



THE GOVERNMENT OF  
THE PROVINCE OF BRITISH COLUMBIA

862005

Form 12

Securities Act

Date Accepted February 22,  
For Filing 1980

SUPERINTENDENT OF BROKERS  
AND  
VANCOUVER STOCK EXCHANGE  
VANCOUVER CURB EXCHANGE

STATEMENT OF MATERIAL FACTS

VANCOUVER STOCK EXCHANGE

Name of Exchange

COBRE EXPLORATION LTD.

Name of Issuer

254 East 4th Street,  
North Vancouver, B.C., V7L 1H9

Address of Head Office of Issuer

24th Floor, Oceanic Plaza Building,  
1066 West Hastings Street, Vancouver, B.C. V6E 3X1

Address of Registered Office of Issuer

24th Floor, Oceanic Plaza Building,  
1066 West Hastings Street, Vancouver, B.C. V6E 3X1

Address of Records Office (Section 38 - Companies Act)

Guaranty Trust Company of Canada  
800 West Pender Street, Vancouver, B.C., V7Y 1E5

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

Rita

*Richfield Munis*  
*File.*

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

New Offering

By an Underwriting Agreement dated January 31, 1980 between Canarim Investment Corporation Ltd. ("Canarim") of 1350 - 409 Granville Street, Vancouver, British Columbia, V6C 2J5 as to 225,000 shares and Continental, Carlisle, Douglas Ltd. ("Continental") of 600 - 789 West Pender Street, Vancouver, British Columbia as to 75,000 shares (the "Underwriters") agreed to underwrite 300,000 shares of Cobre Exploration Ltd. (the "Issuer") at \$1.30 per share to net the Issuer \$390,000 and were granted an option to purchase 150,000 shares (being 112,500 to Canarim and 37,500 to Continental) of the Issuer at the price of \$1.55 per share until 90 days after acceptance of this Statement of Material Facts by the Vancouver Stock Exchange and the Superintendent of Brokers for British Columbia. The shares underwritten and acquired pursuant to the option will be for primary distribution to the public in British Columbia at the market price at the time of offering through the facilities of the Vancouver Stock Exchange.

The closing bid price for the shares of the Issuer on February 18, 1980 was \$1.55 per share and therefore shares are being purchased at a discount of \$0.25 from that price.

SECONDARY OFFERING

This Statement of Material Facts qualifies for a period of three months from the effective date of this Statement of Material Facts, shares of the Issuer for sale to the public in British Columbia through the facilities of the Vancouver Stock Exchange at the market price for the shares at the time of sale. The Issuer will not receive any proceeds from the sale of shares offered by the selling shareholders, all of which proceeds will accrue to the selling shareholders. Details of the shares being offered are as follows:

<u>Selling Shareholder</u>	<u>Number of Shares Owned</u>	<u>Number of Shares being qualified for Sale</u>	<u>Number of Shares to be owned on completion of the Offering</u>
Timothy Britton Brock 1201-2180 Argyle Ave. West Vancouver, B.C. V7V 1A4	575,500	37,500	538,000
Michael Joseph Fitzgerald 254 East 4th Street North Vancouver, B.C. V7L 1H9	422,401	30,000	392,401
Francis B. Whiting 1035 Greenwood Place West Vancouver, B.C. V7S 1Y2	100,000	25,000	75,000

No payments in cash, securities or other consideration are being made, or are to be made, to a promoter, finder, or any other person or company in connection with the proposed offering.

The Underwriters may, during the period of primary distribution of the shares offered hereunder, be considered the "market maker" of the shares of the Issuer. As at the effective date of this Statement of Material Facts the Underwriters held no shares of the Issuer under their control. The signatories hereto have no knowledge of any other market maker.

The Underwriter, subject to the By-Laws of the Vancouver Stock Exchange, may also make purchases and sales of shares of the Issuer for the purposes of maintaining an orderly market for the shares of the Issuer and to assist in the distribution of the offered shares.

The range of the market price of the shares of the Issuer and the volume of sales for each of the four weeks immediately preceding the Effective Date on the Vancouver Stock Exchange, was as follows:

<u>Period</u>	<u>Market Range</u>	<u>Volume</u>
For the week ending February 15, 1980	\$1.25 - \$1.40	98,600
For the week ending February 8, 1980	1.30 - 1.49	104,600
For the week ending February 1, 1980	1.26 - 1.45	128,100
For the week ending January 25, 1980	1.15 - 1.40	229,500

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

Canarim:

<u>Name and Address</u>	<u>Number and Class of Shares</u>	<u>Percentage of Class</u>	<u>Percentage of Voting Rights</u>
A.E. Turton Investments Ltd. (1) 1130-444 St. Marys Ave. Winnipeg, Manitoba	17,982 Class "A" Common	100%	40%
The MacLachlan Investments Corporation (2) 1350-409 Granville St. Vancouver, B.C.	17,982 Class "B" Common	100%	40%
Petersham Holdings Ltd. (3) 1350-409 Granville St. Vancouver, B.C.	6,744 Class "C" Common	100%	15%
Channing Investments Corporation (4) 1350-409 Granville St. Vancouver, B.C.	2,248 Class "D" Common	100%	5%

- (1) 100% of A.E. Turton Investments Ltd. is owned by Alfred E. Turton of 1130 - 444 St. Marys Avenue, Winnipeg, Manitoba.
- (2) 100% of The MacLachlan Investments Corporation Ltd. is owned by Peter M. Brown of 1350 - 409 Granville Street, Vancouver, B.C. V6C 2J5.
- (3) 100% of Petersham Holdings Ltd. is owned by Brian D. Harwood of 1350 - 409 Granville Street, Vancouver, B.C. V6C 2J5.
- (4) 100% of Channing Investments Ltd. is owned by Charles Channing Buckland of 1350 - 409 Granville Street, Vancouver, B.C. V6C 2J5.

Continental:

<u>Name and Address</u>	<u>Number and Class of Shares</u>	<u>Percentage</u>
Angus I. MacPhail 600-789 West Pender Street Vancouver, B.C.	256 Common	25.6%
G. Robert Fay 600-789 West Pender Street Vancouver, B.C.	256 Common	25.6%
Douglas A. Scammel 600-789 West Pender Street Vancouver, B.C.	122 Common	12.2%
John N. Carlisle 600-789 West Pender Street Vancouver, B.C.	61 Common	6.1%
David J. Douglas 600-789 West Pender Street Vancouver, B.C.	61 Common	6.1%
Thomas L. Taylor 600-789 West Pender Street Vancouver, B.C.	61 Common	6.1%
J. Arthur Charpentier 600-789 West Pender Street Vancouver, B.C.	61 Common	6.1%
Richard J. Broad 600-789 West Pender Street Vancouver, B.C.	61 Common	6.1%
Dean Duggan 600-789 West Pender Street Vancouver, B.C.	61 Common	6.1%

The number of and percentage of the issued and outstanding securities of each class of the Issuer beneficially owned, directly or indirectly, by promoters, directors, senior officers and persons holding more than 10% of the issued shares, as a group, is 997,901 shares and 26.68%.

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

The shares of the Issuer must be considered speculative securities as the Issuer's properties are in the exploration and development stage. Although the Issuer's West Ashland field has an estimated 359.6 MMCF of recoverable natural gas the properties have only been in production since early 1977 and the Issuer has no sustained earnings record.

No survey has been made of the Issuer's mineral claims and therefore in accordance with the mining laws of the jurisdiction in which such claims are situate their existence and area could be in doubt. The Issuer's mineral claims are without a known body of commercial ore.

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

On November 30, 1979 Beverley Rodressa Black resigned as a director of the Issuer.

4. THE ESTIMATED NET PROCEEDS OF THE ISSUER ARE TO BE SPENT.

The Issuer will receive \$390,000 from the New Offering described in Item 1 hereof, to be used for the following purposes:

Phase I of the exploration program on the Richfield property recommended by Francis B. Whiting, Ph.D, P. Eng. in his report dated January 24, 1980*	\$294,000
Working Capital**	<u>96,000</u>
TOTAL	\$390,000 =====

\* The Richfield property is held under option from Dr. Francis B. Whiting, author of the report dated January 24, 1980. E.O. Chisholm, M.A., P. Eng., in a report dated January 29, 1980 concurred with Dr. Whiting's recommendations on the basis of the diamond drilling being done in two stages dependent on the successful results from an initial diamond drilling of the more significant anomalies adjacent to the old mine workings, and the drilling will be done on this basis.

\*\* The Issuer raised \$253,780 on a Unit Offering pursuant to a Statement of Material Facts dated October 17, 1979, of which \$150,000 was allocated for exploration of the Richfield property. The sum of \$43,576 was actually spent, as described in Item 10C hereof and the balance allocated therefore will be added to working capital.

None of the proceeds from the offering will be used on any other properties of the Issuer without first filing a full and up-to-date engineering report with the Vancouver Stock Exchange and obtaining its approval.

Any proceeds realized by the Issuer from the exercise of outstanding warrants to purchase additional shares or from the Underwriters exercising its option will be added to working capital.

5. GIVE THE FULL NAME, HOME ADDRESS AND CHIEF OCCUPATION, THE NUMBER OF SHARES OF THE ISSUER BENEFICIALLY OWNED, DIRECTLY OR 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, Address and Position with Issuer</u>	<u>Chief Occupation</u>	<u>Number of Shares of Issuer Beneficially Owned</u>
Michael Joseph Fitzgerald 254 East 4th Street North Vancouver, B.C. Director and President	Geological Engineer, President, Min-Ex Services Ltd.	422,401
Timothy Britton Brock 1201-2180 Argyle Ave., West Vancouver, B.C. Director & Secretary	President, Sweetwater Mineral Corporation, Mountaineer Mines Ltd. The Ascot Petroleum Corporation and Canalta Resources Ltd.	575,500
Glyn Bevan Edwards 1601-1755 Haro Street Vancouver, B.C. Director	Self-Employed, Travel Coordinator, Contacts Pacific Travel Ltd., 1976 to August, 1978, and formerly Travel Coordinator, Bartel Tours Ltd.	NIL

6. PARTICULARS OF THE CORPORATE STANDING OF THE ISSUER.

The Issuer was incorporated in British Columbia on December 28, 1971, by Memorandum and Articles.

The last annual report filed with the Registrar of Companies of British Columbia was as of December 28, 1979. All filings required to be made by the Issuer under the Securities Act and Companies Act of British Columbia are up-to-date.

The latest audited financial statements placed before a general meeting of the Issuer were dated May 31, 1979 and were placed before the members of the Issuer at the annual general meeting held on November 22, 1979.

The Issuer is engaged in the business of acquiring and developing natural resources 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 3,758,645 shares have been issued as fully paid.

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

For Cash:

7,000 shares at \$0.54 per share.  
500,000 shares at \$0.50 per share.  
100,000 shares at \$0.53 per share.

For Properties:

100,000 shares were issued for the West Ashland Gas Field (100,000 shares were previously issued) for a deemed consideration of \$15,000, of which 50,000 shares were issued to each of Timothy Britton Brock of 1201 - 2180 Argyle Avenue, West Vancouver, British Columbia and Richard Hughes, of 710 - 675 West Hastings Street, Vancouver, British Columbia.

100,000 shares were issued for the Richfield property for a deemed consideration of \$89,000, to Francis B. Whiting of 1035 Greenwood Place, West Vancouver, B.C. as described under Item 11 B hereof.

25,000 shares were issued for the Treasure Vault property, for a deemed consideration of \$21,125 to James V. Reynolds, of P.O. Box 11129, Albuquerque, New Mexico, 87112, as described under Item 11 C hereof.

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

The Issuer was indebted to Timothy Britton Brock, a director of the Issuer, in the sum of \$13,688.81 with such amounts repayable on demand and secured by a promissory note with interest at 14% per annum. The monies were loaned for working capital. The sum of \$6,000 was paid to Timothy Britton Brock from a financing done in August, 1979 with the balance of the note to Timothy Britton Brock being payable on demand, without interest.

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.

A. West Ashland Field, Oklahoma

The Issuer has a 3.125% working interest in approximately 5,800 acres which with royalties results in the net revenue interest set forth below in the following producing gas wells located in Coal County, Oklahoma:

<u>Well</u>	<u>Percentage Revenue Interest</u>
Sidmore 1-35	2.67977
No. 1 West Ashland	2.7344
Binns 1-22	1.125
Fairless 1-23	1.646
Cunningham 1-13	1.206
Cunningham 1-14	0.122
Kimball 1-21	2.734

An additional four wells were drilled and abandoned as dry holes.

In a report to the Issuer dated March 21, 1978 Gary W. Hart, Petroleum Geologist, stated that the reserves were estimated at 26.009 BCF of natural gas, of which the Issuer's percentage interest would be 359.6 MMCF after deducting production to date. This estimate did not include the Kimball well, which was drilled subsequent to the report date and for which no reserve information is yet available. All gas is being sold to public utilities in Oklahoma at a base price of \$1.60 U.S. per MCF with BTU adjustment and annual redetermination clauses.

During the year ended May 31, 1979 the Issuer spent \$40,660 of which \$17,355 was spent drilling and completing the Kimball well, \$20,017 was the cost of two dry holes and \$3,288 was for production expenses, delay royalties or lease expenses. From June 1, 1979 to December 31, 1979 an additional \$1,558 was expended in production expenses.

B. BX Uranium Property, Colorado

Cobre Exploration U.S.A. Ltd. ("Cobre U.S.A."), a wholly owned subsidiary of the Issuer, owns a 100% interest in six unpatented mineral claims situated in Kenosha Pass Mining District, Colorado. The claims have been leased out on terms whereby Cobre U.S.A. will receive advance royalties of \$50,000 per annum (the 1979 payment having been received) to be applied against actual royalties of 7 1/2% of minerals produced from the property. In addition the Lessee will conduct exploration in the amount of \$100,000 during the first, \$50,000 the second, \$25,000 the third and \$10,000 each subsequent year of the lease.



The Lessee has spent in excess of \$150,000 to date in completing an 850 foot decline to the potential ore zone and is currently conducting an underground drift program of 500 feet designed to outline the available tonnage for mining.

#### C. Richfield Property, British Columbia

The Issuer has an option to acquire a 100% interest in six mineral claims, comprising 40 units, located eight miles north of Topley, B.C. in the Omineca Mining Division.

The Issuer carried out Phase I of the recommendations of Edward O. Chisholm, P. Eng., in his report dated August 8, 1979 consisting of geochemical survey, induced polarization survey, trenching and stripping at a cost of \$43,576 to December 31, 1979.

The Issuer intends to carry out the recommendations of Francis B. Whiting, Ph.D., P. Eng., in his report dated January 24, 1980 included in the Statement of Material Facts (which report was concurred in by E.O. Chisholm in a report dated January 29, 1980 also included in this Statement of Material Facts), comprising 10,000 feet of diamond drilling and related work at an estimated cost of \$294,000.

The Issuer also holds a 70% interest in three additional claims, comprising 37 units, (of which three units overlap the main claim block) adjoining the main claim block, acquired at a staking cost of \$1,000. The remaining 30% is held by Francis B. Whiting, from whom the Issuer acquired the option on the main block of claims, and a joint venture agreement with Francis B. Whiting is presently being negotiated. There has been no exploration work on the additional claims to date and no work will be carried out until an up-to-date engineering report thereon has been obtained and approval of the Vancouver Stock Exchange received.

#### D. Treasure Vault Property, Idaho

Cobre Exploration U.S.A. Ltd. ("Cobre U.S.A.") a wholly owned subsidiary of the Issuer, holds an option to acquire a lease covering 17 mineral claims in Blaine County, Idaho. The property was first explored in the 1880's with gold production in 1895.

The Issuer carried out Phases I and II of the recommendations of Andrew E. Nevin, Ph.D., P. Eng., in his report dated October 3, 1979 included in this Statement of Material Facts, consisting of trenching, sampling, mapping and geochemistry at a cost of \$19,643 to December 31, 1979.

The exploration results to date on the property reveal the presence of at least five zones of quartz veining with accompanying gold, silver, lead, and uranium mineralization. The known zones of veining lie along persistent shear zone which is traceable by VLF-EM and magnetic methods, suggesting that mineralization exposed at surface may persist to depth.

Re-construction of the old mine workings (on paper) suggests that the ore shoots are up to 300 feet long, 3 to 6 feet wide, and extend down-dip at least 300 feet. Interpretation of geophysical results suggests that multiple zones of veining may be present along the Hattie Trend.

The Issuer intends to carry out Phase III comprising dewatering and percussion drilling at a cost of \$37,000 and depending on results Phase IV comprising diamond drilling at a cost of \$300,000 will also be carried out.

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.

A. BX Uranium Property, Colorado

By Agreement made June 23, 1978 between Michael Joseph Fitzgerald ("Fitzgerald") of 254 East 4th Street, North Vancouver, British Columbia, a director of the Issuer, and Cobre Exploration U.S.A. Ltd. ("Cobre U.S.A."), a wholly owned subsidiary of the Issuer, Cobre U.S.A. acquired from Fitzgerald six unpatented mineral claims located in Kenosha Pass Mining District, Colorado which Fitzgerald acquired on behalf of Cobre U.S.A. at a cost of \$8,300. Fitzgerald, on behalf of Cobre U.S.A., granted a lease of the claims to Martin Trost Associates ("MTA"), a partnership of 1301 Arapahoe Street, Golden, Colorado, on the following terms:

1. MTA paid \$25,000 U.S. on execution of the lease, of which \$8,300 was paid to Fitzgerald in repayment of his costs and the balance of \$16,700 was paid to Cobre, U.S.A.;
2. MTA agreed to pay \$50,000 in advance royalties on May 31st of each year, being the anniversary date of the lease;
3. MTA agreed to pay 7 1/2% of the net returns from all minerals produced from the property;
4. MTA agreed to carry out exploration on the property of \$100,000 during the first, \$50,000 during the second, \$25,000 during the third and \$10,000 each subsequent year of the lease;
5. The initial term of the lease is 20 years, to be continued thereafter for so long as minerals are produced from the property in commercial quantities.

It is a term of the agreement made June 23, 1978 between Fitzgerald and Cobre U.S.A. that if the Mining Lease with MTA is terminated and if within one year of such termination Cobre U.S.A. has not reached agreement for continued development of the property by expenditures of at least \$50,000 per year then Cobre U.S.A. will assign to Fitzgerald all interest in the property.

The Issuer has been advised that the only persons who own, directly or indirectly, more than 10% of the interest in MTA are William Martin and Paul Trost of 1301 Arapahoe Street, Golden, Colorado, 80401. No director or officer of the Issuer has any interest in MTA.

B. Richfield Property, British Columbia

By Agreement dated August 10, 1979 the Issuer acquired from Francis B. Whiting ("Whiting") of 1035 Greenwood Place, West Vancouver, British Columbia, an option to purchase a 100% interest in six mineral claims located eight miles north of Topley, British Columbia in the Omineca Mining Division in consideration for:

- (a) \$20,000 and 100,000 shares of the Issuer, which has been paid and issued;
- (b) \$15,000 on or before July 31, 1980; and
- (c) 50,000 shares on or before each of July 31, 1980 and October 31, 1980.

The claims were staked by Whiting during April and May, 1979.

The issuance of shares will in each case be subject to first filing an up-to-date engineering report on the property with the Vancouver Stock Exchange and obtaining its approval.

C. Treasure Vault Property, Idaho

By Agreement dated September 28, 1979 between James V. Reynolds ("Reynolds") of P.O. Box 11129, Albuquerque, New Mexico, 87112 and Cobre Exploration U.S.A. Ltd. ("Cobre U.S.A."), a wholly owned subsidiary of the Issuer, Cobre U.S.A. acquired from Reynolds an option to purchase an 100% interest in a lease and option agreement (the "McClure Option") dated July 23, 1976 between Reynolds and H.R. McClure and Shirley V. McClure as representative of the estate of Ralph H. McClure covering 17 mineral claims in Blaine County, Idaho.

The option may be exercised by Cobre U.S.A. completing the following:

- (a) payment to Reynolds of \$5,000 and 25,000 shares, which has been paid and issued;
- (b) the issuance to Reynolds of 25,000 shares of the Issuer on the basis of 12,500 shares on each of March 1, 1980 and June 1, 1980.
- (c) payment to Reynolds of 3% of net smelter returns until exercise of the McClure Option and 5% thereafter up to \$1,000,000 or 3,333 ounces of fine gold with Reynolds having the right to receive any payment in kind.

- (d) The assumption of Reynolds' obligations under the McClure Option.

Of the 50,000 shares, Reynolds has agreed that 5,000 shares from each of the two blocks to be issued on March 1 and June 1, 1980 will be transferred to A.J. Giannini of Albuquerque, New Mexico.

The issuance of shares will in each case be subject to first filing an up-to-date engineering report on the property with the Vancouver Stock Exchange and obtaining its approval.

It is also agreed that if Cobre U.S.A. should sell the property for an amount in excess of \$2,000,000 plus all exploration, development and production expenses not previously recovered by Cobre U.S.A. then any such excess shall be paid as to 75% to Cobre and 25% to Reynolds. Cobre U.S.A. has also agreed that if it mills ore from any mine located on or within five miles from the property in a mill erected on the property, Cobre will pay to Reynolds the sum of \$1.00 for each ton of ore so milled.

Cobre U.S.A. has agreed to pay Goosley Resources Ltd. of 8969 Right Street, Langley, B.C. a finder's fee of \$500 and 0.25% of net smelter returns. The following own, directly or indirectly in excess of 5% of the shares of Goosely Resources Ltd.:

<u>Name and Address</u>	<u>Percent of Issued Shares</u>
George Stewart Greenwood, B.C.	22.50%
C. Channing Buckland 1350-409 Granville Street Vancouver, B.C.	33.75%
James W.F. Tutton 344 Columbia Street New Westminster, B.C.	43.75%

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.

Timothy Britton Brock of 1201 - 2180 Argyle Avenue, West Vancouver, British Columbia and Michael Joseph Fitzgerald of 254 East 4th Street, North Vancouver, British Columbia may be considered the promoters of the Issuer in that they took the initiative in reorganizing the Issuer.

Timothy Britton Brock has received directly or indirectly, the following from the Issuer:

- (a) \$12,500 and 50,000 shares of the Issuer in respect of the Sundberg Uranium property;

- (b) 100,000 shares of the Issuer issued for the West Ashland gas field;
- (c) The sum of \$6,000 in management services to a company owned by Timothy Britton Brock during the fiscal year ended May 31, 1979 and the sum of \$1,250 for the seven months ended December 31, 1979;
- (d) The sum of \$3,850 for office and secretarial services during the year ended May 31, 1979 and the sum of \$1,852.30 in disbursements from June 1, 1979 to December 31, 1979 to a company in which Timothy Britton Brock owns all of the issued shares.
- (e) The sum of \$676 in interest on the note referred to in Item 9 hereof, for the period from June 1, 1979 to October 31, 1979.

Michael Joseph Fitzgerald has received directly or indirectly, the following from the Issuer:

- (a) 55,000 shares for the Suskwa property;
- (b) 55,000 shares for the Snippaker property, since abandoned by the Issuer;
- (c) The sum of \$14,199 in consulting fees and expenses during the year ended May 31, 1979 and the sum of \$22,329 from June 1, 1979 to December 31, 1979 related to the BX Uranium and other properties;
- (d) The sum of \$3,613 for office and secretarial services during the year ended May 31, 1979 and the sum of \$2,591 from June 1, 1979 to December 31, 1979 to a company in which Michael Joseph Fitzgerald owns all of the issued shares;
- (e) The sum of \$1,750 for management fees for the period from June 1, 1979 to December 31, 1979.

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.

750,000 shares are held in escrow with Guaranty Trust Company of Canada subject to release with the consent of the Vancouver Stock Exchange. The escrow agreement provides that in the event the Issuer loses or abandons or fails to obtain title to all or part of the property for which the escrow shares were issued then such number of shares as the Vancouver Stock Exchange may determine shall be surrendered to the Issuer for cancellation.

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.

As at February 1, 1980:

Timothy Britton Brock  
1201 - 2180 Argyle Avenue  
West Vancouver, B.C.

575,500

Michael Joseph Fitzgerald 422,401  
254 East 4th Street  
North Vancouver, B.C.

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.
- None.
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.
- (a) The sum of \$6,000 in management services to a company owned by Timothy Britton Brock during the fiscal year ended May 31, 1979 and the sum of \$1,250 for the seven months ended December 31, 1979;
  - (b) The sum of \$3,850 for office and secretarial services to a company owned by Timothy Britton Brock during the fiscal year ended May 31, 1979 and the sum of \$1,852.30 in disbursements for the period from June 1, 1979 to December 31, 1979;
  - (c) The sum of \$14,199 in consulting fees and expenses to Michael Joseph Fitzgerald during the year ended May 31, 1979 and the sum of \$22,329 from June 1, 1979 to December 31, 1979;
  - (d) The sum of \$3,613 for office and secretarial services during the year ended July 31, 1979 and the sum of \$2,591 for the period from June 1, 1979 to December 31, 1979 to a company in which Michael Joseph Fitzgerald owns all of the issued shares;
  - (e) The sum of \$1,750 in management fees to Michael J. Fitzgerald for the period from January 1, 1979 to December 31, 1979;
  - (f) The sum of \$700 to Beverly Rodressa Black, a former director, in directors' fees for the period from June 1, 1979 to December 31, 1979.
17. BRIEF PARTICULARS OF ALL OPTIONS TO PURCHASE SECURITIES OF THE ISSUER UNLESS OTHERWISE DISCLOSED HEREIN.

The Issuer has issued 500,000 Series A Warrants for the purchase of shares of the Issuer on the basis of two warrants to purchase one share at \$0.53 to March 25, 1980 and thereafter at \$0.60 to September 25, 1980. To date no warrants have been exercised.

By Agreement made as of January 22, 1980 the Issuer granted to Michael J. Fitzgerald, a director of the Issuer, an option to purchase 100,000 shares of the Issuer exercisable until January 31, 1981 at \$1.30 per share, until January 31, 1982 at \$1.55 per share and until January 30, 1983 at \$1.80 per share. The option is subject to approval by the members of the Issuer at the next Annual General Meeting.

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 material contracts which have been entered into by the Issuer within the preceding two years which are not elsewhere disclosed herein. All material contracts to which the Issuer is a party may be inspected during the primary distribution of the securities offered hereby and for 30 days after completing of such primary distribution at the registered office of the Issuer, 24th Floor, Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1, during normal business hours.

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

None

COBRE EXPLORATION LIMITED  
CONSOLIDATED FINANCIAL STATEMENTS  
MAY 31, 1979

Auditors' Report

Statement 1 - Consolidated Balance Sheet

Statement 2 - Consolidated Income and Deficit

Statement 3 - Consolidated Changes in Financial  
Position

Notes to the Consolidated Financial Statements

Consolidated Schedule of Exploration, Administrative  
and General Expenses



MacKay, Peachey & Co.

Chartered Accountants

AUDITORS' REPORT

TO THE SHAREHOLDERS OF  
COBRE EXPLORATION LIMITED

We have examined the consolidated balance sheet of Cobre Exploration Limited as at May 31, 1979 and the consolidated statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at May 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*MacKay Peachey & Co*

CHARTERED ACCOUNTANTS

Vancouver, Canada  
August 3, 1979

COBRE EXPLORATION LIMITED


STATEMENT 1

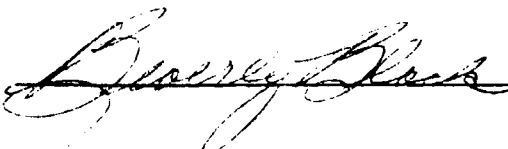
CONSOLIDATED BALANCE SHEET

AS AT MAY 31, 1979

	<u>1979</u>	<u>1978</u>
<u>ASSETS</u>		
CURRENT		
Cash	\$ 58,519	\$ 2,227
Accounts receivable	<u>2,738</u>	<u>14,482</u>
	61,257	16,709
FIXED (Notes 1 and 4)	1,697	2,122
INTEREST IN GAS AND OIL LEASES (Notes 1 and 2)	167,355	124,992
INTEREST IN MINERAL CLAIMS (Notes 1 and 3)	59,736	47,227
INCORPORATION COSTS	<u>3,671</u>	<u>3,671</u>
	<u>\$ 293,716</u>	<u>\$ 194,721</u>
<u>LIABILITIES</u>		
CURRENT		
Bank demand loan (Note 2)	\$ 1,160	\$ 28,075
Accounts payable and accrued liabilities	3,593	31,577
Income taxes payable	20,300	---
Demand notes payable (Note 5(A))	15,013	13,851
Agreement payable to a director (Note 5(B))	<u>12,500</u>	<u>12,500</u>
	52,566	86,003
DEFERRED INCOME TAXES	<u>2,609</u>	<u>2,609</u>
	<u>55,175</u>	<u>88,612</u>
<u>SHAREHOLDERS' EQUITY</u>		
SHARE CAPITAL (Note 6)	423,060	350,882
DEFICIT (Statement 2)	<u>(184,519)</u>	<u>(244,773)</u>
	<u>238,541</u>	<u>106,109</u>
	<u>\$ 293,716</u>	<u>\$ 194,721</u>

APPROVED BY THE DIRECTORS:

 Director

 Director

COBRE EXPLORATION LIMITED  
CONSOLIDATED INCOME AND DEFICIT  
FOR THE YEAR ENDED MAY 31, 1979

STATEMENT 2

	<u>1979</u>	<u>1978</u>
<b>REVENUE</b>		
Sale of natural gas (Note 1)	\$ 51,938	\$ 39,785
Lease of mineral claims	<u>86,198</u>	<u>---</u>
	<u>138,136</u>	<u>39,785</u>
<b>EXPENSES</b>		
Depletion of interest in oil and gas leases	13,296	7,151
Amortization of interest in mineral claims	988	---
Depreciation	424	530
Exploration, administrative and general (Schedule)	<u>43,049</u>	<u>26,989</u>
	<u>57,757</u>	<u>34,670</u>
<b>INCOME BEFORE INCOME TAXES</b>	80,379	5,115
<b>INCOME TAXES - Current</b>	20,125	---
- Deferred	<u>---</u>	<u>2,609</u>
<b>NET INCOME</b>	60,254	2,506
<b>DEFICIT, OPENING</b>	<u>(244,773)</u>	<u>(247,279)</u>
<b>DEFICIT, CLOSING (Statement 1)</b>	<u>\$ (184,519)</u>	<u>\$ (244,773)</u>
 <b>EARNINGS PER SHARE (Note 1 (J))</b>		

COBRE EXPLORATION LIMITED

STATEMENT 3

CONSOLIDATED CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MAY 31, 1979

	<u>1979</u>	<u>1978</u>
<b>WORKING CAPITAL PROVIDED BY:</b>		
Operations	\$ 60,254	\$ 2,506
Add: Items not requiring cash outlays		
Amortization	988	---
Depletion	13,296	7,151
Depreciation	424	530
Deferred income taxes	---	2,609
	<u>74,962</u>	<u>12,796</u>
Shares issued for cash	57,178	30,000
Shares issued for interest in gas and oil leases	<u>15,000</u>	<u>---</u>
	<u>147,140</u>	<u>42,796</u>
<b>WORKING CAPITAL USED FOR:</b>		
Exploration and development		
- gas and oil leases	55,659	44,148
- mineral claims	<u>13,496</u>	<u>3,175</u>
	<u>69,155</u>	<u>47,323</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL</b>	77,985	(4,527)
<b>WORKING CAPITAL (DEFICIENCY), OPENING</b>	<u>(69,294)</u>	<u>(64,767)</u>
<b>WORKING CAPITAL (DEFICIENCY), CLOSING</b>	\$ <u>8,691</u>	\$ <u>(69,294)</u>
<b>REPRESENTED BY:</b>		
Current assets	\$ 61,257	\$ 16,709
Current liabilities	<u>52,566</u>	<u>86,003</u>
	\$ <u>8,691</u>	\$ <u>(69,294)</u>

COBRE EXPLORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 1979

1. SUMMARY OF ACCOUNTING POLICIES

(A) Principals of Consolidation

The consolidated financial statements include the accounts of the company's wholly-owned subsidiary, Cobre Exploration-USA, Limited which is incorporated under the laws of the State of Colorado, U.S.A. The subsidiary commenced active operations in June 1978.

(B) Interest in Gas and Oil Leases

The company follows the full cost method of accounting for costs related to the exploration and development of gas and oil properties or interests. Such costs are accumulated on an area of interest basis and depletion is calculated on the unit of production method based on estimated recoverable gas and oil reserves in each area of interest. If exploration activities in an area are determined to be unsuccessful the costs will be written off. The company presently has only one area of interest.

(C) Mineral Claims and Interests

The Canadian claims and interests in the exploratory stage are recorded at cost less any proceeds in respect of options granted on the claims. The United States mineral claims are recorded at cost less amortization calculated on a straight line basis over the life of the lease agreement. The recorded costs of properties that, in the opinion of management, do not warrant future exploration and will be abandoned will be written off to deficit at the earlier of the decision to abandon the property or when the claims are allowed to lapse.

Exploration and administrative expenses relating to mineral claims are deferred as costs which are intended to benefit future periods. If commercial production of the claims is attained, the deferred expenses will be charged to operations. In the event the claims are abandoned or allowed to lapse, the related deferred expenses will be written off.

COBRE EXPLORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 1979

1. SUMMARY OF ACCOUNTING POLICIES - Continued

(D) Sale of Natural Gas

Revenue is recorded net of royalties and Oklahoma State taxes for production income earned from the interests in the Ashland Gas leases.

(E) Depletion of Interest in Oil and Gas Leases

Depletion is calculated by the unit of production method based on estimated recoverable gas and oil reserves in the area of interest.

(F) Amortization of Interest in Mineral Claims

Amortization is calculated by the straight line method over the term of the lease.

(G) Depreciation

Depreciation is calculated by the declining balance method at a rate of 20% per annum.

(H) United States Dollar Transactions

The accounts of the United States subsidiary and those accounts of the parent which are in United States dollars have been translated into Canadian dollars as follows:

Current assets and current liabilities at the approximate rates ruling at the balance sheet date.

Mineral claims, which are valued at cost, at historic rates.

Revenue and expenses, other than depreciation, depletion and amortization, at the average rates during the year.

The net unrealized exchange loss arising from such translation practices is reflected in the Consolidated Statement of Income and Deficit.

COBRE EXPLORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 1979

1. SUMMARY OF ACCOUNTING POLICIES - Continued

(I) Income Taxes

The company follows the tax allocation method of accounting whereby the income tax provision is based on reported net income. Under this method, the company makes full provision for income taxes deferred as a result of claiming exploration and development costs in excess of the related depletion and amortization provision recorded in the accounts.

The company and its subsidiary are subject to income taxes on an individual, rather than a consolidated basis. The provision for income taxes is related to the taxable income of the subsidiary company.

(J) Earnings Per Share

Net earnings of 2.09 cents (May 31, 1978 .09 cents) per share have been calculated based on the weighted average number of common shares outstanding during the year.

2. INTEREST IN GAS AND OIL LEASES - \$167,355

Coal County, Oklahoma, U.S.A. - Ashland Gas Leases

The company holds a 1/32 working interest in certain gas and oil leases operated by Global Gas Corporation. Cobre Exploration Limited acquired this interest for \$10,000 cash and a total of 200,000 shares.

The company has participated in eleven wells of which seven are producing and four are abandoned. The costs of all wells are included in exploration expenses as all wells are in the same area of interest.

The company has given an undertaking to the Canadian Imperial Bank of Commerce to assign, if necessary, production revenue to the bank as security for the demand loan.

COBRE EXPLORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 1979

2. INTEREST IN GAS AND OIL LEASES - Continued

The recorded costs of the interests in these leases are as follows:

	Balance May 31, 1978	Expended during year	Balance May 31, 1979
Acquisition costs	\$ 26,629	\$ 15,000	\$ 41,629
Exploration and administration costs capitalized	61,366	---	61,366
Drilling and production costs	44,148	40,659	84,807
	132,143	55,659	187,802
Depletion	7,151	13,296	20,447
	\$ 124,992	\$ 42,363	\$ 167,355

3. MINERAL CLAIMS - \$59,736

(A) Omineca Mining Division, British Columbia,  
Suskwa Prospect, Hot Claims \$ 40,957

By an agreement dated December 31, 1971, the company acquired a 100% interest in the Hot 1-26 mineral claims for 375,000 shares of the company issued at an assigned price of \$.01 per share. Deferred exploration and administrative expenses totalling \$37,207 have been capitalized as costs of the claims.

(B) Omineca Mining Division, British Columbia,  
Jill Prospect \$ Nil

The company has a 3% carried interest in a group of claims in the Omineca Mining Division of British Columbia. The claims were originally acquired at no cost and deferred exploration expenses have been written off to deficit in prior periods.



COBRE EXPLORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 1979

3. MINERAL CLAIMS - Continued

(C) Park County, Colorado, U.S.A. - BX Prospect

In September 1976 six uranium claims were staked on behalf of the company by its President, who is also a director. The company incurred staking, legal and professional fee costs in connection with these claims totalling \$19,767.

The company has granted a mining lease to a Colorado partnership in consideration of \$25,000 U.S. and an agreement to pay \$50,000 in advance royalties each anniversary date of the lease and 7½% of the value from all minerals produced from the property based on 95% of the monthly Inexco posted price. In addition, the Colorado partnership has agreed to carry out exploration on the property in the amount of \$100,000 during the first, \$50,000 during the second, \$25,000 during the third and \$10,000 each subsequent year of the lease.

In the event the mining lease is terminated and if, within one year of such termination, the company has not made other arrangements for continued development of the property, in the sum of \$50,000 for the next ensuing year and \$50,000 for each subsequent year then the company will assign to its President all right, title and interest in and to the property.

The company is amortizing the cost of the claims over the term of the lease which is 20 years.

Cost of staking, legal and consulting	\$ 19,767
Amortization of costs	988
	\$ 18,779
	\$ 18,779

4. FIXED ASSETS

	1979		1978	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Equipment and furniture	\$ 3,315	\$ 1,618	\$ 1,697	\$ 2,122
	\$ 3,315	\$ 1,618	\$ 1,697	\$ 2,122

COBRE EXPLORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 1979

5. DEMAND NOTES PAYABLE AND AGREEMENT PAYABLE

	1979	1978
(A) To a director and shareholder, including interest at 14% per annum - unsecured	\$ 13,688	\$ 12,526
To a shareholder, non-interest bearing - unsecured	<u>1,325</u>	<u>1,325</u>
	<u>\$ 15,013</u>	<u>\$ 13,851</u>

(B) Agreement Payable

By an agreement dated January 14, 1976, the company acquired the rights to a group of uranium claims from an individual who was subsequently appointed a director of the company. Under this agreement the company was required to issue 100,000 shares and to make a cash payment of \$12,500 to the individual. 50,000 shares were issued but the cash payment of \$12,500 was not made as required and the interest in the agreement has been allowed to lapse. The company has no further obligation to issue shares but has an obligation to pay the \$12,500.

6. SHARE CAPITAL

Authorized:

5,000,000 common shares of no par value

Issued and fully paid:

	% of Total	Number	Gross	Commission	Net
Balance, May 31, 1978					
For cash	55.27	1,676,645	\$ 293,382	\$ ---	\$ 293,382
For gas and oil inter- ests	3.30	100,000	15,000	---	15,000
For mineral claims	<u>31.32</u>	<u>950,000</u>	<u>42,500</u>	<u>---</u>	<u>42,500</u>
Carried forward	<u>89.89</u>	<u>2,726,645</u>	<u>350,882</u>	<u>---</u>	<u>350,882</u>

COBRE EXPLORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 1979

6. SHARE CAPITAL - Continued

	<u>% of Total</u>	<u>Number</u>	<u>Gross</u>	<u>Commission</u>	<u>Net</u>
Forward	89.89	2,726,645	350,882	---	350,882
Issued during the period					
For cash	6.81	207,000	57,780	602	57,178
For gas and oil inter- ests	<u>3.30</u>	<u>100,000</u>	<u>15,000</u>	<u>---</u>	<u>15,000</u>
	<u>100.00</u>	<u>3,033,645</u>	<u>\$ 423,662</u>	<u>\$ 602</u>	<u>\$ 423,060</u>

7. STATUTORY INFORMATION

Remuneration to Directors and Senior Officers

No direct remuneration was paid or payable to directors and senior officers during the year. However, the following amounts were paid or payable to corporations controlled by senior officers and directors of the company.

Management Services

For the year \$6,000 was paid or payable to Klondike Tours Ltd. for providing management services.

Office and Secretarial Services

For the year \$3,850 was paid or payable to West Peak Ventures of Canada Ltd. and \$3,613 was paid or payable to Min-ex Services Ltd. for providing office and secretarial services to the company. These expenses included reimbursement for certain expenditures made on behalf of the company.

Interest

For the year interest in the amount of \$1,162 is payable to a senior officer in respect of the note payable detailed in Note 5A.

COBRE EXPLORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 1979

7. STATUTORY INFORMATION - Continued

Consulting Geological Fees

During the year \$14,199 was paid to Min-ex Services Ltd. and the company's President for providing consulting geological services to the company. These expenses included reimbursement for certain expenditures made on behalf of the company.

8. COMPARATIVE FIGURES

Certain of the prior year's figures given for comparative purposes have been reclassified to comply with the current year's presentation.

9. JURISDICTION OF INCORPORATION

The company is incorporated under the laws of the Province of British Columbia.

COBRE EXPLORATION LIMITED

SCHEDULE

CONSOLIDATED SCHEDULE OF  
EXPLORATION, ADMINISTRATIVE AND GENERAL EXPENSES  
FOR THE YEAR ENDED MAY 31, 1979

	<u>1979</u>	<u>1978</u>
Accounting, audit and legal	\$ 15,838	\$ 9,118
Advertising and promotion	382	222
Curb exchange fees	1,750	940
Engineering and consulting fees	5,375	---
Foreign exchange	1,878	1,110
Interest and bank charges	3,123	2,175
Licences and fees	320	570
Management fees	6,000	6,000
Office	5,316	4,294
Printing and shareholders' information	1,240	468
Sundry	---	78
Telephone	574	335
Transfer agency fees	1,253	992
Travel	---	687
	<u>\$ 43,049</u>	<u>\$ 26,989</u>

**COBRE EXPLORATION LIMITED**  
**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)  
DECEMBER 31, 1979

Accountants' Comments

Statement 1 - Consolidated Balance Sheet

Statement 2 - Consolidated Loss and Deficit

Statement 3 - Consolidated Changes in Financial Position

Statement 4 - Consolidated Deferred Exploration Expenses

Consolidated Schedule of Administrative Expenses

Notes to the Consolidated Financial Statements

# MacKay, Peachey & Co.

Chartered Accountants

## COMMENTS ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Shareholders of  
COBRE EXPLORATION LIMITED

We have prepared the accompanying unaudited consolidated interim financial information comprising the consolidated balance sheet as at December 31, 1979 and the consolidated statements of loss and deficit, changes in financial position and deferred exploration expenses for the seven month period then ended from the records of Cobre Exploration Limited and from other information supplied to us by the company and have reviewed such interim financial information. Our review, which was made in accordance with standards established for such reviews, consisted primarily of enquiry, comparison and discussion.

We have not performed an audit and consequently do not express an opinion on this consolidated interim financial information. The most recent audited financial statements issued to shareholders on which we have expressed an opinion were for the year ended May 31, 1979.

Vancouver, Canada  
January 31, 1980



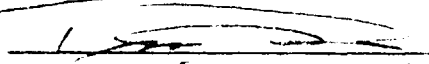
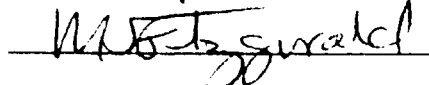
CHARTERED ACCOUNTANTS

**COBRE EXPLORATION LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT DECEMBER 31, 1979**  
(Unaudited - See Accountants' Comments)

STATEMENT 1

	<u>December 31</u> 1979	<u>May 31</u> 1979
<u>ASSETS</u>		
CURRENT		
Cash	\$ 190,328	\$ 58,519
Accounts receivable	<u>3,275</u>	<u>2,738</u>
	193,603	61,257
FIXED (Notes 1 and 4)	1,499	1,697
INTEREST IN OIL AND GAS LEASES (Notes 1 and 2)	164,013	167,355
INTEREST IN MINERAL CLAIMS (Notes 1 and 3)		
Cost of claims	124,987	59,736
Deferred exploration expenses (Statement 4)	64,219	---
INCORPORATION COSTS	<u>3,671</u>	<u>3,671</u>
	<u>\$ 551,992</u>	<u>\$ 293,716</u>
<u>LIABILITIES</u>		
CURRENT		
Bank demand loan	\$ ---	\$ 1,160
Accounts payable and accrued liabilities	5,824	3,593
Income taxes payable (Note 1)	20,475	20,300
Demand note payable (Note 5)	8,365	15,013
Agreement payable to a director (Note 5)	<u>12,500</u>	<u>12,500</u>
	47,164	52,566
DEFERRED INCOME TAXES (Note 1)	<u>2,609</u>	<u>2,609</u>
	<u>49,773</u>	<u>55,175</u>
<u>SHAREHOLDERS' EQUITY</u>		
SHARE CAPITAL (Note 6)	689,310	423,060
DEFICIT (Statement 2)	<u>(187,091)</u>	<u>(184,519)</u>
	<u>502,219</u>	<u>238,541</u>
	<u>\$ 551,992</u>	<u>\$ 293,716</u>

APPROVED BY THE DIRECTORS:

 Director  
 Director



**COBRE EXPLORATION LIMITED**

STATEMENT 2

**CONSOLIDATED LOSS AND DEFICIT**

**FOR THE SEVEN MONTH PERIOD ENDED DECEMBER 31, 1979**

(Unaudited - See Accountants' Comments)

	Period Ended December 31 <u>1979</u>	Year Ended May 31 <u>1979</u>
<b>REVENUE</b>		
Sale of natural gas (Note 1)	\$ 19,336	\$ 51,938
Lease of mineral claims	—	86,198
Interest	<u>5,085</u>	<u>—</u>
	<u>24,421</u>	<u>138,136</u>
<b>EXPENSES</b>		
Depletion of interest in oil and gas leases	4,900	13,296
Amortization of interest in mineral claims	655	988
Depreciation	198	424
Administrative and general (Schedule)	<u>21,240</u>	<u>43,049</u>
	<u>26,993</u>	<u>57,757</u>
<b>(LOSS) INCOME BEFORE INCOME TAXES</b>	<u>(2,572)</u>	<u>80,379</u>
<b>INCOME TAXES - Current</b>	<u>—</u>	<u>20,125</u>
<b>NET (LOSS) INCOME</b>	<u>(2,572)</u>	<u>60,254</u>
<b>DEFICIT, OPENING</b>	<u>(184,519)</u>	<u>(244,773)</u>
<b>DEFICIT, CLOSING (Statement 1)</b>	<u><u>\$ (187,091)</u></u>	<u><u>\$ (184,519)</u></u>

**COBRE EXPLORATION LIMITED**

STATEMENT 3

**CONSOLIDATED CHANGES IN FINANCIAL POSITION  
FOR THE SEVEN MONTH PERIOD ENDED DECEMBER 31, 1979  
(Unaudited - See Accountants' Comments)**

	Period Ended December 31 1979	Year Ended May 31 1979
<b>WORKING CAPITAL PROVIDED BY:</b>		
Operations	\$ (2,572)	\$ 60,254
Add: Items not requiring cash outlays		
Amortization	655	988
Depletion	4,900	13,296
Depreciation	193	424
	<u>3,181</u>	<u>74,962</u>
Shares issued for cash	231,250	57,178
Shares issued for mineral properties	35,000	—
Shares issued for interest in gas and oil leases	—	15,000
	<u>269,430</u>	<u>147,140</u>
 <b>WORKING CAPITAL USED FOR:</b>		
Acquisition of mineral claims	65,906	—
Interests in gas and oil leases	1,558	55,659
Exploration of mineral claims	64,219	13,496
	<u>131,683</u>	<u>69,155</u>
 <b>INCREASE IN WORKING CAPITAL</b>	 137,748	 77,985
<b>WORKING CAPITAL (DEFICIENCY), OPENING</b>	<u>8,691</u>	<u>(69,294)</u>
<b>WORKING CAPITAL, CLOSING</b>	<u>\$ 146,439</u>	<u>\$ 8,691</u>
 <b>REPRESENTED BY:</b>		
Current assets	\$ 193,603	\$ 61,257
Current liabilities	<u>47,164</u>	<u>52,566</u>
	<u>\$ 146,439</u>	<u>\$ 8,691</u>

COBRE EXPLORATION LIMITED

STATEMENT 4

CONSOLIDATED DEFERRED EXPLORATION EXPENSES  
 FOR THE SEVEN MONTH PERIOD ENDED DECEMBER 31, 1979  
 (Unaudited - See Accountants' Comments)

	Expended During Period
TREASURE VAULT, IDAHO, U.S.A.	
Assay and geophysical	\$ 6,262
Consulting and geological	6,297
Trenching	4,184
Office and miscellaneous	195
Travel and accommodation	2,705
	<hr/> 19,643 <hr/>
 RICHFIELD, BRITISH COLUMBIA	
Consulting and geological	12,499
Geophysical	21,808
Line cutting	5,900
Supplies	378
Surveying	1,000
Travel and accommodation	2,991
	<hr/> 44,576 <hr/>
 BALANCE DEFERRED (Statement 1)	 \$ 64,219 <hr/> <hr/>

**COBRE EXPLORATION LIMITED**  
**CONSOLIDATED ADMINISTRATIVE AND GENERAL EXPENSES**  
**FOR THE SEVEN MONTH PERIOD ENDED DECEMBER 31, 1979**  
(Unaudited - See Accountants' Comments)

SCHEDULE

	<u>Period Ended December 31 1979</u>	<u>Year Ended May 31 1979</u>
<b>ADMINISTRATIVE AND GENERAL EXPENSES</b>		
Accounting, audit and legal	\$ 8,212	\$ 15,838
Advertising and promotion	209	382
Curb exchange fees	1,000	1,750
Consulting engineers' fees	—	5,375
Director's fees	700	—
Foreign exchange	43	1,878
Interest and bank charges	799	3,123
Licences and fees	500	320
Management fees	3,000	6,000
Office	3,170	5,316
Printing and shareholders' information	1,891	1,240
Telephone	590	574
Transfer agency fees	<u>1,126</u>	<u>1,253</u>
<b>TOTAL (Statement 2)</b>	<u>\$ 21,240</u>	<u>\$ 43,049</u>

## COBRE EXPLORATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SEVEN MONTH PERIOD ENDED DECEMBER 31, 1979 (Unaudited - See Accountants' Comments)

#### 1. SUMMARY OF ACCOUNTING POLICIES

##### A) Principles of Consolidation

The consolidated financial statements include the accounts of the company's wholly-owned subsidiary, Cobre Exploration-USA, Limited which is incorporated under the laws of the State of Colorado, U.S.A.

##### B) Interest in Gas and Oil Leases

The company follows the full cost method of accounting for costs related to the exploration and development of gas and oil properties or interests. Such costs are accumulated on an area of interest basis and depletion is calculated on the unit of production method based on estimated recoverable gas and oil reserves in each area of interest. If exploration activities in an area are determined to be unsuccessful the costs will be written off to deficit. The company presently has only one area of interest.

##### C) Interest in Mineral Claims

The Canadian claims and interests in the exploratory stage are recorded at cost. The United States mineral claims are recorded at cost less amortization calculated on a straight line basis over the life of the lease agreement. The recorded costs of properties that, in the opinion of management, do not warrant future exploration and will be abandoned will be written off to deficit at the earlier of the decision to abandon the property or when the claims are allowed to lapse.

Exploration expenses relating to mineral claims are deferred as costs which are intended to benefit future periods. If commercial production of the claims is attained, the deferred expenses will be charged to operations. In the event the claims are abandoned or allowed to lapse, the related deferred expenses will be written off to deficit.

##### D) Sale of Natural Gas

Revenue is recorded net of royalties and Oklahoma State taxes for production income earned from the interests in the Ashland Gas leases.

##### E) Depreciation

Depreciation is calculated by the declining balance method at a rate of 20% per annum.

**COBRE EXPLORATION LIMITED**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SEVEN MONTH PERIOD ENDED DECEMBER 31, 1979  
(Unaudited - See Accountants' Comments)

1. SUMMARY OF ACCOUNTING POLICIES - Continued

F) United States Dollar Transactions

The accounts of the United States subsidiary and those accounts of the parent which are in United States dollars have been translated into Canadian dollars as follows:

Current assets and current liabilities at the approximate rates ruling at the balance sheet date.

Mineral claims, which are valued at cost, at historic rates.

Revenue and expenses, other than depreciation, depletion and amortization, at the average rates during the year.

The net unrealized exchange loss arising from such translation practices is reflected in the Consolidated Statement of Loss and Deficit.

G) Income Taxes

The company follows the tax allocation method of accounting whereby the income tax provision is based on reported net income. Under this method, the company makes full provision for income taxes deferred as a result of claiming exploration and development costs in excess of the related depletion and amortization provision recorded in the accounts.

The company and its subsidiary are subject to income taxes on an individual, rather than a consolidated basis. The provision for income taxes is related to the taxable income of the subsidiary company.

H) Liabilities Under Agreements

The company does not record liabilities for cash payments or share issue obligations under the various agreements it enters into until the due date of specified payments or approval date of regulatory authorities with respect to share issues, unless there is a firm commitment to pay certain amounts or issue shares as properties may be abandoned or returned to the vendor prior to the payment date.

2. INTEREST IN GAS AND OIL LEASES - \$164,013

Coal County, Oklahoma, U.S.A. - Ashland Gas Leases

The company holds a 1/32 working interest in certain gas and oil leases located in Oklahoma, U.S.A. Cobre Exploration Limited acquired this interest for \$10,000 cash and 200,000 shares of the company issued for a total assigned value of \$30,000.

**COBRE EXPLORATION LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SEVEN MONTH PERIOD ENDED DECEMBER 31, 1979  
(Unaudited - See Accountants' Comments)

2. INTEREST IN OIL AND GAS LEASES - Continued

The recorded costs of the interests in these leases are as follows:

	Balance May 31 1979	Expended During Period	Balance December 31 1979
Acquisition costs	\$ 41,629	\$ —	\$ 41,629
Exploration and related administration costs capitalized	61,366	—	61,366
Drilling and production costs	84,807	1,558	86,365
	187,802	1,558	189,360
Depletion	20,447	4,900	25,347
	<u>\$ 167,355</u>	<u>\$ (3,342)</u>	<u>\$ 164,013</u>

3. INTEREST IN MINERAL CLAIMS - \$124,987

A) Suskwa Prospect, Hot Claims - \$40,957  
Omineca Mining Division, British Columbia

By an agreement dated December 31, 1971 the company acquired a 100% interest in the Hot 1-26 mineral claims for 375,000 shares of the company issued at an assigned price of \$.01 per share. Exploration and administrative expenses totalling \$37,207 have been capitalized as costs of the claims.

B) Jill Prospect  
Omineca Mining Division, British Columbia

The company has a 3% carried interest in a group of claims in the Omineca Mining Division of British Columbia. The claims were originally acquired at no cost and deferred exploration expenses have been written off to deficit in prior periods.

## COBRE EXPLORATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SEVEN MONTH PERIOD ENDED DECEMBER 31, 1979 (Unaudited - See Accountants' Comments)

#### 3. INTEREST IN MINERAL CLAIMS - Continued

##### C) BX Prospect - \$20,184 Park County, Colorado, U.S.A.

In September, 1976 six uranium claims were staked on behalf of the company by its President, who is also a director.

The company has granted a mining lease to a Colorado partnership in consideration of \$25,000 U.S. and an agreement to pay \$50,000 U.S. in advance royalties each anniversary date of the lease and 7½% of the value from all minerals produced from the property based on 95% of the monthly Nuexco posted price. In addition, the Colorado partnership has agreed to carry out exploration on the property in the amount of \$100,000 U.S. during the first, \$50,000 U.S. during the second, \$25,000 U.S. during the third and \$10,000 U.S. each subsequent year of the lease.

In the event the mining lease is terminated and if, within one year of such termination, the company has not made other arrangements for continued development of the property, in the sum of \$50,000 U.S. for the next ensuing year and \$50,000 U.S. for each subsequent year then the company will assign to its President all right, title and interest in and to the property.

The company is amortizing the cost of the claims over the term of the lease which is 20 years.

Cost of staking, legal and consulting	\$ 21,828
Amortization of costs	<u>1,644</u>
	<u>\$ 20,184</u>

##### D) Richfield Claims - \$50,561 Omineca Mining Division, British Columbia

By an agreement dated August 10, 1979 the company acquired an option to purchase a group of mineral claims in the Omineca Mining Division of British Columbia. Under the terms of the agreement the company can exercise its option by making payments and issuing shares of the company as follows:

- (i) \$ 20,000 cash (paid)
- (ii) 50,000 shares (issued at an assigned price of \$.59 per share)
- (iii) 50,000 shares by December 31, 1979 (issued subsequent to December 31, 1979)
- (iv) \$ 15,000 cash by July 31, 1980
- (v) 50,000 shares by July 31, 1980
- (vi) 50,000 shares by October 31, 1980



## COBRE EXPLORATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SEVEN MONTH PERIOD ENDED DECEMBER 31, 1979 (Unaudited - See Accountants' Comments)

#### 3. INTEREST IN MINERAL CLAIMS - Continued

The issuance of each block of shares is subject to the filing of current engineering reports with the Vancouver Stock Exchange and obtaining its approval.

Cost of claims	
Shares issued	\$ 29,500
Cash payment	20,000
Staking	<u>1,061</u>
	<u>\$ 50,561</u>

#### E) Treasure Vault Claims - \$13,285 Mineral Hill Mining District, Blaine County, Idaho, U.S.A.

By an agreement dated September 28, 1979 the company acquired an option from an individual to acquire all of his interests in a lease and option agreement to acquire certain claims located in Idaho, U.S.A. The company can exercise its option with this individual by making cash payments in United States dollars and issuing shares of the company as follows:

- (i) \$ 2,000 cash (paid)
- (ii) 12,500 shares (issued at an assigned price of \$.44 per share)
- (iii) \$ 3,000 cash on January 10, 1980 (paid)
- (iv) 12,500 shares by January 10, 1980 (issued)
- (v) 12,500 shares by March 1, 1980
- (vi) 12,500 shares by June 1, 1980

The issuance of each block of shares is subject to the filing of current engineering reports with the Vancouver Stock Exchange and obtaining its approval.

The agreement also provides for a payment of 3% net smelter returns to the optionor until such time as the lease and option agreement has been exercised and then 5% of net smelter returns thereafter up to an aggregate amount of \$1,000,000 or 3,333 ounces of fine gold, whichever value is greater at that time. In addition, should the company sell the property for an amount in excess of \$2,000,000 plus all unrecovered costs then the optionor shall receive 25% of the excess amount.

**COBRE EXPLORATION LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SEVEN MONTH PERIOD ENDED DECEMBER 31, 1979  
(Unaudited - See Accountants' Comments)

3. INTEREST IN MINERAL CLAIMS - Continued

Under the terms of the option agreement the company acquires a 100% interest in a "lease and option to purchase" agreement. The term of the lease is to July, 1986 and the company is required to pay the lessors \$300 U.S. per month or 5% of the net smelter returns, whichever is the greater.

The company has an option to purchase the mineral claims at any time during the term of the lease for \$200,000 U.S. with all payments made prior to the purchase date being applied to the purchase price.

Cost of claims	
Cash payment (Can.\$)	\$ 2,340
Shares issued	5,500
Lease payments	1,755
Legal fees	3,190
Finders fees	500
	<u>13,285</u>
	<u>\$ 13,285</u>

4. FIXED ASSETS

	December 31 1979		May 31 1979	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Equipment & furniture	\$ 3,315	\$ 1,816	\$ 1,499	\$ 1,697
	<u>3,315</u>	<u>1,816</u>	<u>1,499</u>	<u>1,697</u>

5. DEMAND NOTE PAYABLE AND AGREEMENT PAYABLE

	December 31 1979	May 31 1979
A) Demand Note Payable		
To a director and shareholder, including interest at 14% per annum - unsecured - non-interest bearing after October, 1979	\$ 8,365	\$ 13,688
To a shareholder, non-interest bearing - unsecured	<u>—</u>	<u>1,325</u>
	<u>\$ 8,365</u>	<u>\$ 15,013</u>

**COBRE EXPLORATION LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SEVEN MONTH PERIOD ENDED DECEMBER 31, 1979  
(Unaudited - See Accountants' Comments)

5. DEMAND NOTE PAYABLE AND AGREEMENT PAYABLE - Continued

B) Agreement Payable to a Director	<u>December 31</u> 1979	<u>May 31</u> 1979
	\$ 12,500	\$ 12,500

Balance due under the terms of an agreement dated January 14, 1976 whereby the company acquired the rights to a group of uranium claims from an individual who was subsequently appointed a director of the company. The company carried out an exploration programme on the property and determined not to continue.

6. SHARE CAPITAL

Authorized:

5,000,000 common shares of no par value

Issued and fully paid:

	<u>% of</u> <u>Total</u>	<u>Number</u>	<u>Gross</u>	<u>Commission</u>	<u>Net</u>
Balance, May 31, 1979					
For cash	52.38	1,883,645	\$376,849	\$ 26,289	\$350,560
For gas and oil interests	5.56	200,000	30,000	—	30,000
For mineral claims	<u>26.42</u>	<u>950,000</u>	<u>42,500</u>	—	<u>42,500</u>
	84.36	3,033,645	449,349	26,289	423,060
Issued during period					
For cash	13.90	500,000	250,000	18,750	231,250
For mineral claims	<u>1.74</u>	<u>62,500</u>	<u>35,000</u>	—	<u>35,000</u>
	<u>100.00</u>	<u>3,596,145</u>	<u>\$734,349</u>	<u>\$ 45,039</u>	<u>\$689,310</u>

During the period, the company issued 500,000 share units comprising 1 common share and 1 Series A transferable warrant entitling the holder to purchase an additional common share for each 2 warrants held. The Series A warrants are exercisable to March 25, 1980 at a price of \$.53 per share and to September 25, 1980 at a price of \$.60 per share. None of these warrants have been exercised as at the balance sheet date.

The company issued 100,000 Series B non-transferable warrants to the underwriters of the 500,000 share units entitling them to purchase 1 share for each warrant held for a period of six months at a price of \$.53 per share.

## **COBRE EXPLORATION LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SEVEN MONTH PERIOD ENDED DECEMBER 31, 1979 (Unaudited - See Accountants' Comments)**

#### **7. RELATED PARTY TRANSACTIONS**

##### **Remuneration to Directors and Senior Officers**

An amount of \$700 for director's fees was paid to a director during the period.

##### **Management Services**

During the period, management fees of \$3,000 were paid or payable to two corporations controlled by two directors and senior officers of the company.

##### **Office and Secretarial Services**

During the period, \$4,453 was paid or payable to two corporations controlled by two directors and senior officers of the company for providing office and secretarial services to the company. These expenses included reimbursement for certain expenditures made on behalf of the company.

##### **Interest**

For the period, interest in the amount of \$676 is payable to a senior officer in respect of the note payable detailed in Note 5.

##### **Consulting Geological Fees**

During the period, \$22,329 was paid to a corporation controlled by a director and senior officer of the company for providing consulting geological services to the company. These expenses included reimbursement for certain expenditures made on behalf of the company.

#### **8. JURISDICTION OF INCORPORATION**

The company is incorporated under the laws of the Province of British Columbia.

#### **9. SUBSEQUENT EVENTS**

- (i) Subsequent to the balance sheet date the company intends to file a statement of material facts with the Vancouver Stock Exchange whereby they will apply for approval to issue 300,000 common shares through an underwriting with an option to the underwriters to acquire a further 150,000 shares.
- (ii) Subsequent to the balance sheet date the underwriters exercised the Series B warrants described in Note 6 and the company received proceeds of \$53,000.
- (iii) Subsequent to the balance sheet date the company issued the 50,000 shares due December 31, 1979 under the Richfield claims agreement and issued the 12,500 shares due January 10, 1980 under the Treasure Vault agreement.

**E. O. CHISHOLM, M.A., P.ENG.**

CONSULTING GEOLOGIST

RESIDENCE

PHONE 731-5957  
1349 WEST 32ND AVENUE  
VANCOUVER, B.C. V6H 2J4

BUSINESS

PHONE (604) 682-2701  
821-602 WEST HASTINGS STREET  
VANCOUVER, B.C. V6B 1P2

January 29, 1980

The Board of Directors  
Cobre Exploration Ltd.  
505-409 Granville Street  
Vancouver, B.C. V6C 1T2

Attention - Mr. T.B. Brock, Secretary

Dear Sirs:

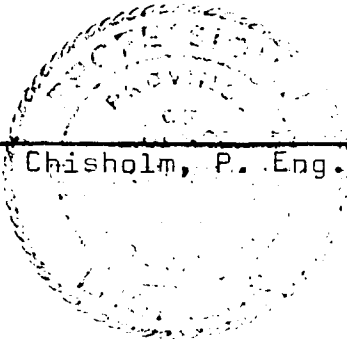
This is to report that I have made a review of the progress report dated January 24, 1980 by Dr. F.B. Whiting on the Richfield Property, Topley Area, B.C., owned by your company, as well as the geophysical survey work which was carried out subsequent to my Geological Report on the property dated August, 1979, by Glen E. White, Geophysical Consulting Services Ltd., during the period September 28th to November 3rd, 1979.

Dr. Whiting recommends a revised work programme based on the results of the recent geophysical work by White. Since my original programme was based on earlier and incomplete geophysical work carried out over the mineralized zones on the old workings of the Richfield Mine in 1976; and since the new geophysical survey carried out by White has indicated substantial anomalies parallel to and correlative with the known mineralized zones; I concur with Whiting's recommendation that an expanded programme of surface drilling and ancillary support be carried out totalling \$294,000 as recommended.

Since much of the recommended work is based on geophysical work over overburdened areas too deep to trench, I suggest that the work should be done in two stages dependent on the successful results from an initial diamond drilling of the more significant anomalies adjacent to the old mine workings to the west.

Vancouver, B.C.

E.O. Chisholm, P. Eng.



**E. O. CHISHOLM, M.A., P.ENG.**

CONSULTING GEOLOGIST

**RESIDENCE**

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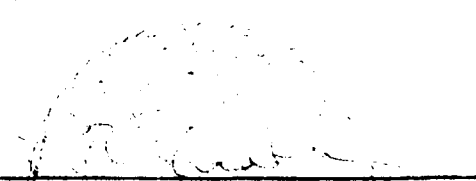
PHONE (604) 682-2701  
821-602 WEST HASTINGS STREET  
VANCOUVER, B.C. V6B 1P2

CERTIFICATE

I, Edward O. Chisholm of the City of Vancouver in the Province of British Columbia, hereby certify that:

- 1] I am a geologist with offices at 821-602 West Hastings Street, Vancouver, B.C.
- 2] I am a graduate of the University of Toronto, Ontario, Master of Arts, 1939.
- 3] I am a member of the Professional Engineers of Ontario and British Columbia.
- 4] I have no direct or indirect interest in either the property or securities of Cobre Explorations Ltd. or its affiliates, nor do I expect to receive any such interests.
- 5] This report is based on published government reports and private reports on the company files. I did not make a personal examination of the property.
- 6] I hereby consent to the use of this report by the company in connection with a prospectus, or a statement of material facts relating to the raising of funds for this project.

DATED at Vancouver, in the Province of British Columbia this 29th day of January, 1980.

  
\_\_\_\_\_  
E.O. Chisholm, P. Eng.

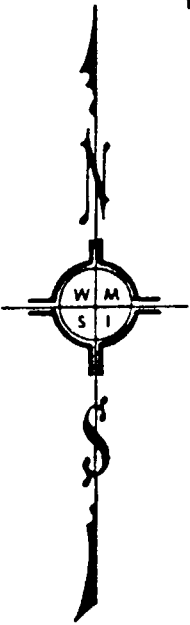
**WHITING MINING SERVICES INTERNATIONAL LTD.**

1035 GREENWOOD PLACE, WEST VANCOUVER, B.C. CANADA .

V 7 S - 1 Y 2

(604) 926 - 5270

Office: 922-6717



THE

**RICHFIELD**

=====

SILVER - GOLD - ZINC

PROPERTY

Topley Area

B.C.

F.B. Whiting

January 24,

1980.

## TABLE OF CONTENTS

	<u>Page</u>
A. SUMMARY	1.
B. CLAIMS, LOCATION & ACCESS	4.
C. HISTORY	6.
D. REGIONAL GEOLOGY	8.
E. LOCAL GEOLOGY	10.
F. TOPLEYITE	16.
G. DEEP POSSIBILITIES	18.
H. WORK IN PROGRESS	19.
I. RECOMMENDED WORK PROGRAM	20.
J. CONCLUSIONS	23.

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### ILLUSTRATIONS:

Fig. 1 : Location Map

Fig. 2 : Claim Map

Fig. 3 : Regional Geology Map

Fig. 4 : Local Geology & Compilation Plan

Fig. 5 : Composite Geological Interpretation

Section A - A' : Geological Cross-section

Fig. 6 : Regional Geology, Mt. Tachek Area

Fig. 7 : Sections E-W and N-S.

### In Pocket:

Plan of Pulse E.M. Anomaly & Proposed Drill-holes.

Plan of E.M. 16 Anomalies & Proposed Drill-holes & Test Pits.



## A. SUMMARY

The Richfield property, situated 10 kilometers north of Topley, B.C., covers a known deposit of silver, gold, and zinc ( with a little lead and copper ). The geological characteristics of this deposit are identical in almost every detail to those of many of the principal gold mines of Northern Ontario. The distinctive ankeritic alteration of the host volcanic rocks, the repeated sequences of quartz-carbonate-sulphides-precious metals alternating with fracturing and re-fracturing, the brecciated appearance of the ore, and the form of the one known ore-shoot, all are duplicates of the features displayed at such mines as Cochenour Willans, Campbell Red Lake, Dickenson, Kerr-Addison, and in some of the ore types in the Porcupine district.

The principal differences between those mines and the Richfield are that the Richfield deposit is in Jurassic andesites, rather than early Precambrian volcanics, and that it carries rich silver as well as good gold values.

The original discovery was opened up on two levels to a vertical depth of 200 feet, developing an ore shoot that for a strike length of 120 feet has an average thickness of 2.7 feet and contains 0.465 oz. gold per ton and 17.6 oz. silver per ton. Even if diluted to a five-foot mining width, at present metal prices of \$U.S. 650 for gold and \$US 35 for silver those assays represent over \$US 495 per ton ( \$ Can 582/ t. ) in gross contained metal values. This ore shoot is open down the dip, with an intersection of ore grade and width in the deepest drillhole. Many more rich ore-bodies can be expected to occur within and along the long, wide zone of intense ankeritic alteration that runs north through the center of this large block of claims.

Ore deposits on the property consist of two distinct types:

1. Layers of replacement gold-silver ore with small amounts of zinc and copper, striking north and dipping moderately to the west, and occurring within a wide zone of extreme alteration of the andesites to quartz-carbonate rock;
2. North-striking sub-vertical veins of quartz, carbonate, sphalerite, galena, chalcopyrite, arsenopyrite, also with good gold and silver contents, hosted by relatively unaltered andesite.

The main alteration zone that hosts the ore layers of Type 1 above is indicated by geophysics to extend north-south through the property for a length of at least 1,500 m , and is open both to the north and to the south. The width of this alteration zone is at least 100 m as shown by drilling and the underground workings, and geophysics suggest it is likely to vary from 200 to 600 m. The Metal Factor plot of an I.P. survey done in 1975 shows a weak, narrow high that correlates with the known mineralization at the site of the underground workings, and also shows a persistent wider anomaly parallel to the first, but on the western side of the resistivity low that seems to outline the main alteration zone. There is a definite possibility that this western anomaly results from a large, long, wide gold-silver-zinc ore zone which does not crop out, being covered by a flat layer of glacial drift.

Although proved reserves are of limited tonnage ( though very high grade ), the property has definite potential

for the discovery of multiple ore layers and veins, and, by the nature of the mineralization, very possibly for large-tonnage bodies that might be mined by open pit, or by bulk underground methods.

This deposit could well fall within the general group referred to as " volcanogenic ", by reason of :

- :- its occurrence within andesites .
- :- the ratios between the metals Au/Ag/Cu/Pb/Zn which is typical of the ratios in other volcanogenic ores, modified by " higher-than-normal " amounts of gold and silver .
- :- the association with strongly carbonatized zones, of ankerite with quartz, sericite, and some chrome mica.
- :- the tendency to form layers rather than just veins , or to be masses or lodes of quartz breccia .
- :- the reported occurrence underground of such rocks as tuffs, volcanic breccia, quartz porphyry; and the outcrops of rhyolite nearby in the Tachek Group.

This property merits an intensified geophysical study and extensive drilling, to test the numerous targets already located.

A Pulse E.M. survey done in October-November 1979 located a strong, wide conductor just west of the old mine workings. This conductor should be tested by an intensive drilling program. Numerous E.M. 16 targets have also been identified, which need testing by drilling or test-pitting.

## B. CLAIMS, LOCATION & ACCESS

Figure 1 shows the location of the property. It is situated 11 km almost due north of Topley, B.C. in the Omineca Mining Division, with the center of the claim block at 54° 35' N. Lat., 126° 16' W. Long. It is shown on claim map 93 L 9 W, and overlaps slightly onto map 93 L 9 E. The claims are 3 km east of the paved Topley-Granisle highway, and are reached by 1.5 km of gravel road and 1.5 km of narrow dirt road. Elevations on the claims range from 3400 ft in the flat southwestern portion to some 5100 ft on the slopes of Tachek Mtn in the northeast corner of the claims.

The surface is largely covered by glacial drift of variable thickness, of 0 to 20 feet in the eastern half, and 50 - 100 ft and possibly more in the western half.

The ground is lightly timbered with pine and spruce up to 2 ft in diameter. Underbrush is moderate. Water is abundant. A main electric power line crosses the western edge of the claims. The C.N.R. railway goes through Topley, where meals, lodging, and supplies are available.

The population of the area accepts mining, as many local people work at the mines of Endako and Granisle.

The climate is moderate, with dry summers and cold winters. Snowfall is light, generally not more than 1.5 to 2 m accumulating.

There are the remains of four camp buildings near the Main Workings. One of these is in good enough condition that it could be used as an office or mess-hall/cookhouse by doing minor repairs to floors, doors, and windows.

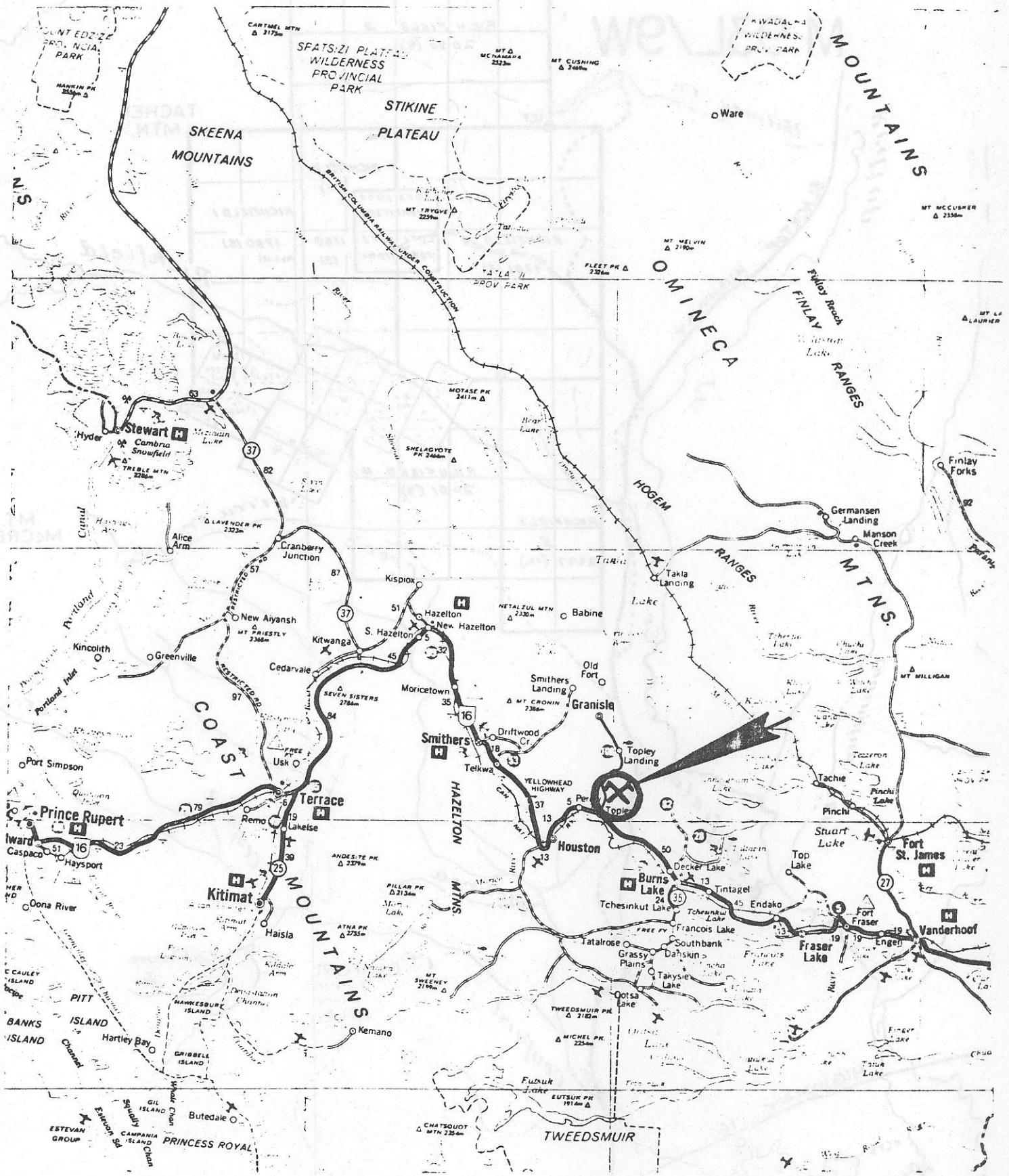


FIG. 1.

M 93L/9W

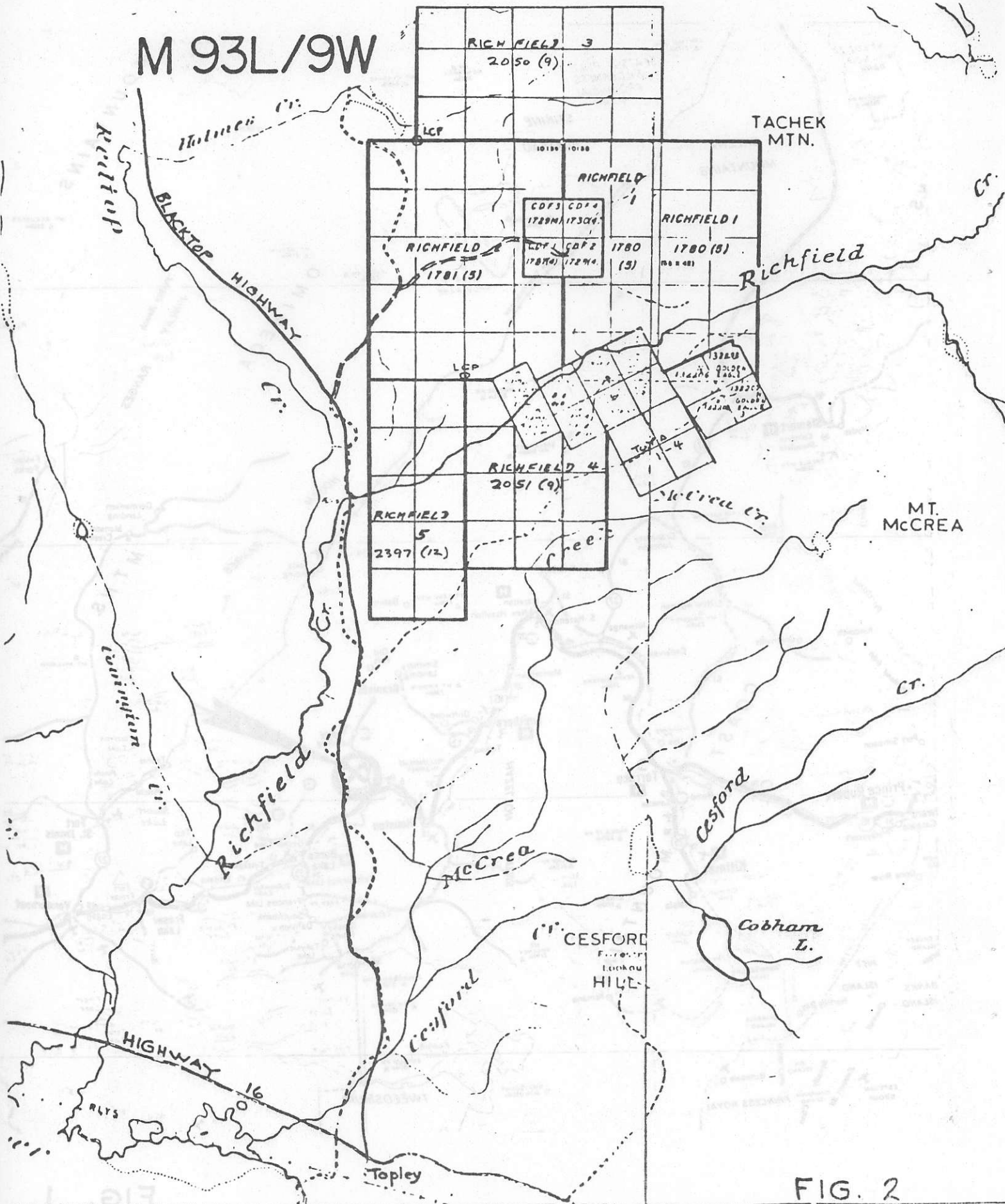


FIG. 2

The claims are of two types:

The CDF #1,2,3 & 4: 2-Post claims, staked on April 5, 1979 and recorded in the name of F.B. Whiting on April 30,'79; Record Nos. 1727 - 1730 inclusive.

And the RICHFIELD #1 & #2 claims, each of 20 units, staked May 5,6 & 7 and recorded in the name of F.B. Whiting on May 30, 1979; Record Nos. 1780 and 1781.

The common boundary line between the Richfield #1 & #2 claims runs north-south as an extension of the earlier central staking line of the CDF #1-#4 2-Post claims. The identification post # 2-S from the Legal Corner Post for the Richfield #1 & #2 is beside the post which serves as the Final Post for CDF #1 & #2 and the Initial Post for CDF #3 & #4. The portal of the Taylor Crosscut in the center of the area of old underground workings lies 50 m east of a point 750 ft north of the Initial Post for CDF #1 & #2. Portions of the Richfield #1 & #2 claims thus overlie the CDF #1 - #4 claims. To the south the Richfield #1 & #2 adjoin and in places overlap onto already-existing claims on the south side of Richfield Creek, the Golden Eagle, High Command, Silver Cup, et al. The net area of the 40 units of the Richfield #1 & #2 is accordingly decreased to approximately 35.5 claim units.

By an Agreement dated August 10, 1979, F.B. Whiting gave Cobre Exploration Ltd an option to acquire the CDF #1-#4 and Richfield #1 & #2 claims, subject to approval by regulatory agencies.

Figure 2 is the claim map.

Cobre Exploration Ltd is listed on the Vancouver Stock Exchange. Its President is M.J. Fitzgerald, and the office is at 254 E. 14 th St., North Vancouver, B.C., Tel. 980-4312. The Secretary is T. Brock, Tel. 687-1444, with his office on the Fifth Floor of the United Kingdom Bldg, Granville & West Hastings.

Three adjoining blocks of claims were staked later in 1979 :

the RICHFIELD # 3 M.C., of 15 units, 3 North by 5 East, covering the northern extension of the mineralized zone, and RICHFIELD # 4 M.C., of 12 units, and RICHFIELD #5 of 10 units, covering the possible offset portion of the zone south of Richfield Creek.

These claims are owned beneficially 70% by Cobre Exploration Ltd and 30 % by F.B. Whiting.



### C. HISTORY

The first discovery of gold-silver mineralization at what later became the Main Workings was made in 1926. The claims were promptly optioned by the Standard Silver-Lead Mining Co. which sank a shaft and opened up the 100-Foot Level from it. Results at first were confused, and the property was returned to the prospector, who formed the Topley-Richfield Mining Co., achieved an underwriting for \$ 1,500,000 , deepened the shaft to the 200-Foot Level, and did considerable drifting, crosscutting, raising on ore, and diamond drilling. Work by that company ceased in early 1929 as with the metal prices in effect then ( \$ 20.67 per ounce of gold and \$ 0.58 per ounce of silver) the indicated grades of 0.2 - 0.5 oz Au and 8 - 20 oz of silver were sub-marginal. The property lay idle until 1934-1935 when the price of gold had been raised; prospecting found other veins to the east, in what had at first been regarded as barren " footwall " , with rich ore across narrow widths.

Again the property was left idle until it was optioned by Silver Standard Mines Ltd in 1954-56. That company did some surface drilling, and then de-watered the old underground workings, re-sampled them, and did more underground drilling. Results are described in a later section of this report.

An Eastern Canada company, Seemar Mines, took over the claims in 1967 and reportedly had an E.M. survey made.

In 1975 the claims were optioned by Canadian Superior Exploration Limited, which did limited stream-silt sampling, a small I.P. survey, and then drilled four holes, only three of which penetrated bedrock. An interpretation of the Canadian Superior work is given later.

The present claims, covering a wide area surrounding the Main Workings, were staked by F.B. Whiting early in 1979.

Numerous showings of gold-silver mineralization accompanied by either lead-zinc or zinc-copper occur 2 - 4 km to the south, on claims held by other owners. The deposits there are similar in general characteristics to those on the Richfield claims, having rich layers or veins in similarly-altered andesite. The existence of those deposits over a large area confirms the interpretation that the Richfield-type deposits are not just local veins or replacements, but are part of a whole " center of multi-metal mineralization ".

Historical references are taken from:

B.C. Minister of Mines Report for 1926 p.138-143, M.M. 1927 p. 140-147, M.M. 1928 p. 173-174, M.M. 1937 p.C 26-27 , M.M.1955 p.25, Geology in B.C. 1975 p.G 65, Exploration in B.C. 1975 p.E 140. Also Assessment Report 5438, and 5707.

#### D. REGIONAL GEOLOGY

The best regional geology map known to the writer is Map 971 A - " Smithers - Fort St. James ", a sector of which is given as Figure 3.

This map shows the area of the claims as being underlain by Map-unit 13 : " Jurassic or Cretaceous Tachek Group - Andesite and andesite breccia, basalt and rhyolite ". To the north is Map-unit 2A : "Permian and/or later Topley Intrusions - granite and granodiorite". The area directly northwest of the Richfield claims was explored in 1972-73 by Ducanex Resources, which drilled 10 holes for copper and molybdenum associated with " K-feldspar-rimmed veinlets in Topley granitic rocks ": see " Geology, Exploration and Mining in B.C., 1973 p.343 ".

The Topley Intrusions are earlier than the Jurassic volcanics that host the Richfield deposits and which lie unconformably upon the eroded surface of the older intrusives. Descriptions of the regional geology suggest that the unconformity dips shallowly south from its exposures at the headwaters of Holmes Creek, 1.5- 2.0 km north of the Richfield claims' northern boundary. Therefore it can be presumed that at some considerable depth below the present surface, granitic rocks will underlie the showings. On Holmes Creek, early Tachek-group clastic sediments occur, lying on the Topley Intrusions and underlying the Tachek volcanics; these too may occur at depth below the showings.

It is intriguing to hypothesize what might exist where the deep-seated faulting and alteration evidenced by the Tachek volcanics in the near-surface workings encounters the clastic lower-Tachek sediments and the underlying Topley Intrusions. The nature of the mineralization there could be drastically different from what is seen in the known showings, and it is possible to envisage a massive, south-



127°00'

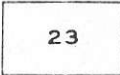

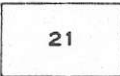
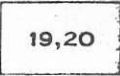
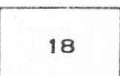
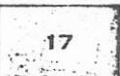

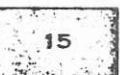
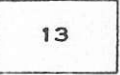
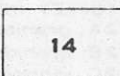



130°

126°00'

FIG. 3

# LEGEND

## SEDIMENTARY AND VOLCANIC ROCKS

CENOZOIC	<b>TERTIARY</b>	
	<b>OLIGOCENE OR LATER</b>	
	<b>ENDAKO GROUP</b>	
		23 <i>Mainly vesicular and amygdaloidal basalt, andesite and dacite; flow breccia and agglomerate; 23a, trachyte and andesite flows, dykes, and sills; may be older than 23</i>
	<b>EOCENE OR OLIGOCENE</b>	
		21 <i>Rhyolitic flows, tuffs, and intrusions; minor dacite, andesite, and basalt</i>
		21 <i>Conglomerate, sandstone, and shale; minor tuff; coal</i>
	<b>CRETACEOUS OR LATER</b>	
	<b>UPPER CRETACEOUS OR LATER</b>	
		19,20 <i>19, andesite, trachyte, and rhyolite; intercalated arkose and conglomerate; 20, rhyolite, dacite, andesite, basalt; minor related tuffs and breccias; may be partly or entirely of same age as 21</i>
<b>UPPER CRETACEOUS AND PALEOCENE</b>		
<b>SUSTUT GROUP</b>		
	18 <i>Conglomerate, shale, greywacke, and tuff; 18a, conglomerate, sandstone, shale, greywacke, argillite, minor quartzite and andesite; may be in part younger than 18</i>	
<b>LOWER CRETACEOUS OR LATER</b>		
	17 <i>Andesitic, dacitic, rhyolitic, and basaltic flows, tuffs, and breccias; minor sandstone, shale, and conglomerate</i>	
<b>CRETACEOUS</b>		
<b>LOWER CRETACEOUS</b>		
	15 <i>USLIKA FORMATION: conglomerate; minor sandstone and shale</i>	
<b>JURASSIC AND CRETACEOUS</b>		
<b>UPPER JURASSIC AND LOWER CRETACEOUS</b>		
	15 <i>Conglomerate, sandstone, shale, argillite, greywacke, quartzite, tuff, and minor lava; some coal</i>	
<b>JURASSIC OR (?) CRETACEOUS</b>		
<b>TACHEK GROUP</b>		
	13 <i>Andesite and andesite breccia; basalt and rhyolite; 13a, argillite and conglomerate</i>	
MESOZOIC	<b>JURASSIC AND CRETACEOUS</b>	
	<b>HAZELTON GROUP</b>	
		14 <i>Andesite, rhyolite, trachyte, basalt, and related breccia and tuff; minor argillite, arkose, sandstone, and limestone. May include some undifferentiated Triassic rocks</i>
	<b>JURASSIC</b>	
	<b>MIDDLE OR UPPER JURASSIC</b>	
	11 <i>Andesitic, dacitic, and rhyolitic flows, tuffs, and breccias; minor argillite</i>	
<b>MIDDLE JURASSIC</b>		
	11 <i>Argillite, argillaceous quartzite, quartzite, sandstone, limestone, and tuff; fossiliferous</i>	
<b>LOWER JURASSIC (?)</b>		
	10 <i>Andesitic, dacitic, rhyolitic, and basaltic flows, tuffs, breccias, and agglomerates</i>	

**TRIASSIC AND JURASSIC**

**UPPER TRIASSIC AND LATER**

**TAKLA GROUP**



Andesitic and basaltic flows, tuffs, breccias, and agglomerate; interbedded conglomerate, shale, greywacke, limestone, and coal; 9a, shale, greywacke, conglomerate, tuff, and limestone (Upper Triassic)

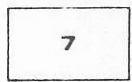
**CARBONIFEROUS (?) AND PERMIAN**

**PENNSYLVANIAN (?) AND LATER**

**CACHE CREEK GROUP (6,7,8)**



Andesitic flows, tuffs, and breccias, with minor basic intrusions (greenstone); chlorite and hornblende schists; minor argillite, chert, and limestone. May include some undifferentiated younger rocks



Ribbon chert, argillaceous quartzite, argillite, greenstone similar to 8, limestone; minor conglomerate and greywacke. Mainly younger than 6 and older than 8



Massive limestone; minor argillite, slate, chert, and greenstone; mainly older than 7 and 8

**CAMBRIAN AND EARLIER**

**LOWER CAMBRIAN AND EARLIER**

**WOLVERINE COMPLEX (in part)**



Micaceous, chloritic, and garnetiferous schists; quartzite, crystalline limestone; minor granitic gneiss and pegmatite

**INTRUSIVE ROCKS**

**CRETACEOUS OR LATER**

**UPPER CRETACEOUS OR LATER**

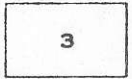


Granite, granodiorite, and diorite, in part porphyritic; some rhyolite

**JURASSIC OR CRETACEOUS**

**UPPER JURASSIC OR LOWER CRETACEOUS**

**OMINECA INTRUSIONS**

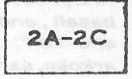


Granodiorite, quartz diorite, diorite; granite, syenite, gabbro, pyroxenite

**PERMIAN (?) AND/OR LATER**

**POST-MIDDLE PERMIAN, PRE-UPPER JURASSIC (?)**

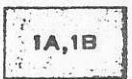
**TOPLEY INTRUSIONS**



2A, granite and granodiorite  
2B, syenite  
2C, diorite

**POST-MIDDLE PERMIAN, PRE-UPPER TRIASSIC (?)**

**TREMBLEUR INTRUSIONS**

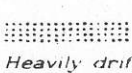
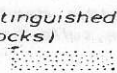


1A, peridotite, dunite; minor pyroxenite and gabbro; serpentized and steatitized equivalents.  
1B, pyroxenite; minor peridotite and gabbro; serpentized and steatitized equivalents; may be in part post-Triassic

**WOLVERINE COMPLEX (in part)**



Granitic gneiss, pegmatite, granite or granodiorite; minor schists. Mainly granitized equivalents of 5

 Sedimentary rocks (not otherwise distinguished by colour from associated volcanic rocks)  
Heavily drift-covered areas 

PALÆOZOIC

PROTEROZOIC

MESOZOIC

CEANOZOIC

CEANOZOIC

plunging shoot of breccia ore running down that unconformity, at an unknown but not un-reachable depth.

The existence of rhyolite in the Tachek Group is also significant in terms of relating the gold-silver-copper-lead-zinc mineralization to volcanogenic processes. Large amounts of a tan rhyolite occur on Shoulder Mountain, a few kilometers north of Holmes Creek. More is reported from Matzehtzel Mtn, also not far north of the Richfield claims. Considering the well-established relationships between rhyolite domes and massive-sulphide volcanogenic deposits, there is a good possibility that a major massive-sulphide deposit could occur at depth in this vicinity, possibly at the contact between the rhyolite and an overlying andesite bed. The Richfield claims cover all of the area where such a deposit could occur.

The two long-range ore-making possibilities described above are, of course, subordinate in interest at this moment to the primary targets comprised of the main topolyite alteration zone with its ore layers, and the Eastern Sector with its near-vertical quartz-gold-silver-copper-lead-zinc veins, described below.

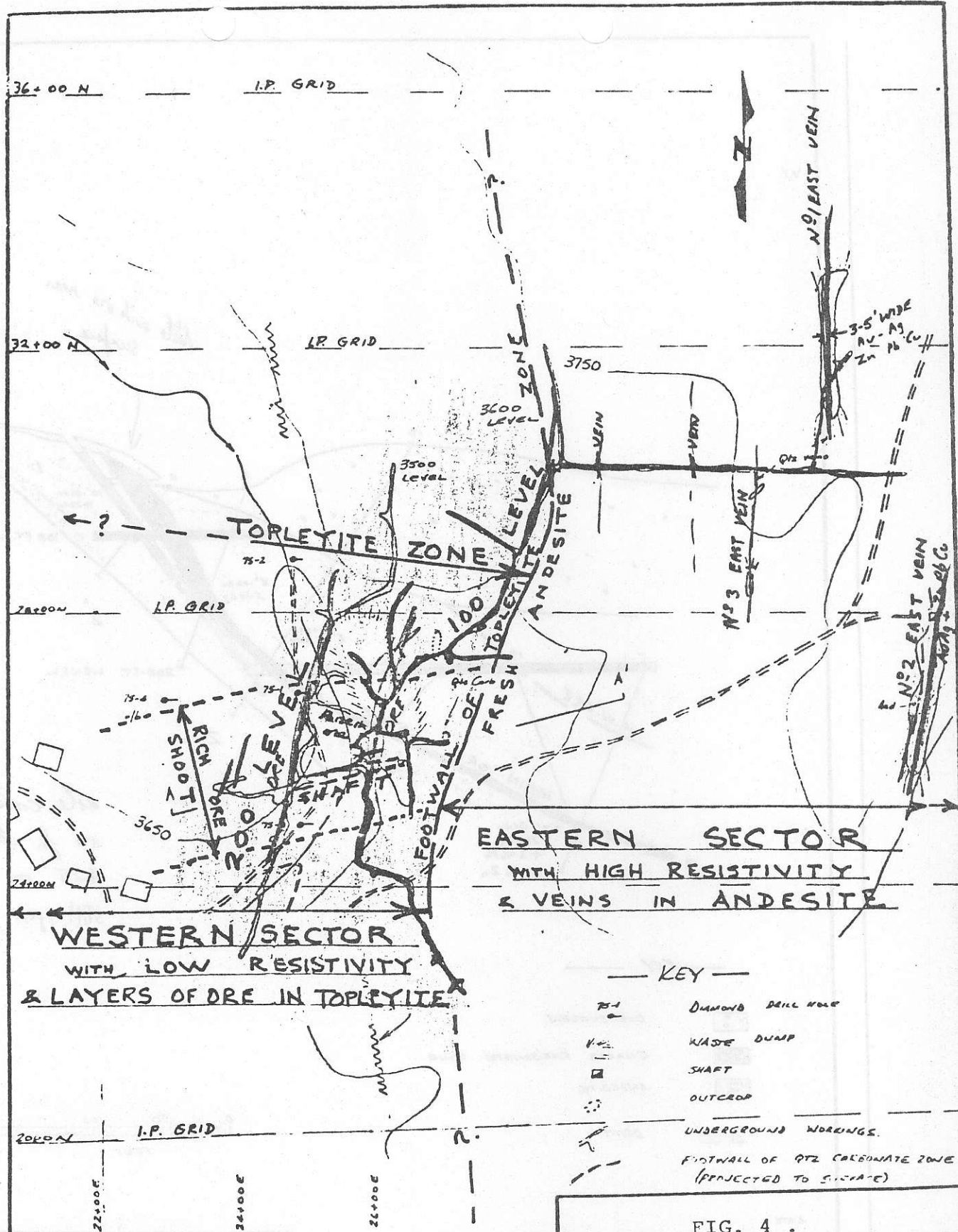
### E. LOCAL GEOLOGY

Within the area of the claims, there are two different and easily-distinguished sectors. See Fig. 4.

The Eastern Sector, extending from about 100 m east of the central staking line of the CDF #1-#4 claims, has andesite ( and veins ) close to the surface. Outcrops of andesite are not plentiful, but they occur in sufficient abundance to show that bedrock occurs at shallow depths, from 0 to perhaps 6 m, covered by a thin layer of glacial drift and earth. The andesites are brown to green, porphyritic, and massive; bedding is indistinct. They show little alteration except immediately adjacent to the Au-Ag-Cu-Pb-Zn zones. This sector shows on the I.P. profiles as a High Resistivity area. The percentage of outcrop area, compared to covered ground, is 3 - 5 %. Wherever outcrops occur, old mine diggings exist. This leads to the conclusion that the entire Eastern Sector is favorable for the occurrence of ore-grade veins, and that numerous potential orebodies may exist under the drift-covered areas.

The Western Sector, extending from the Taylor Crosscut in the Main Workings all the way to the westernmost edge of the Richfield #2 claims, has no outcrops. The subsurface geology can be interpreted only from the few drill-holes beside the Main Workings, from the Canadian Superior I.P. survey, and from the regional geological map. It seems that while the topographic surface in this Western Sector is notably flat and even, sloping at 3 - 5 ° to the west, the bedrock surface may be strongly gullied with steep slopes and abrupt valleys where the overburden cover may jump to thicknesses of 20 - 40 m within very short distances. The part of this Sector that lies adjacent to the Main Workings shows on the I.P. survey profiles as a Low Resistivity area.





WESTERN SECTOR  
WITH LOW RESISTIVITY  
& LAYERS OF DRE IN TOPLEYITE

EASTERN SECTOR  
WITH HIGH RESISTIVITY  
& VEINS IN ANDESITE

- KEY —
- 75-1 DIAMOND DRILL HOLE
  - WASTE DUMP
  - SHAFT
  - OUTCROP
  - UNDERGROUND WORKINGS
  - FOOTWALL OF QTZ CALCINATE ZONE (PROJECTED TO SURFACE)

FIG. 4 .  
TOPLEY RICHFIELD PROJECT  
COMPILATION

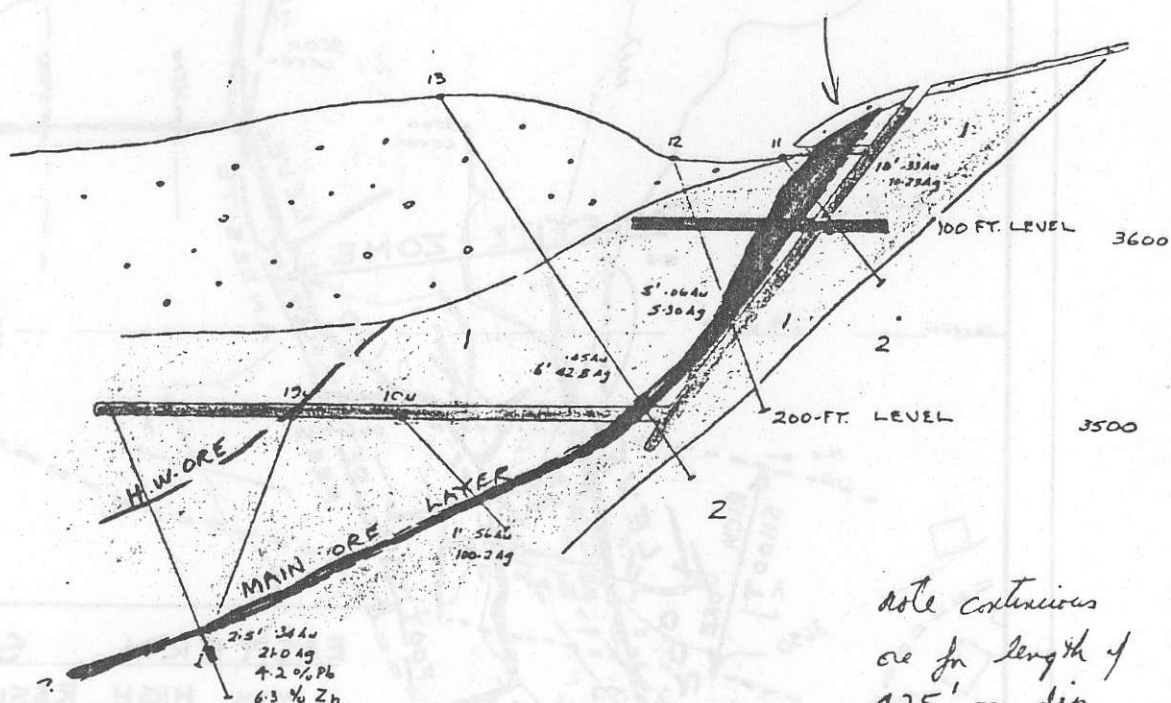
DRAUGHTSMAN: SCALE: 1"=200' DATE:

W

E





ELEV (FT)

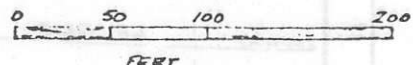
Note wide ore near surface.



note continuous ore for length of 425' on dip, still open at bottom.

KEY

-  OVERBURDEN
-  QUARTZ CARBONATE ZONE
-  ANDESITE
-  DRIFT



NOTE:  
 DATA FROM SEEMAR MINES LTD  
 RICHFIELD MINING CO. LTD

CANADIAN SUPERIOR EXPLORATION LIMITED  
 SMITHERS REGIONAL OFFICE

TORLEY RICHFIELD PROJECT

SECTION A-A'

The largest, richest, and most continuous known ore deposits occur along the eastern margin of the Western Sector, close to the north-striking, west-dipping edge of the highly-altered andesite that is referred to as " topleyite ". The deposits are one, two, or possibly several layers of gold-silver-pyrite mineralization within the topleyite; they generally dip west, but have been reported as dipping northeast or to be lying flat. These layers are in places much disrupted by faulting , and may be offset to leave gaps, or repeated to suggest multiple layers. In addition to these gold-silver-pyrite zones, which seem to be replacements, there are also more definitely vein-type bodies, which commonly lie right against the Andesite Footwall and occasionally cross into it. Tunneling has demonstrated that these bodies within the topleyite extend north-south for a length of at least 1000 feet; the two levels, and holes drilled below the lowermost level, show that the deposits exist over a dip length of at least 450 feet, and the deepest holes are in material of ore grade and thickness. For example, the deepest hole in the central section of the Main Workings cut 2.5 ft grading 0.34 oz Au / t, 21.0 oz Ag / t, 4.2 % Pb, 6.3 % Zn.

In addition to being open at depth, there are drillhole intersections at both the north and south ends that show that mineralization exists beyond or below the present limits of the two underground levels : Hole S-1, 600 ft north of the shaft, cut a 9-ft vein of which the best 2.0 ft assayed 0.58 oz Au / t, 8.4 oz Ag / t., and this intersection is at a depth of 297 feet below the surface, which is 97 feet below the lowest level of mine workings. The Canadian Superior drill-hole # 75-3, some 300 ft south of the shaft, almost overshot the topleyite zone , but did intersect a wide body of low-grade mineralization, which, across 14.0 ft, assayed 0.03 oz Au / t, 3.0 oz Ag / t. ( equivalent to \$ Can. 153 per ton today ).

The average grade and width, and even the number of separate ore layers, found on the 100-Foot Level is exceptionally difficult to interpret from the old reports and the assay plans. In places it appears that there is one main layer that has been repeated by cross faulting. Elsewhere it is suggested that there may be as many as seven layers or shoots, dipping northeast and striking northwest across a belt 100-150 feet wide. As these workings are flooded it is not possible to re-study them now, so that a firm conclusion as to the number, extent, and abundance of the shoots on the 100-Foot Level must be left for later examination or an intensive drilling campaign. With the present stage of knowledge, it is possible that there is a generally-mineralized block of ground extending from surface down to just below the 100-Foot Level, perhaps 200 ft long and 100 ft wide, that would make a mineable grade overall, taking low-grade or barren layers together with numerous rich shoots or layers or vein segments, at say 0.1 oz Au, 6 oz Ag /t.

On the 200-Foot Level there appear to be at least two ore layers which strike north and dip 45° to the west. In the central part of that level, re-sampling by Silver Standard Mines in 1954-56 , taking the weighted average of 74 channel samples, gave a length of 120 ft, a thickness of 2.7 ft, and a grade of 0.465 oz Au / t, 17.6 oz Ag / t. Weaker mineralization continues some distances north and south. The deepest hole on the down-dip continuation of that rich shoot , for which the assays are given on page 11 of this report, showed the ore to continue at least 250 ft down the dip, to a point 100 ft vertically below the 200-Foot Level. This is hole 19-U .

A raise connecting the 200-Foot and 100-Foot Levels shows rich ore, in the range of 3.4 ft thick grading 0.27 oz Au /t, 49.2 oz Ag /t.

In the northern and southern extension drifts

on both levels, multiple veins were found in a wide belt close to the Footwall Andesite, with highly-variable widths and assays.

In a report of this type it is not feasible to quote assay results over a total of more than 4600 linear feet of drifts, crosscuts, and raises. Interested persons can study the many level assay plans and the drill records. From the work done to date by the writer, the following conclusions have been reached:

1. In certain parts of the topleyite zone, mineralization is restricted to one or two layers, dipping west at 45°, that can carry 0.40 Oz Au /t , 17.0 oz Ag /t, or better, across thicknesses of 2.7 - 3.7 feet, and over longer strike lengths, to include thinner or lower-grade material, might grade 0.30 oz Au / t, 10.0 oz Ag / t over 3.0 feet.
2. In other parts of the topleyite zone, numerous shoots or layers or veins ( or combinations of all of these ), appear to exist, which could produce a " mass-type " mineralization of exploitable grade over widths of over 100 feet and lengths of several hundreds of feet.
3. Given favorable combinations of circumstances in the very large un-explored areas of the topleyite belt, it could be anticipated that :
  - a) single layers several feet thick could occur, carrying grades of 0.3 - 0.5 oz Au / t, 10 - 20 oz Ag / t., which could be mined by underground stoping.
  - b) bulk mineralization could occur, in which a multiplicity of veins/shoots/layers could be mined together with intervening low-grade material, forming mineable blocks containing several hundreds of thousands and potentially several millions of tons.

The Metal Factor plot of Canadian Superior's I.P. survey, done in 1975, shows a narrow anomaly over the known mineralization at the Main Workings. It also shows a stronger, wider anomaly 2000 feet long ( and open at both ends ), on the western side of the Low Resistivity area that correlates with the intensely-altered topleyite zone. This anomaly could indicate the presence of a very large mass mineralized " in bulk ", which could be mined by open pit. There are no outcrops anywhere near that anomaly, as the overburden cover is complete. Thus, until this anomaly is tested by drilling, its source is unknown. Drilling there is recommended, as the tonnage suggested by an anomaly 400 ft wide and 2000 ft long, to a depth of say 400 ft, would be some 26 million tons. Extensions to the north and south could multiply that tonnage. See Fig.5 .

.....

The above descriptions apply to the Western Sector. In regards to the Eastern Sector, which covers a band 5 claim-lengths from north to south and 3.8 claim lengths from west to east, in which bedrock is close to the surface and the mineralization occurs as distinct veins, the following data are available.

Strong veins were found in outcrops or in shallow trenches about 400 feet northeast of the Main Workings. On one vein, a shaft was sunk, and a pile of vein material beside it shows abundant sphalerite, in a quartz-carbonate matrix, with arsenopyrite, galena, and chalcopyrite. No assays are available. A second vein 4.8 ft wide, of similar mineralogy, striking north and near-vertical, is exposed in a long trench some hundreds of feet north of that shaft.

The Minister of Mines Report for 1937, p.C26-27, mentions work done on a vein " 1,000 feet easterly from the

original workings, consists of a shear-zone about 5 feet in width, in andesitic breccia, striking from north to north-east and dipping 45 degrees easterly. The extent of this shear-zone along its strike is possibly considerable, as a shear-zone exposed some 300 feet south-west may be the same. " A shaft was sunk on the vein to a depth of 35 feet, and a drift was run southward for a distance of 25 ft. Two samples are reported: across 15 in.- 0.46 oz Au/t, 10.0 oz Ag/t, 1.0 % Cu, 2.8 % Zn; and across 21 in.- 0.10 oz Au/t, 6.4 oz Ag/t, 0.8 % Cu, 3.9 % Zn. A pile of average ore estimated to contain 32 tons gave: 0.22 oz Au/t, 9.0 oz Ag/t, 1.5 % Cu, 3.6 % Zn.

Old pits were found in the far southeast corner of the Richfield #1 claim, 2 km southeast of the Main Workings. These have slumped in and no veins were exposed in 1979.

The conclusions reached about this Eastern Sector are :

1. Occasional outcrops of andesite occur over the entire area, showing that the cover of glacial drift is thin, ranging in thickness from 0 to possibly 6 m.
2. Several veins have already been found in this sector, with widths ranging from a few inches to 5 -12 feet, with grades in combined metals that could be mineable today.
3. The entire Eastern Sector must be regarded as a potential host for veins carrying small ore shoots, and hence merits exploration by geophysics or geochemistry, followed by trenching by back-hoe or bulldozer, and then, where encouragement has been obtained, by drilling. The E.M. 16 anomalies found here probably represent new hidden gold-silver-zinc-lead veins.

SILVER STAN 'D SAMPLES.  
1955-56

Top ley Assays

511  
L = 120' 77) 120 / 7.6' 15.7  
W = 2.7'  
05. Au = .465  
03 Ag = 17.6 VALUE @ 580 / Trn  
12/11/56 31.17

100N-3400/1000

77 divided by 5.0 ft Mining width.

SAMPLE NO	Width	Au.03	Ag.03	MULTIPLY.	SAMPLE NO	Width	Au	Ag	MULTIPLIED
25	1.0	.25	2.16	.560 4.32	101	3.0	.98	37.0	1.204 117.0
27	2.0	.32	3.62	.640 7.24	105	2.5	.26	11.7	.650 61.6
30	5.0	.52	2.84	2.600 39.20	85	15	.28	10.5	.920 15.7
32	2.0	.66	2.02	2.640 28.08	81	1.0	.40	2.5	.200 2.5
35	5.0	.54	10.74	2.700 51.70	88	1.5	.10	3.9	.150 5.9
38	5.0	.72	17.80	3.700 89.00	50	3.0	.12	19.5	1.090 58.5
39	2.0	.72	29.50	2.850 118.00	90	2.0	.26	5.9	.520 17.8
40	2.0	.50	15.60	2.000 62.40	92	2.0	.28	6.8	.560 13.6
42	2.0	.50	5.10	1.500 16.20	104	2.5	.18	5.1	.850 12.6
43	2.0	1.06	17.10	2.120 34.20	95	2.5	.42	12.9	1.050 32.3
47	1.5	1.08	32.50	1.620 48.80	102	3.0	.40	8.2	1.204 24.6
5	1.5	.56	47.56	.825 71.50	106	2.5	.28	12.8	.702 37.2
53	3.0	.72	58.60	2.160 125.80	108	2.5	.32	11.3	.800 40.8
54	3.0	.58	21.50	1.740 64.50	107	2.5	.40	11.6	1.000 26.6
55	5.0	.40	11.00	2.000 210.00	110	1.5	.20	27.2	.600 41.2
56	3.0	.43	28.25	.860 56.50	89	2.5	.12	39.3	.850 98.5
60	3.0	.82	22.90	2.460 72.70	113	2.5	.62	11.2	1.560 103.6
61	1.0	.36	2.586	.720 50.96	115	2.5	.84	22.0	2.100 105.0
66	3.0	.60	51.20	1.800 153.60	122	2.5	.62	37.2	1.560 53.5
67	1.0	.08	4.56	.320 18.24	129	3.0	.82	4.6	2.460 13.8
68	1.5	.36	23.60	.540 35.40	112	2.5	.48	37.5	1.200 92.0
69	2.0	.20	21.44	1.800 140.28	121	2.0	.58	40.2	2.520 161.6
70	2.0	.18	9.02	1.260 63.12	127	3.0	.82	2.7	2.460 12.1
71	1.0	.60	40.20	.600 40.20	123	2.0	.68	7.9	2.720 31.6
72	6.0	.12	2.68	.720 16.08	125	3.0	.72	6.2	2.160 17.6
73	1.5	.38	18.30	.570 27.20	125	3.0	.62	17.8	1.920 53.4
74	1.0	.22	1.52	.440 3.64	134	3.0	.40	22.2	1.200 72.6
76	1.0	.22	5.02	.220 5.02	126	3.0	.62	5.2	1.920 15.6
77	1.5	.12	2.52	.210 6.71	130	2.0	.66	7.2	2.640 28.8
78	1.5	.16	2.82	.240 4.26	135	2.0	.22	10.8	.800 21.6
79	1.5	.32	4.82	.480 7.26	122	2.5	1.10	7.0	2.750 17.5
83	2.0	.42	20.20	.840 20.40	129	1.5	.30	9.1	.850 10.6
82	2.0	.36	30.20	.720 60.60	143	1.5	.22	3.2	.360 5.1
89	1.5	.66	18.10	1.650 45.20	122	2.5	.12	12.2	2.750 6.2
9	2.5	.26	5.90	.650 23.50	121	2.5	.72	2.7	1.200 22.2
9	2.5	.16	2.4	.400 2.4	121	2.5	.22	2.2	.800 27.2
9	2.5	.20	7.40	1.000 22.25	121	2.5	.18	2.0	.360 8.0
				77	2.7 ft.	93.127 3521.6			
						.465 12.1			



## F. TOPLEYITE

Reference has been made earlier in this report to the term "Topleyite". This name was applied to the unusual rock found beside the rich ore discovered in the original trenches. The term is applied to a rock which is clearly a product of very intense alteration of the Jurassic andesites. All stages of the alteration from fairly fresh andesite to topleyite can be recognized, best seen in drill cores. This rock is identical to the "green carbonate" of Ontario.\*

The un-altered andesite is most commonly green, sometimes medium brown, almost always somewhat porphyritic with white feldspar crystals 1 - 2 mm long. The first stage of alteration is to impose a general pale-green cast to the rock, and to fade the outlines of the phenocrysts. Next, the feldspars remain only a vague ghosts, and the rock becomes banded, with pale green stripes appearing. Then, the rock loses all resemblance to a volcanic rock, and is a striped rock with pale green minerals in bands 2-3 mm across, alternating with quartz-rich layers of similar width. Finally, the rock shows a high content of carbonate, and the entire mass is medium-grained ( grains 1 - 3 mm across ) of a tan color, and without the green striping. It carries 5 - 8 % Fe, making it an ankerite.

It was reported that on weathering, topleyite disintegrates to a fine rubble. It weathers a rusty brown color.

On the dumps of rock from the drifts and cross-cuts of the two underground levels, it is easy to see that the topleyite zone has been subjected to several periods of replacement, veining, and movement. Much of the topleyite is twisted, showing the effects of pressure and movement after it was made. It has been cut by later veins of quartz, which in turn have been sliced and veined by carbonate - calcite and dolomite,

\* The rock contains green chrome mica, mariposite or fuchsite.

and these are veined again by more quartz and carbonates. The sulphides appear to have come in at the end of these processes.

The interpretation put on the foregoing is that the topleyite is a very intense alteration of deep-seated nature, that can be expected to continue a long way down below the present surface; that the zone in which the topleyite alteration occurred is one of long-continued movement, stress, and metasomatic processes; and that accordingly, anything seen close to the present surface can be expected to continue along strike and down dip almost indefinitely. Supporting this interpretation of the deep-seated nature of the topleyite alteration is the observation that similar alteration, with gold-silver-lead-zinc-copper, or assorted mixtures of these, has been found at many sites within 5 km of the Richfield's Main Workings.

Old reports mention that a very strong, wide fault zone had been found at the extreme western edge of the 100- and 200-Foot Levels; it apparently strikes north and dips west. It is likely that this fault acted as a feeder for the alteration and mineralization, with the known deposits on its footwall or eastern side. It is common for faults to have a sharp boundary on their footwall side, and to have a wider zone of movement and alteration on their hangingwall side, where branch faults tend to splay off. In this environment, such a situation could be the cause of the wide I.P. Metal Factor anomaly on the western side of the Resistivity Low, reinforcing the concept that bulk mineralization may occur there.

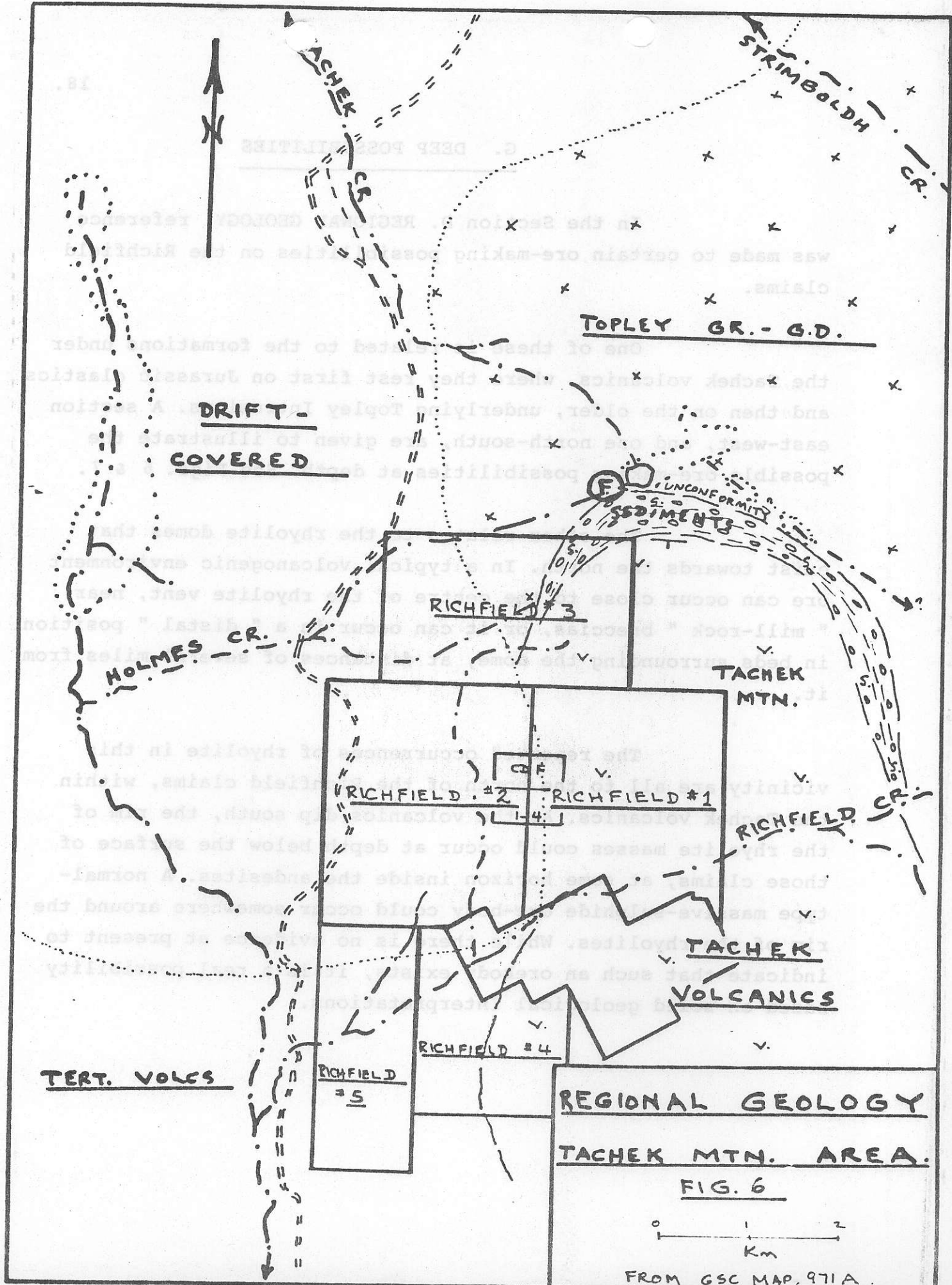
### G. DEEP POSSIBILITIES

In the Section D. REGIONAL GEOLOGY, reference was made to certain ore-making possibilities on the Richfield claims.

One of these is related to the formations under the Tachek volcanics, where they rest first on Jurassic clastics and then on the older, underlying Topley Intrusions. A section east-west, and one north-south, are given to illustrate the possible ore-making possibilities at depth. See Figs. 6 & 7.

The other relates to the rhyolite domes that exist towards the north. In a typical volcanogenic environment ore can occur close to the centre of the rhyolite vent, near " mill-rock " breccias, or it can occur in a " distal " position in beds surrounding the dome, at distances of several miles from it.

The reported occurrences of rhyolite in this vicinity are all to the north of the Richfield claims, within the Tachek volcanics. As the volcanics dip south, the rim of the rhyolite masses could occur at depth below the surface of those claims, at some horizon inside the andesites. A normal-type massive-sulphide ore-body could occur somewhere around the rim of the rhyolites. While there is no evidence at present to indicate that such an orebody exists, it is a real possibility based on solid geological interpretations.



DRIFT -  
COVERED

TOPLEY GR. - G.D.

HOLMES CR.

RICHFIELD #3

TACHEK  
MTN.

RICHFIELD #2

RICHFIELD #1

RICHFIELD CR.

TACHEK  
VOLCANICS

RICHFIELD #4

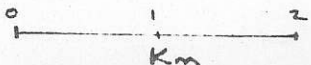
TERT. VOLCS

RICHFIELD  
#5

REGIONAL GEOLOGY

TACHEK MTN. AREA.

FIG. 6



FROM GSC MAP. 971A.



#### H. WORK IN PROGRESS

Cobre Exploration Ltd has already begun a program of work on the Richfield claims.

The first work done was to establish a surveyed base-line north-south through the center of the claims for a length of 2,500 m; hubs were set at either 100-m or 50-m spacing, and elevations recorded. A grid of cross lines was then blazed and flagged, with pickets every 25 m; this grid extends from 10+00 N to 13+00 S. Most cross lines extend from 4+00 E to 5+00 W, however lines 10+00 N, 5+00 N, 1+00 N, 5+00 S, and 10+00 S were extended to 10+00 W and up to 20+00 E to allow reconnaissance geophysical surveys to be made in search of new ore zones far removed from the area of old workings.

An E.M. 16 survey has been made covering the lines from 5+00 N to 10+00 S. Many anomalies were found, some of which correlate with known veins; the others strongly suggest that other veins occur beneath overburden-covered sectors of the claims - these merit testing by drilling or trenching.

A magnetometer survey was made over 9 cross lines from 5+00 N to 10+00 S. This established that a definite magnetic low is found over the topleyite/ore zone where it is known to occur on lines 0+00 N and 1+00 N. Step-out pairs of lines to the north and south show that identical magnetic lows occur on strike to the north and south, giving a minimum interpreted length to the topleyite zone of 1,500 metres. The width is variable, ranging from 225 m over and west of the Main Workings, and increasing to over 600 m towards the south, and 300 - 600 m to the north. There are no outcrops within this belt as the cover of drift is continuous, so the full extent has high potential for holding multiple ore-bodies.

A Pulse E.M. survey has been made over the central part of the grid, covering the Main Workings and adjacent areas to the north, west, and south. This survey has found a very strong continuous conductor under overburden-covered ground a short distance west of the Main Workings. The conductor has been followed from 2+50 N to 8+00 S, a strike length of 1,050 metres, and is open to both north and south. This conductor is within the topleyite zone as outlined by the magnetic survey and the resistivity survey; it may be a major ore layer. A second conductor was found on lines 7+00 S and 8+00 S, very close to the north-south base line.

Combining the interpretations of the various geophysical surveys that have been made provides strong confirmation of the existence of a long wide topleyite zone, that must persist west, north, and south from the Main Workings. This entire zone is favorable for the occurrence of ore, which could be in the form of a set of narrow rich shoots similar to that already developed in the Main Workings, or which might, under the right conditions of widespread quartz flooding followed by repeated brecciation and mineralization, form bodies of large dimensions and consequent high tonnages.

Secondary targets on which testing is justified have also been disclosed by the E.M. 16 survey, which found anomalies both east of, and west of, the principal topleyite zone.

Extensive drilling is needed to follow the known ore north, south, and down-dip from the Main Workings; to test the strong new conductors found by the Pulse E.M. survey; and to explore the probable veins farther east and west indicated by the E.M. 16 anomalies.

## I. RECOMMENDED WORK PROGRAM

The work program required to give a thorough test to the many ore-making possibilities on the Richfield claims is described below: estimated costs are given on a following page.

The objectives of the program are :

- :- to follow the known ore north, south, and down dip from the present limits of the Main Workings;
- :- to identify the nature of the strong Pulse E.M. conductor lying west of the Main Workings and, if ore is found, to follow it north and south;
- :- to prospect widely within the buried topleyite zone in search of other ore-bodies that may not have a clear geophysical expression;
- :- to expand the existing geophysical coverage farther east, north, and west, to clarify the connections between anomalies found on the widely-spaced grid lines, to identify other drill targets.
- :- to make a deep test of the possible ore shoot at the intersection of the unconformity at the base of the Tachek volcanics with the major structural break along which the topleyite zone has been developed.

The amounts of drilling allowed for in the cost estimates would of course have to be increased greatly if new ore zones are located by the first work.



RICHFIELD GOLD - SILVER PROPERTY

PROPOSED WORK PROGRAM AND BUDGET :

<u>Item</u>	<u>Cost : \$ Can.</u>
1. Surface diamond drilling, BQ or NQ @ \$ 15.00/ft base rate + \$3 .00 additional = \$ 18 / ft 20 holes of 500 ft =10,000ft x \$18 .....	\$ 180,000
2. Surface percussion drilling, 8 holes of 250 ft = 2000 ft at total cost \$ 5.00 / ft.....	\$ 10,000
3. Backhoe for trenching for new veins: 5 days of 10 hrs each @ \$ 55.00/ hr.....	\$ 2,750
4. Bulldozer for road repair and extensions to drill sites: 5 days x 10 hrs / day @ \$ 75 / hr.....	\$ 3,750
5. E.M. Survey 15 line mile @ \$ 500 / l.m. all incl. ( line flagging, survey, reports, maps ).....	\$ 7,500
6. Assaying: 700 samples @ \$ 10 .....	\$ 7,000
7. Labor: general camp helpers, 2 persons for 60 days @ \$ 70.00 overall , wages, CPP,U.I.C., W.C.B.\$	8,400
8 .On-site geologist, 4 months @ \$ 2,000.....	\$ 8,000
9 .Geological supervision and engineering ( compil- ation of old data, geol. cross-sections, hole lay-out, maps, drafting & copyng, report: 5 mo.) \$	15,000
10 .On-site office and core-shack repair.....	\$ 3,000
11 .Outside consultants: 5 days @ \$ 500 incl. expenses	2,500
12 .Living costs re supervisors 120 days @ \$ 50.....	\$ 6,000
13 .Travel to & from Vancouver to site, 5 trips @ \$ 300 / trip, air fare, meal, motels.....	\$ 1,500
Sub-total.....	\$ 255,400

## Budget, continued:

Item	Cost
Sub-total from Page 21.....	\$ 255,400
14. Maps, ortho-photos, office supplies.....	\$ 2,000
15. Office costs: telephone, copying, miscell.....	\$ 1,000
16. Vehicle rental: 4 mo. @ 500 / mo.....	\$ 2,000
17. Field equipment, tools, tool rental.....	\$ 3,000
18. Gasoline, oil, camp supplies.....	\$ 3,500
Total.....	\$ 266,900
. Contingencies, possible extra work .....@ 10 %.	\$ 27,100
TOTAL PROGRAM BUDGET.....	\$ 294,000

The program outlined above is what is needed to give the property a thorough test. Cobre Exploration Ltd has carried out all of the first stages of the program, consisting of surveying, gridding, Magnetic, E.M. 16 and Pulse E.M. surveys, geologic mapping, and compilation of old underground data. It is anticipated that drilling will commence early in 1980, probably in March, depending on weather conditions.

J. CONCLUSIONS

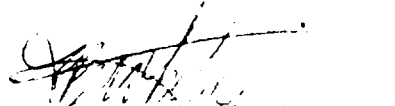
This property has recognizable mine-making potentialities. There is a small reserve of " ore " in sight, already partially developed on two levels, which should be mineable at current gold and silver prices as direct-shipping ore, and there are old mine dumps with some tonnage of possibly-valuable material. The known deposit is open at depth, and may continue north and south; or, if this known area ends, others may come in along strike within the long wide alteration zone indicated by geophysics.

The Pulse E.M. Survey has found a strongly conductive body over 100 m wide and over 1000 m long, lying west of, and below, the old mine workings; this may be a major ore-body.

Drilling is recommended to start early in the spring of 1980, possibly in March.

THIS REPORT PREPARED BY THE UNDERSIGNED  
AT THE REQUEST OF COBRE EXPLORATION LTD.

Vancouver, B.C.; January 24, 1980



F.B. Whiting

CERTIFICATE


I, Francis B. Whiting , of 1035 Greenwood Place, West Vancouver, in the Province of British Columbia, hereby certify that

1. I am a geological engineer with offices at 1035 Greenwood Place, West Vancouver, B.C.
2. I am a graduate of the University of British Columbia, Vancouver, B.C., as Bachelor of Applied Science in Geological Engineering, 1946; that I hold the degree of Master of Science from McGill University, Montreal, Quebec, 1948; and that I hold the degree of Doctor of Philosophy in Geology and Economics, 1951, from the Massachusetts Institute of Technology, Cambridge, Mass.
3. I am a member of the Association of Professional Engineers of the Province of British Columbia, and of the Association of Professional Engineers of Yukon Territory.
4. I have practised the profession of geological engineer for the past 33 years, as Mine Geologist in British Columbia and Missouri, U.S.A.; as Chief Geologist and Exploration Manager for Compania Minera Aguilar S.A. in Argentina; as Exploration Manager and General Manager for Arrow Inter-America Corporation in Canada from 1968 to 1973; as Regional Manager for Brascan Resources Limited from 1973 to 1976; and as an independent consultant from 1977 to the present date.
5. I now own 100,000 shares of common stock of Cobre Exploration Ltd., and expect to receive a further 50,000 shares on March 31, 1980, and a further 50,000 shares on July 31, 1980. I own a registered 30 % interest in the Richfield #3, #4, and #5 Mineral Claims, adjoining the Richfield #1 and #2 claims owned by Cobre Exploration Ltd.

CERTIFICATE (Continued)

6. This report is based on my personal work on the property April 5, 1979, May 5-7, 1979, August 13-16, 1979, September 25 to October 5, 1979, and October 22 to November 2, 1979; supplemented by study of published government reports and Assessment Reports, and of private reports of previous work done by former owners.
  
7. I hereby consent to the use of this report by Cobre Exploration Ltd., and its publication in a Statement of Material Facts.

DATED at West Vancouver in the Province of British Columbia this 18 th day of February, 1980.



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Francis B. Whiting, P.Eng.

Summary Report on Treasure Vault  
Gold-Silver-Uranium Prospect,  
Blaine County, Idaho

On behalf of  
Cobre Exploration Ltd.  
254 East 4th Street  
North Vancouver, B.C.

By

Andrew E. Nevin, Ph.D., P.Eng.

October 3, 1979

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1.0 SUMMARY

Cobre Exploration Ltd. proposes to conduct an exploration program on the Treasure Vault prospect, Blaine County, Idaho, to consist of a staged series of operations:

I	Trenching, sampling	Can	\$	8,500
II	Trenching and more detailed Mapping, geochemistry			13,000
III	Dewatering, percussion drilling			37,000
IV	Diamond drilling			300,000
		Can.		<u>\$358,000</u>

The target is the well-known gold and silver in the Hattie Vein, as well as recently discovered uranium mineralization in the same assemblage. The Hattie Vein is discontinuously mineralized for more than 2000 feet of outcrop length. It was mined to depths of a few hundred feet in a perfunctory way mainly in the 1800's.

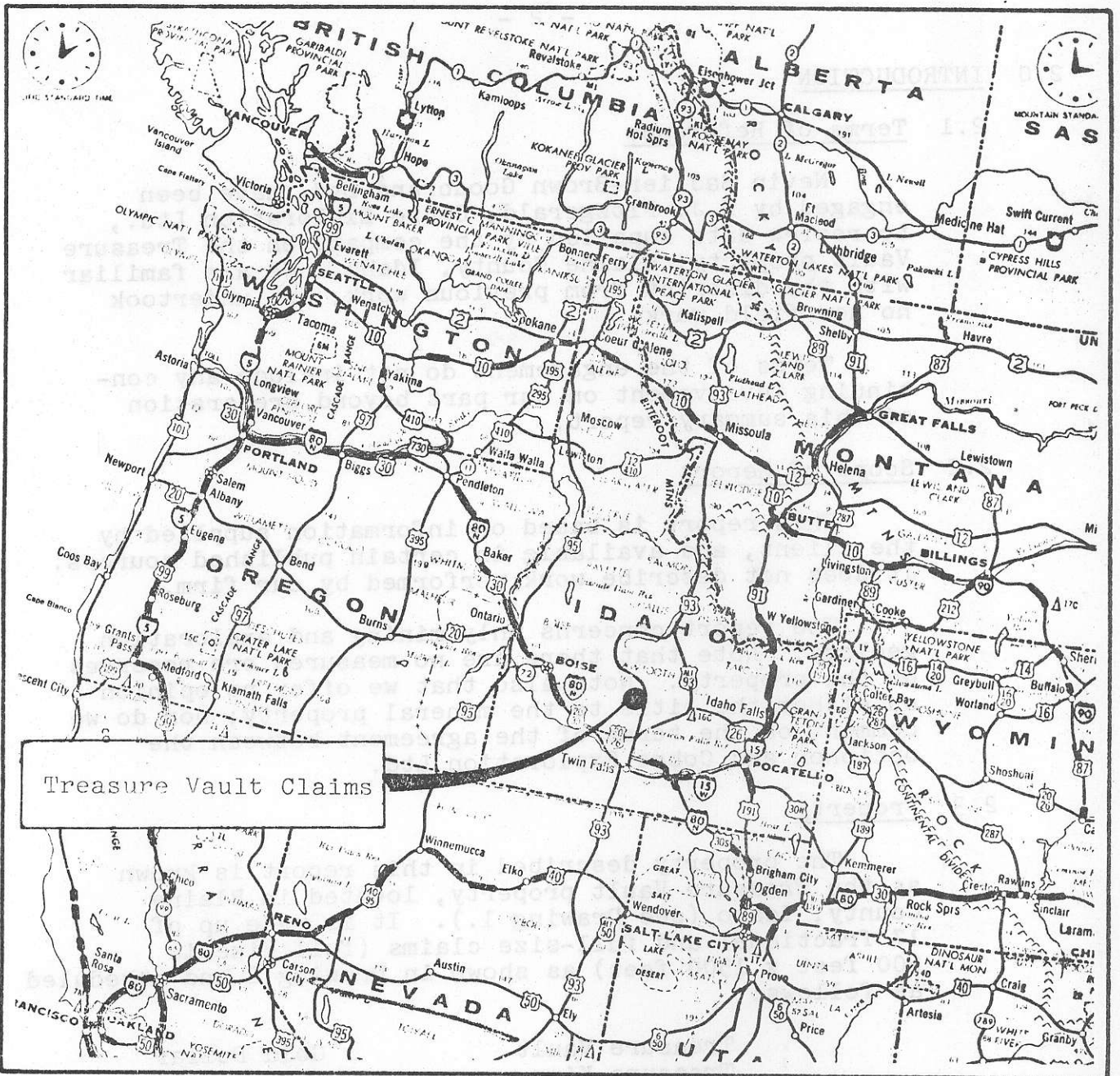
Our opinions are that:

- (1) the Treasure Vault property offers potential for discovery of one or more commercial gold-silver-uranium ore shoots; and
- (2) the program planned by Cobre's management is the proper and workmanlike manner in which to proceed.

TABLE OF CONTENTS

	<u>Page</u>
1.0 <u>SUMMARY</u>	
2.0 <u>INTRODUCTION</u>	2
2.1 Terms of Reference	
2.2 Scope of Report	
2.3 Property	
2.4 Geography	
2.5 Regional Geology and Mining	
3.0 <u>MINING AND EXPLORATION HISTORY</u>	4
3.1 History and Past Production	
3.2 Recent Work	
3.3 Current Work	
4.0 <u>GEOLOGY AND SAMPLING</u>	7
4.1 TV Zone	
4.2 A Zone	
4.3 B Zone	
4.4 TB Zone	
5.0 <u>CONCLUSIONS AND RECOMMENDATIONS</u>	12
5.1 Management's Proposal	
5.2 Conclusions	
5.3 Opinion	
 <u>APPENDICES</u>	
Appendix A - References	
Appendix B - Certificate	
 <u>DRAWINGS</u>	
Drawing 1. - Location of Property	
Drawing 2. - Claim Map	
Drawing 3. - Geology Map	
Plate: Hattie Vein - Surface exposures & Sampling (in pocket)	





Drawing 1. - Location of Property

## 2.0 INTRODUCTION

### 2.1 Terms. of Reference

Nevin Sadlier-Brown Goodbrand Ltd. have been engaged by M.J. Fitzgerald, Cobre Exploration Ltd., to review data supplied by the company on the Treasure Vault property, Blaine County, Idaho. We are familiar with the district from previous work, but undertook no new field work.

Terms of the engagement do not include any continuing involvement on our part beyond preparation of this summary report.

### 2.2 Scope of Report

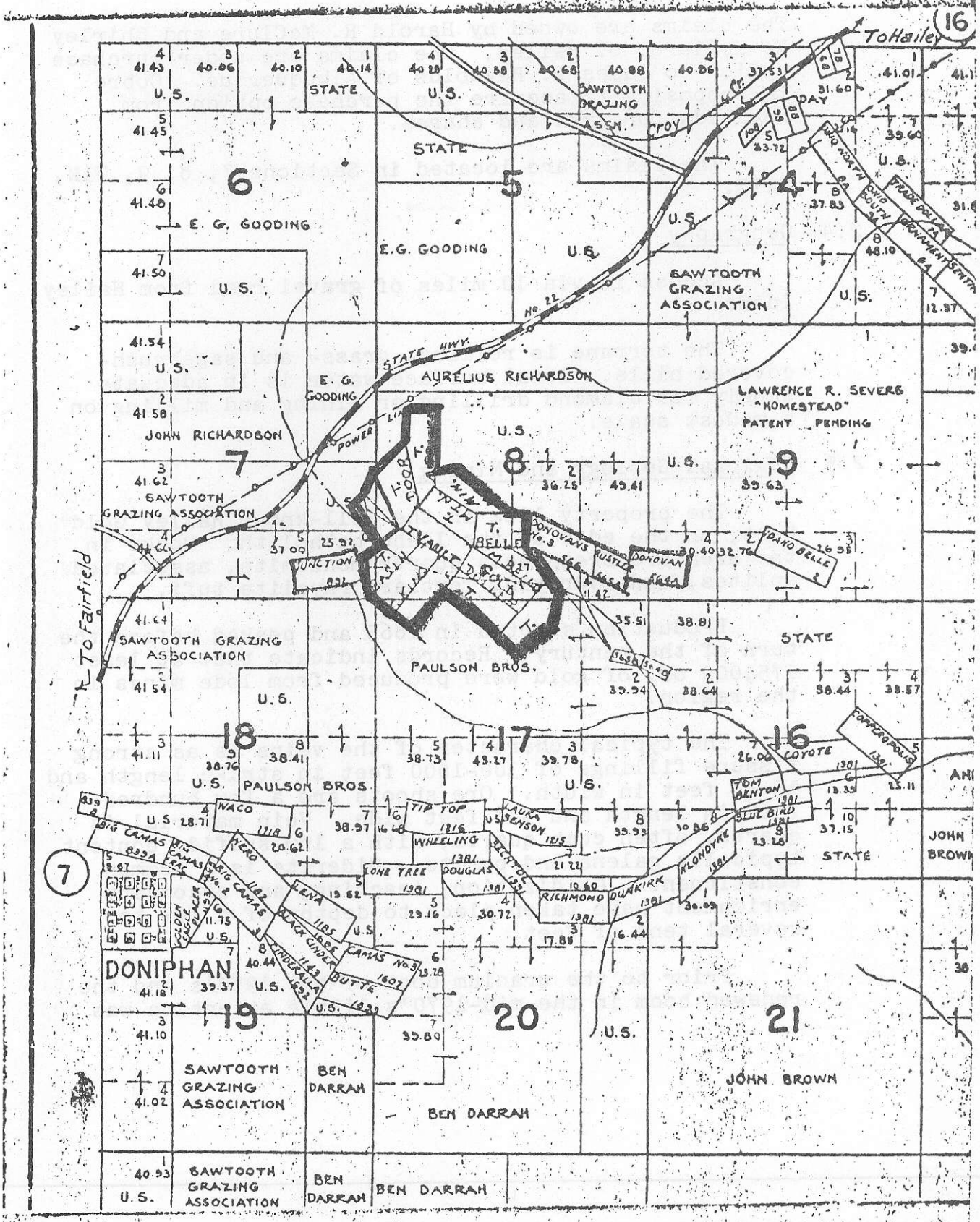
This report is based on information supplied by the client, and available in certain published sources. It does not describe work performed by our firm.

The report concerns only mining and exploration geology. Note that there are no measured ore reserves on the property. Note also that we offer no opinion on either the title to the mineral property; nor do we comment on the terms of the agreement between the optionor and Cobre Exploration Ltd.

### 2.3 Property

The property described in this report is known as the Treasure Vault property, located in Blaine County, Idaho (see Drawing 1.). It is made up of 17 fractional and full-size claims (full size is 600 feet x 1500 feet) as shown in Drawing 2 and scheduled as follows:

Treasure Vault	Gold Dollar
Treasure King	Silver Vale
Treasure Queen	Gertrude A.
Treasure Door	Pico Fraction
Treasure Prince	Mineral Mountain
Treasure Valley	Montebello Fraction
Treasure Mountain	Monte Cristo Fraction
Treasure Belle	Shinola Placer
Treasure Basin	



Drawing 2. - Claim Map, Treasure Vault Claims, T1N, R17E, Blaine County, Idaho.

- 3 -

The claims are owned by Harold R. McClure and Shirley V. McClure, of Hailey. The claims are under purchase option to James V. Reynolds of Albuquerque. Cobre is proposing to acquire the purchase option from Reynolds for cash and shares.

The claims are located in Sections 7, 8, 9, T1N, R17E.

#### 2.4 Geography

Access is via 10 miles of gravel road from Hailey Idaho.

The terrane is rolling, grass- and sagebrush-covered hills. Local surface water is in adequate supply for diamond drilling or mining and milling on a modest scale.

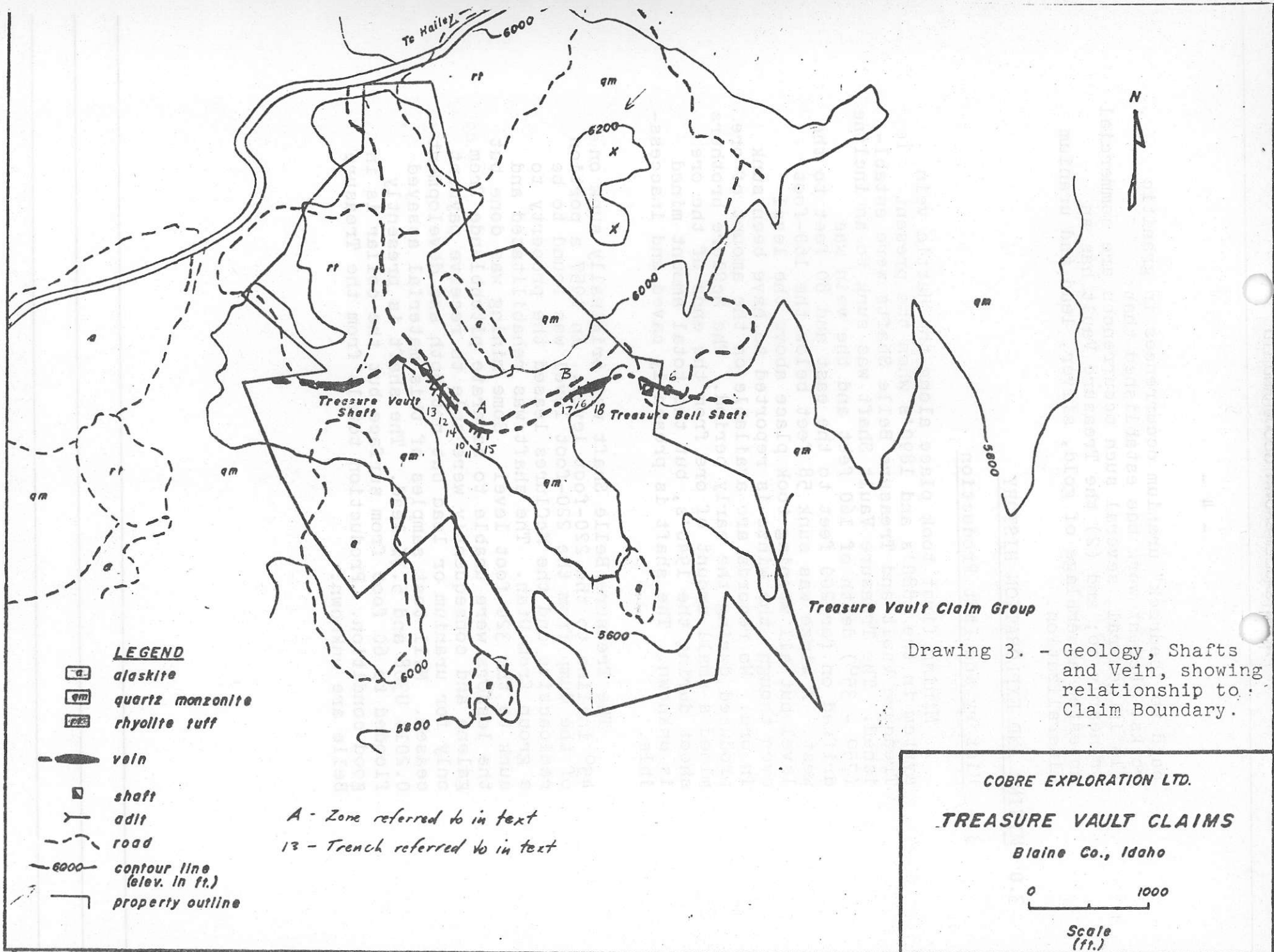
#### 2.5 Regional Geology and Mining

The property lies in the well-known Hailey Gold Belt, on the edge of the Idaho batholith. Rocks in the area are Cretaceous quartz monzonite, associated aplites, and overlying Tertiary rhyolite tuff.

Production started in 1865 and peaked before the turn of the century. Records indicate that at least 175,000 oz. of gold were produced from lode mines in the region.

The typical character of the veins is as strong fissure fillings of 300-1000 feet in strike length and 15-40 feet in width. Ore shoots are a few hundred feet in length and 3-8 feet wide. Vein material is quartz, often comb quartz, with a low sulfide content, typically galena and pyrite. Siderite is a common constituent. Oxidization, leaching, and secondary enrichment have taken place to depths of a few to several tens of feet.

Prior to the uranium boom of the 1950's and the renewed boom in the mid-1970's little attention was



Drawing 3. - Geology, Shafts and Vein, showing relationship to Claim Boundary.

- 4 -

paid to "bedrock" uranium occurrences in granitic rocks. Recent work has established that: (1) in general, several such occurrences are commercial or nearly so; and (2) the Treasure Vault has an untested assemblage of gold, silver, lead and uranium mineralization.

### 3.0 MINING AND EXPLORATION HISTORY

#### 3.1 History and Past Production

Mining first took place along the Hattie vein system in the 1880's and 1890's when the present Treasure Vault and Treasure Belle Shafts were established. The Treasure Vault Shaft was sunk to an incline (25° - 35°) depth of 160 feet and the vein was drifted on for 200 feet to the east and 80 feet to the west. A winze was sunk 58 feet below the 160-foot level but all stoping took place above the level even though the winze is reported to have been sunk in ore. No records are available on the amount of ore produced during the early period. The McClure brothers mined a small amount of ore from the ends of the ore shoot during the 1940's, but the total amount mined is unknown. The shaft is presently caved and inaccessible.

The Treasure Belle Shaft was originally sunk on a 45° incline to the 220-foot level. In 1957 a portion of the dump from the 220-foot level was found to be radioactive and the McClures leased the property to a group from Utah. The shaft was rehabilitated and sunk to the 320-foot level. Some mining was done but the lessors were unable to separate pitchblende from galena and consequently were able to receive payment only for uranium or lead but not both and development ceased. Mill test samples of this material assayed 0.201% U308 and 5.3% lead. The shaft is presently flooded to 60 foot from surface but the collar is in good condition. Production totals from the Treasure Belle are unknown.

### 3.2 Recent Work

The property was optioned in 1972 by Exxon Mineral Corp. and most of the open land within the Hailey Gold Belt was staked. Exxon subsequently drilled two diamond holes in the vicinity of the Treasure Belle Shaft. Drill hole R-1 encountered a maximum 27 ppm U at 290-295 feet and 1.0 ppm Au, 54 ppm Ag and 5900 ppm Cu at 330-335 feet. Drill hole T-1 encountered 650 ppm U (1.54 lbs/ton U<sub>3</sub>O<sub>8</sub>) at 160-163 feet and 0.5 ppm Au, 41 ppm Ag, and 900 ppm Pb at 208-212 feet. Unfortunately, the location, bearing and inclination of the drill holes is unknown. The option was dropped in 1975.

In 1976, Wyoming Mineral Corp. (Westinghouse) became interested in the district. Wyoming Mineral conducted a broad scale geochemical sampling program (samples 500 feet apart on lines one-quarter mile apart) but the wide spacing precludes use of the survey in evaluation of the property. A magnetometer survey was also conducted on and in the vicinity of the property. The survey was filed for assessment work and the author, T.H. Pullen of Geoexplores Associates, Denver, Colorado, indicated the individual veins had a negative relief of 50 to 150 gammas. He stated that the Hattie fault showed good continuity along strike and that "traverses along lines elsewhere on the property frequently resulted in the finding of previously unprospected heavy gossan zones associated with quartz vein float which correlated with magnetic lows." Two initial drill holes were recommended but neither was drilled prior to termination of Wyoming Mineral's U.S. exploration program in 1978. The option was dropped early in 1979.

### 3.3 Current Work

Cobre Exploration became interested in the property in July 1979. Anomalous radioactivity was found on the Treasure Vault dumps, although none had been previously reported. Examination of the mill tailings from the 1880-90's mining of the Treasure Vault zone revealed that the tailings are all at least weakly anomalous

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- 7 -

west of the Treasure Vault Shaft. The known zones of veining are termed the TV, A, B, and TB zones and each is described separately in Section 4.0.

#### 4.0 GEOLOGY AND SAMPLING

##### 4.1 TV Zone

The TV Zone as known from the surface work extends eastward (southeastward on surface due to the northerly dip of 15° to 40°) from the Treasure Vault Shaft at least 300 feet and is exposed by the large cut at the shaft and by three bulldozer trenches. The thickness of the zone of veining ranges from 3 to 8 feet. A total of 15 samples were taken from the main vein and subsidiary zones; assay results are given in Table 1. Radioactivity at surface in this zone is moderate to strongly anomalous.

H.R. McClure has shipping records indicating that he and his brother shipped 155 tons from this zone (160-foot level) between 1940 and 1943 which returned a weighted average of 0.501 oz/ton gold, 6.39 oz/ton silver, and 2.33% lead. In addition, he has additional sample results as in Table 2.

McClure reports that the 58-foot winze below the 160-foot level was 4 feet wide and was sunk on the footwall. The hanging wall was not exposed in the winze so the full width of the vein at that location is not known.

##### 4.2 A Zone

This zone is exposed in three bulldozer and one backhoe trench for a length of 110 feet and may extend further to the east. The width of the main zone of veining ranges from 2 to 5 feet. A total of 10 samples were taken from the main zone and subsidiary zones. The assay results are given in Table 3.

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Table 3. - Assays on A-Zone

Trench	Sample No.	Sample Width	Au oz./ton	Ag oz./ton	<sup>c</sup> U <sub>3</sub> O <sub>8</sub> lbs./ton
10	1	1.8 h	0.244	1.92	NA
	2	2.0 i	0.220	0.68	NA
11	648	1.7 i	< 0.003	0.10	NA
	649	0.4 i	0.003	0.20	NA
	650	3.6 i	0.174	0.83	NA
3	634	3.1 h	0.084	1.30	NA
	635	3.6 h	0.388	1.56	NA
	636	3.6 h	< 0.003	0.02	NA
	637	0.9 i	< 0.003	0.10	NA
15	16	3.3 h	< 0.003	0.62	NA
	33	1.7 i	0.100	1.00	0.38

Only one shallow adit (now caved) is known to have explored this zone. The gold assays in Trenches 10, 11, and 3 indicate that the zone merits further investigation.

#### 4.3 B Zone

B Zone is exposed on surface and in three bulldozer trenches over a length of 250 feet. In addition, it was explored by two adits (now caved), one of which is reported to be 400 feet long and is supposed to have been in strong sulfide-bearing material at the face. The main zone of veining ranges from 3.5 to 5 feet wide and a second zone of veining exposed in the north end of Trench 18 may be wider. A total of 16 samples were taken from trenches which cut the zone and the assay results are as in Table 4.

- 11 -

Table 5. - Assays on TB Zone

Trench	Sample No.	Sample Width	Au oz/ton	Ag oz/ton	Pb ppm
6	638	2.7 h	0.034	2.96	2500
	639	4.2 h	0.020	2.30	1400
	640	6.0 h	0.010	1.50	2100
	641	2.3 tw	0.003	0.50	1100
	642	2.6 tw	0.032	2.34	>4000
	643	2.5 tw	0.030	1.20	>4000
	644	1.8 v	0.005	0.94	>4000
	645	1.0 v	0.018	3.40	>4000
	646	1.2 v	<0.003	0.28	550

This zone is unusual in that it is low in gold but contains significant silver. The presence of a stope at grass roots suggests that ore grade values topped out just below surface due to leaching. Radioactivity is uniformly low at surface even though substantial values are present from 90 feet to the 320-foot level.

McClure describes two parallel mineralized zones on the 320-foot level. He reports the footwall vein as being 28 feet wide (approximately 20 feet true width) and containing abundant galena. The hanging wall vein is described as being 4 to 5 inches wide and is separated from the footwall zone by 15 feet of barren material. The hanging wall vein at this level is of ore grade but not ore width. McClure also reports that the highest grade uranium was on the 120- and 220-foot levels with much lower content on the 320-foot level. His recollection is that the uranium stope above the 120-foot level was 8-10 feet wide and that the ore contained abundant galena.

Table 6. - Cobre's Proposed Program of Exploration  
and Estimated Costs (Canadian \$)

Stage I (Partially completed)

1. Establish survey control along the Hattie fault between Treasure Vault and Treasure Belle Shafts.
  2. Conduct detailed geologic mapping of all exposures along the Hattie trend.
  3. Conduct initial bulldozer/backhoe trenching along the Hattie fault to explore for zones of vein filling.
  4. Map, sample, and assay all trenches.
- \$ 8,500

Stage II

1. Expand control survey
  2. Expand geologic mapping to explore for parallel veins.
  3. Conduct a magnetometer survey to explore for parallel veins.
  4. Conduct a trial soil sampling survey.
  5. Complete the program of bulldozer trenching including mapping, sampling, and assaying along the Hattie fault.
  6. Conduct bulldozer trenching of indicated parallel veins.
  7. Prepare a comprehensive report of results.
- \$ 13,000

Stage III

1. Dewatering, mapping and sampling of the Treasure Belle Shaft. \$ 10,000
  2. Percussion drilling program  
40 holes to average depth of 120'  
cost to include geologist, expenses  
vehicle, assays, freight, map prep.  
estimate 4000' @ \$6.75/ft. \$ 27,000
- \$ 37,000

Stage IV

1. Follow-up drilling and deeper drilling  
estimate 10,000 feet of diamond  
drilling @ \$30/ft. all inclusive \$ 300,000
- \$ 358,500

APPENDIX A. - References

- Anderson, A.L., and Warren R. Wagner  
1946: A Geologic Reconnaissance of the Hailey  
Gold Belt (Camas District), Blaine  
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and Geology, Pamphlet 76, 26 p., maps
- Park, Gerald M.  
1979: Report and Exploration Proposal on the  
Treasure Vault Claim Group, Blaine  
County, Idaho: for James V. Reynolds,  
Albuquerque, February, 17 p., map
- Cobre files -- various assay certificates, claim  
schedules, detailed geologic maps of  
trenches and other technical data.
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**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:

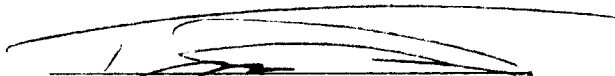
- (a) A purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last Statement of Material Facts, together with financial statements and a summary of engineering reports as filed with the Vancouver Stock Exchange, was not delivered to 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.

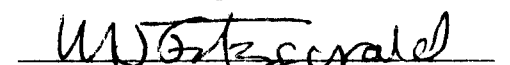
Reference is made to the said Act for the complete text of the provisions under which the foregoing rights are conferred.

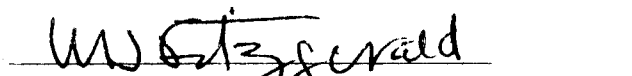
**21. CERTIFICATE OF THE DIRECTORS AND PROMOTERS OF THE ISSUER:**

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

February 6, 1980  
(Date)

  
TIMOTHY BRITTON BROCK,  
Director and Promoter


  
MICHAEL JOSEPH FITZGERALD,  
Director and Promoter

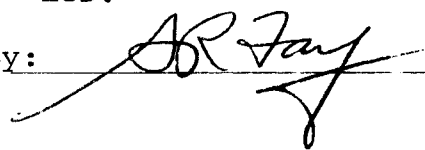
  
GLYN BEVAN EDWARDS, Director  
by Michael Joseph Fitzgerald  
pursuant to a Power of Attorney

**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.

February 6, 1980  
(Date)

CANARIM INVESTMENT CORPORATION  
LTD.  
By: 

CONTINENTAL, CARLISLE, DOUGLAS  
LTD.  
By: 

20. STATUTORY RIGHTS OF RESCISSION

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- (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.

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February 6, 1980  
(Date)

*Michael Joseph Fitzgerald*  
MICHAEL JOSEPH FITZGERALD,  
Director and Promoter

*Timothy Britton Brock*  
TIMOTHY BRITTON BROCK,  
Director and Promoter

*Glyn Bevan Edwards*  
GLYN BEVAN EDWARDS, Director  
by Michael Joseph Fitzgerald  
pursuant to a Power of Attorney

CERTIFICATE OF THE UNDERSIGNER(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.

February 6, 1980  
(Date)

CONTINENTAL CARLISLE DOUGLAS LTD.

CANARIN INVESTMENT CORPORATION

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