)	125,000 (\$250,000)	125,000 (\$250,000)	625,000 (\$1,375,000)
(b) a warrant conferring a right to earn or purchase four additional shares	625,000 <sup>(4)</sup> (2,500,000 shs.)	125,000 (500,000 shs.)	125,000 (500,000 shs.)	625,000 (2,500,000 shs.)

(1) By Articles of Amendment filed July 8, 1982, all of the 74,910 issued and outstanding Class A convertible preferred shares were redesignated as 374,550 issued shares without par value ranking on a parity with the existing 909,910 issued shares without par value in the capital of the Company. The remaining authorized but unissued Class A shares with a par value of \$10 each were cancelled.

(2) Giving effect to the issuance of all shares under (a) 125,000 outstanding units, (b) up to a maximum 500,000 units offered hereby, and (c) up to 50,000 shares to be issued as part of the agency compensation.

(3) Made up of (a) up to 250,000 warrants forming part of the agency compensation, and (b) 125,000 warrants forming part of the Units issued to a private subscriber (see "Private Subscriptions").

(4) Made up of (a) up to 500,000 warrants forming part of the Units offered hereunder, and (b) 125,000 warrants forming part of the Units issued to a private subscriber (see "Private Subscriptions").

By agreements dated as of March 31, 1982, the Company granted executive stock options to senior executives of the Company entitling them to purchase up to 200,000 shares at the price of \$1.00 per share, from January 1, 1983 to January 4, 1988. See "Stock Options".

## STOCK OPTIONS

Under date of March 31, 1982, the Company established a stock option plan for senior executives. Pursuant to the said plan, the persons named below are entitled to purchase the numbers of shares indicated respectively at the price of \$1.00 per share, exercisable from January 1, 1983 to January 4, 1988:

<u>Optionee</u>	<u>No. of Shares</u>
Geddes Webster	100,000
Kurt Swinton	25,000
Patrick R. Heenan	50,000
Michael Carter	25,000

## PRIOR SALES

From the date of incorporation to July 15, 1982 the Company has issued the following securities:

	<u>Number of Common Shares</u>	<u>Number of Class A Shares (1)</u>	<u>Consideration Per Share</u>	<u>Total Consideration</u>
June 3, 1981	1		\$ .30	\$ .30
August 13, 1981		5,000	10.00	50,000.00
September 16, 1981		50,060	10.00	500,600.00
September 16, 1981	355,060		.30	106,518.00
September 21, 1981	349,999		.30	104,999.70
November 16, 1981		19,850	10.00	198,500.00
November 16, 1981	19,850		.30	5,955.00
April 30, 1982	60,000		.40	24,000.00
June 1, 1982	<u>125,000 (2)</u>		2.00	<u>250,000.00</u>
	909,910	74,910 (1)		\$1,240,573.00
Converted from Class "A" (1)	<u>74,550</u>			
Total Issued Shares	1,284,460			
June 1, 1982	125,000 (3)		\$ 2.00	<u>\$ 250,000.00</u>
	1,409,460 (4)			\$1,490,573.00

(1) By Articles of Amendment bearing effective date July 8, 1982, redesignated as 374,550 shares without par value, ranking on a parity with the 909,910 previously issued shares without par value.

(2) together with warrants conferring the right to earn 500,000 additional shares, exercisable at the times and prices indicated under "Share Purchase Warrants".

(3) issued in the form of units, to rank on a parity with the units offered hereby.

(4) giving effect to the issuance of shares to be earned pursuant to units presently outstanding.

## AGENCY - TRUST AGREEMENT

The Company has entered into an agreement dated September 16, 1982, (the "Agency - Trust Agreement") with Osler, Wills, Bickle Limited as Agent and Guaranty Trust Company of Canada (the "Trustee"), providing that all proceeds from the sale of Units will be deposited with the Trustee who shall hold the proceeds on behalf of the subscribers pending the sale of the minimum of 270,000 Units on or before September 30, 1982, failing which all proceeds will be returned to the subscribers without interest or deduction. If the minimum offering is achieved on or before such date, the proceeds from the sale thereof will be applied in the manner described under "Use of Proceeds".

Under the Trust Agreement, the Trustee will be paid its customary Agency and Corporate Trust Fees and reasonable compensation for all other services rendered by it.

## CANADIAN INCOME TAX CONSEQUENCES

The income tax consequences of an investment in the units vary according to the circumstances of each subscriber. The provisions of the income tax legislation of each of the provinces of Canada differ from those contained in the Income Tax Act (Canada), (the "Act"). **Accordingly, each subscriber should satisfy himself as to the tax consequences of his investment in the units by obtaining advice on federal and provincial tax matters from his own advisor.**

An Advance Income Tax Ruling has been received by the Company from the Department of National Revenue, Taxation, concerning certain income tax consequences of an investment in the Units. Based upon the Advance Income Tax Ruling as requested and received, it is the opinion of Messrs. Thornley-Hall and Watson, Counsel for the Company, and Messrs. Manley Grant & Camisso, Counsel for the Agent, that the following fairly describes the general income tax consequences to a resident of Canada of becoming a subscriber. A copy of the Advance Income Tax Ruling is available for perusal at the offices of the Company, Suite 1604, 7 King Street East, Toronto, Ontario M5C 1A2.

For the purposes of the following summary, "shares" includes shares to be earned pursuant to the units offered hereby, as well as shares issuable upon exercise of the warrants, where the warrant holder has elected to have his shares issued as consideration for exploration expenses to be incurred on his behalf by the Company as agent. Where the warrant holder has not so elected, the matters dealt with herein relating to income tax consequences do not apply.

This summary is based on the Act, the Regulations thereunder, the proposals to amend the Act set forth in the Notice of Ways & Means Motion (the "1981 Budget") tabled in the House of Commons by the Minister of Finance on November 12, 1981 and the Notice of Ways & Means Motion (the "1982 Budget") tabled in the House of Commons by the Minister of Finance on June 28, 1982, and the announcement made by the Minister of Finance on December 18, 1981 in respect of the 1981 Budget. Except where otherwise indicated, this summary does not take into account any proposed changes in law and does not anticipate any changes in law nor does it take into account provincial or foreign income tax considerations.



## **Canadian Exploration Expense**

The Act provides that a taxpayer, other than a principal business corporation, may deduct in calculating his income from all sources for a taxation year, 100% of his CEE as defined in the Act, incurred after May 26, 1976, to the end of that taxation year, to the extent not previously deducted from income. To the extent that a taxpayer does not deduct his accumulated CEE at the end of the taxation year, the balance will be carried forward and the taxpayer will be entitled to claim the deduction in subsequent years.

CEE is defined in the Act to include, among other things, expenses incurred in prospecting, geological, geophysical or geochemical surveys, trenching, drilling, digging test pits, preliminary sampling, and general expenses incurred for the purpose of bringing a mineral resource in Canada into production, including clearing, removing overburden, stripping, sinking mine shafts, and constructing adits or other underground entries. The Act also provides in effect that CEE includes any expense referred to above which is incurred by a taxpayer under an agreement with a corporation providing for the taxpayer to receive shares of the corporation as sole consideration for incurring such expense.

The Act presently provides that shares issued to a subscriber as consideration for CEE incurred by him are treated as inventory and not as capital property, and have a cost to the subscriber of nil. Since the subscriber's cost of the shares is deemed to be nil, the full proceeds of their eventual disposition will be fully included in calculating income.

Shares issued to a subscriber as consideration for expenses incurred other than CEE, as, for example, general corporate expenses, would not be deemed to be inventory of the subscriber, and would have a cost equal to the average cost therefore. Any gain realized upon the resale of such shares would be treated in accordance with the normal rules applicable to the sale of shares of a corporation.

The 1981 Budget proposes that shares acquired by a taxpayer after November 12, 1981, as consideration for CEE will have a nil cost but will not be deemed to be inventory of the taxpayer. Accordingly under this amendment a taxpayer who is otherwise entitled to capital gains treatment will realize a capital gain on a disposition of such shares to the extent his proceeds of disposition exceed his adjusted cost base. In determining the adjusted cost base of the shares, the nil cost will be averaged with the cost of shares issued for a consideration other than CEE.

## **Interest on Drilling Funds**

Interest earned on the Subscription Trust Account will be included in the income of the subscribers. Interest costs incurred by subscribers on money borrowed to purchase shares for the purpose of earning dividend income will be deductible in computing income to the extent that the amount of such interest is reasonable.

Revenue Canada, Taxation, has indicated that in its view interest deductibility may be limited to the annual amount of dividends (grossed-up in the case of individuals) payable on common shares. It was proposed in the 1981 Budget that

interest expense deductible for income tax purposes be limited to an individual's investment income. However in presenting the 1982 Budget the Minister of Finance announced that this limitation will be reviewed and will not become effective before 1983.

### **Depletion Allowances**

A subscriber will be entitled to "earned depletion" equal to 1/3 of his CEE. The "earned depletion" will be deductible from the subscriber's resource income to the extent of the lesser of 25% of such resource income and "undeducted earned depletion".

### **PROVINCIAL INCENTIVES**

Certain provinces of Canada provide incentive grants, subsidies, forgivable loans and the like for the purpose of encouraging mineral exploration in the province. In the case of Ontario, the Mineral Exploration Assistance Program Act provides, among other things, for a grant equal to 25% of eligible exploration expenses, subject to certain requirements and prohibitions. The Income Tax Act (Canada) reduces a taxpayer's cumulative CEE by the amount of any such grant, subsidy, forgivable loan or the like, received or receivable from a provincial government or public authority after December 31, 1980.

In the event of any such incentive becoming available to subscribers hereunder, the Company will take all necessary steps to ensure that subscribers receive the benefits thereof.

### **FINANCIAL ADVISOR**

High Ridge Corporate Consultants Limited, of Toronto, Ontario ("High Ridge"), have assisted management in the structuring of the present financing. High Ridge, under an agreement between themselves and the Company dated June 24, 1982, have been retained in the capacity of financial advisor to the Company and will be paid a consulting fee of \$20,000, based upon the sale of \$500,000 aggregate value of units hereunder (222,222 units). Upon completion of the sale of \$500,000 in value of units, High Ridge's retainer will extend for three years commencing two months following closing, at a fee of \$1,200 per month, terminable by the Company upon payment of the sum of \$7,200 only in the event of a take-over or major reorganisation of the Company, or the Company's inability to meet its obligations under the agreement with High Ridge. High Ridge is unrelated and at arm's length from the Company.

### **DIVIDEND POLICY**

No dividends have been paid to date by the Company. Any decision to pay dividends on shares of the Company in the future will be made by the Board of Directors based upon such factors as the earnings of the Company, the Company's financial requirements and other conditions existing at such time.

## REMUNERATION OF DIRECTORS AND OFFICERS

No remuneration has been paid or is payable by the Company directly to its Directors or Officers in their capacity as such with the exception of stock options granted to senior executives of the Company under an Executives' Stock Option Plan as referred to under "Stock Options". The Company has paid a total of \$8,600 to certain Directors of the Company in their capacity as consultants, during the period from incorporation to June 1, 1982.

Pursuant to the terms of a Management Agreement dated July 1, 1981, as amended by agreement dated December 7, 1981, made between the Company and Geddes Webster Company Limited, a management service company wholly-owned by Geddes M. Webster and members of his immediate family, ("Webster Management"), Webster Management has agreed to furnish to the Company rental premises, the services of senior executive personnel, namely, Messrs. Webster, Swinton and Heenan, and to furnish management facilities including, without limitation, secretarial and accounting services, publicity, the maintenance of corporate records and supervision of matters relating to regulatory securities authorities.

The Company's management anticipates that Webster Management will be in a position to furnish all necessary services including field supervision if and when necessary. Directors of the Company who render professional services to the Company are remunerated at competitive rates by Webster Management.

From incorporation to June 1, 1982, management fees paid and payable to Webster Management aggregated \$118,564. Reference is made to "Management Agreement" for further details of remuneration and services rendered to the Company.

## AUDITORS

The auditors of the Company are Price Waterhouse, Chartered Accountants, P.O. Box 51, Toronto-Dominion Centre, Toronto, Ontario, M5K 1G1.

## REGISTRAR AND TRANSFER AGENT AND TRUSTEE FOR WARRANT HOLDERS

The registrar for the shares in the Company is Guaranty Trust Company of Canada at its principal office in Toronto, Ontario. Guaranty Trust Company of Canada will also be the Transfer Agent for the shares of the Company. Guaranty Trust Company of Canada is the Trustee for the Warrant Holders under the Warrant Indenture providing for the issuance of Warrants.

## RISK FACTORS

Investment in the units may be considered to be speculative due to the nature of the mineral exploration business in which the Company is engaged, the limited extent of the Company's assets, the Company's state of development and the degree of its reliance upon the expertise of Geddes Management, as indicated under "Business of the Company" and "Management Agreement".

The Company has acquired an undivided interest in one mineral prospect, the Windy Craggy, owned by Falconbridge Limited, which interest is subject to dilution in the event that the Company is unable or unwilling to participate in subsequent programs thereon. The same will be generally true of the Company's future interests in mining properties. There is no guarantee that the Company's drilling programs, whether on the Windy Craggy or elsewhere, will yield positive results. Mining exploration involves financial risk and capital investment. The Company's only present means of acquiring investment capital is by means of the sale of equity shares. The Company will compete with other interests, many of which may be more heavily capitalized than the Company, for the opportunity to participate in exploration projects.

The marketability of the Company's ownership interest in Windy Craggy and other interests which the Company may acquire will be influenced by factors beyond the control of the Company, such as the additional capital requirements of the Company in the period of time required before mineral prospects may be brought to production.

The market for the minerals in question will be affected by factors beyond the control of the Company, such as the availability of transportation, power sources, milling and smelting facilities, and the future availability of investment capital.

While subscribers hereunder will not earn interests in the Company's projects, subscribers may nonetheless be exposed to claims for liability in the event of damage to persons or property under exploration programs where the risk is either uninsurable or underinsured. The Company will carry insurance in such amounts as recommended by its insurance advisors.

There is no assurance that the Federal Budget of November 12, 1981, will be enacted into law, either during the current parliamentary session or otherwise. While the Department of National Revenue has indicated that it is proceeding with draft legislation to implement the Budget as it relates to the income tax treatment of the proceeds of sale of "flow-through" shares issued as consideration for incurring Canadian Exploration Expenses, or rights thereto, the legislation has not yet been passed by Parliament. The Department of National Revenue has indicated that even though the legislation may not have been enacted on or before the date when tax payers are required to file tax returns for the 1982 taxation year, unitholders who have disposed of their shares in the 1982 taxation year will be entitled to complete their 1982 income tax returns giving effect to the proposed amendments as if they were in fact law, and to treat such shares as capital property if not otherwise disentitled so to do.

Subscribers will not be entitled to receive the benefit of CEE incurred by the Company prior to the date of execution of the form of Subscription Agreement a sample of which appears at the end of this Prospectus.

The Company has no financial or operating history, and considers it unlikely that historical financial information will be available with respect to mineral properties in which the Company proposes to earn interests.

### **Dilution**

Upon the issuance of shares pursuant to the rights offered hereunder at the subscription price of \$2.00 per share, unit holders will suffer an immediate dilution equal to \$.84 per share in the case of the sale of the minimum hereunder and \$.71 per share in the case of the sale of the maximum hereunder.

### **PROMOTERS**

Geddes M. Webster, the President of the Company, and Kurt R. Swinton, Vice-President and Secretary-Treasurer of the Company, may be considered to be promoters of the Company by virtue of having taken the initiative in founding and organising the Company. 200,000 shares of the Company have been issued to Mr. Webster and 100,000 shares have been issued to Mr. Swinton at a consideration of 30¢ per share. HCI Holdings Ltd. ("HCI") and L & M Carter Management Ltd. ("Carter") may also be considered promoters of the Company, having assisted the management of the Company and having subscribed initially for shares of the Company. The Company issued 300,000 shares to HCI and 50,000 to Carter, both in their capacity as promoters of the Company, at a subscription price of \$.30 per share.

Under the Drilling Fund Agreement, HCI subscribed and paid for 74,910 Class A preferred shares with a par value of \$10 each, for an aggregate consideration of \$749,100. 74,910 common shares without par value were also issued to HCI pursuant to the terms of the Drilling Fund agreement at the price of \$.30 per share. All of the Class A preferred shares held by HCI were converted into common shares without par value at the rate of five for one.

HCI and Geddes Webster Company Limited have agreed to subscribe for up to \$300,000 in value of shares of the Company on or before October 29, 1982, subject to the reduction of such commitments if the Company is successful in raising additional capital, all as more particularly set forth under "Management Guarantees and Commitments".

Reference is made to the caption "Escrow Agreement" for the particulars of founders' shares held thereunder.

## PRINCIPAL OWNERS OF SECURITIES

The only persons or companies who own beneficially, directly or indirectly, more than 10% of the 1,284,460 issued and outstanding shares of the Company as at the date hereof are as follows:

<u>Names and Address</u>	<u>Designation of Class</u>	<u>Type of Ownership</u>	<u>Number of Shares</u>	<u>Percentage of Class</u>	<u>Percentage of Class if all Securities being offered are sold (1)</u>
Geddes M. Webster Toronto, Ontario	<sup>(2,3)</sup> shares n.p.v.	Direct	200,000	15.57%	10.2%
HCI Holdings Ltd. Toronto, Ontario	<sup>(3)</sup> shares n.p.v.	Direct	749,460	58.3%	38.2%

(1) After giving effect to the issuance of the maximum number of shares to be issued pursuant to the rights to earn shares forming part of the units now issued, and to be issued hereunder.

As a group, the directors, senior officers and promoters of the Company beneficially own, directly or indirectly, 1,159,460 shares, representing 90.26% of the outstanding shares, as of July 30, 1982. Such percentage will be reduced to 59.2% if all of the units offered hereby are sold.

(2) Geddes Webster has an option to acquire a further 100,000 shares of the Company as indicated under "Stock Options".

(3) Pursuant to the terms of an agreement dated July 9, 1982, between HCI Holdings Ltd. ("HCI") and Geddes Webster Company Limited ("Webster Management"), a corporation wholly-owned by Geddes Webster and members of his immediate family, HCI has granted Webster Management an unconditional and irrevocable option to acquire from HCI up to 150,000 outstanding shares of the Company owned by HCI, exercisable on or before March 31, 1983, at a price of \$1.15 per share.

### INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the directors, senior officers or principal shareholders of the Company and none of their associates or affiliates have any interest in any transaction which materially affects the Company except as follows:

- (a) Geddes M. Webster and members of his family control Geddes Webster Company Limited, which company provides management services to the Company pursuant to a Management Agreement dated July 1, 1981, as amended by agreement dated December 7, 1981. (See "Management Agreement")
- (b) HCI Holdings Ltd., a company holding 58.3% of the issued shares of the Company, of which Mr. Michael Carter, Chairman of the Board of Directors of the Company, is a director, has entered into an agreement with the Company dated as of June 4, 1981, as amended by agreement

dated July 8, 1982, relating to the issuance of shares of the Company in consideration of funding the Falconbridge Agreement. (See "HCI Drilling Fund Agreement"). Under the Amending Agreement, HCI is committed to subscribe for up to \$150,000.00 in value of shares of the Company, subject to certain conditions as described under "Management Guarantees and Commitments".

- (c) Messrs. Carter, Webster, Swinton, and Heenan, officers and directors of the Company, have options to acquire additional shares of the Company, as referred to under "Stock Options".
- (d) HCI Holdings Ltd ("HCI") has granted an option to Geddes Webster Company Limited ("Webster Management") to acquire up to 150,000 issued shares of the Company owned by HCI, exercisable up to March 31, 1983, at \$1.15 per share.

### PLAN OF DISTRIBUTION

Pursuant to an agreement (the "Agency-Trust Agreement") dated September 16, 1982, the Company has appointed Osler, Wills, Bickle Limited (the "Agent") as its agent to offer the units for sale to the public, subject to the terms and conditions contained in the Agency-Trust Agreement, and the Agent has undertaken to use its best efforts to obtain offers to purchase all the units.

The Agency-Trust Agreement provides that if a minimum of 270,000 units are not subscribed or on or before September 30, 1982, or if any other conditions of closing are not satisfied, all subscription funds will be returned immediately without interest or deduction. It is intended that the offering of the Units will terminate on November 17, 1982, but the offering may be extended to a date not later than 90 days following acceptance of this Prospectus by the Ontario Securities Commission, provided the minimum offering of 270,000 Units has been subscribed for by September 30, 1982.

The obligations of the Agent under the Agency Agreement may be terminated at its discretion on the basis of its assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The commission payable to the Agent under the Agency Agreement consists of (i) cash in the amount of \$.10 in respect of each unit sold hereunder, (ii) one share of the Company to be allotted as fully paid to the Agent in respect of each ten units sold hereunder, up to 50,000 shares in the case of the sale of the maximum, and 27,000 shares in the case of the sale of the minimum, and (iii) warrants conferring the right to earn up to 1,000,000 additional shares of the Company in the case of the maximum, and 540,000 additional shares in the case of the minimum, to be issued free to the Agent on the basis of one warrant in respect of each two units sold, such warrants to be issued under the provisions of the Warrant Indenture, and to be exercisable at the times and prices, as referred to under "Share Purchase Warrants" and to rank on a parity with the warrants forming part of the units offered hereunder. Following the termination of the sale of the units hereunder, the Agent will offer for sale the above-mentioned securities forming part of the agency commission, at the market price from time to time, all of the proceeds whereof will accrue to the Agent. The Agent may form a selling group consisting of certain registered dealers, and may determine the commission payable to the members of the selling group, provided that the scale of such commission does not exceed the commission payable to the Agent.

## ESCROW AGREEMENT

Pursuant to the terms of an escrow agreement made as of the 23rd day of August, 1982, (the "Escrow Agreement") between the parties named below as Escrow Parties, the Company, Osler, Wills, Bickle Limited as Agent and Guaranty Trust Company as Trustee, the Escrow Parties have agreed to a voluntary escrow of certain shares held by them. The Ontario Securities Commission has also imposed certain restrictions on the resale of such shares, the effect of which escrows are that all of the shares issued to the promoters of the Company and to Patrick R. Heenan in the respective numbers indicated below may be released from escrow pro rata, as to 20% thereof automatically, one year after the date of issuance by the Ontario Securities Commission of a receipt for this prospectus (the "Commencement Date"), and the balance in stipulated percentages over a period of four years after the Commencement Date upon consent of the Ontario Securities Commission upon evidence of financial progress based upon the Company's audited financial statements. Particulars of the escrowed shares are as follows:

<u>Escrow Party</u>	<u>Number of Shares</u>	<u>Percentage of Class</u>
Geddes M. Webster	200,000	15.6%
Kurt R. Swinton	100,000	7.8%
HCI Holdings Ltd.	374,910	29.2%
L & M Carter Management Ltd.	50,000	3.9%
Patrick R. Heenan	<u>60,000</u>	<u>4.7%</u>
	<u>784,910</u>	<u>61.2%</u>

In the event that shares are issued pursuant to the Company's Senior Executives' Stock Option Plan to any of the optionees as indicated under "Stock Options" at any time within two years after the Commencement Date, they shall be held subject to the terms of the Escrow Agreement, subject to release therefrom as to two-thirds thereof pro rata, automatically, one year after the Commencement Date, and the balance, subject to prior consent of the Ontario Securities Commission upon the same tests as to financial progress, upon expiry of the second year after the Commencement Date.

The Escrow Agreement provides for transfer within escrow in certain events, upon consent of the Ontario Securities Commission where applicable, and in addition provides that the escrowed shares may be pledged to a bona fide lending institution to secure indebtedness, and may be surrendered pursuant to a bona fide takeover bid, subject to the terms of the Escrow Agreement and to Ontario Securities Commission consent where applicable.



## MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the Company has entered into the following material contracts, namely:

- (a) Escrow Agreement made as of the 23rd day of August, 1982, between Geddes M. Webster, Kurt R. Swinton, HCI Holdings Ltd., L & M Carter Management Ltd., Patrick R. Heenan and Michael Carter as Escrow Parties, the Company, Guaranty Trust Company of Canada as Trustee and Osler, Wills, Bickle Limited as Agent, as referred to under "Escrow Agreement."
- (b) Agreement made as of the 4th day of June, 1981, as amended by Agreement dated July 8, 1982, between the Company and HCI relating to the issuance of shares to HCI, referred to under "HCI Drilling Fund Agreement";
- (c) Agreement dated July 8, 1982, between the Company, Geddes Webster Company Limited and Geddes M. Webster personally, referred to under "Management Guarantees and Commitments";
- (d) Agreement made the 1st day of July, 1981, as amended on December 7, 1981 between the Company and Geddes Webster Company Limited relating to the provision of services and premises of the Company referred to under "Management Agreement";
- (e) Agreement between the Company and Falconbridge Limited, made as of the 4th day of June, 1981, as amended by letter agreements dated August 21, 1981 and December 9, 1981, and as further amended by Amending Agreement dated September 9, 1982, referred to under "Falconbridge Agreement";
- (f) Agency Agreement made the 16th day of September, 1982, between the Company and Osler, Wills, Bickle Limited, and Guaranty Trust Company of Canada as Trustee; referred to under "Plan of Distribution";
- (g) Private Offering Memorandum dated March 10, 1982, referred to under "Private Subscriptions";
- (h) Warrant Indenture between the Company and Guaranty Trust Company of Canada, dated August 24, 1982, providing for the issuance of share purchase warrants, as referred to under "Share Purchase Warrants"; and
- (i) Agreement dated June 24, 1982, between the Company and High Ridge Corporate Consultants Limited ("High Ridge") under which the Company has appointed High Ridge a financial advisor as described under "Financial Advisor".

Copies of the foregoing agreements may be inspected at the head office of the Company at Suite 1604, 7 King Street East, Toronto, Ontario, during normal business hours during the distribution of securities being offered hereby, and for 30 days thereafter.

June 23, 1982  
(except for Note 9 for which  
the date is September 9, 1982)

AUDITORS' REPORT

To the Directors of  
Geddes Resources Limited:

We have examined the balance sheet of Geddes Resources Limited as at June 1, 1982. 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, the balance sheet presents fairly the financial position of the Company as at June 1, 1982 in accordance with generally accepted accounting principles.

As explained in Note 2 to the financial statement, the Company's activities are still in the exploratory stage and all exploration expenses have been capitalized from the date of incorporation to June 1, 1982.

(SIGNED) PRICE WATERHOUSE  
Chartered Accountants

GEDDES RESOURCES LIMITED

BALANCE SHEET - JUNE 1, 1982

ASSETS

Cash including term deposit of \$200,000	\$ 241,856
Deferred exploration costs (Notes 3 and 4)	1,238,218
Deferred financing costs (Note 5)	<u>44,840</u>
	<u><u>\$1,524,914</u></u>

LIABILITIES

Accounts payable and accrued liabilities	\$ 140,170
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SHAREHOLDERS' EQUITY

Capital stock (Notes 6 and 9):	
Authorized-	
10,000,000 non-voting non-cumulative redeemable convertible Class A preferred shares with a par value of \$10 each	
10,000,000 common shares	
Issued for cash-	
74,910 Class A preferred shares	749,100
909,910 common shares	491,473
With the right to earn-	
125,000 common shares	<u>250,000</u>
	1,490,573
Deficit:	
Deferred financing costs written off (Note 5)	<u>(105,829)</u>
	<u>1,384,744</u>
	<u><u>\$1,524,914</u></u>

Commitments and contingencies (Notes 2 and 4)

APPROVED BY THE BOARD:

(SIGNED) G. M. Webster (Director)

(SIGNED) K. R. Swinton (Director)

GEDDES RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENT  
JUNE 1, 1982

1. Incorporation:

The Company was incorporated under the Business Corporations Act (Ontario) by Certificate of Incorporation dated June 3, 1981.

2. Significant accounting policies:

Deferred exploration costs-

The Company's activities are related to the drilling for minerals to determine their existence, location, extent or quality. These expenditures have been deferred and the ultimate recovery of the Company's investment is dependent upon the discovery of commercial quantities of mineral deposits.

Income taxes-

Costs of determining the existence, location, extent or quality of a mineral resource in Canada which are incurred on behalf of the Company's common shareholders will not be deductible by the Company for income tax purposes as the tax benefits of such costs accrue to the common shareholders. As a consequence, the amount of income taxes otherwise payable by the Company in the future may be significantly greater than the amount payable if these costs were deducted from the Company's possible future taxable income.

3. Deferred exploration costs:

Deferred exploration costs for the period from incorporation on June 3, 1981 to June 1, 1982 consist of:

Drilling and field costs	\$1,119,654
Administrative costs (Note 7)	<u>118,564</u>
	<u>\$1,238,218</u>

4. Commitments:

Under an agreement dated June 4, 1981, the Company was committed to provide a minimum of \$750,000 by June 4, 1982 for expenditures on a mineral property in British Columbia. As of June 1, 1982, the Company had met this commitment and received a 35% undivided interest in the property. In order to maintain its 35% undivided interest in the property and acquire an additional 14% interest therein the Company is committed to provide a further \$750,000 by June 3, 1983. Reference should be made to Note 9 (d) for further amendments to this agreement.

5. Deferred financing costs:

Financing costs incurred as of June 1, 1982 with respect to the prospectus referred to in Note 9(a) have been capitalized in the financial statements. Financing costs relating to a previous prospectus dated December 14, 1981, which was abandoned, have been written off during the period from June 3, 1981 to June 1, 1982.

6. Capital stock and stock options:

Pursuant to an agreement dated June 4, 1981, the Company agreed to issue to HCI Holdings Ltd. (HCI) one Class A preferred share for each \$10 expended on a mineral property by the Company for its own benefit but as agent for HCI. The agreement further provided that HCI would purchase one common share at a price of \$0.30 per share for each Class A preferred share issued to it, and that HCI would provide up to \$750,000 of expenditure on the mineral property by September 30, 1981 and an additional \$750,000 by September 30, 1982 subject to certain terms and conditions. This agreement has been amended as described in Note 9 (c). During the period from June 3, 1981 to June 1, 1982, HCI advanced \$749,107 which has been expended on the mineral property resulting in the issue of 74,910 Class A preferred shares to this Company. In addition, the Company has issued 374,910 common shares to HCI for \$112,473 cash.

The Company has granted stock options to its Chairman, President and two Vice-Presidents to purchase in the aggregate up to 200,000 common shares in the period from January 1, 1983 to January 4, 1988 at a price of \$1 per common share. In addition, the Company issued 410,000 common shares in the aggregate to its President, two Vice-Presidents and a company controlled by the Chairman of the Board and a member of his family for \$129,000 cash.

The Company offered under a private placement memorandum dated March 10, 1982 units to a maximum amount of \$1,000,000 and a minimum amount of \$500,000 at a price of \$250,000 per unit. Each unit consists of 125,000 common shares or the right to earn such shares and 125,000 warrants to purchase four common shares at \$2.50 per share to January 31, 1983, \$3.25 per share to January 31, 1984, and \$3.80 per share to January 31, 1985. As at June 1, 1982 one unit had been issued for \$250,000 cash resulting in the issuance of 125,000 common shares with warrants and one unit had been issued for \$250,000 cash resulting in the holder having the right to earn 125,000 common shares with warrants.

7. Related party transactions:

The Company has contracted with Geddes Webster Company Limited, a management service company in which the President of the Company, Geddes M. Webster, and members of his family hold all of the shares, for the provision by that company of the services of Geddes M. Webster, Kurt E. Swinton, an administrative staff and head office premises in return for a management and administrative fee. The fee for the period from June 3, 1981 to June 1, 1982 amounted to \$118,564 and is included in administrative costs in deferred exploration costs.

In addition, the Company paid a total of \$8,600 to directors of the Company as consulting fees for services provided during the period from June 3, 1981 to June 1, 1982.

8. Statement of changes in financial position:

A statement of changes in financial position has not been included in these financial statements since it would not provide any further meaningful information.

9. Subsequent events:

- (a) Under an agreement with Osler, Wills, Bickle Limited, as agent, dated September 16, 1982 the Company intends to offer for sale by prospectus up to 500,000 units, each unit consisting of the right to earn one common share and a warrant for the right to earn four additional common shares exercisable in whole or in part from the date of purchase to January 31, 1985 at varying prices. Each unit will be issued at a price of \$2.25 with \$2.00 attributed to the right to earn one common share and \$.25 to the warrant. The proceeds to the Company after deducting the agent's commission will be \$580,000 under the minimum offering and \$1,075,000 under the maximum offering.
- (b) By Certificate of Amendment dated July 8, 1982 all of the Class A preferred shares were redesignated into common shares on the basis of five common shares for each Class A preferred share issued.
- (c) As referred to in Note 6, further to HCI's commitment to provide an additional \$750,000 of expenditures by September 30, 1982, under an agreement dated July 8, 1982 the Company released HCI from this commitment provided that HCI will purchase on or before October 29, 1982 up to 75,000 common shares (depending on the results of the offering referred to in Note 9(a)) at a price of \$2.00 per share. In addition, Geddes Webster Company Limited has also agreed to purchase up to 75,000 common shares under similar terms and conditions.
- (d) Further to the Company's commitment described in Note 4 to provide an additional \$750,000 by June 4, 1983, the Company has entered into an agreement dated September 9, 1982 whereby it will provide the additional \$750,000 by September 30, 1982 rather than June 3, 1983 as originally committed. If the company pays this obligation by September 30, 1982, it will be considered to have acquired the 14% interest described in Note 4. The Company has also agreed to provide a further amount to a maximum of \$100,000 in respect of exploration expenditures by October 11, 1982. The Company's President has personally guaranteed the Company's obligation to a maximum of \$400,000.

## PURCHASER'S STATUTORY RIGHTS

Sections 70, 126 and 135 of the Securities Act, (Ontario) provide, in effect, that when a security is offered in the course of a distribution:

- (1) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the dealer from whom the purchaser purchased the security not later than midnight on the second business day after the latest prospectus and any amendment to the prospectus offering such security is received or deemed to be received by the purchaser or his agent; and
- (2) if a prospectus together with any amendment to the prospectus contains a misrepresentation, a purchaser who purchases a security offered thereby during the period of distribution shall be deemed to have relied on such misrepresentation if it was a misrepresentation at the time of purchase and, subject to the limitations set forth in the Act,
  - (a) has a right of action for damages against (i) the issuer or a selling security holder on whose behalf the distribution is made, (ii) each underwriter required to sign the certificate required by section 58 of such Act, (iii) every director of the issuer at the time the prospectus or amendment was filed, (iv) every person or company whose consent has been filed pursuant to a requirement of the regulations under such Act but only with respect to reports, opinions or statements made by them, and (v) every other person or company who signed the prospectus or the amendment, but no action to enforce the right can be commenced by a purchaser more than the earlier of 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action or three years after the date of the transaction that gave rise to the cause of action, or
  - (b) where the purchaser purchased the security from a person or company referred to in (i) or (ii) above or from another underwriter of the securities, he may elect to exercise a right of rescission against such person, company or underwriter, in which case he shall have no right of action for damages against such person, company or underwriter, but no action to enforce this right can be commenced by a purchaser more than 180 days after the date of the transaction that gave rise to the cause of action.

Reference is made to the Securities Act for the complete text of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

## CERTIFICATES

Dated: September 17, 1982

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XIV of the Securities Act (Ontario) and the Regulations thereunder.

(SIGNED) G.M. Webster  
Chief Executive Officer

(SIGNED) K.R. Swinton  
Chief Financial Officer

On behalf of the Board of Directors

(SIGNED) M. Carter  
Director

(SIGNED) Patrick R. Heenan  
Director

Promoters

(SIGNED) G.M. Webster

(SIGNED) K.R. Swinton

L & M Carter Management Ltd.

HCI Holdings Ltd.

Per: (SIGNED) M. Carter  
President

Per: (SIGNED) M. Carter  
Director

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 XIV of the Securities Act, (Ontario) and the Regulations thereunder.

Osler, Wills, Bickle Limited

Per: (SIGNED) John Sharpe  
Senior Vice President

The following includes the name of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of Osler, Wills, Bickle Limited: T.H. Dunn, J.A. Price, J.B. Curtis, R.R. White, M.F. Doherty, J.E. Sharpe, H.B. Keevil and V.J. Gaudet.



**Geddes Resources Limited**

Issue of Units each consisting of (i) the right to earn one common share and (ii) a warrant conferring the right to earn four additional common shares (the "Units")

**Subscription Agreement**

TO: Geddes Resources Limited (the "Company");  
c/o Guaranty Trust Company of Canada,  
335 Bay Street, 6th Floor, Toronto, Ontario

1. **Prospectus:** Words and phrases used in this Subscription Agreement shall have the same meaning as in the prospectus of the Company (the "Prospectus") relating to the above-mentioned Units. The undersigned Subscriber hereby acknowledges receipt of the Prospectus, and further acknowledges that this Subscription Agreement is subject in all respects to the terms and conditions set forth in the Prospectus.
2. **Subscription:** The undersigned Subscriber hereby subscribes for \_\_\_\_\_ Unit(s) at the price of \$2.25 per Unit.
3. **Subscription Price and Payment:** A cheque for the subscription price of the Unit(s) subscribed for, in the total amount of \$ \_\_\_\_\_, payable to Guaranty Trust Company of Canada, is enclosed herewith.
4. **Appointment of the Company as Agent:** The undersigned Subscriber hereby appoints the Company the agent of the Subscriber to carry out on behalf of the Subscriber those functions, and to incur those expenditures, as described in the Prospectus including, without limitation, incurring Canadian Exploration Expenses on behalf of, and as agent for, the undersigned, solely in consideration of the issuance to the undersigned Subscriber of shares of the Company in the manner set forth in the Prospectus, all of which the undersigned Subscriber hereby ratifies and confirms.
5. **General:** This Subscription Agreement shall be binding upon the Subscriber and the Company and their respective heirs, executors, administrators, successors and assigns and shall be construed as an Ontario contract.

IN WITNESS WHEREOF the Subscriber has executed this Agreement this \_\_\_\_\_ day of \_\_\_\_\_, 1982.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Signature

\_\_\_\_\_  
(Name of Salesman - please print)

\_\_\_\_\_  
(Name - please print)

\_\_\_\_\_  
(Investment Dealer)

\_\_\_\_\_  
Street

\_\_\_\_\_  
(Branch)

\_\_\_\_\_  
City and Province                      Postal Code

\_\_\_\_\_  
Social Insurance Number

Accepted this \_\_\_\_\_ day of \_\_\_\_\_, 1982

**GEDDES RESOURCES LIMITED**

Per: \_\_\_\_\_  
(Authorized Officer)