

Anderson, B.C

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SUPERINTENDENT OF BROKERS
VANCOUVER STOCK EXCHANGE
(Development Company)

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FEB 12 1987

KERR ANDERSON MINES LTD.

STATEMENT OF MATERIAL FACTS (#23/87)

EFFECTIVE DATE: February 10, 1987

LECTUS DEVELOPMENTS LTD.

#530 - 355 Burrard Street, Vancouver, B.C., V6C 2G8 (604) 687-5257

NAME OF ISSUER, ADDRESS OF HEAD OFFICE AND TELEPHONE NUMBER

#400 - 750 West Pender Street, Vancouver, British Columbia, V6C 2T7

ADDRESS OF REGISTERED AND RECORDS OFFICES OF ISSUER

GUARDIAN ESTATES AND AGENCIES LTD.,

#404 - 470 Granville Street, Vancouver, British Columbia, V6C 1V8

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

The securities offered hereunder are speculative in nature. Information concerning the risks involved may be obtained by reference to this document; further clarification, if required, may be sought from a broker.

OFFERING:
400,000 SHARES

Shares	Estimated Price to Public	Estimated Agent's Commission	Estimated Net Proceeds to the Issuer*
Per Share	\$0.60	\$0.045	\$0.555
Total	\$240,000.00	\$18,000.00	\$222,000.00

* Before deduction of expenses of this offering estimated to be \$30,000.00.

THE AGENT

GEORGIA PACIFIC SECURITIES CORPORATION

#1500 - 789 West Pender Street
Vancouver, B.C.
V6C 1H2

Neither the British Columbia Superintendent of Brokers nor the Vancouver Stock Exchange has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

1. PLAN OF DISTRIBUTION

Offering

The Issuer by its Agent hereby offers (the "Offering") to the public through the facilities of the Vancouver Stock Exchange (the "Exchange"), FOUR HUNDRED THOUSAND (400,000) shares (the "Shares"). The Offering will take place within a period of thirty (30) business days after the date (the "Effective Date") this Statement of Material Facts is accepted for filing by the Exchange and the Superintendent of Brokers for British Columbia (the "Superintendent") or until all the Shares are sold, whichever shall first occur.

The price of the Shares (the "Offering Price") will be the market price of the Issuer's shares prevailing from time to time on the Exchange provided that no shares will be sold at less than \$0.60 per share.

The purchaser of any shares will be required to pay regular commission rates as specified in the rules and by-laws of the Exchange.

Appointment of Agent

The Issuer, by an agreement (the "Agency Agreement") dated December 9, 1986, appointed Georgia Pacific Securities Corporation of #1500-789 West Pender Street, Vancouver, British Columbia, V6C 1H2 as its agent ("Agent") to offer the Shares to the public.

The Issuer will pay the Agent a fee of \$500 on the execution of the Agency Agreement and 6% of the selling price of the Shares sold. If all of the Shares offered by this Statement of Material Facts are sold then the Agent will be paid an additional 1 1/2% of the selling price of the Shares, less \$500.

The Issuer has granted the Agent a right of first refusal with respect to any future public equity financing it may require during the twelve (12) month period following the Effective Date.

The Agent reserves the right to offer selling group participation in the normal course of the brokerage business to selling groups of other licenced broker-dealers, brokers and investment dealers who may or may not be offered part of the commissions or bonuses derived from this offering.

The obligations of the Agent under the Agency Agreement may be terminated prior to the completion of the Offering, at the Agent's discretion, on the basis of its assessment of the state of the financial markets and at any time upon the occurrence of certain stated events.

The number and percentage of the issued and outstanding securities of the Issuer beneficially owned, directly or indirectly, by the promoters, directors, senior officers and persons holding ten percent (10%) or more of the issued shares of the Issuer, as a group, is 839,700 common shares representing 37.17% of the issued capital of the Issuer.

The Directors, Officers and other Insiders of the Issuer may purchase Shares from this Offering.

There are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder or any other person or company in connection with the Offering.

The following beneficially own, directly or indirectly, in excess of 5% of each class of the issued shares of Georgia Pacific Securities Corporation:

R.B.A. Investments Ltd. (wholly owned by R. Brian Ashton)
K.W.S. Investment Co. Ltd. (wholly owned by Kwong C. Kam)
Duggan Securities Ltd. (controlled by Dean Duggan)
Pacific High Management Inc. (wholly owned by Larry A. Martin)
Jusco Investments Ltd. (wholly owned by Colin Chow)

The Agent does not beneficially own either directly or indirectly, any shares of the Issuer.

Subject to the By-Laws of the Exchange, the Agent will be the market maker during the period of primary distribution of this offering and will make purchases and sales of the Shares for the purpose of maintaining an orderly market for the Shares and assisting in the distribution of the offered Shares.

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

The Issuer cannot estimate with certainty the price at which the Shares will be sold, but if all of the 400,000 Shares are sold at a price of \$0.60 per Share, the Issuer will receive gross proceeds of \$240,000 which, after deduction of commissions of \$18,000 would net the Issuer \$222,000. As at October 31, 1986, the Issuer's cash on hand was \$12,110, which when added to the estimated net proceeds of \$222,000 would aggregate \$234,110 available funds.

The principal purposes for which the total available funds are to be spent, in order of priority, are as follows:

- | | | |
|-----|--|----------|
| (a) | To pay the estimated cost of this issue, including legal, audit and printing costs (approx.): | \$30,000 |
| (b) | To pay accounts payable as at October 31, 1986: | \$1,500 |
| (c) | To pay the balance of \$5,000 of the \$120,000 purchase price for 1,200 Class A Preference Shares of Putco Holding Ltd. at \$100 per share, representing approximately 32% of the Qualified Expenditures as defined on page 21 hereof, which purchase will enable the Issuer to receive funds of \$375,000 from First Exploration Fund 1986 and Company, Limited Partnership to be spent as follows: * | \$5,000 |

(i)	To carry out the program on the Great Western Project as recommended by Guillermo Salazar S P. Eng., in his report dated August 20, 1985 and as amended by budget revision dated Dec. 5/86	\$233,622
(ii)	To carry out a program of prospecting and geological mapping on the Dieppe Property, as recommended by Nelson W. Baker, P. Eng. in his report dated June 4, 1986	\$116,820
* To date, a total of \$115,000 has been paid.		
(iii)	To carry out Stage I on Stump Lake property as recommended by Guillermo Salazar S P.Eng. in his report dated June 10, 1986	\$50,000
d)	To pay for the balance of the \$200,000 work commitment on the Dieppe Property	\$83,180
e)	To pay for the January 1, 1987 work commitment on the Great Western Project	\$6,000
f)	To pay management and administrative costs of the Exploration Fund (being 1.2% of the \$375,000)	\$4,500
g)	Working capital and general corporate purposes **	<u>\$103,930</u>
TOTAL:		<u>\$234,110</u>

** Of these funds, a total of \$123,480 is reserved for the first year's commitment on the Company's Golden Key Property, Tuolumne County, California as follows:

i) First Lease Year Rental - due February 1, 1987 (\$25,000 U.S. - \$35,000 Cdn.)	\$35,000
ii) Monthly rental (11 months - due January 31, 1987 - \$13,200 U.S. - \$18,480 Cdn.)	18,480
iii) Work commitment (\$50,000 U.S. - \$70,000 Cdn.)	<u>70,000</u>
Total:	\$123,480

The acquisition of the Golden Key Property is subject to the approval of the Vancouver Stock Exchange and the British Columbia Superintendent of Brokers as disclosed in Item 9 2(b) herein.

There are no provisions or any arrangements for holding any part of the net proceeds in trust or subject to the fulfillment of any conditions whatsoever.

3. MATERIAL NATURAL RESOURCE PROPERTIES

Summary of Material Mining Properties

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

Group	Property Name	Issuer's Acquisition and Exploration Costs to Date (in \$)	Shares Issued to Date	Planned Expenditure from Funds Available upon Completion of the Offering
I	N/A	N/A	N/A	N/A
II(a)	Dieppe Property	\$31,621.85	Nil	\$200,000
(b)	Great Western Project	\$43,953.86	Nil	\$233,622
(c)	Stump Lake	Nil	Nil	\$ 50,000
III	N/A	N/A	N/A	N/A

GROUP II PRESENTLY HELD PROPERTIES WHICH ARE CURRENTLY PRODUCING OR BEING EXPLORED, OR UPON WHICH EXPLORATION IS PLANNED WITHIN THE NEXT YEAR.

II.(a) DIEPPE PROPERTY

Terms of Acquisition

By agreement dated June 6, 1986, between the Issuer and Fairlady Energy Inc. ("Fairlady"), of The Selby Building, #312 - 700 Richmond Street, London, Ontario, N6A 5C7, (the "Option Agreement") the Issuer has the right to acquire an undivided 50% right, title and interest in and to 55 mining claims in the Dieppe Township, Quebec, known as the "Dieppe Property".

The agreement provides that the Issuer may acquire an undivided 50% right title and interest in and to the Property in consideration for paying a total of \$20,000 and allotting and issuing 100,000 shares in its capital stock to Fairlady and incurring the aggregate sum of \$500,000 in exploration expenditures as follows:

- (a) to issue 25,000 of its common shares to Fairlady within 5 days of the later of receipt of approval by the Vancouver Stock Exchange and the date of issue of an order of the Superintendent of Brokers respecting the allotment and issuance of shares;
- (b) to incur an aggregate of \$200,000 in Exploration Expenditures on or before June 30, 1987 and to allot, issue and deliver an additional 25,000 shares registered in the name of Fairlady;
- (c) to incur an additional \$150,000, for an aggregate of \$350,000, in Exploration Expenditures on or before June 30, 1988 and to allot, issue and deliver an additional 25,000 shares registered in the name of Fairlady; and
- (d) to incur an additional \$150,000, for an aggregate of \$500,000, in Exploration Expenditures on or before June 30, 1989 and to allot, issue and deliver an additional 25,000 shares registered in the name of Fairlady.

To date, the Issuer has paid \$20,000 and \$11,621.85 on exploration and development costs.

Location, Access and History

The Property is located in northwestern Quebec, 80 kilometers (50 miles) north of LaSarre. It is situated south of the Detour Lake (Amoco-Dome) and the Brouillan (Selbaie) mining areas and west of the Matagami and Joutel camps.

Access to the property is by an all-weather lumber road that runs in a northerly direction a short distance east of the property boundary. Additionally, there is a branch logging road which extends westward off this all-weather lumber road.

The Property has had a relatively short history of exploration work. It was staked in 1983 to cover a portion of a continuous, strong INPUT conductor that was considered to represent a favourable volcano-sediment horizon similar to the one hosting the major gold deposits in the Golden Pond West gold zone on the Inco-Golden Knight joint venture property, 3 kilometers northeast of the property.

The discovery of the Matagami Lake zinc-copper massive sulphide deposits in 1956 sparked the area's first major concentrated follow-up work for base metals by several mining firms. While drilling select airborne geophysical targets in 1983, Inco intersected significant stratabound gold mineralization in the Golden Pond area approximately 4 kilometers north-northeast of the Property. Subsequent drilling by the Inco-Golden Knight joint venture has located three, separate economic gold deposits. As a result of the initial Golden Pond discoveries in 1983 extensive land accumulation and exploratory work followed. It was during this period that the Dieppe Property claims were staked. In his Report, a copy of which is attached and forms a part of this Statement of Material Facts, Nelson W. Baker, P. Eng. reports that his examination of assessment files reveals that no exploration work was ever performed within the claim group area.

In late September, 1985 Fairlady Energy Inc. completed a program of line cutting, a ground VLF-EM survey, a magnetic survey and a limited induced polarization survey over the north half of the Property.

Previous Work and Results

In 1974 Hudsons Bay Exploration and Development Co. Ltd. conducted an electromagnetic airborne survey over a large area, including the Property. Hudsons Bay did not detect any outstanding EM conductor within the property area and as a result did not carry out any further exploratory work.

In 1983 the Government of Quebec had a regional soil geochemical survey carried out over the Casa Berardi area. That survey detected a multi-element geochemical anomaly encompassing Isle du Corset in the west part of the Issuer's Property. The anomaly includes high arsenic values which locally is a pathfinder element for locating gold mineralization.

In 1985 Fairlady cut 36.8 kilometers of grid lines and conducted a magnetometer and VLF-EM geophysical surveys. The VLF-EM anomalies were rechecked with induced polarization survey and this survey outlines several strong conductive zones in the northeastern part of the Property, as well as numerous moderate conductors in the central section of the grid.

Nelson W. Baker, P. Eng in his report on the Property dated June 4, 1986, (a copy of which is attached hereto and forms part of this Statement) reports that the VLF-EM surveys detected good strong bedrock conductors in three separate areas on the grid. Although no outcrop exposures are present it is believed that three separate sedimentary horizons trend through portions of the Property.

Between 1970 and 1975 the Quebec Government flew the entire Casa Berardi area with the INPUT electromagnetic airborne system. This survey reveals that conductive rock bands cut through parts of the Issuer's Property. The strong airborne INPUT conductor trending through the northeast corner of the Property are due to graphitic sediments similar to the horizon hosting the nearby Golden Pond gold deposits.

Due to the proximity to the major gold deposits in a geologically similar stratigraphic horizon a short distance to the north, Mr. Baker recommends a systematic follow-up program to evaluate the sedimentary horizons for their gold potential.

Property Geology

The northeast part of the Property covers the most prominent hills found locally. The hills are largely made up of weakly altered, massive tholeiitic basalts which, locally, trend northwest through the Property. Other outcrop exposures, also of similar basalt rock units occur in the central portion of the Property. The outcrop exposures are interrupted by wide valleys of overburden believed to be underlain by sedimentary bands that, geophysically, are conductive.

Structurally, the Property is situated in a complex geological environment that is not clearly understood. A short distance to the north of the property boundary, the rock units trend in east-southeast direction, while in the report area, the rocks trend northwest.

Proposed Development and Exploration Program:

Mr. Baker, P. Eng., has recommended a program consisting of prospecting, geological mapping, limited line cutting, an induced polarization survey terminated by a diamond drill program, at an estimated cost of \$116,820.00. Funding in the amount of \$116,820.00 to complete the program will be provided from the \$375,000 proceeds from the First Exploration Fund 1986 and Company, Limited Partnership as disclosed in Items 2 and 9 hereof. Completion of the recommended program and expenditure of the estimated costs of \$116,820 is expected by February 28, 1987.

The property has no known ore reserves.

II(b) GREAT WESTERN PROJECT

The Great Western Project was acquired by the Issuer by way of two agreements, the Bourdon Agreement and the Asarco Agreement, both of which are discussed below.

Terms of Acquisition - Bourdon Agreement

Pursuant to an agreement made effective as of the 19th day of March, 1985, and made between R.J. Bourdon of 612 Mill Street, Nelson, B.C. as "Optionor" and the Issuer as "Optionee" (the "Bourdon Agreement"), the Issuer acquired:

- (i) the sole, exclusive and immediate right and option to enter upon and explore, develop and mine; and
- (ii) the further sole and exclusive right and option to earn a 100% ownership interest

in the following property, which consists of ten (10) units located in the Nelson Mining Division, Province of British Columbia, as follows:

<u>Claim Name</u>	<u>Record No.</u>	<u>Expiry Date</u>
Hillside	3512(9)	September 13/88
Hilltop Fr.	3511(9)	September 13/89
Great Western (ex.Lot 4148)	1551(2)	February 19/90
Irene (ex.Lot 4151)	1552(2)	February 19/90
Great Eastern (ex.Lot 4152)	1553(2)	February 19/90

(the "Bourdon Property").

Great Western, Irene and Great Eastern are reverted crown granted mineral claims.

When the Issuer has made royalty or advance royalty payments in the aggregate of \$1,500,000 to the Optionor, it will have earned a 100% ownership interest in the Bourdon Property. In order to maintain its option to earn the said 100% interest, the Issuer agreed to make the following advance royalty and share payments:

- (a) \$1,000 upon signing of agreement (which sum has been paid);
- (b) \$1,000 plus 3,000 shares of the Issuer, on or before July 31, 1985 (the sum of \$2,500 cash was paid to the Optionor to satisfy this obligation);
- (c) \$3,000 plus 3,000 shares on or before January 1, 1986 (the sum of \$4,500 cash was paid to the Optionor to satisfy this obligation);
- (d) \$6,000 plus 6,000 shares on or before January 1, 1987 (issued);
- (e) \$6,000 plus 6,000 shares on or before January 1, 1988;
- (f) \$10,000 plus 10,000 shares on or before January 1, 1989;
- (g) upon commencement of production, a 1.5% Net Smelter Return shall be paid to the Optionor.

The shares noted above shall be fully-paid and non-assessable free-trading shares of the Company and have an estimated value of \$0.50 per share. The Bourdon Agreement further provides that in the event that free trading shares cannot be issued on the due dates as stated above, then advanced royalty payments shall be increased by an amount equal to the number of shares due multiplied by \$0.50.

The Bourdon Property was acquired by the Vendor by staking.

Mr. R.J. Bourdon has no relationship with the Issuer and its insiders.

Terms of Acquisition - Asarco Agreement

Pursuant to an agreement made effective as of the 30th day of April, 1985, and made between Asarco Exploration Company of Canada Ltd. ("Asarco") of the 12th Floor, 350 Bay Street, Toronto, Ontario, and the Issuer (the "Asarco Agreement"), the Issuer acquired an exclusive option to earn a 51% interest in the following property, which consists of thirty-three (33) units, located in the Nelson Mining Division, Province of British Columbia, as follows:

<u>Claim Name</u>	<u>Record No.</u>	<u>Expiry Date</u>
Birdseye	L3278	N/A (Crown granted)
Princeton Fr.	L3938	N/A (Crown granted)
Gold Eagle	1302(10)	October 16/88
Gold Eagle #1Fr.	1531(3)	March 5/88
Gold Eagle #2	1532(3)	March 5/88
Gold Eagle #3	1533(3)	March 5/88
Gold Eagle #4	1841(8)	August 5/86
Gold Eagle #5Fr.	1856(8)	August 13/88
Gold Eagle #6Fr.	1857(8)	August 13/88
Lady Aberdeen	919(1)	January 22/88
Minto Fraction	920(1)	January 22/88
Inverness	918(1)	January 22/88
Haddo Fraction	921(1)	January 22/88
Horseshoe	1307(10)	October 22/88
Red Fraction	1308(10)	October 22/88
Tregarden Fr.	1309(10)	October 22/88

(the "Asarco Property").

In order for the Issuer to earn said 51% interest in the Asarco Property, it must incur a minimum of \$100,000 of exploration expenses not later than September 30, 1987. Upon the Issuer incurring \$100,000 of exploration expenses, the Issuer shall be vested with a 51% initial participating interest in the Property with a deemed and actual contribution of \$100,000 and Asarco shall have an initial participating interest of 49% with a deemed and actual contribution of \$96,078.43. Thereafter, each party may elect to contribute to the costs of further exploration and development work and maintain its interest at its initial level or it may elect to allow its interest to be reduced in accordance with the further terms of the agreement.

The property was acquired by the Vendor by staking.

Asarco is a 100% owned subsidiary of Asarco Incorporation, a public company trading on the New York Stock Exchange, and there is no relationship between the Issuer and Asarco.

Terms of Acquisition – Weir Agreement

Pursuant to an agreement made effective as of the 9th day of October, 1986 between Mary McDonell of Nanaimo, British Columbia, Anne Weir of Victoria, British Columbia and Theresa Karlsson of Duncan, British Columbia (hereinafter collectively referred to as the "Optionor") and the Issuer (the "Agreement"), the Issuer acquired:

- (i) the sole, exclusive and immediate right and option to enter upon and explore, develop and mine; and
- (ii) the further sole and exclusive right and option to earn a 100% ownership interest

in the following property, which consists of three (3) crown granted mineral claims located in the Nelson Mining Division, Province of British Columbia, as follows:

<u>Claim Name</u>	<u>Lot No.</u>
Thistle	2233
White Witch	3595
Great West Fr.	4779

(the "Weir Property").

In order to maintain its option to earn the said 100% interest, the Issuer agreed to make the following cash and expenditure payments:

<u>Cash</u>	<u>Date</u>
\$12,000	June 30, 1987
\$12,000	June 30, 1988
\$12,000	June 30, 1989
\$12,000	June 30, 1990
\$12,000	June 30, 1991
\$12,000	June 30, 1992
\$12,000	June 30, 1993
\$12,000	June 30, 1994

<u>Expenditures</u>	<u>Date</u>
\$ 20,000	June 30, 1987
\$ 90,000	June 30, 1988
\$190,000	June 30, 1989
\$340,000	June 30, 1990
\$650,000	June 30, 1991

When the Issuer has made all the cash payments and expenditures, referred to above, the Issuer shall have acquired a 100% interest in the Weir Property save and except that the Optionor shall be entitled to receive and the Issuer shall pay the Optionor the royalties of net smelter returns, as defined in the Agreement, as follows:

- a) 4% of net smelter returns until the aggregate net smelter returns paid to the Optionor equals \$1,000;
- b) 2% of net smelter returns until the aggregate net smelter returns paid to the Optionor equals \$5,000; and
- c) 1% of net smelter returns in perpetuity thereafter.

The Weir Property was originally acquired by the Optionor's father by staking and subsequently inherited by the Optionor.

Neither of Mary McDonell, Anne Weir nor Theresa Karlsson has a relationship with the Issuer and its insiders.

Location, Size and Access

The Bourdon, Asarco and Weir Properties, consisting of an aggregate of 46 units, are located approximately 6 kilometres to the southwest of Nelson, B.C., up the east fork of Giveout Creek, a tributary to Cottonwood Creek. Access to the properties is from Nelson, by way of a fairly good gravel road up Giveout Creek. Nelson is located at the junction of Highways 6 and 3A, about 1 hour's drive east of the Castlegar airport, which is serviced daily by Pacific Western Airlines and Time Air to and from Vancouver, B.C. and Calgary, Alberta. Alternatively, there is highway access to Nelson which requires about 8 - 10 hours driving from either Vancouver or Calgary.

History and Previous Work

The Great Western Project, comprised of the Bourdon, the Asarco and the Weir Properties, is the subject of an Engineering Report prepared by Guillermo Salazar S., P. Eng. on August 20, 1985. This report is attached and forms a part of this Statement of Material Facts, and is revised as to its budget and recommended program by Mr. Salazar's letter of December 5, 1986, such revision also attached and forming a part of this Statement of Material Facts. Mr. Salazar discloses in his August 20, 1985 report that the Silver King mine, located about 3 kilometres to the southeast of the center of the Property, was one of the earliest copper producers in British Columbia, beginning production about 1889, and that over 200,000 tons of copper-silver ore was produced from this mine. Mr. Salazar states that several small tunnels and pits dating back to the early 1900's are present in the Property, but that no significant tonnage of mineral inventory is exposed on any of them. In addition, small shipments of ore were made from the Birdseye and Shamrock Crown Grants and from the Irene and Great Eastern claims. Mr. Salazar further reports that Asarco conducted the latest known systematic exploration efforts on the Property during 1979 and 1982, consisting of soil geochemistry, ground magnetics and an induced polarization survey. Asarco drilled 3 holes in 1980 and 6 in 1981, for a total of 3,561 feet. The best drilling results were found at DDH 80-1, which returned 110 feet assaying 0.025 oz/ton gold and 0.025 oz/ton silver between 370 feet and 480 feet. DDH 80-2 was collared 100 feet to the southeast of DDH 80-1 and it encountered 20 feet of 0.034 oz/ton gold and 0.045 oz/ton silver between 270 and 290 feet of drilled depth. Asarco reported expending a total of \$64,708.37 on drilling and an additional \$28,073.94 on surveys, for a total of \$92,782.31 spent by Asarco on the Property during the 1981 season.

Mr. Salazar has noted that Lacana Mining Co. recently optioned the MAC claims, which are located about 5 kilometres to the southeast of the center of the Property and that they are concentrating their efforts investigating a northwesterly trending zone reported to assay 0.07 oz/ton gold over 50 foot widths which may be on trend with Asarco's anomaly. In addition, Ryan Exploration, a US. Borax subsidiary, is actively exploring its Eagle and Sandy Creeks properties which are adjacent to these claims west boundary.

There is at present no surface or underground plant or equipment on the Property.

Geology and Mineralization

According to Mr. Salazar, the area of the subject claims is underlain by Rossland Group rocks intruded by a Silver King porphyry stock and/or series of tongues of possible Jurassic and Cretaceous age that covers the eastern claims. Rossland group rocks are represented by the Elise formation andesitic and basaltic flows and flow breccias, agglomerates, augite porphyry and tuff.

Mr. Salazar reports that the claims are underlain by strongly schistosed andesitic tuffs with abundant pyrite and that bedding is not apparent in the metamorphosed tuffs but foliation strikes northwest and dips 60-70 degrees southwest. In addition, the metamorphosed volcanic rocks are intruded by a stock of Silver King syenite porphyry, which covers the eastern claims. The western flank of the Silver King stock has been defined as the regional axis of a zone within which several areas having good potential for outlining low grade gold deposits amenable to low cost mining methods are recognized. This zone is 500 meters wide and 2,000 meters long. Mr. Salazar states that the combination of exploration tools used by Asarco was effective in outlining drill targets within the areas surveyed and that the western flank should be systematically explored with a similar combination of exploration tools in the search for other similar targets. Mr. Salazar has determined two distinct targets with what he feels to be excellent potential for defining gold deposits possibly amenable to low cost mining methods, as follows:

Target N.1

Located topographically above the Giveout Creek road and left untested by Asarco. After relocating this anomaly, Mr. Salazar recommends testing it by trenching to be followed by diamond drilling.

Target N.2

Located in an area immediately to the west and downhill from Target N.1, within Silver King plutonic rocks near its western contact with Elise Formation andesites. This target was defined from Asarco samples which were collected over an area of 400 meters by 150 meters and are reported to range in value from 0.010 to 1.180 oz/ton gold for an average cut value of 0.148 oz/ton gold. Further details on this target are contained in Mr. Salazar's report and Mr. Salazar has recommended that this second target requires immediate testing and confirmation of assays, followed by trenching, prior to the start of a multistage definition drilling program.

Work Done by the Company

An exploratory program consisting of an airborne survey was conducted by the Issuer in November and December of 1984. A road survey was conducted by the Issuer and a report prepared in August and September of 1985. In September, 1986, soil sampling and a magnetic survey was carried out on the Property. The total cost of the above was \$43,953.86, which included the preparation costs of the Engineering Report and costs relating to the Issuer's initial investigation of the Property.

Recommendations

Mr. Salazar has recommended in his revised program and budget of December 5, 1986 a three stage exploration program as follows: a Stage I program consisting of resampling, relocating and surveying, trenching and linecutting at a total cost of approximately \$80,940.00; a Stage II program consisting of two parts, (a) being geological mapping, ground magnetics and soil and rock geochemistry at approximately \$95,000 and part (b) being a dipole-dipole induced polarization survey, with an "a" spacing of 25.0m. and four separation, which will be run over the Silver King stock's western flank, covering the regional target in the length protected by the claims at approximately \$85,840, for a total estimated cost for Stage II of approximately \$180,840; and a Stage III program consisting of initial drilling of five holes, 100 meters deep, NQWL size @ \$120/meter at a total cost of \$60,000; for a total three stage program of \$320,940. Each stage is dependent on the positive results of the previously completed stage.

The Issuer has completed Stages I and II with favourable results and will proceed with Stage III. Funding in the amount of \$233,622 to complete this program will be provided from the \$375,000 proceeds from the First Exploration Fund 1986 and Company, Limited Partnership as described in Items 2 and 9 herein.

II(c) STUMP LAKE ACQUISITION

The Stump Lake project was acquired by the Issuer by way of an agreement discussed below.

Terms of Acquisition

Pursuant to a joint venture agreement made effective as of the 26th day of January, 1987, and made between Saturn Energy & Resources Ltd. ("Saturn") of Suite 530, 355 Burrard Street, Vancouver, British Columbia, the Issuer acquired:

- i) the sole, exclusive and immediate right and option to enter upon and explore, develop and mine; and

- ii) the further sole and exclusive right and option to earn 50% of Saturn's interest in the agreement between Saturn and Goldbrae Developments Ltd. ("Goldbrae") of Airport Executive Park, 105—10711 Cambie Road, Richmond, British Columbia, V6X 3T5 dated May 1, 1986, as amended, concerning the Bag Claims (the "Bag Agreement") and the agreement between Goldbrae and Saturn dated August 29, 1986, as amended, concerning the Stump Lake Property - Anderson and Lance Claims (the "Anderson Agreement"), hereinafter referred to as the "Option", more particularly described as follows:

b) Bag Group

12 1/2% ownership in the following property which consists of 35 units located in the Nicola Mining Division, Province of British Columbia, as follows:

<u>CLAIM NAME</u>	<u>RECORD NO.</u>	<u>EXPIRY DATE</u>
BAG 1	1276	July 23, 1991
BAG 2	1277	July 23, 1991

a) Anderson Group

25% ownership in the following property which consists of 104 units located in the Kamloops and Nicola Mining Divisions, Province of British Columbia, as follows:

<u>CLAIM NAME</u>	<u>RECORD NO.</u>	<u>EXPIRY DATE</u>
Anderson	2500	March 31, 1989
Anderson 1	2501	March 31, 1989
Anderson 2	2593	May 8, 1989
Anderson 3	3928	January 8, 1989
Anderson 4	4126	July 20, 1990
Anderson 5A	5973	June 23, 1991 *
Anderson 6	5974	November 9, 1990
Lance 5A	1671	April 18, 1987

* This claim was originally staked as the Anderson 5 Claim under record number 5973, but was subsequently abandoned and re-staked by Goldbrae in June of 1986.

When the Issuer has completed a \$50,000 work commitment on the Bag Claims it will become a joint venture partner with Saturn pursuant to the Bag Agreement and Anderson Agreement (the "Joint Venture").

The Anderson Agreement provides for the following:

- (a) In order to acquire an undivided 15% interest in the Property, the Joint Venture shall:
 - i) pay \$25,000 to Goldbrae on or before September 15, 1986 (such amount has been paid);
 - ii) arrange on or before September 30, 1986 funding for Expenditures valued at \$250,000.00 (this has been arranged through Saturn);
 - iii) incur \$250,000 in expenditures as defined in the agreement by December 31, 1987;
- (b) In order to earn an additional undivided 15% interest the Joint Venture shall:
 - i) pay an additional \$50,000 to Goldbrae on or before December 31, 1987; and
 - ii) incur additional expenditures of \$250,000 by December 31, 1989;
- (c) In order to earn an additional undivided 20% interest, the Joint Venture shall:
 - i) pay an additional \$75,000 to Goldbrae on or before December 31, 1989; and
 - ii) incur additional expenditures of \$750,000 by December 31, 1991;

Upon the the Joint Venture earning its maximum interests in the Property, the Joint Venture and Goldbrae will enter into a Joint Venture Agreement which forms part of the Anderson Agreement. Pursuant to the terms of the Joint Venture Agreement, Goldbrae will be the manager of the Joint Venture and the parties are responsible for their pro rata share of exploration and development expenses with provisions for dilution in the event that either party fails to make required contributions.

Bag Claims, Terms of Acquisition

By agreement dated May 1, 1986 between Saturn and Goldbrae, Saturn has the exclusive right and option to acquire 50% of Goldbrae's interest in an option and joint venture agreement dated February 27, 1984 between Goldbrae and Canadian Nickel Company (the "Canadian Nickel Agreement") of 1 First Canadian Place, Toronto, Ontario. In order to exercise its option, Saturn shall provide \$50,000.00 to fund exploration expenditures on the Property to be completed by February 28, 1987.

Pursuant to the terms of the Canadian Nickel Agreement, Goldbrae can earn an undivided 50% interest in the Property by incurring exploration expenditures totalling \$200,000.00 on the Property as follows:

- a) 25,000.00 on or before January 14, 1985 (done);
- b) 25,000.00 on or before January 14, 1986 (done);
- c) 50,000.00 on or before January 14, 1987 (done);
- d) 100,000.00 on or before January 14, 1988.

Upon Goldbrae incurring the foregoing expenses it will own a 50% undivided interest in the Property and will enter into a joint venture agreement with Canadian Nickel requiring Goldbrae to manage the exploration on the Property and continue to fund all expenditures up to a total of \$100,000.00. Thereafter the parties will contribute to exploration budgets on a pro rata basis with dilution provision in the event that either party fails to contribute to proposed exploration programs. If either party's interest is reduced to 10% or less, it is converted to a 15% net profits royalty.

Location, Access and History

Since the Anderson Claims and Bag Claims (collectively called the "Property") are contiguous properties they are both the subject of an engineering report prepared by Guillermo Salazar S., P.Eng. dated June 10, 1986, a copy of which report is attached hereto and forms part of this Statement of Material Facts.

The Property is located in 230 kilometers northeast of Vancouver and 30 kilometers south of Kamloops, in British Columbia.

Access to the Property is Highway No. 5, which connects the cities of Kamloops and Merritt and which cuts through the southern claims along the north shore of Stump Lake. Access roads to the oil pipeline following Moore Creek and other multipurpose roads give good access to most of the Property.

The Property was recognized for its mineral potential in 1882 and has produced 71,323 tonnes of ore yielding 254.783kg of gold, 7,781.65 kg of silver, 49.562 tonnes of copper, 1,040.296 tonnes of lead and 235.148 tonnes of zinc between 1914 and 1952 mainly from the Enterprises vein. Modern interest in the area started in 1971 with work carried out by Newconex in the Hollis Creek area and by Monitor Resources Ltd. in the area to the southeast of Anderson Lake. The copper and molybdenum showings along Moore Creek were found and evaluated at this time. Molybdenite is reported in quartz veins and minor occurrences of pyrite, pyrrhotite and chalcopyrite are reported in the schists and volcanics.

The presence of a fluorite showing near Kullagh Lake, was reported in 1976 as: "Zoned fluorite and quartz veins varying in width from 2 to 12 cm. occur along a south dipping fault zone in andesites of the Nicola Group." L. Dekker reports that Chevron Canada drilled four diamond drill holes in the area to the south of Kullagh Lake, into a structural dome within their Microgold claim. The Property was later on also tested by BP Selco of Vancouver.

Dynamic Oil & Gas Ltd. acquired the Lance Claims in 1980 by staking. They carried out geochemical and geophysical surveys in the ground protected by the Lance 5A and Anderson 3 claims.

The area protected by the Anderson and Anderson 2 claims was subject of further studies in 1980-81. This programme, which included geological, geochemical and electromagnetic surveying, was carried out by Esperanza Explorations Ltd. The best target found was tested by DDH 80-An1 in the vicinity of a previous percussion hole that had some silver. Goldbrae acquired the property late in 1981.

Also in 1981, the Federal and Provincial Governments expanded their joint Regional Geochemical survey and the highest fluorine in water value for the claims was 830.ppb. and one of the highest mercury values was 110ppb.

The Canadian Nickel Co. ("Canico") staked the Bag Nos. 1 and 2 claims in 1982 based on results from a previous year's panned concentrate stream sediment survey that showed the creek draining Target No. 1 as described in the report as strongly anomalous in gold, silver, arsenic, tungsten, copper and lead. Canico carried out geological mapping; rock, stream sediment and soil geochemical; and magnetometer and VLF-RADEM geophysical surveys in these claims in 1982 and 1983.

In 1982, Goldbrae carried out gridded surveys over the Anderson, Anderson 2 and Anderson 3 claims.

In 1984, Goldbrae covered the south end of the Anderson No. 4 and Bag Nos. 1 and 2 claims, which were acquired from Canico, with gridded surveys.

Dr. Paul W. Richardson reviewed and summarized all work carried out in the property to May, 1985, and White Geophysical Inc. carried out a Pulse EM survey on the Anderson 1, 2, and 3 claims in late 1985.

Property Geology and Geophysical Results:

The area contained within the boundary of the Property is underlain by Upper Triassic Nicola Group rocks which consist of andesites and basalts with minor, thin, interbedded pyroclastic and sedimentary formations. The Nicola Batholith, or Jurassic and/or Cretaceous age, intrudes the above sequence and occupies the NW half of the Anderson No. 3 and Lance 5A claims.

The Nicola Group is complex in detail and has been subdivided into three northerly trending belts separated by two major and high angle faults. One of these, the Quilchena fault, separates the central and eastern belts and crosses the Anderson claims closely following Moore Creek.

Near the Nicola Batholith, the Nicola rocks have been altered to quartz-hornblende-feldspar gneiss and amphibolite-chlorite and biotite-chlorite schist.

In a regional scale, the available fluorine analyses depicts the area protected by the claim as a very anomalous one.

Target No. 1, evaluated in the Bag 1 claims, is the one closest to being a drill target based on coincident geological and geochemical data.

Target No. 2, located just North of Target No. 1, is larger than No. 1 and is defined by coincident anomalous arsenic in soil, induced polarization/chargeability, fluorine in waters and numerous high gold geochemical values in rock chip samples with assays up to 880ppb gold. Debicki, in his description of this area, implied the possibility that this may be related to a particular horizon of the volcanic pile described by him and related it to his Units 1a and 1b. Should this be confirmed, a fossil geothermal field with an apparent high gold content is defined. The lack of detailed geological mapping and rock geochemical data in this area prevents any further geological modelling.

Target No. 3, located in the Anderson No. 1 claims, is defined by a multi-pathfinder element anomalous stream sediment sample taken about 1.5km. downstream from Anderson Lake. Its outline is defined by a circular topographic feature with Anderson Lake near its north end that occurs at the western edge of an airmagnetic high typical of Nicola volcanic rocks. In 1971, Monitor carried out a soil sampling, ground magnetometer and prospecting survey searching for porphyry copper mineralization within a portion of Target No. 3. M.J. Fitzgerald reported that ... "Narrow quartz-carbonate-limonite veinlets were noted in rock specimens taken near 72N/14E... in an epidote-flooded volcanic breccia". Whether this is an extension of Debicki's Unit 1a and 1b is yet to be proven. If correct, though, the potential fossil geothermal may cover an area at least 5.0km long.

Target No. 4 is located in the Lance 5A, Anderson, Anderson 2 and 3 claims. Here, a copper soil anomaly of better than 160.ppm defines the target. Coincident with it are two pulse - and VLF-EM anomalies as yet not tested.

The Property has no known ore reserves.

Proposed Development and Exploration Program:

Mr. Salazar, P. Eng., has recommended a program consisting of detailed geological mapping, rock chip sampling, trenching and rotary drilling at an estimated cost of \$248,500.00. Pursuant to an Exploration Agreement dated October 7, 1986 with Knight's Mineral Exploration and Company, Limited Partnership (the "Partnership"), a limited partnership under the laws of the Province of British Columbia of 2000 - 700 West Georgia Street, Vancouver, B.C., pursuant to which the Partnership will commit \$250,000.00 to carry out a program of mineral exploration. The proceeds will be expended on exploration work on the Property.

Goldbrae is a reporting company listed for trading on the Vancouver Stock Exchange. Goldbrae has no relationship with the Issuer and its insiders, however, Saturn has common directors and officers.

4. PARTICULARS OF NON-RESOURCE ASSETS

The Issuer is not engaged nor does it propose to engage, in whole or in part, in a business other than for the exploration and development of natural resources.

5. CORPORATE INFORMATION

- (1) The Issuer was incorporated on May 30, 1980, under the laws of the Province of British Columbia by Memorandum and Articles of Association and is in good standing with the British Columbia Registrar of Companies.

The Issuer was extra-territorially registered in the Yukon Territory on April 27, 1981 and is presently awaiting receipt of a certificate of extra-provincial registration in the Province of Quebec.

The Issuer changed its name from Lindex Explorations Ltd. to Lectus Developments Ltd. on February 14, 1986

There was a consolidation of share capital on October 24, 1984 on a ratio of five old for one new basis.

- (2) The authorized capital of the Issuer consists of TEN MILLION (10,000,000) common shares without par value of which 2,259,151 shares have been issued and fully paid.

The share capital structure of the Issuer consists of one class of shares only. Such shares are not subject to any future call or assessment and they have equal voting rights. There are no special rights or restrictions of any nature attached to any of the shares and they all rank pari passu, each with the other, as to all benefits that might accrue to the holder thereof.

- (3) Since the date of the Issuer's unaudited financial statements dated October 31, 1986, a copy of which is attached hereto and forms part of this Statement, there have been no shares of the Issuer issued from treasury.

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

(1) Directors, Officers and Promoters of the Issuer

<u>Name, Address and Office Held with Company</u>	<u>Occupation for Last Five Years</u>	<u>Shares Held Beneficially</u>
ROY WILLIAM ROBINSON* 4217 Prospect Road North Vancouver, B. C. V7N 3L6 PRESIDENT and a DIRECTOR	President and Managing Director of Saturn Energy & Resources Ltd.	250,000 escrow 18,000 free

JOHN VACLAV KOONCE 1144 Maplewood Cres. North Vancouver, B. C. V7P 1H9 SECRETARY and a DIRECTOR	Director and Secretary of Saturn Energy & Resources Ltd.; Director and Secretary of the Issuer (since July, 1979); Industrial Engineer with AEL Microtel from 1957 to 1982	100,000 escrow 4,000 free
EDWIN FREDERICK GROBLER* 4532 Burke Street Burnaby, B. C. V5M 2L8 DIRECTOR	Account Manager, General Datacomm Ltd.	100,000 escrow 45,000 free
STANLEY ROBERT FORD* 5064 Wallace Ave. Delta, B.C. V4M 1A1 DIRECTOR	Vice-President and Director of Saturn Energy & Resources Ltd.; Professional Engineer, formerly Senior Manager of Willis, Cunliffe & Tait, an international consulting engineering firm	200,000 escrow 3,000 free
FREDERICK AUGUST McGONIGLE 7451 Thormanby Cres. Richmond, B.C. V7C 4G4 DIRECTOR	Director of Burlington Gold Mines Ltd. and United Gunn Mines Ltd. from July, 1979 to June, 1983; currently director of the Issuer (since July, 1979). Mr. McGonigle is a retired Mining Engineer	100,000 escrow 19,700 free

* Members of the audit committee.

(2a) Relationship of Directors, Officers or Promoters of the Issuer to other Reporting Companies

<u>Name of Director/Officer/Promoter</u>	<u>No. of Other Public Companies* of which (s)he is currently a director/officer/promoter</u>
Roy William Robinson	1
John Vaclav Koonce	1
Edwin Frederick Grobler	0
Stanley Robert Ford	1
Frederick August McGonigle	4

* A list of the names of such public companies is available for inspection at #400 - 750 West Pender Street, Vancouver, B.C. V6C 2T7, during normal business hours during the primary distribution of the shares hereby offered and for 30 days after completion of the primary distribution.

(2b) During the period that the above were directors, officers or promoters of the companies referred to, no such company was struck off the Register of Companies by the British Columbia Registrar of Companies, or similar authority, nor were the securities of such companies ever the subject to a cease trade or suspension order for a period of more than thirty consecutive days.

(3a) **Remuneration of Director, Officer, Promoter or Insider**

Within the past year Mr. Stan Ford has received direct remuneration in the amount of \$3,000 for consulting work performed on behalf of the Issuer. Additionally, during the fiscal year ended July 31, 1985 and the period ended June 30, 1986 \$7,500, being \$2,500 per month since April 30, 1986, was paid to International Royalties Corporation, a private company owned by Messrs. Koonce, Ford and Robinson, directors of the Issuer, for management services.

(3b) No director, officer, promoter or insider has received anything of value (ie. money, securities, property, contracts, options or rights of any kind, whether received directly or indirectly) from the Issuer within the past year which has not been disclosed elsewhere in this Statement of Material Facts.

(4) **Each Person or Company who Owns Beneficially, Directly or Indirectly More Than 10% of the Equity Shares of the Issuer Other Than Those Persons Disclosed in Item 6.(1) Above.**

Other than those individuals listed in item 6(1) hereof, there are no persons who or companies which own beneficially, directly or indirectly more than 10% of the equity shares of the Issuer to the knowledge of the directors of the Issuer.

7. OPTIONS TO PURCHASE SECURITIES OF THE ISSUER

(1) **Director Options** - The Issuer has the following Directors' Stock Options outstanding pursuant to Option Agreements entered into between the Issuer and each of the directors for a term of five years from the Effective Date of the Prospectus of the Issuer, being February 28, 1991:

<u>Director</u>	<u>Number of Shares</u>	<u>Price Per Share</u>
Stanley Robert Ford	72,543	\$0.50
Frederick A. McGonigle	10,000	\$0.50
Edwin F. Grobler	<u>5,000</u>	\$0.50
TOTAL:	87,543	

(2) **Employee Options** - The Issuer has the following Employee options outstanding pursuant to option agreements entered into between the Issuer and each of the following, expiring five years from the effective date of the Issuer's Prospectus, being February 28, 1991:

<u>Employee</u>	<u>Number of Shares</u>	<u>Price Per Share</u>
Roy William Robinson	57,543	\$0.50
John Vaclav Koonce	<u>30,000</u>	\$0.50
TOTAL:	87,543	

There are no other options, share purchase warrants or rights granted to an insider or promoter of the Issuer by the Issuer or by a present security holder.

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

- (1) Escrow Principal's Shares - There are 750,000 shares of the Issuer held in escrow by Guardian Estates & Agencies Ltd. of #404 - 470 Granville Street, Vancouver, B.C.

The escrow restrictions provide that the shares may not be sold, assigned, hypothecated, alienated, released from escrow, transferred within escrow, or otherwise in any manner dealt with, without the express consent, order, or direction in writing of the Vancouver Stock Exchange ("Exchange") being first obtained except as may be required by reason of death or bankruptcy of any escrow shareholder.

Any shares not released from the escrow created by the terms of the agreement before the expiration of five (5) years from February 14, 1986 shall be cancelled forthwith and the Company and Guardian Estates & Agencies Ltd. will take all such actions as may be necessary to expeditiously effect such cancellation.

The complete text of the escrow agreement is available for inspection at the registered office of the Issuer.

- (2) Pooled Shares - There are no shares held in pool.

- (3) Shares subject to Unexpired Hold Periods - There are no securities which are presently subject to an unexpired hold period originally imposed by the Superintendent of Brokers, other than the 390,625 shares that may be issued to the First Exploration Fund 1986 and Company, Limited Partnership as disclosed in Item 9(4)(B) herein.

9. PARTICULARS OF ANY OTHER MATERIAL FACTS

- (1) Legal Proceedings

There are no actual or pending material legal proceedings to which the Issuer or its properties are or are likely to be a party.

(2) Proposed Property Acquisition

There is a property proposed to be acquired for which regulatory approval is not being sought under this Statement.

a) Arkoma Basin Leases

By an agreement dated April 22, 1986 made amongst the Issuer, AET Holdings Ltd. and Broken Arrow Holdings Ltd., the Issuer agreed to acquire a 100% working interest in various petroleum and natural gas leases subject to royalties no greater than 25% yielding a minimum of a 75% net revenue interest. The 400 acres are located in the Arkoma Basin, Le Flore County, Oklahoma, U.S.A and the consideration to be paid by the Issuer shall be in the form of fully paid and non-assessable shares of the Issuer to be issued to AET Holdings Ltd. at the closing of each leasehold acquisition, at 1,750 shares for each full acre contained within the leasehold interest acquired. The number of shares to be issued pursuant to this transaction is 700,000 shares. On October 12, 1986, a total of 331,275 shares of the Issuer were issued to AET Holdings Ltd. (as to 215,775 shares), to Amalgamated Energy Corporation (as to 70,000 shares) and to Broken Arrow Holdings Ltd. (as to 45,500 shares).

Seven prospects are to make up the 400 acre package and the average fair market value of the seven prospects is \$4,486 U.S. per acre.

The Issuer will not be required to put up any additional funds and will develop the property through a joint venture which has cash commitments by major petroleum industry partners to fund a ten net well drill program to begin approximately March, 1987.

The Vancouver Stock Exchange conditionally approved the proposed acquisition of interests in 400 acres of proven undeveloped natural gas leases in the Arkoma Basin, Oklahoma on May 23, 1986. Such approval in principle is subject to receipt by the Vancouver Stock Exchange of a title opinion on the acquired acreage and the respective oil and gas lease agreements; updated engineering reports confirming the values of the properties; final acquisition agreements outlining the specific acreage acquired; and evidence that the Company has the funds available to develop the natural gas interest.

b) Golden Key Property

By Letter of Intent dated November 13, 1986 between the Issuer and American Energy & Exploration Inc. of P.O. Box 758, Housatonic, Mass., 01236, as agent for J.B. McCauley Associates of Hurst, Texas (the "Owner"), the Owner agreed to lease to the Issuer its 100% interest in the following patented and Bureau of Land Management (BLM) claims situated in Tuolumne County in the State of California:

a) Patent Claims

<u>Name</u>	<u>Number</u>
Golden Key	MS 4133
Little John	MS 4133
Hobart	MS 4133
McKinley	MS 4133
Olive	MS 4133

b) Bureau of Land Management Claims (BLM)

<u>BLM Serial No.</u>	<u>Name of Claim</u>	<u>Sec/Twp/Rge</u>	<u>County Recordation</u>
Mount Diablo Meridian Penon Blanco Mining Division			
142049	GC #1	S12/T2S/R15E	V 31/534-535
142050	GC #2	S1 & 12/T2S/R15E	V 31/536-537
142051	GC #3	S1 & 12 T2S/R15E	V 31/538-539
142052	GC #4	S1 & 12/T2S/R15E	V 31/540-541
142053	GC #5	S1 & 12/T2S/R15E	V 31/542-543
142054	GC #6	S1, 12, 6 & 7/T2S/R15E	V 31/544-545
142055	GC #7	S12 & 7/T2S/R15E	V 31/546-547
142056	GC #8	S12 & 7/T2S/R15E	V 31/548-549
142057	GC #9	S12/T2S/R15E	V 31/550-551
142058	GC #10	S12/T2S/R15E	V 31/552-553
142059	GC #11	S12/T2S/R15E	V 31/554-555
142060	GC #12	S12/T2S/R15E	V 31/556-557
142061	GC #13	S12/T2S/R15E	V 31/558-559
142062	GC #14	S12/T2S/R15E	V 31/560-561
142063	GC #15	S12 & 7/T2S/R15E	V 31/562-563
142064	GC #16	S7/T2S/R15E	V 31/564-565
142065	GC #17	S7/T2S/R15E	V 31/566-567
142066	GC #18	S7/T2S/R15E	V 31/568-569
142067	GC #19	S12 & 7/T2S/R15E	V 31/570-571
142068	GC #20	S12 & 7/T2S/R15E	V 31/572-573
142069	GC #22	S12/T2S/R15E	V 31/574-575
142070	GC #23	S12/T2S/R15E	V 31/576-577

(hereinafter referred to as the "Property")

The term of the lease is as long as the Issuer explores or mines the Property for minerals or ore deposits under the terms of the Letter of Intent.

The Issuer has agreed to perform the assessment work and pay the outstanding taxes on the Property by March 1, 1987 and file the assessment work to keep the claims in good standing. The estimate cost of this obligation is \$4,000.00 U.S.

The Issuer has further agreed to pay the Owner the following sums of rentals and royalties:

- a) The rental for the first lease year, due February 1, 1987, is \$25,000.00 U.S. (\$35,000 Cdn.) and 25,000 common shares of the Issuer. The shares will be ascribed a deemed value equal to the average 10 trading day average prior to delivery and this amount shall be considered an advanced royalty.
- b) The Issuer will pay the Owner monthly rental payments for the term of the lease of \$1,200 U.S. (\$1,680 Cdn.), the first due and payable January 31, 1987 and as long as the lease is in effect, such payments shall be considered advance royalties applicable against the net smelter royalty and the full purchase price.
- c) The Issuer will issue a total of 150,000 common shares of the Issuer as part of the full purchase price. These shares will be released in stages dependent upon the results of planned exploration work to be carried out on the Property. The share releases shall be as follows:
 - a) Initial release (as described in (a) above) 25,000
 - b) Upon Phase I successful completion 25,000
 - c) Upon Phase II successful completion 50,000
 - d) Upon Phase III successful completion 50,000
- d) The Net Smelter Royalty (NSR) shall be 5 percent and shall be the net sales proceeds received by the Issuer less the following - transportation costs, processing charges, taxes.

The Owner will reduce the NSR to 2 1/2 per cent if a cash payment of \$500,000 is paid on or before February 28, 1992. Once the Issuer has paid the full purchase price of \$500,000 in accumulated payments, NSR, stock issuances and/or any additional payments the Issuer will have clear title.

The shares of the Issuer delivered to the Owner will have a deemed value equal to the 10 trading day average value at each successive release date.

The Issuer has agreed to carry out the following work commitments:

<u>Work Commitment</u>		
<u>Year</u>	<u>Total</u>	<u>Acc. Total</u>
Feb. 1, 1987 to Dec. 31, 1987	\$ 46,000 U.S. (\$64,400 Cdn.)	\$ 50,000 U.S. (\$70,000 Cdn.)
Jan. 1, 1988 to Dec. 31, 1988	\$100,000 U.S. (\$140,000 Cdn.)	\$150,000 U.S. (\$210,000 Cdn.)
Jan. 1, 1989 to Dec. 31, 1989	\$100,000 U.S. (\$140,000 Cdn.)	\$250,000 U.S. (\$350,000 Cdn.)

Jan. 1, 1990 to Dec. 31, 1991	\$250,000 U.S. (\$350,000 Cdn.)	\$500,000 U.S. \$700,000 Cdn.)
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Once the Issuer has paid to the Owner (whether in cash or by way of the issue of shares) the sum of \$500,000 U.S. (approx. \$700,000 Cdn.), the Issuer will own the Property subject to a 2.5% NSR.

The agreement is subject to the approval of the Vancouver Stock Exchange and the British Columbia Superintendent of Brokers. The Issuer is in the process of obtaining necessary title opinions and engineering data and will make formal application for such approvals upon receipt of the same. Until the agreement is approved, only minor amounts will be spent on the Property by the Issuer, including approximately \$4,000 U.S. (\$5,600 Cdn.) for assessment work and property taxes and additional amounts for title and engineering evaluation.

The Property has no known ore reserves.

(3) Changes in Liabilities

The liabilities (including bonds, debentures, notes or other debt obligations) of the Issuer have not significantly increased or altered subsequent to the date of the financial statements included in this Statement.

(4) First Exploration Fund 1986 and Company, Limited Partnership

A. Exploration Agreement

The Issuer has entered into an Exploration Agreement dated June 18, 1986 with First Exploration Fund 1986 and Company, Limited Partnership (the "Partnership") pursuant to which the Partnership has committed \$375,000.00 to carry out a program of mineral exploration proposed by the Issuer on mineral resources properties in Canada owned by the Issuer. Net proceeds from such offering have been deposited with Guaranty Trust Company of Canada as escrow agent, and will be released to the Company from escrow upon delivery by the Issuer to the escrow agent certain documents as set out in the agreement dated June 18, 1986.

The Company will, pursuant to the Exploration Agreement, incur for and on behalf of the Partnership those certain expenditures which are eligible as "Canadian Exploration Expense" not later than February 28, 1987, and of which at least 80% will qualify for "mining exploration depletion allowance" as those terms are defined in the Income Tax Act (Canada), and herein collectively referred to as the "Qualified Expenditures".

B. Issue of 390,625 Flow-Through Shares By Way of Private Placement

A tax flow-through private placement is to be completed concurrently with the public offering. In consideration for the Partnership incurring the Expenditures referred to above the Issuer will issue to the Partnership the number of flow-through shares (the "Shares") equal to (a) the total dollar amount of Qualified Expenditures made or incurred by the Company or its subsidiary on behalf of the Partnership divided by (b) the issue price of \$0.96 per Share, being 390,625 shares (subject to Article 8 of the Exploration Agreement). These shares will be required to be held for a period of one (1) year from the date of November 28, 1987.

C. Subscription Agreement

Pursuant to a Subscription Agreement between the Issuer and Putco Holdings Ltd. dated June 18, 1986, the Issuer subscribed for 1,200 Class A Preference Shares of Putco Holdings Ltd. for an aggregate subscription price of \$120,000.00.

Prior to this offering, the Issuer paid \$115,000 for the Putco Holdings Ltd. subscription and \$5,000 of the proceeds of this offering will be used to complete the purchase of the 1,200 Class A Preference Shares at \$100 per share for an aggregate subscription price of \$120,000.00 which represents approximately 32% of the Qualified Expenditures.

Additionally, the Issuer will also pay the Exploration Manager's fee out of the amount committed to the Issuer by the Partnership. The basic fee is 1.2% of the committed amount, but this may be adjusted if, after reviewing the Company's program, the Partnership and the exploration manager determine that special monitoring costs will be incurred. At 1.2% of the program amount the Exploration Manager's fee is estimated at \$4,500.

(5) Private Placement

The Issuer has negotiated the sale of 200,000 units (each unit comprised of one common share and one 12-month non-transferable share purchase warrant exercisable at \$0.50 per share) with Noramsys Resources Ltd., of Vancouver, British Columbia and Amalgamated Energy Corp. of Oklahoma, U.S.A., with each company subscribing for 100,000 units at a price of \$0.45 per unit. The \$90,000 raised in this private placement were used to complete the subscription for the Putco preference shares required to close the \$375,000 private placement with the First Exploration Fund 1986 and Company Limited Partnership (disclosed in Item C and A above).

(6) Private Placement

The Issuer has negotiated the sale of 68,855 units (each unit comprised of one common share and one 12 month non-transferrable share purchase warrant (exercisable at \$0.70 per share) with IVT Innovative Video Techniques Inc. of Vancouver, British Columbia, at a price of \$0.60 per unit. The \$41,313 raised in this private placement will be used to produce a video for the Issuer for public relations.

(7) Ogg Claims

By letter dated August 18, 1986 G. Salazar S. & Associates Ltd. recommended, after the expenditure of \$3,000 which was used to commence Stage I of the program recommended by it in a report dated August 10, 1986 (which report forms part of the Issuer's prospectus), that the Ogg property be dropped. The Board of Directors of the Issuer met on August 19, 1986 and approved the recommendation of G. Salazar S. & Associates Ltd. to drop the property.

(8) Other Material Facts

There are no other material facts not previously disclosed herein.

(9) Inspection of Documents

All contracts, engineering reports and lists of reporting companies referred to in this Statement may be inspected at the Issuer's registered office, #400 - 750 West Pender Street, Vancouver, British Columbia, during normal business hours during the period of primary distribution of the securities offered hereby and for the period of thirty days thereafter.

10. **STATUTORY RIGHTS OF RESCISSION**

The British Columbia Securities Act provides purchasers with the right to rescind a contract for the purchase of securities where the Statement of Material Facts and any existing amendments thereto either contain a misrepresentation or are not delivered to the purchaser before delivery of the written confirmation of sale. For further information concerning these rights, and the time limits within which they must be exercised, refer to Sections 60 and 61 of the British Columbia Securities Act or consult a lawyer.

LECTUS DEVELOPMENTS LTD.

FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 1986

Auditors' Report

Balance Sheet

Statement of Deferred Exploration, Development
and Administrative Expenditures

Statement of Deficit

Statement of Changes in Financial Position

Notes to Financial Statements



Thorne Riddell

Chartered Accountants

AUDITORS' REPORT

To the Shareholders of
Lectus Developments Ltd.

We have examined the balance sheet of Lectus Developments Ltd. as at July 31, 1986 and the statements of deferred exploration, development and administrative expenditures, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at July 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada
August 19, 1986

Chartered Accountants



BALANCE SHEET AS AT JULY 31, 1986

ASSETS	<u>1986</u>	<u>1985</u>
CASH	\$ 57,064	\$ 32,814
MINERAL PROPERTIES (note 2)	28,001	3,502
OIL AND GAS		
Goforth Gas Wells	27,370	-
DEFERRED EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES	89,220	56,824
INVESTMENT IN PUTCO HOLDINGS LTD. (note 3(c))	<u>25,000</u>	<u>-</u>
	\$226,655	\$ 93,140

LIABILITIES

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 1,501	\$ 2,472
--	----------	----------

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 3)		
Authorized		
10,000,000 common shares without par value		
Issued		
1,750,909 shares (1985 - 479,499 shares)	425,644	207,792
DEFICIT	200,490	117,124
	<u>225,154</u>	<u>90,668</u>
	\$226,655	\$ 93,140

Approved by the Board

Director

Director

LECTUS DEVELOPMENTS LTD.

STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT
AND ADMINISTRATIVE EXPENDITURES
YEAR ENDED JULY 31, 1986

	<u>1986</u>	<u>1985</u>
Exploration and development		
Engineering costs		
O.G.G. property	\$ 5,371	\$ 32,403
Great West claim properties	23,995	10,587
Casa Berardi property	7,958	-
Maps and reports	3,360	111
Property inspection	304	-
	<u>40,988</u>	<u>43,101</u>
Administrative		
Accounting and auditing	2,305	1,840
Automobile expense	1,558	321
Bank interest, net of charges	(5,144)	(624)
Consulting fees paid to affiliated company	3,000	-
Directors meetings	-	536
Entertainment, promotion and advertising	3,521	283
Legal fees	10,195	1,130
Licences, fees and taxes	3,866	25
Management fees paid to affiliated company	10,000	-
Miscellaneous expense	570	10
Postage, stationery and office	7,545	950
Rent	9,300	3,050
Secretarial	687	293
Telephone	1,204	491
Travel and accommodation	5,270	5,418
	<u>53,877</u>	<u>13,723</u>
Total exploration, development and administrative expenditures for the year	94,865	56,824
Deferred exploration, development and administrative expenditures at beginning of year	56,824	93,013
	<u>151,689</u>	<u>149,837</u>
Write-off of costs relating to expired options	62,469	93,013
DEFERRED EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES AT END OF YEAR	<u>\$ 89,220</u>	<u>\$ 56,824</u>

LECTUS DEVELOPMENTS LTD.

STATEMENT OF DEFICIT

YEAR ENDED JULY 31, 1986

	<u>1986</u>	<u>1985</u>
Write-off of costs relating to expired options		
Option payments and advance royalties	\$ 5,001	-
Deferred exploration, development and administrative expenditures	<u>62,469</u> 67,470	<u>\$ 93,013</u> 93,013
Share issue expenses	<u>15,896</u> 83,366	<u>-</u> 93,013
Deficit at beginning of year	<u>117,124</u>	<u>24,111</u>
DEFICIT AT END OF YEAR	<u><u>\$200,490</u></u>	<u><u>\$117,124</u></u>

LECTUS DEVELOPMENTS LTD.

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED JULY 31, 1986

	<u>1986</u>	<u>1985</u>
CASH RESOURCES PROVIDED BY (USED FOR)		
FINANCING		
Issue of common shares for cash, net of issue expenses	<u>\$201,956</u>	<u>\$90,542</u>
INVESTMENTS		
Purchase of option on O.G.G. property	-	(1)
Great West claim properties	-	(1)
Casa Berardi property	(20,000)	-
Advance royalty on O.G.G. property	(5,000)	-
Great West claim properties	(4,500)	(3,500)
Exploration, development and administrative expenditures	(95,836)	(54,352)
Investment in Goforth Gas Wells	(27,370)	-
Putco Holdings Ltd.	(25,000)	-
	<u>(177,706)</u>	<u>(57,854)</u>
INCREASE IN CASH	24,250	32,688
CASH AT BEGINNING OF YEAR	<u>32,814</u>	<u>126</u>
CASH AT END OF YEAR	<u>\$ 57,064</u>	<u>\$32,814</u>

LECTUS DEVELOPMENTS LTD.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 1986

1. SIGNIFICANT ACCOUNTING POLICY

Mineral properties

The company capitalizes the cost of acquiring, exploring and developing mineral properties, and defers administrative expenditures, until such time that the properties are placed into production or abandoned. At that time costs are amortized on a unit of production basis or written off. The recovery of the costs is dependent upon obtaining adequate financing and developing economic operations. The amount capitalized represents costs to date and is not intended to reflect present or future values.

2. MINERAL PROPERTIES

(a) Options and advance royalties

	<u>1986</u>	<u>1985</u>
(i) O.G.G. property Option agreement	<u>-</u>	<u>\$ 1</u>
(ii) Great West Claim properties Option agreement	\$ 1	1
Advance royalty	<u>8,000</u>	<u>3,500</u>
	<u>8,001</u>	<u>3,501</u>
(iii) Casa Berardi property Option agreement	<u>20,000</u>	<u>-</u>
	<u>\$28,001</u>	<u>\$3,502</u>

(b) Description

(i) O.G.G. property

The option is for 46 units in the Nelson Mining Division under the claim names of OGG 1 to OGG 7. Subsequent to the year end, this option was dropped. Accordingly, the costs relating to this property of \$67,470, including deferred exploration, development and administrative expenditures, have been written off.

(ii) Great West claim properties

Great West claim properties consists of two separate agreements, the Bourdon property agreement and the Asarco property agreement, both of which are described below.

2. MINERAL PROPERTIES (continued)

(b) Description (continued)

(ii) Great West claim properties (continued)

The Bourdon property consists of 10 units in the Nelson Mining Division. The company has the option to obtain a 100% ownership interest in the property by paying an aggregate amount of \$1,500,000 in royalties or advance royalties. The breakdown of future payments is as follows:

- (a) \$6,000 plus 6,000 shares on or before January 1, 1987;
- (b) \$6,000 plus 6,000 shares on or before January 1, 1988;
- (c) \$10,000 plus 10,000 shares on or before January 1, 1989;
- (d) Upon commencement of production, a royalty of 1.5% of net smelter return shall be paid until the full \$1,500,000 is paid.

The Asarco property consists of 14 recorded mineral claims and 2 Crown grants in the Nelson Mining Division. The company has the option to earn a 51% interest in the property by incurring a minimum \$100,000 exploration expense by no later than September 30, 1987.

(iii) Casa Berardi property

The option is for 55 mining claims in the Dieppe Township, Quebec. The agreement gives the company the option to acquire at least an undivided 50% right, title and interest in the claims. The agreement requires the following:

- (a) issuance of 25,000 shares upon regulatory approval;
- (b) issuance of 25,000 shares and work expenditure of \$200,000 on or before June 30, 1987;
- (c) issuance of 25,000 shares and work expenditures of \$350,000 on or before June 30, 1988;
- (d) issuance of 25,000 shares and work expenditures of \$500,000 on or before June 30, 1989.

3. CAPITAL STOCK

- (a) During the year, the company issued 1,271,410 common shares for net cash proceeds of \$201,956.
- (b) Pursuant to an agreement dated April 22, 1986, which is subject to regulatory approval, the company agreed to issue 700,000 common shares for the purchase of 400 acres of petroleum and natural gas leases in the Arkoma Basin, Oklahoma.

3. CAPITAL STOCK (continued)

- (c) During the year, the company entered into an exploration agreement under which it will issue 520,833 flow-through shares for an issue price of 96¢ per flow-through share. As part of the agreement, the company is required to subscribe for 1,600 class A preference shares of Putco Holdings Ltd. for an aggregate price of \$160,000 (\$25,000 was paid prior to year end).
- (d) The company has entered into the following stock option agreements which expire on February 28, 1991:
 - (i) with directors for the issue of 87,543 common shares at \$.50;
 - (ii) with employees for the issue of 87,543 common shares at \$.50.

4. SEGMENTED INFORMATION

All of the company's mineral properties are located in Canada whereas its oil and gas investment is in the United States.

5. STATUS

The company's common shares are exempt securities under United States securities laws. Accordingly, these financial statements do not necessarily include all of the disclosures and accounting as required by U.S. generally accepted accounting principles and Regulation A-X.

LECTUS DEVELOPMENTS LTD.
BALANCE SHEET
AS AT OCTOBER 31, 1986
(Prepared by Management Without Audit)

ASSETS

CURRENT ASSETS

Cash on Hand and in Bank	\$ 12,110
Receivables & Advances	8,000

20,110

MINERAL PROPERTIES (Note 2)

34,001

OIL AND GAS

Goforth Gas Wells	27,370
-------------------	--------

DEFERRED EXPLORATION, DEVELOPMENT
AND ADMINISTRATIVE EXPENDITURES

140,174

INVESTMENT IN PUTCO HOLDINGS LTD. (Note 3(c))

25,000

\$ 246,655

=====

LIABILITIES & SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 1,500
--	----------

CAPITAL STOCK (Note 3)

Authorized

10,000,000 common shares without par value

Issued

1,790,909 shares

(July 31/86 - 1,750,909 shs)

\$ 445,644

DEFICIT

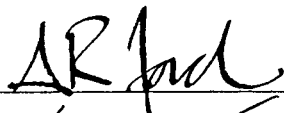
200,490

245,154

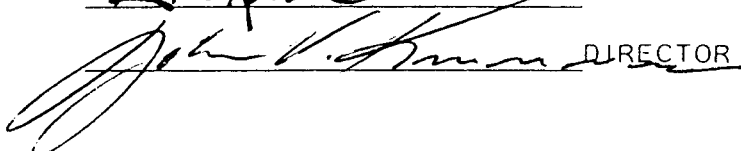
\$ 246,655

=====

APPROVED BY THE BOARD OF DIRECTORS



DIRECTOR



DIRECTOR

LECTUS DEVELOPMENTS LTD.
STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT
AND ADMINISTRATIVE EXPENDITURES
THREE MONTHS ENDED OCTOBER 31, 1986
(Prepared by Management Without Audit)

EXPLORATION AND DEVELOPMENT COSTS

Engineering Costs		
O.G.G. Property	\$	3,000
Great West Claim Properties		20,000
Filing Fees		2,160
Extra Provincial Registration		3,000
		<hr/>
	\$	28,160

ADMINISTRATIVE COSTS

Accounting and Auditing	\$	328	
Automobile Expense		1,146	
Bank Charges & Interest		(423)	
Courier Expense		51	
Entertainment, Promotion & Advertising		1,387	
Insurance Expense		60	
Licenses, Fees & Taxes		1,425	
Management Fees		7,500	
Miscellaneous Expenses		74	
Printing, Shareholders Information & Office Expenses		1,008	
Professional Fees		1,250	
Rent		4,500	
Secretarial Expense		101	
Telephone Expense		1,058	
Transfer Agent Fees		1,784	
Travel & Accommodation		1,545	\$ 22,794

EXPLORATION, DEVELOPMENT AND

ADMINISTRATIVE EXPENSES FOR YEAR	\$	50,954
----------------------------------	----	--------

DEFERRED EXPLORATION, DEVELOPMENT AND

ADMINISTRATIVE EXPENSES AT BEGINNING OF YEAR	\$	89,220
--	----	--------

DEFERRED EXPLORATION, DEVELOPMENT AND

ADMINISTRATIVE EXPENSES AT END OF YEAR	\$	140,174
		=====

LECTUS DEVELOPMENTS LTD.
STATEMENT OF DEFICIT
THREE MONTHS ENDED OCTOBER 31, 1986
(Prepared By Management Without Audit)

DEFICIT AT BEGINNING OF YEAR	\$ 200,490
DEFICIT AS AT OCTOBER 31, 1986	\$ 200,490 =====

LECTUS DEVELOPMENTS LTD.
STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED OCTOBER 31, 1986
(Prepared By Management Without Audit)

SOURCE OF FUNDS

Issue of Common Shares for Cash (Exercise of Options)	\$ 20,000
--	-----------

APPLICATION OF FUNDS

Purchase of Option On Weir - Nelson Property	\$ 6,000	
Funds Advanced for Engineering Work	8,000	
Exploration, Development and Administrative Expenditure	50,954	\$ 64,954
DECREASE IN FUNDS		\$ 44,954
FUNDS AT BEGINNING OF PERIOD		\$ 57,064
FUNDS AT END OF PERIOD		\$ 12,110
		=====

LECTUS DEVELOPMENTS LTD.
 NOTES TO FINANCIAL STATEMENTS
 THREE MONTHS ENDED OCTOBER 31, 1986
 (Prepared By Management Without Audit)

1. SIGNIFICANT ACCOUNTING POLICY

Mineral properties

The company capitalizes the cost of acquiring, exploring and developing mineral properties, and defers administrative expenditures, until such time that the properties are placed into production or abandoned. At that time costs are amortized on a unit of production basis or written off. The recovery of the costs is dependent upon obtaining adequate financing and developing economic operations. The amount capitalized represents costs to date and is not intended to reflect present or future values.

2. MINERAL PROPERTIES

(a) Options and Advance Royalties

(i) Weir Nelson Property		
Option Agreement		\$ 6,000
(ii) Great West Claim Properties		
Option Agreement	\$ 1	
Advance Royalty	8,000	8,001
		<hr/>
(iii) Casa Berardi Property		
Option Agreement		20,000
		<hr/>
		\$ 34,001
		=====

(b) Descriptions

(1) Weir - Nelson Property

The Weir Property consists of three claims in the Nelson Mining Division. The company has the option to obtain a 100% ownership interest in the property. The following additional payments are required to fulfill this agreement:

LECTUS DEVELOPMENTS LTD.
NOTES TO FINANCIAL STATEMENTS
THREE MONTHS ENDED OCTOBER 31, 1986
(Prepared By Management Without Audit)

2. MINERAL PROPERTIES (Cont'd)

(b) Description (Cont'd)

- (a) The amount of \$12,000 and work expenditure of \$20,000 before June 30, 1987;
- (b) The amount of \$12,000 and work expenditure of \$90,000 before June 30, 1988
- (c) The amount of \$12,000 and work expenditure of \$190,000 before June 30 1989
- (d) The amount of \$12,000 and work expenditure of \$340,000 before June 30, 1990
- (e) The amount of \$12,000 and work expenditure of \$650,000 before June 30, 1991.
- (f) The amount of \$12,000 before June 30, 1992.
- (g) The amount of \$12,000 before June 30, 1993
- (h) The amount of \$12,000 beofre June 30, 1994

Upon commencement of production a royalty of

- (a) 4% Net Smelter Returns shall be paid until the aggregate amount equals \$1,000,000;
- (b) 2% Net Smelter Returns shall be paid until the aggregate amount equals \$5,000,000;
- (c) 1% Net Smelter Returns in perpetuity thereafter.

(2) (ii) Great West Claim Properties

Great West claim properties consists of two separate agreements, the Bourdon Property agreement and the Asarco property agreement, both of which are described below.

LECTUS DEVELOPMENTS LTD.
NOTES TO FINANCIAL STATEMENTS
THREE MONTHS ENDED OCTOBER 31, 1986
(Prepared By Management Without Audit)

2. MINERAL PROPERTIES (Cont'd)
(b) Description (Cont'd)

The Bourdon property consists of 10 units in the Nelson Mining Division. The company has the option to obtain a 100% ownership interest in the property by paying an aggregate amount of \$1,500,000 in royalties or advance royalties. The breakdown of future payments is as follows:

- a) \$6,000 plus 6,000 shares on or before January 1, 1987;
- b) \$6,000 plus 6,000 shares on or before January 1, 1988;
- c) \$10,000 plus 10,000 shares on or before January 1, 1989;
- d) Upon commencement of production, a royalty of 1.5% of net smelter return shall be paid until the full \$1,500,000 is paid.

The Asarco property consists of 14 recorded mineral claims and 2 Crown grants in the Nelson Mining Division. The company has the option to earn a 51% interest in the property by incurring a minimum \$100,000 exploration expense by no later than September 30, 1987.

(iii) Casa Berardi Property

The option is for 55 mining claims in the Dieppe Township, Quebec. The agreement gives the company the option to acquire at least an undivided 50% right, title and interest in the claims. The agreement requires the following:

LECTUS DEVELOPMENTS LTD.
NOTES TO FINANCIAL STATEMENTS
THREE MONTHS ENDED OCTOBER 31, 1986
(Prepared by Management Without Audit)

2. MINERAL PROPERTIES (Cont'd)

(b) Description (Cont'd)

- a) issuance of 25,000 shares upon regulatory approval;
- b) issuance of 25,000 shares and work expenditure of \$200,000 on or before June 30, 1987;
- c) issuance of 25,000 shares and work expenditures of \$350,000 on or before June 30, 1988;
- d) issuance of 25,000 shares and work expenditures of \$500,000 on or before June 30, 1989.

3. CAPITAL STOCK

- (a) During the past three months, the company issued 40,000 common shares for net cash proceeds of \$20,000.
- (b) Pursuant to an agreement dated April 22, 1986, which is subject to regulatory approval, the company agreed to issue 700,000 common shares for the purchase of 400 acres of petroleum and natural gas leases in the Arkoma Basin, Oklahoma.
- (c) During the preceding fiscal period the company entered into an exploration agreement under which it will issue 520,833 flow-through shares for an issue price of 96¢ per flow-through share. As part of the agreement, the company is required to subscribe for 1,600 class A preference shares of Putco Holdings Ltd. for an aggregate price of \$160,000 (\$25,000 was paid prior to year end).

LECTUS DEVELOPMENTS LTD.
NOTES TO FINANCIAL STATEMENTS
THREE MONTHS ENDED OCTOBER 31, 1986

3. CAPITAL STOCK (Cont'd)

- (d) Outstanding stock options in the company expire February 28, 1991 and consist of:
 - (1) Directors options of 67,543 common shares at \$.50;
 - (2) Employees options of 67,543 common shares at \$.50.

4. SEGMENTED INFORMATION

All of the company's mineral properties are located in Canada whereas its oil and gas investment is in the United States.

5. STATUS

The company's common shares are exempt securities under United States securities laws. Accordingly, these financial statements do not necessarily include all of the disclosures and accounting as required by U.S. generally accepted accounting principles and Regulation A-X.

REPORT ON THE DIEPPE PROPERTY

DIEPPE TOWNSHIP, NORTHWESTERN QUEBEC

CASA BERADI GOLD AREA

FOR

LECTUS DEVELOPMENTS INC.

Prepared by:

Nelson W. Baker, P.Eng.
42 Invermarge Drive
West Hill, Ontario
M1C 3M4

June 4, 1986
NTS 32E/11-0103

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SUMMARY

The Dieppe township property of Lectus Developments Ltd. consists of fifty-five unsurveyed mining claims totalling about 880 hectares situated in the central part of Dieppe township about 3.0 kilometers southwest of the Golden Pond West gold zone on the Canico/Golden Knight joint venture property in northwestern Quebec. This report on the property has been prepared by Nelson W. Baker, P.Eng., at the request of Mr. Stan Ford, a director of the Company.

The above property was staked in 1983 to cover a portion of a continuous, strong INPUT conductor that was considered to represent a favourable volcano-sediment horizon similar to the one hosting the major gold deposits in the Golden Pond area. A regional multi-element geochemical survey and recent ground geophysical surveys carried out on the property have confirmed the presence of three separate areas that merit serious exploratory work for stratabound gold mineralization. Previous methods used in the search for base metal deposits were not suitable for exploring for stratabound accumulations of gold mineralization.

It is highly recommended that Lectus Developments Ltd. carry out a program consisting of prospecting, geological mapping, limited line cutting followed by an induced polarization survey over select portions of the property. After the geophysical results have been assessed, a diamond drill program will be required to test the most favourable targets. The estimated cost of the proposed program is \$116,820.00.

This property is considered to have a better than average chance of locating an economic stratabound gold deposit. Exploratory work as proposed is warranted.

INTRODUCTION

This report on the Dieppe township property has been prepared by Nelson W. Baker, P.Eng. at the request of Mr. Stan Ford, a director of Lectus Developments Inc. The property, consisting of fifty-five (55) contiguous unsurveyed mining claims and comprising a total of 880 hectares, is located in the central part of Dieppe township about 3.0 kilometers southwest of the Golden Pond West Zone on the Canico-Golden Knight joint venture property in northwestern Quebec.

The purpose of this study is to provide an assessment of the economic potential of the property and to recommend an appropriate program for its further evaluation.

The writer is familiar with the report area having visited the property on several occasions within the past few months and having supervised exploratory drill programs in the northern part of Dieppe township for Amble Resources Ltd. and Adolosa Resources Ltd. between September and December, 1985. As well, the writer has examined most of the core drilled by Canico on their Golden Pond and Golden Pond East gold deposits. In addition to having extensive knowledge of the area, the writer has made use in this study of past exploration records relevant to the property in the files of the Ministère de l'Énergie et des Ressources in Noranda, Quebec. The information available is considered of adequate details and accuracy to support the conclusions reached herein.

Following the discovery of the original Golden Pond gold deposit by Canico, the Lectus property was staked to cover at least two separate stratigraphic horizons that trend through the property and are believed to be favorable for the occurrence of stratabound economic gold mineralization. Along a similar stratigraphic horizon just north of the property, the Canico-Golden Knight joint venture have discovered three separate economic gold deposits totalling better than 6.0 million tons of ore grading approximately 0.28 ozs, gold per ton.

PROPERTY LOCATION, ACCESS

The Dieppe property is located in northwestern Quebec, 80 kilometers (50 miles) north of LaSarre (Figure 1). It is situated south of the Detour Lake (Amoco-Dome) and the Brouillan (Selbaie) mining areas and west of the Matagami and Joutel camps.

Access to the report area is by an all-weather lumber road that runs in a northerly direction a short distance east of the property boundary. As well, a branch logging road extends westward off this road meandering through the property as shown in figure 2.

Topographically, the property varies from very prominent hills (i.e Collines Dieppe) in the eastern part of the property to generally low, flat ground in the western parts toward the Turgeon river. Outcrop are plentiful in the area of the Collines Dieppe and in the central section of the claim group. The outcrop areas are segmented by wide, low overburden covered terrain which are cut by small, meandering streams draining into the Turgeon river.

Qualified manpower and mining services are readily available

LECTUS DEVELOPMENT LTD.

CASA-BERARDI GOLD AREA - NORTHWESTERN QUEBEC

This map was produced from various sources of information. Although such information is believed to be correct, all data, areas of interest and property boundaries are approximate.

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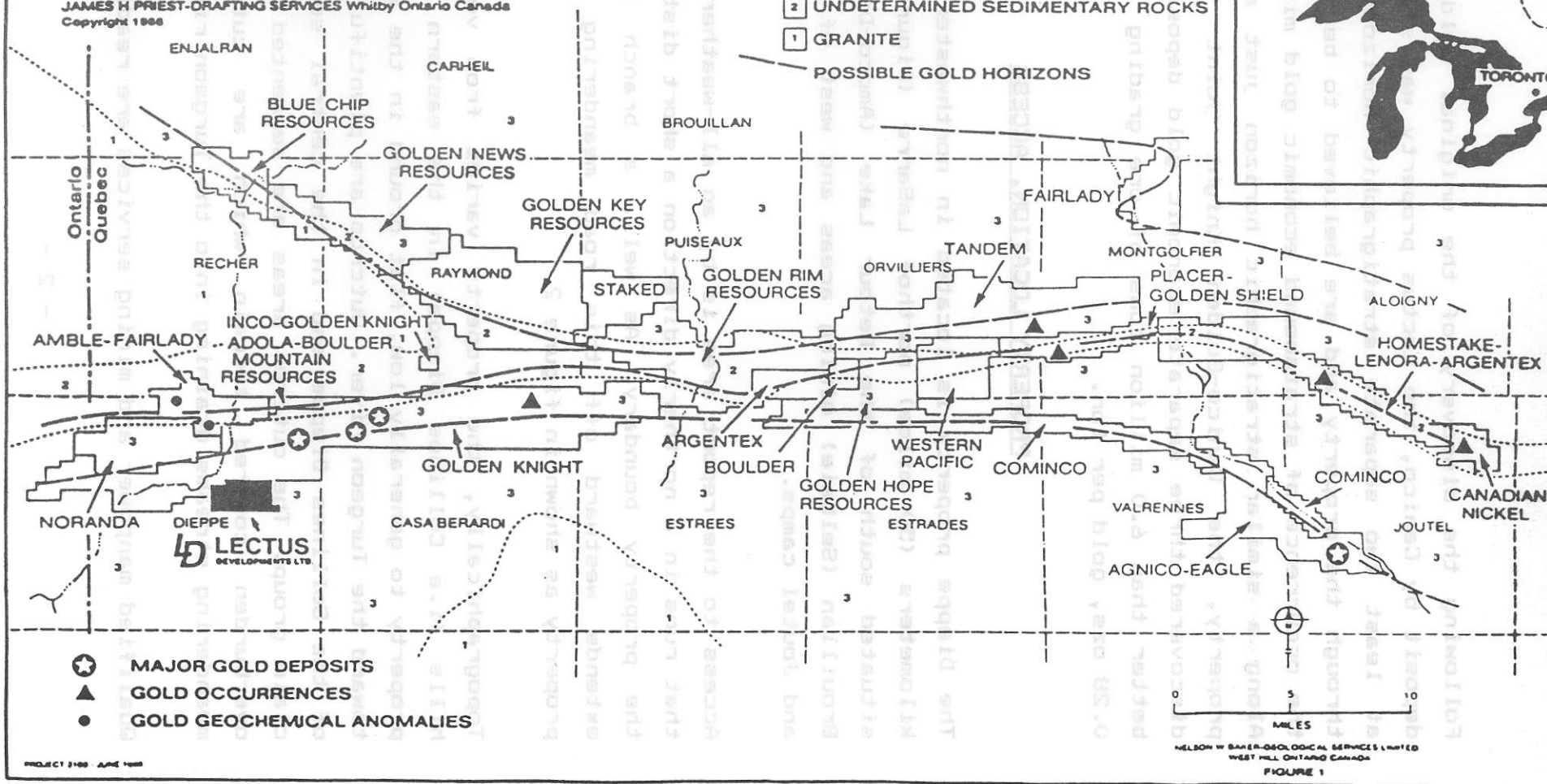
Reproduction prohibited without consent of
NELSON W BAKER-GEOLOGICAL SERVICES West Hill Ontario Canada OR
JAMES H PRIEST-DRAFTING SERVICES Whitby Ontario Canada

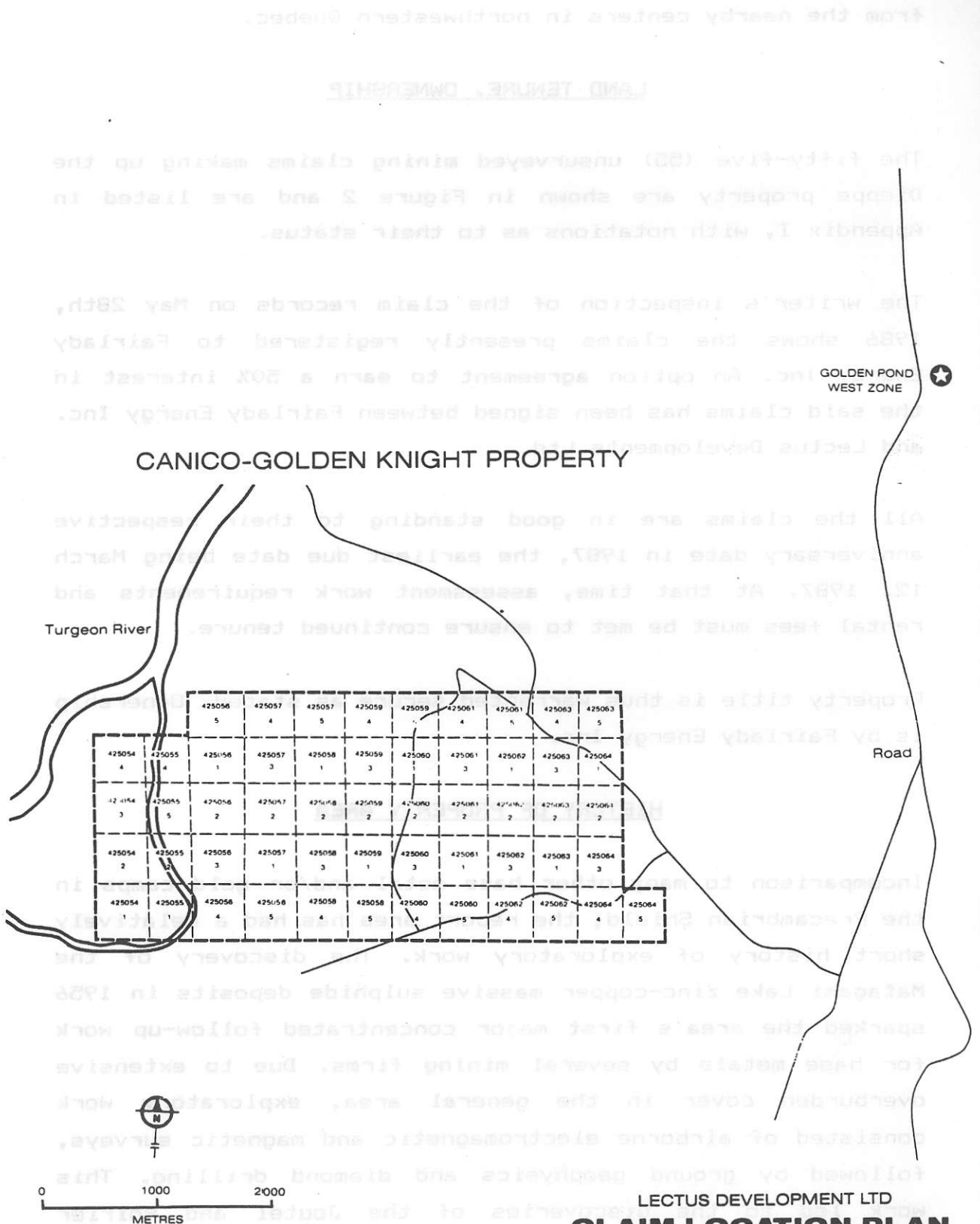
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- 3 UNDETERMINED VOLCANIC ROCKS
- 2 UNDETERMINED SEDIMENTARY ROCKS
- 1 GRANITE

POSSIBLE GOLD HORIZONS

LOCATION PLAN





NELSON BAKER - GEOLOGICAL SERVICES
WEST HILL ONTARIO CANADA

PROJECT 2100 - JUNE 1986

LECTUS DEVELOPMENT LTD
CLAIM LOCATION PLAN
CASA-BERARDI GOLD AREA
DIEPPE TOWNSHIP-N.W. QUEBEC

FIGURE 2

from the nearby centers in northwestern Quebec.

LAND TENURE, OWNERSHIP

The fifty-five (55) unsurveyed mining claims making up the Dieppe property are shown in Figure 2 and are listed in Appendix I, with notations as to their status.

The writer's inspection of the claim records on May 28th, 1986 shows the claims presently registered to Fairlady Energy Inc. An option agreement to earn a 50% interest in the said claims has been signed between Fairlady Energy Inc. and Lectus Developments Ltd.

All the claims are in good standing to their respective anniversary date in 1987, the earliest due date being March 12, 1987. At that time, assessment work requirements and rental fees must be met to ensure continued tenure.

Property title is thus warranted secure as stated. Ownership is by Fairlady Energy Inc.

HISTORY OF PROPERTY AREA

In comparison to many other base metal and/or gold camps in the Precambrian Shield, the report area has had a relatively short history of exploratory work. The discovery of the Matagami Lake zinc-copper massive sulphide deposits in 1956 sparked the area's first major concentrated follow-up work for base metals by several mining firms. Due to extensive overburden cover in the general area, exploratory work consisted of airborne electromagnetic and magnetic surveys, followed by ground geophysics and diamond drilling. This work led to the discoveries of the Joutel and Poirier zinc-copper deposits in 1962.

The Casa Berardi region first attracted widespread exploration interest in the early 60's following the discovery of the above deposits. The Agnico-Eagle gold mine was discovered in this period and was initially explored as a base metal prospect until its potential as a gold deposit was recognized. The mine has been in production since 1974 and some 4,000,000 tons of ore have been mined with the remaining reserves estimated at 8,000,000 tons grading at 0.17 ozs. gold per ton (5.8 g/tonne).

While drilling select airborne geophysical targets in 1983, Canico intersected significant stratabound gold mineralization in the Golden Pond area approximately 4.0 kilometers north-northeast of the Lectus property. Subsequent drilling by the Canico-Golden Knight joint venture has located three, separate economic gold deposits. To date, published reserves of the first two gold deposits, namely the Golden Pond and Golden Pond East zones, exceed 6.0 million tons of ore grading about 0.28 ozs gold per ton. The third deposit, the Golden Pond West, was recently discovered and reserve estimates have not been made on this zone at present. In a Northern Miner release in February, 1986, Canico announced that hole 72958 intersected a section of 141.4 feet grading 0.56 ozs. gold per ton (Appendix III).

As result of the initial Golden Pond discoveries, extensive land accumulation and exploratory work followed. It was during this period that the Lectus claims were staked. An examination of the assessment files reveals that no exploratory work was ever performed within the claim group area.

In late September 1985, Fairlady Energy Inc. completed a program of line cutting, a ground VLF-EM survey, a magnetic

survey and a limited induced polarization survey over the north half of the property. The writer discusses the results of the above exploratory work and proposes a follow-up program suitable for delineating possible stratabound gold deposits that may occur on the Lectus property.

GENERAL GEOLOGY

The property is situated in the Abitibi greenstone belt of the Superior Province in the northeast part of the Canadian Shield. The Abitibi belt is composed predominantly of mafic to felsic volcanics rocks with coeval intrusions, and chemical and clastic sedimentary rocks. These were deformed, metamorphosed and intruded by granites during the Kenoran orogeny. ((Figure 4)

The volcanic sequences within the Abitibi belt comprised varying proportions of mafic, intermediate and felsic flows and pyroclastic rocks. Mafic lavas predominate in the lower parts of most sequences whereas the more felsic volcanic rocks, if present, are found in the upper parts. The intermediate to felsic rocks occur as thick piles in a few scattered areas along individual volcanic belts that probably represent strato-volcanos built on mafic lava. In places, the volcanic cycle from mafic to felsic units is repeated or partially repeated. The majority of the volcanic rocks are tholeiitic or calc-alkalic, only minor quantities of the latter rock are present within the Abitibi greenstone belt. Minor amounts of komatiitic basalt and ultramafic flows are also present. Coeval, irregularly-shaped gabbroic and dioritic sills and dykes are common within the mafic portions of the volcanic piles. Porphyritic felsic intrusions are common in the felsic portions.

Sedimentation often appears to have been contemporaneous

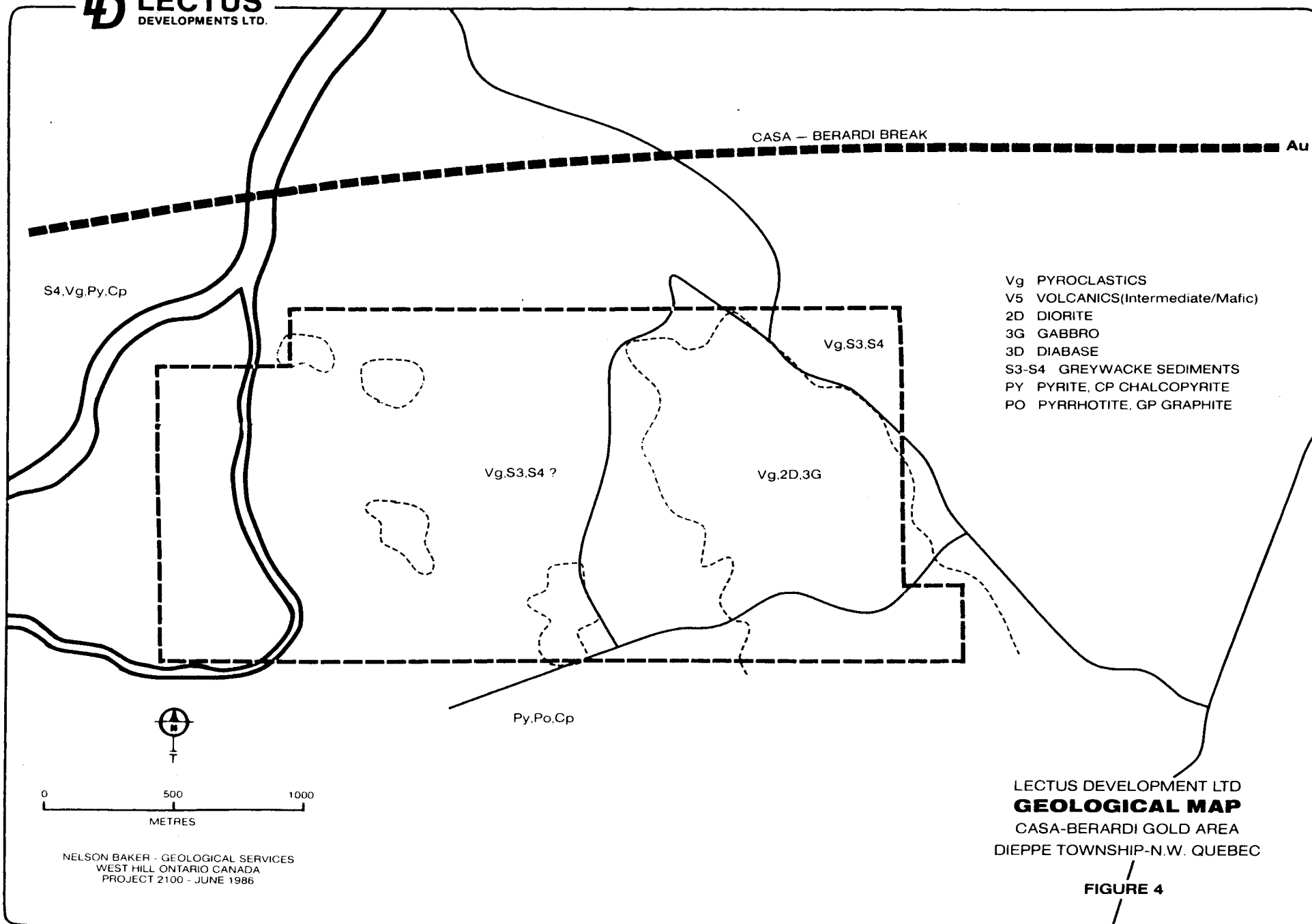
with volcanism and the erosion of the volcanic rocks may have provided part of the supply. Sedimentary rocks are typically composed of interbedded greywacke, siltstone and shale. Conglomerates are locally abundant, mostly common in the lower portions of sedimentary sequences overlying volcanic rocks. The characteristics of the clastic sedimentary rocks are compatible with deposition by turbidity currents in an eugeosynclinal environment. Algoman-type iron formations are common and are often associated with turbidites. Silicates, carbonate and sulphide facies iron formations are also present and are usually spatially related to felsic volcanic rocks.

The volcanic and sedimentary rocks were then folded, metamorphosed, typically to greenschist facies, and intruded by granitic bodies up to batholithic proportions.

PROPERTY GEOLOGY

As indicated previously, the northeast part of the property covers the most prominent hills found locally which regionally are called the "Collines Dieppe". The hills are largely made up of weakly altered, massive tholeiitic basalts which, locally, trend northwest through the property. Other outcrop exposures, also of similar basaltic rock units occur in the central portion of the property. The outcrop exposures are interrupted by wide valleys of overburden believed to be underlain by sedimentary bands that, geophysically, are conductive.

A study of the airborne geophysics reveals that a strong conductive sedimentary horizon trends through the northeast corner of the property in a northwest direction. Due to the soft nature of the sediments, they do not expose on the property. As well, the ground VLF-EM survey and the magnetic



survey suggest that possibly two other sedimentary horizons trend through the claim group in the western part of the report area.

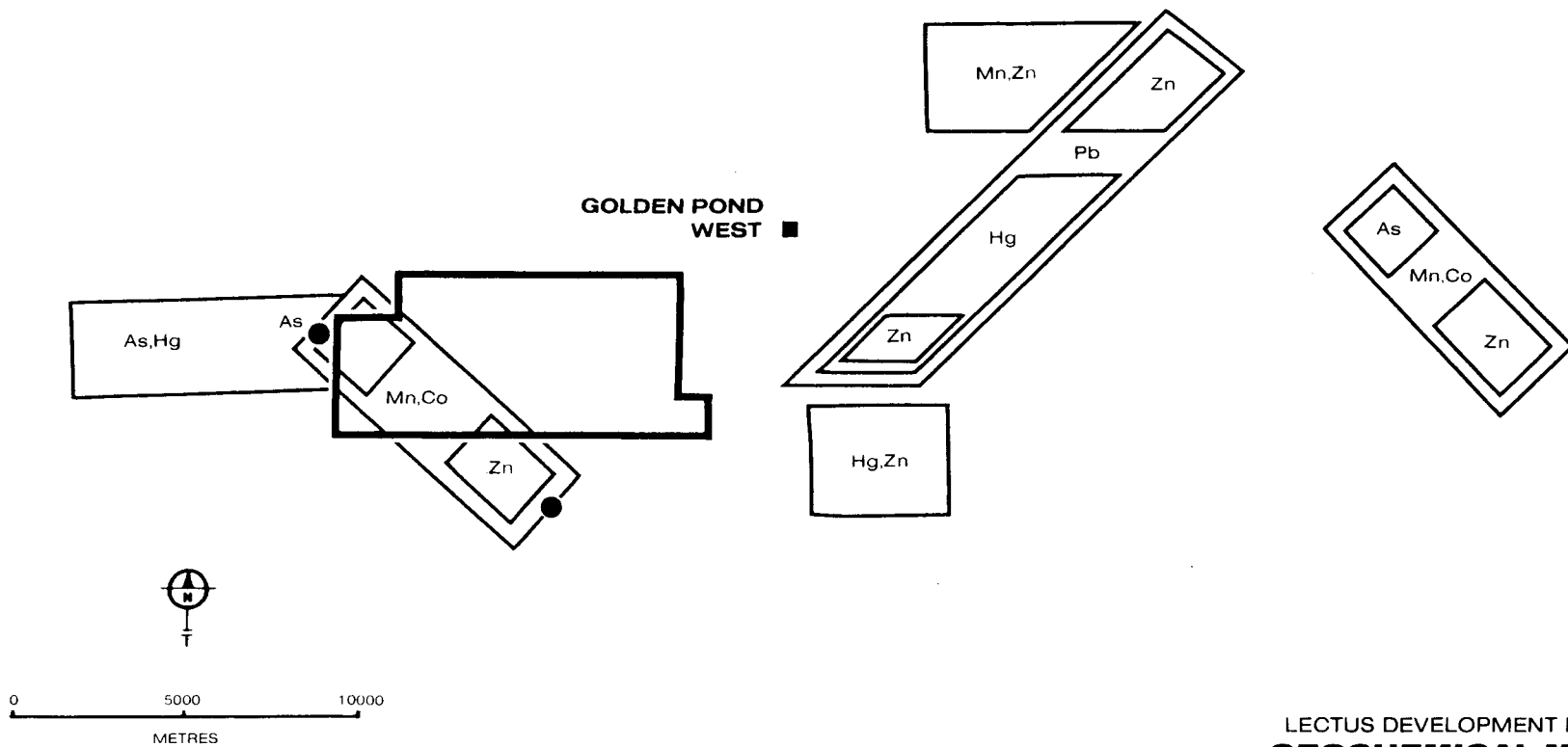
Structurally, the property is situated in a complex geological environment that is not clearly understood. A short distance to the north of the property boundary, the rock units trend in east-southeast direction, while in the report area, the rocks trend northwest.

PREVIOUS WORK

In 1974, Hudson Bay Exploration and Development Co. Ltd. conducted an electromagnetic airborne survey over a large area including the property area. As in the INPUT survey, Hudson Bay did not detect any outstanding EM conductor in the property area, and, as a result, did not carry out any exploratory work.

In 1983, the government of Quebec had a regional soil geochemical survey carried out over the Casa Berardi area. That survey detected a multi-element geochemical anomaly encompassing Isle du Corset in the west part of the Lectus property. The anomaly includes high arsenic values which locally is a favourable pathfinder element for locating gold mineralization. (Figure 3)

Work on the Fairlady property in Dieppe township, presently under option to Lectus Development Ltd. began in late September, 1985 when a total of 36.8 kilometers of grid lines were cut in the north half of the property (Figure 6). The lines, which were cut at 100-meter intervals in a north direction from an east trending base line, were subsequently read completely by magnetometer and VLF-EM geophysical equipment. As well, following the above surveys, the best



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PROJECT 2100 - JUNE 1986

LECTUS DEVELOPMENT LTD
GEOCHEMICAL MAP
CASA-BERARDI GOLD AREA
DIEPPE TOWNSHIP-N.W. QUEBEC

FIGURE 3

VLF-EM anomalies were re-checked by reading select lines with an induced polarization survey.

The geophysical surveys and the line cutting were carried out by Services Exploration Enrg. of Rouyn, Quebec. The writer comments on the results of the above surveys later in this report. A location plan outlining the axes of the VLF-EM and the I.P. anomalies detected in the above surveys is included as Figure 6 to this report.

All of the above work was filed with the Ministere de l'Energie et des Ressources as assessment work.

ECONOMIC GEOLOGY

a) General Considerations:

The Lectus property is thought to host three separate sedimentary horizons that may host economic gold concentrations similar to Golden Pond zones situated only 3.0 kilometers north of the boundary. To date, three major stratabound deposits have been discovered on the Canico-Golden Knight property. No recent published reserves have been released, however, prior to the discovery of the Golden Pond West zone, Canico had released a figure of 6 million tonnes of drill indicated reserves grading about 0.28 ozs. gold per ton.

Gold values in the Golden Pond gold zones are suggested to be stratabound and located at volcano-sedimentary interfaces, more specifically associated with the end-cycle of a carbonate rock sequence. This interface, which represents within the volcanic sequence, periods of basinal accumulations of gold values are marked by intercalated

pyritic, carbonate-rich and tuffaceous sedimentary units characterized by a basal conglomerate and units rich in graphite, mudstone and carbonate. Within the carbonate, gold values are related to end-cycles. These contain an increase in plagioclase, pyrite and chert.

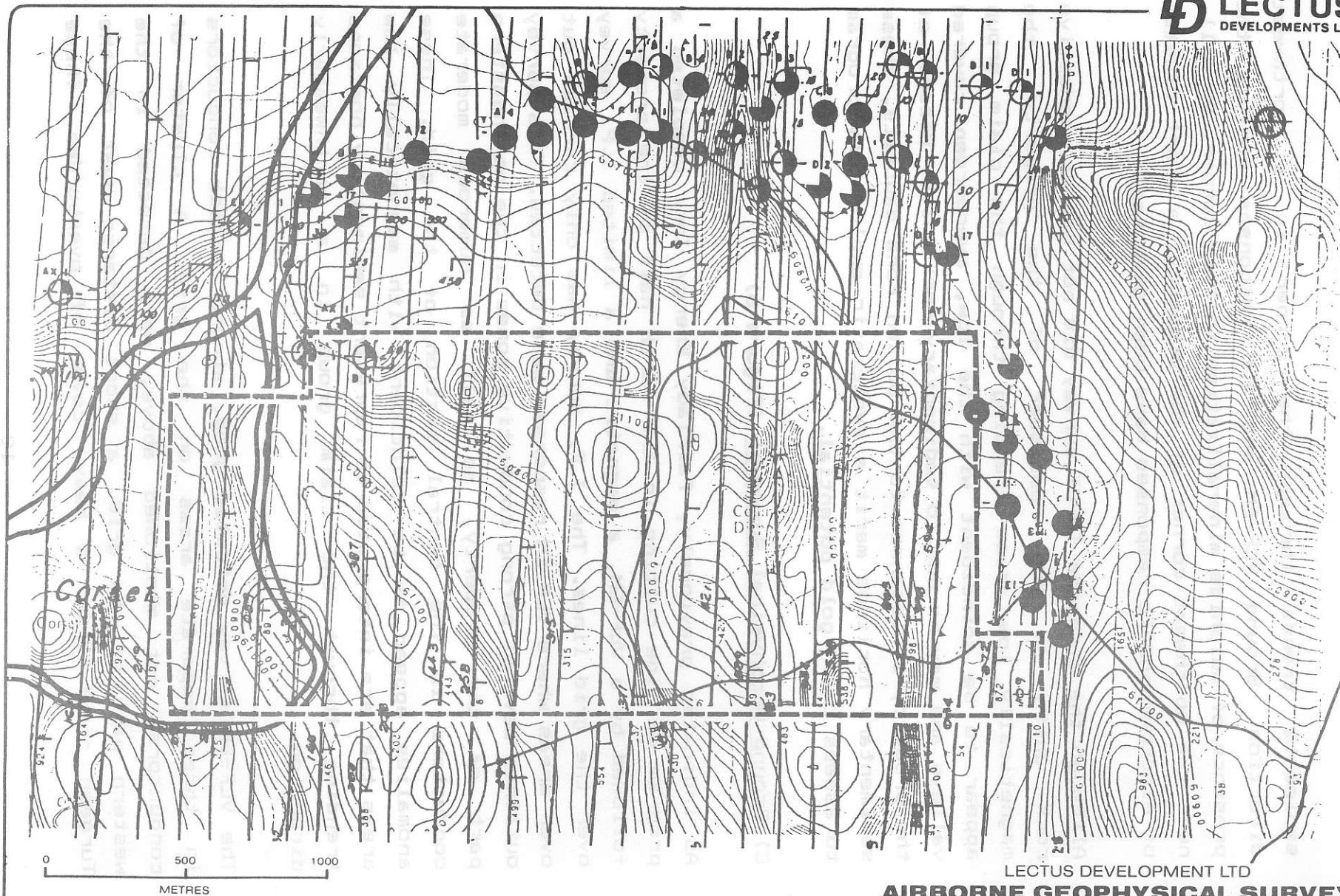
Gold values are basinal sedimentary deposits in a shallow marine environment. Paleobasinal gold deposits generally overlie a clastic sedimentary phase. If stratabound gold mineralization occurs on the Lectus property, the areas most likely to find the above geological environment would be in the northeast corner of the claims, along the wide valley running through the central part of the claims and, finally, toward the Turgeon river in the west part of the report area.

As indicated previously, the property has no previous record of exploratory work. The three possible sedimentary horizons trending through the property have never been drill tested for stratabound gold mineralization.

b) Airborne INPUT Survey: (Figure 5)

To assist exploration companies, the Quebec government flew the entire Casa Berardi area with the INPUT electromagnetic airborne system between 1970 and 1975. Because of the extensive overburden cover in the report area, the INPUT survey proved to be a good exploration tool for tracing stratigraphic rock units and highlighting complex geological features.

A close study of the INPUT survey for the report area reveals that at least conductive rock bands cut through parts of the Lectus property. In the northeast corner of the claim group, a strong, continuous band of graphitic



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LECTUS DEVELOPMENT LTD
AIRBORNE GEOPHYSICAL SURVEYS

CASA-BERARDI GOLD AREA
DIEPPE TOWNSHIP-N.W. QUEBEC

FIGURE 5

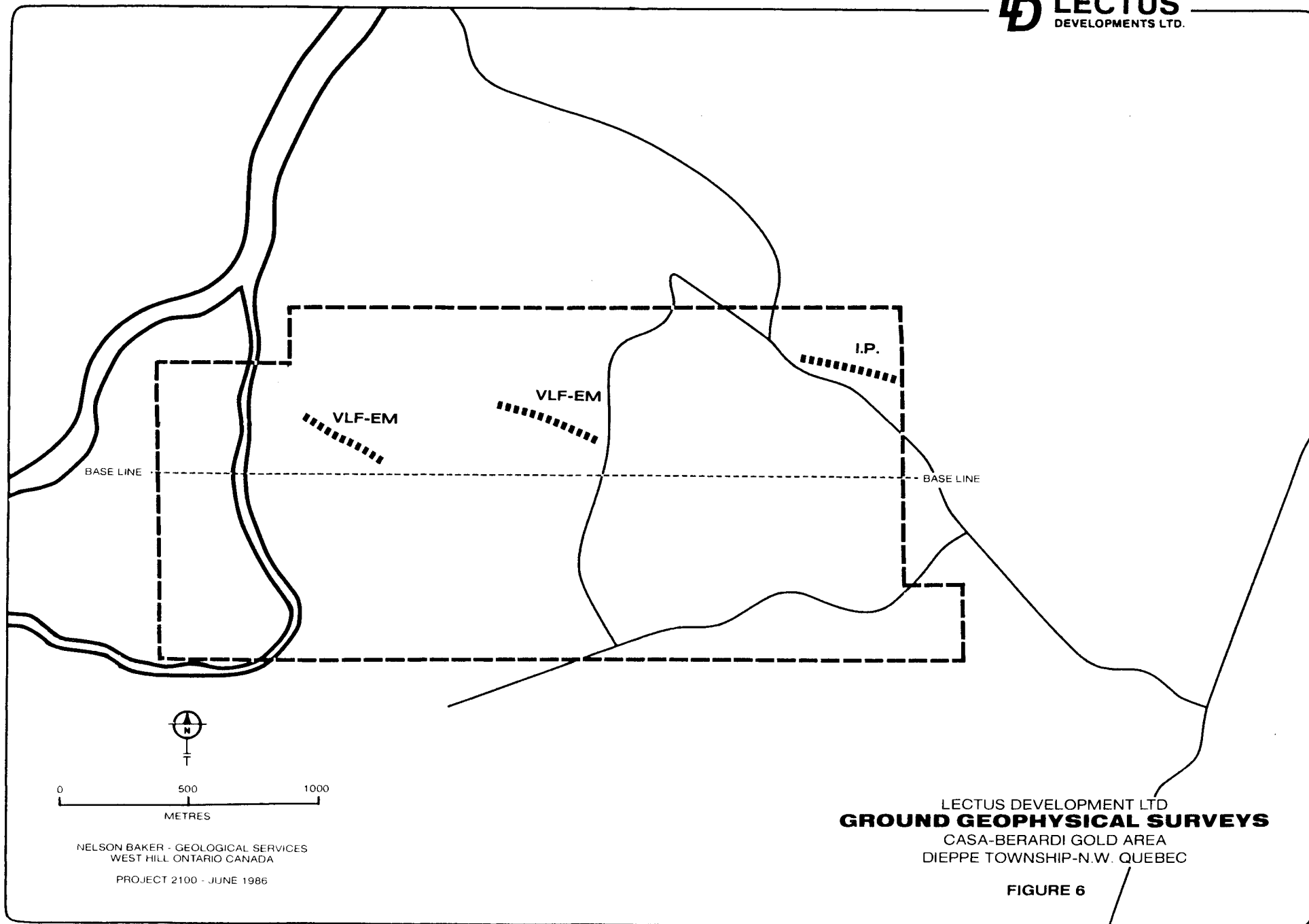
sediments trends through the corner in a northwest direction. Ground VLF-EM and I.P. responses confirm the presence of sulphide mineralization in this corner. As well, near the northwest corner of the property, a short cluster of electromagnetic responses have been detected.

Although the airborne INPUT survey did not detect conductive rock units on the remainder of the property, the magnetically low areas trending through the claim group appear to be coincident with the low, overburden covered valleys and may be due to sedimentary rock units. Because of the property's closeness to the Golden Pond deposits, these sedimentary horizons merit a systematic exploratory program to assess their gold potential.

C) Ground Geophysical Surveys: (Figure 6)

As indicated previously, Fairlady Energy Inc. completed a program of line cutting in the north half of the property followed by a VLF-EM, a magnetic and a limited I.P. survey over the grid lines. The I.P. survey was only carried out over areas where VLF-EM responses were detected. This survey outlined several strong conductive zones in the northeastern part of the property, as well as numerous moderate conductors in the central section of the grid. These anomalies appear to be coincident with magnetically low areas that are interpreted to represent sedimentary horizons trending through the claim group in a northwesterly direction.

The VLF-EM survey detected good, strong bedrock conductors in three separate areas on the grid. A cluster of conductors, not mentioned above, were detected in the western part of the grid, a short distance east of the Turgeon river under a heavy cover of overburden. These



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PROJECT 2100 - JUNE 1986

LECTUS DEVELOPMENT LTD
GROUND GEOPHYSICAL SURVEYS
CASA-BERARDI GOLD AREA
DIEPPE TOWNSHIP-N.W. QUEBEC

FIGURE 6

conductors appear to be situated near the contact between a magnetic high and a low. The other two areas where VLF-EM conductors were detected was in the central and northeast part of the grid.

The magnetic survey confirmed the presence of three distinct magnetically low areas trending through the property as indicated previously.

INTERPRETIVE CONSIDERATIONS

Although no outcrop exposures are present, it is believed that three separate sedimentary horizons trend through portions of the Lectus property. The strong airborne INPUT conductors trending through the northeast corner of the property are due to graphitic sediments similar to the horizon hosting the Golden Pond gold deposits, a short distance to the north. As well, strong ground VLF-EM conductors were detected along two other magnetically low areas on the property.

Due to the proximity to the major gold deposits in a geologically similar stratigraphic horizon a short distance to the north, a systematic follow-up program to evaluate the sedimentary horizons for their gold potential is highly recommended. The report area has never been evaluated for stratabound gold mineralization in the past.

EVALUATION REQUIREMENTS

a) General Considerations:

There are three areas on the Lectus property that merit serious exploratory work for stratabound gold mineralization. The most favourable exploration targets on

the property are under a cover of overburden of varying depths. The outcrop areas consist primarily of tholeiitic basalts, and, as a result, do not merit further follow-up work at this time. At least two of the above three areas have not detected strong electromagnetic conductors. Statabound gold deposits are not usually represented by strong geophysical anomalies but rather by subtle ones.

Because of the fair amount of outcrop on the property, a prospecting and geological mapping program over the entire claim group would provide usefull geological information in a regionally complex environment.

The I.P. survey conducted by Fairlady Energy Inc. covered only a small part of the favourable target areas. It is recommended that the three areas described above be systematically surveyed by time domain I.P.

The extreme western part of the Lectus property was not geophysically surveyed last fall and should definitely be considered for a ground follow-up program. This area coincides with a multi-element geochemical anomaly (including arsenic) described previously in this report and also approaches the Casa Berardi Break just northwest of the property.

b) Evaluation Program:

The writer highly recommends a program consisting of prospecting and geological mapping over the entire claim group, additional line cutting in the western part of the claim group followed by the completion of induced polarization surveying over select parts of the Lectus property. After the I.P. survey data is interpreted, a diamond drill program will be required to test the best

geophysical targets.

It is estimated that a two-man geological party would require two weeks to complete a reconnaissance prospecting and/or geological mapping program. In all, a total of 7.0 kilometers of new grid lines will be required to be cut in the western part of the property. As well, an estimated total of 16 kilometers of I.P. surveying will be needed to test the three main target areas on the Lectus claims.

Finally, an 1000-meter drill program is anticipated to test the best geophysical targets outlined as a result of the above survey.

c) Cost Estimates:

Geological Mapping, 2 weeks.....	\$ 7,500.00
Line Cutting, 7 km @ \$200/km.....	1,400.00
I.P. Surveying, 8 days @ \$1400/day.....	9,300.00
Diamond Drilling, 1000 m @ \$80/m.....	80,000.00
Consulting Engineering.....	8,000.00
Contingency, 10%.....	10,620.00
	=====
Total Program Cost	\$116,820.00

CONCLUSIONS AND RECOMMENDATIONS

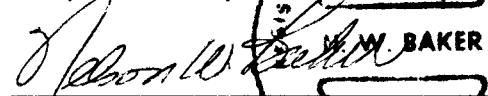
A regional multi-element geochemical survey completed by the Quebec government in 1983 and recent ground geophysical surveys carried out by Fairlady Energy Inc. have confirmed the presence of three separate areas that merit serious exploratory work for stratabound gold mineralization on the Lectus property. Previous methods used in the search for

base metal deposits were not suitable for exploring for stratabound accumulations of gold mineralization. Just a few kilometers north of the property boundary, along a similar stratigraphic environment, major economic accumulations of gold mineralization have been discovered. The Lectus property is thus considered to have a better than average chance of locating an economic stratabound gold deposit.

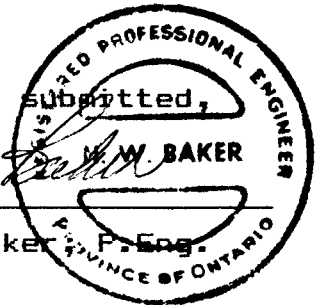
It is highly recommended that Lectus carry out a program consisting of prospecting, geological mapping, limited line cutting, an induced polarization survey terminated by a diamond drill program. The estimated cost for the program proposed is \$116,820.00.

As demonstrated in this report, the implementation of the above program on the Lectus property is highly warranted.

Respectfully submitted,



Nelson W. Baker P. Eng.



June 4, 1986

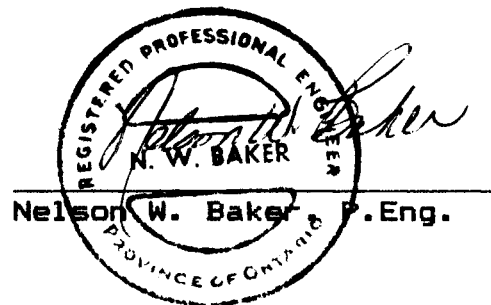
NTS 32 E/11-0103

CERTIFICATE OF QUALIFICATION

I, Nelson W. Baker, of the city of Toronto, in the Province of Ontario, do hereby certify that:

1. I reside at 42 Invermarge Drive, West Hill, Ontario.
M1C 3M4
2. I am a qualified geological engineer, having received my academic training at South Dakota School of Mines, in Rapid City, South dakota, U.S.A.
3. I am a registered Professional Engineer of the province of Ontario.
4. I have been continuously engaged in my profession for the last nineteen years.
5. The foregoing report is based on the writer's extensive experience in the report area, having performed work in the region since 1969, having visited the property on several occasions, the most recent trip being on May 29, 1986, and having studied all published geological reports and maps available in the assessment files.
6. I do not have, nor do I expect to receive any interest in the 55-claim Dieppe township property described in this report for Lectus Developments Ltd. or any of its affiliates or any Company concerned with this property.
7. I hereby consent to the use of the foregoing report by Lectus Developments Ltd. in a prospectus or a statement of material facts relating to the raising of funds for this project providing the contents of the said report are not altered in any way.

Dated in Toronto, Ontario
June 4, 1986



APPENDIX I

LIST OF MINING CLAIMS

CASA BERARDI AREA

DIEPPE TOWNSHIP, QUEBEC

APPENDIX I
LIST OF MINING CLAIMS
LECTUS OPTION
DIEPPE TOWNSHIP, QUEBEC

<u>Permit No.</u>	<u>Claims</u>	<u>Area</u>	<u>Expiry Date</u>
425054	1-5 inc.	80	March 15,1987
425055	"	"	March 14,1987
425056	"	"	March 15,1987
425057	"	"	March 16,1987
425058	"	"	March 17,1987
425059	"	"	March 18,1987
425060	"	"	March 12,1987
425061	"	"	March 13,1987
425062	"	"	March 14,1987
425063	"	"	March 15,1987
425064	"	"	March 16,1987
=====	=====	=====	
Totals	55	880 hectares	

APPENDIX II

LIST OF REFERENCES

REPORT AREA

DIEPPE TOWNSHIP, QUEBEC

LIST OF REFERENCES

- Beaumier, M.: 1983 - Pedogeochemie de la region de Brouillan, MER, Quebec.
- Britton, J.M.:1975 - Mag.&EM surveys, Noranda Exploration.
- Giroux, H. :1977 - Diamond Drill Logs, Noranda Expl.
- Middleton, R.S.: 1983 - Induced Polarization survey, Newmont Exploration.
- Norman, R.E.: 1983 - Geology and Drill Logs, Newmont Expl.
- Seigel, H.O.: 1966 - Mag-Gravity surveys, Rio Tinto.
- Stemp, R.W. : 1974 - Airborne Mag-EM, Hudson Bay Expl.
- DP 83-14 : 1973 - INPUT survey, Quebec Government
- Descarreaux, J : 1983 - Geological Report for Golden Knight Resources Inc/Canico Joint Venture
- Northern Miner : Clippings dated Feb. 26, 1986.
- Personal Communication with Jarma Hannila, Project Geologist for Canico on Golden Pond Discovery.

APPENDIX III

NORTHERN MINER CLIPPINGS

*February 26, 1986-Spectacular section hit
by Inco*

*April 21, 1986- Additional Drill Holes from Inco-
Golden Knight.*

Feb 26, 1986

No. 50

CANADA'S MINERAL RESOURCES NEWS

Spectacular section intersected by Inco

by Nicholas Tintor

Drilling by Inco Ltd. and joint venture partner Golden Knight Resources on their Casa Berardi area gold property in northwestern Quebec, has intersected the best gold mineralized section to date since the initial discovery was made by Inco in 1981. Hole 72958, sections of which are still out for assay, intersected an incredible 141.4 ft. of core grading 0.56 oz. gold per ton. The partners report that the true width of the section is approximately 75 ft.

At presstime trading in the shares of Golden Knight Resources, which controls a 40% interest in the large

882-claim property, was halted at \$9.50. The issue opened at \$10.25 after dissemination of the drill results and quickly soared past \$11.

This hole, which compares with some of the best holes pulled at Hemlo, is being labelled a "monster" by members of the mining and investment industries. "It's spectacular," Michael Pickens, a mining analyst at Midland Doherty Ltd. says. "You can quickly build tonnage with sections like that."

The hole is 50 m west of another hole announced in early January which intersected 66.3 ft. grading 0.41 oz. gold per ton in an extension. See Page 6

Inco

From Page 1

sion of the Golden Pond West zone (N.M., Jan.13/86).

"We're all pleased with the hole (72958)," Terrence Podolsky, Inco's vice-president of exploration tells The Northern Miner. "Our current drilling program calls for continuing work to the west," with two drill rigs, Mr. Podolsky adds.

Reserves on the property are currently estimated at 6.3 million tons grading 0.255 oz. gold per ton in two deposits. On Golden Pond East, more than 4 km east of the latest discovery, a decline ramp is being driven which is expected to be in ore by early May.

Other drill results from the west zone are also good and extend the mineralized zone from hole 72958 to the west by more than 150 m. Hole 72959, which also has not been completely assayed, is 150 m west of 72958. The hole intersected four sections from 451.4 ft.-873 ft. These include 17.7 ft. grading 0.31 oz. gold, 31.5 ft. grading 0.32 oz. gold, 26.6 ft. grading 0.18 oz. gold and 83.3 ft. grading 0.2 oz. gold per ton.

Encouraging values have also been returned from hole 72953 drilled above hole 72958. This hole cut 37.4 ft. grading 0.15 oz. gold and 11.2 ft. grading 0.14 oz. gold per ton. Another 13.8-ft. section in the hole assayed 0.1 oz. gold per ton.

Hole 72957, drilled 50 m east of hole 72958, intersected a 19.4-ft. section grading 0.16 oz. gold per ton.

The Northern Miner April 21, 1986 3

Additional drill results from Inco/Golden Knight

Additional drill results have been released by partners Inco Ltd and Golden Knight Resources from their Golden Pond project in the Casa Berardi area of northwestern Quebec.

Hole 72971-1, which has not been completely assayed, intersected a new mineralized zone 325 ft south of the main trend. The hole cut a 65.3-ft section assaying 0.13 oz gold per ton from a maximum depth of 876 ft.

Project operator Inco, which has

a 60% interest in the large 882-claim property, is running two drill rigs on the Golden Pond west zone which are testing the ground on 50 m spacings. Golden Knight maintains a 40% interest in the project.

Other results from the four completed holes are listed below.

Hole	Interval (ft)	Width (ft)	Grade oz au/t
72973	859.6- 866.1	6.5	0.20
	881.6- 894.3	12.7	0.24
	incl. 889.5- 894.3	4.8	0.47
	1049.9-1096.2	46.3	0.11
	1121.0-1137.8	16.8	0.17
	1174.9-1181.1	6.2	0.10
	1195.2-1211.6	16.4	0.14
	72977	619.3- 633.5	14.2
72971	629.3- 636.8	7.5	0.18
72971-1	811.3- 876.6	65.3	0.13
	1710.2-1719.1	8.9	0.09

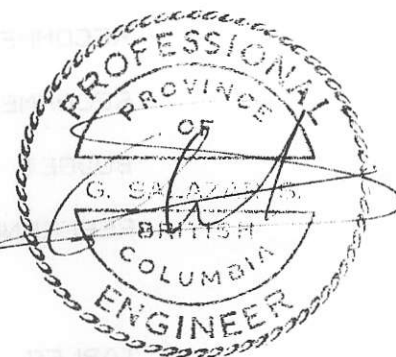
REPORT ON THE
GREAT WESTERN PROJECT (Gold)

For

LINDEX EXPLORATIONS LTD.

By

G. SALAZAR S., P.Eng. (B.C.)



August 20, 1985

N.T.S.: 82F/6W
PROVINCE: British Columbia.
COUNTRY: Canada.
LATITUDE: 49° 26.5 N
LONGITUDE: 117° 20.0 W
MINING DIVISION: Nelson.

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of Canada and Lindex Explorations Ltd.

1.2: Between R.J. Bourdon and Lindex

Explorations Ltd.

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and Disclaimer by G. Salazar S., P.Eng. (B.C.)

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FIGURE N. 2: Location & Regional Geology
Map (Scale 1:50,000) after p. 8

FIGURE N. 3: Regional Compilation Map
(Scale 1:10,000) In pocket

FIGURE N. 4: Summary Map (Scale 1:5,000) after p.15

FIGURE N. 5: Soil Geochemistry-AU (ppb)
(Scale 1:5,000) after p.16

SUMMARY

This report on the Great Western Project is prepared at the request of Mr. Roy W. Robinson, president and director of Lindex Explorations Ltd. It is based in my review of all the ASARCO data and on my personal experience in the area.

LAND

Lindex has entered into option agreements with R.J. Bourdon and ASARCO covering two groups of claims, namely the Great Western (10 units) and the Aberdeen groups (33 units), respectively, located near the headwaters of Giveout Creek. Road access into the area from Nelson follows Giveout Creek. Table N. 1 is a listing of all claims subject to the agreements. Figure N. 2, LOCATION MAP, shows the claims' location with respect to Nelson and Kootenay Lakes as well as the area's Regional Geology. Appendix N. 1 summarizes the pertinent agreements.

POTENTIAL AND TARGETS

The Regional Compilation Map (Figure N. 3) outlines the different anomalies defined by ASARCO with its several gridded surveys carried out between 1979 and 1982. Reported expenditures for the 1981 year alone were \$ 64,708.37. It also defines the western flank of the Silver King stock as the regional axis of a zone within which several areas having good potential for outlining low grade gold deposits amenable to low cost mining methods are recognized. Regionally, this zone is 500.0m wide and at least 2,000.0m long. It also shows that the combination of exploration tools used by ASARCO was effective in outlining drill targets within the areas surveyed. The western flank should be systematically explored with a similar combination of exploration tools in the search for other similar targets.

Figure N. 4 is a summary map of ASARCO's soil geochemical and rock sampling surveys carried out within the Great Western claim. It shows two distinct targets with excellent potential for defining gold deposit(s?) possibly amenable to low cost mining methods.

-Target N. 1 is defined by the +200.ppb. gold contour-line, which outlines a northwesterly trending zone approximately 700.0m. long and two to five samples wide (i.e.: 50. to 125. m. wide) opened to the north. It is located topographically above the Giveout Creek road and was left untested by ASARCO. After relocating this anomaly, testing it by trenching followed by diamond drilling is recommended.

-Target N. 2 is defined by eleven road outcrop samples, collected by ASARCO from an area immediately to the west and down hill from Target N. 1, within Silver King plutonic rocks near its western contact ("flank") with Elise Formation andesites. These grab samples, collected over an area of 400.0m. by 150.0m. is also elongated in a northwesterly direction, and are reported to range in value from 0.010 to 1.180 ounces/ton gold for an average cut value of 0.148 ounces/ton gold.

Disregarding the high assay, ASARCO's samples can be subdivided into two groups of five samples each, according to grade but not location. The lower grade group ranges in value from 0.010 to 0.080 ounces/ton gold and average 0.036 ounces/ton gold, while the higher grade group ranges between 0.180 and 0.310 ounces/ton gold and averages 0.260 ounces/ton gold.

Specimens of the above samples reviewed by the writer are strongly silicified and clay-goethite(FeOx)-alunite(?)-sericite altered leucocratic syenite porphyry showing strong shearing and tension gashing, with pyrite-filled veinlets up to 2-3.0 centimeters wide. The possibility of a veinlet stockwork being present here, is confirmed by the chargeability anomalies located immediately west and south of this area, as defined with ASARCO's limited induced polarization surveys.

This second target requires immediate testing and confirmation of assays, followed by trenching, prior to the start of a multistage definition drilling program.

RECOMMENDED PROGRAM AND BUDGET

STAGE ONE: Resampling, relocating, surveying
and trenching: \$55,000.-

STAGE TWO: Regional Exploration of Western
flank; 31.2 km. grid for soil sampling, magnetic survey,
geological mapping and induced polarization
surveying \$198,000.-

STAGE THREE: Initial drilling, five holes,
100.m deep, NQWL size, @ 120.- \$/m. \$60,000.-

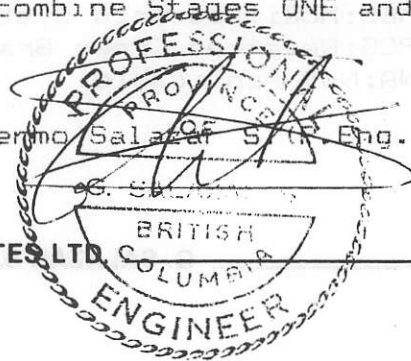
TOTAL: \$313,000.-

Each stage is dependant on the positive results found at the completion of the preceding stage, although it may be desirable -and more efficient- to combine Stages ONE and TWO or TWO and THREE.

August 20, 1985

Guillermo Salazar S. (P. Eng.)

G. SALAZAR S. & ASSOCIATES LTD.



PROPERTY DESCRIPTION

Table No. 1 summarizes all the pertinent title data related to this property, which was checked by the writer on April 23, 1985, at the Government Agent's office in Nelson, B.C. (See Figure No. 1).

TABLE No. 1: CLAIM STATUS

CLAIM NAME	CLAIM TYPE(1)	No. UNITS	RECORD No.	RECORD DATE(1)	EXPIRY DATE(1)
ASARCO OPTION:					
BIRDSEYE	CG	1	L3278	N.A.	N.A.
PRINCETON Fr.	CG	1	L3938	N.A.	N.A.
Gold Eagle	MGS	4	1302(10)	Oct.16/79	1988
Gold Eagle #1Fr	MGS	1	1531(3)	Mar.5/80	1988
Gold Eagle #2	MGS	2	1532(3)	Mar.5/80	1988
Gold Eagle #3	MGS	9	1533(3)	Mar.5/80	1988
Gold Eagle #4	MGS	6	1841(8)	Aug.5/80	1986
Gold Eagle #5Fr	MGS	1	1856(8)	Aug.13/80	1988
Gold Eagle #6Fr	MGS	1	1857(8)	Aug.13/80	1988
Lady Aberdeen	RCG	1	919(1)	Jan.22/79	1988
Minto Fraction	RCG	1	920(1)	Jan.22/79	1988
Inverness	RCG	1	918(1)	Jan.22/79	1988
Haddo Fraction	RCG	1	921(1)	Jan.22/79	1988
Horseshoe	RCG	1	1307(10)	Oct.22/79	1988
Red Fraction	RCG	1	1308(10)	Oct.22/79	1988
Tregarden Fr.	RCG	1	1309(10)	Oct.22/79	1988
BOURDON OPTION					
Hillside	MGS	6	3512(9)	Sep.13/83	1986
Hilltop Fr.	MGS	1	3511(9)	Sep.13/84	1987
Great Western (ex.Lot 4148)	RCG	1	1551(2)	Feb.19/80	1988
Irene (ex.Lot 4151)	RCG	1	1552(2)	Feb.19/80	1988
Great Eastern (ex.Lot 4152)	RCG	1	1553(2)	Feb.19/80	1988

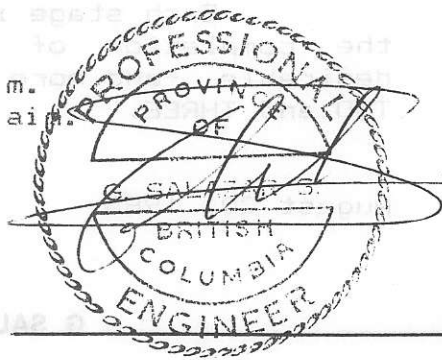
TOTAL: 43 UNITS

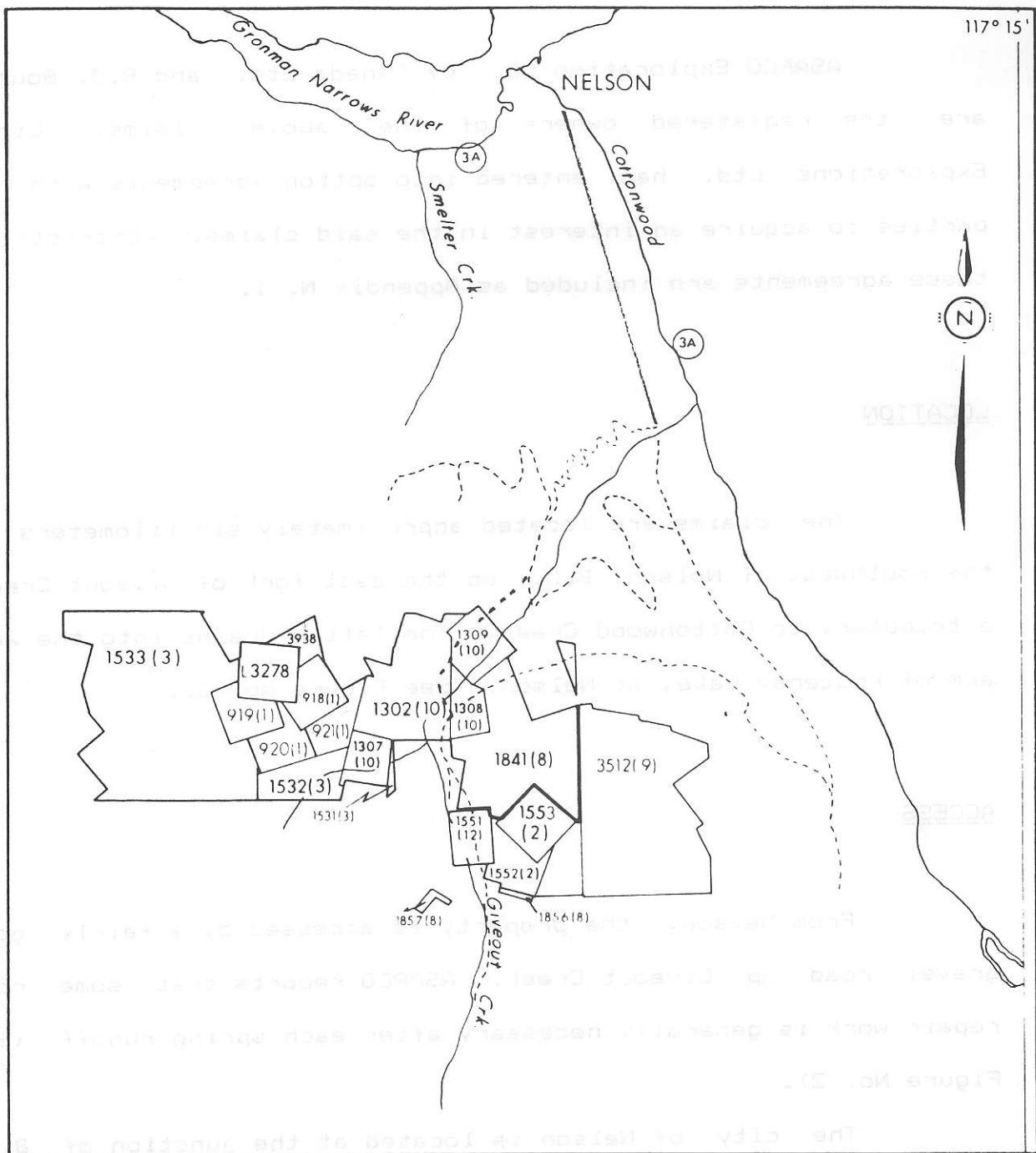
(1):CG:Crown Granted Mineral Claim.

MGS:Modified Grid System Mineral Claim.

RCG:Reverted Crown Granted Mineral Claim.

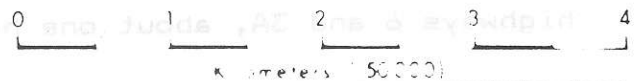
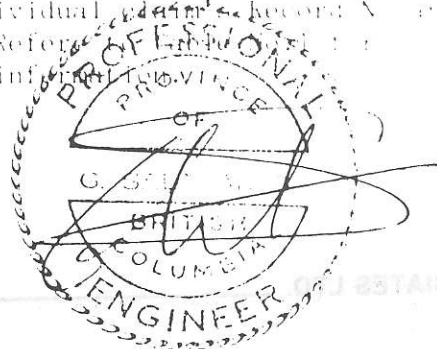
NA:Not Applicable.





Notes:

1. Scale 1:50,000
2. Individual claim records are shown. Refer to other information for details.



LINDEX EXPLORATIONS LTD.		
GREAT WESTERN PROJECT		
CLAIMS MAP		
NTS	8/1/6W	G. S. A. ZAR S & ASSOCS LTD
Work by	G. S. A. ZAR, P. Eng.	INT. GEOL. CONSULTANTS
Drawn by	S. K.	312 Cedarbrae Cres. SW
File No.	1	CALGARY ALBERTA

ASARCO Exploration Co. of Canada Ltd. and R.J. Bourdon are the registered owners of the above claims. Lindex Explorations Ltd. has entered into option agreements with the parties to acquire an interest in the said claims. Abstracts of these agreements are included as Appendix N. 1.

LOCATION

The claims are located approximately six kilometers to the southwest of Nelson, B.C.; up the east fork of Giveout Creek, a tributary to Cottonwood Creek. The latter drains into the west arm of Kootenay Lake, at Nelson. (See Figure No. 2).

ACCESS

From Nelson, the property is accessed by a fairly good gravel road up Giveout Creek. ASARCO reports that some road repair work is generally necessary after each spring runoff (See Figure No. 2).

The city of Nelson is located at the junction of B.C. highways 6 and 3A, about one hour's drive east of the Castlegar

LINDEX EXPLORATIONS LTD.	
GREAT WESTERN PROJECT	
CLAIMS MAP	
7	
G. SALAZAR S. & ASSOCIATES LTD.	

airport, which is serviced with daily flights to and from Vancouver, B.C. and Calgary, Alta., by Pacific Western Airlines and Time Air, respectively. Alternatively, highway access into Nelson from either Vancouver or Calgary requires eight to ten hours' drive. Helicopter support is readily available from either Castlegar or Nelson.

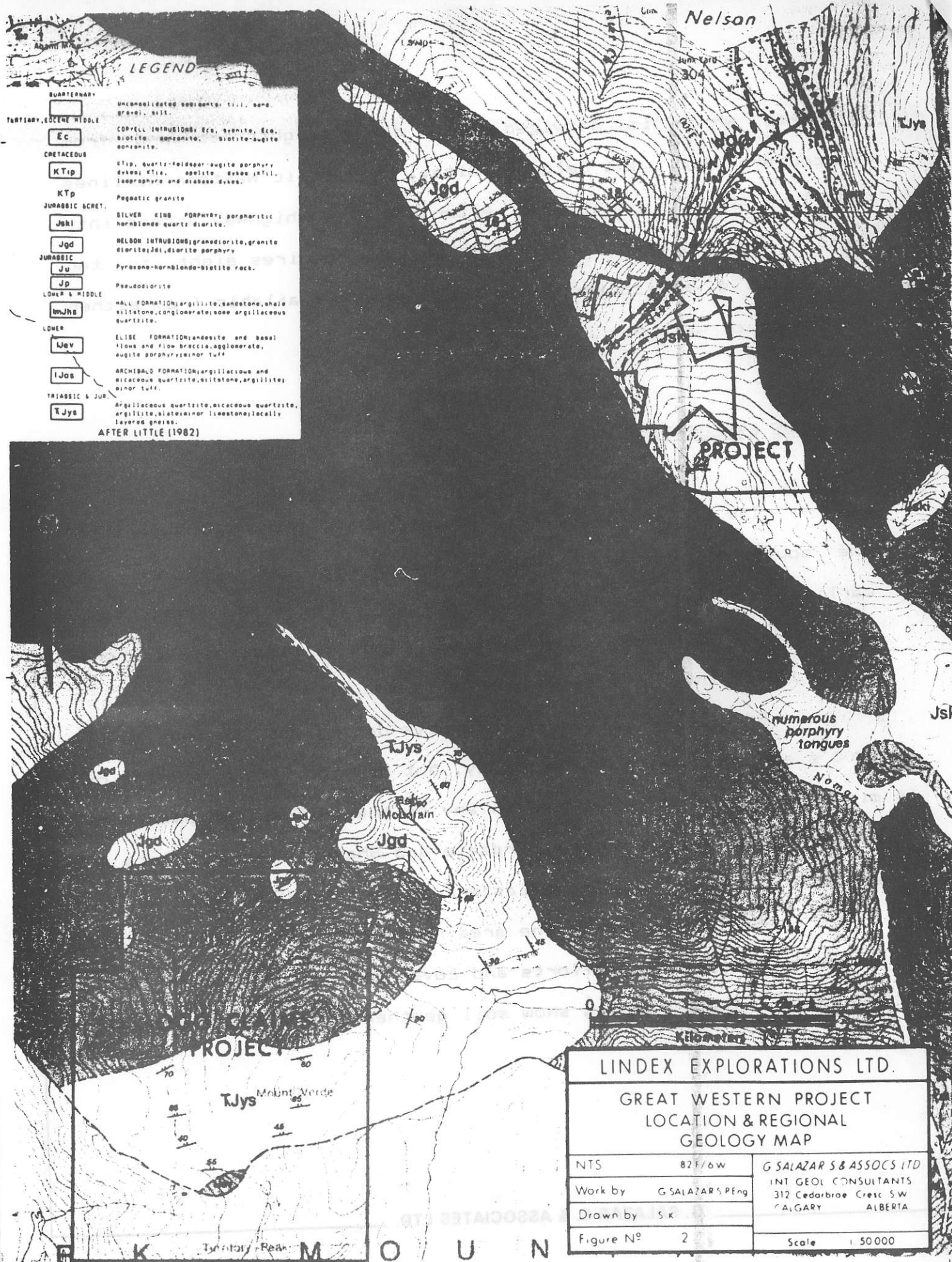
PREVIOUS EXPLORATION

The Silver King Mine, located about three kilometers to the southeast of the center of the claims, was one of the earliest copper producers in British Columbia, beginning production about 1889. Over 200,000 tons of copper-silver ore was produced from this mine (See Table No. 2).

Several small tunnels and pits dating back to the early 1900's are present in the property, but no significant tonnage of mineral inventory is exposed on any of them. Small shipments of ore have been made from the Birdseye and Shamrock Crown Grants and from the Irene and Great Eastern properties (See Table No.2).

ASARCO's work in the area represents the latest known systematic exploration efforts and cover the period between 1979 and 1982. These reports show soil geochemistry along a grid of

LINDX EXPLORATIONS LTD.	
GREAT WESTERN PROJECT	
LOCATION & REGIONAL	
GEOLOGY MAP	
G. SALAZAR S. & ASSOCIATES LTD.	
10000	



LEGEND

QUATERNARY	Unconsolidated sediments: silt, sand, gravel, silt.
TERTIARY, EOCENE MIDDLE	
EC	COPPEL INTRUSIONS: Ecs, granitic, Ecs, biotite, monzonite, biotite-augite monzonite.
CRETACEOUS	
KTip	KTip, quartz-feldspar-augite porphyry dykes; KTip, apatite dykes (KTip, leucophyre and diabase dykes).
KTp	Pegmatite granite
JURASSIC CRET.	
Jski	SILVER KING PORPHYRY: porphyritic hornblende quartz diorite.
Jgd	NELSON INTRUSIONS: granodiorite, granite diorite; Jgd, diorite porphyry.
JURASSIC	
Ju	Pyroxene-hornblende-biotite rock.
Jp	Pseudodiorite
LOWER & MIDDLE	
ImJhs	HALL FORMATION: argillite, sandstone, shale siltstone, conglomerate; some argillaceous quartzite.
LOWER	
Jev	ELISE FORMATION: andesite and basal flows and flow breccia, agglomerate, augite porphyry; minor tuff.
Jos	ARCHIBALD FORMATION: argillaceous and micaceous quartzite, siltstone, argillite; minor tuff.
TRIASSIC & JUR.	
Jys	Argillaceous quartzite, micaceous quartzite, argillite, slate; minor limestone; locally layered gneiss.

AFTER LITTLE (1982)

LINDEX EXPLORATIONS LTD.

GREAT WESTERN PROJECT
LOCATION & REGIONAL
GEOLOGY MAP

NTS	82F/6W
Work by	G. SALAZAR S. PENG
Drawn by	S. K.
Figure No	2

G. SALAZAR S. & ASSOCS. LTD.
INT. GEOL. CONSULTANTS
312 Cedarbrae Cresc. SW
CALGARY ALBERTA

Scale 1:50,000

117°23'

117°20'

117°16'

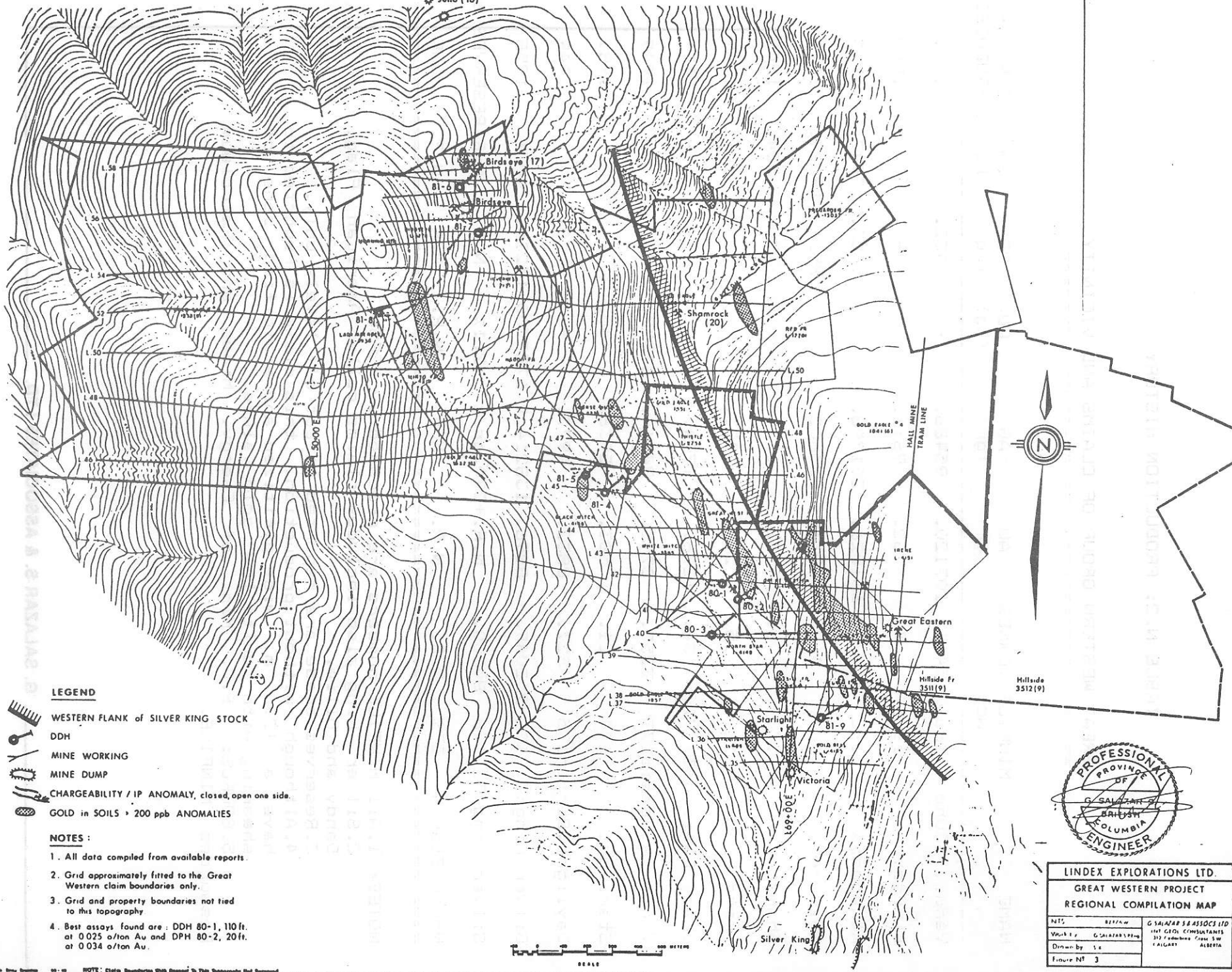
TABLE N.2: PRODUCTION HISTORY

GREAT WESTERN GROUP OF CLAIMS AND VICINITY

NAME	MINFILE No.	TONNES	AU (gr)	AG (gr)	CU (kg)	PB (kg)	ZN (kg)	YEAR LAST PRODUCED
Venus, Juno	166	5411.	107120.	95486.	-	432.	-	1941
Birdseye	167	4.	62.	9611.	-	-	-	1940
Athabasca	168	41779.	631826.	201798.	-	9333.	13947.	1943
California	169	1462.	70231.	123602.	-	8526.	19324.	1949
Shamrock	170	8.	31.	1213.	-	280.	354.	1948
Irene(2)	171	15.	249.	373.	-	-	-	1939
Great Eastern(2)	172	34.	1276.	1774.	-	-	-	1939
Victoria, Jessie	173	3255.	3793.	94119.	83577.	-	-	1949
Starlight	174	21.	583.	2936.	440.	-	-	1981
Daylight, Berlin	175	327.	8832.	4977.	-	70.	-	1949
Silver King(2)	176	202049.	8896.	138214.k	6789700.	15234.	4071.	1958
Silver King(3)	176	80000.	N.R.	+290.gr/t	+2.1%	N.R.	N.R.	RESERVES/B1
North Star(4)	276	N.R.	N.R.	N.R.	N.R.	N.R.	N.R.	NONE

NOTES: 1. All MINFILE numbers are preceded by 82FSW.
 2. Silver King also includes claims called American Flag, Dandy and Ollie.
 3. Reserves grade are reported at cut off levels only.
 4. Although without production, this claim is reported to have a 12.0 m. wide pyritized and silicified zone of shearing with "quite low" gold values.
 5. SOURCE: B.C. Min. of Energy, Mines and Petroleum Resources' MINFILE.

June (16)



parallel lines 100.0 meters apart, with a 25.0 meter separation between sample stations. Ground magnetics and a induced polarization survey were also carried out to define those areas of pyrite concentration favorable to gold mineralization. Two bands of magnetic susceptibility lows about 1,500.0 meters long and 150.0 meters wide were found to be associated with zones of high chargeability response ($n=1$, $a=50.0$ m.) and to be spatially related to the highly anomalous gold values found in the soils. The zone defined by these coincident anomalies runs northwesterly closely following the western boundary of a Silver King syenite porphyry stock (See Figure Nos. 3 and 4).

ASARCO drilled three holes in 1980 and six in 1981, for a total of 3561.0 feet (1085.7 meters). Best drilled results were found at DDH 80-1, which returned 110 feet (33.5m) assaying 0.025 o/ton gold and 0.025 o/ton silver between 370.feet (112.8m) and 480.feet (146.3m) of drilled depth. DDH 80-2 was collared 100. feet (32.8m) to the southeast of DDH 80-1 in an effort to extend and improve the said drill results. It encountered 20.0 feet (6.1m) of 0.034 o/ton gold and 0.045 o/ton silver between 270. feet (82.3m) and 290. feet (88.4m) of drilled depth. The anomaly was not tested to the northwest. ASARCO reported spending a total of \$64,708.37 in the 1981 season. Table No.3 includes the pertinent survey data on these drillholes.

TABLE No.3

ASARCO Drilling- Summary Data

(All holes are BQWL size)

DDH No.	CLAIM NAME	DIP	AZIMUTH	COLLAR ELEVATION	HOLE LENGTH	REMARKS
80-1	North Star	-45	45	1475.m	171.9m	33.5m w/0.025 o/ton. Au.
80-2	"	-48	50	1472.m	127.1m	6.1m w/0.034 o/ton Au.
80-3	"	-48	50	1512.m	166.7m	Nil.
81-4	Black Witch	-45	45	1540.m	123.1m	"
81-5	"	-50	50	1535.m	91.4m	"
81-6	Princeton Fr.	-46	45	1717.m	74.7m	"
81-7	"	-55	55	1690.m	90.5m	"
81-8	Lady Aberdeen	-45	60	1818.m	75.6m	"
81-9	Gold Bell	-45	60	1552.m	164.0m	"

Lacana Mining Co. recently optioned the MAC claims, located about five kilometers to the southeast of the center of the claims subject of this report. They are concentrating their efforts investigating a northwesterly trending zone reported to assay 0.07 o/ton gold over fifty foot widths which may be on trend with ASARCO's anomaly. Ryan Exploration, a U.S. Borax subsidiary, is actively exploring its Eagle and Sandy Creeks properties which are adjacent to these claims' west boundary.

REGIONAL GEOLOGY

According to GSC Map No. 1571A, "Bonnington Map Area" (1982, scale: 1:50,000), the area of the claims is underlain by Rossland Group rocks intruded by a Silver King porphyry stock and/or series of tongues, of possible Jurassic and (?) Cretaceous age that covers the eastern claims (See Figure No.2 and Table No. 4). Rossland group rocks are represented by the Elise formation andesitic and basaltic flows and flow breccias, agglomerates, augite porphyry and tuff.

LOCAL GEOLOGY AND MINERALIZATION

The claims are underlain by strongly schistosed andesitic tuffs with abundant pyrite. Bedding is not apparent in the metamorphosed tuffs but foliation strikes northwest and dips 60-70 degrees southwest. The metamorphosed volcanic rocks are intruded by a stock of Silver King syenite porphyry, which covers the eastern claims.

A zone of shearing parallel to the long axis of the Silver King stock occupies an unknown width along the stock's western flank. It may be reflected by ASARCO's magnetic lows, one or more of the geochemically anomalous areas and/or one of the

high chargeability zones recognized.

Figure No. 3 is a Regional Compilation Map that includes the following information, all of which was extracted from the available ASARCO reports:

1. Approximate location of drillholes and known portals.
2. ASARCO's grid layout.
3. Anomalous gold areas with more than 200.ppb. gold in "C" horizon soil samples. Detail work carried out by R.J. Bourdon and C. Pitman within their Great Western Group of claims has been added to the ASARCO information.
4. Chargeability anomalies, as defined by ASARCO with their dipole-dipole, $a=50.0m$, $n=1$, induced polarization survey. This survey did not cover the western flank of the Silver King stock. The bands of magnetic lows referred to above roughly coincide with the chargeability anomalies and are not shown here for the sake of clarity.
5. The western flank of the Silver King syenite stock.
- and 6. The property boundaries, which are not correlated to the gridded surveys.

This map shows the western flank of the Silver King stock as the regional axis of a zone within which several areas having good potential for outlinning low grade gold deposits amenable to low cost mining methods are recognized. Regionally, this zone is 500.0m wide and at least 2,000.0m long. It also shows that the combination of exploration tools used by ASARCO was effective in outlinning drill targets within the areas surveyed. ASARCO appears to have followed up on those areas of coincident gold geochemistry-magnetic-induced polarization/chargeability anomalies accessible to them.

Three zones of high chargeability are observed in Figure No. 3. All have coincident zones of low magnetic susceptibility and areas of anomalous gold values. The central zone appears to join the one closest to the western flank of the Silver King stock to define a typical porphyry copper pyritic halo-type of chargeability response to the north and south of Line 44+00N. The potential economic significance of this interpretation should be investigated by re-running the induced polarization surveys in a manner better suited to defining the chargeability response of the anomalous areas with depth. This can be accomplished with a dipole-dipole, $a=25.m$, $n=4$, induced polarization survey.

The third zone of high chargeability is located to the west, near Morning Mountain and is protected by the Lady Aberdeen and Minto Fr. R.C.G.'s. DDH 81-8 unsuccessfully tested its northern end.

A possible fourth zone is shown on the eastern portions of Lines 37+00N and 40+00N. It appears to be the southern extension of the +200.ppb. gold soil anomaly that defines Target N. 1. It is open to the north because ASARCO's induced polarization survey did not extend past BL 69+00E in that area.

Figure No. 4, which is a Summary Map covering a portion of the Great Western group of claims and vicinity, shows a type of gold mineralization that would not be defined as a target within the parameters set in Figure N. 3 due to its lack of

induced polarization/ chargeability response in ASARCO's survey.

Target N. 1, shown in outline on Figure N. 3 and in more detail in Figure N. 4, is defined by a +200.ppb. gold anomalous zone that trends northwesterly across the length of the Great Western claim and was not covered with ASARCO's induced polarization/chargeability survey. It is approximately 700.0m long and two to five samples wide (i.e.: 50. to 125. meters wide) and is oriented to the northwest. It is located topographically above the Giveout Creek road and was left untested by ASARCO. Nine of the twentyone soil samples defining this target carry more than 400.ppb. gold. The chargeability anomaly observed in between Lines L37+00N and L40+00N may be its extension southwards.

Target N. 2 is defined by the eleven outcrop samples collected by ASARCO from an area within the Silver King stock downhill from Target N.1. These samples range in value between 0.010 o/ton and 1.180 o/ton gold for an average cut value of 0.148 o/ton. gold and cover an area 400.0m by 150.0m also elongated northwesterly. Disregarding the high assay, they can be subdivided into two groups of five samples each, according to grade but not location within the sampled area. The lower grade group ranges in value from 0.010 to 0.080 o/ton gold and average 0.036 o/ton gold, while the higher grade group ranges between 0.180 and 0.310 o/ton gold and averages 0.26 o/ton gold. This

IRENE

GREAT EASTERN



HALL MINE
TRAMLINE

L.44

L.43

L.42

L.41

L.40

200

200

200

200

200

200

200

200

200

200

200

200

200

200

200

200

200

200

200

No1

SILVER KING STOCK

TARGET

No2

TARGET

ASARCO BASELINE
Assess Rpt. 8614

L69+00E

TALUS
SLIDE

Dump Grab

11.18 o/t Au

GW-3

0.270 o/t

GW-2

0.100 o/t

GW-1

0.025 o/t

GW-9

0.310 o/t Au

GW-6

0.26 o/t

GW-7

0.04 o/t

GW-8

0.08 o/t

GW-4

0.010 o/t

GW-5

0.28 o/t

GREAT WESTERN

SILVER KING STOCK
PYRITIZED SCHISTS

0 50 100 Meters

ASARCO SAMPLES

- X OUTCROP
- FLOAT
- DUMP

LINDEX EXPLORATIONS LTD.

GREAT WESTERN PROJECT

SUMMARY MAP

NTS : 82F/6W

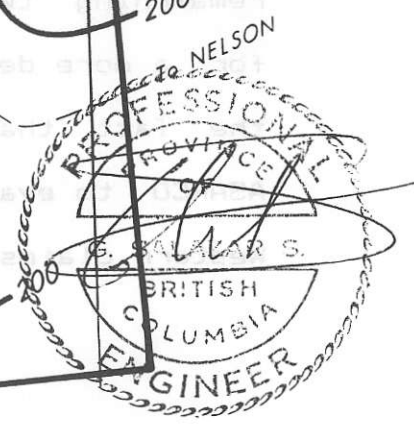
Work by : G.SALAZAR S.PEng

Drawn by : S.K.

Figure N° : 4

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INT. GEOL. CONSULTANTS
312 Cedarbrae Cresc. S.W.
CALGARY ALBERTA



area requires immediate review and reconfirmation of assays and mineral habitat.

The 1.18 o/ton. gold sample was a select sample from a pyrite filled veinlet or gash taken in one of the Great Western dumps. Sample GW-6 was collected from a similar veinlet in the same dump but assayed only 0.26 o/ton. gold. Specimens of both samples were reviewed by the writer in the field. Both are highly silicified and clay, goethite(FeOx), alunite(?), sericite altered, in leucocratic syenite porphyry showing strong shearing and tension gashing. Pyrite filled veinlets up to 2-3.0 centimeters wide cut the fresh portions of the specimens. The owners of the Great Western claims report that samples taken from within the adit at the head of this dump have averaged 0.07-0.09 o/ton. gold across tunnel widths.

These targets are highlighted because of their potential to host a gold deposit amenable to low cost mining methods within their boundaries. They also show the need to better explore the remaining two thirds of the Silver King stock flank. The need for a more detailed induced polarization survey is enhanced by the fact that the single separation survey was not enough for ASARCO to evaluate the significance of its response in the Great Western claims area.

RECOMMENDED PROGRAM

The following multistage program is recommended:

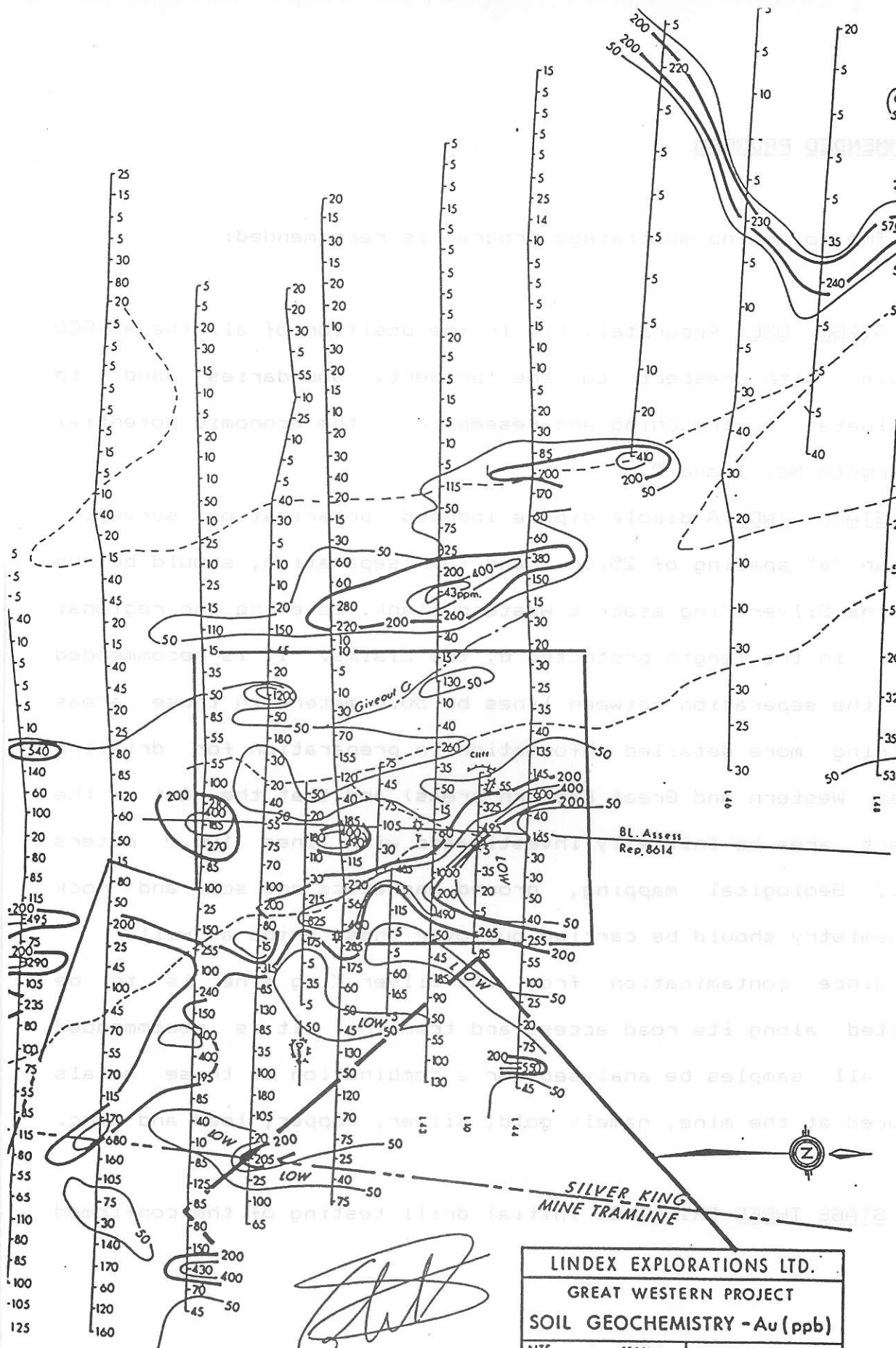
STAGE ONE: Accurately tie in the position of all the ASARCO surveys with respect to the property boundaries and to reevaluate, by trenching and resampling, the economic potential of Targets No. 1 and 2.

STAGE TWO: A dipole-dipole induced polarization survey, with an "a" spacing of 25.0m. and four separation, should be run over the Silver King stock's western flank, covering the regional target in the length protected by the claims. It is recommended that the separation between lines be 50.0 meters in those areas requiring more detailed information in preparation for drilling (Great Western and Great Eastern areas) and that the rest of the contact area be initially investigated with lines 100.0 meters apart. Geological mapping, ground magnetics and soil and rock geochemistry should be carried out over these grids as well.

Since contamination from the Silver King mine is to be expected along its road access and tramline, it is recommended that all samples be analysed for a combination of those metals produced at the mine, namely gold, silver, copper, lead and zinc.

STAGE THREE DRILLING. Initial drill testing of the confirmed

LINDER EXPLORATIONS LTD.	
GREAT WESTERN PROJECT	
SOIL GEOCHEMISTRY - (ppb)	
DATE: 10/10/80	BY: [Signature]
ANALYST: [Signature]	CLIENT: [Signature]
17	



0 100 200 Meters

INDEX EXPLORATIONS LTD.	
GREAT WESTERN PROJECT	
SOIL GEOCHEMISTRY - Au (ppb)	
NTS :	821/6W
Work by :	G.SALAZAR, PEng
Drawn by :	S.E.
Figure N° :	5
G.SALAZAR S.& ASSOCS LTD. INT. GEOL. CONSULTANTS 312 Cedarbrook Cres. S.W. CALGARY ALBERTA	

ASARCO data could be carried out in conjunction with the latter phases of STAGE TWO and should be considered a followup to STAGE ONE. It is recommended that, initially, drilling be done with NO- or HQ-size diamond drill core until Lindex is technically satisfied that other, cheaper, drilling methods will prove satisfactory in this type of potential stockwork-type of mineralization. The need for the larger size core reflects the high variation in assay results reported from the Great Western dump sample (1.180 and 0.26 o/ton gold from similar pyritic veinlets).

RECOMMENDED BUDGET

STAGE ONE:

Survey & Relocate:	5,000.-	
Resampling :	20,000.-	
Trenching :	30,000.-	
	-----	55,000.-

STAGE TWO-I

2.1:FIELD:

Linecutting: 31.2km. @ \$700.-/km,
which includes salaries, room, board,
truck and materials

21,840.-

Soil Sampling: 1200 samples @
\$6.50/sample, which includes salaries,
room, board, truck, materials

7,800.-

CARRIED FORWARD:

(29,640.-) (29,640.-)



18
G. SALAZAR S. & ASSOCIATES LTD.

CARRIED FORWARD:

(29,640.-) (29,640.-)

Magnetic Survey: 31.2km. @ \$300.-/km,
includes equipment rental, salaries, room,
board, truck (Field Costs Only) 9,360.-

Geological Mapping: includes Junior
Geologist (45 days), truck, room and board 16,500.-

Mobilization: 2,000.-

Miscellaneous & Administration: 5,000.-

62,500.-

2.2: ASSAYING

Geochemical Program: 1300 samples
assayed for Au, Ag, Pb, Zn, and Cu.

-Gold and silver by fire assay/atomic
absorption methods @ \$8.95 /sample

-Lead, zinc and copper by 'rapid' X-ray
fluorescence methods, @ \$4.90 /sample

1300 samples @ \$13.85 /sample 18,005.-

-Rock Sampling Program: 200 samples
assayed for gold and silver (by fire assay)
and copper (by atomic absorption),

200 samples @ \$14.90 /sample 2,980.-

-Freight 400.-

21,385.-

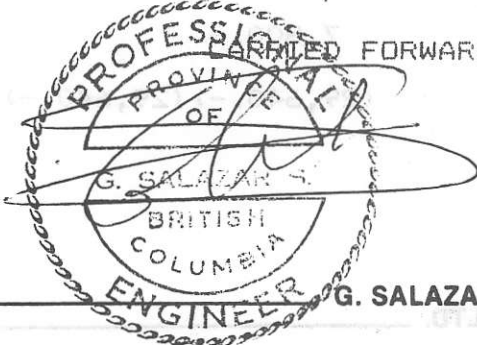
2.3: DRAFTING AND REPORT PREPARATION

Drafting:

-Soil samples, 1300, five elements each
@ 0.45 \$/ data point 2,925.-

CARRIED FORWARD:

(2,925.-) (86,810.-)



G. SALAZAR S. & ASSOCIATES LTD.

CARRIED FORWARD: (2,925.-) (86,810.-)

point -Magnetics, 1300 points @ 0.45 \$/ data 585.-

-Magnetics, contouring 1,000.-

-Geology and rock sample maps, etc. 2,500.-

----- 7,010.-

Report Preparation:

-16 days @ 350.- \$/day 5,600.-

Printing Costs, secretarial 2,000.-

2.4: SUPERVISION

-25 days @ 350.- \$/day 8,750.-

TOTAL \$107,245.-

MISCELLANEOUS, (10%) 10,725.-

STAGE TWO-I TOTAL: \$117,970.-

say \$120,000.-

STAGE TWO-II:

Induced Polarization survey, 31.2 km.
@ 2,500.- \$/km. \$78,000.-

STAGE TWO: GRAND TOTAL \$198,000.-

STAGE THREE:

-Drilling; five holes, 100.0m deep,
NQWL size, @ 120.- \$/m., all inclusive \$60,000.-

ALL STAGES TOTAL:

\$313,000.-

August 20, 1985



G. Salazar S., P.Eng.

BUDGET SUMMARY

TOTAL STAGE ONE: 55,000.-

-STAGE TWO:

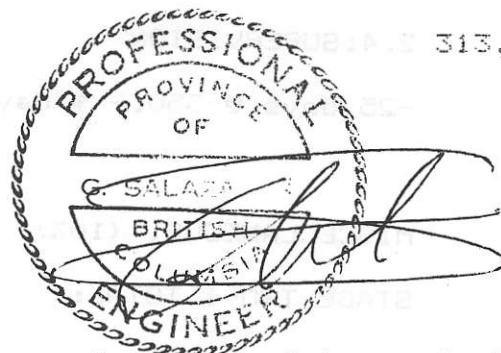
TWO-I: 120,000.-

TWO-II: 78,000.-

TOTAL STAGE TWO: 198,000.-

-STAGE THREE: 60,000.-

GRAND TOTAL: 313,000.-



Guillermo Salazar S., F. Eng.

August 20, 1985



REFERENCES

1. GALE, R.E.P. (1980): Assessment Report on Magnetometer and Geochemical Surveys on the Aberdeen Group. Assess. Rpt. 8614.
2. LITTLE, H.W. (1960): Nelson Map Area, West Half; B.C.; G.S.C. Mem. N. 308.
3. _____ (1982): Bonnington Map Area. G.S.C. Map 1571A; Scale 1:50,000.
4. MULLIGAN, R. (1952): Bonnington Map Area, B.C. G.S.C. Paper 52-13.
5. OLSON, D.H. (1982): Aberdeen Group Project. Summary and Drilling Report and Maps; ASARCO report dated Jan. 14, 1982.
6. PERKINS, E.W. (1981): Memorandum on Followup IP/ Resistivity; ASARCO report dated Nov. 5, 1981.
7. PORTER, J.R. (1980): ASARCO report on IP/ Resistivity and Maps, dated Oct., 1980.
8. _____ (1980): ASARCO report on Magnetic Survey and Maps, dated November 25, 1980.
9. SALAZAR, G. (1984): Property Summary-Great Western Claims, dated December 12, 1984.
10. _____ (1985): Property Summary- Aberdeen Claims, dated January, 1985.
11. _____ (1985): Report on the Great Western Project, prepared for LINDEX EXPLORATIONS LTD., dated April 20, 1985.

APPENDICES

APPENDIX N.1: AGREEMENTS

1.1: Between ASARCO Exploration Co. of Canada Ltd. (Exploration Department, ASARCO Incorporated, 120 Broadway St., New York, NY 10271) and Lindex Explorations Ltd.

Lindex has the right to earn a 51% equity position in ASARCO's land by spending (Can.)\$ 100,000.- before September 30, 1987. Alternatively, Lindex may acquire sole possession of the claims by paying ASARCO (Can.) \$40,000.- on September 30, 1985 and by granting ASARCO a 20% carried Net Proceeds interest on the property, which shall come into effect after Lindex has recovered its Capital Investment and deemed interest.

The two Crown Grants and fourteen claims subject to this agreement are those detailed in Table N. 1 of this report.

Once Lindex has earned its position, ASARCO may choose to take a carried interest of 10% of Net Proceeds after payback.

Should ASARCO opt for the Working Interest position, a dilution clause shall go into effect by which the non-contributing partners' position shall be reduced to 10%, at which time it shall automatically convert to a 10% Net Proceeds.

1.2: Between R.J. Bourdon (612 Mill St., Nelson, B.C., V1L-4S4) and Lindex Explorations Ltd.

Lindex shall pay Bourdon a total of (Can.) \$27,000.- and 28,000 free trading shares by Jan. 1, 1989, in yearly instalments. Lindex shall pay Bourdon a royalty of 1.5% of Net Smelter Return. All payments to Bourdon shall cease when a total of (Can.) \$ 1,500,000.- has been paid.

The five claims subject to this agreement are those detailed in Table N. 1 of this report.

APPENDIX N. 2

STATEMENT OF QUALIFICATIONS AND DISCLAIMER

I, Guillermo Salazar S., of 312 Cedarbrae Crescent SW, Calgary, Alberta T2W-1Y4, hereby certify that:

1. I attended and graduated from the Universidad Nacional de Ingenieria de Lima, Peru with a Bachelor's of Science and a Engineering Degrees in Mining Engineering and Mining Geology in 1967. I also attended Harvard University from which I was awarded a Master's of Arts degree in Economic Geology in 1969.

2. I am a registered Professional Engineer in the Province of British Columbia and Professional Geologist in the Province of Alberta. I am also a member in good standing of the Society of Economic Geologists of America and of the Society of Mining Engineers of the AIME.

3. I have in excess of fifteen years of experience in my field in the U.S.A., Canada and South America.

4. A personal field inspection of the Great Western property claims was made by me, and that all available background technical data was also reviewed by me.

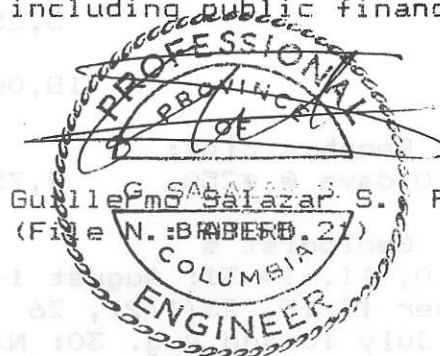
5. I have not, directly or indirectly, received, and do not expect to receive, any interest, direct or indirect, in the property of Lindex Explorations Ltd., or any affiliate, and I do not benefititally own, directly or indirectly, any securities of Lindex Explorations Ltd. or any affiliate.

6. This report may be used by Lindex Explorations Ltd. for all corporate purposes, including public financing.

Calgary, Alberta.

August 20, 1985.

Guillermo Salazar S. P.Eng. (B.C.)
(File N. 21)



G. SALAZAR S. & ASSOCIATES LTD.

INTERNATIONAL GEOLOGICAL CONSULTANTS

312 CEDARBRAE CRES. S.W.

CALGARY, ALBERTA, CANADA T2W 1Y4

TELEPHONE (403)281-6889

December 5, 1986

Page 1

Company: LECTUS DEVELOPMENTS LTD.

Trading Symbol: LDV.V

Project Name: GREAT WESTERN

Project No.: 1

EXPLORATION BUDGET

	Budget	Current	To Date	Balance
MOB/DEMOB				
Personnel:				
3 men @ \$220.00/m.d. for 2 days	1,320	1,320	1,320	0.0
Vehicles:				
4x4 truck (1) @ \$50./d., 2d.	100	100	100	0.0
Accommodation for 3 men, 2 d. @ \$50	300	300	300	0.0
Travel (Airfares):				
Sep. 26/86: C. Grundstrom (\$209.)				
Oct. 28/86: G. Salazar S. (\$204.60)				
	719	413.6	413.6	305.4
Freight	500	0.	0.	500.
Miscellaneous (Taxis)	150	26.45	26.45	123.55
TOTAL COST MOB/DEMOB	3,089	2,160.05	2,160.05	928.95

FIELD COSTS:

PERSONNEL:

G. Salazar, Project manager (@ \$350.-
July 29-30. August 1-7, 11-18, and
23-30. October 27(1/2) and 28.
Field: 25.5 days Demobe: 1 day (N/C)
TOTAL: 25.5 Days @ \$350./d. 19,950 8,925 8,925 11,025

Engineer: 5,250 0 0 5,250

Geologist: 18,000 0 0 18,000

S.P. Santiago, Geophysicist;
August 1-10; 10 days @ \$250. 9,750 2,500 2,500 7,250

C. Grundstrom; Geologist's
Helper, July 10, 11, 14-31; August 1-7,
11-30; September 13-15, 25(1/2), 26
-Mobe/Demobe: July 10 and Aug. 30: N/C
-Road Building: July 14-26: 14 days
-Geologist's Helper: July 27-August 2, 7
and September 25(1/2) and 26: 9.5 days

December 5, 1986

Page 2

Company: LECTUS DEVELOPMENTS LTD.

Trading Symbol: LDV.V

Project Name: GREAT WESTERN

Project No.: 1

-Linecutting: August 3-6: 4 days
-Surveying: August 15-16: 2 days
-Magnetics: August 11-14, 17-29 and September 13-15: 20 days
TOTAL: 49.5 days @ \$100./day 6,000 4,950 4,950 1,050.

Linecutters/ Soil Samplers:

Charlie Pitman: July 19-31; August 3-4: 15 days
Bruce McNair: July 23-August 4: 13 days
Willie McKursie: July 24-August 6: 14 days
Stephen Robinson: July 27-August 7: 12 days
(Soil Sampling): August 8-9, 11-23, 25-27: 18 days
Rick Dagneau: August 2, 3 and 6: 3 days
TOTAL: 75 man days @ \$100. 8,000 7,500 7,500 500
IP CREW: 8,800 0 0 8,800
Prospectors: 9,000 0 0 9,000

Total Personnel Costs 84,750 23,875 23,875 60,875

SUPPORT COSTS:

Accommodation in Town of Nelson, B.C.:

CALENDAR:

MAN DAYS

ONE MAN: July 11, 14-26, August

10, Sep. 26, Oct. 27, 28. 18

TWO MEN: July 27-29, 31, Aug. 8,

9, 19-22, 28: 22

THREE MEN: July 30, Aug. 11-18,

23-27: 42

FOUR MEN: August 1-7: 28

Total Man Days 110

ROOM: 110 mandays @ \$20.- 7,080 2,200 2,200 4,880

BOARD: 110 mandays @ \$30.- 10,620 3,300 3,300 7,320

Transportation:

Truck #1: July 11-August 24: 45 days

Truck #2: July 31-August 7

and August 11-19, 25-30: 23 days

TOTAL: 68 days @ \$60. 13,200 4,080 4,080 9,120

December 5, 1986

Page 3

Company: LECTUS DEVELOPMENTS LTD.

Trading Symbol: LDV.V

Project Name: GREAT WESTERN

Project No.: 1

Helicopter:	2,250	0	0	2,250
Communications: Telephone, courier	1,000	928.4	928.4	71.6
Supplies: Gas, oil	3,000	735.2	735.2	2,264.8
Other: Consumables	1,000	929.5	929.5	70.5
Total Support Costs:	38,150	12,173.1	12,173.1	25,976.9

EQUIPMENT RENTAL:

VLF-EM	500	0	0	500
Magnetometers: August 1-30, 30 days @ \$100./day	3,300	3,000	3,000	300
CAT 19 hours @ \$62./h. (Actual)	10,800	1,178	1,178	9,622
Total Equipment Rental Costs:	14,600	4,178	4,178	10,422

CONTRACT SERVICES:

Surface Diamond Drilling	60,000	0	0	60,000
I. P. Contract	55,000	38,125	38,125	16,875
Total Contract Costs:	115,000	38,125	38,125	76,875

ANALYSES:

Rocks - Geochemical; Au, Ag, Cu				
Actual: 10 for Au, Ag, W, Cu	2,980	135.4	135.4	2,844.6
Rocks - Assaying Au, Ag, Cu				
Actual: 10 for Au, Ag, W, Zn, Cu	3,650	176.9	176.9	3,473.1
Whole rock	750	0	0	750
Soils Geochemical	18,005			
215 for Au, Ag, Cu, Pb, Zn @ 12.45		2,676.8	2,676.8	15,328.2
Total Analyses Costs to Date:	25,385	2,989.1	2,989.1	22,395.9

REPORT WRITING:

G. Salazar S., September 10(1/2),
11(1/2), October 20(1/2), 24(1/4),

December 5, 1986

Page 4

Company: LECTUS DEVELOPMENTS LTD.

Trading Symbol: LDV.V

Project Name: GREAT WESTERN

Project No.: 1

November 4(1/2), 13(1/4) and 17(1/2)

Total: 3 days @ \$350. 5,250 1,050 1,050 4,200

S.P. Santiago, October 1, 6, 8, 19,

and November 2, 5 days @ \$300. 9,000 1,500 1,500 7,500

Geophysicist 3,750 0 0 3,750

Drafting; 52 hrs.@20.(to date) 5,000 1,040 1,040 3,960

Supplies, Typing, Copying 2,000 120.8 120.8 1,879.2

Total Report Writing Costs: 25,000 3,710.8 3,710.8 21,289.2

OTHER COSTS:

Miscellaneous Field Supplies 9,960 1,167.4 1,167.4 8,792.6

Project Management 0 0

Administration 3,864 3,864

Audit 0 0

Contingency 2,202 0 0 2,202

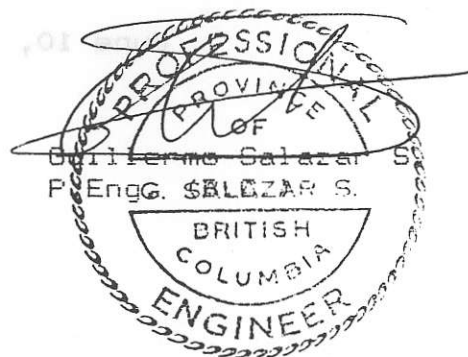
Other Costs Total: 16,026 1,167.4 1,167.4 14,858.6

TOTAL PROJECT COSTS: 322,000 88,378.45 88,378.45

233,621.55

=====

December 5, 1986



G. SALAZAR S. & ASSOCIATES LTD.

December 2, 1986
 Company: LESTUS DEVELOPMENTS LTD.
 Project Name: GREAT WESTERN
 Project No: 1
 Page 4
 Trading Symbol: LDV.V

November 4 (1/2), 13 (1/4) and 17 (1/2)
 Total: 3 days @ \$300.
 1,050 1,050 4,200

Report on the

S.P. Santiago, October 1, 2, 8, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, and November 2, 3 days @ \$300.
 1,200 1,200 7,200

Anderson Claims Project (Gold)

Geophysical
 Drilling 32 hrs. @ \$20. (10 days) 2,000 1,040 3,960
 Subcontracting, Typing, Copying 1,000 120.8 1,120.8
 Total Report Writing Costs: 2,000 2,710.8 2,710.8 21,289.2
 for

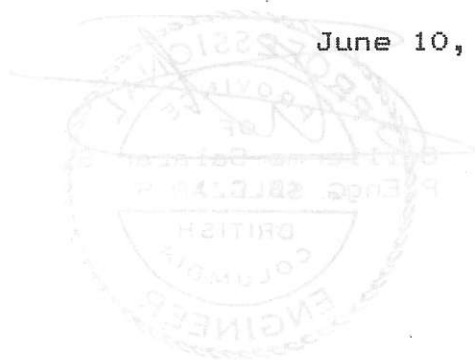
OTHER COSTS:

Miscellaneous Field Expenses 1,167.4 8,792.6
 Project Management 0
 Administration 2,864
 Audit 0
 Contingency 2,202
 By 1,202
 Other Costs Total: 16,026 1,167.4 14,858.6

Guillermo Salazar S., P.Eng. (B.C.)

TOTAL PROJECT COSTS: 222,000 88,378.45 88,378.45
 222,821.25

June 10, 1986



N.T.S.: 92 1/8W
 PROVINCE: British Columbia.
 COUNTRY: Canada.
 LATITUDE: 50° 23'N
 LONGITUDE: 120° 27'W
 MINING DIVISION: Kamloops
 and Nicola.

SUMMARY:

This report on the Anderson claim group is prepared at the request of Mr. Roy W. Robinson, President and Director of Saturn Energy & Resources Ltd. ("Saturn"). It is based on my review of the data mentioned under References in this report and on my visit to the property on April 22-26, 1986.

LAND:

Saturn has entered into an option agreement with Goldbrae Developments Ltd. of Vancouver covering the Anderson, Anderson 1-6, Lance 5A and Bag 1 and 2 claims, for a total of 139 units. See Figures No. 1 and 2 for location, access and regional geology and Table No. 1 for Claim Status.

The property is 230.km. NE of Vancouver and 30.km. south of Kamloops. Highway No. 5, which connects the cities of Kamloops and Merritt, cuts through the southern claims along the north shore of Stump Lake.

POTENTIAL AND TARGETS:

Previous workers on the claims have outlined at least two targets where a good potential for gold deposits of the epithermal volcanogenic type are presently recognized as well as a third target with massive sulphides possibilities. See Figures No. 2, 3 and 4.

Target No. 1 is exposed over a length of 325.m. and a width of up to 5.m. along a creek bed. Within this zone, which is buried in grasslands on either side of the creek, a 6-10. cm. wide quartz-chalcedony sheeted vein trending 305-310 degrees azimuth and dipping 75 degrees SW with parallel, en-echelon similar veins, is recognized. Although no fluorite is reported, a water sample taken from within the zone is second highest found. Also defining the zone is a arsenic in soil anomaly found down drain and to the east of the creek, covered by overburden.

Target No. 2 is described by previous workers as a zone of quartz-carbonate-limonite veining with associated brecciation, fracturing, silicification and pyritization (1-2%) that occurs in an area about 200.m. wide by 2,200.m. long that is correlatable with Canico's Unit 1a and 1b or their contact. Associated high fluorine and mercury levels in the water as well as the scattered but significantly high gold analyses (880.ppb at two sites, see Figure No. 3) may indicate the presence of a

fossil geothermal system.

The programmes outlined in this report include detail geological mapping, rock chip sampling, trenching and drilling and are designed to test these two targets.

Target No. 3 is defined by a subdued circular topographic rise with Anderson Lake at its north end and with Sample No. 3099, which returned highest fluorine and mercury in water content, at its southern end. It is located near the western end of a airmagnetic anomaly showing typical Nicola volcanics signature.

Target No. 4 is defined by a copper in soils geochemical anomaly that may be related to recently found pulse-EM anomalies recognized under deep overburden conditions.

No budgetary expenditures are presently proposed for these last two targets. It is presently proposed that they be tested when the other two are at a drilling stage.

BUDGET SUMMARY:

Stage One:

To make a topographic contour map, lay out grids over Targets No. 1 and 2 and to carry out geological and rock and soil geochemical surveys \$68,500.-

Stage Two:

For backhoe trenching and drilling the targets confirmed with Stage One: \$180,000.-
=====

GRAND TOTAL: \$248,500.-

June 10, 1986

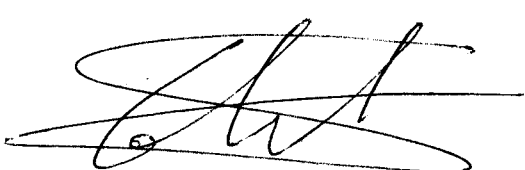

Guillermo Salazar S., P.Eng.



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Figure No. 1: Anderson Claim Project: LOCATION MAP.	After Page 6
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Figure No. 3: Anderson Claim Project: COMPILATION MAP Scale: 1: 10,000.	In Pocket

Figure No. 4: Anderson Claims Project: 1986 Proposed Program
Scale: 1: 10,000. In Pocket

APPENDICES:

Appendix No. 1: Statement of Qualifications and Release of Report
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=====

INTRODUCTION:

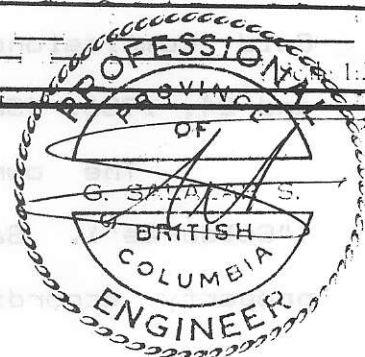
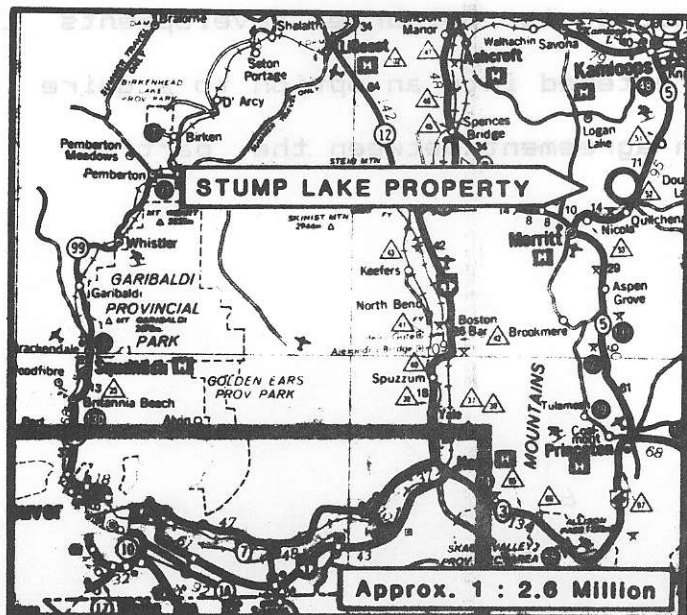
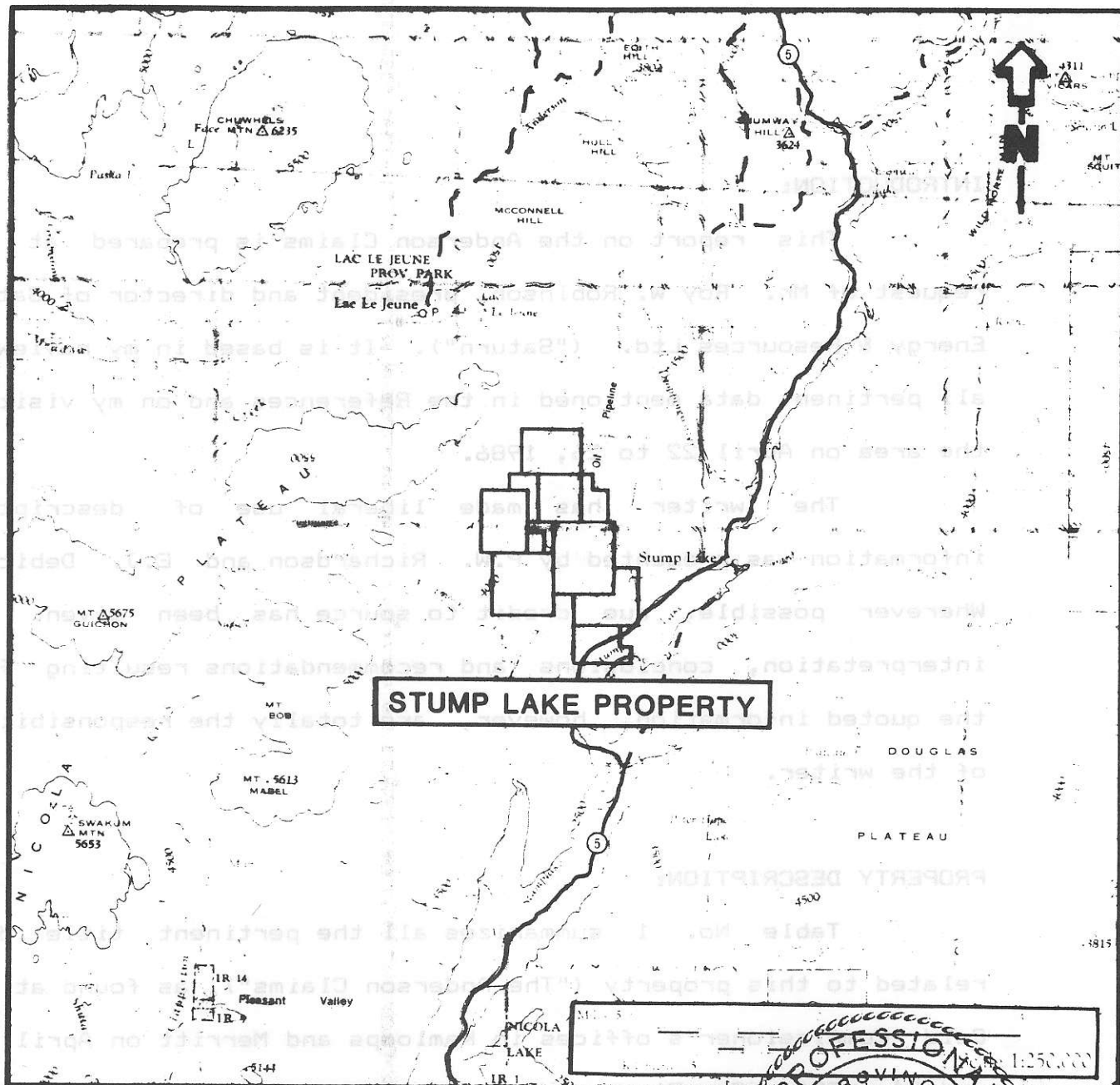
This report on the Anderson Claims is prepared at the request of Mr. Roy W. Robinson, president and director of Saturn Energy & Resources Ltd. ("Saturn"). It is based in my review of all pertinent data mentioned in the References and on my visit to the area on April 22 to 26, 1986.

The writer has made liberal use of descriptive information as presented by P.W. Richardson and E.J. Debicki. Wherever possible, due credit to source has been given. The interpretation, conclusions and recommendations resulting from the quoted information, however, are totally the responsibility of the writer.

PROPERTY DESCRIPTION:

Table No. 1 summarizes all the pertinent title data related to this property ("The Anderson Claims"), as found at the Gold Commissioner's offices in Kamloops and Merritt on April 23 and 24, 1986. (See Figures No. 1 and 2).

The owner of record is Goldbrae Developments Ltd. ("Goldbrae"). Saturn has entered into an option to acquire the property according to an agreement between the parties.



SATURN ENERGY & RESOURCES LTD.

**ANDERSON CLAIMS PROJECT
LOCATION MAP**

NTS : 92-I-8W

WORK BY :

DRAWN BY :

FIGURE NO: 1

**G. SALAZAR & ASSOC.
LTD.**

**INT. GEOL. CONSULTANTS
312 - CEDARBRAE CRES. S.W.
CALGARY, ALBERTA**

LOCATION:

The property is 230.km. NE of Vancouver and 30.km. south of Kamloops, British Columbia. Elevations on the property range from 740.m. to 1430.m.

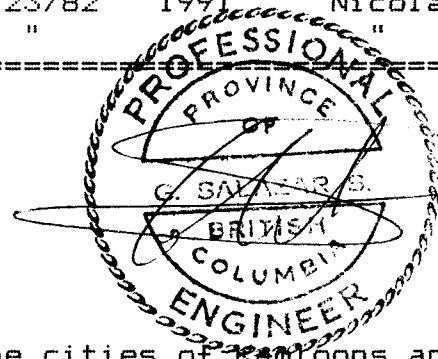
TABLE No. 1: The Anderson Group = Claim Status.

CLAIM NAME	CLAIM TYPE(1)	No. UNITS	RECORD No.	RECORD DATE	EXPIRY DATE	MINING DIVISION
=====						
Anderson Supp. Group: (7 claims, 84 units)						
Anderson	MGS	12	2500	Mar 31/80	1989	Kamloops
Anderson 1	"	8	2501	"	"	"
Anderson 2	"	8	2593	May 8/80	"	"
Anderson 3	"	16	3928	Jan 8/82	"	"
Anderson 4	"	20	4126	Jul 20/82	1990	"
Anderson 5	"	4	5973	Nov 9/84	"	"
Anderson 6	"	16	5974	Nov 9/84	"	"
Lance 5A	"	20	1671	Apr 18/86	1987	Nicola
Bag Group: (2 claims, 35 units)						
Bag 1	"	15	1276	Jul 23/82	1991	Nicola
Bag 2	"	20	1277	"	"	"
=====						
TOTAL:		139 units				

(1):MGS: Modified Grid System.

ACCESS:

Highway No. 5, which connects the cities of Kamloops and Merritt, cuts through the southern claims along the north shore of Stump Lake, which is partially covered by claim Bag No. 1. Access roads to the oil pipeline following Moore Creek and other multipurpose roads give good access to most of the property.



PREVIOUS EXPLORATION:

Detailed descriptions of the work done in the area are found in the references. This portion relies strongly on the data as reported by P. Richardson.

This property is to the north of the Mineral Hill Mine, located south of Stump Lake. It was found in 1882 and has produced 71,323 tonnes of ore yielding 254.783kg of gold, 7,781.65kg of silver, 49.562 tonnes of copper, 1,040.296 tonnes of lead and 235.148 tonnes of zinc (BCMM, 1985) between 1914 and 1952 mainly from the Enterprise vein. Efforts to develop further reserves along this vein/shear in the mid-sixties and seventies were not successful.

Initial interest in the area protected by the Anderson claims was prompted by regional geological similarities to those surrounding the Afton and Craigmont mines and to porphyry copper-molybdenum deposits. It started in 1971 with work carried out by Newconex in the Hollis Creek area and by Monitor Resources Ltd. ("Monitor") in the area to the southeast of Anderson Lake. The copper and molybdenum showings along Moore Creek were found and evaluated at this time. Molybdenite is reported in quartz veins and minor occurrences of pyrite, pyrrhotite and chalcopyrite are reported in the schists and volcanics.

The presence of a fluorite showing near Kullagh Lake, about 1.5km. east of Anderson 4, was first reported in 1976 ("Expl. in B.C.", p.E202). It is described in the 1985 version of

the B.C. Min. of Mines' MINFILE as: "Zoned fluorite and quartz veins varying in width from 2 to 12 cm. occur along a south dipping fault zone in andesites of the Nicola Group." The Redbird claim protects this showing. L. Dekker reports that Chevron Canada drilled four diamond drill holes in the area to the south of Kullagh Lake, into a structural dome within their Microgold claim. This property was later on also tested by BP_Selco of Vancouver.

Dynamic Oil & Gas Ltd. acquired the Lance claims in 1980 by staking. They carried out geochemical and geophysical surveys in the ground protected by the Lance 5A and Anderson 3 claims.

The area protected by the Anderson and Anderson 2 claims was subject of further studies in 1980-81. This programme, which included geological, geochemical and electromagnetic surveying, was carried out by Esperanza Explorations Ltd. The best target found was tested by DDH 80-An1 in the vicinity of a previous percussion hole that had some silver. Esperanza's hole encountered graphytic schists with disseminated sulphides. A chert horizon was found in the footwall of the schist. Goldbrae acquired the property late in 1981.

Also in 1981, the Federal and Provincial Governments expanded their joint Regional Geochemical survey to include Sheet 92I. Sample No. 3099, taken 1.5km. downstream from Anderson Lake, returned the highest fluorine in water value for the sheet at 830.ppb. and one of the highest mercury values at 110ppb.

The Canadian Nickel Co. ("Canico") staked the Bag Nos. 1 and 2 claims in 1982 based on results from a previous year's panned concentrate stream sediment survey that showed the creek draining our Target No. 1 as strongly anomalous in gold, silver, arsenic, tungsten, copper and lead. Canico carried out geological mapping; rock, stream sediment and soil geochemical; and magnetometer and VLF-RADEM geophysical surveys in these claims in 1982 and 1983.

In 1982, Goldbrae carried out gridded surveys over the Anderson, Anderson 2 and Anderson 3 claims. These consisted of:

1. Reconnaissance Crone Vector Pulse and VLF surveys.
2. Limited geological mapping.
- and 3. Copper-silver-zinc soil geochemical survey limited to that area of the Anderson claim west of Beaver pond and claims Anderson 2 and 3.

In 1984, Goldbrae covered the south end of claim Anderson No. 4 and claims Bag No. 1 and 2, which were acquired from Canico, with the following gridded surveys:

1. 90. line km. of magnetometer and VLF-EM.
2. 40. line km. of Vector Pulse EM.
3. 24. line km. of multipole Induced Polarization survey.
- and 4. 90. line km. of soil sampling. Samples were collected in 1983 and were analysed by Acme Labs and Chemex Labs, for the Bag and the Anderson claims samples, respectively. Only the copper and arsenic results and what limited gold and silver analytical results are available are reported.

Dr. Paul W. Richardson was commissioned by Goldbrae to review and summarize all work carried out in the property to May, 1985. White Geophysical Inc. was commissioned by Goldbrae to

carry out a Pulse EM survey on the Anderson 1, 2, and 3 claims in late 1985.

REGIONAL GEOLOGY AND GEOPHYSICAL RESULTS:

The area protected by the claims is underlain by Upper Triassic Nicola Group rocks (See Figure No. 2, unit No. 5) which consist of andesites and basalts with minor, thin, interbedded pyroclastic and sedimentary formations. The Nicola Batholith (Unit "A"), of Jurassic and/or Cretaceous age, intrudes the above sequence and occupies the NW half of claim Anderson No. 3 and claim Lance 5A.

The Nicola Group is complex in detail (Prete, 1979; Richardson, 1985) and has been subdivided into three northerly trending belts separated by two major and high angle faults. One of these, the Quilchena fault, separates the central and eastern belts and crosses the Anderson claims closely following Moore Creek.

Near the Nicola Batholith, the Nicola rocks have been altered to quartz-hornblende-feldspar gneiss and amphibolite-chlorite and biotite-chlorite schist. Strongly graphytic schists define VLF- and pulse-EM anomalies showing a north to northeasterly trend and steep easterly dips. Anomaly "A" (G.E. White, 1982; Richardson, 1985; See Figure No. 3) is the strongest and most continuous graphytic schist horizon thus defined. It was tested by Esperanza Explorations Ltd. with DDH 80-An1, which

found the graphytic schist with disseminated sulphides and overlying a chert horizon. Esperanza reported that this chert is similar to those commonly found associated with bedded massive sulphide deposits.

In a regional scale, the available fluorine analyses depicts the area protected by the claims as a very anomalous one. During our visit, a total of six water samples were collected to check the Government results. Sample 86SL6 was taken at the same site as the Government's sample No. 3099. The initial analysis were confirmed with an assay of 0.8ppm fluorine. Sample 86SL3, taken below our Target No. 1, is also highly anomalous at 0.5ppm. The other four samples were collected from ponds and seeps from within the northern third of our Target No. 2 and are all above the 90 percentile when compared with other samples from Sheet 92I.

LOCAL GEOLOGY:

E.J. Debicki, in his report of Canico's work in the Bag claims, describes the Nicola rocks as follows:

"Unit 1 consists of volcanics subdivided into Unit 1a, a fine to medium grained dark green, often amygdaloidal andesite-basalt, and Unit 1b, feldspar porphyry, fine grained, dark green matrix with white to grey feldspar phenocrysts."

"Unit 2 is subdivided into Unit 2a, rhyolite which is fine grained, white to grey colored, siliceous, often with well developed banding, and Unit 2b, a lapilli tuff, fine to medium grained, white to green colored and siliceous."

"Unit 3 consists of coarse grained massive andesite to

basalt locally with coarser grained gabbroic zones. This Unit may represent a synvolcanic intrusive phase of Unit 1.'

'Unit 4 is a coarse grained, polymictic volcanic breccia-agglomerate, with conglomeratic-like phases. The breccia matrix is fine grained, mafic and often epidote-rich.'

'Unit 5 is composed of a fine grained, aphanitic, grey to black, well bedded argillite. The Unit is pervasively gossan-stained..."

A regional fault system follows the Quilchena fault trend at an Azimuth of 10-30°. Shearing and shattering appear to be parallel to the Enterprise vein system and trend at an Azimuth of 330°. Where observed, shearing and shattering is accompanied by the addition of several episodes of quartz, chalcedony, fluorite, etc. into drusy cavities.

MINERALIZATION AND ALTERATION:

E.J. Debicki summarizes this as follows:

"1. In the southwest corner of the property (northwest corner of Bag 1) the northwest strike length of the Stump Lake (Enterprise) Mine has been located. At 4+00W/7+00S [their grid], a 6-10 cm wide quartz-chalcedony sheeted vein strikes 305-310 [degrees] SW. Parallel, en-echelon quartz-chalcedony veins up to 3 cm wide occur adjacent to the main vein. The vein structure is exposed intermittently in a creek bed over a length of 325 meters and a width of up to 5 meters. Overburden covers the vein structure at either end. Extensive clay, argillic alteration is interpreted to represent the upper level of an epithermal system...'

'2. Coincident with Unit 1a and 1b andesite-basalts in the central area of the claim group, intermittent quartz-carbonate veining occurs with brecciation, fracturing, silicification, pyritization (1-2%) and is weakly gossanized. This veining occurs throughout the

Unit 1 rocks over a maximum width of 200 meters and along the full length of the Unit 1 exposure for 2200 meters extending off the claims [onto the Anderson claim] to the north, and to the south into overburden and Stump Lake. At the north end of the Unit, numerous quartz and quartz-chalcedony veins were located, oriented at various azimuths but generally steeply to vertical dipping. The veins are narrow, generally 0.5 to 3. meters, and can be traced intermittently for distances up to 1,200 meters. The relationship of these veins to those at the Stump Lake (Enterprise) Mine is not known but is assumed to be of the same generation.."

The first area is our Target No. 1, while the second is our Target No. 2 (See Figures No. 2, 3 and 4).

Elsewhere in the report, Debicki describes the area's alteration as follows:

"Alteration on the Bag 1-2 claims was noted in two areas. In the southwest corner of the property (northwest corner of Bag 1) clay or argillite alteration of Unit 2 rocks occurs adjacent to a sheeted, episodically-veined quartz-chalcedony vein. The alteration occurs on either side of the vein over an exposed width of 5 meters. The width of the alteration may be wider, but is overburden covered. Exposure is restricted to an incised creek bed. Coincident with Unit 1a and 1b rocks in the central portion of the claim group, quartz-carbonate alteration zones, usually gossanized, are weakly brecciated, fractured, silicified and pyritized. The extent of this alteration is not pervasive throughout Units 1a and 1b but does occur over a width of up to 200 meters and along the full length of the claim group for 2,200 meters..."

Once again, the area first mentioned is our Target No.1 while the second is our Target No. 2. These two targets, Target No. 3 and the Redbird showing seem to have similar fluorine response, although Target No. 3 is the least known. Targets No. 1, 2 and the Redbird also display most other characteristics generally associated with the upper levels of an epithermal

system, as previously described. This is now enhanced by the addition of typical pathfinder elements like fluorine, mercury and arsenic to the known system(s).

Target No. 1 is the one closest to being a drill target based on coincident geological and geochemical data.

Target No. 2 is larger than No. 1 and is defined by coincident anomalous arsenic in soil, induced polarization/chargeability, fluorine in waters and numerous high gold geochemical values in rock chip samples with assays up to 880ppb gold. Debicki, in his description of this area, implied the possibility that this may be related to a particular horizon of the volcanic pile described by him and related it to his Units 1a and 1b. Should this be confirmed, a fossil geothermal field with an apparent high gold content is defined. The lack of detailed geological mapping and rock geochemical data in this area prevents any further geological modelling.

Target No. 3 is defined by the multi-pathfinder element anomalous stream sediment sample No. 3099 taken about 1.5km. downstream from Anderson Lake. Its outline is defined by a circular topographic feature with Anderson Lake near its north end that occurs at the western edge of an airmagnetic high typical of Nicola volcanic rocks.

In 1971, Monitor carried out a soil sampling, ground magnetometer and prospecting survey searching for porphyry copper mineralization within a portion of Target No. 3. M.J. Fitzgerald

reported that ... "Narrow quartz-carbonate-limonite veinlets were noted in rock specimens taken near 72N/14E..." in an epidote-flooded volcanic breccia. Whether this is an extension of Debicki's Unit 1a and 1b is yet to be proven. If correct, though, the potential fossil geothermal may cover an area at least 5.0km long.

Target No. 4 is protected by Lance 5A, Anderson, Anderson 2 and 3. Here, a copper soil anomaly of better than 160.ppm defines the target. Coincident with it are two pulse- and VLF-EM anomalies as yet not tested.

RECOMMENDED PROGRAM:

The four targets described above are arranged in order of priorities and stage of development. All require detailed geological mapping, trenching and/or rock geochemical sampling prior to drilling in order to better correlate the wealth of geophysical data available. It is recommended that work be initially concentrated in Target No. 1 and 2 because they are better defined and do not seem to be hampered by deep overburden.

Prior to the start of the above programme, a topographic contour map at a scale of 1:5,000 with 5.0m. contour interval should be prepared from available airphotoes.

Should the initial phase described above prove

successful, a drilling program is recommended.

RECOMMENDED BUDGET:

Topographyc Map:

Have a topographyc base map prepared for the area protected by claims Bag 1 and 2, Anderson and Anderson 1; 55 units, 3,400 acres \$2,500.-

STAGE ONE:

Linecutting: Cut and flag grids over Targets No. 1 and 2, as laid out in Figure No. 4 and Table N. 2:
33.85km @ \$220.-/km. \$7,447.-

Geological Mapping and soil/rock sampling: One crew, four weeks: \$30,000.-

Assaying: 300 rocks and 400 soils assayed for gold and silver by conventional Fire Assay/ Atomic Absorption methods and for arsenic and zinc by conventional Atomic Absorption methods:

Soils: 400. @ \$13.55 ea. \$4,920.-

Rocks: 300. @ \$16.40 ea. \$5,420.-

Misc. Assays: \$700.-

Freight: \$400.-

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\$11,440.-

Field Supervision: \$3,500.-

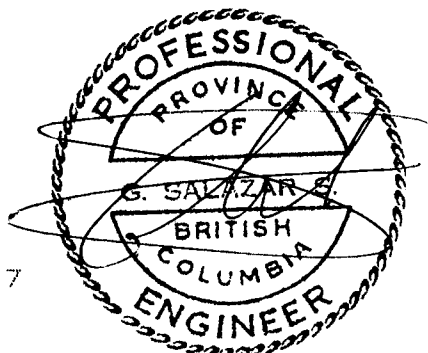
Report \$5,000.-

Miscellaneous, 10% \$5,738.70

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TOTAL = STAGE ONE: \$65,625.70

say \$66,000.-



STAGE TWO:

The program outlined here is dependant on the favorable results encountered in Stage One.

Backhoe trenching:	\$20,000.-
Drilling: Ten 100.m. deep NDWL holes;	
1,000.m @ \$150.-/m.	\$150,000.-
Miscellaneous	\$10,000.-
	=====
 TOTAL- STAGE TWO:	 \$180,000.-

Calgary, June 10, 1986

Guillermo Salazar S., P.Eng.

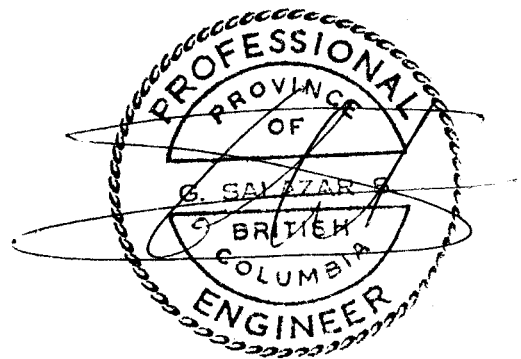


TABLE NO. 2: RECOMMENDED GRID LAYOUT

for

ANDERSON CLAIM GROUP

To accompany report by G. Salazar S. Dated June 10, 1986

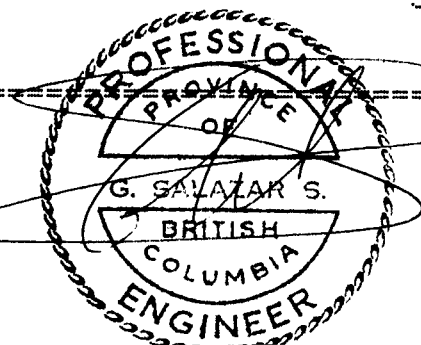
LINE	FROM	TO	DIST. (m.)	LINE	FROM	TO	DIST. (m.)
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TARGET No. 1

BL106+00E	71+00N	60+00N	1100.	57+50N	99+50E	103+00E	350.
BL 60+00N	99+00E	106+00E	700.	57+00N	"	103+50E	400.
BL100+00E	61+00N	55+00N	600.	56+50N	99+00N	104+00E	500.
61+00N	99+00E	102+50E	350.	56+00N	"	"	500.
60+50N	"	"	350.	55+50N	"	"	500.
59+50N	"	"	350.	55+00N	"	104+50E	550.
59+00N	"	"	350.	71+50N	104+50E	106+00E	150.
58+50N	"	"	350.	71+00N	"	"	150.
58+00N	"	103+50E	450.	71+50N	"	"	150.
Total I:							7850.

TARGET No. 2

BL106+00N	71+00N	88+00N	1700.	79+50N	100+00E	113+00E	1300.
88+00N	102+00E	112+00E	1000.	79+00N	"	"	1300.
87+50N	"	"	1000.	78+50N	106+00E	113+00E	700.
87+00N	"	"	1000.	78+00N	104+00E	"	900.
86+50N	"	"	1000.	77+50N	106+00E	"	700.
86+00N	"	"	1000.	77+00N	103+00E	"	1000.
85+50N	"	"	1000.	76+50N	105+00E	"	800.
85+00N	"	"	1000.	76+00N	103+00E	"	1000.
84+50N	"	113+00E	1100.	75+50N	103+50E	"	950.
84+00N	101+50E	"	1150.	75+00N	"	"	950.
83+50N	"	"	1150.	74+50N	106+00E	"	700.
83+00N	101+00E	"	1200.	74+00N	105+50E	"	750.
82+50N	101+50E	"	1150.	73+50N	106+00E	"	700.
82+00N	"	"	1150.	73+00N	104+50E	"	850.
81+50N	100+50E	"	1250.	72+50N	106+00E	"	700.
81+00N	100+00E	"	1300.	72+00N	"	"	700.
80+50N	"	"	1300.	71+50N	"	112+50E	650.
80+00N	"	"	1300.	71+00N	"	112+00E	600.
Total II:							36000.



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APPENDIX N. 1

STATEMENT OF QUALIFICATIONS AND DISCLAIMER

I, Guillermo Salazar S., of 312 Cedarbrae Crescent SW, Calgary, Alberta T2W-1Y4, hereby certify that:

1. I attended and graduated from the Universidad Nacional de Ingenieria de Lima, Peru with a Bachelor's of Science and a Engineering Degrees in Mining Engineering and Mining Geology in 1967. I also attended Harvard University from which I was awarded a Master's of Arts degree in Economic Geology in 1969.

2. I am a registered Professional Engineer in the Province of British Columbia and Professional Geologist in the Province of Alberta. I am also a member in good standing of the Society of Economic Geologists of America and of the Society of Mining Engineers of the AIME.

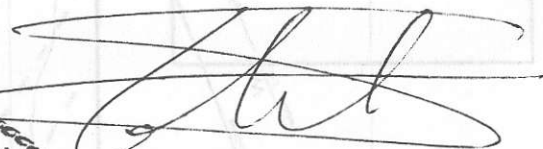
3. I have in excess of fifteen years of experience in my field in the U.S.A., Canada and South America.

4. A personal field inspection of the Anderson property claims was made by me on April 22-26, 1986, and that all available background technical data was also reviewed by me.

5. I have not, directly or indirectly, received, and do not expect to receive, any interest, direct or indirect, in the property of Saturn Energy & Resources Ltd., or any affiliate, and I do not beneficially own, directly or indirectly, any securities of Saturn Energy & Resources Ltd. or any affiliate.

6. This report may be used by Saturn Energy & Resources Ltd. for all corporate purposes, including public financing.

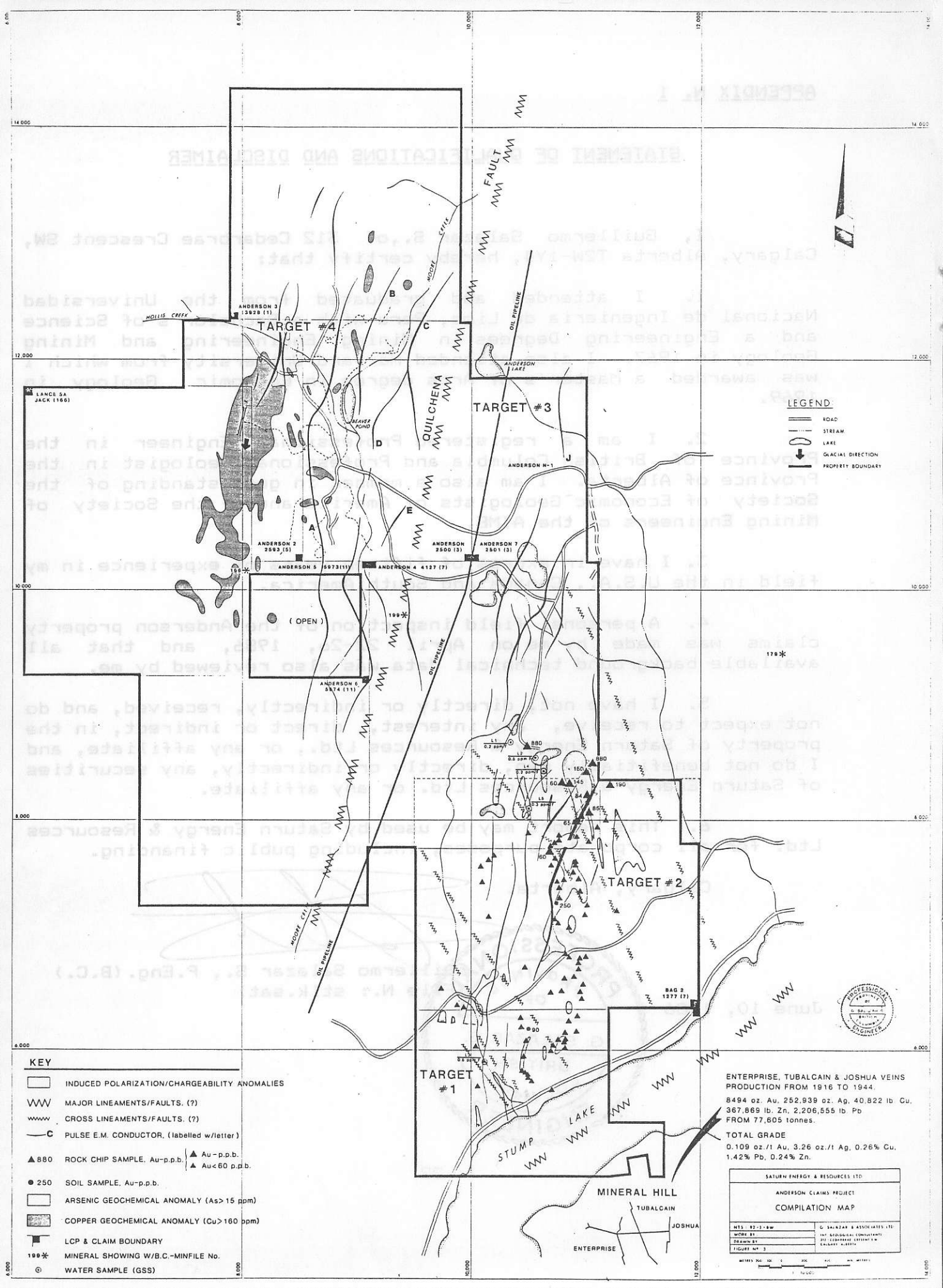
Calgary, Alberta.



Guillermo Salazar S., P.Eng. (B.C.)
(File N.: stlk.sat)

June 10, 1986




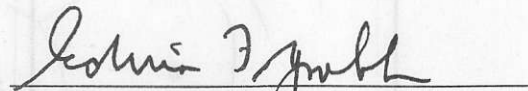


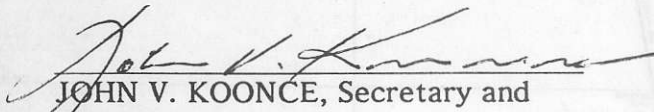
CERTIFICATE OF THE DIRECTORS AND PROMOTERS OF THE ISSUER

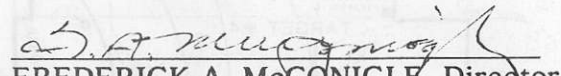
The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Statement of Material Facts.

DATED: January 30, 1987


ROY W. ROBINSON, President
Director and Promoter


EDWIN F. GROBLER,
Director and Promoter


JOHN V. KOONCE, Secretary and
Director


FREDERICK A. MCGONIGLE, Director


STANLEY R. FORD,
Director

CERTIFICATE OF THE AGENT

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

DATED: January 30, 1987

GEORGIA PACIFIC SECURITIES CORPORATION

Per: 

GREATER THAN 5% SHAREHOLDERS OF THE AGENT

Those persons holding an interest of not less than 5% of the capital in Georgia Pacific Securities Corporation are R. Brian Ashton, Kwong C. Kam, Dean Duggan and Larry A. Martin.