

SUPERINTENDENT OF BROKER  
AND  
STOCK EXCHANGE

GOLDFINCH  
Windflower  
889600

STATEMENT OF MATERIAL FACTS (#32/87)  
EFFECTIVE DATE: MARCH 16, 1987

# 718

WINDFLOWER MINING LTD.

4405 Glencanyon Drive

North Vancouver, B.C. V7N 4B4

(985-5860)

NAME OF ISSUER, ADDRESS OF HEAD OFFICE AND TELEPHONE NUMBER

c/o Boughton & Company

Barristers and Solicitors

1600 - 1100 Melville Street

Vancouver, B.C. V6E 4B4

ADDRESS OF REGISTERED AND RECORDS OFFICES OF ISSUER

THE CANADA TRUST COMPANY

1055 Dunsmuir Street

Vancouver, B.C. V7X 1P3

NAME AND ADDRESS OF REGISTRAR AND TRANSFER AGENT FOR ISSUER'S SECURITIES IN  
BRITISH COLUMBIA

OFFERING: 250,000 Common Shares

	Estimated Price to Public*	Estimated Underwriters' Discount	Net Proceeds to be received by Issuer
Per Share:	\$1.80	\$0.30	\$1.50
Total:	\$450,000	\$75,000	\$375,000

\*The price to the public will be the market price at the time of sale.

ADDITIONAL OFFERING:

The Underwriter of the Offering has been granted an option to purchase up to 125,000 shares in consideration of agreeing to act as Underwriter and to purchase the Shares offered hereby and has been granted a Greenshoe Option to purchase up to a further 37,500 shares of the Issuer. These shares are hereby qualified for sale through the facilities of the Vancouver Stock Exchange pursuant to this Statement of Material Facts. See "Plan of Distribution" and "Additional Offering" for further information concerning the sale of these shares.

The Securities offered hereunder are speculative in nature. Information concerning the risks involved may be obtained by reference to this document; further clarification, if required may be sought from a broker.

UNDERWRITER

Canarim Investment Corporation Ltd.

2200 - 609 Granville Street

Vancouver, B.C. V7Y 1H2

The Issuer is, under the rules of the Vancouver Stock Exchange, a Development Company.

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

rocks with some felsic volcanics, including one apparently coherent rhyolite or dacite "dome" some four kilometers long and perhaps 500 meters thick contained within the pyroclastic pile. The pyroclastic rocks are in turn overlain by clastic metasediments of the Yellowknife Supergroup. Mr. Peatfield reports that there are many complexities to the local geology, most of which would be resolved only by detailed mapping.

Mr. Peatfield concludes that the Claims have outstanding potential for discovery of zinc and possibly copper bearing massive sulphide deposits. He further reports that the limited trenching and diamond drilling to date have not adequately tested the favourable geologic setting, with its unexplained geophysical anomalies. Further, work to date has been almost exclusively orientated to the massive sulphide model and the gold potential of the property has not been explored and that future work should concentrate on this aspect. In his report Mr. Peatfield has summarized that numerous targets, both precious and base metals, remain to be confirmed and further tested on or around the claim area.

Mr. Peatfield has recommended a three phase exploration program. Phase I, consisting of geological mapping and sampling and geochemical and geophysical surveys, is estimated to cost \$115,000. Contingent upon the results received from the Phase I exploration program, Phase II and III programs have been recommended (estimated cost for Phase II program: \$115,000 and estimated cost for Phase III program: \$265,000).

For detailed particulars, readers are urged to review the complete engineering report prepared by Mr. Peatfield of MineQuest Exploration Associates Ltd. dated October, 1986, which report forms a part of this Statement of Material Facts.

The Issuer intends to proceed with the Phase I exploration program recommended by Mr. Peatfield and, dependent upon the results received therefrom, further exploration will be the subject of a future financing or financed from working capital.

There is no plant or equipment on the Claims, nor is there a known body of commercial ore on the property.

#### **B. Independence Mineral Claims, B.C.**

By Option Agreement dated October 12, 1983, and as amended, the Issuer acquired from Academy Enterprises Ltd. ("Academy") of Sicamous, B.C. and Richard K. Evans ("Evans") of Fanny Bay, B.C., an option to purchase five Crown granted mineral claims, three reverted Crown grants and four located mineral claims (collectively the "Independence Claims"), all of which claims are located in the Revelstoke Mining Division of British Columbia.

The Issuer acquired the option to purchase the Independence Claims for the total sum of \$205,000 (\$130,000 paid to date and \$75,000 due by February 1, 1988) and the issuance of 200,000 shares to Academy (130,000 shares issued to date and 70,000 shares to be issued by July 15, 1987). Additionally, the Issuer's Agreement with Academy required exploration and development expenditures of \$190,000 by December 31, 1986 (completed) and an additional \$150,000 by December 31, 1987. Further, Academy has reserved a 3% net smelter interest from any production received by the

Issuer from the Independence Claims and Evans has reserved a 1% net smelter interest from any production derived from the five Crown granted mineral claims which form a part of the Independence Claims.

By Agreement dated August 9, 1985, and as amended by further Agreement dated January 31, 1986, the Issuer granted an option on its Independence Claims and its "Goldfinch" Claims (adjoining properties: referred to in Item 3 II C below) to Granges Exploration Ltd.\* ("Granges") of Vancouver, B.C. Under this Agreement, Granges acquired the right to purchase a 60% or, dependent upon the Issuer's participation in future property expenditures, an 80% interest in the Independence and Goldfinch properties by making the following cash payments and exploration expenditures:

<u>Date</u>	<u>Cash Consideration From Granges</u>	<u>Exploration Expenditures by Granges (cumulative \$)</u>
Upon execution of Agreement	\$ 20,000 (received)	-
By February 1, 1986	\$ 10,000 (received)	\$ 120,000 (completed)
August 15, 1986	\$ 25,000 (received)	-
February 1, 1987	\$ 50,000 (received)	\$ 230,000 (completed)
February 1, 1988	\$ 75,000	\$ 350,000
February 1, 1989	\$100,000	\$ 400,000
February 1, 1990	<u>\$130,000</u>	<u>\$ 400,000</u>
	<u>\$410,000</u>	<u>\$1,500,000</u>

In order for Granges to exercise its option to acquire an interest in the Independence and Goldfinch properties, the above payments and exploration expenditures must be completed and a feasibility report prepared and at that time the Issuer shall have the right to participate in the further development of the properties by agreeing to pay 32% of any further expenditures and thereby retaining a 40% working interest, or alternatively, in the event that the Issuer does not wish to participate in the future expenditures for the properties, the Issuer shall be entitled to retain a 20% net profits interest in the Independence and Goldfinch properties.

\*Douglas McRae, who was appointed a director of the Issuer on February 3, 1987, is also a director of Granges.

Collectively, the adjoining Goldfinch and Independence Claims are located 45 kilometers southeast of Revelstoke, B.C. The properties together consist of 108 located claim units and 17 Crown granted and reverted Crown granted mineral claims covering an area of over 6,000 acres. The Issuer reports that the Goldfinch and Independence Claims overlie metasediments and volcanics mapped by the Geological Survey of Canada as the Broadview and Jowette Formations of the Lardeau Group.

Exploration programs during the previous two seasons (1985 and 1986) have been carried out by Granges and have consisted primarily of diamond drill testing with some limited geophysical and geochemical surveys having been

conducted on the Goldfinch and Independence Claims. In 1985, 16 line kilometers of geophysical VLF surveys were completed and a total of 603 meters (1,978 feet) were drilled in seven drill holes to test the gold bearing vein structures occurring on the properties. Four of the seven holes drilled returned significant gold values and, in particular, Drill Hole #6 returned assays of .20 oz. gold/ton (6.9 grams/ton) and 1.05 oz. silver/ton (36.1 grams/ton) over 7.5 feet (2.29 meters). During 1986, a small program of geochemical soil sampling was carried out over the main area of interest on the Goldfinch and Independence Claims and in a subsequent drill program 6,166 meters (20,232 feet) of drilling (61 drill holes) were completed.

As a result of the exploration and development work carried out to date on the Goldfinch and Independence properties, a mineralized gold-bearing vein structure has been delineated over a strike length of over 400 meters (1,312 feet). The Issuer reports that vein widths from 2 to 3 meters (6 to 10 feet) are common with grades from 5 to 17 grams of gold/ton (.15 to .50 oz. gold/ton). In particular, the Issuer reports that very significant intersections have been reported, and specifically, Drill Hole #42 assayed 24.9 grams gold/ton (.725 oz. gold/ton) across 10.2 meters (33.5 feet) and Drill Hole #34 assayed 47.2 grams gold/ton (1.38 oz. gold/ton) across 3.7 meters (10.4 feet).

The Issuer reports that considerably more drill testing will have to be carried out in order to establish accurate ore reserves, however, from drill information and data received to date, G. Ryznar, P.Eng., who is a director of the Issuer, conservatively estimates ore reserves at 200,000 tons of .30 oz. gold/ton with a very good potential for such ore reserve estimates being increased by two or three fold.

Further drill testing of the main ore zone and the drilling of other promising showings on the Goldfinch and Independence Claims have been scheduled by Granges for 1987 with a strong possibility of some underground development for exploration purposes.

The Independence and Goldfinch Claims are contiguous and both properties are principally gold prospects.

#### C. Goldfinch Mineral Claims, B.C.

As referred to above in Item 3 II B (Independence Claims), the Goldfinch Mineral Claims and Independence Claims are adjoining properties.

By Option Agreement dated November 5, 1984 with Synco Development Corporation ("Synco") of Vancouver, B.C., the Issuer acquired an option to purchase the Goldfinch Claims for the sum of \$40,000 (already paid) and the issuance of 175,000 common shares (already issued). The Option Agreement further provided that exploration work was to be carried out on the property to a value of \$150,000 to December 31, 1986, which work commitment has been met. The Issuer has, as of December 31, 1986, exercised its option to acquire the Goldfinch Claims with Synco retaining a 2% net smelter return royalty from any production derived from the Goldfinch Claims.

As referred to above in Item 3 II B, by Agreement dated August 9, 1985 and as amended by further Agreement dated January 31, 1986, the Issuer granted an option on its Independence Claims and its Goldfinch Claims to Granges Exploration Ltd. ("Granges") of Vancouver, B.C. Under this Agreement, Granges acquired the right to purchase a 60% or, dependent upon the Issuer's participation in future property expenditures, an 80% interest in the Independence or Goldfinch properties by making certain cash payments and meeting certain exploration expenditures (referred to in greater detail under Item 3 II B herein).

The Goldfinch Claims consist of 9 crown grants and two located mineral claims covering a site length of 3 kilometers and a width of 2 to 3 kilometers. The Claims are located 35 kilometers east of Revelstoke near Beaton, B.C.

Material exploration and development work carried out on the Goldfinch property to date, the results thereof and the exploration and development work which Granges proposes to carry out on the Independence and Goldfinch properties are referred to above at page 8 and 9 of this SMF.

The Goldfinch property is principally a gold prospect and the estimated ore reserves for the property are referred to above.

#### D. Silver Fox Mineral Claims, B.C.

By Agreement dated April 18, 1983, and as amended by Agreement dated October 15, 1984, with Michael Paul of Surrey, B.C. and Stokes A. Mullen of San Diego, California, U.S.A. (the "Vendors"), the Issuer acquired an option to purchase the Silver Fox Crown granted mineral claim for the sum of \$20,000 (paid) and the issuance of 20,000 shares (issued). Additionally, the Agreement provided that the Issuer was required to carry out work on the Silver Fox mineral claim, or claims contiguous thereto, in the amount of \$100,000 (expenditure commitment completed). The Vendors have retained a 20% net profit interest in any production derived from the Silver Fox claim.

The Issuer also acquired two additional claims which are contiguous to the Silver Fox claim, namely, the Wind 1 mineral claim (12 units) and the LeCroy reverted Crown granted mineral claim. These claims were acquired by the Issuer from Gerald Ryznar, President and Director of the Issuer, for \$5,741.54 (cost of staking plus maintenance expenses).

The Wind 1, Silver Fox and LeCroy mineral claims (the "Claims") are located in central British Columbia about 40 kilometers north of Burns Lake, B.C., which in total cover an area of approximately 600 acres. Vehicle access is by way of gravel road from Decker Lake, immediately to the west of Burns Lake. Burns Lake is 229 kilometers west of Prince George, B.C., along Highway 16.

The Issuer reports that with respect to the history of the Claim area, some underground mining took place on the Silver Fox Claim during the 1920s and although no record of past production is available, a reported drill hole (drilled in 1926) assayed 77.2 oz. silver per ton and .03 oz. gold per ton with additional values in copper, lead and zinc across a 7

foot intersection. The property remained dormant until 1970, at which time it was examined and a work program was recommended. In August, 1970, the small quantity of mineralized material from the Silver Fox Claim was assayed by Cominco Ltd. During August, 1982, the Issuer undertook reconnaissance geochemical stream silt and soil surveys. 54 samples were taken and analyzed from three locations in the southwestern portion of the Wind 1 Claim. In 1985 an encouraging sample of old ore dump material was collected and assayed 32 oz. silver per ton, .04 oz. gold per ton, 0.3% copper, 3.4% lead and 4.4% zinc per ton.

During 1985 and 1986, the Issuer carried out an exploration program to test for precious metal occurrences on the Claims. The exploration program consisted of geological mapping, geophysical I.P. surveys and diamond drill testing of geophysical and geological targets. In the 1986 program, six drill holes were completed (totalling 1,803.5 feet of drilling). Four of these drill holes tested geophysical I.P. targets and two were drilled to test geological targets. The results of the 1986 drill program were for the most part negative as no mineralization of economic significance was encountered in any of the drill holes. The drilling indicated that the I.P. targets were almost entirely due to the occurrence of graphite in the Cache Creek volcanics, and similarly, the anomalously high geochemical values may have been the result of the scavenging effect of the presence of graphite in the soils. The two holes drilled on geological targets failed to encounter any of the previously reported high grade silver mineralization.

In view of the numerous favourable geological and geochemical indicators observed in the drill cores and on the Claims (high gold rock geochemical values, occurrences of solidified and brecciated volcanics) and the occurrences of mineralized quartz veins, the Issuer proposes to conduct further studies of the geology of the Claims before undertaking any new drill targets. Such geological study and drilling program may be the subject of a future financing.

The Silver Fox property is principally a gold and silver prospect and is without a known body of commercial ore.

#### E. Spring Mineral Claims, Smithers, B.C.

By Agreement dated June 1, 1983, the Issuer acquired two claim groups consisting of 39 claims (the "Red Claims") and 18 claims (the "In Claims") from Canadian Superior Explorations Ltd. ("Canadian Superior") of Calgary, Alberta, at a cost of \$15,000.

The Red and In Claim Groups encompass approximately 4,028 acres and are situated approximately 100 miles north of Smithers, B.C. The claims are accessible by helicopter from Bear Lake Airstrip located approximately 20 miles east of the property. Additionally, the rail route to Dease Lake (B.C. Rail) which was built, but never used, passes within 20 miles of the property.

The Claims were discovered in 1972 by Canadian Superior and between 1972 and 1976 the Claims were mapped, tested with geophysical surveys and drilled with 12 drill holes totalling about 4,000 feet. The exploration work indicated a mineralized body of approximately 1,200 feet in length,

400 to 500 feet in width and 50 to 170 feet in thickness, which was estimated to contain 5.5 million tons of .5% copper and .35 oz. silver per ton. It has been reported that at least three of the drill holes showed intersections varying from 29 to 50 feet, grading in the order of 1% copper and 1 oz. silver per ton.

The Issuer reports that the mineralization of the Claims occurs in a reefal limestone within a volcanoclastic sequence of the Hazelton Group of volcanic rocks. The mineralized body is fault bounded on the west with indications of higher grade mineralization in proximity to the fault. From the Issuer's examination of the Claims, future exploration work for the property will emphasize the testing of the fault area for the possibility of higher grade mineralization along with fault structure, which the Issuer suspects may be the major controlling factor in the deposition of the mineralization. The Issuer has determined that further drill testing is recommended in the fault area as well as on some of the areas of higher I.P. responses that occur in the vicinity of the mineralized body but which were not previously tested.

The Issuer reports that in view of the fact that the property is capable of open pit mining, with very low mining costs expected because of the limestone host-rock structure, further consideration should be given to the Claims. Since acquisition of the Claims, no expenditures have been incurred other than those made for maintenance purposes. It is anticipated that in 1987, minor costs may be incurred for engineering evaluation, property visits, prospecting and claim maintenance requirements.

The Issuer intends to maintain the Sping claims in good standing and development thereof may be the subject of a future financing.

The Sping claims are principally a copper and silver prospect and the claims are without a known body of commercial ore.

**GROUP III: OTHER PRESENTLY HELD PROPERTIES UPON WHICH THE ISSUER'S ACQUISITION AND EXPLORATION COSTS TO DATE EXCEED \$100,000.**

Nil.

4. PARTICULARS OF NON-RESOURCE ASSETS

The Issuer does not own any non-resource assets.

5. CORPORATE INFORMATION

The Issuer was incorporated on April 3, 1973 under the name Windflower Mining Ltd. (N.P.L) by registration of its Memorandum and Articles under the Company Act of the Province of British Columbia. The Issuer changed its name to Windflower Mining Ltd. on September 21, 1983.

The authorized capital of the Issuer consists of 10,000,000 common shares without par value of which 2,684,500 shares are issued and outstanding.