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revenue. Thereafter Westmin shall receive 25% and the Company 75% of the net revenue until the Company has completed recovery of its preproduction expenditures. Then Westmin shall receive 37.5% and the Company 62.5% of the net revenue until 5,000 ounces of gold have been recovered in Westmin's mill. Finally, Westmin and the Company shall each receive 50% of the net revenue; or

2. if the head grade of the initial 3,500 dry short tons milled or stockpiled at Westmin's mill is equal to or less than 0.7 ounces of gold per ton Westmin shall receive 37.5% and the Company 62.5% of the net revenue until 5,000 ounces of gold have been recovered and until the Company has completed recovery of its preproduction expenditures whereupon Westmin and the Company shall each receive 50% of the net revenue.

The Company has had L.J. Manning and Associates Ltd. prepare a summary report dated August 3, 1993 on the reserves of ore contained in the property and the feasibility of commencing commercial production therefrom. In that report it is stated that some testing of core samples from the leased property has been completed at Westmin's mill lab at Stewart, British Columbia. Grades of 2.5 to 140 grams of gold per tonne were found in the quartz stockworks and veins. Grades of 2.5 to 8.5 grams of gold per tonne were found in the laminated cherts. Based on these findings, Steward Leslie Holdings Limited has calculated a drilled uncut high grade reserve of 3,629 tonnes of gold with a grade of 45.3 grams of gold per tonne. The report recommends further testing and indicates that an expenditure of $300,000 shall establish whether or not the leased property contains high grade gold bearing ore adequately disposed and in sufficient quantities to permit economic extraction and subsequent trucking and barging to Westmin's mill. The report further states that such an expenditure has an excellent change of establishing a shoot of economically mineable ore and is, therefore, recommended.

(b) <u>Loan Agreement</u>

To provide the necessary funding to commence production from the property, the Company has entered into a loan agreement with C.I.F. Treuhand A.G. Capital Investment Finance ("C.I.F.") of Zurich, Switzerland, whereby it will borrow $500,000. The rate of interest is 13% per annum. The loan is repayable 12 months from the commencement of commercial production and, if commercial production is not commenced within twelve months from the advancement date, on demand. The Company shall pay C.I.F. a bonus of 200,000 common shares on advancement of funds at a deemed price of $0.50 per share.