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HEDLEY

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

New Issue



MASCOT GOLD MINES LIMITED

\$6,250,000

Issue of up to 2,500 Units

Each Unit consists of 200 Series I Share Purchase Warrants, 725 Series II Share Purchase Warrants and the right to earn 1,000 Common Shares for each \$2,200 expended during 1984 on Canadian exploration expense as defined in the Income Tax Act (Canada).

Share Purchase Warrants

Each Series I Share Purchase Warrant will entitle the holder to subscribe for one Common Share at a price of \$1.70 per share from the date of issue to March 1, 1985. Each Series II Share Purchase Warrant will entitle the holder to subscribe for one Common Share at a price of \$1.70 per share from the date of issue to March 1, 1988. The Warrants will be issued in bearer form on the Closing Date. See "Details of the Offering".

The subscription price of \$2,500 per Unit will be allocated by the Company for tax purposes as to \$10 to the Series I Share Purchase Warrants, as to \$290 to the Series II Share Purchase Warrants and as to \$2,200 to the right to earn Common Shares. The proceeds allocated to the sale of the Warrants will be used primarily for payment of Agents' commission and expenses of issue. The proceeds allocated to the right to earn Common Shares, together with interest earned thereon (collectively "Unitholders' Funds"), will be expended on behalf of Unitholders to fund a portion of the Company's 1984 mineral exploration program. See "Use of Proceeds". Such expenditures incurred as the sole consideration for Common Shares or the right to earn Common Shares will constitute Canadian exploration expense under the Income Tax Act (Canada) and will entitle the Unitholders to deductions for income tax purposes. See "Income Tax Considerations". Subscribers for Units will earn one Common Share for each \$2.20 of Unitholders' Funds expended on Canadian exploration expense. **Rights to earn Common Shares will not be transferable.**

The outstanding Common Shares of the Company are listed on the Toronto and Vancouver stock exchanges. These exchanges have conditionally approved the listing of the Warrants and the Common Shares to be issued by the Company. Listing is subject to the Company fulfilling all of the requirements of such exchanges on or before November 13, 1984, including distribution of the Units to a minimum number of public security holders. The closing sale price of the Common Shares on The Toronto Stock Exchange on August 14, 1984 was \$1.70. See "Price Range and Trading Volume of Common Shares". The price of the Units has been determined by negotiation between the Company and the Agents.

These securities are speculative. The amount of \$2.20, representing the right to earn one Common Share exceeds the net pro forma book value per share at March 31, 1984 by \$1.06 after giving effect to the Maximum Offering. Unitholders may be subject to civil liability arising from the mineral exploration program. See "Risk Factors".

Price: \$2,500 per Unit

	Price to the public	Agents' Commission	Net Proceeds to the Company (1)(2)
Per Unit	\$2,500	\$187.50	\$2,312.50
Minimum Offering (3)	\$3,000,000	\$225,000	\$2,775,000
Maximum Offering	\$6,250,000	\$468,750	\$5,781,250

(1) Before deducting expenses of issue estimated to be \$185,000.

(2) Unitholders' Funds will be held by the Custodian who will disburse such proceeds to the Company to incur Canadian exploration expense.

(3) Subscription funds will be held by Canada Permanent Trust Company pending the Closing Date. If the Minimum Offering has not been subscribed for by the Closing Date, or for any other reason closing does not occur, all subscription funds will be promptly returned to subscribers without interest or deduction.

We, as agents, conditionally offer the Units on a best efforts basis subject to prior sale, if, as and when issued and delivered by the Company and accepted by us in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Company by Smith, Lyons, Torrance, Stevenson & Mayer, Toronto, and on behalf of the Agents by Stikeman, Elliott, Toronto.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription book at any time without notice. The expected Closing Date is September 6, 1984, but may be a later date as stated under "Plan of Distribution". It is expected that definitive certificates for the Warrants will be available for delivery to Unitholders on the Closing Date. Definitive certificates for the Common Shares earned by Unitholders will be mailed to Unitholders on or before March 15, 1985.

The following information is a summary only. Reference is made to the detailed information appearing elsewhere in this Prospectus.

SUMMARY

The Offering

- Offering:** A maximum of 2,500 Units (the "Maximum Offering") and a minimum of 1,200 Units (the "Minimum Offering"). Each Unit consists of 200 Series I Share Purchase Warrants, 725 Series II Share Purchase Warrants (collectively "Warrants") and the right to earn 1,000 Common Shares for each \$2,200 expended during 1984 on Canadian exploration expense as defined in the Income Tax Act (Canada).
- Price:** \$2,500 per Unit.
- Warrants:** Each Series I Share Purchase Warrant will entitle the holder to subscribe for one Common Share at a price of \$1.70 at any time after the date of issue to March 1, 1985. Each Series II Share Purchase Warrant will entitle the holder to subscribe for one Common Share at a price of \$1.70 at any time after the date of issue to March 1, 1988. See "Details of the Offering".
- Common Shares:** The outstanding Common Shares of the Company are listed on the Toronto and Vancouver stock exchanges.
- Transferability:** **Rights to earn Common Shares will not be transferable.**
- Estimated Closing Date:** September 6, 1984.
- Use of Proceeds:** The proceeds allocated to the sale of the Warrants will be used primarily for payment of Agents' commission and expenses of this issue. The proceeds allocated to the right to earn Common Shares, together with interest earned thereon, being Unitholders' Funds, will be expended on behalf of Unitholders prior to December 31, 1984 to incur Canadian exploration expense in the course of mineral exploration on the two principal properties in which the Company has an interest. Any portion of Unitholders' Funds may be expended to incur Canadian exploration expense in the course of mineral exploration on other properties in which the Company has an interest if expenditures on the two principal properties cease to be justified or expenditures on other properties are deemed prudent by management of the Company, provided that such expenditures qualify as Canadian exploration expense which qualifies for mining exploration depletion allowance. Subscribers for Units will earn one Common Share for each \$2.20 of Unitholders' Funds expended on Canadian exploration expense.
- Unitholders' Funds will be held by Canada Permanent Trust Company (the "Custodian") and will be invested on behalf of the Unitholders by the Custodian until advanced to the Company for such exploration expenditures. Any Unitholders' Funds not expended on or before December 31, 1984 will be returned to Unitholders as soon as practicable and, in any event, not later than the time of delivery of certificates for Common Shares.
- Delivery of Warrants and Common Shares:** It is expected that definitive certificates for the Warrants will be available for delivery to Unitholders on the Closing Date. Definitive certificates for Common Shares will be mailed to Unitholders on or before March 15, 1985.

Income Tax Considerations

The Income Tax Act (Canada) allows investors to deduct, in calculating their income for tax purposes, Canadian exploration expense incurred solely as consideration for shares or the right to shares of a corporation. In addition, it was announced in the April 19, 1983 Budget Address by the Minister of Finance, as reflected in certain draft amendments to regulations under the Income Tax Act (Canada), that depletion allowance to the extent of 33-1/3% of eligible Canadian exploration expense incurred after April 19, 1983 in the course of mineral exploration would be allowed as a deduction from income to the extent of 25% of income after deduction of Canadian exploration expense, (33-1/3% of income for Quebec tax purposes). Unitholders' Funds will be used in 1984 to incur Canadian exploration expense in the course of mineral exploration and therefore it is estimated that approximately \$2,933 per Unit, being 133-1/3% of \$2,200, representing the right to earn the 1,000 Common Shares forming part of such Unit, will be available to each Unitholder with sufficient income as a deduction in calculating income for tax purposes in 1984. **Unitholders should consult their tax advisors to determine individual tax consequences of an investment in the Units. See "Income Tax Considerations" and "Risk Factors".**

The Company

The Company is the corporation resulting from the amalgamation on July 31, 1984 of Mascot Gold Mines Limited and Ebex Resources Ltd. See "The Company". The Company is engaged in the exploration for and development of base and precious metals, primarily gold, in Canada and the United States. The two principal properties in which the Company has an interest, both of which are currently non-producing, are the Nickel Plate property, a former gold mine located near Hedley, British Columbia, 100% owned by the Company, and the Bralorne property, a former gold mine located near Lillooet, British Columbia, in which the Company has approximately a 21% interest with the right to increase such interest to approximately 60%. The Company also owns varying interests in 37 other properties, none of which is currently in production, and a 10.4% interest in the Sterling Mine, a small producing gold mine located in Nevada.

Reserves

The Hainsworth Report and the DeLeen Report provide reserve data for the Nickel Plate and Bralorne properties, respectively. At December 31, 1983, estimated drill proven reserves on the Nickel Plate property were 404,498 tons having an average undiluted grade of 0.292 ounces of gold per ton and estimated drill possible reserves on the Nickel Plate property were 94,160 tons having an average undiluted grade of 0.270 ounces of gold per ton, in both cases, above the 450 level. The Bralorne property at June 22, 1984 had an aggregate of 797,185 tons of proven and probable reserves having an average diluted grade of 0.24 ounces of gold per ton and 117,930 tons of possible reserves having an average diluted grade of 0.29 ounces of gold per ton, in both cases, above the 2600 level.

Risk Factors

The securities offered hereby are speculative and are subject to a number of risk factors. The Company's two principal properties are non-producing and the reserves on these properties are presently insufficient at current gold prices to be economically viable. **However, production from such properties has occurred in the past and, as a result, could affect the eligibility as Canadian exploration expense of expenditures to be made by Unitholders as proposed in this Prospectus.** Certain income tax consequences to Unitholders depend on the passage of draft legislation and regulations. Mineral exploration and development involve significant risks and, while the rewards can be substantial if an orebody is found, few properties which are explored are ultimately put into commercial production. **In addition, Unitholders may become directly liable for liabilities arising from the mineral exploration program to be conducted by the Company on behalf of Unitholders to the extent that such liabilities exceed the net assets of the Company and the proceeds of insurance to a maximum of \$50,000,000 per occurrence which will be maintained for the benefit of Unitholders.** See "Risk Factors".

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THE COMPANY

Mascot Gold Mines Limited (the "Company") is the corporation resulting from the amalgamation on July 31, 1984 by certificate of amalgamation under the laws of British Columbia of Mascot Gold Mines Limited ("Old Mascot") and Ebex Resources Ltd. ("Ebex"). As used herein, the "Company" also includes Old Mascot and Ebex as the context requires.

The registered and records office of the Company is located at 16th Floor, 1030 West Georgia Street, Vancouver, British Columbia V6E 3C4 and its head office is located at 1440-800 West Pender Street, Vancouver, British Columbia V6C 2V6.

The Amalgamation

Old Mascot was incorporated under the laws of British Columbia by memorandum of association dated November 29, 1971 for the purpose of acquiring the Nickel Plate property. At the date of the amalgamation of Old Mascot and Ebex, Campbell Resources Inc. ("Campbell") owned, directly and indirectly, 4,486,113 shares of Old Mascot, representing approximately 80.8% of the 5,555,139 shares of Old Mascot issued and outstanding.

Ebex was incorporated under the laws of British Columbia by certificate of incorporation dated April 9, 1984 for the purpose of acquiring E&B Explorations Limited Partnership ("E&B"), a limited partnership formed in 1979 under the laws of Colorado. On incorporation, one common share of Ebex was issued to Campbell.

Pursuant to an agreement dated as of May 17, 1984 (the "Master Agreement") among Old Mascot, Ebex, Campbell, E&B, E&B Explorations Inc. ("E&B Inc."), a Delaware corporation which was the general partner of E&B and had a 50% interest therein, NuNorth Resources Limited, L.P. ("NuNorth"), a Delaware limited partnership which was the sole limited partner of E&B and had a 50% interest therein, and certain principals of E&B, E&B Inc. and NuNorth, Ebex purchased all of the interest of NuNorth in E&B, all of the issued and outstanding shares of E&B Inc., 150,000 treasury common shares of Campbell and certain properties owned by Campbell or its wholly-owned subsidiary, CCH Minerals Ltd., in consideration of an aggregate of 8,000,000 common shares of Ebex and \$100 in cash. In addition, Old Mascot and Ebex entered into an amalgamation agreement under which Old Mascot and Ebex amalgamated (the "Amalgamation") to become the Company and each shareholder of Old Mascot and Ebex received one Common Share of the Company for each share of Old Mascot or Ebex held.

In connection with the Amalgamation, an independent investment dealer provided a letter dated June 26, 1984 addressed to the Board of Directors of Old Mascot advising that, as a consequence of the analysis conducted by it and based on the material it was furnished and relied upon, such investment dealer was of the opinion that the share exchange ratio was fair from a financial point of view to public shareholders of Old Mascot.

As a result of the foregoing 13,555,140 Common Shares of the Company were issued and outstanding as of the date of the Amalgamation, of which 8,886,114 Common Shares, representing approximately 65.5%, were owned, directly and indirectly, by Campbell. Campbell has agreed to sell 8,669,213 of these Common Shares to Royex Gold Mining Corporation, an associated company, as described under "Principal Holders of Common Shares".

BUSINESS OF THE COMPANY

The Company is engaged in the exploration for and development of base and precious metals, primarily gold, in Canada and the United States. The two principal properties in which the Company has an interest are the Nickel Plate property, 100% owned, and the Bralorne property in which the Company has approximately a 21% interest with the right to increase such interest to approximately 60%. The Company also owns varying interests in 37 other properties, none of which is currently in production, and a 10.4% interest in the Sterling Mine, a small producing gold mine located in Nevada.

The following is a brief description of the Nickel Plate and Bralorne properties and certain other mining properties in which the Company has an interest. It is anticipated that substantially all of the Unitholders' Funds will be spent by the Company on behalf of the Unitholders on mineral exploration programs on the Nickel Plate and Bralorne properties.

Nickel Plate Property

Old Mascot acquired the principal portion of the Nickel Plate property in 1971 by exercising an option which had previously been granted to Campbell by Burden Investors Services Inc. ("Burden"). The Company currently owns a 100% interest in the Nickel Plate property subject only to the right of Burden to receive a maximum of \$250,000 based on a percentage (not to exceed 10%) of the net smelter returns received from the sale of any product derived from ore mined on the property.

W.G. Hainsworth, P. Eng., consulting engineer, has prepared a report on the Nickel Plate property dated June 8, 1984 (the "Hainsworth Report"). The following is a summary of certain portions of the Hainsworth Report.

Location, Access and Description

The Nickel Plate property is located approximately 150 miles east of Vancouver, near Hedley, British Columbia, which is on the Southern Trans-Provincial Highway No. 3. The claims lie along the southern and western slopes of Nickel Plate Mountain, approximately two miles to the northeast of Hedley.

Access to the property is by a 12 mile gravel road from Hedley that follows the southern and eastern slopes of Nickel Plate Mountain. The road continues three miles to Nickel Plate Lake near the Apex ski resort. The Apex resort is accessible from Penticton by approximately three miles of well-maintained gravel road and 18 miles of black top road.

The Nickel Plate property consists of 83 Crown-granted mineral claims, three mineral claims held by location, two mineral leases, surface rights on fourteen of the 83 Crown-granted mineral claims and one land lot. The mineral holdings, which form a solid block save for a portion in the north central area, total approximately 3,848 acres lying along the south and west slopes of Nickel Plate Mountain between elevations of 3,000 and 6,100 feet.

History

The Nickel Plate property was first discovered in 1897 and was maintained in commercial production by several mining companies prior to 1930 and then from 1934 to 1955, when it was closed permanently, apparently as a result of increases in operating costs and a fixed gold price. During its operation, 3,273,807 tons of ore yielding 1,448,460 ounces of gold with an average recovered grade of 0.44 ounces of gold per ton were produced from the three main ore systems, the Nickel Plate, Morning and Sunnyside. Development and production has extended over a vertical depth in excess of 1,700 feet.

Geology

In the Hedley area the oldest rocks are sediments of Mesozoic age that correlate with the Nicola group of the Triassic period. The Nicola formations were derived from an epoch of wide-spread volcanism that flowed into a marine basin of great extent and depth resulting in the formation of argillite and limestone with some local fine-grained quartzites.

Strong pressure from the east and west caused folding of the sediments which in the Hedley area formed an asymmetrical anticline striking north 15° to 20° east. This overturned fold, whose axial plane dips steeply to the west, displays a western limb dipping 15° to 40° to the west which is cut longitudinally by the flat dipping north-east striking Bradshaw Fault. This fault structure occupies Windfall Canyon through which Twenty Mile Creek flows.

Intrusion by early magmas produced a granitic core underlying the sediments. Outpourings of later basic magmas were responsible for several large areal plutons and extensive groups of dykes and sills.

The stratigraphic column in the Hedley area is depicted as follows: Aberdeen - Sediments; Red Mountain -Volcanics; Nickel Plate - Top Bed (Kingston Limestones), Middle Bed (Middle Member), Bottom Bed (Sunnyside Limestones); Red Top - Quartzites.

The Nickel Plate formation has been subjected to alteration forming "skarn", a coarse aggregate of diopside, garnet, epidote, wollastonite plus the infused silica. A sharp demarcation skarn line referred to as the

“Marble Line” marks the normally abrupt transition from variably altered to unaltered strata generally in the vicinity of the contact with the underlying unaltered Sunnyside limestones.

Exposure at the Nickel Plate property has shown the existence of five ore controls. They are: (i) favourable beds, (ii) relationship to the Marble Line, (iii) presence of sills and dykes, (iv) folds and fractures, and (v) presence of arsenopyrite. Any of the above controls present either individually or in conjunction with other influencing factors could establish economic mineralization.

Other minerals are pyrite, pyrrhotite, chalcopyrite and minor amounts of cobalt.

The Nickel Plate property is a complex mixture of stratigraphy and structure which has produced three different sets of ore systems: (i) the Nickel Plate, (ii) the Sunnyside (including the Bulldog zone), and (iii) the Morning.

- (i) *Nickel Plate System Orebodies*: This system is composed of a series of tabular gold bearing lenses that may be described as a set of overlapping shingles following the dip of the strata for a distance of 3,000 feet on a bearing of north 70° west. There are seven lenses from the surface each contained in a different skarn bed. The system is associated with porphyry sills called “the mine sills” which are intrusive structures lying slightly discordant to the bedding planes. The ore beds have been mined from the surface through to the 17th Level at elevation 4,750 feet.
- (ii) *Sunnyside System Orebodies*: The surface expression of this system was discovered early in the history of the mine and became the staple mill feed along with the near-surface Nickel Plate ore systems. The Sunnyside ore beds lie deep in the Middle formation and are closely related to indentations or keels in the Marble Line. They are moderately folded with the mineralization being confined to the apex and/or one limb of the fold. Their down dip expression is shallow.

The Sunnyside 450 zone like the other zones in this system, is associated with mine sills, the principal one being the Flipper Sill. In addition, two dykes converging to the east form a loci with the sill where ore grade mineralization is generally formed. The newly-discovered Silverside zone is a similar dyke-related ore structure which overlies the Sunnyside 450 zone and which has given some credence to the possibility of a comparable stacking of ore structures as those of the Nickel Plate system. The Sunnyside 250 zone is most unlike the other Sunnyside zones. It is not associated with perceptible arsenopyrite and, at present, has no recognizable ore controls. Its identification in core or surface formations is difficult leading to an obvious question as to how many zones similar to the Sunnyside 250 have been overlooked in the past due to non-conformity to then accepted standards. The Bulldog ore zones are similar to the Sunnyside zones in stratigraphy, but lie further to the south and down the rake of the strata. Sills play a prominent part in the relationship of the distribution of the gold values.

- (iii) *Morning System Orebodies*: This system is unlike that of the Nickel Plate orebodies in both structure and grade. Two of the better known porphyry structures, the Midway Sill and the Flange Dyke, combine at depth to form orebodies at their junction. The grade and persistence of the mineralization is related in most instances to the tight folding at these “crotches”. The Morning ore structures, because of their rich grades were thoroughly stoped above the 4,050 level and possibly below.

Reserves

The Hainsworth Report calculated the geological mineral reserves on the Nickel Plate property above the 450 level. The breakdown of the mineral reserves was 404,498 drill proven tons with an average grade of 0.292 ounces of gold per ton and 94,160 drill possible tons with an average grade of 0.270 ounces of gold per ton. No factors governing mining dilution or extraction were applied to these figures because the program is preliminary and the mining mode has not been chosen.

Recent Exploration and Development

In late 1980 a surface diamond drilling program totalling 14,480 feet in 97 holes was initiated, concentrating in the Sunnyside and Nickel Plate systems, and was followed by an extensive underground drilling program through the winter of 1981-82 aggregating an additional 32,486 feet in 377 holes in 12 areas. In the summer and fall of 1982 a surface program of geologic mapping, surface trenching, sampling and a limited amount of surface and

underground diamond drilling was undertaken to locate surface expressions of ore bodies and to obtain a greater understanding of the structures in areas previously known. This surface work located the new Silverside zone, added dimensions to the known Sunnyside No. 1 zone and expanded the information in the Bulldog No. 3 zone.

In April 1984, a drill program was initiated with the dual purpose of locating additional bodies of mineralization with economic potential and expanding and enhancing the previously outlined areas of ore grade mineralization. Approximately 6,376 feet of drilling had been completed to June 8, 1984 in 32 diamond drill holes on surface and underground. Because the program is ongoing, it is premature to allocate any further reserves at this time.

The results of the recent drilling program, with respect to assays of some of the significant intersections, may be summarized as follows:

<u>Zone</u>	<u>Hole Number</u>	<u>Depth (feet)</u>	<u>Interval (feet)</u>	<u>Gold (oz./ton)</u>
Sunnyside 250 zone	110	188.3-227.0	38.7	0.466
	2909	1.5- 67.0	65.5	2.029
	2908	130.0-132.7	2.7	3.281
Silverside zone	104	0.0- 34.6	34.6	0.253
		45.3- 57.0	11.7	0.266
	105	33.0- 59.0	26.0	0.200
		72.8- 80.0	7.2	0.091
	108	50.0- 51.0	1.0	1.660
		125.0-145.0	20.0	0.134
Sunnyside No. 1 zone	109	194.0-202.0	8.0	0.153
	2904	46.0- 51.5	5.5	0.181
	2905	45.0- 53.3	8.3	0.123

1984 Exploration Program

The principal exploration targets for increasing the tonnage and grade of the mineral reserves are in four zones adjoining the old Nickel Plate mine workings. These are the Sunnyside No. 1 and Bulldog No. 3 zones and the recently discovered Silverside and Sunnyside 250 zones. All of these zones require additional exploratory diamond drilling to increase and confirm the tonnage and grade. The major potential is the down-dip extensions. Activities on these areas are being emphasized.

Other exploration possibilities abound within the confines of the property. The Hainsworth Report recommends that surface and underground drilling be carried out to the extent of a total of 39,500 feet on a priority target rating of nine individual mineralized areas plus additional areas as they become apparent.

In order to locate specific underground drill sites, access will be required to these areas. Therefore, exploratory drives to these localities are an integral part of the program which recommends rehabilitation of the 450 and 800 levels for eventual drilling. Surface prospecting in the form of geochemistry and geophysical surveys will assist geological interpretation of specific or general areas.

The cost of the program recommended in the Hainsworth Report is estimated at approximately \$3.5 million, broken down as follows:

<i>Diamond drilling:</i>	
39,500 ft. @ \$58.00 per foot (all inclusive)	\$2,291,000
<i>Exploration Headings for Drill Sites:</i>	
Sunnyside 250 Zone	
1,000 feet @ \$400.00 per foot (all inclusive)	400,000
Silverside Zone	
300 feet @ \$400.00 per foot (all inclusive)	120,000
Underground rehabilitation	225,000
Drilling costs	3,036,000
Metallurgical test work	50,000
Geochemical and geophysical surveys	150,000
Subtotal	3,236,000
Contingency	324,000
Total	<u>\$3,560,000</u>

It is anticipated that the program will take approximately four to six months to complete, including preparatory work which commenced in June, 1984.

Bralorne Property

On July 25, 1980, E&B Inc., on behalf of E&B, entered into an agreement dated July 9, 1980 (the "Option Agreement") with Bralorne Resources Limited ("Bralorne"), the owner of the Bralorne property, pursuant to which a program of basic exploration, diamond drilling, dewatering of workings, underground examination, installation of an underground hoist and engineering studies was carried out by E&B and others (the "funding venture participants") at an aggregate cost of approximately \$6,900,000. As a result of its contribution to these expenditures, the Company has approximately a 21% interest in the Bralorne property. If either the Company or Bralorne continue to contribute to exploration costs or to the cost of bringing the Bralorne property into production and equivalent contributions are not made by the other party, the non-contributing party's interest in the Bralorne property will be diluted in accordance with the provisions of the Option Agreement. Bralorne and the funding venture participants have agreed not to participate in the 1984 exploration program. Where either party's interest is diluted to a 10% interest, that party's interest shall be converted to a 10% net proceeds interest after payback. If the 1984 exploration program, as recommended below, is completed, the Company will have increased its interest in the Bralorne property to approximately 30%.

Under the terms of an agreement made August 29, 1983 and dated May 31, 1983 (the "Bralorne Joint Venture Agreement"), providing for the development and operation of the Bralorne property, if the Company has received (or is assured of receiving) at least \$12,000,000 in equity financing and a lender is then committed to provide up to \$10,000,000 of financing, both prior to December 31, 1984, the Option Agreement will terminate, the Bralorne Joint Venture Agreement will become operative, and, pursuant to that agreement and provided the \$12,000,000 equity financing has been expended by the Company, the Company and the funding venture participants will have earned an 80% interest in the Bralorne property. Bralorne has agreed to extend the December 31, 1984 deadline to December 31, 1986 provided that the 1984 exploration program is carried out as contemplated herein. Under the terms of an agreement dated May 31, 1983 (the "Settlement Agreement") setting out the respective ownership interests of the Company and the funding venture participants in the Bralorne property, upon the Bralorne Joint Venture Agreement becoming operative and the \$12,000,000 equity financing having been expended, the Company will have earned approximately a 60% interest in the Bralorne property. If the Company earns such interest in the Bralorne property, all net proceeds of production will be used initially to repay the principal amount of the project financing. Thereafter, if the costs of developing the Bralorne property do not exceed \$19,500,000, then, to the extent that the sale price of gold remains below \$600 (U.S.) per ounce, the Company will be entitled to repayment of its equity contribution out of approximately 72% of the net proceeds of

production until it has received \$15,000,000 less the principal amount borrowed under the project financing and thereafter out of approximately 68% of such net proceeds. If the costs of developing the Bralorne property exceed \$19,500,000 and the Company obtains financing for the excess, the Company will be entitled to repayment of its equity contribution out of approximately 90% of the net proceeds of production until it has received \$15,000,000 less the principal amount borrowed under the project financing and thereafter out of approximately 85% of such net proceeds, until the excess is repaid. Regardless of the amount spent, the Company will be entitled to approximately 60% of the net proceeds of production if the price per ounce of gold exceeds \$600 (U.S.).

The Company will manage the exploration and development of the Bralorne Mine on behalf of all participants and the costs of operation will be shared in proportion to the parties' respective revenue interests. There is a royalty payable on production from 15 peripheral claims in the amount of \$0.50 per ton of ore if the gold content thereof exceeds 0.75 ounces of gold per ton.

Mr. J. DeLeen, P. Eng., mining engineer and consulting geologist, has prepared a report on the Bralorne property dated June 22, 1984 (the "DeLeen Report"). The following is a summary of certain portions of the DeLeen Report:

Location, Access and Description

The Bralorne property is located in southwestern British Columbia, about 100 miles north of Vancouver and 40 miles west of Lillooet, B.C. It is accessible by an all year highway from Lillooet. The property consists of 133 Crown-granted mineral claims, two staked mineral claims and two placer leases totalling 4,053 acres. Taxes and minor amounts of assessment are the only work required to keep the property in good standing.

History

The total production from the mines in the Bralorne Camp from 1863 to 1971 was 8,000,000 tons that yielded 4,100,000 ounces of gold representing an average recovered grade of 0.51 ounces of gold per ton. The Lorne and Bradian mines were consolidated in 1932 to form the Bralorne mine. The Pioneer mine was consolidated with Bralorne in 1959. The production from the Bralorne property from 1932 to 1971 was 5,400,000 tons of ore that produced 2,560,000 ounces of gold representing an average recovered grade of 0.47 ounces of gold per ton.

Production from the Bralorne property ceased in 1971, when the Bralorne mine was closed due to increasing costs of production and low gold prices and the physical assets were disposed of. Limited exploration was completed in 1973 and 1974 and the mine was permanently closed in 1976.

Geology

The rocks in the Bralorne mine area are a series of sediments and volcanics which are overlain by the Hurley-Noel volcanics and sediments and the Pioneer greenstones. This assemblage has been folded and intruded by a series of gabbro, diorite, quartz-feldspar porphyry, soda granite and albite dykes and sills. The gold bearing veins occur in the intrusive and volcanic rocks in a zone that has a width of 2,500 feet and a length of 3.4 miles.

The veins, in general, have an east-west or a north-south strike and dip at angles of 45 to 80° to the north or west. The veins have widths that vary from 2.5 to 4.9 feet. At the junctions of veins, or local swellings, the gold bearing structures may have widths up to 20 feet. The mineralization of the veins is a dense white quartz which contains minor amounts of chlorite, carbonate, mariposite, sulphides and fragments of altered wallrock. The sulphides are generally pyrite and arsenopyrite. Fine and visible free gold comprise the ore material. To date 35 veins have been traced in the workings of the Bralorne mine. A number of new veins have been indicated by gold bearing intercepts obtained in the 1980-81 drilling completed above the 800 level.

Recent Exploration and Development

Pursuant to the program undertaken in 1980 by virtue of the Option Agreement, the Crown hoist was replaced and the dewatering of the workings was started. The water was pumped out to the 2,000 level by 1981. A drilling program, surface and underground, was completed in 1980 and 1981. While some 35 gold-bearing intercepts were obtained in the drill core, further underground drilling and drifting will have to be completed in order to evaluate additional reserves. A program of rehabilitation and sampling was completed in 1982. The sampling confirmed the grade of mineralization, as determined from the old assay plans.

Reserves

The DeLeen Report estimated the reserves contained within the Bralorne mine as at the date thereof as follows:

	<u>Tons</u>	<u>Gold Ounces/Ton</u>
Proven	167,250	0.24
Probable	629,935	0.24
Total	<u>797,185</u>	<u>0.24</u>
Possible	<u>117,930</u>	<u>0.29</u>

Notes:

1. All assays above 1.5 oz. gold per ton were reduced to 1.5 oz. per ton.
2. Cut-off grade was 0.14 oz. gold per ton.
3. A minimum dilution of 15% was applied.
4. A minimum mining width of 4 feet was used.
5. A tonnage factor of 12.1 cubic feet per ton was used.
6. Only blocks located above the 2600 foot level and remaining as pillars and unmined blocks within the old workings of the Bralorne mine were included.

The existing reserves at the Bralorne property consist of those lower grade mineralized zones which were below the cutoff grade used during the previous mining. This includes mineralization in the vicinity of old mining areas as well as in areas known to contain lower grade mineralization and which, therefore, were never mined in the past. However, at the present price of gold these reserves remain uneconomic.

1984 Exploration Program

The aim of the 1984 exploration program recommended in the DeLeen Report is to explore for lower cost, higher grade mineralized zones on and above the 800 haulage level, which will allow for production at the present price of gold. The program will consist of surface and underground drilling, exploration drifting, a geophysical survey, the completion of the rehabilitation of the Crown shaft and the dewatering of the mine to the 2600 level. Exploration of the 809, 813, Alhambra Footwall and possibly the King veins will be undertaken by drifting on the 800 level. These veins are located between the King and Bralorne workings. Exploration drifting will also be completed on the 800 level on the 851 Footwall, 851 B and 851 B Footwall veins. This area is located between the old Bralorne and Pioneer workings. Surface drilling will be completed on the Taylor and Countless veins located in the same area. Underground drilling will be completed in the Alhambra and 851 B vein areas. The geophysical survey will be completed in the area of the 1980-81 drilling to determine if an EM-VLF survey can be used to outline vein structures.

The estimated 1984 expenditures for the recommended work at the Bralorne property are as follows:

<i>Exploration</i>	
Drifting — 4,300 ft. @ \$350/ft.	\$1,505,000
Drilling — surface, 5,000 ft. @ \$25/ft.	125,000
Drilling — underground, 10,000 ft. @ \$30/ft.	300,000
Geophysical survey	15,000
	<u>1,945,000</u>
<i>Rehabilitation</i>	
Crown shaft, pumping system, etc.	375,000
<i>Support</i>	
Field office expense	170,000
Rental — equipment	200,000
Mobilization of equipment	20,000
	<u>390,000</u>
<i>Camp Costs</i>	
Rental of trailers	50,000
Cost of board	80,000
Camp power	15,000
	<u>145,000</u>
Subtotal	2,855,000
Contingency	245,000
Total	<u>\$3,100,000</u>

It is anticipated that the program will take approximately four to six months to complete, including preparatory work which has already commenced.

Sterling Mine

The Company holds a 10.4% interest in, and is the manager of, the Sterling Mine located approximately 90 miles northwest of Las Vegas and eight miles southeast of Beatty, Nevada. Production from the property, which consists of 93 unpatented lode mining claims totalling 1,919 acres, is subject to a 2% net smelter return royalty on production. The property was discovered in 1906 and, while it initially produced a small amount of ore, for the most part it lay dormant until the early 1970s.

The Sterling Mine commenced production in December 1980 and produces at the rate of 200 tons per day. To May 31, 1984, 38,603 ounces of gold had been produced from 202,534 mined tons, representing an average recovered grade of 0.19 ounces of gold per ton. The Company's share of such production was approximately 4,015 ounces of gold. Gold is recovered by a low cost heap leach process at an average cost per ton of U.S.\$29.47 with recoveries of approximately 84%. Proven and probable reserves as of October 1983 were approximately 274,000 tons grading 0.28 ounces of gold per ton, of which 55,000 tons are mineable by open pit methods. Continued exploration is expected to increase reserves as only 5% of the property underlying the Sterling Mine has been drill tested.

The Company and the funding venture participants intend, when economically viable, to increase production at the Sterling Mine to some 300 tons per day through construction of a second access into the lower part of the mine. The second access would effectively divide the mine into two producing areas, thereby permitting more efficient and less expensive mining.

El Plomo Property

The Company has an 8.7% interest in the El Plomo property which it acquired in 1983 by the aggregate expenditure of approximately \$2,300,000 by itself and the funding venture participants. The El Plomo property contains 813 acres and is located about 175 miles south of Denver, Colorado. The property was discovered in the 1880s and was worked until the end of the century. Intermittent work was carried out on the property until 1975 when Earth Sciences, Inc. acquired the property and conducted drilling and trenching. The Company became a joint venture partner and manager of the property in 1981. Since then, 109 rotary-percussion holes, totalling

15,400 feet, have been drilled, which confirmed the existence of 1,362,000 tons of open pit reserves grading 0.053 ounces of gold per ton which are amenable to heap leaching with an expected recovery of 75% when crushed to minus $\frac{3}{8}$ inches. These are sufficient for five to seven years of production at an expected rate of 800-1,000 tons per day.

During 1982 and 1983 a pilot scale heap leach test using 3,000 tons of mined material was completed. Further metallurgical testing is planned to determine if the quantity of material to be treated can be reduced by screening a low grade fraction prior to leaching.

Cariboo-Bell Property

The Cariboo-Bell copper-gold property is located 36 miles northeast of Williams Lake, British Columbia and consists of 381 claim units comprising approximately 21,270 acres. The property is approximately 29% owned by the Company which acts as operator and manager. The Company and the funding venture participants have spent approximately \$1,700,000 on this property to December 31, 1983 and a \$75,000 final option payment (which the Company intends to make) must be made on August 31, 1984 for the Company to retain its interest. The property is subject to a royalty interest equal to 22% of the net proceeds of production.

Between 1966 and 1970, 60,174 feet of diamond drilling and 23,800 feet of percussion drilling were carried out on the property. Geophysical and other surveys, including a further 10,175 feet of percussion drilling, were carried out between 1970 and 1979. The Company completed a further 26,780 feet of diamond and rotary drilling by mid-1982.

A porphyry type copper-gold deposit has been delineated in four zones, estimated to contain 128 million tons grading 0.31% copper and 0.012 ounces of gold per ton at a cutoff grade of 0.30% of copper equivalent, which can be mined by open pit methods.

Iron Mask Property

The Iron Mask copper-gold property is situated approximately five miles southwest of Kamloops, British Columbia and consists of 194 claim units comprising an area of 11,170 acres. The property is owned 6% by the Company and 70% by Cominco Ltd., which acts as operator, and the remainder by others. The Company's interest was acquired in 1982 by the expenditure of approximately \$1,000,000 by itself and the funding venture participants. Work on the property has defined a deposit estimated by the operator to contain 105 million tons grading 0.32% copper and 0.009 ounces of gold per ton, which can be mined by open pit methods.

Addington Property

The Company acquired a 20% interest in the Addington Property in 1983 by the expenditure of approximately \$822,000 by itself and the funding venture participants.

The Addington property, discovered in 1881, is located approximately 47 miles northwest of Kingston in south central Ontario. Surface and underground drilling completed include 176 diamond drill holes totalling 23,405 feet. The underground workings consist of an inclined shaft (535 feet), a winze (273 feet), 7,096 feet of drifting and 3,033 feet of crosscutting. Estimated reserves, as reported in Report 215 of the Ontario 1982 geological survey, are 256,000 tons grading 0.16 ounces of gold per ton.

From 1980 to 1983 a magnetometer survey, geological mapping and 24,502 feet of drilling in 32 holes were completed. These holes were located to test the lateral and vertical extensions of the known oreshoots and 20 of these holes intersected the vein structure and contained values in excess of 0.08 ounces of gold per ton.

The gold mineralization occurs in quartz veins and stringers at a contact between volcanic and sedimentary rocks. The rocks are highly folded and strike north 10 degrees east and dip to the east at 70 degrees. Approximately 5,000 feet of the gold-bearing contact zone are located on the two claims. The zone is reported to have a maximum width of 35 feet.

Misty Property

The Misty Property, 100% owned by the Company, is located in a mountainous area 20 miles northwest of Terrace, British Columbia. The property is a gold prospect on which soil geochemical surveys in 1979, 1980 and

1981 established a prominent and persistent V-shaped gold anomaly with coincident anomalous silver. Continuous anomalous gold values in excess of 500 parts per billion have been traced for 1,000 feet on both limbs of the "V" with individual soil sample analyses running as high as 7,700 parts per billion.

Additional work on the Misty Property has demonstrated the presence of free gold in quartz veins. A general correlation between gold quartz veins, dykes, anomalous soil geochemistry and bedrock linears suggest these veins are concentrated in an area two miles long by 0.6 miles wide. Reconnaissance geochemical surveys outside the detailed area described above have indicated numerous gold anomalies.

Motherlode-Greyhound Property

This property, a former copper-gold-silver producing property, is 100% owned by the Company and is located in the Greenwood Mining Camp about 200 miles east of Vancouver, British Columbia. Proven and probable reserves aggregate approximately 449,000 tons grading 0.65% copper, 0.015 ounces of gold per ton and 0.13 ounces of silver per ton.

Giant Nickel Mine

The Giant Nickel Mine, a former nickel-copper producer, is 100% owned by the Company and is situated about 75 miles east of Vancouver, British Columbia. The mine last operated during the period from 1958 to 1974 and total production was 4,750,000 tons with an average grade above the 2,600 level of 0.78% nickel and 0.34% copper.

Other Properties

The Company has interests, varying from 2% to 100%, in 30 additional properties located principally in British Columbia, but also in Manitoba, Ontario, Quebec and the Yukon in Canada and Nevada and Washington in the United States. A majority of the properties contain gold mineralization and the balance contain silver, copper, molybdenum, tungsten, lead and zinc. None of such properties contains a known body of commercial ore. The Company intends to maintain these properties in good standing but has no current plans to carry out significant exploration work on them.

MANAGEMENT'S DISCUSSION OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

From 1979 to the date of the Amalgamation, Old Mascot's principal business activity consisted of exploration and development of the Nickel Plate property as described under "Nickel Plate Property - Recent Exploration and Development". During this period Old Mascot spent an aggregate of approximately \$5,250,000 on exploration and development and an aggregate of approximately \$650,000 on equipment and capital expenditures. Equity financing was the primary source of these funds.

From 1979 to the date of the Amalgamation, E & B spent approximately \$1,900,000 of an aggregate of approximately \$25,800,000 (the balance being provided by the funding venture participants) on exploration and development as follows:

<u>Property</u>	<u>Approximate Amount</u>	<u>Property</u>	<u>Approximate Amount</u>
Bralorne	\$6,900,000	Sterling	\$1,300,000
El Plomo	2,300,000	Iron Mask	1,200,000
Cariboo-Bell	1,700,000	Tenabo	1,000,000
Rusty Springs	1,500,000	New Pass	1,000,000
Lord River	1,400,000	Addington	800,000
Mindora	1,400,000	31 other properties	3,900,000
Porcher Island	1,400,000		

The source of the funds provided by E & B was management fees earned from the funding venture participants.

In June 1984, Old Mascot completed a \$1,000,000 private placement, the proceeds of which are to be expended on exploration and development of the Nickel Plate property. See "Use of Proceeds".

All expenditures on exploration and development to date have been deferred.

USE OF PROCEEDS

The proceeds of this offering will be \$6,250,000 based on the Maximum Offering and \$3,000,000 based on the Minimum Offering. The Company has allocated to the Warrants an aggregate of \$750,000 based on the Maximum Offering and \$360,000 based on the Minimum Offering, which will be used primarily for payment of Agent's commission and expenses of issue. The proceeds allocated to the right to earn Common Shares, together with interest earned thereon, being Unitholders' Funds, will be expended on behalf of Unitholders to fund a portion of the 1984 mineral exploration program of the Company in a manner which allows Unitholders directly to incur Canadian exploration expense ("CEE") under the Income Tax Act (Canada) incurred in the course of mineral exploration solely as consideration for the issuance to them of Common Shares or the right to earn such Common Shares. Such expenditures will constitute CEE which qualifies for the mining exploration depletion allowance if certain draft regulations under the Income Tax Act (Canada) to permit such allowances are promulgated, or otherwise which qualifies for the depletion allowance, and will entitle the Unitholders to deductions for income tax purposes. See "Income Tax Considerations" and "Risk Factors". Subscribers for Units will earn one Common Share for each \$2.20 of Unitholders' Funds expended on CEE in 1984.

It is anticipated that, based on the Maximum Offering, approximately \$2,500,000 of Unitholders' Funds will be spent on the Nickel Plate property, as described under "Nickel Plate Property - 1984 Exploration Program" and approximately \$3,100,000 of Unitholders' Funds will be spent on the Bralorne property, as described under "Bralorne Property - 1984 Exploration Program". The balance of the monies required to finance the 1984 exploration program on the Nickel Plate property has been provided through proceeds from a private placement. In the event that less than the Maximum Offering is subscribed for, the Company's current expectation is that the amounts of Unitholders' Funds spent on the Nickel Plate property and Bralorne property will be reduced proportionately. The Company reserves the right to determine that any portion of Unitholders' Funds may be expended to incur CEE in the course of mineral exploration on other properties owned or acquired by the Company, provided that continued expenditures as contemplated above cease to be justified or expenditures on other properties are deemed prudent by management and that such other expenditures qualify as CEE as described above. Any Unitholders' Funds not expended on or before December 31, 1984 will be returned to Unitholders as soon as practicable and, in any event, not later than the time of delivery of certificates for Common Shares.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company as at the date of the Amalgamation:

	<u>Authorized</u>	<u>Outstanding as at date of Amalgamation</u>
Advances from Campbell Common shares (see Notes 2 and 3)	50,000,000	\$ 486,697 12,664,043 (13,555,140 shs)

Notes:

1. An aggregate of 426,000 Common Shares are reserved for issue on the exercise of stock options as described under "Employee Incentive and Directors' Stock Option Plans".
2. In June 1984, Old Mascot completed a \$1,000,000 private placement, the proceeds of which will be expended, as agent for the subscribers, on exploration and development of the Nickel Plate property. The subscribers are entitled to earn an aggregate of 487,805 Common Shares of the Company.
3. Based on the Maximum Offering, Unitholders will be entitled to earn an aggregate of 2,500,000 Common Shares of the Company.
4. Based on the Maximum Offering, an aggregate of 2,312,500 Common Shares are reserved for issue on the exercise of the Warrants.

DESCRIPTION OF COMMON SHARES

The authorized capital of the Company consists of 50,000,000 common shares without par value ("Common Shares"). Each Common Share entitles the holder thereof to receive dividends as and when declared by the directors and ranks equally with all other Common Shares in respect of dividend payments and upon winding up or dissolution of the Company. The holders of Common Shares are entitled to one vote per Common Share at all meetings of shareholders. The Common Shares have no pre-emptive or conversion rights. All of the Common

Shares outstanding are, and the Common Shares earned and issuable upon exercise of the Warrants, when issued, will be, fully paid and non-assessable.

DIVIDENDS

The Company has not paid any dividends and no dividends were paid by either of Old Mascot or Ebex. It is not anticipated that dividends will be paid in the foreseeable future as the cash resources of the Company will be used to undertake exploration and development programs on its mining properties.

DETAILS OF THE OFFERING

Units

Each of the Units offered hereby consists of 200 Series I Share Purchase Warrants, 725 Series II Share Purchase Warrants and the right to earn 1,000 Common Shares for each \$2,200 expended during 1984 on CEE. Any Unitholders' Funds not expended on or before December 31, 1984 will be returned to Unitholders at the time of delivery of certificates for Common Shares. **Rights to earn Common Shares will not be transferable.**

Warrants

The Board of Directors of the Company has authorized the issuance of 500,000 Series I Share Purchase Warrants, each Series I Share Purchase Warrant entitling the holder to subscribe for one Common Share at a price of \$1.70 per share, exercisable from the date of issuance of the Series I Share Purchase Warrants to 4:00 p.m. (local time) on March 1, 1985 and the issuance of 1,812,500 Series II Share Purchase Warrants, each Series II Share Purchase Warrant entitling the holder to subscribe for one Common Share at a price of \$1.70 per share, exercisable from the date of issuance of the Series II Share Purchase Warrants to 4:00 p.m. (local time) on March 1, 1988, at the principal offices of Canada Permanent Trust Company in the cities of Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver.

The Warrants will be issued in bearer form under an indenture to be dated as of August 15, 1984 (the "Warrant Indenture") between the Company and Canada Permanent Trust Company, as trustee. The following is a summary of the significant provisions of the Warrant Indenture and is subject to the detailed provisions thereof.

The Warrant Indenture will provide that in the event of: (i) any subdivision, consolidation or reclassification of the Common Shares; (ii) any reorganization of the share capital of the Company affecting in any manner the Common Shares; (iii) the amalgamation of the Company with any other company or companies; or (iv) the distribution of shares of any class of the Company or other distribution of assets of the Company to holders of Common Shares other than by way of stock dividend in lieu of a cash dividend paid in the ordinary course, the number of Common Shares purchasable on exercise of a Warrant or the price at which such Common Shares can be purchased will be adjusted.

The Company will, during the period in which any of the Warrants are exercisable, give public notice of certain stated events, including events which may result in adjustments in the exercise price, generally at least 21 days prior to the record date or the effective date, as the case may be, of such event. Notice will be given by publication in newspapers of general circulation in the cities referred to above.

The Company shall not be required to issue fractional Common Shares upon the exercise of the Warrants. The Company will, in lieu of delivering a fractional share, pay an amount in cash based upon the then current market value of the Common Shares.

The Warrant Indenture may be amended by resolution passed by 66 2/3% of the votes cast by holders of Warrants represented at a meeting duly convened for that purpose and any resolution so passed will be binding on all holders of Warrants.

Reporting to Unitholders

Unitholders will receive all information forwarded to shareholders of the Company, including annual and quarterly reports. On or before March 15, 1985 the Company will mail to Unitholders a statement of CEE incurred by the Company on their behalf, the amount by which Unitholders will be entitled to increase their depletion bases in respect of such expenditures and the interest earned on Unitholders' Funds until expended, all in a form suitable for filing with their income tax returns.

Delivery of Warrants and Common Shares to Unitholders

It is expected that definitive certificates for the Warrants will be available for delivery to Unitholders on the Closing Date. Definitive certificates for the Common Shares earned by Unitholders will be mailed to Unitholders on or before March 15, 1985. Fractional Common Shares will not be issued to Unitholders. Instead, the number of Common Shares to which each Unitholder is entitled will be rounded up or down to the nearest whole number.

Resale of Common Shares

The Common Shares earned by Unitholders and those issued upon exercise of Warrants may be resold without further formality if no effort is made to prepare the market or create a demand for such Common Shares, no extraordinary commission or consideration is paid in respect of such trade, the vendor (either alone or in combination with others related to such vendor) does not hold a sufficient number of securities of the Company to affect materially control of the Company and notice of each such exercise of Warrants is given to each securities commission in Canada requiring the same. The Company will give all such required notices.

Custodial Arrangements

Unitholders' Funds will be held by Canada Permanent Trust Company pursuant to the terms of a custodian agreement (the "Custodian Agreement") dated as of August 15, 1984. The Custodian Agreement provides that, pending disposition as therein provided, all such funds shall be invested by the Custodian on behalf of the Unitholders only in certificates of deposit or interest bearing accounts of Canadian chartered banks or securities issued by the Government of Canada or government of a province of Canada, provided that such funds may be maintained on an interim basis in an account with the Custodian for transactional purposes. Unitholders' Funds will be advanced by the Custodian against statements provided by the Company from time to time, together with an opinion of counsel. Such statements will certify that the funds to be advanced are to be used by the Company only to incur CEE which qualifies for the mining exploration depletion allowance if certain draft regulations under the Income Tax Act (Canada) to permit such allowance are promulgated, or otherwise which qualifies for the depletion allowance, on behalf of Unitholders in the course of mineral exploration. See "Income Tax Considerations." No interest will be advanced until all Unitholders' Funds have been advanced.

Adjustment of Number of Common Shares Earned

The Custodian Agreement provides for adjustments to the number of Common Shares earned in certain circumstances.

If prior to March 15, 1985, the draft regulations described under "Income Tax Considerations", permitting the deduction of mining exploration depletion from income from any source up to a maximum of 25% of such income, have not been promulgated in substantially the form contemplated and the Unitholders are denied the deduction of the mining exploration depletion allowance, the Company will, on or before March 15, 1985, issue to Unitholders 125% of the number of Common Shares that it would otherwise have been obligated to issue.

If counsel for the Company and the Company's auditors, relying to the extent appropriate upon a certificate of the Company, are of the reasonable opinion, to be given prior to December 31, 1985, that the expenses incurred on behalf of the Unitholders are CEE which does not qualify for the mining exploration depletion allowance to the extent described in this Prospectus, the Company will, on or before December 31, 1985, issue to Unitholders 130% of the number of Common Shares that it has otherwise been obligated to issue in respect of that portion of the expenses which constitute CEE which does not qualify for mining exploration depletion.

If counsel for the Company and the Company's auditors, relying to the extent appropriate upon a certificate of the Company, are of the reasonable opinion, to be given prior to December 31, 1985, that the expenses incurred on behalf of the Unitholders do not qualify as CEE, the Company will, on or before December 31, 1985, issue to Unitholders 190% of the number of Common Shares that it has otherwise been obligated to issue in respect of that portion of the expenses which constitute CEE.

In the event of: (i) any subdivision, consolidation or reclassification of the Common Shares; (ii) any reorganization of the share capital of the Company affecting in any manner the Common Shares; (iii) the amalgamation of the Company with any other company or companies; or (iv) the distribution of shares of any class of the Company or other distribution of assets of the Company to holders of Common Shares other than by way of stock dividend in lieu of a cash dividend paid in the ordinary course, the number of Common Shares which each Unitholder is entitled to earn will be adjusted, if required, so that Unitholders will be in a no less favourable position, to the extent reasonably possible, than if Unitholders had received the Common Shares which they were otherwise entitled to earn under this offering. Unitholders will be advised by mail of any such event and of the resulting adjustment.

INCOME TAX CONSIDERATIONS

In the opinion of Smith, Lyons, Torrance, Stevenson & Mayer, Toronto, counsel for the Company, and Stikeman, Elliott, Toronto, counsel for the Agents, the following comments constitute a fair and adequate summary of the principal Canadian federal income tax consequences arising under the Income Tax Act (Canada) (the "Act") and the regulations thereunder to an investor in Units who is resident in Canada and who holds his Units, Common Shares and Warrants as capital property. The determination of whether the Units, Common Shares and Warrants are capital property to a holder will depend on his own particular circumstances, but generally would be considered to be capital property to such holder if they were acquired for investment purposes and were not acquired in the course of carrying on a business of trading or dealing in securities or as part of an adventure in the nature of trade. These comments are based on, and in preparing these comments counsel for the Company and the Agents have relied on, the facts, including the description of the proposed nature of the expenditure of Unitholders' Funds set forth in this Prospectus and certain representations made and information given by the Company to counsel. Stikeman, Elliott, Montreal, counsel for the Agents, is of the same opinion with respect to the Quebec income tax consequences under the Quebec Taxation Act (the "Quebec Act") and regulations thereunder. This summary does not deal with the tax consequences to Unitholders, holders of Common Shares and holders of Warrants who are:

- (a) not resident in Canada;
- (b) principal-business corporations referred to in paragraph 66(15)(h) of the Act; or
- (c) traders or dealers referred to in subsection 66(5) of the Act;

SUCH UNITHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS.

The Canadian income tax consequences of an investment in the Units vary according to the circumstances of each investor, including the province in which he is resident, the provinces in which he carries on business or has a permanent establishment and the manner in which Unitholders' Funds are expended. The provisions of the income tax legislation of certain provinces may differ from those contained in the Act. It is not practical to comment on all aspects of the federal and provincial income tax consequences of an investment in the Units, and accordingly this summary does not include, except for Quebec, a consideration of tax consequences or considerations under relevant provincial tax legislation, or under any tax legislation of countries other than Canada. **THESE COMMENTS ARE FOR THE PURPOSE OF PROVIDING GENERAL ASSISTANCE ONLY, ARE NOT INTENDED TO BE A SUBSTITUTE FOR THE ADVICE OF A PROSPECTIVE INVESTOR'S OWN TAX ADVISORS, AND SHOULD NOT BE INTERPRETED AS LEGAL OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD SATISFY HIMSELF AS TO THE TAX CONSEQUENCES OF HIS INVESTMENT IN THE UNITS BY OBTAINING ADVICE ON FEDERAL AND PROVINCIAL TAX MATTERS FROM HIS OWN TAX ADVISOR.**

This summary is based upon the Act, the Quebec Act, the regulations thereunder and certain proposed amendments to the Act and the Quebec Act and the regulations thereunder. Generally, the income tax consequences under the Quebec Act are similar to those under the Act. However there are some differences and some of the most significant ones are noted herein. The proposed amendments to the Act are contained in the Notice of Ways and Means Motion to Amend the Income Tax Act (the "Notice of Ways and Means Motion") tabled in the House of Commons by the Minister of Finance on February 15, 1984, in draft legislation (the "Draft Legislation") relating to these proposed amendments made public by the Minister of Finance on April 25, 1984

and in a revised Notice of Ways and Means Motion (the "Revised Notice of Ways and Means Motion") tabled in the House of Commons by the Minister of Finance on June 18, 1984. The proposed amendments to the regulations under the Act are contained in draft regulations (the "Draft Regulations") issued by the Minister of Finance on February 6, 1984 relating to the deduction of mining exploration depletion resulting from the exploration for minerals after April 19, 1983 and relating to "prescribed shares" that do not qualify for "flow-through" treatment. The Common Shares will not be "prescribed shares". The proposed Quebec amendments are contained in the Budget speeches of the Quebec Minister of Finance on May 10, 1983 and May 22, 1984 (the "Quebec Budgets"). Except where otherwise indicated, and with the exception of the amendments proposed and contained in the Notice of Ways and Means Motion, the Draft Legislation, the Revised Notice of Ways and Means Motion, the Draft Regulations and the Quebec Budgets, the summary does not take into account any proposed changes in law and does not anticipate any changes in law whether by legislative, regulatory or judicial action.

Canadian Exploration Expense

The portion of Unitholders' Funds which is expended in a taxation year of a Unitholder on expenditures which qualify as CEE solely as consideration for Common Shares issued to him or any interest in or right to such Common Shares will be considered as CEE incurred by him in that taxation year and will be added, in that taxation year, to his cumulative Canadian exploration expense ("CCEE") pool. A Unitholder may deduct (under the Quebec Act, must deduct to the extent of his income), for purposes of computing his income from all sources for a taxation year, up to 100% of the balance of his CCEE pool at the end of the taxation year. A Unitholder's CCEE pool is reduced by such deductions claimed (or deductible for Quebec tax purposes) by such Unitholder in respect of CEE and by the Unitholder's share of any amount of government assistance or benefit which the Unitholder has received or is entitled to receive in respect of CEE incurred by the Unitholder after December 31, 1980 or that can reasonably be related to Canadian exploration activities after that date. To the extent that a Unitholder does not deduct the balance of his CCEE pool at the end of a taxation year, the balance will be carried forward and may be used in subsequent taxation years. Any negative balance in a Unitholder's CCEE pool at the end of a taxation year must be included in the Unitholder's income for the taxation year and consequently his CCEE pool will have a nil balance.

CEE includes any expense incurred for the purpose of determining the existence, location, extent or quality of a mineral resource in Canada (other than a Canadian development expense or an expense which relates to a mine which has come into production in reasonable commercial quantities or to an actual or potential extension of such a mine).

In the past, producing mines were located on the Nickel Plate and Bralorne properties. The Company has represented that in 1955 and 1976, respectively, these mines were permanently closed and abandoned and all salvageable equipment was removed. However, it is understood from representations made by the Company that certain exploration and development activities not amounting to commercial production or an extension of a mine have been conducted on each property after the closing of the mine located on it. Based upon certain analogous judicial decisions, and the practice of Revenue Canada, Taxation indicated in certain private advance income tax rulings obtained by counsel in matters unrelated to the Company or any facts described in this Prospectus, it is reasonable to regard the term "mine" as referring to a mining concern taken as a whole, comprising mineral deposits, workings, equipment and machinery capable of producing ore. Furthermore, on the same basis, it is reasonable to regard a mine which has been left derelict and abandoned, from which all mining machinery and equipment has been removed and in respect of which exploitable ore reserves were believed to be insubstantial at the time of abandonment, as having lost the character of a mine. Consequently, upon recommencement of activity on the relevant property, such activity would not be regarded as relating to a mine which has come into production in reasonable commercial quantities or to an extension of such a mine. It is understood by counsel that the administrative practice of Revenue Canada, Taxation is applied to relevant circumstances in a manner consistent with the foregoing discussion of the term "mine". Based on the history of these properties as represented by the Company, and relying on the administrative practice of Revenue Canada, Taxation as understood by counsel, each of the properties should be regarded as having lost the character of a "mine" so that the expenses to be incurred will not be disallowed as CEE by virtue of being related to a "mine" which has come into production in reasonable commercial quantities or to an extension thereof. **No advance ruling has, however, been sought or obtained in this regard, and there is no assurance that Revenue Canada, Taxation will agree with this conclusion and therefore with the tax consequences described herein which depend on this conclusion.**

Depletion Allowance

One-third of the CEE incurred, to the extent that it falls within the category described immediately above and to the extent that it does not include Canadian exploration and development overhead expense or financing costs, will qualify for addition to the Unitholder's mining exploration depletion base within the meaning of the Draft Regulations. A Unitholder's mining exploration depletion base will be reduced by the aggregate of all amounts of any assistance or benefit which any person has received, is entitled to receive or, at any time, becomes entitled to receive in respect of such CEE incurred by the Unitholder. As proposed in the Draft Regulations, mining exploration depletion related to such mineral exploration expenses incurred after April 19, 1983 will be deductible in a taxation year against income from any source generally to the extent of the lesser of:

- (a) the Unitholder's mining exploration depletion base at the end of the taxation year before making any deduction for mining exploration depletion for the year, and
- (b) 25% of such income in the taxation year (computed after deduction of CEE and certain other resource-related deductions).

Under the current law, 33 1/3% of eligible CEE would qualify for addition to the earned depletion base of the Unitholder and would be deductible generally to the extent of the lesser of:

- (a) the Unitholder's earned depletion base at the end of such taxation year before making any deductions for earned depletion for the year, and
- (b) 25% of the Unitholder's resource profits, as defined by the regulations under the Act, for the taxation year.

For purposes of computing income under the Quebec Act, the same rule applies except that a Unitholder may deduct up to 33 1/3% (instead of 25%) of his income (as proposed in the Quebec Budgets) or resource profits (under current law), as the case may be.

The transactions described in this Prospectus will not give rise to resource profits.

Interest Included in Unitholders' Funds

Each Unitholder will be required to include in computing his income his share of any interest included in Unitholders' Funds according to the method adopted by him, or required to be used by him, for reporting interest income. Such interest will, however, be expended on CEE on his behalf resulting in additional deductions on the basis described above.

Allocation of Unit Price

For purposes of determining the cost to a purchaser of Units of Series I Share Purchase Warrants and Series II Share Purchase Warrants, and the portion of the purchase price of a Unit attributable to the right of a purchaser of Units to earn Common Shares, the price paid for each Unit must be allocated on a reasonable basis among the Series I Share Purchase Warrants, Series II Share Purchase Warrants and right to earn Common Shares comprising such Unit. In the view of Revenue Canada, Taxation, the allocation by the purchasers of Units and the Company must be the same. The price of \$2,500 per Unit has been allocated by the Company as to \$10 to the Series I Share Purchase Warrants, as to \$290 to the Series II Share Purchase Warrants and as to \$2,200 to the right to earn Common Shares. The Company regards this allocation as reasonable but this allocation is not binding on Revenue Canada, Taxation.

Exercise of Warrants

No capital gain or capital loss will be realized by a Unitholder upon the exercise of a Warrant. When a Warrant is exercised, the Unitholder's cost of the Common Share acquired thereby will be the aggregate of the adjusted cost base to him of the Warrant and the exercise price paid for the Common Share. The cost of each

Common Share so acquired will generally be averaged with the cost of all other Common Shares held by the purchaser in the manner described below for purposes of determining the adjusted cost base to him of each Common Share at any particular time.

Neither the consideration paid to the Company to acquire Warrants nor the cost of Common Shares acquired on exercise of Warrants will entitle a Unitholder to deductions for CEE or depletion.

Expiry of Warrants

In the event of the expiry of an unexercised Warrant, the holder will realize a capital loss equal to the adjusted cost base to him of the Warrant immediately before its expiry.

Disposition of Common Shares and Warrants

Under the Act, each Common Share issued to a Unitholder in consideration of CEE incurred by that Unitholder will be deemed to have a cost to that Unitholder of nil for purposes of determining its adjusted cost base to him.

The characterization of such Common Shares as capital property or as inventory to any particular Unitholder will be determined according to the rules ordinarily applicable to the characterization of shares of a corporation owned by a taxpayer.

Where a Unitholder owns or acquires Common Shares otherwise than under the Custodian Agreement, the adjusted cost base to him of each Common Share held by him as capital property, including Common Shares acquired under the Custodian Agreement, will, in general, be the average adjusted cost base to him of all such shares.

In general, a disposition or deemed disposition (eg., on death) of a Common Share or Warrant will give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base thereof to the holder and any costs of disposition. In the case of a corporation, the amount of any capital loss otherwise determined from the disposition of Common Shares will be reduced by the amount of dividends received to the extent and under the circumstances prescribed in the Act. Analogous rules apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares.

The CCEE pool, mining exploration depletion base and earned depletion base of a Unitholder at the time of a disposition by him of any Common Share will remain with that Unitholder and will not be transferred to the person acquiring the Common Share.

Taxation of the Company

The Company, as a taxpayer resident in Canada, is required in respect of each of its taxation years to calculate its income or loss for that taxation year, file income tax returns and pay its income tax liability, if any. The computation of income or loss will exclude any deduction by the Company in respect of CEE incurred by the Unitholders in the transactions described in this Prospectus.

GOVERNMENT REGULATION

The Nickel Plate property, the Bralorne property and a majority of the Company's other mining properties are located in and, accordingly, are subject to extensive government regulation in British Columbia affecting natural resource properties.

Any proposed mining operation in British Columbia is required to pass through a review process which requires the applicant to submit comprehensive reviews of the project, detailing the economic, social and environmental impact that the proposed project will have on its immediate area and the province generally. If the submissions are approved, the applicant may apply for the specific permits which are necessary in order for the project to proceed to production. This review process is administered by the Metal Mines Steering Committee which is comprised of personnel from various ministries of the provincial government. The Company has made

application for and received the necessary permits to carry on exploration activity for both the Nickel Plate property and the Bralorne property.

The properties of the Company located in other jurisdictions are subject to various governmental regulations affecting mining, health, safety and environmental protection. The Company is complying in all material respects with the regulations of each of the jurisdictions in which the properties in which it has an interest are situated.

DIRECTORS AND OFFICERS

The names and municipalities of residence of the directors and officers of the Company, the positions held by them in the Company and their present principal occupations are as follows:

<u>Name and municipality of residence</u>	<u>Positions held in Company</u>	<u>Principal occupation</u>
Richard L. Lister Toronto, Ontario	Chairman and Director	President and Chief Executive Officer, Campbell Resources Inc., diversified natural resource company
Harold N. Borts Montreal, Quebec	Director	Vice-President, Resource Investments, Cemp Investments Ltd., diversified holding company
Paul A. Carroll, Q.C. Scarborough, Ontario	Director	Partner, Smith, Lyons, Torrance, Stevenson & Mayer, law firm
*Robert A. C. Douglas Vancouver, B.C.	Director	Lawyer
*Henry G. Ewanchuk Vancouver, B.C.	President and Director	President and Chief Executive Officer of the Company
Ned Goodman Toronto, Ontario	Director	Vice-President, Beutel, Goodman & Company Ltd., investment counsel
*Myron I. Gottlieb Toronto, Ontario	Director	President, Merit Investment Corporation, investment dealer
William E. Grafham Denver, Colorado	Director	Private Investor
John A. Healey Turks & Caicos	Director	Energy Consultant
Louis P. Starck Calgary, Alberta	Director	President, L. P. Starck & Associates Ltd., consulting engineers
R. Paul Middleton Pickering, Ontario	Vice-President Finance	Vice-President Finance, Metals and Minerals Group, Campbell Resources Inc., diversified natural resource company
Paul F. Saxton North Vancouver, B.C.	Vice-President Operations	Officer of the Company

<u>Name and municipality of residence</u>	<u>Positions held in Company</u>	<u>Principal occupation</u>
Marion J. Stendon Toronto, Ontario	Secretary	Vice-President Corporate and Legal Services and Assistant Secretary, Campbell Resources Inc., diversified natural resource company
Anthony Hing-Wah Tam Vancouver, B.C.	Controller and Assistant Secretary	Officer of the Company

*Member of Audit Committee

During the past five years, all of the directors and officers of the Company have held their present principal occupations, except for Richard L. Lister who, prior to June 1981, was General Manager, Pigments Division of Sun Chemical Corporation, chemical company; Harold N. Borts who, prior to August 1983, was Manager, Resource Investments of Cemp Investments Ltd. and, prior to June 1982, was Treasurer of Cemp Investments Ltd.; Robert A.C. Douglas who, prior to July 15, 1983, was a Partner of Douglas, Symes & Brissenden, law firm; Henry G. Ewanchuk who, prior to the date of Amalgamation, was President of E&B Inc., prior to July 1980, was Vice-President of E&B Inc. and, prior to January 1980, was Vice-President of Exploration and Assistant to the President of Bethlehem Copper Corporation, mining company; William E. Grafham who, prior to September 1983, was Chairman of Ferret Exploration Company, Inc., mineral exploration company, prior to September 1982, was Chairman of E&B Inc., prior to July 1980, was President of E&B Inc. and, prior to August 1979, was a private investor; Louis P. Starck who, prior to January 1982, was President of GM Resources Limited (now Campbell Resources Inc.); R. Paul Middleton who, prior to June 1981, was Vice-President, Finance, Dayco (Canada) Ltd., automotive accessory manufacturer; Paul F. Saxton who, prior to the date of Amalgamation, was Manager of Operations of E&B Inc., prior to May 1982, was a mining engineer with E&B Inc. and, prior to April 1980, was a mine analyst with Cominco Ltd., mining company; Marion J. Stendon who, prior to April 1982, was a partner and previously an associate of Melnik & Saunders, law firm; and Anthony Hing-Wah Tam who, prior to the date of Amalgamation, was Controller and Treasurer of E&B Inc. and, prior to May 1980, was a chartered accountant with Peat, Marwick, Mitchell & Co., chartered accountants.

Remuneration and Indebtedness of Directors and Officers

No remuneration has been paid or is payable to any of the directors or officers of the Company. During its last completed fiscal year ended November 30, 1983, E&B Inc. paid an aggregate of \$23,400 to three directors in their capacities as directors and an aggregate of \$214,000 to three officers in their capacities as officers or employees. To the date of the Amalgamation, \$10,500 was paid to such directors in their capacities as directors and \$142,500 to such officers in their capacities as officers or employees.

As at March 31, 1984 Mr. W.E. Grafham was indebted to E&B Explorations Limited Partnership in the principal amount of U.S. \$64,329, consisting of U.S. \$50,000 principal, as evidenced by a demand promissory note dated May 20, 1981, and U.S. \$14,329 accrued interest. This aggregate amount represented a personal loan with open repayment and interest at 10% per annum calculated and payable semi-annually. The loan has since been repaid.

PLAN OF DISTRIBUTION

Under an agreement dated August 15, 1984 (the "Agency Agreement") between the Company and Lévesque, Beaubien Inc., Pemberton Houston Willoughby Incorporated and Geoffrion, Leclerc Inc. (collectively, the "Agents"), the Agents have agreed to obtain subscriptions for Units offered by this Prospectus on a best efforts basis for an aggregate purchase price of \$3,000,000 if the Minimum Offering is sold and \$6,250,000 if the Maximum Offering is sold (\$2,500 per Unit). The Agents will be paid a commission of 7.5% of the selling price of the Units sold hereunder. While the Agents have undertaken to use their best efforts to sell the Units offered hereby, the Agents are under no obligation to purchase any Units. The Agents may form a group consisting of

certain registered investment dealers for the purpose of distributing the Units and may determine the commission payable to the members of this group provided that such commission does not exceed the commission payable to the Agents. The obligations of the Agents under the Agency Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events.

In connection with this offering, the Agents may effect transactions which stabilize or maintain the market price of the Common Shares at levels above those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The closing (the "Closing Date") is scheduled for September 6, 1984 but may be extended by mutual agreement to not later than September 20, 1984. Closing is conditional on the Minimum Offering having been subscribed for by the Closing Date and the other terms and conditions contained in the Agency Agreement having been complied with to the satisfaction of the Agents or waived by the Agents.

In order to subscribe, a completed subscription form (the "Subscription Form") and a cheque for the subscription price are required. All cheques, together with the related Subscription Forms received by any member of the selling group, will be forwarded to Canada Permanent Trust Company. All subscription cheques will be deposited with the Custodian and will not be released until closing. If, for any reason, closing does not occur on or before September 20, 1984, the Custodian will return all subscription funds received to Unitholders without interest or deduction.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The Common Shares of the Company are listed and posted for trading on The Toronto Stock Exchange and the Vancouver Stock Exchange. The shares of Old Mascot were listed and posted for trading on The Toronto Stock Exchange on August 6, 1982 and on the Vancouver Stock Exchange on February 8, 1981. The following table sets forth the high and low sales prices and combined volume of trading in the shares of Old Mascot (and, following the Amalgamation, in the Common Shares of the Company) on such exchanges during the periods indicated:

<u>Period</u>	<u>Price</u>		<u>Volume</u>
	<u>High \$</u>	<u>Low \$</u>	
1982			
2nd Quarter	1.85	1.65	20,800
3rd Quarter	1.35	.65	88,800
4th Quarter	1.70	1.00	73,300
1983			
1st Quarter	2.70	1.75	74,300
2nd Quarter	2.20	1.75	25,700
3rd Quarter	1.85	1.50	10,800
4th Quarter	1.25	1.15	4,000
1984			
January	1.80	1.20	12,100
February	1.75	1.70	15,700
March	1.75	1.70	9,700
April	1.85	1.71	3,300
May	1.80	1.65	12,800
June	1.80	1.60	33,100
July	1.75	1.70	92,300
August (through August 14, 1984)	1.75	1.70	13,700

On August 14, 1984 the closing price of the Common Shares on The Toronto Stock Exchange was \$1.70.

EMPLOYEE INCENTIVE AND DIRECTORS' STOCK OPTION PLANS

Employee Incentive Plan

The Company has an Employee Incentive Plan, consisting of a Share Purchase Plan, a Share Option Plan and a Share Bonus Plan, for full-time employees of the Company and its affiliates (including Campbell and its wholly-owned subsidiary, Camchib Mines Inc.). Employees of affiliates may participate only if they are engaged in the affairs of the Company. The following is a brief description of each of the three components of the Employee Incentive Plan.

The Share Purchase Plan is intended to encourage and assist employees in a regular program of saving and to provide each participant with the opportunity to acquire Common Shares of the Company. An employee may contribute up to 10% of his annual salary to the Share Purchase Plan. The Company matches the participant's contribution and issues Common Shares of the Company having a value equal to the combined amount.

Under the Share Option Plan options can be granted for the purchase of a maximum of 277,757 Common Shares of the Company. In determining the number of Common Shares of the Company subject to each option, consideration is given to the employee's present and potential contribution to the success of the Company. The exercise price per share is determined by the Board of Directors at the time the option is granted, but such price cannot be less than 90% of the latest closing price of the Common Shares of the Company on The Toronto Stock Exchange prior to the grant of the option. Each option becomes exercisable as to 33 1/3% of the Common Shares of the Company subject to it, on a cumulative basis, at the end of each of the first, second and third years following the date of grant. All options not previously exercised may be exercised during the period from the end of the third year following the date the option was granted to the end of the fifth year when they expire.

The Share Option Plan also provides for the grant of share appreciation rights to employees to whom share options have been granted. An employee to whom such rights have been granted may elect to terminate his options, in whole or in part, and, in lieu of receiving the Common Shares of the Company ("Option Shares") to which the terminated options relate, to receive that number of Common Shares of the Company disregarding fractions, which, when multiplied by the fair value of the Option Shares, has a total value equal to the product of the number of Option Shares times the difference between the fair value and the option price per share of the Option Shares, less any amount withheld on account of income taxes, which income taxes will be paid by the Company.

Six employees of designated affiliates of the Company hold options to purchase an aggregate of 276,000 Common Shares of the Company exercisable at a price of \$1.50 per share and expiring on December 12, 1988.

The Share Bonus Plan permits the Board of Directors to grant Common Shares of the Company as a discretionary bonus. The maximum number of Common Shares of the Company that may be issued under the Share Bonus Plan in any calendar year may not exceed 0.5% of the total number of the Common Shares of the Company issued and outstanding on December 31 of the immediately preceding calendar year unless otherwise approved by regulatory authorities.

Directors' Stock Option Plan

The Company has a Directors' Stock Option Plan under which options to purchase up to a maximum of 5% of the outstanding Common Shares of the Company may be granted to directors of the Company and its subsidiaries. The terms of the Directors' Stock Option Plan are the same in all material respects as the Share Option Plan for employees described above. Five directors of the Company hold options to purchase an aggregate of 150,000 Common Shares exercisable at a price of \$1.50 per share and expiring on December 12, 1988.

PRINCIPAL HOLDERS OF COMMON SHARES

To the knowledge of the Company, the only persons or companies owning of record or beneficially (directly or indirectly), or exercising control or direction over, more than 10% of the Common Shares of the Company are Campbell Resources Inc., Suite 400, 111 Richmond Street West, Toronto, Ontario M5H 2G4 which beneficially owns 8,911,714 Common Shares representing approximately 65.7% of the total number issued and

outstanding and NuNorth Resources Limited, L.P., 180 Madison Avenue, New York, New York, 10016, which owns 1,800,000 Common Shares representing approximately 13.3% of the total number issued and outstanding.

Campbell is a party to an agreement dated as of April 27, 1984 providing for the sale by Campbell to Royex Gold Mining Corporation ("Royex") (formerly Royex Sturgex Mining Limited) of certain assets in exchange for common shares of Royex and granting to Campbell an option (the "Option") to purchase up to 935,750 common shares of Royex at a price of \$8.50 per share from the date of completion of such sale to and including March 31, 1985. Among the assets to be sold by Campbell to Royex are 8,669,213 Common Shares of the Company. Following the sale of these assets by Campbell to Royex and, assuming the exercise of the Option, Campbell will own, directly and indirectly, approximately 50.0% of the then issued and outstanding common shares of Royex. Both Campbell and Royex are publicly traded natural resource companies.

Pursuant to an instrument in writing dated December 23, 1971 Campbell undertook that, so long as Burden holds not less than 250,000 Common Shares of the Company, Campbell would vote the Common Shares of the Company which it holds for the election of one nominee of Burden as a director of the Company and Burden undertook that, so long as Campbell holds not less than 750,000 Common Shares of the Company, Burden would vote the Common Shares of the Company which it holds for the election of the nominees of Campbell as directors of the Company. Mr. R.A.C. Douglas is the nominee of Burden on the Board of Directors and Mr. H.N. Borts, Mr. N. Goodman and Mr. R.L. Lister are the nominees of Campbell and are directors of Royex.

Under the Master Agreement the parties agreed that: (i) the Board of Directors of the Company would consist of ten members; (ii) so long as NuNorth and the former shareholders of E&B Inc. (collectively, the "Former E&B Shareholders") hold at least 20% of the outstanding Common Shares of the Company they would be entitled to nominate three members of the Board of Directors of the Company; (iii) so long as the Former E&B Shareholders hold at least 15% but less than 20% of the outstanding Common Shares of the Company they would be entitled to nominate two members of the Board of Directors; (iv) so long as the Former E&B Shareholders hold at least 10% but less than 15% of the outstanding Common Shares of the Company they would be entitled to nominate one member of the Board of Directors; and (v) in any event Mr. Grafham and Mr. Healey shall act as directors of the Company until the earlier of the Closing Date and October 15, 1986. The nominees of the Former E&B Shareholders on the Board of Directors of the Company are Messrs. Ewanchuk, Grafham and Healey.

The Master Agreement also contains resale restrictions on the Common Shares of the Company acquired on the Amalgamation by all of the shareholders of Ebex other than Campbell. Assuming that the closing of the purchase and sale of Units is completed as contemplated herein under "Plan of Distribution", 10% of the Common Shares held by the Former E&B Shareholders may be resold after three months from the Closing Date, an additional 15% after six months from the Closing Date, an additional 20% after nine months from the Closing Date, an additional 20% after 12 months from the Closing Date and all of such Common Shares after 15 months from the Closing Date. The employees of E&B or E&B Inc. who acquired Common Shares of the Company on the Amalgamation will be entitled to resell their Common Shares after February 15, 1985 on an accelerated basis. In addition, all of the shareholders subject to such resale restrictions are entitled to sell their Common Shares in private transactions provided that the purchaser undertakes to comply with the resale restrictions referred to above.

As of the date hereof, the directors and officers of the Company, as a group, beneficially own, directly or indirectly, less than 5% of the voting securities of the Company, Campbell and Royex.

ESCROWED SHARES

The following shares of the Company are held in escrow by the Canada Permanent Trust Company as depositary pursuant to an agreement among Campbell, the Company, Burden and Canada Permanent Trust Company dated August 31, 1980:

<u>Class of Shares</u>	<u>Number of Securities Held in Escrow</u>	<u>Percentage of Class</u>
Common	203,814	1.5%

The shares held in escrow may be released only with the consent of the Vancouver Stock Exchange and the Superintendent of Brokers of the Province of British Columbia.

PROMOTER

Campbell caused Ebex to be incorporated and took the initiative in the transactions entered into by Ebex leading up to the Amalgamation. As a result, Campbell may be considered to be the promoter of the Company within the meaning of relevant securities legislation.

RISK FACTORS

Volatility of Gold and Other Metal Prices

The economics of developing gold and other metal properties are affected by many factors including the cost of operations, variations in the grade of ore mined and the price of gold or other metals. Depending on the price of gold or other metals, the Company may determine that it is impractical to commence or continue commercial production. The price of gold, in particular, has fluctuated widely in recent years. Gold prices are affected by many factors beyond the Company's control including anticipated changes in international investment patterns and monetary systems, economic growth rates, political developments and shifts in the private supply of and demand for gold.

Mineral Exploration and Development

Although both the Nickel Plate and Bralorne properties were in commercial production for a number of years, no production has occurred since 1955 in the case of the Nickel Plate property and 1971 in the case of the Bralorne property. The Sterling Mine is the only property in which the Company has an interest which is presently in commercial production.

Ownership of the Company's mining properties is dependent on performance of obligations to and by joint venturers as well as performance of assessment work on various mineral claims and, accordingly, the Company's interest in such properties may vary on the basis of such performance. The Company's mineral exploration and development are also subject to other risks normally encountered in such activities. Hazards such as unusual or unexpected geological formations, rock bursts, cave-ins, flooding and other conditions are involved in the exploration for and development and operation of mines. The Company carries insurance to protect against certain risks in such amounts as it considers adequate. However, the Company may become subject to liability for pollution, cave-ins or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. The payment of such liabilities would reduce the funds available for exploration, development and production activities.

While the rewards of mineral exploration and development may be substantial if an ore body is discovered, few properties which are explored are ultimately developed into producing mines. The mining industry is highly competitive in the acquisition of exploration prospects and the development of new prospects. A number of the Company's competitors possess greater financial resources and technical facilities.

Regulatory Requirements

The Company's mining and exploration operations are affected in varying degrees by government regulations relating to mining operations, the acquisition of land, pollution control and environmental protection, safety, production, expropriation of property and export controls. Changes in these regulations or in their application are beyond the control of the Company and may adversely affect its operations. Failure to comply with the conditions set out in any permit or failure to comply with the applicable statutes and regulations, may result in orders to cease or curtail operations or to install additional equipment. The Company may be required to compensate those suffering loss or damage by reason of its mining activities.

Dilution

The amount of \$2.20, representing the right to earn one Common Share, exceeds the net pro forma book value per share at March 31, 1984 by \$1.06 after giving effect to the Maximum Offering. Such dilution has been calculated using historical costs and does not necessarily reflect the true value of the Common Shares offered hereby.

Liability of Unitholders

The Company will be conducting the mineral exploration program on behalf of the Unitholders with Unitholders' Funds. **Accordingly, the Unitholders may become directly liable for any liabilities arising from operations relating to such expenditures.** The Company will indemnify the Unitholders against all damages, losses, costs, liabilities, claims and expenses arising out of any activity related to the expenditure of Unitholders' Funds and will maintain a comprehensive general liability insurance policy on behalf of the Unitholders in the amount of \$50,000,000 per occurrence. **However, to the extent such insurance is insufficient to fund this indemnity, the Company's ability to honour the indemnity will be dependent upon its financial condition.**

Qualification of Expenses as CEE

Whether expenses incurred will not be disallowed as CEE by virtue of being related to a mine depends on a finding on the facts that the mines which formerly operated on the Nickel Plate and Bralorne properties were closed and abandoned such that each of the properties lost its character as a mine. Based on the history of these properties as related by the Company, it is the opinion of counsel to the Company and counsel to the Agents that the expenses should not be disallowed on this basis, although no advance ruling of Revenue Canada, Taxation has been sought or obtained in this regard. See "Income Tax Considerations."

Allocation of Subscription Price

The subscription price of \$2,500 per Unit has been allocated by the Company as to \$10 to the Series I Share Purchase Warrants, as to \$290 to the Series II Share Purchase Warrants and as to \$2,200 to the right to earn Common Shares. The Company regards such allocation as reasonable. Subscribers are also required to make a reasonable allocation in order to determine their respective costs of the Series I Share Purchase Warrants, the Series II Share Purchase Warrants and the right to earn Common Shares and such allocation must be the same as that made by the Company. The allocation made by the Company or by a subscriber is not binding on Revenue Canada.

Other Income Tax Considerations

Certain income tax consequences to Unitholders depend upon the passage of draft legislation and draft regulations, the non-passage of which would have a material effect on their investment and would result in adjustments to the number of Common Shares earned. See "Income Tax Considerations" and "Details of the Offering".

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

1. In December 1981 Old Mascot issued 1,086,956 shares to Campbell (then GM Resources Limited) ("GMR") for \$1,500,000. In addition, GMR entered into an earn-out agreement with Old Mascot whereby GMR agreed to pay \$1,500,000 in respect of the continuing exploration program on the Nickel Plate property and would earn one share of Old Mascot for each \$1.38 of expenses so incurred. The \$1,500,000 was provided during fiscal 1982 and 1983 and, as a result, GMR earned and was issued 1,086,956 shares of Old Mascot.
2. During fiscal 1980, 1981 and 1982 Old Mascot paid to GMR amounts of approximately \$102,000, \$99,000 and \$12,000, respectively, in respect of management services and certain equipment purchased by Old Mascot from GMR.
3. During fiscal 1982, fiscal 1983 and the nine month period to March 31, 1984, Old Mascot paid approximately \$47,000, \$48,000 and \$34,000, respectively, to L.P. Starck & Associates Ltd. in respect of management services and project supervision services. This agreement expired on December 31, 1983 and was not renewed. L.P. Starck & Associates Ltd. is a company controlled by Louis P. Starck, a director of the Company.
4. H.R. Marleau, a director of Lévesque, Beaubien Inc., is a director of Camchib Mines Inc., a wholly-owned subsidiary of Campbell. Messrs. Borts, Carroll, Goodman, Gottlieb and Lister, directors of the Company, are also directors and/or officers of Campbell.
5. Campbell has advanced to the Company \$486,697 as evidenced by a term note maturing one year and a day from the date of Amalgamation and bearing interest at the lender's borrowing cost.

6. J. A. Healey, a director of the Company, is the general partner of NuNorth.
7. On June 4, 1984, as part of a \$1,000,000 private placement completed by Old Mascot, H. N. Borts subscribed for the right to earn 30,000 Common Shares of the Company in consideration of \$61,500. See "Consolidated Capitalization".

MATERIAL CONTRACTS

The only material contracts entered into by the Company within two years of the date hereof (or to be entered into on or before the Closing Date), other than in the ordinary course of business, are as follows:

- (a) The Master Agreement referred to under "The Company".
- (b) The Agency Agreement referred to under "Plan of Distribution".
- (c) The Warrant Indenture referred to under "Warrants".
- (d) The Custodian Agreement referred to under "Custodial Arrangements".
- (e) The Option Agreement referred to under "Bralorne Property".
- (f) Settlement Agreements, effective March 31, 1983, between E&B and the funding venture participants providing for the termination of certain management and credit agreements between such parties and the terms of payment of amounts owing thereunder to E&B and fixing the respective interests of the parties in the various mineral properties covered thereby.
- (g) The Bralorne Mine Settlement Agreement dated May 31, 1983, as amended, among E&B, E&B Inc. and others relating to the ownership and operation of the Bralorne Mine.
- (h) The Bralorne Joint Venture Agreement referred to under "Bralorne Property".
- (i) The Cariboo-Bell Agreements dated August 31, 1982, December 14, 1982 and March 3, 1983, providing for the operation and management of the property.
- (j) The Sterling Agreements dated January 1, 1980 and March 31, 1983 providing for the management and operation of the property and setting out the fees to be paid to E&B Inc. for such services in respect of the Sterling Mine.

Copies of the documents referred to above, as well as the Hainsworth Report and the DeLeen Report, may be inspected at the registered and records office of the Company during normal business hours during the period of distribution of the Units offered hereby and for a period of 30 days thereafter.

LEGAL MATTERS

Certain legal matters relating to the Units will be passed upon at the closing of this offering for the Company by Smith, Lyons, Torrance, Stevenson & Mayer, Toronto, and for the Agents by Stikeman, Elliott, Toronto.

The following shares of the Company, Campbell and any associate or affiliate of either company are owned by partners or associates of Smith, Lyons, Torrance, Stevenson and Mayer:

<u>Issuer</u>	<u>Class of Shares</u>	<u>Number of Shares Owned</u>
Company	Common	3,500
Campbell	Common	11,016
	Series 4 Preferred	4,375
	Series 5 Preferred	4,375
Royex	Common	34,500
	Series A Convertible Preferred	1,600
Inverness Petroleum Ltd.	Common	1,640
	Preferred	200
Yorbeau Resources Inc.	Common	60,000

In addition, such persons hold options to purchase 30,000 Common Shares of the Company.

The following shares of the Company, Campbell and any associate or affiliate of either company are owned by partners or associates of Stikeman, Elliott, Toronto:

<u>Issuer</u>	<u>Class of Shares</u>	<u>Number of Shares Owned</u>
Campbell	Common	37,122.4
	Series 2 Preferred	3,000
	Series 3 Preferred	2,000
	Series 4 Preferred	2,625
	Series 5 Preferred	2,625
Yorbeau Resources Inc.	Common	5,000
	Preferred	5,000

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are Ernst & Whinney, Chartered Accountants, Suite 3300, Park Place, 666 Burrard Street, Vancouver, B.C. V6C 3A1.

The transfer agent and registrar for the Common Shares of the Company is Canada Permanent Trust Company at its principal offices in Vancouver, Calgary, Regina, Winnipeg, Toronto and Montreal.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain provinces provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several provinces securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of his province. The purchaser should refer to any applicable provisions of the securities legislation of his province for the particulars of these rights or consult with a legal advisor.

COMPILATION REPORT

To the Board of Directors
Mascot Gold Mines Limited

We have reviewed, as to compilation only, the accompanying unaudited pro forma consolidated balance sheet of Mascot Gold Mines Limited as at March 31, 1984. This unaudited pro forma consolidated balance sheet has been prepared solely for inclusion in the prospectus relating to the sale and issue of units by the Company and is based on the unaudited balance sheet of the Company and the unaudited pro forma consolidated balance sheet of Ebex Resources Ltd., as at March 31, 1984. In our opinion, this unaudited pro forma consolidated balance sheet has been properly compiled to give effect to the proposed transaction and assumption described in the notes thereto.

Vancouver, Canada
June 12, 1984

(Signed) ERNST & WHINNEY
Chartered Accountants

MASCOT GOLD MINES LIMITED
PRO FORMA CONSOLIDATED BALANCE SHEET (UNAUDITED)

**March 31,
1984**

ASSETS

Current Assets

Accounts receivable:

Funding venture participants	\$ 165,320
Others	8,310
Marketable securities	33,975
Note receivable from shareholder	56,804
Inventory	459,829
Unbilled exploration cost	46,468
Prepaid expenses	55,402
Investment, at cost	40,848
Income tax recoverable	22,132

889,088

Investment in Campbell Resources Inc. 1,650,000

Property and Equipment, at cost 1,173,105

Deferred Exploration and Development, at cost 10,144,864

\$13,857,057

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Bank indebtedness	\$ 45,079
Accounts payable and accrued liabilities	359,310
Advances from funding venture participants	18,126
Deferred income taxes	66,573

489,088

Due to Campbell Resources Inc. 399,358

Deferred Income Taxes 304,568

Shareholders' Equity

Capital stock:

Authorized:

50,000,000 common shares of no par value

Issued:

13,555,140 common shares 12,664,043

\$13,857,057

See accompanying notes to unaudited pro forma consolidated balance sheet

On behalf of the Board:

(Signed) Myron I. Gottlieb, Director

(Signed) Paul A. Carroll, Director

MASCOT GOLD MINES LIMITED

NOTES TO PRO FORMA CONSOLIDATED BALANCE SHEET (UNAUDITED)

As At March 31, 1984

1. Basis of Presentation

Mascot Gold Mines Limited, prior to the amalgamation described below ("Old Mascot"), is an 80.8% owned subsidiary of Campbell Resources Inc. ("Campbell").

Pursuant to an agreement dated as of May 17, 1984, Campbell, E & B Explorations Inc. ("E & B Inc."), NuNorth Resources Limited, L.P. ("NuNorth") and others will enter into certain transactions, as described in the notes to the pro forma consolidated balance sheet of Ebex Resources Ltd., to form a company to be called Ebex Resources Ltd. ("Ebex"). As a result of these transactions Campbell will have a 55% interest in Ebex.

Assuming consummation of the agreement between Campbell, E & B Inc., NuNorth and others and pursuant to a separate agreement dated June 12, 1984, Old Mascot will amalgamate with Ebex under the laws of British Columbia to form Mascot Gold Mines Limited ("Company"). The common shares of Ebex and Old Mascot will be exchanged for common shares of the Company on a one-for-one basis. The amalgamation will be accounted for as a reorganization of companies under common control using the pooling of interests method.

The pro forma consolidated balance sheet gives effect to this basis of presentation for the amalgamation and the transactions to be consummated prior to amalgamation as though they had taken place on March 31, 1984 and has been compiled from the following unaudited balance sheets as at March 31, 1984:

Old Mascot
Ebex (Pro forma consolidated)

2. Assumption

The pro forma consolidated balance sheet gives effect to the assumption that cash of approximately \$222,000 has been loaned by Campbell prior to the amalgamation to bring the net working capital position of Old Mascot to \$200,000 as required by the May 17, 1984 agreement.

AUDITORS' REPORT

To the Board of Directors
Mascot Gold Mines Limited

We have examined the balance sheet of Mascot Gold Mines Limited as at June 30, 1983 and the statements of deferred exploration and development and changes in financial position for the nine month period ended June 30, 1983. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at June 30, 1983 and the changes in its financial position for the nine month period ended June 30, 1983 in accordance with generally accepted accounting principles applied on a consistent basis.

Vancouver, Canada
August 4, 1983, except as to Note 9
which is as of August 15, 1984

(Signed) ERNST & WHINNEY
Chartered Accountants

AUDITORS' REPORT

To the Board of Directors
Mascot Gold Mines Limited

We have examined the balance sheet of Mascot Gold Mines Limited as at September 30, 1982 and the statements of deferred exploration and development and changes in financial position for each of the years in the four year period ended September 30, 1982. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at September 30, 1982 and the changes in its financial position for each of the years in the four year period ended September 30, 1982 in accordance with generally accepted accounting principles applied on a consistent basis.

Vancouver, Canada
November 9, 1982

(Signed) PRICE WATERHOUSE
Chartered Accountants

MASCOT GOLD MINES LIMITED
BALANCE SHEET

	March 31, 1984	June 30, 1983	September 30, 1982
ASSETS	(unaudited)		
Current Assets			
Bank and short term deposit	\$ 627	\$ 248,771	\$ 252,394
Accrued interest receivable	—	517	21,264
Amount due from parent company	—	—	184,011
Refundable deposit and prepaid expenses	10,490	6,511	3,788
	11,117	255,799	461,457
Capital Assets, at cost			
Buildings and equipment	667,315	667,315	650,684
Mineral properties	307,070	307,070	307,070
	974,385	974,385	957,754
Deferred Exploration and Development, at cost	4,707,018	4,282,048	3,744,038
	\$5,692,520	\$5,512,232	\$5,163,249
 LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 32,931	\$ 30,187	\$ 45,187
Advances from Parent Company			
Campbell Resources Inc.	177,544	—	—
Capital Stock			
Issued — Note 4	5,482,045	5,482,045	4,904,373
To be issued — (1982 — 154,847 shares) — Note 3	—	—	213,689
	5,482,045	5,482,045	5,118,062
Commitments — Note 5			
	\$5,692,520	\$5,512,232	\$5,163,249

See accompanying notes to financial statements

On behalf of the Board:

(Signed) Myron I. Gottlieb, Director

(Signed) Paul A. Carroll, Director

MASCOT GOLD MINES LIMITED

STATEMENT OF DEFERRED EXPLORATION AND DEVELOPMENT

	Nine Months Ended March 31 1984	Nine Months Ended June 30 1983	Year Ended September 30			
			1982	1981	1980	1979
	(unaudited)					
Property operating expenses	\$ 258,815	\$ 372,204	\$1,275,168	\$1,303,373	\$448,890	\$168,157
General and administrative	147,115	163,279	220,166	94,028	75,851	25,551
Interest on advances from parent company	—	—	40,819	32,899	—	—
Water rights, property taxes and claim rentals	5,704	6,132	13,240	7,471	5,953	5,549
Consulting fees	16,271	31,144	58,785	28,662	6,646	25,620
	<u>427,905</u>	<u>572,759</u>	<u>1,608,178</u>	<u>1,466,433</u>	<u>537,340</u>	<u>224,877</u>
Less: Interest Income	2,935	34,749	135,748	46,533	—	—
Net Expenditure for the Period	<u>424,970</u>	<u>538,010</u>	<u>1,472,430</u>	<u>1,419,900</u>	<u>537,340</u>	<u>224,877</u>
Deferred exploration and development at beginning of period	<u>4,282,048</u>	<u>3,744,038</u>	<u>2,271,608</u>	<u>851,708</u>	<u>314,368</u>	<u>89,491</u>
Deferred Exploration and Development at End of Period	<u>\$4,707,018</u>	<u>\$4,282,048</u>	<u>\$3,744,038</u>	<u>\$2,271,608</u>	<u>\$851,708</u>	<u>\$314,368</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Nine Months Ended March 31, 1984	Nine Months Ended March 31, 1983	Nine Months Ended June 30, 1983	Year Ended September 30,			
				1982	1981	1980	1979
	(unaudited)						
SOURCE OF FUNDS							
Shares issued and to be issued	\$ —	\$898,934	\$363,983	\$2,636,016	\$1,350,619	\$ 734,666	\$ 35,516
Advances from parent company	177,544	—	—	479,940	1,176,175	328,511	226,389
Decrease in other assets	—	—	—	—	50,103	—	—
	<u>177,544</u>	<u>898,934</u>	<u>363,983</u>	<u>3,115,956</u>	<u>2,576,897</u>	<u>1,063,177</u>	<u>261,905</u>
APPLICATION OF FUNDS							
Deferred exploration and development expenditure	424,970	623,829	538,010	1,472,430	1,419,900	537,340	224,877
Settlement of advances from parent company	—	—	—	1,026,404	657,180	527,431	35,516
Purchase of equipment and buildings	—	8,821	16,631	113,701	498,074	38,909	—
Other assets	—	—	—	—	—	50,103	—
	<u>424,970</u>	<u>632,650</u>	<u>554,641</u>	<u>2,612,535</u>	<u>2,575,154</u>	<u>1,153,783</u>	<u>260,393</u>
Increase (Decrease) in Working Capital	<u>(247,426)</u>	<u>266,284</u>	<u>(190,658)</u>	<u>503,421</u>	<u>1,743</u>	<u>(90,606)</u>	<u>1,512</u>
Working capital (deficiency) at beginning of period	<u>225,612</u>	<u>20,166</u>	<u>416,270</u>	<u>(87,151)</u>	<u>(88,894)</u>	<u>1,712</u>	<u>200</u>
Working Capital (Deficiency) at End of Period	<u>\$ (21,814)</u>	<u>\$286,450</u>	<u>\$225,612</u>	<u>\$ 416,270</u>	<u>\$ (87,151)</u>	<u>\$ (88,894)</u>	<u>\$ 1,712</u>

See accompanying notes to financial statements

MASCOT GOLD MINES LIMITED
NOTES TO FINANCIAL STATEMENTS

1. General

The Company is incorporated under the laws of the Province of British Columbia. Its principal business activity is the exploration and development of mineral properties.

2. Summary of Significant Accounting Policies

Exploration and Development Expenditures: The activities of the Company are in the exploratory stage and all expenses less sundry income are capitalized; therefore no statement of profit or loss is submitted.

Depreciation: The buildings and equipment owned by the Company are used for exploration purposes and accordingly no depreciation has been provided.

3. Related Party Transactions

During fiscal 1980, the Company issued to Campbell Resources Inc. ("Campbell") (formerly GM Resources Limited), the parent company, 855,342 shares in settlement of advances totalling \$527,431 and 207,235 shares for a cash consideration of \$1.00 per share.

In December 1981, the Company issued 1,086,956 shares to Campbell for cash consideration of \$1,500,000. In addition, Campbell agreed to expend \$1,500,000 by December 31, 1983 on exploration at the Company's Nickel Plate property in consideration of treasury shares at the rate of one share for each \$1.38 expended. During the year ended September 30, 1982, the Company issued 668,353 shares to Campbell for exploration work performed. In addition, the Company was committed to issue a further 154,847 shares to Campbell for exploration work performed to the end of the year, which shares were issued to Campbell in fiscal 1983.

During the nine months ended June 30, 1983, the Company issued the remaining 263,757 shares to Campbell for exploration work performed in the period.

Effective January 1, 1982 a company which was controlled by the then president was engaged to provide management and project supervision services to the Company. The cost to the Company was based on payroll costs plus 15%, as well as an annual fee of \$50,000. The aggregate amount of such costs was as follows:

Year ended September 30, 1982	\$46,828
Nine month period ended June 30, 1983	\$47,870
Nine month period ended March 31, 1984 (unaudited)	\$33,620

This agreement expired on December 31, 1983 and was not renewed.

Campbell has charged for the provision of administrative and technical services as well as rental equipment to the Company as follows:

Year ended September 30, 1980	\$101,724
Year ended September 30, 1981	\$ 99,251
Year ended September 30, 1982	\$ 12,000

During the period ended March 31, 1984 the Company received from Campbell advances of \$177,544, repayable on August 1, 1985 and bearing interest at the lender's borrowing cost, in order to maintain the existing exploration program.

4. Capital Stock

At September 30, 1980 authorized capital stock consisted of 10,000,000 common shares without par value. At the Annual General Meeting for the year ended September 30, 1981 the authorized share capital was increased to 20,000,000 common shares without par value.

Changes in issued share capital were as follows:

	Number of Shares	Ascribed Value
Issued and outstanding at October 1, 1979	1,303,649	\$ 396,761
Issued to parent company in settlement of advances (Note 3)	855,342	527,431
Issued to parent company for cash (Note 3)	<u>207,235</u>	<u>207,235</u>
Issued and outstanding at September 30, 1980	2,366,226	1,131,427
Issued to public for cash	1,000,000	1,328,119
Issued to employees under Employee Incentive Plan	<u>15,000</u>	<u>22,500</u>
Issued and outstanding at September 30, 1981	3,381,226	2,482,046
Issued to parent company for cash (Note 3)	1,086,956	1,500,000
Issued to parent company for exploration work performed (Note 3)	<u>668,353</u>	<u>922,327</u>
Issued and outstanding at September 30, 1982	5,136,535	4,904,373
Issued to parent company for exploration work performed (Note 3)	<u>418,604</u>	<u>577,672</u>
Issued and outstanding at June 30, 1983 and March 31, 1984	<u>5,555,139</u>	
Ascribed value at June 30, 1983 and March 31, 1984 (unaudited)		<u>\$5,482,045</u>

During the year ended September 30, 1981 the Company completed a public financing consisting of 1,000,000 shares at a price of \$1.50 per share. Underwriting commissions and share issue expenses of \$171,881 were charged against the proceeds of the issue.

5. Commitments

The Nickel Plate property, if placed in production, is subject to the payment to Burden Investors Services Inc., of a royalty up to a maximum of \$250,000 to be determined on a sliding scale relating to the grade of ore treated and based on net smelter returns, but not exceeding 10% thereof.

6. Current and Comparative Figures

During fiscal 1983 the Company's year end was changed from September 30 to June 30. Certain of the prior year's figures have been reclassified to conform with the presentation adopted in the current year.

7. Company Name

In August 1980, the Company changed its name from Mascot Nickel Plate Mines Limited to Mascot Gold Mines Limited.

8. Share Options

On December 12, 1983 the Company granted options to certain directors and officers of the Company to purchase 276,000 shares at a price of \$1.50 per share in accordance with the Employee Incentive Plan. In addition, certain directors of the Company were granted options under a Directors' Stock Option Plan to purchase 150,000 shares, also at \$1.50 per share.

Under the terms of the Employee Incentive Plan the options may be exercised as follows:

- (a) On or after December 12, 1984 — up to one third of the total number of options granted.
- (b) On or after December 12, 1985 — up to one third of the total number of options granted, plus any options not exercised within the maximum set out in (a).
- (c) On or after December 12, 1986 — up to one third of the total number of options granted, plus any options not exercised within the maximum set out in (a) and (b).
- (d) On or after December 12, 1987 any remaining options not exercised.

The options expire December 12, 1988.

9. Subsequent Events

- (a) Subsequent to March 31, 1984, pursuant to a private placement, the Company received \$1,000,000 in exchange for 487,805 common shares, with an ascribed value of \$2.05 per share, to be issued in fiscal 1985. Funds received will be expended on resource exploration during the remainder of fiscal 1984, and in fiscal 1985 on or before December 31, 1984.
- (b) On August 15, 1984, the Company entered into an agreement with Lévesque, Beaubien Inc., Pemberton Houston Willoughby Incorporated and Geoffrion, Leclerc Inc. (collectively the "Agents") whereby the Agents have undertaken to distribute, on a best efforts basis, an offering of securities by the Company. The offering consists of a maximum of 2,500 units and a minimum of 1,200 units. Each unit consists of 200 Series I Share Purchase Warrants, 725 Series II Share Purchase Warrants and the right to earn 1,000 common shares for each \$2,200 expended during 1984 on Canadian exploration expense as defined in the Income Tax Act (Canada). The subscription price of \$2,500 per unit will be allocated as to \$10 to the Series I Share Purchase Warrants, as to \$290 to the Series II Share Purchase Warrants and as to \$2,200 to the right to earn common shares. The Agents' commission and other expenses of issue are estimated to be \$650,000.

COMPILATION REPORT

To the Board of Directors
Mascot Gold Mines Limited

We have reviewed, as to compilation only, the accompanying unaudited pro forma consolidated balance sheet of Ebex Resources Ltd. as at March 31, 1984. This unaudited pro forma consolidated balance sheet has been prepared solely for inclusion in the prospectus relating to the sale and issue of units by Mascot Gold Mines Limited and is based on the unaudited balance sheets of E & B Explorations Limited Partnership and E & B Explorations Inc. as at March 31, 1984. In our opinion, this unaudited pro forma consolidated balance sheet has been properly compiled to give effect to the transactions and assumptions described in the notes thereto.

Vancouver, Canada
May 17, 1984

(Signed) PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

EBEX RESOURCES LTD.
PRO FORMA CONSOLIDATED BALANCE SHEET (UNAUDITED)

	<u>March 31,</u> <u>1984</u>
ASSETS	
Current Assets	
Accounts receivable:	
Funding venture participants	\$ 165,320
Others	8,310
Marketable securities	33,975
Note receivable from shareholder	56,804
Inventory	459,829
Unbilled exploration costs	46,468
Prepaid expenses	44,912
Investment, at cost	40,848
Income tax recoverable	22,132
	878,598
Investment in Campbell Resources Inc.	1,650,000
Property and Equipment, at cost	198,720
Deferred Exploration and Development Costs of Non-Producing	
Mining Claims and Properties	5,437,846
	\$8,165,164
 LIABILITIES AND SHAREHOLDERS' EQUITY	
Current Liabilities	
Bank indebtedness	\$ 267,520
Accounts payable and accrued liabilities	326,379
Advances from funding venture participants	18,126
Deferred income taxes	66,573
	678,598
Deferred Income Taxes	304,568
Shareholders' Equity	
Capital stock:	
Authorized: 10,000,000 shares, no par value	
Issued: 8,000,001 shares	7,181,998
	\$8,165,164

See accompanying notes to unaudited pro forma consolidated balance sheet

On behalf of the Board:

(Signed) Myron I. Gottlieb, Director

(Signed) Paul A. Carroll, Director

EBEX RESOURCES LTD.

NOTES TO PRO FORMA CONSOLIDATED BALANCE SHEET (UNAUDITED)

As At March 31, 1984

1. (a) Pursuant to an agreement dated as of May 17, 1984, Campbell Resources Inc. ("Campbell"), E & B Explorations Inc. ("E & B Inc."), NuNorth Resources Limited, L.P. ("NuNorth") and others will enter into certain transactions pursuant to the laws of British Columbia to form a company to be called Ebex Resources Ltd. ("Ebex").
(b) Based on the May 17, 1984 agreement, the following transactions are to be consummated:
 - (i) Ebex will issue 2,500,000 treasury shares and will pay \$100 in exchange for all the outstanding shares of E & B Inc.
 - (ii) Ebex will issue 2,500,000 treasury shares in exchange for NuNorth's 50% interest in E & B Explorations Limited Partnership ("Partnership").
 - (iii) Ebex will issue 3,000,000 treasury shares in exchange for 150,000 treasury common shares of Campbell and certain properties.
 - (iv) Campbell will acquire 1,400,000 shares of Ebex from NuNorth and the former shareholders of E & B Inc. in exchange for 100,000 treasury common shares of Campbell.
2. The pro forma consolidated balance sheet gives effect to the formation of Ebex and the transactions described in Note 1(b) as though they had taken place on March 31, 1984 and has been compiled from the following unaudited balance sheets as at March 31, 1984:
E & B Explorations Inc.
E & B Explorations Limited Partnership
3. For purposes of the pro forma consolidated balance sheet the assets and liabilities of E & B Inc. and the Partnership have been translated into Canadian dollars at the rate of 1.2765 in effect at the pro forma consolidated balance sheet date.
4. The pro forma consolidated balance sheet gives effect to the following assumptions:
 - (i) The Partnership has a fair market value, based on the consideration given by Campbell to acquire its interest in Ebex, of \$4,331,998. This fair market value is in excess of recorded net book values (see (iv) and (v) below) by \$2,266,436.
 - (ii) The properties transferred to Ebex from Campbell have a fair market value of \$1,200,000.
 - (iii) The Campbell common shares transferred to Ebex have been valued at \$11 per share for a total value of \$1,650,000.
 - (iv) Cash and management fees receivable of approximately \$954,356 have been distributed to NuNorth and to E & B Inc. shareholders immediately prior to the closing date of the May 17, 1984 agreement. This would leave Ebex with a net working capital position of \$200,000.
 - (v) Gold bullion inventory on deposit with the refiner has been valued at estimated sales value of \$370 U.S. per ounce. It is anticipated the bullion inventory will be sold prior to the closing of the May 17, 1984 agreement.

CERTIFICATES

Dated: August 15, 1984

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the Securities Act (British Columbia), by Part 8 of the Securities Act (Alberta), by Part VIII of The Securities Act (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XIV of the Securities Act (Ontario) and the respective regulations thereunder and by Section 13 of the Securities Act (New Brunswick) and does not contain any misrepresentation within the meaning of the Securities Act (Quebec) likely to affect the value or the market price of the securities to be distributed.

Company

MASCOT GOLD MINES LIMITED

(Signed) Henry G. Ewanchuk
President and Chief Executive Officer

(Signed) R. Paul Middleton
Vice-President, Finance

On behalf of the Board of Directors

(Signed) Myron I. Gottlieb
Director

(Signed) Paul A. Carroll
Director

Promoter

CAMPBELL RESOURCES INC.

By: (Signed) Myron I. Gottlieb

Agents

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the Securities Act (British Columbia), by Part 8 of the Securities Act (Alberta), by Part VIII of The Securities Act (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XIV of the Securities Act (Ontario) and the respective regulations thereunder and by Section 13 of the Securities Act (New Brunswick) and does not contain any misrepresentation within the meaning of the Securities Act (Quebec) likely to affect the value or the market price of the securities to be distributed.

LÉVESQUE, BEAUBIEN INC.

By: (Signed) James I. McDonald

PEMBERTON HOUSTON
WILLOUGHBY INCORPORATED

GEOFFRION, LECLERC INC.

By: (Signed) Douglas Irwin

By: (Signed) O. Veillet

The following includes the name of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of:

Lévesque, Beaubien Inc.: André Charron, Pierre Brunet, Paul A. Pommier, H.R. Marleau, Gustave Boudreault, Gaston Ostiguy, S.E. Brock and A.R. Graham.

Pemberton Houston Willoughby Incorporated: W.R. Wyman, F.R. Wright, M.M. Ryan, D.N. Alexander, G.H. Walker, W.D. Ebbels, P.V. Chernov, R.E.T. Goepel, J.D. Wurz.

Geoffrion, Leclerc Inc.: G.J. Desmarais, O. Veillet, R.G. Jarry, The Laurentian Mutual Insurance, Dow Banking Corporation.

