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THE GOVERNMENT OF  
THE PROVINCE OF BRITISH COLUMBIA

Form 12

Securities Act

Date Accepted  
For Filing January 9,  
1979

**SUPERINTENDENT OF BROKERS  
AND  
VANCOUVER STOCK EXCHANGE  
VANCOUVER CURB EXCHANGE**

**STATEMENT OF MATERIAL FACTS**

**VANCOUVER CURB EXCHANGE**

Name of Exchange

CONSOLIDATED CINOLA MINES LTD. (N.P.L.)

Name of Issuer

#807-543 GRANVILLE STREET, VANCOUVER, B.C.

Address of Head Office of Issuer

1300-1090 WEST GEORGIA STREET, VANCOUVER, B.C.

Address of Registered Office of Issuer

#807-543 GRANVILLE STREET, VANCOUVER, B.C.

Address of Records Office (Section 38 -- Companies Act)

CROWN TRUST COMPANY  
455 HOWE STREET, VANCOUVER, B.C.

Name & address of Registrar & Transfer Agent  
for Issuer's shares in British Columbia.

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

1. DETAILS OF THE CIRCUMSTANCES RELATING  
TO THE OFFERING OF SECURITIES

Pursuant to an Agency Agreement dated the 4th January, 1979 Canarim Investment Corporation Ltd. of 1350-409 Granville Street, Vancouver, British Columbia, as to 66 2/3% and Continental Carlisle Douglas Ltd. of 600-789 West Pender Street, Vancouver, British Columbia, as to 33 1/3% (the "Agents") agreed to act as the Agents of Consolidated Cinola Mines Ltd. (N.P.L.) (the "Issuer") and use their best efforts to sell to the public in British Columbia through the facilities of the Vancouver Curb Exchange (the "Exchange") 200,000 shares of the Issuer at the market price prevailing from time to time on the Vancouver Curb Exchange, but not less than \$2.50 per share. The offering will commence on a date specified by the Vancouver Curb Exchange being the Effective Date set forth on the first page hereof, and continue for a period of thirty trading days or until all the 200,000 shares are sold, whichever shall first occur.

The Agents will receive an aggregate fee of \$500.00 on the Effective Date and a commission of 6% of the gross sales at the timeshare are sold. In the event all shares are sold the Agents will receive an additional 1½% of gross sales less the initial fee of \$500.00. Although it is not possible to determine the actual net proceeds from the offering of shares pursuant to this Statement of Material Facts, in the event all of the 200,000 shares are sold at the minimum price of \$2.50 per share the proceeds will be \$500,000, less commission of \$37,500.00 for a net amount of \$462,500.00. The Agents, subject to the by-laws of the Vancouver Curb Exchange, may also make purchases and sales of the shares of the Issuer for the purpose of maintenance of an orderly market for the shares of the Issuer and to assist in the distribution of the offered shares. None of the shares offered hereby may be purchased by any of the Insiders of the Issuer. The Issuer's shares are listed only on the Vancouver Curb Exchange.

Trading was halted in the shares of the Issuer on December 7th, 1978 pending clarification of drilling results on the Company's Queen Charlotte Islands Property. At the time trading was halted the last trading was at \$1.68 per share. There has been no trading in the Company's shares during the preceding four weeks from the date of the Certificates to this Statement of Material Facts.

The following beneficially own, directly or indirectly, in excess of 5% of each class of issued shares of the Agents:

Canarim Investment Corporation Ltd.

<u>Name and Address</u>	<u>No. of Shares</u>	<u>Percentage</u>
Alfred E. Turton, 1 Lake View Square, Winnipeg, Manitoba.	24,119 Common	54%
The MacLachlan Investments Corporation, 1350-409 Granville Street, Vancouver, B.C.	15,212 Common	34%
Brian D. Harwood, 1350-409 Granville Street, Vancouver, B.C.	5,625 Common	12%

Peter Brown of 1350-409 Granville Street, Vancouver, B.C., is the sole shareholder of The MacLachlan Investments Corporation.

Continental Carlisle Douglas Ltd.

<u>Name and Address</u>	<u>No. of Shares</u>	<u>Percentage</u>
Angus I. MacPhail, 600-789 West Pender Street, Vancouver, B.C.	256 Common	25.5%
G. Robert Fay, 600-789 West Pender Street, Vancouver, B.C.	256 Common	25.5%
Douglas A. Scammell, 600-789 West Pender Street, Vancouver, B.C.	122 Common	12.25%
John N. Carlisle, 600-789 West Pender Street, Vancouver, B.C.	61 Common	6.125%
David J. Douglas, 600-789 West Pender Street, Vancouver, B.C.	61 Common	6.125%

Continental Carlisle Douglas Ltd. (Cont)

<u>Name and Address</u>	<u>No. of Shares</u>	<u>Percentage</u>
Thomas L. Taylor, 600-789 West Pender Street, Vancouver, B.C.	61 Common	6.125%
Dean Duggan, 600-789 West Pender Street, Vancouver, B.C.	61 Common	6.125%
J. Arthur Charpentier, 600-789 West Pender Street, Vancouver, B.C.	60 Common	6.125%
Richard J. Broad, 600-789 West Pender Street, Vancouver, B.C.	61 Common	6.125%
Continental Securities Corporation (1971) Ltd., 600-789 West Pender Street, Vancouver, B.C.	15,075 Preferred	49.15%
Carlisle Douglas Adam & Co. Ltd., 600-789 West Pender Street, Vancouver, B.C.	15,595 Preferred	50.85%

During the currency of the offering the Agents may be considered the market makers of the shares of Issuer. The Agents do not beneficially own any shares or other securities of the Issuer. The President of the Issuer, Kenneth Sanders, is normally the market maker of the Issuer. The number of shares controlled by Kenneth Sanders is 366,550 shares.

The number of and percentage of the issued and outstanding securities of each class of the Issuer beneficially owned directly or indirectly by the promoters, directors, senior officers and persons holding 10% or more of the issued shares as a group is 1,049,450 shares and 31.94%.

2. PARTICULARS CONTRIBUTING TO THE SPECULATIVE NATURE  
OF THE SECURITIES BEING OFFERED

The Property of the Issuer on which part of the proceeds from the sale of the securities offered by this Statement of Material Facts are to be spent, is without a known body of commercial ore and the proposed programme is an exploratory search for ore.

The shares of the Issuer must be considered speculative securities as the Issuer's mining properties are in the exploration and development stage.

The mineral properties of the Issuer other than the Midnight Crown Grant are held by location under the Mineral Act and have not been surveyed, and accordingly their precise boundaries may be in doubt.

3. DETAILS OF ANY MATERIAL CHANGES OR PROPOSED MATERIAL CHANGES IN THE AFFAIRS OF THE ISSUER

By a Filing Statement dated November 20th, 1978, a private placement of 500,000 shares of the Company at a price of \$0.90 per share with one Share Purchase Warrant attached was approved. These shares are required to be held for a minimum of one year from January 3, 1979. The Share Purchase Warrants attached to these shares are valid for a period of three years from January 3, 1979 and may be exercised at prices between \$1.00 and \$1.35 per share depending upon the time of exercising the Warrants. None of the 500,000 shares purchased with the Share Purchase Warrants may be sold before January 3, 1980. The principal purposes for which the proceeds from this private placement will be used are:

To pay off the balance of the purchase price of the Queen Charlotte Properties prior to April 7, 1979 and the balance of the proceeds, including any proceeds from the exercise of the Warrants, will be used by the Issuer for general corporate purposes.

4. THE ESTIMATED NET PROCEEDS OF THE ISSUER ARE TO BE SPENT IN THE FOLLOWING MANNER:

In the event all the 200,000 shares of this offering are sold at the minimum price of \$2.50 per share the net proceeds after commission will amount to \$462,500.00. This sum will be used as follows:-

(a)	To continue the drilling programme on the Queen Charlotte Property as recommended by A.F. Roberts, P. Eng., in his report dated October 17, 1977, as amended by addenda dated May 9, 1978, October 30, 1978 and January 4, 1979, at an estimated cost of . . . . .	\$400,000.00
(b)	General corporate purposes . . . . .	<u>62,500.00</u>
		<u>\$462,500.00</u>

Any excess received over the minimum will be used for general corporate purposes. No funds will be used on any other Property without filing an acceptable up-dated engineering report with the Vancouver Curb Exchange.

5. THE FULL NAME, HOME ADDRESS AND CHIEF OCCUPATION, THE NUMBER OF SHARES OF THE ISSUER BENEFICIALLY OWNED, DIRECTLY AND INDIRECTLY, BY EACH SENIOR OFFICER OR DIRECTOR OF THE ISSUER AND IF EMPLOYED DURING THE PAST FIVE YEARS THE NAME OF EACH EMPLOYER

<u>Name and Address</u>	<u>Chief Occupation</u>	<u>No. of Shares of Issuer Beneficially Owned</u>
Kenneth George Sanders, 1940 Limerick Place, North Vancouver, B.C.  President and Director	Geologist, self- employed	366,550
William Thompson, 106-7180 Linden Avenue, Burnaby, B.C.  Director	Director and Past President of Consolidated Cinola Mines Ltd. (N.P.L.)	99,250
Ivon Shearing, 1160 West 10th Avenue, Vancouver, B.C.  Director	President and Administrator of Kabalarian Philosophy	110,550
Allan Morrow, 648 East 2nd Street, North Vancouver, B.C.  Director	B.C. Telephone Company Technician	5,000
Nola Peterson, 1295 Glynde Avenue, Burnaby, B.C.  Director and Secretary	Account Represent- ative, Bank of Montreal	10,600

6. PARTICULARS OF THE CORPORATE STANDING OF THE ISSUER

The Issuer was incorporated on February 7th, 1962, under Certificate No. 52,623 as Cinola Mines Ltd. (N.P.L.), and consolidated its capital one for two on the 10th January, 1973, at which time its name was changed to Consolidated Cinola Mines Ltd. (N.P.L.).

The last Annual Report of the Issuer was filed with the Registrar of Companies on May 18th, 1978, and all filings required to be made under the Securities Act and Companies Act of the Province of British Columbia are up-to-date.

The Issuer's last prepared audited financial statements are as of the year ended December 31, 1977, and on the 6th April the Issuer's audited financial statements were mailed to all shareholders and the 1978 General Meeting was held on the 28th day of April, 1978.

The Issuer is primarily engaged in the business of exploring and developing natural resource properties.

7. THE AUTHORIZED AND ISSUED SHARE CAPITAL OF THE ISSUER

The authorized capital of the Issuer consists of 5,000,000 shares without par value, of which there are issued on the date hereof 3,285,226 shares as fully paid. The Issuer's capital was consolidated on January 10th, 1973, on a one for two share basis. 156,631 shares of the Issuer are held in reserve for exchange for unconsolidated shares.

8. THE PRICES AT WHICH SECURITIES OF THE ISSUER HAVE BEEN ISSUED DURING THE PAST YEAR

During the past year 150,000 treasury shares have been issued at a price of \$0.60 per share, 150,000 treasury shares have been issued at a price of \$0.70 per share and 500,000 treasury shares have been issued at a price of \$0.90 per share. 75,000 shares were issued to K. G. Sanders under the Specogna Agreement at a deemed price of \$0.50 per share.

9. PARTICULARS OF ANY BONDS, DEBENTURES, NOTES, MORTGAGES, CHARGES, LIENS OR HYPOTHECATIONS OF THE ISSUER

No bonds, debentures, notes, mortgages, charges, liens or hypothecations have been made or issued by the Issuer.

10. PARTICULARS OF IMPORTANT PROPERTIES PRESENTLY OWNED, LEASED, HELD UNDER OPTION OR OPERATED BY THE ISSUER OR ANY SUBSIDIARY THEREOF OR PROPOSED TO BE OWNED, LEASED, HELD UNDER OPTION OR OPERATED BY THE ISSUER OR ANY SUBSIDIARY THEREOF

Rossland Property

The Issuer owns outright the Midnight Crown Granted

Mineral Claim, Lot 1186, one mile west of the City of Rossland. This property was under development by Sand Mines Ltd. over two years and is currently shut down. The Claim was being developed by Sand Mines Ltd. pursuant to an Agreement in writing dated November 6th, 1974, providing for the payment by Sand Mines Ltd. to the Issuer of 20% smelter returns. It is intended to leave the Midnight Claim dormant other than making payment of current taxes, without prior approval being sought from the Vancouver Curb Exchange.

Queen Charlotte Properties

The Issuer holds by assignment the Agreement dated April 7th, 1977, between Kenneth G. Sanders, Professional Engineer, of 1940 Limerick Place, North Vancouver, B.C., and Efrem Specogna of 161 Centenary Drive, Nanaimo, B.C., which is an option to acquire the following Mineral Claims:

BABE 1 - 8	#34966/973
BABE 9 - 17	#35222/35230
BABE 18 - 23	#36578/36583
BABE 24 - 29	#36601/606
BABE 30 - 31	#36746/47
BABE 32	#36748
RIC 1 - 12	#36589/600
RIC 20 - 26 Fr.	#36739/745

all of which mineral claims are situate in the Skeena Mining Division in the Province of British Columbia.

During 1977 the Issuer established a base camp on the Queen Charlotte properties for accommodation for six men, improved existing roads and conducted a BQ surface diamond drilling programme of approximately 3,000 feet in 15 holes to the approximate cost of \$70,000.00. During 1978 the Issuer drilled a further 1227 metres in 8 holes at the approximate cost of \$90,000. DDH#78-8 is located 40 metres north of DDH#78-6 and was completed to a depth of 185 metres. None of the core from DDH#78-8 has been logged, split or assayed, and the management of the Issuer makes no representations as to the contents of DDH#78-8 whatsoever.

DDH#78-6 and related matters are also reviewed in a report by R.H. Seraphim, Ph.D., P.Eng., dated December 14, 1978, a copy of which is attached hereto and forms a part of this Statement of Material Facts.

11. PARTICULARS OF THE COST OF PROPERTIES ACQUIRED BY THE ISSUER OR ANY SUBSIDIARY THEREOF WITHIN THE PAST THREE YEARS OR PROPOSED TO BE ACQUIRED BY THE ISSUER OR ANY SUBSIDIARY THEREOF

By Agreement between Kenneth Sanders of North Vancouver, B.C. and Efrem Specogna of Nanaimo, B.C., dated April 7th, 1977, the



full price for the Queen Charlotte Properties is \$1,000,000.00, with a down payment of \$7,500.00 and \$7,500.00 quarterly until January 15, 1979, then \$10,000.00 quarterly until January 15, 1980, then \$25,000.00 quarterly until January 15, 1981, then \$50,000.00 quarterly until the balance of the \$1,000,000.00 be paid (Mr. Sanders has made the \$15,000.00 first two payments). There is further provision for the purchase price being reduced to the sum of \$450,000.00 if paid fully by April 7th, 1979. The total amount paid to date under the Specogna Agreement is \$52,500.00. The Issuer proposes to pay the balance prior to April 7, 1979.

Efrem Specogna staked this property seven years ago and there has been approximately \$500,000.00 spent on exploration of the property to date.

Mr. Sanders by Agreement dated April 28th, 1977, has agreed to assign this Option Agreement to the Issuer for \$15,000.00 cash and 300,000 shares in the capital stock of the Issuer.

225,000 of such shares have been allotted and issued and the remaining 75,000 shares may be allotted 270 days after May 2nd, 1977, upon filing acceptable up-dated Engineering Report. It is proposed to apply for approval to issue these 75,000 shares forthwith.

The 300,000 shares representing part of the consideration herein will not be sold until the approval of the Vancouver Stock Exchange and Superintendent of Brokers is obtained and the shares are qualified for sale.

All allotments and issue of shares in the aforesaid schedule will require the prior approval of the Vancouver Stock Exchange.

12. THE NAME AND ADDRESS OF ANY PERSON OR COMPANY WHO OR THAT IS OR HAS BEEN A PROMOTER OF THE ISSUER WITHIN THE PRECEDING TWO YEARS AND THE NATURE AND AMOUNT OF ANYTHING OF VALUE RECEIVED OR TO BE RECEIVED FROM THE ISSUER

Kenneth Sanders, P. Eng., President of the Issuer, may be considered the promoter of the Issuer. Nothing of value has been received by him other than the following:-

Kenneth Sanders, P.Eng., President of the Issuer, has received a payment of \$1,550.00 for engineering field work during 1977. Under his Agreement of April 28th, 1977, the Issuer has repaid Mr. Sanders the \$15,000.00 he had paid to Efrem Specogna and issued 225,000 treasury shares to him.

13. THE NUMBER OF THE SHARES OF THE ISSUER HELD IN ESCROW OR IN POOL AND A BRIEF STATEMENT OF THE TERMS OF THE ESCROW OR POOLING AGREEMENTS

Certificates representing 276,874 shares are held in escrow and 221,335 shares are held in pool by Crown Trust Company of 455 Burrard Street, Vancouver, B.C. These shares cannot be traded or dealt with in any manner without the consent of the Vancouver Curb Exchange and the Superintendent of Brokers. In addition, if the property for which the escrowed shares were issued is lost by the Issuer, the holders of such shares may be required to gift back all such shares, not then released from escrow, to the Issuer.

14. THE NUMBER OF EQUITY SHARES OF THE ISSUER OWNED BENEFICIALLY, DIRECTLY OR INDIRECTLY, BY EACH PERSON OR COMPANY WHO OWNS, OR IS KNOWN BY THE SIGNATORIES HERETO TO OWN BENEFICIALLY, DIRECTLY OR INDIRECTLY, MORE THAN 10% OF THE EQUITY SHARES OF THE ISSUER

<u>Name and Address</u>	<u>No. of shares</u>
Kenneth George Sanders, 1940 Limerick Place, North Vancouver, B.C.	366,550
Angelo Tosi, 624 Main Street, Vancouver, B.C.	457,500

15. A BRIEF STATEMENT OF ANY LEGAL PROCEEDINGS TO WHICH THE ISSUER OR ANY OF ITS SUBSIDIARIES IS A PARTY OR WHOSE PROPERTY IS THE SUBJECT OF SUCH PROCEEDINGS

Federated Mining Corporation Ltd. (N.P.L.) ("Federated") has commenced an action against the Issuer, which is disputed on the basis that Federated has defaulted under an earlier participation agreement in connection with the Rosslund property. There has been no step taken by the Plaintiff in this connection for more than five years.

16. THE AGGREGATE DIRECT OR INDIRECT REMUNERATION PAID OR PAYABLE BY THE ISSUER AND ITS SUBSIDIARIES DURING THE PAST YEAR TO INSIDERS OF THE ISSUER

There has been no remuneration, directly or indirectly, paid or payable by the Issuer or any subsidiary to any Insider, other than the payments detailed in Item 12 herein.

17. BRIEF PARTICULARS OF ALL OPTIONS TO PURCHASE  
SECURITIES OF THE ISSUER UNLESS OTHERWISE  
DISCLOSED HEREIN

(a) There are Share Purchase Warrants outstanding which are valid to January 3, 1982 under which 500,000 treasury shares of the Issuer may be purchased at \$1.00 per share to January 3, 1980, then \$1.10 to January 3, 1981, and then \$1.35 to January 3, 1982. None of the shares purchased pursuant to such Share Purchase Warrants may be sold by the holders prior to January 3, 1980.

(b) There are 75,000 treasury shares to be paid for the assignment of the Agreement on the Queen Charlotte Properties.

(c) There are 40,000 treasury shares to be paid for the release of the Mine working agreement with Sand Mines Ltd.

18. THE DATES OF AND PARTIES TO AND THE GENERAL NATURE  
OF EVERY MATERIAL CONTRACT ENTERED INTO BY THE ISSUER  
OR ANY SUBSIDIARY WITHIN THE PRECEDING TWO YEARS WHICH IS  
STILL IN EFFECT AND NOT PREVIOUSLY DISCLOSED HEREIN

There are no contracts of any materiality entered into by the Issuer within the above two years not disclosed herein. All Agreements referred to herein may be examined until a period of 30 days after the completion of the primary herein at the Head Office of the Issuer at #807-543 Granville Street, Vancouver, B.C. during the hours of 9 a.m. to 4 p.m., upon reasonable notice.

19. PARTICULARS OF ANY OTHER MATERIAL FACTS RELATING  
TO THE SECURITIES BEING OFFERED AND NOT DISCLOSED  
UNDER ANY OTHER ITEM

By an Agreement in writing with Sand Mines Ltd. dated June 2nd, 1978 as amended by later Agreements dated July 14, 1978 and September 11, 1978, the Issuer has obtained the release of Mine working agreement with Sand Mines Ltd. dated November 6th, 1974 for the working of the Issuer's Midnight Crown granted Mineral Claim at Rossland, B.C. The Agreement further transfers to the Issuer certain mine assets of the approximate value of \$40,000.00 as well as the option to obtain further crown granted mineral claims and a located fractional mineral claim at the mine site. The consideration for this is 40,000 free trading shares of the Issuer which have not yet been issued.

CONSOLIDATED CINOLA MINES LTD. (N.P.L.)

Financial Statements

December 31, 1977

Goodman & Co.  
Certified General Accountants  
Vancouver, B.C.

# GOODMAN & CO.

CERTIFIED GENERAL ACCOUNTANTS

CECIL J. GOODMAN, C.G.A.

222 ROGERS BUILDING - 470 GRANVILLE STREET - VANCOUVER, B.C. V6C 1V5 - TELEPHONE 681-9395

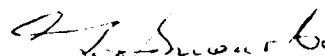
## AUDITOR'S REPORT

The Shareholders,  
Consolidated Cinola Mines Ltd. (N.P.L.)

We have examined the Balance Sheet of Consolidated Cinola Mines Ltd. (N.P.L.) as at December 31, 1977 and the Statement of Source and Application of Funds and Schedules of Deferred Exploration, Development and Administration Expenditures for the year ended December 31, 1977. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying Balance Sheet, Statement of Source and Application of Funds and Schedules of Deferred Exploration, Development and Administration Expenditures present fairly the financial position of Consolidated Cinola Mines Ltd. (N.P.L.) as at December 31, 1977 and cost of its deferred expenditures for the year then ended in accordance with generally accepted accounting principles, applied on a basis consistent in application to that of the previous year.

GOODMAN & CO.



Certified General Accountants

Vancouver, B.C.  
March 29th, 1978

CONSOLIDATED CINOLA MINES LTD. (N.P.L.)

Balance Sheet as at December 31, 1977

(with comparative figures as at December 31, 1976)

	<u>December 31,</u> <u>1977</u>	<u>December 31,</u> <u>1976</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 5,372.30	\$ 10.89
Accounts Receivable	7,257.30	1,000.00
Prepaid Expenses	7,060.16	-
	<u>\$ 19,689.76</u>	<u>\$ 1,010.89</u>
<b>Mining Properties: (Note 1)</b>		
Mineral Claims, at cost	\$ 171,250.00	\$ 100,000.00
<b>Buildings and Equipment, at cost</b>	<u>\$ 59,450.39</u>	<u>\$ 50,083.03</u>
<b>Deferred Expenses:</b>		
Exploration, Development and Administration - Schedule 1 Incorporation	\$ 572,186.61	\$ 492,931.52
	2,000.00	2,000.00
	<u>\$ 574,186.61</u>	<u>\$ 494,931.52</u>
<b>TOTAL</b>	<u>\$ 824,576.76</u>	<u>\$ 646,025.44</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Salaries & Wages	\$ -	\$ 13,754.40
Accounts payable	16,653.51	28,052.04
Loans	1,500.00	2,410.00
	<u>\$ 18,153.51</u>	<u>\$ 44,216.44</u>
<b>Loan from shareholder</b>	<u>\$ -</u>	<u>\$ 3,800.00</u>
<b>Capital:</b>		
Authorized: 5,000,000 shares, no par value		
Issued: 2,485,225 shares	\$ 934,196.25	\$ 725,782.00
<b>Deficit</b>	<u>\$ (127,773.00)</u>	<u>\$ (127,773.00)</u>
<b>TOTAL</b>	<u>\$ 824,576.76</u>	<u>\$ 646,025.44</u>

Signed on behalf of the Board of Directors.

K. B. Sanders Director

John Thompson Director

This is the Balance Sheet referred to in our report dated March 30th, 1978.

GOODMAN & CO.

Goodman & Co.

Certified General Accountants

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED CINOLA MINES LTD. (N.P.L.)

Deferred Exploration. Development and Administration Expense

for the year ended December 31, 1977

(with comparative figures for the year ended December 31, 1976)

	<u>December 31,</u> <u>1977</u>	<u>December 31,</u> <u>1976</u>
<u>Exploration and Development Expense:</u>		
Assaying	\$ 3,443.82	\$ -
Camp Supplies	718.08	-
Drilling	56,637.59	-
Engineering	7,272.30	-
Equipment Rental	3,025.00	-
Repairs and Maintenance	611.89	-
Taxes	107.26	196.51
Travel	3,067.87	200.00
Wages and benefits	<u>3,118.23</u>	<u>600.00</u>
<u>TOTAL</u>	<u>\$ 78,002.04</u>	<u>\$ 996.51</u>
 <u>Administration Expense:</u>		
Accounting and audit	\$ 2,750.00	\$ 500.00
Advertising	860.77	55.00
Legal	5,500.00	200.00
Miscellaneous	81.64	119.92
Office Rent	1,407.50	-
Office Supplies and Printing	2,801.20	-
Stock Exchange Fees	1,700.00	400.00
Telephone	1,634.38	-
Transfer Agent	5,560.59	25.00
Travel	<u>2,690.44</u>	<u>-</u>
<u>TOTAL</u>	<u>\$ 24,986.52</u>	<u>\$ 1,299.92</u>
 <u>Total Expense for the year</u>	 <u>\$ 102,988.56</u>	 <u>\$ 2,296.43</u>
 <u>Less: Reduction in accounts payable</u>	 <u>\$ 23,733.47</u>	 <u>\$ -</u>
 <u>Net Expense for the year</u>	 <u>\$ 79,255.09</u>	 <u>\$ 2,296.43</u>
 <u>Total Expense to end of the previous year</u>	 <u>\$ 492,931.52</u>	 <u>\$ 490,635.09</u>
 <u>Total Expense to end of current year</u>	 <u>\$ 572,186.61</u>	 <u>\$ 492,931.52</u>

CONSOLIDATED CINOLA MINES LTD. (N.P.L.)

Statement of Source and Application of Funds

for the period ended December 31, 1977

(with comparative figures for the year ended December 31, 1976)

	<u>December 31,</u> <u>1977</u>	<u>December 31,</u> <u>1976</u>
<u>Funds were derived from:</u>		
Reduction in accounts payable	\$ 23,733.47	\$ -
Sale of shares	159,664.25	-
	<u>\$ 183,397.72</u>	<u>\$ -</u>
<u>Funds were applied to:</u>		
Exploration, development and administration expense	\$ 102,988.56	\$ 2,296.43
Property payments	22,500.00	-
Paid Loan from shareholder	3,800.00	-
Buildings and Equipment	9,367.36	-
	<u>\$ 138,655.92</u>	<u>\$ (2,296.43)</u>
<u>Increase (Decrease) in Working Capital</u>	\$ 44,741.80	\$ (2,296.43)
<u>Working Capital deficiency at beginning of period</u>	\$ (43,205.55)	\$ (40,909.12)
<u>Working Capital (Deficiency) at end of period</u>	<u>\$ 1,536.25</u>	<u>\$ (43,205.55)</u>
<u>Represented by:</u>		
Current Assets	\$ 19,689.76	\$ 1,010.89
Current Liabilities	<u>18,153.51</u>	<u>44,216.44</u>
<u>Working Capital (Deficiency)</u>	<u>\$ 1,536.25</u>	<u>\$ (43,205.55)</u>



CONSOLIDATED CINOLA MINES LTD. (N.P.L.)

Notes to Financial Statements of December 31, 1977

1. Mining Properties:

Rossland Property

The Company owns outright the "Midnight" crown granted mineral claim.

Queen Charlotte Properties

By Agreement dated April 7th, 1977, Kenneth G. Sanders, obtained from Efrem Specogna an option to acquire Mineral Claims situate in the Skeena Mining Division in the Province of British Columbia.

The full price for the Queen Charlotte Properties is \$1,000,000.00 with a down payment of \$7,500.00 and \$7,500.00 quarterly until January 15, 1979, then \$10,000.00 quarterly until January 15, 1980, then \$25,000.00 quarterly until January 15, 1981, then \$50,000.00 quarterly until the balance of the \$1,000,000.00 be paid. There is provision for the purchase price being reduced to the sum of \$350,000.00 if paid fully by April 7th, 1978, or \$450,000.00 by April 7th, 1979.

Mr. Sanders has assigned this Option Agreement to the Company for \$15,000.00 cash and 300,000 shares in the capital stock of the Company.

The 300,000 shares would be allotted as follows:

- a) 75,000 on the effective date
- b) 75,000 90 days after the effective date
- c) 75,000 180 days after the effective date
- d) 75,000 270 days after the effective date

2. Legal Action

A writ has been issued against the Company by Federated Mining Corporation Ltd. (N.P.L.) on an agreement dated October 15, 1969. It is the opinion of the directors that Federated has defaulted under the terms of the agreement and, therefore, they believe no liability exists to either Federated Mining Corporation Ltd. (N.P.L.) or Tull Mines Ltd. (N.P.L.). No further action has been taken by Federated.

3. Operation Agreement

By Agreement in writing dated November 6th, 1974, as amended by Agreement dated December 13th, 1974, with Sand Mines Ltd., the Company gave to Sand Mines Ltd. the right to operate the Company's mine at Rossland under terms inter alia that the Company pay a 20% net smelter return on all ore produced. Sand Mines Ltd. has for several months ceased to operate under the said Agreement and it is anticipated that this Agreement will be surrendered to the Company for cancellation.

4. Share Capital

The issued share capital of the Company is as follows:

	<u>No. of shares</u>	<u>Consideration</u>
For cash	1,984,787	\$ 730,271.25
For mineral properties	<u>500,438</u>	<u>\$ 203,925.00</u>
	<u>2,485,225</u>	<u>\$ 934,196.25</u>

5. Remuneration of Officers and Directors

A salary of \$1,550.00 was paid to one officer during the year ended December 31, 1977.

CONSOLIDATED CINOLA MINES LTD. (N.P.L.)

Balance Sheet as at November 30, 1978

November 30, 1978

ASSETS

Current Assets:

Cash	\$ 29,479.60
Prepaid Expenses	7,060.16
	<u>\$ 36,539.76</u>

Mining Properties:

Mineral Claims at cost	\$ 200,640.00
Buildings and Equipment, at cost	\$ 62,450.00

Deferred Expenses:

Exploration, Development and Administration	\$ 725,380.80
Incorporation	2,000.00
	<u>\$ 727,380.80</u>

TOTAL: \$1,027,010.95

LIABILITIES

Current Liabilities:

Salaries & Wages	\$ 1,250.00
Accounts payable	22,837.70
Loans	1,500.00
	<u>\$ 25,587.70</u>

Capital:

Authorized: 5,000,000 shares, no par value	
Issued: 2,785.226 shares	\$ 1,129,196.25

Deficit (127,773.00)

Signed on behalf of the  
Board of Directors:

TOTAL: 1,027,010.95

K. B. Sanders  
Director

Jim Thompson  
Director

(PREPARED WITHOUT AUDIT)  
BY COMPANY MANAGEMENT

CONSOLIDATED CINOLA MINES LTD. (N.P.L.)

Statement of Source and Application of Funds

For the Eleven Month Period Ended November 30, 1978

Funds were derived from:

Underwriting of 150,000 shares @ 60¢ June 16, 1978	\$ 90,000.00
Option of 150,000 shares @ 70¢ August 14, 1978	105,000.00
	<hr/>
	\$ 195,000.00

Funds were applied to:

Mineral Claims	\$ 29,390.00
Buildings and Equipment	3,000.00
Exploration, Development and Administration Expense	153,194.19
	<hr/>
	\$ 185,584.19

Increase in Working Capital	9,415.81
Working Capital at beginning of Period	1,536.25
	<hr/>
Working Capital at End of Period	\$ 10,952.06

Represented by:

Current Assets	\$ 36,539.76
Current Liabilities	25,587.70
	<hr/>
Working Capital	\$ 10,952.06

(PREPARED WITHOUT AUDIT)

CONSOLIDATED CINOLA MINES LTD. (N.P.L.)

Deferred Exploration, Development and Administration Expense

For the eleven month period ended November 30, 1978

November 30, 1978

Exploration and Development Expenses:

Assaying	\$ 4,529.80
Camp Supplies	9,690.10
Diamond Drilling	81,503.36
Engineering	1,149.75
Truck Lease	2,292.15
Mineral Land Tax	87.24
Wage and Benefits	5,860.28
Midnight Trailer Lease	1,421.00
Travel	1,584.80
Expense Account	1,000.00
TOTAL:	<u>\$109,118.48</u>

Administration Expenses:

Accounting and audit	1,250.00
Advertising	2,246.83
Legal	6,365.50
Miscellaneous	407.01
Office Rent and Supplies	2,224.19
Printing and Typing	1,203.73
V.S.E. Filing Fees	1,900.00
Telephone	2,714.70
Transfer Agent	1,188.38
Travel	16,579.16
Wages and Benefits	7,996.21
TOTAL:	<u>\$ 44,075.71</u>

Total Expenses for the Period: \$153,194.19

(PREPARED WITHOUT AUDIT)

**A. F. ROBERTS. P.ENG.**  
CONSULTING MINING ENGINEER

408-470 Granville Street  
Vancouver, B.C. V6C 1V8

The following is a summary of my report on the Specogna Gold Prospect, Queen Charlotte Islands, for Consolidated Cinola Mines Ltd., [NPL], dated October 17, 1977.

In the period July - October, 1977, Consolidated Cinola has drilled 2,224 feet of BQ diamond drill core in 13 holes, on a 100 foot grid.

These holes varied in length from 80 feet to 200 feet. The shorter holes were stopped in the basement rocks, out of the ore. Six of the longer holes failed to reach the basement rocks and were stopped in ore. These latter holes will be deepened to the basement rocks at an unknown depth.

Drilling, to date, indicates that the thickness of the ore increases, with an improving grade, as the holes are moved to the south and east. A previous operator estimated the grade in the area being drilled as 0.075 oz of gold per ton.

Results of the holes are as follows:

<u>Hole No.</u>	<u>Total Section</u>	<u>Best Section</u>
Cominco 72-1	5' - 80', 75' of 0.120	40' - 60', 20' of 0.30
Cons. Cinola 77-1	20' - 160', 140' of 0.056	120' - 160', 40' of 0.086
" " 77-2	0' - 192', 192' of 0.032	110' - 135', 25' of 0.062
" " 77-3	15' - 200', 185' of 0.066	65' - 125', 65' of 0.103 ✓
" " 77-4	10' - 185', 175' of 0.051	105' - 130', 25' of 0.090 ✓
" " 77-5	20' - 90', 70' of 0.080	60' - 90', 30' of 0.149 ✓
" " 77-6	0' - 90', 90' of 0.033	85' - 90', 5' of 0.080
" " 77-7	10' - 105', 95' of 0.061	70' - 105', 35' of 0.080
" " 77-8	0' - 40', 40' of 0.061	5' - 15', 10' of 0.120 ✓
" " 77-9	0' - 135', 135' of 0.083	75' - 130', 55' of 0.148 ✓
" " 77-10	0' - 120', 120' of 0.082	15' - 95', 80' of 0.101 ✓
" " 77-11	0' - 200', 200' of 0.069	( 5' - 30', 25' of 0.102 60' - 85', 25' of 0.104
" " 77-12	0' - 200', 200' of 0.092	105' - 200', 95' of 0.122
" " 77-13	15' - 200', 185' of 0.080	50' - 125', 75' of 0.111

CC 77-3, 9, 10, 11, 12 did not reach the basement rocks.

The silver content averages 0.12 oz per ton.

A preliminary estimate of the drill indicated ore, made on the basis of the 13 holes by Consolidated Cinola, one by Cominco, and one by Quintana is:

- a] 1,340,000 tons @ 0.0860 oz/ton
- or
- b] 1,440,000 tons @ 0.0796 oz/ton

The assumed cut-off grade was 0.035 oz/ton. Economics of mining will dictate the cut-off grade, which, if lowered, would increase the tonnage sharply.

Mr. M.R. Wolfhard, of Quintana Minerals, in an address at a CIMM convention, October 1976, stated that this deposit could contain up to 50,000,000 tons with a grade of 0.06 oz per ton of gold.

The recent drilling of only 5 - 6% of the total prime area, as indicated by Quintana's work, including their drilling, appears to be improving the grade considerably, with a strong possibility of improving on the tonnage.

It is worth noting that a company operating in the U.S., is presently mining 8,000 tons of waste, and 8,000 tons of ore per day, with a grade of 0.06 oz per ton, and a 0.020 cut-off grade, as quoted in E & M J, July, 1977. Present indications are that Consolidated Cinola will have very little waste to remove.

The encouraging results of the last drilling justifies recommending further drilling on the property, on a wider drill hole spacing.

- 3 -

This program, a minimum of 4,000 feet of drilling, plus metallurgical testing for the best method of recovering the gold, is estimated to cost \$125,000.00.

*A.F. Roberts*

A.F. Roberts, P.Eng.

Vancouver, B.C.,  
October 17, 1977



## ADDENDUM

TO THE REPORT OF OCTOBER 17, 1977

ON THE SPECOGNA GOLD PROSPECT

QUEEN CHARLOTTE ISLANDS, B.C.

SKEENA MINING DIVISION

Lat.  $53^{\circ}32'N$  Long.  $132^{\circ}13'W$ 

for

CONSOLIDATED CINOLA MINES LTD.

1600 - 777 Hornby Street

Vancouver, B. C.

May 9, 1978

This addendum is written at the request of the Directors of Consolidated Cinola Mines Ltd., and is a resume of the work to date.

Diamond drilling has begun on the property under the immediate direction of Mr. A. MacKillop, well known fieldman, and prospector.

The first hole, DDH 78-1, is 40 meters east and 40 meters south of DDH 77-12, and has been completed to 430 feet where it entered the basement fault.

DDH 78-2 is 80 meters north of DDH 78-1, continuing the regular pattern, to the east and south, on a wider spacing, as recommended in the report of October 17, 1977, and is at 128 feet.

The core has not been logged, or assayed at this date.

Costs are estimated at \$22.00/foot, for a total of \$13,000.00 to date.

It is recommended that a further 2,000 feet of drilling be done, bringing total costs to \$60,000.00 for this stage.

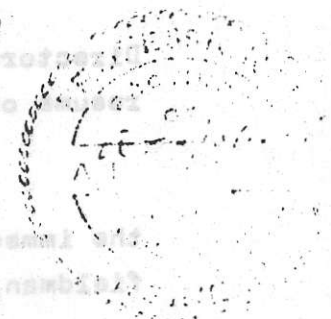
If the grade stands up in these holes, then it is recommended that the program in the report of October 17, 1977 be completed.

Respectfully submitted,

May 9, 1978

A.F. Roberts, P.Eng.

Vancouver, B.C.,  
May 9th, 1978



CERTIFICATE

I, A.F. Roberts of 812 Fairbrook Crescent, Richmond, B.C., do hereby certify that:

- [1] I am a graduate of the University of British Columbia [B.Ap.Sc.] in Mining Engineering, 1951.
- [2] I am registered as a Professional Engineer of the Province of British Columbia, and am a member of The Canadian Institute of Mining and Metallurgy.
- [3] I have practiced my profession since 1951 with Quatsino Copper Gold Mines Ltd., Giant Mascot Mines Ltd., Cochonour Willans Gold Mines Ltd., Mogul Mines Ltd., Kerr Addison Gold Mines Ltd., Atlantic Coast Copper Corporation Ltd., Wasamac Mines Ltd., Brenda Mines Ltd., and T.C. Explorations Ltd. Since January of 1970 I have been an independent Consultant.

Previous to, and during University, I worked as a miner underground, and on several exploration-development projects.

- [4] The accompanying report is based entirely on my personal analysis of the reports and other data referred to in the text, and on visits to the property on July 4 - 7 and August 16 - 19, and September 27 - October 1, 1977.
- [5] I have no interest, direct or indirect, in the Consolidated Cinola Mines Ltd. property, or adjacent properties, nor have I any interest, direct or indirect, in any companies controlled by Consolidated Cinola Mines Ltd. I have not, nor do I expect to receive any interest in the shares of the Company, in its securities, or in those of any company with which it may become associated.
- [6] I consent to the use of this report, in or in connection with, a prospectus, or a statement of material facts relating to the raising of funds for this project.

DATED at Vancouver, British Columbia this ninth day of May, 1978.

*A.F. Roberts*  
A.F. Roberts, P. Eng.



CERTIFICATE  
TABLE OF CONTENTS

	<u>Page</u>
SUMMARY.....	1
INTRODUCTION.....	2
DIAMOND DRILLING.....	3
CONCLUSIONS.....	5
RECOMMENDATIONS.....	5
CERTIFICATE.....	6

MAPS & REFERENCES

<u>Ref. No.</u>	
1]	Report by A.F. Roberts, P.Eng., October 20, 1977
2]	Drill Plan [Pocket End of Report]
3]	Appendix A - Logs DDH CC 6,7,1978 [End of Report]
4]	Appendix B - Assay Certificates [End of Report]

I consent to the use of this report, in or in connection with a prospectus, or a statement of material facts relating to the project.

\*\*\*\*\*

DATED at Vancouver, British Columbia this ninth day of May, 1978.



SUMMARY

The 1978 drilling program of 1,022 metres in seven holes to date has expanded the mineralized zone to the east and south, with an apparent improvement in grade, and has not indicated any limits to the mineralized zone.

The program must be considered very successful.

Therefore it is recommended that drilling be continued to expand the zone, and to fill in between the north and south drilling.

It is also suggested that, if possible, the Company take action to acquire full title to the property, so that future payments, which will be very substantial, and onerous, will be eliminated.

Respectfully submitted,

*A.F. Roberts*

A.F. Roberts, P.Eng.



PROGRESS REPORT  
ON THE  
SPECOGNA GOLD PROSPECT  
QUEEN CHARLOTTE ISLANDS, B.C.  
SKEENA M.D.

Lat. 53°32'N Long. 132°13'W

for  
CONSOLIDATED CINOLA MINES LTD.  
1600 - 777 Hornby Street  
Vancouver, B.C.

by  
A.F. Roberts, P.Eng.  
October 30, 1978

INTRODUCTION

This report is authorized by the Directors of the Company.

Its purpose is, from personal examination of the hole locations, examination of the drill cores, and comparison with each other and their assays, and the work of others; to comment on the results, and if thought valid, make recommendations for future work.

The property was visited in the period October 24-26, 1978. Previous examinations were made, July 4-7, August 16-19, September 27 - October 1, 1977.<sup>1]</sup>

---

1] Report by A.F. Roberts, P.Eng., October 20, 1977



DIAMOND DRILLING 2] 3] 4]

In the period, beginning of May 1978, to date, the following drill holes have been completed or are in progress:

Hole No.	Length Metres	Assays in 2 metre sec.
CC DDH 78-1	129	No. 1 - 62
78-2	122	63 - 121
78-3	128	122 - 184
78-4	120	185 - 242
78-5	162	243 - 321
78-6	177	322 - Not complete
78-7	192	Not completed No assays
Total	1,022	metres to date

Locations are shown on the enclosed plan, but are subject to a transit survey.

The holes, 78-1, 2, 3, 4 are 40 metres east from the 1977 sections, and 78-5 is another 40 metres east of 78-2.

No. 78-6 is 240 metres southeasterly from hole 78-5.

No. 78-7 is 40 metres northeasterly from hole 78-6.

- 
- 2] Drill Plan [Envelope, end of Report]  
 3] Logs DDH 6,7/78 - Appendix A [End of Report]  
 4] Assay Certificates - Appendix B [End of Report]

There is a difference of elevation between the collars of the 1977 holes and DDH 78-7 of approximately 45 metres.

Examination of cores shows a change in geology from west to east, from mostly rhyolite porphyry and argillite breccias, to a conglomerate of tuff and pebbles. There is insufficient information to correlate intersections across the property.

The pyrite was fracture filling, rims around pebbles, and fragments with some dissemination, or replacement.

Better sections to date in the 1978 drill program.

DDH 78-1	57 - 71 M	14 M @ 0.103 Au
	or 5 - 101 M	96 M @ 0.060 Au
78-2	52 - 104 M	52 M @ 0.126
	or 4 - 104 M	100 M @ 0.064 Entire hole
78-3	60 - 96 M	36 M @ 0.116
	or 4 - 128 M	124 M @ 0.062 Entire hole
78-4	16 - 26 M	10 M @ 0.099
	or 16 - 120 M	104 M @ 0.052
78-5	26 - 30 M	4 M @ 0.064
	130 - 140 M	10 M @ 0.113
	130 - 150 M	20 M @ 0.078
<i>He Grade</i> <i>Disc hole</i> → 78-6	0 - 24 M	24 M @ 0.087 Assays not completed
78-7	No assays	



CERTIFICATE

CONCLUSIONS

The 1978 drilling program is very encouraging. It has extended the area of mineralization to the east and south, and has not found the limits of mineralization.

RECOMMENDATION

The drilling program should be continued to fill in and expand the mineralized zone.

If financing is possible, it would be desirable to acquire full title to the property, and eliminate further onerous time payments.

Respectfully submitted,

*A.F. Roberts*

A.F. Roberts, P.Eng.



A. F. ROBERTS, P.ENG.  
CONSULTING MINING ENGINEER

CERTIFICATE

I, A.F. Roberts of 812 Fairbrook Crescent, Richmond, B.C., do hereby certify that:

- [1] I am a graduate of the University of British Columbia [B.Ap.Sc.] in Mining Engineering, 1951.
- [2] I am registered as a Professional Engineer of the Province of British Columbia, and am a member of The Canadian Institute of Mining and Metallurgy.
- [3] I have practiced my profession since 1951 with Quatsino Copper Gold Mines Ltd., Giant Mascot Mines Ltd., Coch-enour Willans Gold Mines Ltd., Mogul Mines Ltd., Kerr Addison Gold Mines Ltd., Atlantic Coast Copper Corporation Ltd., Wasamac Mines Ltd., Brenda Mines Ltd., and T.C. Explorations Ltd. Since January of 1970 I have been an independent Consultant.

Previous to, and during University, I worked as a miner underground, and on several exploration-development projects.

- [4] The accompanying report is based entirely on my personal analysis of the reports and other data referred to in the text, and on visits to the property on July 4-7 and August 16-19, and September 27-October 1, 1977, and October 24-26, 1978; *Review of Report by R.H. Sutherland P.E., O.E. Dec 10, 1978*
- [5] I have no interest, direct or indirect, in the Consolidated Cinola Mines Ltd. property, or adjacent properties, nor have I any interest, direct or indirect, in any companies controlled by Consolidated Cinola Mines Ltd. I have not, nor do I expect to receive any interest in the shares of the Company, in its securities, or in those of any company with which it may become associated.
- [6] I consent to the use of this report, in or in connection with, a prospectus, or a statement of material facts relating to the raising of funds for this project.

DATED at Vancouver, British Columbia this thirtieth day of October, 1978



*A.F. Roberts*  
A.F. Roberts, P.Eng.

A. F. ROBERTS, P.ENG.  
CONSULTING MINING ENGINEER

ADDENDUM  
TO THE REPORT OF OCTOBER 17, 1977  
ON THE SPECOGNA GOLD PROSPECT  
QUEEN CHARLOTTE ISLANDS, B.C.  
SKEENA MINING DIVISION

Lat.  $53^{\circ}32'N$                       LONG.  $132^{\circ}13'W$

FOR

CONSOLIDATED CINOLA MINES LTD.  
1600 - 777 Hornby Street  
Vancouver, B.C.

January 4, 1979

A. F. Roberts, P.Eng.  
Consulting Mining Engineer

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
RECOMMENDATIONS	1
COST ESTIMATES	2
CERTIFICATE	End of Report

A. F. Roberts, P.Eng  
Consulting Mining Engineer

ADDENDUM  
TO THE REPORT OF OCTOBER 17, 1977  
ON THE SPECOGNA GOLD PROSPECT  
QUEEN CHARLOTTE ISLANDS, B.C.  
SKEENA MINING DIVISION

Lat. 53°32'N            LONG. 132°13'W

FOR

CONSOLIDATED CINOLA MINES LTD.  
1600 - 777 Hornby Street  
Vancouver, B.C.

January 4, 1979

This addendum is a review of the recent diamond drilling work on the company's property and a recommendation for further work. It is made due to the success of the 1978 drilling of 1227 metres, involving an expenditure of \$90,000.00. In particular, DDH 78-6 had spectacular values of 0.864 oz. per ton in the original assay and 1.15 oz. per ton in the check assay done by Dr. R. H. Seraphim, Ph.D, P.Eng. These were over a length of 24 metres.

RECOMMENDATIONS

1. Establish a semi-permanent camp with trailers on a rental-purchase basis;
2. Expand the drilling program; use at least two machines:
  - (a) one machine working on a 300 metre grid to delimit the ore bearing area, including the "free" gold area to the north;
  - (b) one or more machines to detail drilling. Hole depths will average about 400 feet. The area to be drilled is that outlined in the maps contained in the writer's October 20, 1977 report, with maps based on the previous work done by Quintana Minerals.

...2

A. F. ROBERTS, P.Eng.  
Consulting Mining Engineer

COST ESTIMATES

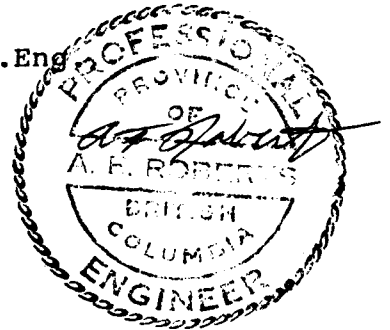
Trailer Rentals-Purchase for 6 months	\$ 15,000.00
Camp Operation	10,000.00
Engineering Supervision Reports	8,000.00
4300 metres at \$84. per metre	<u>361,200.00</u>
TOTAL	384,200.00

say, \$400,000.00

RESPECTFULLY SUBMITTED,

*A F Roberts*

A. F. Roberts, P.Eng.



A. F. ROBERTS, P.Eng.  
Consulting Mining Engineer

CERTIFICATE

I, A. F. Roberts of 812 Fairbrook Crescent, Richmond, B.C., do hereby certify that:

- (1) I am a graduate of the University of British Columbia (B.Ap.Sc.) in Mining Engineering, 1951.
- (2) I am registered as a Professional Engineer of the Province of British Columbia, and am a member of The Canadian Institute of Mining and Metallurgy.
- (3) I have practiced my profession since 1951 with Quatsino Copper Gold Mines Ltd., Giant Mascot Mines Ltd., Cochenour Willans Gold Mines Ltd., Mogul Mines Ltd., Kerr Addison Gold Mines Ltd., Atlantic Coast Copper Corporation Ltd., Wasamac Mines Ltd., Brenda Mines Ltd., and T.C. Explorations Ltd. Since January of 1970 I have been an independent consultant.

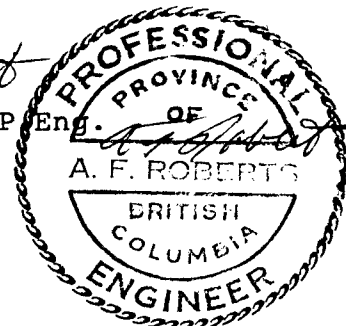
Previous to, and during University, I worked as a miner underground, and on several exploration-development projects.

- (4) The accompanying report is based entirely on my personal analysis of the reports and other data referred to in the text, and on visits to the property on July 4-7 and August 16-19, and September 27-October 1, 1977, and October 24-26, 1978; review of report by R. H. Seraphim, Ph.D, P.Eng. on December 14, 1978.
- (5) I have no interest, direct or indirect, in the Consolidated Cinola Mines Ltd. property, or adjacent properties, nor have I any interest, direct or indirect, in any companies controlled by Consolidated Cinola Mines Ltd. I have not, nor do I expect to receive any interest in the shares of the Company, in its securities, or in those of any company with which it may become associated.
- (6) I consent to the use of this report, in or in connection with, a prospectus, or a statement of material facts relating to the raising of funds for this project.

DATED at Vancouver, British Columbia this fourth day of January, 1979.

*A. F. Roberts*  
A. F. ROBERTS, P. Eng.

A. F. ROBERTS, P.Eng.  
Consulting Mining Engineer



Telephone: Office 685-2914  
Res. 224-7309

R. H. SERAPHIM ENGINEERING LIMITED  
GEOLOGICAL ENGINEERING

316 - 470 GRANVILLE STREET  
VANCOUVER, B.C. V6C1V5

SPECOGNA PROJECT  
OF  
CONSOLIDATED CINOLA MINES LTD.

BY  
R.H. SERAPHIM, Ph.D., P.Eng.

December 14, 1978



TABLE OF CONTENTS

	<u>Page</u>
SUMMARY AND CONCLUSIONS	1
INTRODUCTION	2
GEOLOGY	3
MINERAL RESERVE AND GRADE	6
CERTIFICATION	8

20.548

856  
1712

934 Sequence Average

1.868

SUMMARY AND CONCLUSIONS

Examination of the split core from 146.3 meters to 178.7 meters in DDH 78-6, and check assays of the high grade intercept affirms the original results as shown below:

Meters Depth	Original Assay [oz/gold/Ton]	'Rejects' Assay [oz gold/Ton]	Quartered Core [RHS] [oz/gold/Ton]
150-152	0.051		0.047
2 152-154	0.358	0.300	24 0.268
2 154-156	0.349	0.210	2 0.156
2 156-158	1.76	2.31	(2) 10.85 [3.52] <sup>2</sup> 1.868
2 158-160	2.45	1.68	2 [2.29] <sup>1</sup>
2 160-162	0.693	0.770	2 1.144
2 162-164	0.988	1.46	2 1.120
2 164-166	0.047	0.100	2 0.042
2 166-168	0.222	0.180	2 0.264
2 168-170	0.283	0.372	2 0.612
2 170-172	0.490	-	2 0.292
2 172-174	2.49	-	2 2.352
2 174-176	0.233	-	2 1.736 27.592
176-178	0.028	-	0.034
178-	0.004	-	

24 meters

152-176 avge.

[24 meters = 78.7 ft.] 0.864 oz.  
0.86

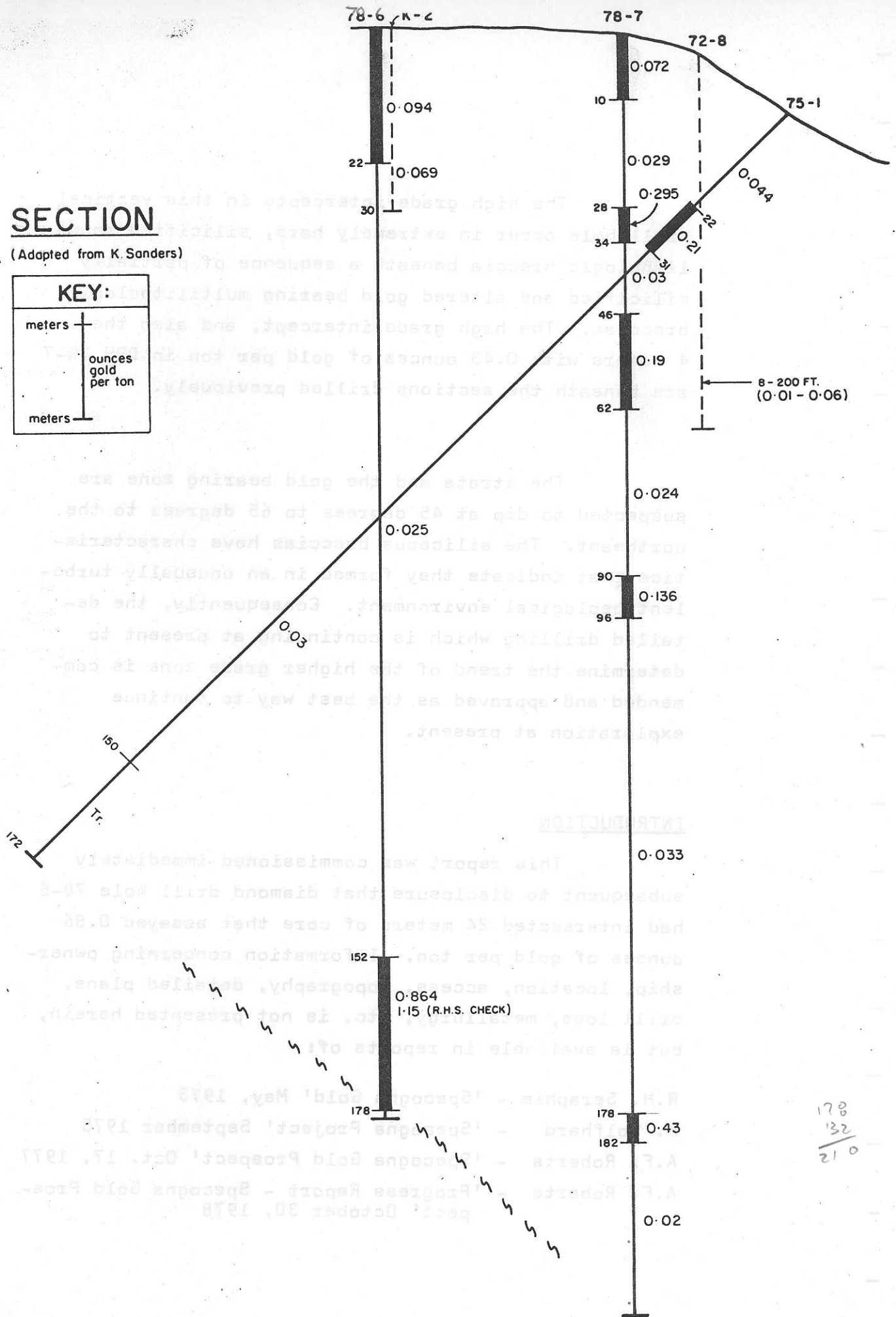
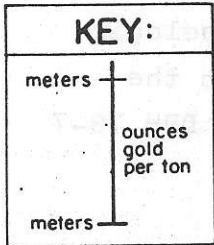
1.15 oz<sup>2</sup>  
1.15

Note 1: No core left - the half core remaining had been used for check assay previously and assayed 2.29 oz gold per ton.

Note 2: This weighted average is obtained by cutting the assay from 156-158 meters to 'twice the average of the sequence' i.e. 3.52 oz., and then re-averaging the sequence.

# SECTION

(Adapted from K. Sanders)



The high grade intercepts in this vertical drill hole occur in extremely hard, silicified monolithologic breccia beneath a sequence of partially silicified and altered gold bearing multilithologic breccias. The high grade intercept, and also the 4 meters with 0.43 ounces of gold per ton in DDH 78-7 are beneath the sections drilled previously.

The strata and the gold bearing zone are suspected to dip at 45 degrees to 65 degrees to the northeast. The siliceous breccias have characteristics that indicate they formed in an unusually turbulent geological environment. Consequently, the detailed drilling which is continuing at present to determine the trend of the higher grade zone is commended and approved as the best way to continue exploration at present.

### INTRODUCTION

This report was commissioned immediately subsequent to disclosure that diamond drill hole 78-6 had intersected 24 meters of core that assayed 0.86 ounces of gold per ton. Information concerning ownership, location, access, topography, detailed plans, drill logs, metallurgy, etc. is not presented herein, but is available in reports of:

- R.H. Seraphim - 'Specogna Gold' May, 1973
- M. Wolfhard - 'Specogna Project' September 1975
- A.F. Roberts - 'Specogna Gold Prospect' Oct. 17, 1977
- A.F. Roberts - 'Progress Report - Specogna Gold Prospect' October 30, 1978

Information from these above-listed reports is used where applicable to interpret the results from drill hole 78-6 in the geological environment.

The writer examined the prospect previously on May 9, 1972, and mapped the principal mineralized outcrops on that day. Access roads to drill sites and to the 'Marino' high grade showing, as well as the Marino showing itself, now provide more exposures which were examined briefly on December 6, 1978. The pertinent split core was also inspected, contained securely, and flown back to Vancouver for detailed examination, quartering with a diamond saw [courtesy of University of B.C.] and checking assay results.

The pleasant assistance and guidance of Ken G. Sanders, P.Eng., and Al McKillop, veteran prospector, and T. Lisle are acknowledged with thanks. Dr. A.J. Sinclair of University of B.C. is inspecting some polished sections and will report on these later.

#### GEOLOGY

A plan at approximately 1:2000 [1 inch to approximately 160 feet] and a cross section at approximately 1:800 [1 inch to approximately 66 feet] show the position of drill hole 78-6 with reference to the other drill holes completed to date and are included.

The Sandspit fault apparently provides the major structural control in the area. The fault strikes N. 30 to 40 degrees W., and makes the boundary between the Skonun sedimentary rocks to the northeast and the Masset volcanic rocks to the southwest.

The fault zone is shown by A. Sutherland-Brown in B.C. Department of Mines Bulletin #54 to be a broad structure with locally at least several strands.

One of these strands apparently makes the west contact of the mineralized zone. The contact itself is a scarp with up to 50 meters or more of relief. Soft black argillaceous rocks are found southwest of the contacts, and very siliceous gold-bearing conglomerates, agglomerates, and breccias are found to the northeast. Drilling has shown the contact and fault zone to dip approximately 45 degrees to the northeast.

The upper part of the siliceous gold-bearing sequence contains abundant fragments of partially silicified fossil wood along with some rounded and angular to subangular rock fragments that include chalcedonic silica, porphyry [rhyolite?] and others that are completely altered to clay minerals. A few rounded fragments of pyrite and/or marcasite are present. The matrix is predominantly grit, ash, chalcedonic silica, and pyrite. The silica and pyrite in places form rims around the fragments. Veinlets of white, buff, or black quartz, mostly less than a centimeter wide, transect the sequence described above. Voids are locally abundant in some sections that have abundant chalcedony and silica veinlets.

The intercepts that had provided the highest gold assays were examined carefully, with a 20 power hand lens. Abundant but mostly very fine free gold was observed in a few places on the exterior of the core, and in many places on the faces exposed by diamond saw cuts when the core was quartered. The gold

appears to be directly related in general to the more siliceous sections, and in particular to the transecting bands and veinlets of white, buff and black quartz. Some, but by no means all, of these transecting structures have an angle to the core in the range of 25 to 30 degrees.

The intersection found in DDH 6 thus might be from a zone similar to that exposed in the 'Marino' showing, which is located several hundred meters northwest of the area explored by drilling. Strong fracturing in the Marino showing dips approximately 65 degrees to the northeast, thus leads to the suspicion that the zone of high-grade gold found there might also dip 60 to 70 degrees to the northeast.

The siliceous sequence at the Specogna prospect has some characteristics typical of volcanogenic deposits. A lineal submarine volcanic vent system may have been directly related to the Sandspit fault, and may have the same trend.

The particular sections that contain the highest gold content in DDH 6 are all or almost all monolithologic [composed of one type of rock] rather than multilithologic [composed of more than one type of rock] and are found close to the major fault plane. The writer suspects that these sections may be more directly and spatially related to a lineal vent, assuming one exists, than the sections that contain multilithologic breccias including fossil wood. Consequently, the writer recommends that the management should continue to explore by drilling along the northwest trend at similar depth and distance from

the fault plane. The bottom of the fossil wood bearing sequence might be determined as it could provide an irregular stratigraphic horizon that establishes a plunge.

#### MINERAL RESERVE AND GRADE

The accompanying section indicates the nature of distribution of gold content in the sequence. Further drilling might disclose a northeasterly dip to -

- [1] an upper and better grade sequence indicated by the upper parts of drill holes 78-6, K2, 78-7, and 75-1; and
- [2] a lower higher grade sequence that includes the excellent grade found near the bottom of DDH 78-6 and the fair grade at 178-182 meters in DDH 78-7.

However, since this type of deposit is believed to have formed in an unusually turbulent geological environment, detailed drilling usually is necessary before reserves can be calculated.

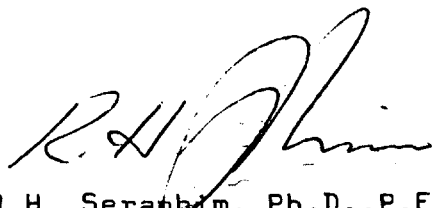
The results from DDH 78-6 were 'so good' that check sampling and assaying, together with careful examination of the core, were initiated. The writer's opinion is that -

- [1] the nature of the gold-bearing core fits with the geological environment at the prospect;
- [2] the higher and lower grade sections of the core itself show sufficient transition to establish continuity; and



[3] the higher grade sections of core contain sufficient free gold within the core, as exposed on the diamond-saw cut faces, to confirm the assays originally obtained and also those provided by the checking reported on page one hereof.

December 14, 1978

  
R.H. Seraphim, Ph.D., P.Eng.

R. H. SERAPHIM ENGINEERING LIMITED  
GEOLOGICAL ENGINEERING

316 - 470 GRANVILLE STREET  
VANCOUVER, B.C. V6C1V5

CERTIFICATION

I, Dr. R.H. Seraphim, of the City of Vancouver, Province of British Columbia, hereby certify as follows:

1. I am a Geological Engineer residing at 4636 West 3rd Avenue, Vancouver, B.C., and with office at #316-470 Granville Street, Vancouver, B.C.
2. I am a registered Professional Engineer of British Columbia. I graduated with a Master of Applied Science from the University of British Columbia in 1948, and with a Doctor of Philosophy in geology from the Massachusetts Institute of Technology in 1951.
3. I have practiced my profession continually since graduation.
4. I have no interest, direct or indirect, in the claims of Consolidated Cinola Mines Ltd., N.P.L., or the company or its affiliates, and I do not expect to receive any interest.
5. The attached report is based on a study of maps and reports provided, on examinations of the prospect on May 9, 1972, and December 6, 1978, and of the pertinent drill core at intervals from December 6 to December 12, 1978.
6. I consent to the use of this report in or in connection with the prospectus or in a statement of material facts relating to the raising of funds for this project.

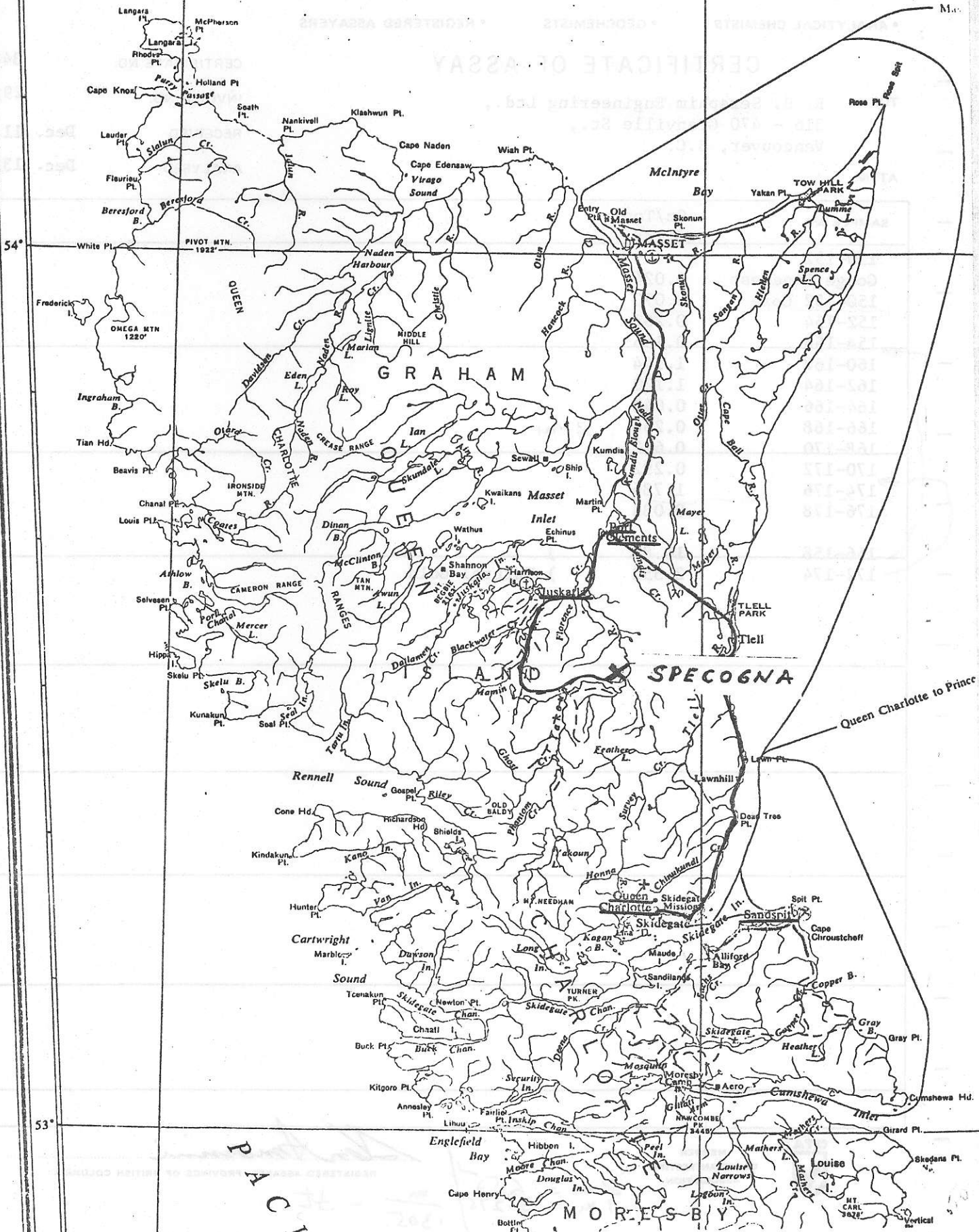
DATED at Vancouver, British Columbia, this 14th day of December, 1978.

  
R.H. Seraphim, Ph.D., P.Eng.

DIXON ENTRANCE

(6)

1 inch = 10 miles









LEGEND

□ - Claim part, line (approx)	0070 to 0079	0050 to 0059
○ - Kennecott drill holes	0060 to 0069	Less than 0050
○ - Cominco	0050 to 0059	0.36 oz / Gold ton
○ - Quintana	0040 to 0049	70% Percentage of a block greater than 03.31
○ - Quinlana		(u) Unknown
○ - Quintana		

(Au) > 10' x 0.20025Au  
at or near target HW area.

PLAN SHOWING  
DRILL HOLE LOCATIONS  
FROM FORMER OPERATIONS  
& CALCULATED AVERAGE  
GOLD VALUES

In accordance therewith, dated May 16, 1977 by Donald W. Tully, P. Eng.  
and that of August 30 1977 by F. Roberts, P. Eng. & Oct 30, 1978



QUINTANA MINERALS CORPORATION	
SPELONKS PROJECT	
MINERAL RESERVE	
100	200

20. STATUTORY RIGHTS OF RESCISSION

Sections 61 and 62 of the Securities Act (British Columbia) provides in effect, that where a security is offered to the public in the course of primary distribution:

- (a) A purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last Statement of Material Facts, together with financial statements and a summary of engineering reports as filed with the Vancouver Stock Exchange, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.
- (b) A purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the Statement of Material Facts or any amended Statement of Material Facts offering such security contains an untrue statement of material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such Statement of Material Facts or amended Statement of Material Facts is received or is deemed to be received by him or his agent.

Reference is made to the said Act for the complete text of the provisions under which the foregoing rights are conferred.

21. CERTIFICATE OF THE DIRECTORS AND PROMOTERS OF THE ISSUER:

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

January 4th, 1979  
(Date)

*Ivon Shearing*  
IVON SHEARING - Director

*A.H. Morrow*  
A.H. MORROW - Director

*William Thompson*  
WILLIAM THOMPSON - Director

*Kenneth G. Sanders*  
KENNETH G. SANDERS - President,  
Director and Promoter

*Nola Peterson*  
NOLA PETERSON - Secretary  
and Director.

CERTIFICATE OF THE UNDERWRITER(S):

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

January 5, 1979  
(Date)

*SA Fay*  
Continental Carbonite Development

*R. M. Bean*  
Canadian Investment  
Corporation Ltd