

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

**NEW ISSUE****KILO GOLD MINES LTD.**

**1,100,000 UNDERWRITTEN COMMON SHARES**  
(without nominal or par value)

**PRICE: \$0.35 PER SHARE**

**THERE IS NO MARKET FOR THE COMMON SHARES, THE PRICE TO THE PUBLIC OF THE 1,100,000 UNDERWRITTEN COMMON SHARES (THE "UNDERWRITTEN SHARES") WAS DETERMINED BY NEGOTIATION BETWEEN THE CORPORATION AND ITS UNDERWRITER.**

<b>1,100,000 UNDERWRITTEN SHARES</b>	<b>PRICE TO THE PUBLIC</b>	<b>UNDERWRITER'S FEE</b>	<b>NET PROCEEDS TO THE CORPORATION (1)</b>
Per share	\$ 0.35	\$ .0525	\$ .2975
TOTAL 1,100,000	385,000.00	57,750.00	327,250.00

(1) Before deducting expenses of this issue estimated at \$65,000.

Pursuant to an agreement (the "Underwriting Agreement") dated July 11, 1985 between the Corporation and First Commonwealth Securities Corp. (the "Underwriter"), the Corporation has granted to the Underwriter options to purchase an aggregate of 600,000 additional Common Shares (the "Option Shares") as follows:

<b>EXPIRATION DATE CALCULATED FROM THE DATE OF THE FINAL RECEIPT FOR THIS PROSPECTUS</b>	<b>NUMBER OF OPTION SHARES</b>	<b>OPTION PRICE PER SHARE TO THE UNDERWRITER</b>	<b>NET PROCEEDS TO THE CORPORATION IF THE OPTION IS EXERCISED</b>
90 days	200,000	\$0.45	\$ 90,000
180 days	200,000	0.55	110,000
270 days	200,000	0.65	130,000

**IF PURCHASED BY THE UNDERWRITER, THE OPTION SHARES MAY BE OFFERED TO THE PUBLIC, AND IF SO OFFERED WILL BE OFFERED AT THE THEN PREVAILING MARKET PRICE OF THE UNDERWRITTEN SHARES. SEE "PLAN OF DISTRIBUTION".**

**HIGHLY SPECULATIVE**

**THESE SHARES ARE HIGHLY SPECULATIVE. THE RISKS INHERENT IN THE EXPLORATION OF MINERAL CLAIMS IS CONSIDERABLE AND THE CORPORATION HAS NEITHER ESTABLISHED PROVEN ORE ON ITS MINERAL CLAIMS NOR A RECORD OF EARNINGS OR DIVIDENDS. THE CORPORATION'S MINING ACTIVITIES ARE ONLY IN THE PRELIMINARY EXPLORATION STAGE; THE CORPORATION DOES NOT HAVE TITLE TO THE MINING CLAIMS ON WHICH THE PROCEEDS FROM THIS OFFERING ARE TO BE EXPENDED AND ADDITIONAL FUNDS WILL BE REQUIRED TO FULFILL THE CORPORATION'S ONGOING FINANCIAL OBLIGATIONS PURSUANT TO ITS MINING CLAIMS' OPTION AGREEMENTS AND WORK COMMITMENTS AND, SHOULD THE CORPORATION FAIL TO MEET THESE OBLIGATIONS, IT WILL LOSE ITS INTEREST IN THE MINING CLAIMS. SEE "NOTE 6 TO FINANCIAL STATEMENTS". AS A RESULT OF THESE FACTORS, THIS OFFERING IS MORE SUITABLE TO INVESTORS WHO ARE WILLING TO RELY ON THE MANAGEMENT OF THE CORPORATION. DURING THE PREVIOUS SEVEN MONTHS COMMON SHARES OF THE CORPORATION HAVE BEEN ISSUED AT A PRICE OF \$0.10 PER COMMON SHARE. SEE "SPECULATIVE NATURE OF THE SECURITIES", "CONFLICTS OF INTEREST" AND "PRIOR SALES".**

**IN ADDITION, THE PURCHASE PRICE OF EACH UNDERWRITTEN SHARE OFFERED HEREBY EXCEEDS THE NET TANGIBLE BOOK VALUE THEREOF AT JANUARY 31, 1985 BY \$0.21 AFTER GIVING EFFECT TO THE ISSUE OF THE UNDERWRITTEN SHARES, MEANING THAT INVESTORS WILL SUFFER AN IMMEDIATE DILUTION OF APPROXIMATELY 61% IN THE VALUE OF THEIR COMMON SHARES. SEE "DILUTION".**

The Alberta Stock Exchange has conditionally approved the listing of the Common Shares. Listing is subject to the Corporation fulfilling all requirements of the exchange on or before ninety days from the date of the final prospectus, including distribution of the securities to a minimum number of public shareholders.

We, as principal, conditionally offer the Common Shares, subject to prior sale, if, as and when issued by the Corporation and accepted by us in accordance with the conditions contained in the Underwriting Agreement and subject to the approval by Wolff, Davies, Edmonton, of such

legal matters on behalf of the Corporation for which approval is specifically sought by the Corporation.

Subscriptions for the Common Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that definitive certificates for the Underwritten Shares will be available for delivery on or about September 1, 1985.

July 11, 1985



FIRST COMMONWEALTH SECURITIES CORP.  
1520 Sun Life Place  
10123 - 99 Street  
Edmonton, Alberta T5J 3H1

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## PROSPECTUS SUMMARY

The information in this summary is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus.

- OFFERING:** 1,100,000 Underwritten Shares and, if purchased by the Underwriter and offered to the public, up to 600,000 additional Option Shares.
- PRICE:** \$0.35 per Underwritten Share and, if offered, the then prevailing market price for each Option Share at the time of offering. See "Plan of Distribution".
- CORPORATION:** The principal business of Kilo Gold Mines Ltd. is the exploration and development of mineral claims. The Corporation has acquired by assignment an option on 4 mineral claims situate in the Alberni Assessment District, British Columbia; an option to acquire 8 mineral claims situate in the Slocan Mining Division, British Columbia and the assignment and option to acquire 33 mineral claims situate in the Slocan Mining Division, British Columbia. Independent consultants' reports have been prepared on these claims. See "The YOU Claims Group", "The Capella and Beaver Claims" and "The Kilo Area Claims".
- USE OF PROCEEDS:** The net proceeds from the Underwritten Shares will be used for the preliminary exploration program on the YOU Claims Group, and the first phase exploration program on the Capella Claims. If purchased by the Underwriter, the net proceeds from the option shares will be used for the first phase exploration program on the Beaver Claims and the two-phase exploration program on the Kilo Area Claims. See "The YOU Claims Group", "The Capella and Beaver Claims", "The Kilo Area Claims" and "Use of Proceeds".
- DIRECTORS AND MANAGEMENT:** Thomas E. Kirk, President and Director.  
Patrick C. Young, Secretary-Treasurer and Director.  
Kenneth B. Blakey, Director.  
Dennis W. Fleck, Director.
- DIVIDEND POLICY:** It is not contemplated that any dividends will be paid on the Common Shares in the immediate future. See "Dividend Policy".
- SPECULATIVE ASPECTS:** Investment in these Common Shares may be regarded as highly speculative due to the nature of the Corporation's business and its present stage of development. See "Speculative Nature of the Securities", "Dilution" and "Conflicts of Interest".

## THE CORPORATION

Kilo Gold Mines Ltd. ("Kilo" or the "Corporation") was incorporated as a distributing corporation by certificate of incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta) on October 15, 1984.

The head office of the Corporation is located at 210 Burnes House, 26 Basion Square, Victoria, British Columbia, V8W 1H9, and the registered office of the Corporation is 1500 Sun Life Place, 10123 - 99 Street, Edmonton, Alberta, T5J 3H1.

## BUSINESS OF THE CORPORATION

### History and Operations of the Corporation

To date, the Corporation has not carried on any business activity other than:

- (a) the acquisition by assignment from French Creek Placers Ltd. ("French Creek") of the right and option to purchase the 100% interest in 4 mineral claims (the "YOU Claims Group") situate in the Alberni Assessment District, in the Province of British Columbia, described as follows:

Lot 1644 (known as the EX Mineral Claim),  
Lot 1645 (known as the TEN Mineral Claim),  
Lot 1646 (known as the YOU Mineral Claim),  
Lot 1647 (known as the EIGHT Mineral Claim),

subject to a royalty equal to 8% of net smelter returns and subject to the provisions of the option agreement;

- (b) the acquisition of all of the right and option of French Creek Placers Ltd. ("French Creek") to purchase 8 mineral claims, 4 of which are located in the Slocan Mining Division, British Columbia (the "Capella Claims") and 4 of which are located in the Slocan Mining Division, British Columbia (the "Beaver Claims"), subject to a 10% net royalty and an 8% royalty from net smelter returns respectively;
- (c) the acquisition of all of the right and option of Pacific Coast Copper Ltd. ("Pacific Coast") to purchase 33 mineral claims which are located in the Slocan Mining Division, British Columbia (the "Kilo Area Claims").

The management of the Corporation intends to determine if the YOU Claims Group and the Kilo Area Claims can be developed for the mining of gold and if the Capella Claims and the Beaver Claims can be developed for the mining of silver, lead and zinc.

## THE YOU CLAIMS GROUP

By Memorandum of Agreement (the "Woodworth/French Agreement") in writing dated May 19, 1984, and as amended by letter agreements dated May 23, 1985, November 2, 1984 and April 3, 1985 (the "Amending Woodworth/French Agreements") made between Garth Woodworth, Elizabeth Woodworth, Mark Woodworth Adams and Joan Woodworth ("Woodworth") of the first part, and French Creek Placers Ltd. ("French Creek") of the second part, French Creek acquired the right to purchase 4 mineral claims situate in the Alberni Assessment District, in the Province of British Columbia, described as,

Lot 1644 (known as the EX Mineral Claim),  
Lot 1645 (known as the TEN Mineral Claim),  
Lot 1646 (known as the YOU Mineral Claim),  
Lot 1647 (known as the EIGHT Mineral Claim),

(all of which when referred to collectively herein are referred to as the "YOU Claims Group").

Pursuant to the Woodworth/French Agreement and the Amending Woodworth/French Agreements:

- (a) Woodworth warranted that he represented the 100% ownership interest in the YOU Claims Group in entering into the Woodworth/French Agreement;
- (b) French Creek's right to purchase the YOU Claims Group is referred to as a "right and option";
- (c) the interest to be acquired by French Creek in the YOU Claims Group is a 100% undivided right, title and interest therein, subject to a perpetual royalty to Woodworth equal to 8% of the net smelter returns in respect of the YOU Claims Group;
- (d) the price for the YOU Claims Group is \$770,000 (exclusive of the 8% net smelter returns royalty), payable as follows:
- |   |          |
|---|----------|
| (1) May 19, 1984 (paid by Thomas E. Kirk by way of a loan to French Creek) .....  | \$ 7,000 |
| (2) November 1, 1984 (varied to be \$2,500 paid by Thomas E. Kirk on November 2, 1984, \$2,500 paid by Thomas E. Kirk on November 30, 1984 and \$5,000 paid by Kilo Gold Mines Ltd. on February 1, 1985) .....  | 10,000   |
| (3) May 1, 1985 (varied by a letter agreement dated April 3, 1985 to be \$5,000 payable on May 24, 1985 (of which amount \$2,500 has been paid by Thomas E. Kirk with the balance due and payable); \$5,000 payable on August 1, 1985 and \$5,000 payable on October 1, 1985) ..... | 15,000   |

(4) November 1, 1985 .....	15,000
(5) May 1, 1986 .....	20,000
(6) November 1, 1986 .....	20,000
(7) May 1, 1987 .....	25,000
(8) November 1, 1987 .....	25,000
(9) May 1, 1988 .....	75,000
(10) November 1, 1988 .....	75,000
(11) May 1, 1989 .....	75,000
(12) November 1, 1989 .....	75,000
(13) May 1, 1990 .....	75,000
(14) November 1, 1990 .....	75,000
(15) May 1, 1991 .....	75,000
(16) November 1, 1991 .....	75,000
(17) May 1, 1992 .....	<u>33,000</u>
TOTAL .....	<u>\$770,000</u>

except that if ore is mined from the YOU Claims Group before the "exercise of the option" French Creek must pay a further 14% of net smelter returns to Woodworth and the schedule for the above payments will become accelerated such that all future payments will become due at an earlier date to the extent of those extra payments made from that further 14% of net smelter returns;

- (e) French Creek, so long as the Woodworth/French Agreement continues in full force and effect, has a right-of-entry to the YOU Claims Group, to operate the same as a mine and to remove therefrom and sell or dispose of mineral products and to receive and enjoy the proceeds therefrom, subject to the 8% net smelter return royalty;
- (f) the "option" to purchase the YOU Claims Group will be deemed to have been exercised only when French Creek has paid to Woodworth the \$770,000 purchase price (exclusive of the 8% net smelter returns royalty) and French Creek has performed certain work on the YOU Claims Group as follows:
  - (i) from May 1, 1984 to May 1, 1985 (amended by a letter agreement dated April 3, 1985 to be May 1, 1986)... \$125,000
  - (ii) from May 1, 1986 to May 1, 1987 .....
  - (iii) from May 1, 1987 to May 1, 1988 .....
  - (v) for each succeeding year until the exercise of the "option" .....
- (g) French Creek will become entitled to obtain from Woodworth a Bill of Sale for the YOU Claims Group subject to the 8% net smelter returns royalty only after payment of that \$770,000 purchase price (exclusive of the 8% net smelter returns royalty);
- (h) French Creek has various obligations in respect of the YOU Claims Group including keeping them in good standing by doing and filing all necessary work and payment of all taxes required to be paid and maintaining in good standing a current Parks Use Permit (the YOU Claims Group are located in the Strathcona Park in the Province of British Columbia);
- (i) if French Creek defaults in any of its obligations other than the payment of instalments of the \$770,000 purchase price, and if the Company fails to rectify such default within 30 days of written notice from Woodworth to do so, then the Woodworth/French Agreement will automatically terminate;
- (j) if French Creek defaults in the payment of any instalment of the \$770,000 purchase price, and if French Creek fails to remedy the same within 5 days of written notice from Woodworth to do so, then the Woodworth/French Agreement will automatically terminate.

By a Memorandum of Agreement dated November 12, 1984 (the "YOU Claims Assignment Agreement"), French Creek assigned to the Corporation all of its right and option under the Woodworth/French Agreement in return for 300,000 Common Shares in the capital stock of the Corporation and the assumption of all obligations of French Creek under the Woodworth/French Agreement. See "Interest of Management and Others in Material Transactions".

Since April 1985 Woodworth, French Creek and Kilo have been negotiating a reduction to the royalties due and payable to Woodworth pursuant to the Woodworth/French Agreement. By a letter dated July 3, 1985 Woodworth has agreed not only to re-negotiate the terms of the perpetual royalty payment from 8% to 5-½% but also to re-negotiate the terms of the accelerated net smelter payment from 14% to 10%.

## **The YOU Claims Group Consultant's Report**

The YOU Claims Group are the subject of a report (the "Trigg Report") dated as of February 4, 1985, prepared by C.M. Trigg ("Trigg"), Ph.D. P.Eng., of Trigg, Woollett, Olson Consulting Ltd. The Trigg Report was prepared at the request of Kilo to compile, review and assess the previous work on the property and, if warranted, to recommend an exploration program. The following summarizes the Trigg Report.

### **Summary**

The YOU Claims Group consist of four crown granted mineral claims, the EX, Ten, You and Eight, comprising 188.85 acres located 12 miles east of the head of Bedwell Sound on Vancouver Island, British Columbia. The YOU Claims Group is located approximately 130 miles northwest of Victoria within the southwest corner of Strathcona Park. The closest community to the YOU Claims Group is Tofino, approximately 27 miles southwest, and a road exists from Bedwell Sound to the YOU Claims Group but bridges and culverts will have to be replaced before the road will be serviceable.

The YOU Claims Group contain gold-bearing quartz-sulphide-carbonate veins in tensional shears within a quartz diorite intrusion and gold values range from 0.18 to 3.0 ounces of gold per ton across widths ranging from 9 to 10 inches along a vein upon which an adit has been driven for 337 feet. This vein has been followed for 4,100 feet on surface and is intermittently gold-bearing; and the potential exists for other gold-bearing veins.

It is recommended that an exploration program comprising, firstly, prospecting, geochemical stream sediment and soil sampling, geophysical surveying and geological mapping should be undertaken over the entire YOU Claims Group in order to discover additional gold-bearing veins and evaluate the known gold-bearing vein and, secondly, the adit should be geologically mapped and partially resampled and, if necessary, newly discovered veins and geochemically anomalous areas should be stripped of overburden and trenched. The exploration program is estimated to cost approximately \$128,000.

### **Introduction**

The present owner of the YOU Claims Group is Garth Woodworth. In an agreement between Woodworth and French Creek Placers Ltd., French Creek can attain a 100% interest in the property subject to an 8% net smelter return if \$770,000 in payments is made to Woodworth and \$1,200,000 is expended on the YOU Claims Group by May 1, 1992. French Creek has assigned the YOU Claims Group to Kilo in exchange for 300,000 Common Shares of Kilo and a commitment by Kilo to assume the exploration obligations of French Creek. French Creek has applied for and obtained a Park Use Permit for work on the YOU Claims Group and applied for a Water Use Permit.

Sources of information utilized in the preparation of the Trigg Report include published British Columbia Government reports, unpublished reports and a brief visit to the YOU Claims Group by Trigg.

### **History**

The YOU Claims Group was staked in 1912 when high grade gold assays were obtained from samples taken from a quartz vein and in 1921 the YOU Group Claims were crown granted.

By 1933 an adit was driven for 337 feet along a gold-bearing quartz-sulphide vein and, 120 feet lower, a 7 feet long adit was driven on the same vein. A considerable amount of surface stripping, minor stoping and milling in a 10 ton mill were also performed. However, due to supply shortages and milling difficulties, operations ceased. Since 1938 intermittent sampling and compilation of data has been carried out by various persons: back sampling of the adit at 5 feet intervals by McIntyre Porcupine Mines Ltd. (1938); sampling and data compilation by Smitheringale (1940), Wilson (1944), Aho (1960), Campbell for Calmac Gold Mines (1965) and MacLeod and Magee for You Mining Company Limited (1981/82).

### **Geology**

The YOU Claims Group is on the northeastern flank of the Bedwell Batholith which is of quartz diorite composition and of Jura-Cretaceous age. The batholith trends northwestward along the western side of Vancouver Island; it is 30 miles long and ranges from 4 to 10 miles wide. The intruded rocks flanking the batholith include Pennsylvanian and older volcanics, Buttle Lake Formation limestone and chert and Karmutsen Formation volcanics. Contacts of the quartz diorite are sharp and, in many places, bounded by major northwest trending regional faults; tensional fracturing, apparently related to the northwest faults, has developed a series of narrow northwest trending shear zones which have been mineralized extensively by quartz and locally gold. This type of gold-bearing shear vein has been classified as Zeballos-type. These shear veins follow a main joint direction which trends at about 050 degrees and dips steeply while other minor joint sets trend 030 degrees and 080 degrees.

Gold and associated minerals in the YOU Claims Group occur entirely in a shear in the quartz diorite. Prior to gold deposition, the shear was intruded by a light greenish andesite dyke. The dyke ranges from 3 to 12 feet thick in the upper adit and from 8 inches to 4 feet thick on the surface. The main vein follows the northwestern wall of the dyke. It has been suggested that the dyke is a form of ore shoot control. Vein and dyke within the upper adit strike 060 degrees and dip 085 degrees northwest for 200 feet, past this they strike 045 degrees and dip 075 degrees southeast. This change in strike was also observed on surface. The vein set or shear itself can be followed intermittently for approximately 4,100 feet uphill from the upper adit. It is not known, however, if the veins observed are part of a single trend. The average shear strike identified by one writer is 060 degrees with dips steeply northwest near the upper adit portal and 075 degrees southeast further up the hill. Gold exists sporadically along the length of the vein.

Quartz, some carbonate and variable amounts of sulphide have been deposited within the vein and no alteration has affected the host quartz-diorite. The vein ranges from 3 to 27 inches wide and averages 9 to 10 inches wide. Gouge from 0.5 to 2 inches wide, consisting of crushed wall rock and local quartz and sulphides, is usually found along the vein walls. Sulphides occur as bands or irregular masses; pyrite is the dominant and the earliest sulphide and lesser amounts of chalcopyrite, sphalerite, galena, arsenopyrite and tetrahedrite occur in the vein. Quartz within the shear is vuggy, crystalline and sometimes ribboned parallel to the walls; and white carbonate gangue occurs as irregular masses along the vein and as fracture healings.

### **Gold-Bearing Zones**

Gold is closely associated with sulphides and the more sulphide there is, the higher the gold content. Free gold has been reported but generally gold is finely divided and associated with the sulphides. Silver accompanies gold and samples taken by others contained up to 13.24 ounces of silver per ton.

Sampling within the adit and on surface has been performed by several engineers and the results of the sampling are comparable. Samples collected by one engineer in 1940 from the back of the upper adit assayed from between 0.18 to 3.01 ounces of gold per ton from sample widths ranging between 4 to 24 inches.

Sampling performed on surface by another engineer in 1944 indicated two gold-bearing zones in the vicinity of the adits. The southwesterly zone is 230 feet long and extends for 200 feet downhill from the upper adit. Samples in this zone contained average gold values of 0.86 ounces per ton over a diluted width of 18 inches. The northeasterly zone starts approximately 100 feet easterly from the upper adit portal and is 281 feet long. Samples in this zone contained average gold values of 0.91 ounces per ton over a diluted width of 18 inches.

It is possible that the gold-bearing zones rake steeply northeast. However, the northeasterly zone on surface is significantly longer than the presumably corresponding zone in the upper adit and this may suggest that mineralization does not occur as definite shoots extending up and down, but more probably as lenses that grade into lower grade material both horizontally and vertically.

Sampling performed by an engineer in 1960 indicated several sulphide-bearing sections of vein along about 4,100 feet on surface. These sections exist at 600 feet, 2,000 feet and 2,400 to 3,000 feet from the upper adit.

### **Exploration Program**

A program of detailed stream sediment and soil sampling should be performed as the first phase of exploration. Samples should be collected along all streams on the property. A flagged grid, controlled by compass and topofil should be positioned on the claims and soil samples collected along the crosslines. Geochemical samples should be analyzed for gold, silver, arsenic, copper and lead.

A few lines of geophysical test work should be performed across the gold-bearing vein in order to determine if very low frequency electromagnetic and/or magnetic surveying can detect the vein and/or the parallel dyke. If either or both these methods are successful then the survey(s) should be extended to cover the entire area of the claims.

Geological mapping of the claims should be performed and selected, gold-bearing sections of the vein and the immediately surrounding area should be mapped.

The adit should be washed and mapped since a geological map of the adit does not exist and certain gold-bearing portions of the vein in the adit should be resampled.

All the streams should be prospected in detail; the claims should be prospected along the grid lines. Areas of outcrops discovered during geological mapping and anomalous areas detected by either geochemical or geophysical survey should be prospected and samples analyzed for gold or silver.

### **Conclusions**

The Trigg Report contains the following observations about the YOU Claims Group:

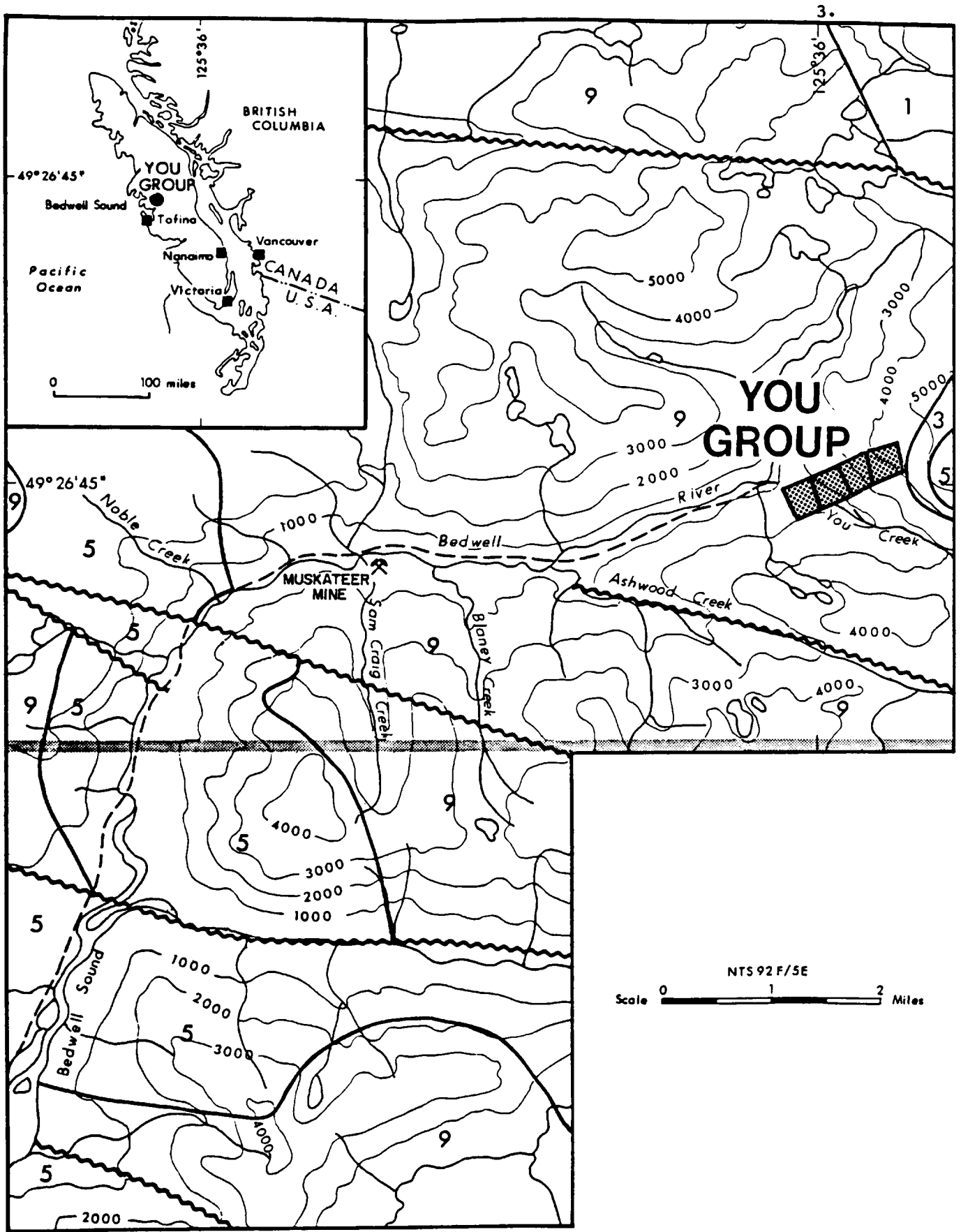
1. The gold-bearing vein at the YOU Claims Group is similar to gold deposits of the Zeballos type and the vein minerals include gold, quartz and variable amounts of carbonate and sulphides such as pyrite and lesser amounts of chalcopyrite, sphalerite, galena, arsenopyrite and tetrahedrite.
2. The vein in the upper adit averages 9 to 10 inches in width and contains average gold values ranging from 0.18 to 3.01 ounces of gold per ton. Similar values are reported from surface and the vein or vein structure can be traced for 4,100 feet on surface.
3. The potential for additional gold-bearing veins exists on the property and several other creeks parallel to the known vein may host similar gold-bearing tensional shear zones.

Two maps illustrating the gold-bearing zone and the proposed exploration program are attached to the Trigg Report. See "Availability of Independent Consultant's Reports".

### **Recommendations**

Trigg recommends the implementation of an exploration program on the YOU Claims Group at an estimated cost of approximately \$128,000 and consisting of:





THE YOU CLAIMS GROUP LOCATION MAP

Helicopter services for positioning of crew and camp . . . . .	\$ 27,500
Sampling and assaying . . . . .	24,810
Camp equipment, supplies, communications and insurance . . . . .	18,975
Reporting . . . . .	3,000
Salaries . . . . .	37,050
Supervision, accounting and secretarial . . . . .	9,600
Transportation and travel . . . . .	7,000
	<u>\$127,935</u>
Say:	<u>\$128,000</u>

### THE CAPELLA AND BEAVER CLAIMS

By a Letter Agreement dated December 23, 1982, between John McNaught and Thomas E. Kirk (in trust for French Creek) (the "McNaught Agreement"), French Creek obtained the sole and exclusive right to purchase an undivided 9/16 interest in 4 Crown-granted mineral claims in the Nelson Land District in the Slocan Mining Division, British Columbia, namely, Lot 4523 (the "Turriss"), Lot 4524 ("Wallace"), Lot 4526 ("Sligo Fraction") and Lot 4527 ("Capella"), (McNaught is currently arranging to transfer the remaining 7/16 interest to Kilo) upon the terms that French will pay to McNaught a 10% net royalty from all and any ores produced from the said claims and upon the conditions that French Creek commence an active development and/or exploration program thereon within 3 years of signing the McNaught Agreement and the making or causing to be made of a geological report on the claims within 2 years from the date of the McNaught Agreement, namely, December 23, 1982, which geological report was prepared on November 4, 1983, failing which the said claims would have reverted to McNaught free and clear of all encumbrances. The recommended Phase I exploration program on the Capella Claims will fulfill the terms of the McNaught Agreement. See "The Capella Claims Consultant's Report". The Dewery claim (Lot 4525) forms part of the Capella Claims Consultant's Report and was acquired by the Corporation pursuant to the Pacific Coast Acquisition Agreement. See "The Kilo Area Claims".

By a Letter Agreement dated June 15, 1983, among Andrew Jardine and Margaret Jardine (the "optionors") and Thomas E. Kirk (in trust for French Creek) (the "optionee") (the "Jardine Agreement"), French Creek obtained the right to purchase 1 Crown-granted mineral claim and 3, 2-post mineral claims (the 'Beaver', 'Summit', 'Cliff' and 'North Star') by the payment of \$5,000 on or before June 30, 1985 (of which amount \$3,500 has been paid by Kilo and \$1,500 is due and owing); and additional payments of \$7,500 on or before November 30, 1985; \$10,000 on or before November 30, 1986; \$10,000 on or before November 30, 1987 and \$17,500 on or before November 30, 1988, for a total purchase price of \$50,000. In addition, French Creek has granted to the optionors an 8% royalty from net smelter returns received from any and all ores shipped or taken from the said mineral claims. By an Agreement dated April 26, 1985 among Andrew Jardine and Margaret Jardine and Kilo (the "Jardine/Kilo Agreement") the Jardine Agreement has been superceded. Pursuant to the terms of the Jardine/Kilo Agreement, Kilo has obtained an option to purchase within two years from April 26, 1985 the Beaver, Summit, Cliff and North Star mineral claims by the payment of \$5,000 on or before June 30, 1985 (of which amount \$3,500 has been paid by Kilo and \$1,500 is due and owing); \$7,500 on or before November 30, 1985; \$10,000 on or before November 30, 1986; \$10,000 on or before November 30, 1987 and \$17,500 on or before November 30, 1988, for a total purchase price of \$50,000, and the grant to the optionors of an 8% royalty of net smelter returns from any and all ores taken from the said mineral claims.

By a Memorandum of Agreement dated November 12, 1984 between the Corporation, French Creek and Thomas E. Kirk (the "Capella and Beaver Claims Acquisition Agreement"), French Creek transferred and assigned all of its right and option to the Capella Claims and the Beaver Claims, which it had obtained pursuant to the McNaught and Jardine Agreements, in return for 75,000 Common Shares in the capital stock of the Corporation. French Creek and Kilo have provided notice of the assignments to both McNaught and Jardine. See "Interest of Management and Others in Material Transactions".

#### The Capella Claims Consultant's Report

The Capella Claims are the subject of a report (the "Carter Report") dated as of December 31, 1984 prepared by N.C. Carter ("Carter"), Ph.D., P.Eng. The Carter Report was prepared at the request of Thomas E. Kirk, the President of Kilo Gold Mines Ltd. The following summarizes the Carter Report.

#### Summary

The Corporation holds by option 4 Crown-granted mineral claims and 1 fraction situated north of Nelson and east of New Denver in the Slocan Mining Division of Southeastern British Columbia. The mineral claims comprise the following: Turriss (lot 4523), Wallace (lot 4524), Dewery (lot 4525), Sligo Fraction (lot 4526) and Capella (lot 4527).

The mineral claims are located on the south slope of Mount Carpenter approximately 3 kilometres east of New Denver and are readily accessible by the New Denver - Kaslo highway.

In the past, limited production from the Capella Claims yielded ore with exceptional silver grades and interesting gold values and, consequently, it is recommended that a two-phase exploration program be implemented. Phase I consists of geological mapping and prospecting, geochemical surveys and surface and underground sampling at a cost of approximately \$45,000. Phase II, dependent upon the results of Phase I, provides for a limited diamond drilling program at a cost of approximately \$85,000. The total preliminary exploration program including both Phase I and II totals \$130,000.

#### Introduction

The Carter Report was prepared at the request of Thomas E. Kirk, President of Kilo Gold Mines Ltd., to examine, compile and assess the

previous work done on the Capella Claims and, if warranted, to recommend an exploration program on the property. The property is a silver and gold prospect.

Sources of information utilized in the preparation of the Carter Report included published British Columbia government annual reports, Geological Survey of Canada reports, unpublished information and a personal examination of parts of the Capella Claims in September, 1983 by Carter.

### History

The Capella Claims were originally located during the Slocan Lake mining boom in the 1890's. Most of the development work on the mineral claims was done between 1899 and 1903, which included ore shipments to the Hall Mining & Smelting Company smelter in Nelson. In 1919, 1939 and 1940, ore shipments were sent to the Cominco smelter in Trail.

Official production records indicate that 191 short tons were shipped from the Capella Claims between 1899 and 1940 and yielded 42.78 ounces of gold (0.224 ounces of gold per ton) and 78,733 ounces of silver (412 ounces of silver per ton) with minor lead and zinc.

There is no official record of recent work on the Capella Claims but the presence of a compressor at one of the portals is an indication of work in the past several years.

### Geology and Mineralization

Mineral deposits of the Slocan area are principally developed in a sedimentary sequence of dark phyllites and argillites between the Kuskanax and Nelson batholiths of Triassic and Cretaceous age respectively.

The principal host rocks are Slocan Group sedimentary rocks of Triassic age. The known silver (gold)-lead-zinc deposits are fissure-filling lode deposits. Those deposits which have been identified as having a higher gold content occur in Nelson granitic rocks rather than in Slocan Group layered rocks.

The Capella Claims are underlain by the Mount Carpenter quartz monzonite stock which is believed to be related to the Nelson batholith. These granitic rocks were observed to be in contact with Slocan sedimentary rocks a short distance above the highway. The quartz monzonite is porphyritic and contains both biotite and hornblende.

Two adits were observed, both of which had caved in near portals. The upper adit is positioned approximately 70 feet vertically above the lower adit. These adits probably represent the two principal cross-cuts referred to by Cairnes (1935). Both cross-cuts are driven in a northwesterly direction to intersect a vein which is reported to strike north-northeast and to dip at moderate angles to the northwest, which conforms to prominent jointing which was observed in the quartz monzonite host rocks.

A previous writer, Cairnes (1935), has reported that the vein averages between 5 to 6 inches in width and is composed mainly of quartz and some calcite. Silver minerals, including native silver, argentite and tetrahedrite predominate and gold is contained in pyrite. Only minor galena and sphalerite are present. It has also been reported by Cairnes (1935) that work has been conducted over a 900 foot vertical range, with adits being driven on other veins. One of these adits, which is now caved in, is believed to be near the road at an elevation of approximately 3,200 feet.

### Conclusions

The Carter Report contains the following observations about the Capella Claims:

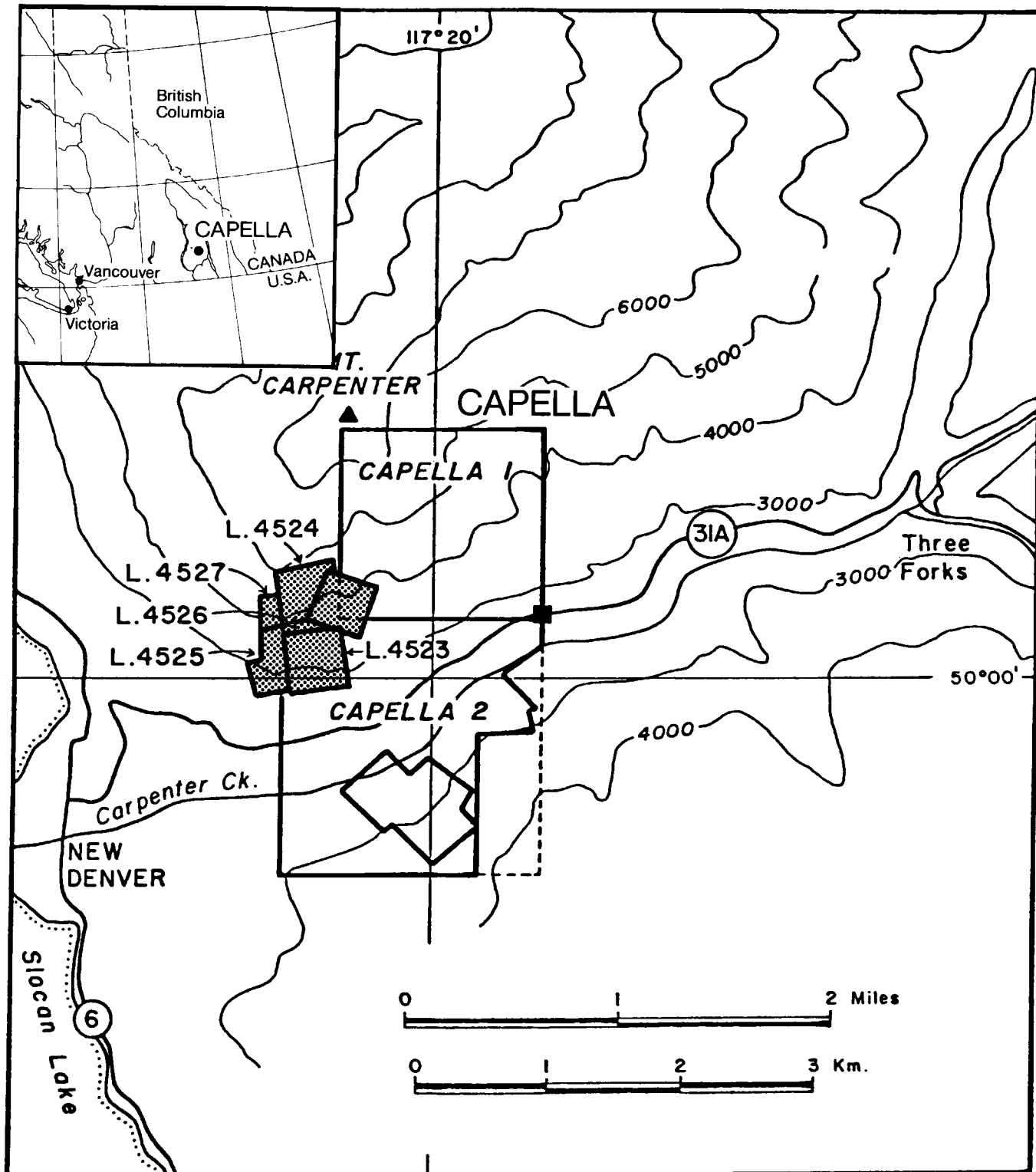
1. The Capella Claims are situated in the Slocan Mining Camp, an area with demonstrated mineral potential and a record of significant production. These factors, together with easy access and a record of high grade production, make the Capella Claims an attractive exploration prospect.
2. The Capella Claims warrant a detailed surface investigation and all soil or rock samples should be analysed for silver and lead, with particular emphasis to be given to tracing possible extensions of known northeast-striking mineralized structures.

### Recommendations

Carter recommends the implementation of a two-phase exploration program on the Capella Claims at an aggregate cost of \$130,000 and consisting of:

#### Phase I

1. Road building and adit rehabilitation . . . . .	\$10,000
2. Geological mapping and prospecting . . . . .	7,500
3. Rock and soil geochemistry and analysis . . . . .	12,000
4. Surface and underground sampling . . . . .	5,000
5. Engineering and reports . . . . .	5,000
6. Contingencies . . . . .	5,500
TOTAL FOR PHASE I . . . . .	<u>\$45,000</u>



CAPELLA CLAIMS LOCATION MAP

## Phase II

1. Diamond drilling: 1,800 feet at \$33 per foot (approximately) .....	\$60,000
2. Assaying .....	10,000
3. Engineering and supervision .....	5,000
4. Contingencies .....	10,000
<b>TOTAL FOR PHASE II .....</b>	<b>\$85,000</b>

Phase II would be dependent upon the results of Phase I.

### The Beaver Claims Consultant's Report

The Beaver Claims are the subject of a report (the "Carter Report") dated as of October 21, 1983 and, as revised, dated as of December 31, 1984, prepared by N.C. Carter ("Carter"), Ph.D., P.Eng. The Carter Report was prepared at the request of Thomas E. Kirk. The following summarizes the Carter Report.

### Summary

The Corporation holds by option 1 Crown-granted and 3 recorded mineral claims situated 18 kilometres northwest of Kaslo in the Slocan Mining Division of Southeastern British Columbia. The mineral claims comprise the following:

Mineral Claim	Record No.	Expiry Date
Cliff (Crown Grant)	Lot 2503	—
Beaver	2/49	July 29, 1986
Summit	6479	July 22, 1986
North Star	11653	July 5, 1986

The Beaver Claims are situated on Blue Ridge, part of the Goat Range, a subdivision of the Slocan Range of the Selkirk Mountains. The Beaver Claims are located north of the New Denver-Kaslo highway and a summer road from the highway extends to within 5 kilometres of the Beaver Claims. The most efficient access to the Beaver Claims, however, is by helicopter from Kaslo.

While in 1891 the Beaver Claims were the first mineral claims to be staked in the Slocan area, little, if any, modern exploration techniques have been applied to them and silver (gold), lead and copper mineralization is associated with narrow quartz veins in Kaslo Group volcanic rocks.

The proximity of the Beaver Claims to an existing infrastructure makes the Beaver Claims an attractive prospect and, consequently, it is recommended that a two-phase exploration program be implemented. Phase I consists of a basic program of geological mapping, prospecting, geochemical and geophysical surveys so as to evaluate the Beaver Claims potential at a cost of approximately \$40,000. Phase II, dependent upon the results of Phase I, provides for a limited diamond drilling program at a cost of approximately \$75,000. The total preliminary exploration program including Phase I and II totals \$115,000.

### Introduction

The Carter Report was prepared at the request of Thomas E. Kirk to examine the Beaver Claims and, if warranted, to recommend an exploration program. The property is a gold, silver, lead and copper prospect.

Sources of information utilised in the preparation of the Carter Report include published Geological Survey of Canada reports, unpublished information and a personal examination of the property by Carter in September, 1983.

### History

The Beaver mineral claim (Record No. 2/49) was located in 1891 and was the first claim staked in the Slocan area. This claim has been held by the Jardine family since its original location.

A previous writer, Cairnes (1935), has reported that most of the development work on the Beaver Claims took place in the 1890's and consisted of the driving of two adits. There are references to small ore shipments but no official record of production exists. In recent years work on the Beaver Claims has consisted of routine assessment work by the Jardine family.

### Regional Geology

The Slocan mining camp is situated in the northern part of the Kootenay Arc, a southern subdivision of the Omineca crystalline belt. Silver (gold), lead and zinc deposits occur as veins and lodes in deformed early Mesozoic volcanic and sedimentary rocks lying between the Cretaceous Nelson and Kuskanax batholiths.

The area northwest of Kaslo is underlain principally by metamorphosed andesites of the Kaslo Group of Permian to Triassic Age. Ultrabasic sills intrude Kaslo rocks in the vicinity of the Beaver Claims.

### Property Geology and Mineralization

Massive to schistose greenstones underlie the Beaver Claims. Schistosity strike west-northwest and are vertical or dip steeply north. Intruding

the metavolcanic rocks are dykes or sills of buff weathering aplites which commonly follow planes of schistosity and range up to 10 feet in width. Quartz veins, up to three feet wide, and containing galena and chalcopyrite, strike northeasterly and dip steeply to the southeast.

The best exposed mineralization on the Beaver Claims is at the portal of an adit driven southerly on the cliff claim where one and a half foot zone containing 1 to 6 inches quartz stringers with galena, strikes northeast and dips steeply west. A chip sample across this zone assayed 0.001 ounces of gold per ton, 2.48 ounces of silver per ton, 0.89 percent lead and 0.70 percent copper.

The Beaver Claim was developed by two adits driven northerly at elevations of 6,800 and 6,900 feet. The portals to both adits have been caved in for many years but dump material shows the nature and tenor of the mineralization. The best mineralization consists of coarse galena crystals (up to 0.6 cm) with less chalcopyrite and locally spectacular linarite, a copper-lead sulfate and deep blue in colour. Grab samples collected by Carter returned assays ranging from 0.001 to 0.02 ounces of gold per ton, 15.2 to 23.4 ounces of silver per ton, 49.5 to 80.2 percent lead and 0.75 to 2.25 percent copper. There are a number of pits elsewhere on the Beaver Claims which expose quartz veins with only minor mineralization.

### Conclusions

The Carter Report contains the following observations about the Beaver Claims:

1. The Beaver Claims cover an area known to host silver, gold, lead and copper mineralization of unknown size and grade;
2. The proximity of the Beaver Claims to an established infrastructure justify an exploration program using modern techniques.

Based on these observations, it is concluded that a detailed geological mapping and prospecting program be undertaken on the Beaver Claims along with rock and soil sampling and the utilization of VLF electromagnetic and magnetic surveys.

### Recommendations

Carter recommends a two phase exploration program for the exploration of the Beaver Claims at an aggregate cost of \$115,000 and consisting of:

#### Phase I

1. Geological mapping and prospecting .....	\$ 5,000
2. Geochemical surveys, sample collection and analysis .....	10,000
3. Geophysical surveys .....	7,500
4. Helicopter support and camp costs .....	7,500
5. Engineering and report preparation .....	5,000
6. Contingencies .....	<u>5,000</u>
TOTAL FOR PHASE I.....	\$40,000

#### Phase II

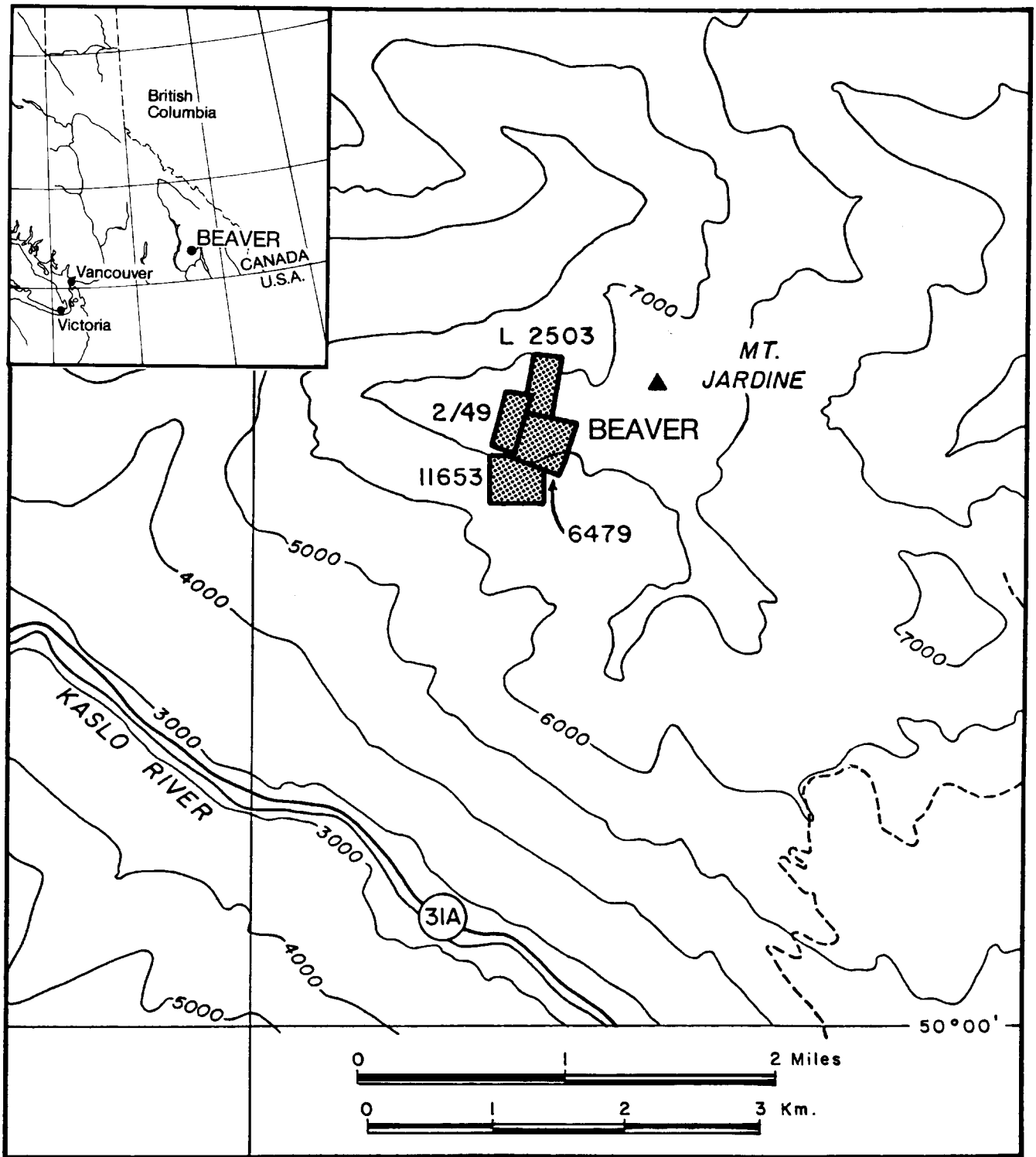
1. Diamond drilling: 1,800 feet at \$33 per foot (approximately) .....	\$60,000
2. Helicopter support .....	<u>15,000</u>
TOTAL FOR PHASE II .....	\$75,000

Phase II would be dependent upon the results of Phase I.

### THE KILO AREA CLAIMS

Thomas E. Kirk, on behalf of Pacific Coast Copper Ltd. ("Pacific Coast") and Pacific Coast, either through staking or several agreements acquired the right and option to purchase a total of 33 mineral claims known as the Kilo Area Claims in the Stocan Mining Division, in the Province of British Columbia, described as follows:

Claim Name	Claim Number	Record Number	Expiry Date
1. Ranger	9332	—	—
2. Skylark	9333	—	—
3. Dewery	4525	—	—
4. Pansy Fraction	11732	—	—
5. Kilo	9328	—	—
6. Violet Fraction	9329	—	—
7. Kilo No. 2 Fraction	9330	—	—
8. Wedge Fraction	9331	—	—
9. Legal	5977	1512	October 11, 1986
10. Rita	5978	1513	October 11, 1986
11. Louise Fraction	5980	1514	October 11, 1986
12. to			
15. Goldstream 1-4	—	3103-3106	September 28, 1987
16. Tail Holt	7358	1651	January 3, 1988



**BEAVER CLAIMS LOCATION MAP**

Claim Name	Claim Number	Record Number	Expiry Date
17. Howard Fraction	3578	1652	January 3, 1988
18. Kilo 3	—	3060	August 27, 1986
19. to			
26. Fran 1-8	—	3895-3902	June 14, 1986
27. to			
32. P.C. 1-6	—	3893-3908	June 14, 1986
33. Boulder	2819	3818	May 2, 1986

By an Interim Option Agreement and Offer to Purchase dated November 5, 1982 between Thomas E. Kirk (in trust for Pacific Coast) and Inter Securities Ltd. (the "Inter Securities Agreement"), Pacific Coast obtained the option to purchase 4 crown-granted mineral claims in the Slocan Mining Division, British Columbia, namely, Lot 9332 (the "Ranger"); Lot 9333 (the "Skylark"); Lot 4525 (the "Dewery"); and Lot 11732 (the "Pansy Fraction"), upon the terms and conditions that the following payments were made: \$500 on execution of the Inter Securities Agreement; \$500 on or before March 1, 1983; \$10,000 on or before August 15, 1983 and, thereafter, five equal instalments of \$5,000 payable on November 15, 1983, February 15, 1984, May 15, 1984, August 15, 1984 and November 15, 1984 for a total consideration of \$37,500. Thomas E. Kirk and/or Pacific Coast have made all the payments pursuant to the terms and conditions of the Inter Securities Agreement. The Dewery mineral claim (Lot 4525) forms part of the Carter Report on the "Capella Claims". See "The Capella Claims Consultant's Report".

By an Agreement dated June 14, 1982 between Big 5 Mines Ltd. ("Big 5") and Pacific Coast (the "Big 5 Agreement"), Pacific Coast obtained the option to purchase 4 mineral claims in the Slocan Mining Division, British Columbia, namely, Lot 9328 (the "Kilo"), Lot 9329 (the "Violet Fraction"), Lot 9330 (the "Kilo No. 2 Fraction") and Lot 9331 (the "Wedge Fraction"), upon the terms and conditions that Pacific Coast (1) conduct a preliminary evaluation on the mineral claims on or before October 31, 1983 and incur minimum expenditures thereon of \$55,000; (2) conduct ongoing evaluations thereon by the expenditure of \$75,000 on or before December 31, 1984; \$100,000 on or before December 31, 1985; \$125,000 on or before December 31, 1986 and \$150,000 on or before December 31, 1987; and (3) issue a total of 75,000 fully paid and non-assessable Common Shares to Big 5 in the capital stock of Pacific Coast.

In order to exercise the option to purchase Pacific Coast is required, on or before December 31, 1987, to pay the amount of \$200,000 and, additionally, undertake to make minimum annual expenditures thereon of \$200,000 for a period of 5 years commencing in 1988 and confer upon Big 5, upon commercial production, 10% of the net proceeds of production. By an Amending Agreement dated March 7, 1985 among John McNaught, Big 5, Pacific Coast and Kilo Gold Mines Ltd. (the "Big 5 Amending Agreement") the expenditures and commitments required to be undertaken by Pacific Coast have been foregone and, in lieu thereof, Kilo Gold Mines Ltd. is required during 1985 to make the expenditure of \$100,000 on the Kilo Area Claims as recommended in the Carter Report for Phase I and, for the year 1986, the additional expenditure of \$120,000 but only if warranted by the report of its independent geologist. In addition, Kilo Gold Mines Ltd. may exercise its option to purchase by paying the sum of \$200,000 on or before March 17, 1990 and is not required or called upon to make any further payments or expenditures in order to exercise or give effect to its option to purchase. See "The Kilo Area Claims Consultant's Report".

By a Letter Agreement dated March 14, 1983 and, as amended August 30, 1984, among Thomas E. Kirk (in trust for Pacific Coast) David S. Evans and Edwin Rockel (the "Evans/Rockel Agreement"), Pacific Coast obtained the option to purchase 7 mineral claims in the Slocan Mining Division, British Columbia, namely, Lot 5977 (the "Legal"), Lot 5978 (the "Rita"), Lot 5980 (the "Louise Fraction") and Goldstream 1 to 4 by the payment of \$1,000 and fulfil the record work on the claims for 1984; with additional payments of \$5,000 on or before August 31, 1984 (which payment has been amended by the payment of \$1,200 and the balance of \$3,800 payable on August 31, 1985; \$7,000 on or before August 31, 1986; \$9,000 on or before August 31, 1987, \$10,000 on or before August 31, 1988 and, thereafter, annual payments of \$10,000 for a total purchase price of \$120,000 and from which purchase price the annual payments are deductible. In addition, Pacific Coast has granted to the optionors a 2% royalty from net smelter returns up to a maximum of \$120,000.

By a Letter Agreement dated May 31, 1983 and, as amended on March 26, 1985, between Thomas E. Kirk (in trust for Pacific Coast) and Albury Resources Ltd. (the "Albury Agreement"), Pacific Coast obtained the right to purchase 2 mineral claims in the Slocan Mining Division, namely, Lot 7358 (the "Tail Holt"), Lot 3578 (the "Howard Fraction"), upon the terms that Pacific Coast will pay a 2% net smelter return; \$500 on execution of the Albury Agreement and \$4,500 on or before July 31, 1985.

Mineral claims Kilo 3, Fran 1 to 8, P.C. 1 to 6 and Boulder were acquired either by staking or sale from the Ministry of Energy, Mines and Petroleum Resources, Province of British Columbia.

By a Memorandum of Agreement dated November 12, 1984 among the Corporation, Pacific Coast and Thomas E. Kirk (the "Pacific Coast Acquisition Agreement"), Pacific Coast transferred and assigned all of its right and option to the Kilo Area Claims, some of which it had obtained pursuant to the Inter Securities Agreement, Big 5 Agreement, Evans/Rockel Agreement and Albury Agreement, in exchange for 375,000 fully paid and non-assessable Common Shares in the capital stock of the Corporation. See "Interest of Management and Others in Material Transactions".

### The Kilo Area Claims Consultant's Report

The Kilo Area Claims are the subject of a report (the "Carter Report") dated as of December 31, 1984 prepared by N.C. Carter ("Carter"), Ph.D., P.Eng. The Carter Report was prepared at the request of Thomas E. Kirk, the President of Kilo Gold Mines Ltd. The following summarizes the Carter Report.



## Summary

The Kilo Area Claims consist of 32 full and fractional mineral claims situated north of Lemon Creek in the Slocan Mining Division of southeastern British Columbia. The Kilo Area Claims are located on the steep south facing slope of Chapleau Creek Valley where the elevations range from 4,500 feet near Chapleau Creek to more than 6,500 feet (Figure 1).

The mineral claims are accessible by way of main and secondary logging roads which leave Highway 6 five miles south of Slocan and extend up Lemon and Crusader Creeks.

Initial work on the mineral claims was carried out prior to 1900 and small shipments of ore were made to various smelters up to 1939. A quartz vein structure in Nelson granite rocks, containing gold and lesser silver values, was developed by several adits on the Kilo Area Claims. It is known that similar styles of mineralization exist on adjacent claims of the Corporation and a recent geochemical soil survey conducted on the mineral claims indicated several areas of interest.

As a result of the accessibility and proximity of the Kilo Area Claims to smelting facilities in Trail, and the apparent absence of recent exploration work thereon, it is recommended that a two-phase exploration program be implemented. Phase I consists of underground sampling of known veins, geological mapping, prospecting and detailed geochemistry so as to attempt to locate extensions to known vein structures at a cost of approximately \$100,000. Phase II, dependent upon the results of Phase I, provides for a diamond drilling program at a cost of approximately \$120,000. The total exploration program including Phase I and II totals \$220,000.

## Introduction

The Carter Report was prepared at the request of Thomas E. Kirk, President of Kilo Gold Mines Ltd., to examine the Kilo Area Claims and, if warranted, to recommend an exploration program.

Sources of information utilized in the preparation of the Carter Report include published British Columbia government annual reports, Geological Survey of Canada reports, previous reports by Carter, unpublished information, the results of a geochemical survey conducted on the mineral claims in the fall of 1984 and a personal examination of the property on August 20, 1982 by Carter.

## History

The Kilo Area Claims have been in operation intermittently since 1897; the two principal periods of development being between the years 1897 to 1913 and 1932 and 1939. It is reported that a small shipment of ore was made in 1897 to the Hall Mines Smelter in Nelson. In the succeeding years, work on the claims consisted principally of driving tunnels and most of the present underground workings on the mineral claims were in place by 1904. Following several years of closure, it was reported that in 1912 a small mill was in operation. No further work was undertaken on the mineral claims until 1932 when the old workings were rehabilitated. At that time, limited underground development was undertaken and small shipments of ore were made until 1939.

The published production records from 1900 indicate that 2,336 tons of ore was shipped, from which tonnage 953 ounces of gold, 868 ounces of silver, 106 pounds of lead and 46 pounds of zinc were recovered.

The initial development of the gold-silver bearing quartz vein structures occurred on several of the claims contiguous to the Kilo Area Claims and consisted of surface trenching and limited underground development. Production records indicate that limited ore shipments were made from the Tail Holt, Goldstream, Skylark and Ranger claims.

In recent years, work on the mineral claims has consisted of adit sampling, prospecting, geochemical sampling, geophysics and surface sampling of the Goldstream, Louise Fraction, Legal, Rita and Tail Holt mineral claims. In the fall of 1984 soil geochemical surveys were conducted over parts of mineral claims P.C. 3, 4, 5 and 6, Boulder, Fran 7 and 8, Kilo, Kilo No. 2 Fraction, Kilo 3, Violet Fraction, Wedge Fraction, Pansy Fraction, Legal, Louise Fraction and Rita. This program entailed a collection of 516 soil samples and analyses for gold, silver, zinc and lead at a cost of \$8,876.85.

## Geology

The Kilo Area Claims are situated in the northwest part of the middle to upper Jurassic Nelson batholith, comprised principally of porphyritic granitic rocks and associated dykes.

In the area of the Kilo and Chapleau Creek, the country rock is medium to coarse grained porphyritic granite to quartz monzonite with prominent K-feldspar phenocrysts. Narrow pegmatite and aplite dykes are common. Screens or number of pendants of older volcanic rocks have been mapped north and west of the Chapleau and Lemon Creeks.

## Mineralization

The Kilo Area Claims is one of a number of similar gold-silver prospects situated between the south end of Slocan Lake and Kokanee Glacier Park. Gold-silver values are contained in narrow fissure-filling quartz veins in Nelson porphyritic granites. Pyrite is the dominant sulfide mineral with lesser galena and sphalerite.

The Kilo quartz vein has been partially developed by more than 2,200 feet of underground workings including drifting on six main levels and two sub-levels and raising between most levels. Much of the recorded production has come from stopes developed off the lower levels.

Country rock in the vicinity of the workings is coarse grained, grey, Nelson porphyritic granite to quartz monzonite which exhibits partial to intense grey-green sericite alteration marginal to the principal quartz vein. Numerous pegmatic stringers are evident, and where seen they are normal to the strike of the vein. Aplite dykes appear to parallel the vein strike.

Two parallel quartz veins, present in No. 3 adit at the point 235 feet from the face, have widths of 5 to 8 inches and 12 to 18 inches and are separated by 2 feet of intensely sericitized and pyritized granite.

The principal sulfide mineral at Kilo is pyrite which is commonly oxidized and occurs as cubes up to one-quarter inch in size. Dump material, believed to be from No. 1 adit, contained quartz with appreciable quantities of galena and sphalerite. Much of the quartz seen is rusty, due to oxidization of pyrite. Better values of gold and silver are reportedly associated with rusty quartz zones. Recorded production from the Kilo property had an average grade of 0.404 ounces of gold per ton and 0.369 ounces of silver per ton.

Six character samples of quartz vein material collected from various dumps on the property by Thomas E. Kirk, the President of Kilo Gold Mines Ltd., returned values ranging from 0.064 to 0.586 ounces of gold per ton and 0.14 ounces of silver per ton. In 1979 the original owners of the property took chip samples over vein widths of 4 to 36 inches at 5 to 10 foot intervals in No. 3 adit. These samples yielded assays ranging from a trace to 1.91 ounces of gold per ton and from a trace to 2.81 ounces of silver per ton.

Carter collected four samples during his examination of the property. The results and locations of the four samples (Figure 2) were as follows:

<u>Sample No.</u>	<u>Nature</u>	<u>Width</u>	<u>Gold (Parts Per Billion)</u>	<u>Silver (Parts Per Million)</u>
NC-K-1	grab & chip	12 in.	4,100	0.7
NC-K-2	chip	11 in.	20	0.1
NC-K-3	chip	22 in.	21,800	15.0
NC-K-4	chip	45 in.	285	1.5

These geochemical analyses indicated that gold values are present above the present workings (NC-K-1) and that good values (NC-K-3) can be obtained from the No. 3 adit. Sample NC-K-4 was across the two parallel veins referred to earlier and include 2 feet of altered granite.

Gold-silver values on other claims are reportedly contained in narrow quartz veins ranging in width between 1 to 3 feet developed in Nelson porphyritic granitic rocks. Principal sulfide minerals are pyrite with lesser galena and sphalerite.

The Corporation conducted a soil geochemical program in October, 1984 and a number of anomalous values in lead, zinc, gold and silver were indicated.

### Conclusion

The Carter Report contains the following observations about the Kilo Area Claims:

1. Quartz vein structures with gold and lesser silver values are present on the Kilo claim and on the contiguous mineral claims;
2. High gold and silver values are present on the Kilo claim which suggests that it may have the potential for a selective mining operation;
3. The Kilo Area Claims have the advantage of easy access and proximity to smelting facilities at Trail.
4. Available information indicates that to date the work on the Kilo Area Claims has consisted principally of underground development and only preliminary exploration work.

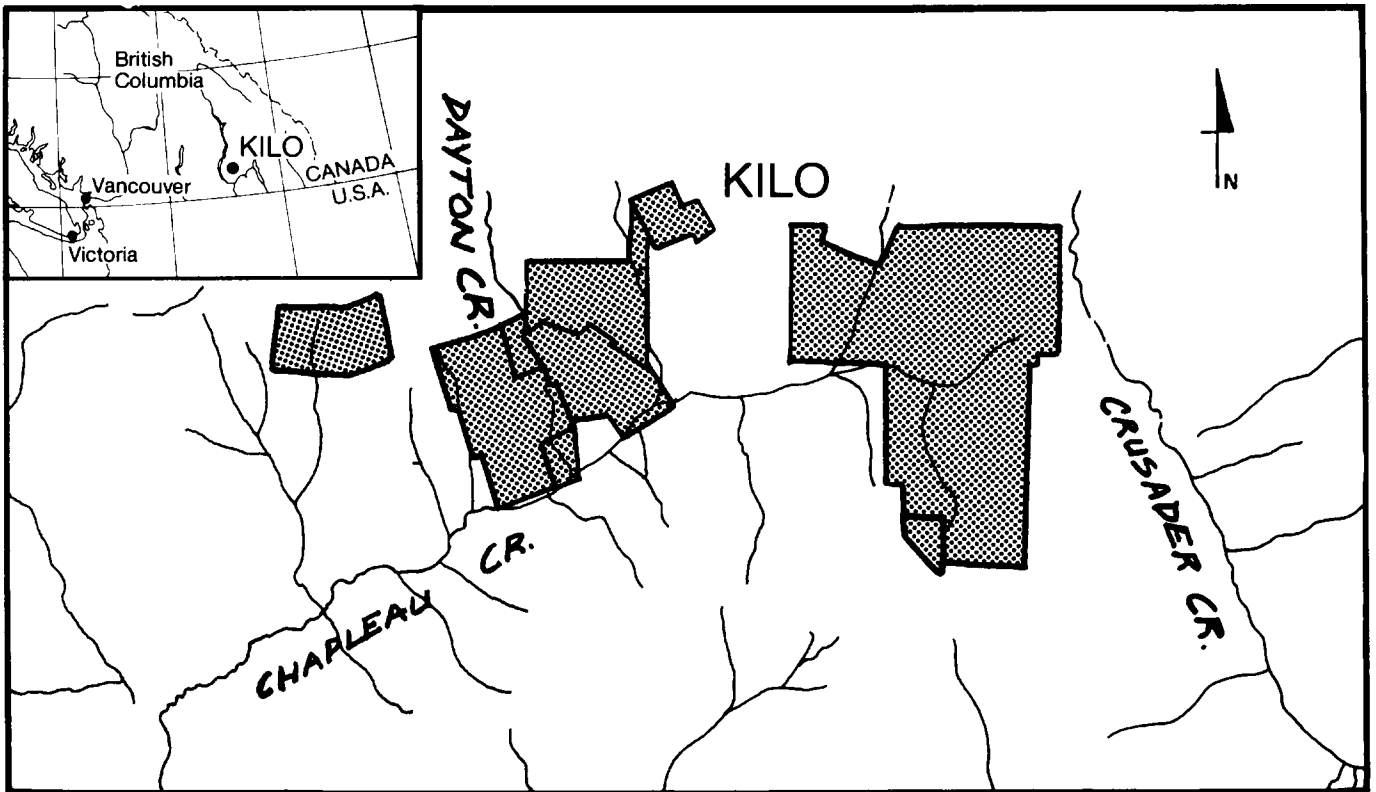
Based on these observations, it is concluded that a staged exploration program be undertaken on the Kilo Area Claims, the first phase of which would consist of detailed sampling of known vein structures, prospecting and detailed geochemistry, while phase two, if warranted, would consist of diamond drilling.

### Recommendations

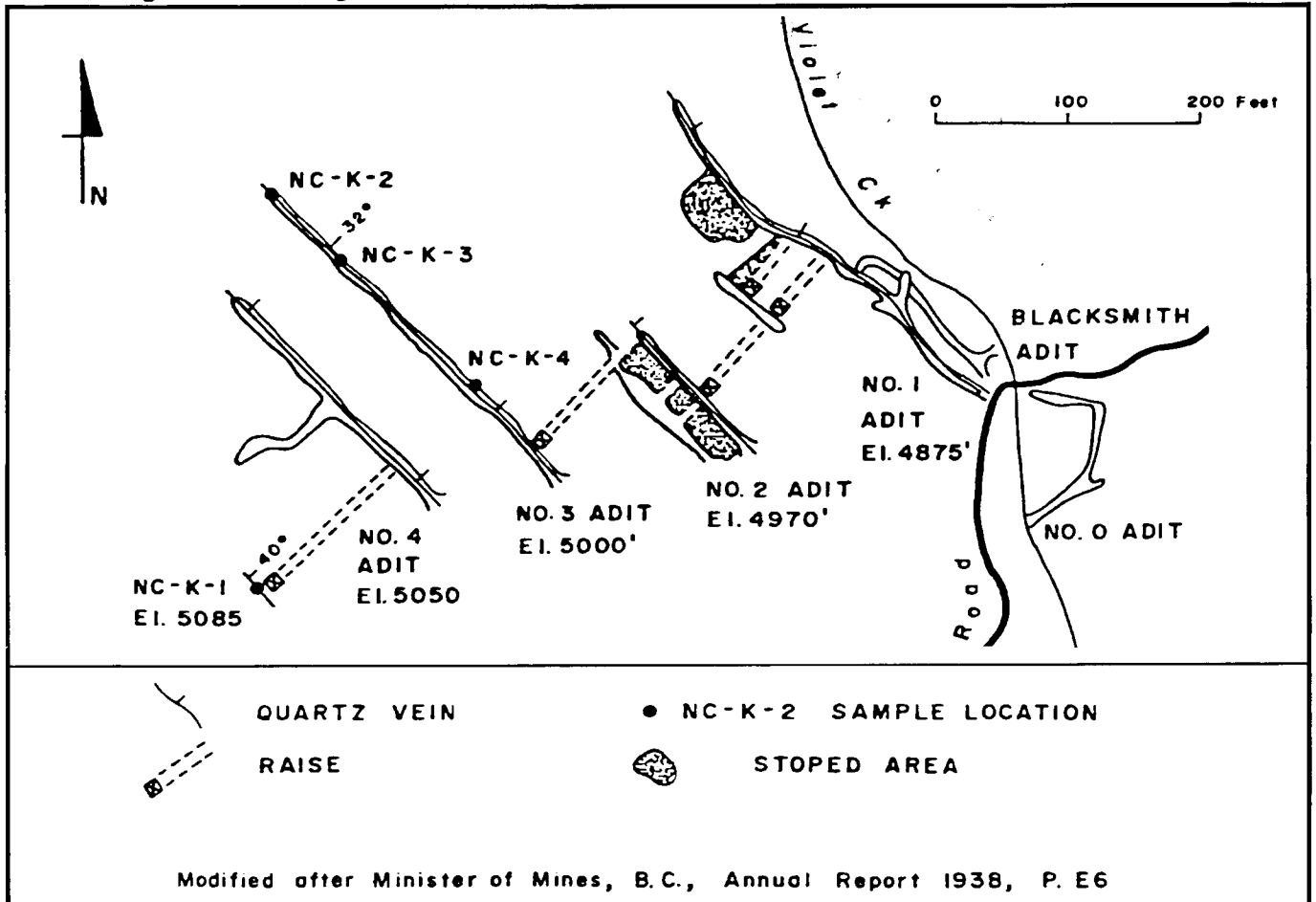
Carter recommends a two phase exploration program on the Kilo Area Claims at an aggregate cost of \$220,000 and consisting of:

#### Phase I

1. Rehabilitation of underground workings . . . . .	\$ 7,500
2. Road repairs . . . . .	3,500
3. Trenching . . . . .	5,000
4. Wages for 2 geologists for 50 days . . . . .	20,000
5. Food and accommodation for 50 days . . . . .	5,000
6. Vehicle rental and operation . . . . .	3,000
7. Assaying . . . . .	10,000
8. Soil sample analysis . . . . .	10,000
9. Engineering and supervision . . . . .	10,000
10. Miscellaneous travel . . . . .	2,000
11. Report preparation . . . . .	5,000
12. Contingencies . . . . .	19,000
<b>TOTAL FOR PHASE I . . . . .</b>	<b>\$100,000</b>



Kilo Underground Workings



KILO AREA CLAIMS LOCATION MAP

## Phase II

1. Diamond drilling: 2,500 feet @ \$35 per foot .....	87,500
2. Assaying .....	7,500
3. Engineering and supervision .....	5,000
4. Contingencies .....	<u>20,000</u>
TOTAL FOR PHASE II .....	\$120,000

Phase II would be dependent upon the results of Phase I.

### INDEPENDENT CONSULTANT'S REPORTS

Copies of the Trigg Report and the three Carter Reports are on file with the Alberta Securities Commission and will be available for inspection at the registered office of the Corporation, 1500 Sun Life Place, 10123 - 99 Street, Edmonton, Alberta, T5J 3H1, during ordinary business hours while the securities offered by this prospectus are in the course of distribution and for a period of 30 days thereafter.

### USE OF PROCEEDS

The estimated net proceeds to be received by the Corporation from the sale of the 1,100,000 Underwritten Shares offered by this prospectus will amount to \$262,250 after deducting fees payable to the Underwriter and the expenses of this issue. The estimated net proceeds to be received by the Corporation from the sale of the Option Shares will be \$330,000, assuming all Option Shares are taken down and paid for **but there is no assurance that the options will be exercised**. The following table indicates the uses which the Corporation proposes to put the funds that it may receive from this offering.

	UNDERWRITTEN SHARES	FIRST OPTION SHARES	SECOND OPTION SHARES	THIRD OPTION SHARES
Net proceeds to the Corporation:	<u>\$262,250</u>	<u>\$90,000</u>	<u>\$110,000</u>	<u>\$130,000</u>
Use of net proceeds:				
1. Estimated costs of exploration program on YOU Claims Group. See "The YOU Claims Group Consultant's Report".	128,000	—	—	—
2. 1985 Option payments on YOU Claims Group.	25,000	—	—	—
3. Estimated costs of Phase I of exploration program on Capella Claims. See "The Capella Claims Consultant's Report".	45,000	—	—	—
4. Estimated costs of Phase I of exploration program on Beaver Claims. See "The Beaver Claims Consultant's Report".	—	40,000	—	—
5. 1985 Option payments on Beaver Claims.	12,500	—	—	—
6. Estimated costs of Phase I and Phase II of exploration program on Kilo Area Claims. See "The Kilo Area Claims Consultant's Report".	—	—	100,000	120,000
7. 1985 Option payments on Kilo Area Claims.	8,300	—	—	6,700
8. Working Capital	<u>43,450</u>	<u>50,000</u>	<u>10,000</u>	<u>3,300</u>
	<u>\$262,250</u>	<u>\$90,000</u>	<u>\$110,000</u>	<u>\$130,000</u>

Although the above use of proceeds describes management's best present expectations, variations may be made in the expenditure of the net proceeds received based upon the results of the exploration program on the YOU Claims Group and the results obtained from time to time from the first phase exploration programs on the Capella Claims, the Beaver Claims and the Kilo Area Claims.

Until required for the Corporation's purposes, the proceeds will be invested only in securities of, or those guaranteed by, the Government of Canada or the Government of the United States of America or any Province of Canada, or in certificates of deposit or interest-bearing accounts of Canadian Chartered banks or trust companies, or the Alberta Treasury Branch, or in prime commercial paper, or a publicly traded money-market mutual fund.

**THE NET PROCEEDS FROM THE UNDERWRITTEN SHARES WILL ONLY BE SUFFICIENT TO COMPLETE THE EXPLORATION PROGRAM RECOMMENDED IN THE TRIGG REPORT ON THE YOU CLAIMS GROUP AND PHASE I OF A TWO PHASE EXPLORATION PROGRAM RECOMMENDED IN THE CARTER REPORT ON THE CAPELLA CLAIMS. ADDITIONAL FUNDS WILL BE REQUIRED TO FINANCE THE TWO PHASE EXPLORATION PROGRAMS RECOMMENDED IN THE CONSULTANT'S REPORTS ON THE BEAVER CLAIMS AND KILO AREA CLAIMS; PHASE II OF THE RECOMMENDED EXPLORATION PROGRAM ON THE CAPELLA CLAIMS, ADDITIONAL EXPLORATION**

**OR DEVELOPMENT WORK ON THE CORPORATION'S MINING CLAIMS IF IT IS DETERMINED THAT COMMERCIAL PRODUCTION IS WARRANTED AND TO FULFIL THE CORPORATION'S ONGOING FINANCIAL OBLIGATIONS PURSUANT TO THE YOU CLAIMS ASSIGNMENT AGREEMENT, THE CAPELLA AND BEAVER CLAIMS ACQUISITION AGREEMENT OR THE PACIFIC COAST ACQUISITION AGREEMENT. SEE "SPECULATIVE NATURE OF THE SECURITIES".**

**PLAN OF DISTRIBUTION**

Under the Underwriting Agreement the Corporation will agree to sell and the Underwriter will agree to purchase, on August 1, 1985, or on such other date being not later than August 22, 1985 as may be agreed upon, subject to the terms and conditions contained therein, all the 1,100,000 Underwritten Shares at an aggregate price of \$385,000 payable to the Corporation against delivery of the Underwritten Shares. The Underwriting Agreement will provide for the Corporation to pay to the Underwriter fees aggregating \$57,750 together with their counsel's fees, charges, disbursements and expenses. The obligations of the Underwriter under the Underwriting Agreement may be terminated at its discretion on the basis of its assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. In connection with the offering of the Underwritten Shares, the Underwriter may over allot or affect transactions which stabilize or maintain the market price of the Common Shares at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

Under the terms of the Underwriting Agreement the Corporation will grant the Underwriter options to purchase, within the times, in the numbers and at the prices per share hereinafter set forth, an aggregate of 600,000 additional Common Shares. Each option must be exercised in whole and not in part only and the options are non-transferable.

	<b>EXPIRATION DATE CALCULATED FROM THE DATE OF THE FINAL RECEIPT FOR THIS PROSPECTUS</b>	<b>NUMBER OF OPTION SHARES</b>	<b>OPTION PRICE PER SHARE TO THE UNDERWRITER</b>	<b>NET PROCEEDS TO THE CORPORATION IF THE OPTION IS EXERCISED</b>
FIRST OPTION	90 days	200,000	\$ 0.45	\$ 90,000
SECOND OPTION	180 days	200,000	0.55	110,000
THIRD OPTION	270 days	200,000	0.65	130,000

The Option Shares may be sold by the Underwriter to the public at any price and the Underwriter may realize a gross profit in the amount equal to the difference, if any, between the price paid for the Option Shares and the price at which such Option Shares are sold to the public.

The Underwriting Agreement will provide that if the open market price of the Common Shares prior to the expiry date of each respective option is in excess of 175% of the option price (in each case the "Limit Price"), then:

1. the Underwriter shall be obligated to exercise the applicable option in full;
2. the Option Shares shall, upon purchase by the Underwriter, immediately be offered to the public in the Province of Alberta; and
3. if the Option Shares are sold to the public at a price in excess of the Limit Price, 60% of such excess shall be paid to the Corporation.

Except as specifically set forth above, the exercise of the options shall be at the Underwriter's sole discretion and the taking down and paying for any Common Shares shall not obligate the Underwriter to take down and pay for any further Common Shares but should the Underwriter exercise any option, such option shares shall be immediately offered to the public.

One of the directors of the Corporation is Dennis W. Fleck who is also a director and Vice-President of the Underwriter, First Commonwealth Securities Corp. and Dennis W. Fleck and John F.K. Donaldson, the President of First Commonwealth Securities Corp., subscribed for 10,000 Common Shares of the Corporation at \$0.10 per Common Share, and George Cathcart, an employee of the Underwriter, subscribed for 10,000 Common Shares at \$0.10 per Common Share. See "Conflicts of Interest" and "Prior Sales".

**DIRECTORS AND OFFICERS**

The following are the names and municipalities of residence of the directors and officers of the Corporation, their positions and offices with the Corporation and their principal occupations during the last five years:

<b>NAME AND MUNICIPALITY OF RESIDENCE</b>	<b>OFFICE</b>	<b>PRINCIPAL OCCUPATION AND POSITIONS DURING THE LAST FIVE YEARS</b>
Thomas Earl Kirk Victoria, British Columbia	President and Director	Prospector. Director of Carnes Creek Explorations Ltd., Tesla Explorations Ltd., and President and director of Pacific Coast Copper Ltd. and French Creek Placers Ltd. (mineral exploration companies).
Patrick C. Young Edmonton, Alberta	Secretary-Treasurer and Director	Chartered Accountant. Formerly, Partner, Fleming & Young (a firm of chartered accountants) and prior thereto, civil servant, Government of Alberta.

NAME AND MUNICIPALITY OF RESIDENCE	OFFICE	PRINCIPAL OCCUPATION AND POSITIONS DURING THE LAST FIVE YEARS
Kenneth Bertram Blakey Victoria, British Columbia	Director	Retired Deputy Minister of Mines, British Columbia. Director of Mosquito Creek 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 Places Ltd. (mineral exploration companies).
Dennis W. Fleck Edmonton, Alberta	Director	Vice-President, First Commonwealth Securities Corp. (a securities dealer) and prior thereto, a licensed broker.

#### DESCRIPTION OF SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value, of which as at July 11, 1985 990,001 were issued and outstanding as fully paid and non-assessable and 250,000 were reserved under a directors' and management stock option plan. See "Directors' and Management Stock Options".

The holders of the Common Shares are entitled to dividends as and when declared by the board of directors, to one vote per share at meetings of shareholders of the Corporation and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares. All of the Common Shares to be outstanding on completion of this offering will be fully paid and non-assessable.

#### CAPITALIZATION

CAPITAL	AUTHORIZED	OUTSTANDING AS AT JANUARY 31, 1985	OUTSTANDING AS AT JULY 11, 1985	OUTSTANDING, AS AT JULY 11, 1985, AFTER GIVING EFFECT TO THE UNDERWRITTEN SHARES(1)	OUTSTANDING AS AT JULY 11, 1985, AFTER GIVING EFFECT OF UNDERWRITTEN SHARES AND ALL OF OPTION SHARES(2)
Common Shares	Unlimited	\$19,004 (940,001 shares)	\$24,004 (990,001 shares)	\$286,254 (2,090,001 shares)	\$616,254 (2,690,001 shares)

(1) In addition to the 600,000 Option Shares for the Underwriter, the Corporation has reserved an aggregate of 250,000 Common Shares for a Directors' and Management Stock Option Plan. As at July 11, 1985, the Corporation had granted options for an aggregate of 140,000 Common Shares under the Directors' and Management Stock Option Plan. See "Directors' and Management Stock Options".

(2) The figures assume the purchase of the 600,000 Option Shares by the Underwriter. See "Plan of Distribution".

#### PRIOR SALES

Since the date of incorporation of the Corporation, 990,001 Common Shares have been issued as follows:

DATE	NUMBER OF SHARES	ISSUE PRICE PER SHARE	AGGREGATE ISSUE PRICE	NATURE OF CONSIDERATION RECEIVED
October 15, 1984	1	\$1.00	\$ 1.00	Cash
November 12, 1984	300,000	—	\$ 1.00	Cash and assignment of the option to explore, develop and acquire the YOU Claims Group.
November 12, 1984	75,000	—	\$ 1.00	Cash and assignment of rights and option to purchase the Cappella and Beaver Claims.
November 12, 1984	375,000	—	\$ 1.00	Cash and assignment of rights and option to purchase the Kilo Area Claims.
December, 1984 and January and February, 1985	<u>240,000</u> <u>990,001</u>	\$0.10	<u>\$24,000.00</u> <u>\$24,004.00</u>	Cash (1)

(1) 20,000 of these shares have been purchased and subscribed for by certain employees and shareholders of the Underwriter.

See "Directors' and Management Stock Options".

### PRINCIPAL SHAREHOLDERS

The following lists those persons who own of record or who are known to Kilo to own beneficially, directly or indirectly, more than 10% of the issued and outstanding Common Shares of the Corporation as at July 11, 1985.

NAME AND MUNICIPALITY OF RESIDENCE	TYPE OF OWNERSHIP	NUMBER OF SHARES	PERCENTAGE OF SHARES OWNED BEFORE OFFERING	PERCENTAGE OF SHARES OWNED AFTER OFFERING OF UNDERWRITTEN SHARES	PERCENTAGE OF SHARES OWNED AFTER OFFERING OF UNDERWRITTEN SHARES AND ALL OPTION SHARES
French Creek Placers Ltd. Victoria, British Columbia	of record and beneficial	375,000	37.88%	17.94%	13.94%
Pacific Coast Copper Ltd. Victoria, British Columbia	of record and beneficial	375,000	37.88%	17.94%	13.94%

As at July 11, 1985, the 805,001 Common Shares beneficially owned or controlled, directly or indirectly, by all directors and officers as a group prior to giving effect to this issue represented 81.31% of the issued and outstanding Common Shares of the Corporation and will represent approximately 38.52% after giving effect to the issue of the Underwritten Shares and approximately 29.93% if all the Option Shares are purchased by the Underwriter.

### DIVIDEND POLICY

No dividends have been paid on any shares of the Corporation since the date of its incorporation and it is not contemplated that any dividends will be paid in the immediate future.

### PRELIMINARY EXPENSES

Since its incorporation the Corporation has incurred administrative expenses of approximately \$23,200 and development expenses of approximately \$18,300. It is estimated that during the 12 month period from the date of this prospectus additional administrative expenses of approximately \$100,000 and additional development expenses on the Corporation's mineral operations of approximately \$370,000 will be incurred.

### REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The following table sets out the aggregate remuneration paid by Kilo to its directors and officers for the period ended January 31, 1985:

	Nature of Remuneration		
	From Office of Employment (Aggregate)	Cost of Pension Benefits (Aggregate)	Other (Aggregate)
Directors (Total number 4)	NIL	NIL	NIL
Senior Officers	NIL	NIL	NIL

The aggregate remuneration to be paid to a senior officer of the Corporation for the period January 1, 1985 to December 31, 1985 is not expected to exceed \$24,000 and such salary will not be paid unless an option is taken down and paid for by the Underwriter. See "Plan of Distribution". No remuneration is to be paid to directors in their capacity as directors.

The Corporation has signed directors' and management stock option agreements. See "Directors' and Management Stock Options".

### 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 July 11, 1985 the Corporation has signed stock option agreements with its directors and managers as follows:

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

#### **PROMOTERS**

Thomas Earl Kirk, French Creek Placers Ltd. and Pacific Coast Copper Ltd. may be considered to be the promoters of the Corporation in that they took the initiative in founding and organizing the Corporation. Kirk is also a director and officer of the Corporation and an officer and director of French Creek Placers Ltd. and Pacific Coast Copper Ltd., shareholders of the Corporation.

French Creek and Pacific Coast each received 375,000 Common Shares of the Corporation, in exchange for the assignments of all the right and option to purchase the YOU Claims Group, the Capella and Beaver Claims and the Kilo Area Claims, which represented 37.88% respectively of the outstanding shares at July 11, 1985 and will represent 17.94% respectively of the outstanding shares after giving effect to the issue of the Underwritten Shares. See "Prior Sales", "Principal Shareholders", "Remuneration of Directors and Senior Officers", "Directors' and Management Stock Options", "The YOU Claims Group", "The Capella and Beaver Claims", "The Kilo Area Claims", "Escrowed Securities", "Interest of Management and Others in Material Transactions" and "Material Contracts".

#### **MATERIAL CONTRACTS**

The Corporation has not entered into any contracts material to investors in the Common Shares within the two years prior to the date hereof, other than contracts in the ordinary course of business, except:

1. The Woodworth/French Agreement under which French Creek obtained the option to purchase the YOU Claims Group. See "Business of the Corporation", "The YOU Claims Group" and "Interest of Management and Others in Material Transactions".
2. The McNaught Agreement under which French Creek obtained the right to purchase the Capella Claims. See "Business of the Corporation", "The Capella and Beaver Claims" and "Interest of Management and Others in Material Transactions".
3. The Jardine Agreement under which French Creek obtained the option to purchase the Beaver Claims. See "Business of the Corporation", "The Capella and Beaver Claims" and "Interest of Management and Others in Material Transactions".
4. The Inter Securities Agreement under which Pacific Coast purchased 4 crown-granted mineral claims. See "Business of the Corporation", "The Kilo Area Claims" and "Interest of Management and Others in Material Transactions".
5. The Big 5 Agreement under which Pacific Coast obtained the option to purchase 4 mineral claims. See "Business of the Corporation", "The Kilo Area Claims" and "Interest of Management and Others in Material Transactions".
6. The Evans/Rockel Agreement under which Pacific Coast obtained the option to purchase 7 mineral claims. See "Business of the Corporation", "The Kilo Area Claims" and "Interest of Management and Others in Material Transactions".
7. The Albury Agreement under which Pacific Coast obtained the right to purchase 2 mineral claims. See "Business of the Corporation", "The Kilo Area Claims" and "Interest of Management and Others in Material Transactions".
8. The YOU Claims Assignment Agreement under which French Creek assigned to the Corporation all of its right and option under the Woodworth/French Agreement. See "Business of the Corporation", "The YOU Claims Group" and "Interest of Management and Others in Material Transactions".
9. The Capella and Beaver Claims Acquisition Agreement under which Thomas E. Kirk and French Creek transferred and assigned to the Corporation all of its right and option to the Capella Claims and the Beaver Claims which it had obtained under the McNaught and Jardine Agreements. See "Business of the Corporation", "The Capella and Beaver Claims" and "Interest of Management and Others in Material Transactions".
10. The Pacific Coast Acquisition Agreement under which Pacific Coast transferred and assigned to the Corporation all of its right and option to the Kilo Area Claims, some of which claims it had obtained under the Inter Securities Agreement, Big 5 Agreement, Evans/Rockel Agreement and Albury Agreement. See "Business of the Corporation", "The Kilo Area Claims" and "Interest of Management and Others in Material Transactions".
11. Directors' and Management Stock Option Agreements. See "Directors' and Management Stock Options".



12. Escrow Agreement. See "Escrowed Securities".
13. The Big 5 Amending Agreement under which Kilo has amended the Big 5 Agreement. See "Business of the Corporation", "The Kilo Area Claims" and "Interest of Management and Others in Material Transactions".
14. The Jardine/Kilo Agreement by which the Jardine Agreement was superceded and Kilo obtained the option to purchase the Beaver Claims. See "Business of the Corporation", "The Capella and Beaver Claims" and "Interest of Management and Others in Material Transactions".
15. The Amending Woodworth/French Agreements under which French has amended the Woodworth/French Agreement. See "Business of the Corporation", "The You Claims Group" and "Interest of Management and Others in Material Transactions".
16. Underwriting Agreement. See "Plan of Distribution".

Copies of these agreements are on file with the Alberta Securities Commission and will be available for inspection at the registered office of the Corporation, 1500 Sun Life Place, 10123 - 99 Street, Edmonton, Alberta, during ordinary business hours while the securities offered by this prospectus are in the course of distribution and for a period of 30 days thereafter.

#### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Pursuant to the YOU Claims Assignment Agreement, French Creek Placers Ltd. received 300,000 Common Shares in the capital stock of the Corporation in consideration of the assignment to the Corporation of an option to purchase the YOU Claims Group. Thomas E. Kirk, the President and director of the Corporation, is the President and a director of French Creek and the principal shareholder. Kenneth B. Blakey, a director of the Corporation, is the Secretary-Treasurer and a director and shareholder of French Creek. See "Business of the Corporation", "The You Claims Group" and "Material Contracts".

Pursuant to the Capella and Beaver Claims Acquisition Agreement, French Creek Placers Ltd. received 75,000 Common Shares in the capital stock of the Corporation in consideration of the transfer and assignment to the Corporation of the right and option to purchase the Capella Claims and the Beaver Claims. Thomas E. Kirk, the President and director of the Corporation, is the President and a director of French Creek and the principal shareholder. Kenneth B. Blakey, a director of the Corporation, is the Secretary-Treasurer and a director and shareholder of French Creek. See "Business of the Corporation", "The Capella and Beaver Claims" and "Material Contracts".

Pursuant to the Pacific Coast Acquisition Agreement, Pacific Coast Copper Ltd. received 375,000 Common Shares in the capital stock of the Corporation in consideration of the transfer and assignment to the Corporation of the right and option to acquire 33 mineral claims. Thomas E. Kirk, the President and director of the Corporation, is the President and a director and principal shareholder of Pacific Coast. See "Business of the Corporation", "The Kilo Area Claims" and "Material Contracts".

Thomas E. Kirk has an option to acquire 50,000 Common Shares and Patrick Young, Kenneth B. Blakey and Dennis W. Fleck have options to acquire 30,000 Common Shares each under a Directors' and Management Stock Option Plan with the Corporation. See "Promoters" and "Directors' and Management Stock Options". Neither Thomas E. Kirk, nor insiders of Pacific Coast, French Creek or Kilo Gold Mines Ltd. have an interest in claims contiguous to any of the optioned claims.

#### **CONFLICTS OF INTEREST**

There are potential conflicts of interest to which the officers and directors will be subject in connection with the operations of the Corporation. Some of the directors and officers are engaged and continue to be engaged in the search for minerals claims on their own behalf and on behalf of other companies, and situations may arise where the directors and officers will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the Business Corporations Act (Alberta).

Dennis W. Fleck, a director of the Corporation, is also the Vice-President and a director of First Commonwealth Securities Corp., the Corporation's Underwriter. See "Plan of Distribution" and "Prior Sales".

#### **SPECULATIVE NATURE OF THE SECURITIES**

There is no market for the Common Shares of the Corporation. This offering should be considered highly speculative due largely to the fact that the Corporation is in its early stages of development, that the net proceeds from the Common Shares offered hereby are to be used in preliminary exploration work on mineral claims and that, to date, no ore reserves have been established on the Corporation's mineral claims. As a result of these factors, this offering is more suitable to investors who are willing to rely on the management with respect to all operations of the Corporation. The net proceeds from the Underwritten Shares will only be sufficient to fund the exploration program recommended in the Trigg Report on the YOU Claims Group and Phase I of a Two-Phase exploration program recommended in the Carter Report on the Capella Claims. Additional funds will be required to finance the Two-Phase exploration programs recommended in the consultants' reports on the Beaver Claims and Kilo Area Claims; Phase II of the recommended exploration program on the Capella Claims, additional exploration or development work on the Corporation's mineral claims if it is determined that commercial production is warranted and to fulfill the Corporation's ongoing financial obligations pursuant to the terms and conditions of the YOU Claims Assignment Agreement, the Capella and Beaver Claims Acquisition Agreement or the Pacific Coast Acquisition Agreement. See "The YOU Claims Group", "The Capella and Beaver Claims", "The Kilo Area Claims" and "Use of Proceeds".

Investors should consider the risk factors outlined in this prospectus and in general when evaluating the Common Shares. Exploration and development of mineral claims is highly speculative and necessarily involves substantial risks. Hazards such as unusual or unexpected formations, pressures or other conditions are involved in mining. There is no assurance that the expenditures made by the Corporation in the exploration of its mineral claims will result in the discovery of ore that may be mined commercially. The Corporation has not previously engaged in gold or silver mining operations, although Thomas E. Kirk, the President, director and promoter of the Corporation, has considerable prospecting experience. In addition, the Corporation does not have title to the mining claims and the Corporation's continuing right to hold many of its interests in its mineral leases is dependent on its financial ability to comply with the terms and conditions of its

assignment agreements and, should the Corporation fail to meet these obligations, it will lose its interest in the mining claims. See "Note 6 to the Financial Statements", "The YOU Claims Group", "The CapeHa and Beaver Claims" and "The Kilo Area Claims".

The mining industry has been subject to increasing government controls and regulation in recent years. The industry is competitive and the Corporation may be required to compete in the future directly with other corporations that may have greater resources. The Corporation may become subject to liability for cave-ins and other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. Payment of such liabilities would reduce funds available for mining activities.

#### DILUTION

Based on the Corporation having a book value of \$0.02 per Common Share as at January 31, 1985, purchasers of the Underwritten shares by this prospectus at \$0.35 per common Share will suffer an immediate dilution of \$0.21 or approximately 61% per Common Share on the basis of there being 2,090,001 Common Shares of the Corporation outstanding after the offering and sale of the 1,100,000 Underwritten Shares only and after allowance for the Underwriter's fee and expenses of this issue.

#### ESCROWED SECURITIES

The following table sets out as at July 11, 1985 the number of securities of the Corporation which to the knowledge of the Corporation, are held in escrow:

DESIGNATION OF CLASS	NUMBER OF SECURITIES HELD IN ESCROW	PERCENTAGE OF CLASS
Common	750,000	75.76%

The shares of Pacific Coast Copper Ltd. and French Creek Placers Ltd. will be deposited with Canada Permanent Trust Company, 311 - 6 Avenue S.W., Calgary, Alberta, pursuant to an escrow agreement dated March 1, 1985. The escrow agreement requires the written consent of the Director of the Alberta Securities Commission for the shares to be released from escrow. See "Prior Sales" and "Interest of Management and Others in Material Transactions".

#### AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are Deloitte, Haskins & Sells, 18th Floor, Toronto-Dominion Tower, Edmonton, Alberta, T5J 3P9.

Canada Permanent Trust Company, through its office at Calgary, Alberta, is the transfer agent and registrar for the Common Shares.

**Deloitte  
Haskins+Sells**

Chartered Accountants

18th Floor  
Toronto-Dominion Tower  
Edmonton Centre  
Edmonton, Alberta T5J 3P9  
(403) 421-3611  
Telex 037-3032  
Cable DEHANDS

To the Directors of  
Kilo Gold Mines Ltd.

We have examined the balance sheet of Kilo Gold Mines Ltd. as at January 31, 1985 and the statement of changes in financial position for the period from commencement of operations, November 12, 1984, to January 31, 1985. 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 January 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 consistently applied.

(Signed) Deloitte Haskins+Sells

Auditors

July 11, 1985

**KILO GOLD MINES LTD.  
BALANCE SHEET  
JANUARY 31, 1985**

**ASSETS**

<b>CURRENT ASSETS</b>	
Cash	\$ 9,751
Advance to a director	<u>259</u>
	10,010
 MINERAL PROPERTIES (Note 3)	 2,503
DEFERRED EXPLORATION AND ADMINISTRATION COSTS (Note 4)	28,949
PERFORMANCE BOND, at cost	<u>2,500</u>
	<u><u>\$43,962</u></u>

**LIABILITIES**

<b>CURRENT LIABILITY</b>	
Accounts payable and accrued charges	\$24,958
 CONTINGENCIES AND COMMITMENTS (Notes 3, 5, 6 and 9)	

**SHAREHOLDERS' EQUITY**

<b>SHARE CAPITAL (Notes 5 and 8)</b>	
Authorized — unlimited number of common shares of no par value	
Issued	
For cash — 190,001 shares	\$19,001
For mining properties — 750,000 shares	<u>3</u>
	<u>19,004</u>
	<u><u>\$43,962</u></u>

Approved by the Board:

(Signed) Thomas E. Kirk, Director

(Signed) Patrick C. Young, Director

**KILO GOLD MINES LTD.  
STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE PERIOD FROM COMMENCEMENT OF OPERATIONS, NOVEMBER 12, 1984,  
TO JANUARY 31, 1985**

<b>SOURCE OF WORKING CAPITAL</b>	
Issuance of share capital	<u>\$19,001</u>
 <b>USES OF WORKING CAPITAL</b>	
Payment on You Claims Option	\$ 2,500
Exploration costs	5,774
Administration costs	23,175
Performance bond	<u>2,500</u>
	<u>33,949</u>
 DECREASE IN WORKING CAPITAL AND WORKING CAPITAL DEFICIENCY, END OF PERIOD	 <u><u>\$14,948</u></u>

**KILO GOLD MINES LTD.  
NOTES TO THE FINANCIAL STATEMENTS  
JANUARY 31, 1985**

**1. INCORPORATION**

The company was incorporated on October 15, 1984. Operations commenced on November 12, 1984 when the company acquired assignments on 45 mineral property claims options and agreements.

To July 11, 1985 the company has been involved in securing financing necessary to undertake preliminary exploration and development of the claims and otherwise discharge its commitments on the options and agreements.

The economic feasibility of developing the claims 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 January 31, 1985 represent costs associated with non-producing properties.

**3. MINERAL PROPERTIES**

You Claims Option	\$2,501
Capella and Beaver Claims Options	1
Kilo Area Claims Options and Letter Agreements	<u>1</u>
	<u><u>\$2,503</u></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, 1992 totalling \$770,000 of which \$12,000 has been paid, including \$9,500 paid by the assignor;

Current scheduled payments totalling \$35,000 (Note 6) are due as follows:

February 1, 1985	\$ 5,000
May 24, 1985	5,000
August 1, 1985	5,000
October 1, 1985	5,000
November 1, 1985	<u>15,000</u>
	<u><u>\$35,000</u></u>

Although the February 1 payment has been made, only \$2,500 was paid with regard to the May 24 payment. Accordingly, the agreement is in default pending payment of an additional \$2,500.

(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, to an aggregate of \$1,200,000, until the scheduled payments have been completed;

(c) a royalty of 8% 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 14% net smelter return.

On July 3, 1985 the company obtained notification of the optionor's intent to amend the royalty to 5½% and to amend the acceleration of payments to 10% of net smelter return. The company is presently awaiting a signed agreement to this effect.

### 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 the first instalment of \$5,000 is due June 30, 1985, and a royalty of 8% in net smelter returns.

The company has paid only \$3,500 of the required June 30 payment. Accordingly, the agreement is in default pending payment of an additional \$1,500.

### 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. Of this amount, \$2,200 has been paid by the assignor. In addition, should the claims reach production, a royalty of 2% in net smelter returns is payable to a maximum of \$120,000.

- (b) Letter of Agreement (2 claims)

Full exercise of the agreement requires a payment of \$500, which has been paid by the assignor, a \$4,500 payment which is due by July 31, 1985, 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 agreement the company is committed to undertake evaluation of the claims by the minimum expenditure of \$100,000 during calendar year 1985 (Phase I).

Should the Phase I and subsequent geological reports, if any, warrant on-going evaluation or development work, full exercise of the agreement would require the following:

- (i) minimum expenditure of \$120,000 during calendar year 1986 (Phase II);
- (ii) payment of \$200,000 on or before March 17, 1990;
- (iii) a royalty of 10% in net smelter returns.

### 4. DEFERRED EXPLORATION AND ADMINISTRATION COSTS

Exploration costs — Kilo Area Claims		\$ 5,774
Administration costs		
Office supplies	\$ 335	
Professional fees	20,000	
Rent	465	
Salaries and benefits	1,431	
Travel	944	23,175
		<u>\$28,949</u>

### 5. STOCK OPTION PLAN

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

- (a) The company is in default on the You Claims and the Beaver Claims Options (Note 3).
- (b) 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:

	Year Ended January 31,						Total
	1986	1987	1988	1989	1990	1991 and Subsequent	
You Claims Option payments	\$ 35,000	\$ 40,000	\$ 50,000	\$150,000	\$150,000	\$ 333,000	\$ 758,000
Exploration Commitment	—	125,000	125,000	150,000	200,000	600,000	1,200,000
Capella Claims Exploration Commitment- Phase I	45,000	—	—	—	—	—	45,000
Beaver Claims Option payments	12,500	10,000	10,000	17,500	—	—	50,000
Kilo Claims Option and Agreement payments	8,300	7,000	9,000	10,000	10,000	278,000	322,300
Exploration Commitment	100,000	120,000	—	—	—	—	220,000
	<u>\$200,800</u>	<u>\$302,000</u>	<u>\$194,000</u>	<u>\$327,500</u>	<u>\$360,000</u>	<u>\$1,211,000</u>	<u>\$2,595,300</u>

Engineering reports estimate the cost of a Phase I exploration program for the Beaver claims to be \$40,000. However, as there is no commitment under the option agreement for minimum exploration work, no amount has been included in the foregoing summary.

Engineering reports issued with respect to the company's other properties indicate the cost of initial exploration programs to be equivalent to the exploration commitments disclosed under 1986 in the foregoing summary. Phase II exploration, contingent upon the results of Phase I are estimated for the claims as follows:

Capella claims	\$ 85,000
Beaver claims	75,000
Kilo claims	120,000

#### 7. RELATED PARTY TRANSACTIONS

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

#### 8. SUBSEQUENT EVENTS

- (a) Subsequent to January 31, 1985 the company issued an additional 50,000 common shares for a cash consideration of \$5,000.
- (b) Pursuant to an underwriting agreement, the company has agreed to issue and sell 1,100,000 common shares at 35 cents a share. The net proceeds to the company are estimated to be \$262,250 after deducting underwriting commissions and expenses of the issue which are estimated to be \$122,750.

In addition, the agreement grants to the underwriter options to purchase an aggregate of 600,000 additional common shares for net proceeds to the company, if fully exercised, of \$330,000.

#### 9. ECONOMIC DEPENDENCE

The estimated net proceeds to the company of \$262,250, from the underwritten shares, are required to meet the company's current obligations of \$200,800 as described in Note 6. Accordingly, the company is currently dependent upon full realization of net proceeds from the underwritten shares.

Moreover, the company's continuing commitments will require realization of net proceeds from the optioned shares and subsequent external financing or, alternatively, the sale or abandonment of selected claims.

## PURCHASER'S STATUTORY RIGHTS

Sections 106, 168 and 175 of the Securities Act (Alberta) provide, in effect, that when a security is offered in the course of a distribution:

- (a) a purchaser will not be bound by a contract for the purchase of such security if written notice of his intention not to be bound is received by the dealer from whom the purchaser purchased the security not later than midnight on the second business day after the latest prospectus and any amendment to the prospectus offering such security is received by the purchaser, and
- (b) if a prospectus together with any amendment to the prospectus contains a misrepresentation, a purchaser who purchases a security offered thereby during the period of distribution shall be deemed to have relied on such misrepresentation and, subject to the limitations set forth in the Act,
  - (1) has a right of action for damages against,
    - (i) the issuer or a selling security holder on whose behalf the distribution is made,
    - (ii) each underwriter required to sign the certificate required by section 91 of the Act,
    - (iii) every director of the issuer at the time the prospectus or amendment was filed,
    - (iv) every person or company whose consent has been filed pursuant to a requirement of the regulations under the Act but only with respect to reports, opinions or statements made by them, and
    - (v) every other person or company who signed the prospectus or the amendment,but no action to enforce the right can be commenced by a purchaser more than the earlier of 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action or one year after the date of the transaction that gave rise to the cause of action, or
  - (2) where the purchaser purchased the security from a person or company referred to in (i) or (ii) above or from another underwriter of the securities, he may elect to exercise a right of rescission against such person, company or underwriter, in which case he shall have no right of action for damages against such person, company or underwriter, but no action to enforce this right can be commenced by a purchaser more than 180 days after the date of the transaction that gave rise to the cause of action.

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

DATED: July 11, 1985

**CERTIFICATE OF THE CORPORATION**

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 8 of the Securities Act (Alberta) and the regulations thereunder.

(Signed) THOMAS E. KIRK  
(Chief Executive Officer)

(Signed) PATRICK C. YOUNG  
(Chief Financial Officer)

**ON BEHALF OF THE BOARD**

(Signed) KENNETH B. BLAKEY  
DIRECTOR

(Signed) DENNIS W. FLECK  
DIRECTOR

**CERTIFICATE OF THE PROMOTERS**

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 8 of the Securities Act (Alberta) and the regulations thereunder.

PACIFIC COAST COPPER LTD.

Per:

(Signed) Thomas E. Kirk

FRENCH CREEK PLACERS LTD.

Per:

(Signed) Thomas E. Kirk

(Signed) THOMAS E. KIRK

**CERTIFICATE OF THE UNDERWRITER**

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 8 of the Securities Act (Alberta) and the regulations thereunder.

FIRST COMMONWEALTH SECURITIES CORP.

Per:

(Signed) John F.K. Donaldson

The following includes the name of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of First Commonwealth Securities Corp.: First Commonwealth Financial Corporation.