



## KILO GOLD MINES LTD.

Dear Shareholder,

The following is a summary of the activities carried out by the Company during 1985.

### YOU CLAIMS

During the late summer of 1985, a work program was carried out on the You gold claims held by the Company on the west coast of Vancouver Island. This work program consisted of detailed stream and soil geochemistry, geological mapping and prospecting. The program was recommended and carried out by Trigg, Woollett & Olson Consulting Ltd., an Edmonton based geological consulting firm, and was completed in early November, 1985.

Prospecting in 1985 disclosed the presence of two additional gold-bearing quartz veins 650 feet northwest of and parallel to the main vein exposed in the upper adit. These two vein exposures, 200 feet apart, may be part of the same northeast-striking structure. Surface geochemical samples yielded grades ranging from 0.02 to 3.00 oz. per ton gold, and grab rock samples from the newly discovered vein assayed up to 6.90 oz. per ton gold over narrow widths.

The main quartz vein is intermittently exposed in the creek beyond the northeast zone for 4,000 feet, where sampling in the past has indicated very good gold grades.

Based on the past results and those obtained during 1985, confirming the presence of good grade gold values, this year's work program, recommended by our consultant geologist, N.C. Carter, Ph.D., P.Eng., will consist of hand trenching and blasting to further evaluate the secondary quartz structure northwest of the main vein. Prospecting

and detailed soil geochemistry will be carried out on the anomalous area detected in the southeast part of the Ex claim, and a limited diamond drill program is planned to further evaluate the continuity and grade of the principal gold bearing quartz vein to depth and along strike.

#### CAPELLA CLAIMS

Past production records for the Capella claims, located in the Slocan area of British Columbia, indicate that 191 short tons were shipped between 1899 and 1944 yielding 42.78 oz. gold (0.224 oz. per ton) and 78,733 oz. silver (412 oz. per ton).

The geochemical survey completed in 1985, consisted of the collection of 602 soil samples analyzed for silver, lead and zinc, which indicated three primary anomalous areas, identified as the Turriss, Capella and Wallace anomalies. The Turriss extends approximately 1,650 feet and is open to the west. Mineralization on the Capella claims shows significant silver values as high as 29.79 oz. per ton, and interesting gold values of up to 0.52 oz. per ton. A follow-up detailed soil and chip sampling program of the mineralized structures, recommended by N.C. Carter, Ph.D., P.Eng., will be undertaken this year.

#### BEAVER CLAIMS

Kilo holds an option on the four Beaver claims in the Slocan Mining Division, where during 1985, soil samples were collected and analyzed for copper, lead and silver, indicating three areas of coincident anomalous values. Follow-up sampling on the most significant area confirmed the presence of a northerly trending, 900 by 700 foot area where silver, lead and copper values are well above threshold values. Sparse outcrops in this area will be trenched and blasted to determine the source(s) of these geochemical anomalies.

Known mineralized structures, previously developed by three adits (now caved), strike north-northeast. Two grab samples taken earlier from the No.1 and No.2 dumps assayed 4.90% copper, 42.50% lead

and 177.62 oz. per ton silver, and 1.84% copper, 64.70% lead and 46.64 oz. per ton silver. Past reports indicate that the galena carried from 26 to 204 oz. and as high as 400 oz. of silver per ton. Chip and grab samples from a number of sparse outcrops taken during 1985 returned values from 4.00 to 13.4 oz. per ton silver, 3.36 to 55.4% lead and low copper and gold values. More detailed sampling to possibly extend the zone to the north will be undertaken.

#### KILO AREA CLAIMS

The Kilo, Skylark, Ranger and Den claims are situated in the Lemon Creek area of the Slocan Mining Division.

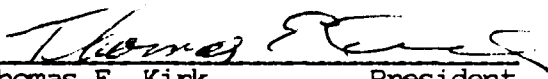
Detailed soil geochemical sampling in the vicinity of the Kilo adits confirmed an anomalous area for a distance of 500 feet northwest of the uppermost workings. Several sloughed trenches within this area attest to the probable continuation of the vein structure in this direction.

The most extensive underground workings are reported to be in excess of 2,200 feet and are situated on the Kilo claims. The production of the 2,336 tons that were mined returned 953 oz. gold and 868 oz. silver from stopes developed off the lower levels - specifically Lot 9329. All portals are sloughed except the No. 3, where the vein (approximately 400 feet in length) was chip sampled in 1979 at 5 to 10 foot intervals by the original owner, and yielded assays ranging from trace to 1.91 oz. gold and trace to 2.81 oz. silver per ton.

Additional work was done in 1985 on Kilo's Skylark, Ranger and Den claims, where geochemical sampling indicated a vein structure with a strike length of 2,300 feet and a width of 3.28 feet and is open to the west. These claims were developed in the past by 4 adits and a number of old trenches which are now caved. Grab samples from the old workings assayed 71.83 oz. per ton silver and 0.534 oz. per ton gold. A chip sample from trench No. 7 yielded 22.08 oz. per ton silver and 1.056 oz. per ton gold. In 1899, this property made a small bulk shipment of three tons to a nearby mill and the recovery was 4 oz. gold and 332 oz. silver.

Based on the highly encouraging results obtained during the 1985 work season, which outlined several positive targets, we are looking forward to a very successful season for 1986, and work will commence as soon as weather permits. With our appreciation for your continuing support, we feel confident that this year will be very rewarding.

ON BEHALF OF THE BOARD

  
Thomas E. Kirk, President

# Deloitte Haskins+Sells

Chartered Accountants

18th Floor  
Toronto-Dominion Tower  
Edmonton Centre  
Edmonton, Alberta T5J 3P9  
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Telex 037-3032  
Cable DEHANDS

To the Shareholders of  
Kilo Gold Mines Ltd.:

We have examined the balance sheet of Kilo Gold Mines Ltd. as at December 31, 1985 and the statement of changes in financial position for the eleven months 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 December 31, 1985 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

*Deloitte Haskins & Sells*

April 4, 1986

KILO GOLD MINES LTD.

BALANCE SHEET

DECEMBER 31, 1985

|  | <u>December 31,</u><br>1985 | <u>January 31,</u><br>1985 |
|--|-----------------------------|----------------------------|
| <u>ASSETS</u>  |                             |                            |
| CURRENT ASSETS   |                             |                            |
| Cash and term deposits                                 | \$192,822                   | \$ 9,751                   |
| Refundable deposit                                     | 28,597                      | -                          |
| Due from a director                                    | <u>-</u>                    | <u>259</u>                 |
|  | 221,419                     | 10,010                     |
| MINERAL PROPERTIES (Note 3)                            | 58,303                      | 2,503                      |
| DEFERRED EXPLORATION AND ADMINISTRATION COSTS (Note 4) | 219,247                     | 28,949                     |
| PERFORMANCE BOND, at cost                              | <u>2,500</u>                | <u>2,500</u>               |
|  | <u>\$501,469</u>            | <u>\$43,962</u>            |
| <u>LIABILITIES</u>                                     |                             |                            |
| CURRENT LIABILITIES                                    |                             |                            |
| Accounts payable and accrued charges                   | \$ 7,453                    | \$24,958                   |
| Management fee   | 8,000                       | -                          |
| Due to a director                                      | <u>1,454</u>                | <u>-</u>                   |
|  | <u>16,907</u>               | <u>24,958</u>              |
| CONTINGENCIES AND COMMITMENTS (Notes 3, 5, 6 and 9)    |                             |                            |
| <u>SHAREHOLDERS' EQUITY</u>                            |                             |                            |
| SHARE CAPITAL (Note 5)                                 |                             |                            |
| Authorized - unlimited number of common shares         |                             |                            |
| Issued   |                             |                            |
| For cash - 1,740,001 shares                            |                             |                            |
| (January 31, 1985 - 190,001 shares)                    | 484,559                     | 19,001                     |
| For mining properties - 750,000 shares                 | <u>3</u>                    | <u>3</u>                   |
|  | <u>484,562</u>              | <u>19,004</u>              |
|  | <u>\$501,469</u>            | <u>\$43,962</u>            |

Approved by the Board:

.....*Thomas E. ...*.....Director

.....*K.B. Blakey*.....Director

KILO GOLD MINES LTD.

STATEMENT OF CHANGES IN FINANCIAL POSITION

ELEVEN MONTHS ENDED DECEMBER 31, 1985

|   | December 31,<br>1985<br>(11 months) | January 31,<br>1985<br>(2-1/2 months) |
|---|-------------------------------------|---------------------------------------|
| SOURCE OF WORKING CAPITAL                         |                                     |                                       |
| Issue of share capital                            | <u>\$590,000</u>                    | <u>\$ 19,004</u>                      |
| USES OF WORKING CAPITAL                           |                                     |                                       |
| Mineral property option payments                  |                                     |                                       |
| You   | 35,000                              | 2,501                                 |
| Beaver  | 12,500                              | 1                                     |
| Kilo  | 8,300                               | 1                                     |
| Exploration costs                                 |                                     |                                       |
| You   | 107,350                             | -                                     |
| Beaver  | 12,821                              | -                                     |
| Capella   | 12,276                              | -                                     |
| Kilo  | 14,699                              | 5,774                                 |
| Administration costs                              | 43,152                              | 23,175                                |
| Performance bond                                  | -                                   | 2,500                                 |
| Share issue expenses                              | <u>124,442</u>                      | <u>-</u>                              |
|   | <u>370,540</u>                      | <u>33,952</u>                         |
| INCREASE (DECREASE) IN WORKING CAPITAL            | 219,460                             | (14,948)                              |
| WORKING CAPITAL (DEFICIENCY), BEGINNING OF PERIOD | <u>(14,948)</u>                     | <u>-</u>                              |
| WORKING CAPITAL (DEFICIENCY), END OF PERIOD       | <u>\$204,512</u>                    | <u>\$(14,948)</u>                     |

KILO GOLD MINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1985

1. INCORPORATION

The company was incorporated on October 15, 1984. During 1985 the company acquired equity financing by a public issue of its share capital and commenced exploration of its mineral properties.

The economic feasibility of developing the properties is uncertain.

2. SIGNIFICANT ACCOUNTING POLICY

The financial statements have been prepared in accordance with generally accepted accounting principles, and reflect the following policy:

Mineral properties

Acquisition, exploration and development costs of mineral properties are capitalized and will be depleted on a unit-of-production basis at such time as production commences. Administration costs are allocated to properties in proportion to the exploration and development costs incurred on each property.

Under this method all costs are categorized by property and are charged against earnings if the property is abandoned.

All costs incurred to December 31, 1985 represent costs associated with non-producing properties.

3. MINERAL PROPERTIES

|   | <u>December 31,</u><br>1985 | <u>January 31,</u><br>1985 |
|---|-----------------------------|----------------------------|
| You Claims Option                                 | \$37,501                    | \$2,501                    |
| Capella and Beaver Claims Options                 | 12,501                      | 1                          |
| Kilo Area Claims Options and Letter<br>Agreements | <u>8,301</u>                | <u>1</u>                   |
|   | <u>\$58,303</u>             | <u>\$2,503</u>             |

You Claims Option

The company has acquired an assignment of an option on 4 claims for 300,000 common shares. Full exercise of the option is, accordingly, subject to a prior agreement which requires the following:

- (a) scheduled payments to May, 1993 totalling \$770,000 of which \$47,000 has been paid, including \$9,500 paid by the assignor.



KILO GOLD MINES LTD.NOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 1985

## 3. MINERAL PROPERTIES (continued)

You Claims Option (continued)

Current scheduled payments totalling \$40,000 are due as follows:

|                  |                 |
|------------------|-----------------|
| May 1, 1986      | \$15,000        |
| November 1, 1986 | <u>15,000</u>   |
|                  | <u>\$30,000</u> |

(b) minimum claim work obligations for each of the fiscal years ended May 1, as follows:

|      |           |
|------|-----------|
| 1986 | \$125,000 |
| 1987 | 125,000   |
| 1988 | 150,000   |

and thereafter \$200,000 per year until the option has been exercised;

(c) a royalty of 5-1/2% in net smelter returns;

(d) in the event ore is mined prior to completion of the scheduled payments, an acceleration of payments by means of an additional 10% net smelter return.

Capella and Beaver Claims Options

The company has acquired a joint assignment with respect to options on 8 claims for 75,000 common shares. Full exercise of the options is subject to prior agreements as follows:

(a) the Capella Option (4 claims) requires that an active exploration and development program be commenced by December, 1985 and that the optionor receive a royalty of 10% in net smelter returns;

(b) the Beaver Option (4 claims) requires scheduled payments to November, 1988 totalling \$50,000, of which \$12,500 has been paid and a royalty of 8% in net smelter returns.

A current scheduled payment of \$10,000 is due on November 30, 1986.

KILO GOLD MINES LTD.NOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 1985

## 3. MINERAL PROPERTIES (continued)

Kilo Area Claims Options and Letter Agreements

The company has acquired a joint assignment with respect to 33 claims for 375,000 common shares. Full exercise of the options and agreements is subject to prior agreements on 17 of the claims as follows:

## (a) Letter of Agreement (7 claims)

Scheduled payments, not exceeding \$10,000 per year, are required to be made towards a purchase price of \$120,000. In addition, should the claims reach production, a royalty of 2% in net smelter returns is payable to a maximum of \$120,000.

A current scheduled payment of \$7,000 is due on August 31, 1986.

## (b) Letter of Agreement (2 claims)

Full exercise of the agreement requires payments of \$5,000, which have been paid, and payment of a royalty of 2% in net smelter returns at such time as production commences.

## (c) Option (4 claims)

Full exercise of the option required scheduled payments to November, 1984 totalling \$37,500 which has been paid by the assignor.

## (d) Letter of Agreement (4 claims)

Under the original agreement the company was committed to undertake evaluation of the claims by the minimum expenditures of \$100,000 during calendar year 1985 and \$120,000 during calendar year 1986.

The company did not expend the required \$100,000 during 1985 and has obtained an amendment to the agreement whereby these minimum expenditures have been waived in lieu of costs incurred to date and programs recommended by a consulting geologist (Note 6).

In addition, full exercise of the agreement requires the following:

- (i) payment of \$200,000 on or before March 17, 1990;
- (ii) a royalty of 10% in net smelter returns.

KILO GOLD MINES LTD.NOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 1985

## 4. DEFERRED EXPLORATION AND ADMINISTRATION COSTS

|                           | <u>December 31,</u><br>1985 | <u>January 31,</u><br>1985 |
|---------------------------|-----------------------------|----------------------------|
| Exploration costs         |                             |                            |
| You area claims           | \$107,350                   | \$ -                       |
| Beaver area claims        | 12,821                      | -                          |
| Capella area claims       | 12,276                      | -                          |
| Kilo area claims          | <u>20,473</u>               | <u>5,774</u>               |
|                           | <u>152,920</u>              | <u>5,774</u>               |
| Administration costs      |                             |                            |
| Advertising and promotion | 2,000                       | -                          |
| Automobile                | 2,956                       | -                          |
| Interest and bank charges | 114                         | -                          |
| Management fee            | 24,000                      | -                          |
| Office                    | 11,474                      | 335                        |
| Professional fees         | 10,970                      | 20,000                     |
| Rent                      | 5,115                       | 465                        |
| Salaries and benefits     | 11,560                      | 1,431                      |
| Travel                    | <u>6,073</u>                | <u>944</u>                 |
|                           | 74,262                      | 23,175                     |
| Less interest income      | <u>7,935</u>                | <u>-</u>                   |
|                           | <u>66,327</u>               | <u>23,175</u>              |
|                           | <u>\$219,247</u>            | <u>\$28,949</u>            |

## 5. SHARE CAPITAL

(a) During the eleven months ended December 31, 1985, the company issued the following common shares for cash consideration:

| <u>Common</u><br><u>Shares</u> | <u>Share</u><br><u>Price</u> | <u>Gross</u><br><u>Proceeds</u> | <u>Net</u><br><u>Proceeds</u> |
|--------------------------------|------------------------------|---------------------------------|-------------------------------|
| <u>50,000</u>                  | \$0.10                       | \$ <u>5,000</u>                 | \$ 5,000                      |
| 1,100,000                      | \$0.35                       | 385,000                         |                               |
| 200,000                        | \$0.45                       | 90,000                          |                               |
| <u>200,000</u>                 | \$0.55                       | <u>110,000</u>                  |                               |
| <u>1,500,000</u>               |                              | <u>585,000</u>                  | <u>460,558</u>                |
| <u>1,550,000</u> Shares        |                              | <u>\$590,000</u>                | <u>\$465,558</u>              |

KILO GOLD MINES LTD.NOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 1985

## 5. SHARE CAPITAL (continued)

(b) Pursuant to an underwriting agreement the underwriter has received an extension of their option to acquire 200,000 common shares of the company at \$0.65 per share until July 11, 1986.

(c) The company has established a Directors and Management Stock Option Plan whereby 250,000 common shares have been allocated for distribution to persons eligible as determined from time to time by the company's Directors. The options may be exercised at a price of 35 cents per share until the expiry date of November 19, 1990.

## 6. CONTINGENCIES AND COMMITMENTS

The company's commitments with respect to the maintenance of options and agreements on its mineral properties are described in Note 3. The minimum annual expenditures required to maintain these options and agreements, assuming on-going exploration and development is warranted, are summarized as follows:

|                                     | <u>Year Ended December 31,</u> |                  |                  |                  |                  | <u>1991 and<br/>Subsequent</u> | <u>Total</u>       |
|-------------------------------------|--------------------------------|------------------|------------------|------------------|------------------|--------------------------------|--------------------|
|                                     | <u>1986</u>                    | <u>1987</u>      | <u>1988</u>      | <u>1989</u>      | <u>1990</u>      |                                |                    |
| You Claims                          |                                |                  |                  |                  |                  |                                |                    |
| Option payments                     | \$ 30,000                      | \$ 40,000        | \$100,000        | \$120,000        | \$120,000        | \$313,000                      | \$ 723,000         |
| Exploration<br>Commitment           | 125,000                        | 125,000          | 150,000          | 200,000          | 200,000          | 400,000                        | 1,200,000          |
| Beaver Claims                       |                                |                  |                  |                  |                  |                                |                    |
| Option payments                     | 10,000                         | 10,000           | 17,500           | -                | -                | -                              | 37,500             |
| Kilo Claims                         |                                |                  |                  |                  |                  |                                |                    |
| Option and<br>Agreement<br>payments | 7,000                          | 9,000            | 10,000           | 10,000           | 10,000           | 268,000                        | 314,000            |
| Exploration<br>Commitment           | <u>97,750</u>                  | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>                       | <u>97,750</u>      |
|                                     | <u>\$269,750</u>               | <u>\$184,000</u> | <u>\$277,500</u> | <u>\$330,000</u> | <u>\$330,000</u> | <u>\$981,000</u>               | <u>\$2,372,250</u> |

KILO GOLD MINES LTD.NOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 1985

## 6. CONTINGENCIES AND COMMITMENTS (continued)

A March 1986 geological report issued with respect to the company's properties recommends further exploration programs as follows:

|                |                  |
|----------------|------------------|
| You Claims     | \$119,600        |
| Capella Claims | 8,250            |
| Beaver Claims  | 25,000           |
| Kilo Claims    | <u>97,750</u>    |
|                | <u>\$250,600</u> |

## 7. OPERATING LEASE

The company has entered into an operating lease of office space, effective March 1, 1985.

Minimum lease payments under the operating lease expiring March 1, 1987 are:

|                          |                |
|--------------------------|----------------|
| Year ending December 31, |                |
| 1986                     | \$5,580        |
| 1987                     | <u>1,395</u>   |
|                          | <u>\$6,975</u> |

## 8. RELATED PARTY TRANSACTIONS

The company's mineral properties were all acquired from companies with whom the company's President is associated.

## 9. CONTINUING OPERATIONS

At December 31, 1985 the company had working capital of approximately \$200,000. This amount is insufficient to meet current option payments of \$47,000, and the recommended exploration program costs of \$250,600.

Accordingly, the company's ability to meet its commitments will depend on its ability to obtain debt, or additional equity financing or, alternatively, on the sale or abandonment of selected claims.

KILO GOLD MINES LTD.  
751 ESSO TOWER  
10060 JASPER AVENUE  
EDMONTON, ALBERTA  
T5J 2P4

NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual and Special General Meeting of Shareholders of Kilo Gold Mines Ltd. (the "Corporation") will be held at the Edmonton Chamber of Commerce Boardroom, 600 Sun Life Place, 10123 - 99 Street, Edmonton, Alberta, on Wednesday, the 25th day of June, 1986, at the hour of 3.00 p.m. (Edmonton Time) for the following purposes:

1. To approve and accept the Annual Report of the directors to the shareholders, the Financial Statements of the Corporation for the fiscal period ending the 31st day of December, 1985, and the Auditor's Report thereon;
2. To elect directors for the ensuing year;
3. To appoint auditors for the ensuing year and to authorize the directors to fix the remuneration of the auditors;
4. To consider the acts of the directors in authorizing a Directors' and Management Stock Option Plan, the terms of which are summarized in the attached Information Circular;
5. To table a copy of the Directors' and Management Stock Option Plan Agreements between the Corporation and Thomas E. Kirk, Patrick Young, Kenneth Bertram Blakey, Dennis W. Fleck and Canada Permanent Trust Company, the terms of which Directors' and Management Stock Option Plan Agreements are summarized in the attached Information Circular;
6. If deemed advisable, to approve, ratify and confirm by Special Resolution the actions of the Corporation in authorizing the Directors' and Management Stock Option Plan and entering into the Directors' and Management Stock Option Agreements;
7. To transact such other business as may properly come before the meeting.

The share transfer books of the Corporation will not be closed but, in lieu thereof, the Board of Directors has fixed the close of business on the 6th day of May, 1986, as the record date for the determination of Shareholders who are entitled to notice of the Annual and Special General Meeting of Shareholders, or any adjournment or adjournments thereof.

Shareholders who are unable to attend the meeting in person and who wish to ensure that their shares will be voted at the meeting are requested to

complete, sign and mail the enclosed Instrument of Proxy in accordance with the instructions set out in the Instrument of Proxy and in the Information Circular accompanying this Notice of Annual and Special General Meeting of Shareholders.

DATED at the City of Edmonton, in the Province of Alberta, this 29th day of May, 1986.

BY ORDER OF THE BOARD

Thomas E. Kirk  
President

KILO GOLD MINES LTD.  
751 ESSO TOWER  
10060 JASPER AVENUE  
EDMONTON, ALBERTA  
T5J 2P4

## INFORMATION CIRCULAR

### PURPOSE OF SOLICITATION

This Information Circular is furnished in connection with the solicitation of proxies by the management of Kilo Gold Mines Ltd. (the "Corporation") for use at the Annual and Special General Meeting of Shareholders of the Corporation to be held at the Edmonton Chamber of Commerce Boardroom, 600 Sun Life Place, 10123 - 99 Street, Edmonton, Alberta, on Wednesday, the 25th day of June, 1986, at the hour of 3.00 p.m. (Edmonton time) and at any adjournments thereof for the purposes set out in the enclosed Notice of Annual and Special General Meeting of Shareholders. The solicitation of proxies will be by mail. Also enclosed is an Instrument of Proxy for use at such meeting. The cost of any such solicitation will be borne by the Corporation.

### APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed Instrument of Proxy are directors of the Corporation. A SHAREHOLDER WISHING TO APPOINT SOME OTHER PERSON (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT HIM AT THE MEETING HAS THE RIGHT TO DO SO, EITHER BY INSERTING SUCH PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE INSTRUMENT OF PROXY OR BY COMPLETING ANOTHER INSTRUMENT OF PROXY. A proxy will not be valid unless the completed Instrument of Proxy is deposited at the registered office of the Corporation, 751 Esso Tower, 10060 Jasper Avenue, Edmonton, Alberta, T5J 2P4, not less than 24 hours before the time fixed for the meeting, in default of which the Instrument of Proxy shall not be treated as valid.

A Shareholder who has given a proxy may revoke it by an instrument in writing deposited either at registered office of the Corporation, 751 Esso Tower, 10060 Jasper Avenue, Edmonton, Alberta, T5J 2P4, at any time up to and including the last business day preceding the day of the meeting or, if adjourned, any reconvening thereof, or the Chairman of the meeting on the day of the meeting or, if adjourned, any reconvening thereof, or in any other manner provided by law. Where a proxy has been revoked, the Shareholder may personally attend at the meeting and vote his shares as if no proxy had been given.

### VOTING OF PROXIES

All shares represented at the meeting by properly executed proxies will be voted on any ballot that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the Instrument of Proxy, the shares represented by the proxy will be voted in accordance with such specification. In the absence of any such specifications, the management designees, if named as proxy, will vote in favour of all the matters set out



thereon. The enclosed Instrument of Proxy confers discretionary authority upon the management designees or other persons named as proxy with respect to amendments to or variations of matters identified in the Notice of Annual and Special General Meeting of Shareholders and any other matters which may properly come before the meeting. At the time of printing of this Information Circular the management of the Corporation knows of no such amendment, variation or other matter.

**RECORD DATE**

The Board of Directors has fixed the close of business on the 6th day of May, 1986 as the record date for the determination of Shareholders who are entitled to notice of the Annual and Special General Meeting of Shareholders, or any adjournment or adjournments thereof. The transfer books of the Corporation will not be closed.

**VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The holders of the Common shares of record at the time of the meeting are entitled to vote such shares at the meeting on the basis of one vote for each share held, there being only one class of shares entitled to vote at the Annual and Special General Meeting of Shareholders. Of the Corporation's authorized unlimited number of Common shares, 2,490,001 Common shares are issued and outstanding as fully paid and non-assessable and 250,000 are reserved under a directors' and management stock option plan.

To the knowledge of the directors and senior officers of the Corporation, the Shareholders beneficially owning, directly or indirectly, equity shares carrying more than 10% of the voting rights of the outstanding equity shares of the Corporation are:

| <u>NAME AND MUNICIPALITY OF RESIDENCE</u>   | <u>TYPE OF OWNERSHIP</u> | <u>NUMBER OF SHARES</u> | <u>APPROXIMATE % OF ISSUED AND OUTSTANDING EQUITY SHARES</u> |
|---|--------------------------|-------------------------|--|
| French Creek Placers Ltd.<br>Victoria, B.C. | of record and beneficial | 318,750                 | 12.80%   |
| Pacific Coast Copper Ltd.<br>Victoria, B.C. | of record and beneficial | 318,750                 | 12.80%   |

As of the 29th day of May, 1986, the directors and senior officers as a group owned beneficially, directly and indirectly, 708,950 shares of the Corporation representing approximately 28.47% of the presently issued capital.

**DIRECTORS**

The following sets forth the name and address of each of the persons who are presently directors of the Corporation, his principal occupation at present, all other positions and officer in the Corporation held by him, the year in which he was first elected a director, and the approximate number of shares of the Corporation that he has advised the Corporation are beneficially owned by

him, directly or indirectly:

| DIRECTOR                                    | POSITION PRESENTLY HELD          | CHIEF OCCUPATION   | DIRECTOR SINCE   | SHARES BENEFICIALLY HELD AS OF MAY 29, 1986 |
|---|----------------------------------|--|------------------|---|
| Thomas E. Kirk<br>Victoria,<br>B.C.         | President and Director           | Prospector, Director of Carnes Creek Exploration Ltd., Tesla Explorations Ltd., and President and director of Pacific Coast Copper Ltd. and French Creek Placers Ltd.  | October 15, 1984 | 686,750                                     |
| Patrick C. Young<br>Edmonton,<br>Alberta    | Secretary-Treasurer and Director | Chartered Accountant.  | October 15, 1984 | NIL   |
| Kenneth Bertram Blakey<br>Victoria,<br>B.C. | Director                         | Director of Mosquito Gold Mining Co. Ltd., Dolly Varden Minerals Inc., Lytton Minerals Ltd., Moran Resources Ltd., and Silver Spring Mines Ltd., Secretary-Treasurer and director of French Creek Placers Ltd. | October 15, 1984 | 17,200                                      |
| Dennis W. Fleck<br>Edmonton,<br>Alberta     | Director                         | Vice-President, First Commonwealth Securities Corp.  | October 15, 1984 | 5,000                                       |

#### ELECTION OF DIRECTORS

It is proposed that the following persons will be nominated at the meeting. IT IS THE INTENTION OF THE MANAGEMENT DESIGNEE, IF NAMED AS PROXY, TO VOTE FOR THE ELECTION OF SAID PERSONS TO THE BOARD OF DIRECTORS UNLESS OTHERWISE DIRECTED. Each director elected will hold office until the next annual meeting, or until his successor is duly elected or appointed, unless his office be earlier vacated in accordance with the Business Corporations Act (Alberta). The following information relating to the nominees as directors is based partly on the Corporation's records and partly on information received by the Corporation from the said nominees and sets forth the name and address of each of the persons proposed to be nominated for election as a director, his principal occupation at present, all other positions and offices in the Corporation held by him, the year in which he was first elected a director, and the approximate number of shares of the Corporation that he has advised the Corporation are beneficially owned by him, directly or indirectly.

The directors' term of office shall be from the date of the meeting at which they are elected or appointed until the annual general meeting next following or until their successors are appointed.

| DIRECTOR                                       | POSITION PRESENTLY HELD | CHIEF OCCUPATION   | DIRECTOR SINCE   | SHARES BENEFICIALLY HELD AS OF <>, 1986 |
|--|-------------------------|--|------------------|---|
| Thomas E. Kirk<br>Victoria,<br>B.C.            | President and Director  | Prospector, Director of Carnes Creek Exploration Ltd., Tesla Explorations Ltd., and President and director of Pacific Coast Copper Ltd. and French Creek Placers Ltd.  | October 15, 1984 | 686,750                                 |
| Kenneth Bertram<br>Blakey<br>Victoria,<br>B.C. | Director                | Director of Mosquito Gold Mining Co. Ltd., Dolly Varden Minerals Inc., Lytton Minerals Ltd., Moran Resources Ltd., and Silver Spring Mines Ltd., Secretary-Treasurer and director of French Creek Placers Ltd. | October 15, 1984 | 17,200                                  |
| Dennis W. Fleck<br>Edmonton,<br>Alberta        | Director                | Vice-President, First Commonwealth Securities Corp.  | October 15, 1984 | 5,000                                   |
| John W.S. Roeder<br>Boise,<br>Idaho            | N/A                     | President, Interex Development Corp., Roeder Mining Inc., Nevada Oil & Minerals Corp., Hydrotech, Inc., E-Z Log Inc. and Spiral Engineering U.S.A. Inc.  | N/A              | NIL                                     |
| David S. Evans<br>Calgary,<br>Alberta          | N/A                     | Independent Geochemical and Geophysical Consultant.  | N/A              | Nil                                     |

#### DIRECTORS' AND MANAGEMENT STOCK OPTIONS

Pursuant to a Resolution of the Board of Directors of the Corporation dated November 19, 1984, the Corporation offered a stock option plan to its directors and management. As at May 29, 1986 the Corporation has signed stock

option agreements with its directors and managers as follows:

| NAME              | NUMBER OF<br>COMMON SHARES<br>UNDER OPTION | EXERCISE PRICE PER<br>COMMON SHARE | EXPIRY DATE       |
|-------------------|--|------------------------------------|-------------------|
| Thomas E. Kirk    | 50,000 shares                              | \$0.35                             | November 19, 1990 |
| Kenneth B. Blakey | 30,000 shares                              | \$0.35                             | November 19, 1990 |
| Patrick C. Young  | 30,000 shares                              | \$0.35                             | November 19, 1990 |
| Dennis W. Fleck   | 30,000 shares                              | \$0.35                             | November 19, 1990 |

An additional 110,000 Common shares have been reserved for possible future stock option agreements with new directors or managers as they join the Corporation.

#### REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The following table sets out the aggregate remuneration paid by the Corporation to its directors and senior officers for its financial period ended December 31, 1985:

|                               | NATURE OF REMUNERATION                   |  |                      |
|-------------------------------|--|--|----------------------|
|                               | FROM OFFICE<br>EMPLOYMENT<br>(AGGREGATE) | COST OF PENSION<br>BENEFITS<br>(AGGREGATE) | OTHER<br>(AGGREGATE) |
| Directors (total<br>number 4) | NIL                                      | NIL  | NIL                  |
| Senior Officers               | \$24,000                                 | NIL  | NIL                  |

The aggregate remuneration to be paid to senior officers of the Corporation for the period from December 31, 1985 to December 31, 1986 is not expected to exceed \$24,000. No remuneration is to be paid to directors as such.

#### APPOINTMENT OF AUDITORS

The Shareholders will be asked to vote for the re-appointment of Deloitte Haskins & Sells, Chartered Accountants, 18th Floor, Toronto-Dominion Tower, Edmonton Centre, Edmonton, Alberta, as auditors of the Corporation for the current fiscal year and to authorize the directors to fix their remuneration. Deloitte Haskins & Sells have been the auditors of the Corporation since its inception.

#### OTHER BUSINESS

Management is not aware of any matter to come before the meeting other than as set forth in the Notice of Annual and Special General Meeting of Shareholders. If any other matter properly comes before the meeting, it is the intention of the persons named in the Instrument of Proxy to vote the shares represented thereby in accordance with their best judgment on such matter.