



861964

Form 12
Securities Act

Date Accepted
For Filing April 24, 1980

SUPERINTENDENT OF BROKERS
AND
VANCOUVER STOCK EXCHANGE
VANCOUVER CURB EXCHANGE

STATEMENT OF MATERIAL FACTS

VANCOUVER STOCK EXCHANGE

Name of Exchange

CAROLIN MINES LTD.

Name of Issuer

1020 - 475 Howe Street, Vancouver, British Columbia, V6C 2B3

Address of Head Office of Issuer

1004 - 595 Howe Street, Vancouver, British Columbia, V6C 2T5

Address of Registered Office of Issuer

1004 - 595 Howe Street, Vancouver, British Columbia, V6C 2T5

Address of Records Office (Section 38 - Companies Act)

Crown Trust Company, 750 West Pender Street, Vancouver, B.C. V6C 2B2

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

Rita → CAROLIN FILE.

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

1. AGENCY OFFERING

By an agreement, (hereinafter called "the Agency Agreement" dated March 10th, 1980, as amended by an agreement dated April 10th, 1980, Carolin Mines Ltd. (hereinafter called "the Issuer") appointed West Coast Securities Ltd. of 837 West Hastings Street, Vancouver, B.C. (hereinafter called "the Agent"), to offer through the facilities of the Vancouver Stock Exchange, (hereinafter called "the Exchange") 50,000 shares of the Issuer. Subject to the restrictions of the minimum price as set out below, these shares will be sold at the market price prevailing from time to time for a period of 30 days from the effective date of this Statement of Material Facts. The "effective date" shall be the date upon which this Statement of Material Facts is accepted for filing with the Vancouver Stock Exchange.

The Agent has agreed to sell 50,000 shares of the Issuer on a best efforts basis at a minimum price of \$14.00 per share. The Issuer has agreed to pay to the Agent the special rate of commission as established by the Vancouver Stock Exchange for agency offerings, which commission may total 7½% of the gross sales. If all of the shares offered are sold at \$14.00 per share, the Issuer would receive \$647,500.00 after payment of commissions of \$52,500.00. The shares offered for sale pursuant to this offering, are to be sold only through the facilities of the Vancouver Stock Exchange.

The range of the market price of the shares of the Issuer and the volume of sales in each of the four weeks immediately preceding the date of the acceptance of this Statement of Material Facts by the Vancouver Stock Exchange is as follows:

<u>Week</u>	<u>Market Range</u>	<u>Volume</u>
March 24th - 28th	17 1/8 - 13	5,400
March 31 - April 4	14	200
April 7 - 11	15.25 - 14	4,400
April 14 - 18	15 - 13	2,000

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

WEST COAST SECURITIES LTD.

JAMES D. THOMAS 511 - 837 West Hastings Street, Vancouver, B.C.	849 Common Shares	84.9%
ROBERT DEVENTE 511 - 837 West Hastings Street, Vancouver, B.C.	100 Common Shares	10.0%

Directors and insiders of the Issuer may purchase shares from this offering.

The Agent, West Coast Securities Limited, may be considered the "Market Maker" of the shares of the Issuer during the period of primary distribution of the shares offered pursuant to this Statement of Material Facts. The Agent owns no shares and has no shares under his control.

The number and percentage of the issued and outstanding shares of the Issuer beneficially owned by promoters, directors and senior officers as a group is 339,650 and 6.99 %.

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

The feasibility study completed by Kilborn Engineering (B.C.) Ltd., dated May 22, 1979 on the Idaho Zone of the Issuer's Developed Ladner Creek Property concludes that the property contains 1,530,000 tonnes of drill-indicated reserves containing 0.141 ounces troy gold per tonne, after assumed dilutions, based on a cut-off grade of 0.08 ounces troy gold per short ton. The "cut-off" grade is the lowest grade of material on which it is probable that a reasonable profit may be realized. With actual experience in mining the deposit, it is possible that a different standard may be adopted. The full extent of the reserves are unknown.

Prior to commencing production, the Issuer must obtain all necessary governmental approvals.

On the basis of the above shares of the Issuer are to be considered speculative.

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

There have been no material changes in the affairs of the Issuer since October 17, 1979, being the effective date of the Issuer's last Statement of Material Facts accepted by the Vancouver Stock Exchange for filing, save and except John Rogers Bogert, 1695 East Maryland Avenue, Pheonix, Arizona, U.S.A., was elected a director of the Issuer.

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

The proceeds to be received by the Issuer from the sale of the shares offered hereunder, after deducting expenses of this offering, shall be applied by the Issuer as follows:

(a) To pay the monies due to Norvan Management under its Promissory note dated October 25, 1979 (as at January 31, 1980, thereafter \$45.23 per day)	\$ 96,153.04
(b) To carry out the exploration and development program recommended by D.R. Cochrane P.Eng. in his report of February 5, 1980 (which forms a part of this statement) on the Ladner Creek North Properties	460,000.00
(c) General Corporate and Administrative purposes	91,346.96
TOTAL.....	<u>647,500.00</u>

None of the proceeds will be used on any properties unless an engineering report is filed with and accepted by the Vancouver Stock Exchange.

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

Name and Address	Chief Occupation	Number of Shares of Issuer Beneficially Owned
Orval Edward Gillespie 899 - 164th Street, Surrey, B.C. Director/President	President, Director Carolyn Mines Ltd. & David Minerals Ltd. Director Rio Plata Silver Mines Ltd.	132,000
Roy Gordon McKay 903 Stanton Avenue, Coquitlam, B.C. Director/Secretary	Secretary, Director Carolyn Mines Ltd. & David Minerals Ltd. Director Rio Plata Silver Mines Ltd.	107,350
Joseph Shirley LaBine 106 - 561 Avenue Road, Toronto, Ontario Director	Retired	84,100
Alfred Edmunds Angus 12474 Crescent Road, Surrey, B.C. Director	Field Manager for McIntyre Porcupine Mines Ltd.	16,200

Name and Address	Chief Occupation	Number of Shares of Issuer Beneficially Owned
John Rogers Bogert 1695 East Maryland Avenue, Phoenix, Arizona, U.S.A. Director	April 1973 to August 1977 Security Analyst, Paine Webber & Co., Aug. /77 to present President Arizona Desert Minerals Co. Inc.	-nil-
*Grace McKay, wife of Roy Gordon McKay, also owns 15,000 shares all directly held.		

6. PARTICULARS OF THE CORPORATE STANDING OF THE ISSUER

The Issuer was incorporated in British Columbia as a specially limited company on February 3, 1966, by Memorandum and Articles.

The last annual report was filed with the Registrar of Companies of British Columbia, on March 27, 1979. All filings required to be made by the Issuer under the Securities Act and the Company Act of British Columbia are up to date.

Audited Financial Statements of the Issuer for the year ended May 31, 1979 were placed before the shareholders at the annual general meeting held November 29, 1979.

The Issuer, by its Memorandum is not restricted from carrying on any business. However, the Issuer is primarily engaged in the business of acquiring and developing natural resource properties.

7. THE AUTHORIZED AND ISSUED SHARE CAPITAL OF THE ISSUER

The authorized capital of the Issuer consists of 10,000,000 shares without par value, of which 4,854,681 have been issued as fully paid.

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

During the past year the Issuer has issued the following shares:

TO NORVAN MANAGEMENT, 400 - 1124 Lonsdale Avenue, North Vancouver, B.C., pursuant to conversion of debentures issued under a Loan Agreement at a deemed consideration of \$3.00 per share:

<u>DATE OF ISSUE</u>	<u>DEBENTURE CONVERTED</u>	<u>NUMBER OF SHARES</u>
March 27, 1979	\$310,000.00 dated September 20, 1978 (plus accrued interest \$23,610.00)	111,203
July 13, 1979	\$300,000.00 dated September 20, 1978 (plus accrued interest \$34,338.00)	111,446
October 25, 1979	\$600,000.00 dated September 20, 1978	200,000

NORVAN is a partnership, Herbert Edgar Jackson Aveling, Ernest Elliott Evernden, John Edward Hamer-Jackson and Donald William Archibald, being all of the partners.

To Directors upon exercising Director's Stock Options as follows:

<u>Date</u>	<u>Party to Whom Issued</u>	<u>Consideration</u>	<u>No. of Shares</u>
May 18, 1979	Joseph Shirley Labine	\$2.65	40,000
May 18, 1979	Alfred Edmond Angus	\$2.65	10,000
May 18, 1979	Roy Gordon McKay	\$2.65	20,000

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

The Issuer is indebted to Norvan Management, 400 - 1124 Lonsdale Avenue, North Vancouver, B.C. in the sum of \$91,720.31 with interest at 18% per annum from October 25, 1979, such monies now being due and payable.

There are no other bonds, debentures, notes, mortgages, charges, liens or hypothecations of the Issuer outstanding.

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

LADNER CREEK PROPERTY

(a) Summit Agreement

The Issuer owns a 100% interest in the following all of which are located in the New Westminster Mining Division, Province of British Columbia:

(i) Crown Grants (Kamloops Land Registry District)

<u>Name</u>	<u>District Lot No.</u>
Aurum #1 to #6 inclusive	1236 to 1241
Idaho	1234
Tramway	1235

(ii) Mineral Claims (New Westminster Mining Division)

<u>Name</u>	<u>Record No.(s)</u>
Cabin #9 to #14	11911-11916
Cabin #20 Fraction and #21 Fraction	11917-8
CARO #1 Fraction to CARO #3 Fraction and #5 Fraction and #6 Fraction	28643 - 28647
CARO #5 - #16	28618 & 28629
CARO #24 - #27	28637 - 28640
PCR #1 (6 units)	89
PCR #2 (2 units)	43
CARO #29 & #30	28641-28642
Home Gold #5 - #14	14727 - 14736
Gold Star #1 - #4	11365 - 11368
Sylvia Fraction	13364

(The above Crown Granted and located mineral claims are herein referred to as the Developed Ladner Creek Property)

(iii)

Cabin #1 - #8	11903 - 11910
Home Gold #1 - #4	14723 - 14726
Home Gold #15	14737
CARO #1 - #4	28614 - 28617
CARO #17 - #23	28630 - 28636

(iv)

The Issuer holds an option to purchase a 7 0% interest in the following located Mineral Claims situate in the New Westminster Mining Division Province of British Columbia:

Norm #1 - #4	29448 - 22451
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(The located mineral claims referred to under items (iii) and (iv) are herein referred to as the Ladner Creek North properties.)

THE DEVELOPED LADNER CREEK PROPERTYA. HISTORY OF EXPLORATION

The Issuer has been carrying out exploration activity on the Developed Ladner Creek Property in accordance with a program recommended by its Engineers since June of 1973. The surface exploratory work has included geological mapping, geochemical soil sampling, geophysical surveying, trenching, and 43 BQ diamond drill holes aggregating 6,911 m. Underground exploration was commenced in the Fall of 1977 by driving a decline of 360 m. Four cross cuts and 120 AQ diamond drill holes aggregating 6,926 m. was carried out.

B. FEASABILITY STUDY

In December, 1978, Kilborn Engineering (B.C.) Ltd. was retained to prepare a feasibility report which report was completed May 22, 1979.

The objective of the Kilborn feasibility study was to assess the technical and financial feasibility of mining and milling ore from the Idaho Zone of the Developed Ladner Creek Property.

C. GENERAL CONCLUSIONS

The feasibility study assumed a milling rate of 1,500 short tons per day, equivalent to 525,000 short tons per year. Mining was to be based on a 2 shift per day operation requiring output of 2,100 short tons or 1,909 metric tonnes per working day. The feasibility study concluded the following:

- a) Drilling to date indicates a mining reserve of 1,530,000 tonnes of drill - indicated ore reserves, containing 0.141 ounces troy gold per tonne, after assumed dilutions, based on a cut-off grade of 0.08 ounces troy per short ton;
- b) Mining will be by sub-level open stoping method;
- c) Processing will be flotation followed by cyanidation of the flotation concentrate to give an overall recovery of 83% of the contained gold; and
- d) Capital and development costs are estimated at \$19,293,000 in second quarter 1979 funds.
- e) Operating costs are estimated at \$12.53 per short ton milled, in second quarter 1979 funds.

D. GEOLOGY

In connection with the mining and milling of the developed Ladner Creek Property, Kilborn states in its feasibility report as follows:

As presently known, the deposit consists of a series of lenses, ireegular in both the horizontal and vertical planes, but with generally steep dips and a low plunge of about 20° northerly. The lenses vary in length from a minimum of 50 m. to a maximum of 300 m., in width from 5 m. and in vertical height from less than 10 m. to 100 m. The zone has not been delimited down plunge.

E. PROPOSED MINING METHOD

It is recomeended that the deposit be mined by a conventional, sublevel stoping method.

Stope development will be carried out by trackless methods using diesel-powered, 5 yard , LHD units which will later serve to deliver ore broken in the stopes to loading points above the main haulage level.

Kilborn recommends "that mining be started at the northerly end of the presently known zone and proceed sequentially upward towards the surface."

The main haulage level will be collared at an elevation of 800 m. and that adit will be 1,015 m. in length.

Stope developments will be carried out through a second adit collared at an elevation of 900 m.

On the basis as set out by Kilborn, to sustain a 1,909 tonne/day mining rate, beyond the initial development program, 3.6 m. of horizontal and ramp driving, and 0.7 m. of raising would be required per day.

Ore will be moved from draw points below each stope by 5 yard LHD units to a loading pocket above the main haulage. A two shift operation will be used. A total mine staff of 48 is estimated.

F. PROPOSED MILLING PROCESS

A general description of the milling process recommended by Kilborn, is as follows:

Ore from the mine will be delivered by rail haulage to the Course Ore bin, providing the feed for a two stage crushing plan operating in closed circuit with a vibrating screen.

The crushed ore will be fed continuously to two stages of grinding comprised of rod mill operating in open circuit followed by a ball mill operating in closed circuit with a hydrocyclone classifier.

A single stage of flotation will produce a rougher concentrate which will be reground with lime in a ball mill to produce a finely ground feed to the cyanidation circuit.

During the cyanidation in mechanically agitated tanks, the gold will be dissolved and the gold bearing solution will then be separated from the solid tailings in a thickener and two stages of drum filtration. The solution will be clarified and a gold precipitate recovered by the addition of zinc dust. This precipitate will be separated from the barren solution in filter presses and smelted to gold bullion.

Subsequently it was determined to locate the crushing plant underground, 150 metres inside the portal, 30 metres below the main haulage level. The crushed ore will be delivered to the surface and to the mill via a conveyor system.

G. JOINT VENTURE

The Issuers interest in the Developed Ladner Creek Property is subject to a Joint Venture Agreement dated July 18, 1978 (The "Aquarius Agreement") with Aquarius Resources Ltd., Great Basin Petroleum Ltd., Ocelot Industries Ltd. and Canadian Obas Oil Limited for the financing of the developed Ladner Creek Property to production.

The Aquarius Group provided \$600,000 to complete the development program and elected to incur the costs of the preparation of the feasibility report by Kilborn Engineering (B.C.) Ltd. dated May 22nd, 1979. Pursuant to the terms of the Aquarius Agreement by letter dated September 20th, 1979 the Aquarius Group notified the Issuer that it has elected to make a production commitment and it is thereby committed to place the developed Ladner Creek Property into production and to provide the funds necessary. Upon providing the funds (plus reasonable cost overrun) the Aquarius Group will have earned a 50% undivided interest in the developed Ladner Creek Property and the Aquarius Group will convey an undivided 50% interest in the mining plant and equipment to the Issuer.

During the five year period terminating July 18, 1983 the Aquarius Group and the Issuer each have a right of first refusal to purchase the others interest in the developed Ladner Creek Property and/or the Mining Plant on the same terms as any bona fide third party offer.

The Issuer and the Aquarius Group are to settle the terms of the agreement to be entered into by them governing their relationship from the time the property is placed into production. This agreement will provide that the proceeds of production, in kind or in cash, will be distributed as follows:

First, to the Issuer an amount equal to the net increase in income taxes, if any incurred by the Issuer as a result of the acquisition by the Issuer of a 50% interest in the Mining Plant and equipment;

Second, an amount equal to the total exploration, development and pre-production expenses will be distributed to the Issuer and the Aquarius Group in the proportion that the expenses incurred by each party bears to the total exploration, development and pre-production expenses;

Third, an amount equal to the total exploration, development and pre-production expenses will be distributed, two thirds to the Aquarius Group and one third to the Issuer;

Thereafter, the proceeds will be distributed equally to the Issuer and the Aquarius Group.

To the Fall of 1979, the exploration, development and pre-production expenses incurred by the Issuer were \$2,600,000.00 and by the Aquarius Group were \$863,000.00. The feasibility study contemplates a further \$20,270,000.00 being spent by the Aquarius Group to production including operating capital. The Issuer will be the operator of the mine.

In October, 1979, the Issuer entered into a contract with White Mine Development Ltd., for underground development at a cost of approximately \$2,000,000.00, such work to consist of driving a main haulage adit and second service level towards the ore zone. This work commenced in November of 1979. As well, the main access road was upgraded by the installation of culverts and the widening of corners. As a result of a slide near the lower portal, underground work was suspended from December 7, 1979 to January 21, 1980. As of February 24, 1980, the main haulage adit had advanced 168 metres and the second adit had advanced 43 metres. Some additional equipment has been purchased and all major mill equipment for the 1500 ton per day plant is on order. The mining contractors camp has been completed.

THE LADNER CREEK NORTH PROPERTY

To date, no exploration and development work has been carried out on the Ladner Creek North property. The property is without a known body of commercial ore.

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

DEVELOPED LADNER CREEK PROPERTY

Summit Agreement

Under the Agreement of June 7, 1979 with Summit Mining Co. Ltd. (N.P.L.) ("Summit") Box 62, Hope, British Columbia, the Company paid \$455,000 to acquire the Crown Grants together with the Home Gold, Gold Star, Cabin, Cabin Fractions and Sylvia Fractions Mineral Claim. The additional claims owned by the Company in the Ladner Creek area are acquired by the Company by staking.

The shareholders of Summit are Hazel Hockins of Hope, British Columbia and Harold Hockins of 526 Kenchant, Quesnel, British Columbia. The Company has been advised that Summit sold its interest in the Summit Agreement to Norvan on August 4, 1978.

LADNER CREEK NORTH PROPERTY

GOLDEN SHAMROCK AGREEMENT

Under an agreement of March 11, 1980, with Golden Shamrock Resources Ltd., 402 - 602 West Hastings Street, Vancouver, B.C., the Issuer obtained an option to purchase a 70% interest in the Norm 1-4 Mineral Claims. The Issuer acquires a 70% interest by:

- (a) Spending Fifty Thousand (\$50,000.00) Dollars on exploration work on the Norm 1 - 4 Mineral Claims on or before December 31st., 1980;
- (b) Spending a further Two Hundred Fifty Thousand (\$250,000.00) Dollars on exploration work on the Norm 1 - 4 Mineral Claims on or before December 31st., 1984; and
- (c) Putting the Norm 1 - 4 Mineral Claims into commercial production on or before December 31st 1989

This shares for Golden Shamrock are listed for trading on the Vancouver Curb Exchange. There are no common officers or directors of the Issuer and Golden Shamrock.

Until such time as the expenditures required under paragraph (a) and (b) have been completed and the property has been placed into commercial production, the Issuer shall have acquired no interest in the mineral claims. From 100% of the proceeds of commercial production, Carolin will recover its costs in bringing the claims into production excluding the \$300,000.00 referred to under Paragraphs (a) and (b).

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

Orval Edward Gillespie, 899 - 164th Street, Surrey, British Columbia, and Roy Gordon McKay, 903 Stanton Avenue, Coquitlam, British Columbia, are promoters of the Issuer. During the past two years, Mr. McKay has received \$500.00 per month as remuneration from the Issuer and by an Agreement dated October 15, 1978, being a Directors Stock Option Agreement, purchased 20,000 shares in the capital stock of the Issuer at the price of \$2.65 per share.

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

No shares of the Issuer are held in Escrow or in pool.

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

None.

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

None

16. THE AGGREGATE, DIRECT OR INDIRECT, REMUNERATION PAID OR PAYABLE BY THE ISSUER DURING THE PAST YEAR TO INSIDERS OF THE ISSUER
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During the past year, \$6,000.00 was paid to Insiders of the Issuer.

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

By an agreement dated October 24, 1979, the Issuer granted to John Rogers Bogert, 1695 Maryland East Avenue, Phoenix Arizona, an option to purchase 25,000 shares of the Issuer at a price of \$11.00 per share, exercisable on or before December 1, 1980. The option is personal and not assignable and terminates should Mr. Bogert cease to act as a Director of the Issuer. The option was approved by the Issuer's shareholders, at its November 29, 1979 Annual General Meeting and was approved by the Vancouver Stock Exchange. It has not to date been approved by the Toronto Stock Exchange.

There are no other outstanding options to purchase securities of the Issuer.

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

There are no other material contracts entered into by the Issuer within the preceding two years which are still in effect and are not previously disclosed.

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

In the United States, the Issuer filed a Registration Statement (Form 20) dated October 31, 1978, with the Securities and Exchange Commission in Washington, D.C., effecting a registration pursuant to Section 12(g) of the Securities Exchange Act of 1934 in connection with the shares of the Issuer.

As of January 2, 1979, the Issuer's stock was approved by the National Association of Securities Dealers for listing on NASDAQ in the over-the-counter market in the United States, and now trades under the symbol "CRLNF".

The Issuer's shares have been listed for trading on the Toronto Stock Exchange.

Report

on the

LADNER CREEK NORTH PROJECT

Coquihalla Gold Belt

British Columbia
Canada

on behalf of

**CAROLIN
MINES LTD.**

of

Vancouver, B. C.

Report by

D. R. Cochrane, P. Eng.,

February 5, 1980,

Delta, B. C.



Cochrane Consultants Limited
4862 Delta St., Delta, B.C. V4K 2T8 946-9221
Geotechnical Consulting / Exploration Services

geology
geophysics
geochemistry

TABLE of CONTENTS:

	Page
A. INTRODUCTION	1
B. SUMMARY AND CONCLUSIONS	3
C. LOCATION AND ACCESS	6
D. GENERAL SETTING	8
E. CLAIMS INFORMATION	11
F. HISTORY	13
G. DISCUSSION	16
H. RECOMMENDATIONS AND COST ESTIMATE	19
I. APPENDIX I	22

Figures

1. Location Map
2. Sketch of Hope, B. C.
- 3A. Claims Map
- 3B. Claims Areas
4. Workings
5. General Geology
6. Sketch Map of Workings, Pipestem Mine.
7. Grid Areas

Plates

- I Spider Peak
- II Access to Ladner Creek North Project
- III "Blowing Smoke"; Portal, 800 Mainline,
Idaho Zone.



A. INTRODUCTION

In 1978, Carolin Mines Ltd., entered into an agreement with the Aquarius Group, a consortium of oil and gas companies, within which senior financing was arranged for production of the Idaho Gold Bearing Zone, in the Coquihalla Gold Belt, in Southern British Columbia. Shortly after the signing of the agreement, a positive and thorough feasibility study on the Idaho, was completed and a production announcement was made in 1979.

Only a portion of the Carolin mineral claims are covered in the Carolin-Aquarius agreement, the remainder (outside the "fenced area") are owned outright by Carolin Mines Ltd. In addition Carolin has optioned additional and contiguous claims and this entire group of claims is adjacent to, and north of, the Carolin-Aquarius ground and is known as the Ladner Creek North Project.



This report is concerned solely with the wholly owned Carolin claims, and describes the setting, geology and previous work done. It contains recommendations for additional work and an estimate of same.

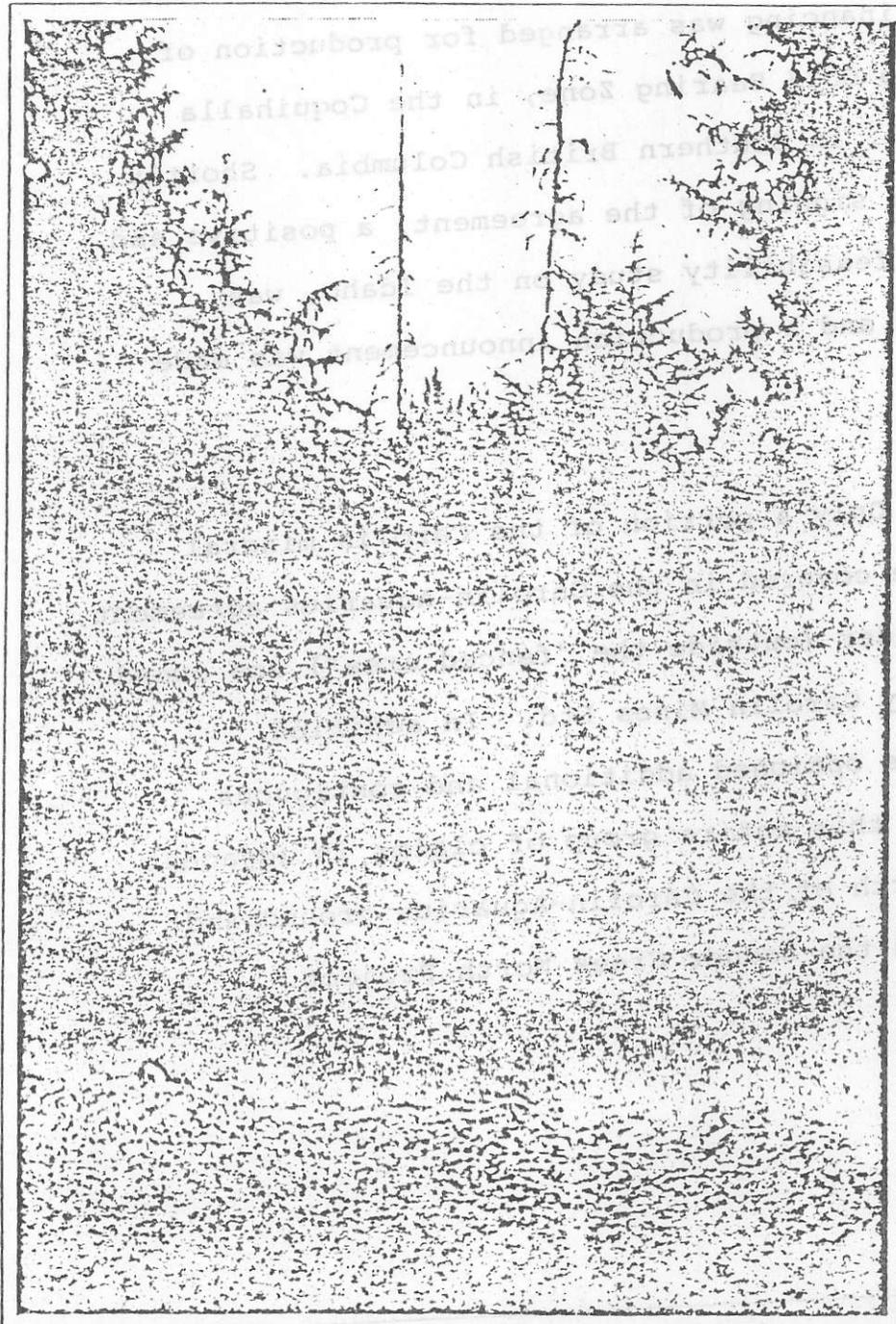


Plate I: Spider Peak (West side of claims area).

B. SUMMARY AND CONCLUSIONS

1. Carolin Mines Ltd., holds title to a large block of mineral claims situated just over 160 km east of Vancouver, in the North Cascade Mountains of British Columbia. The south portion of the claims are easily reached being some 32 road km east and north of the town of Hope.

2. The Vancouver based company has been conducting extensive exploration and development work on the property since 1973 and work has been directed primarily to the Idaho Zone, a replacement type gold bearing deposit located on a single claim of the eighty odd claims block

3. In 1979 an agreement was reached by Carolin Mines Ltd., and the Aquarius Group, by which the latter would provide financing to production, and, as soon as the Idaho Mine reaches production, Carolin becomes the manager and operator and will own 50% of the venture. A decision for production was announced in 1979 and construction



development work is currently underway.

4. The Aquarius agreement includes all claims in a fenced area centered around the Idaho, but excludes a large block of claims north of the fence called the Ladner Creek North group of claims. This report and recommendations contained herein deals exclusively with the Ladner Creek North claims which are owned outright by Carolin Mines Ltd.

5. The Ladner Creek North area covers two former gold producers, the Pipestem and Georgia Number Two. To the author's knowledge little or no work has been done on the former producers since 1937.

6. The property under discussion straddles a portion of the Coquihalla Gold Belt, a rather complex and north trending series of geological features which is host to five former producers, and, in addition, the Idaho and the McMaster Zones. The latter is a gold bearing deposit situated some 1200 m north of the Idaho and geologically



similar to the Idaho. There are no geological reasons to believe the gold bearing zones do not continue northerly onto the Ladner Creek North claims.

7. Indications of gold bearing zones on the claims are suggested by several gold in soil geochemical anomalies. However, only the south portion of the Ladner Creek North property has been sampled and briefly examined to date. Additional reconnaissance type geological, geophysical and geochemical surveys on the remainder of the claim block is strongly recommended.

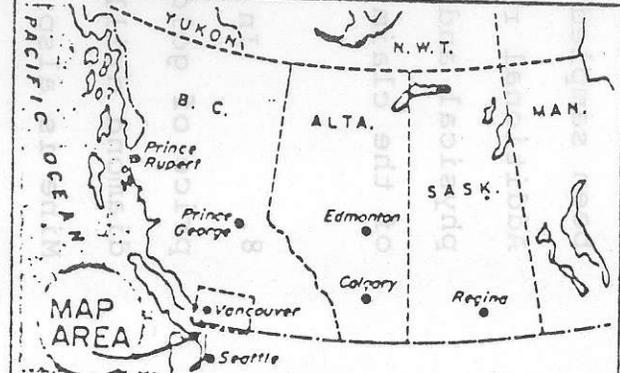
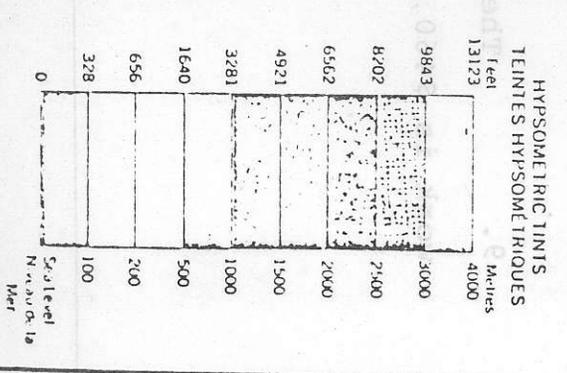
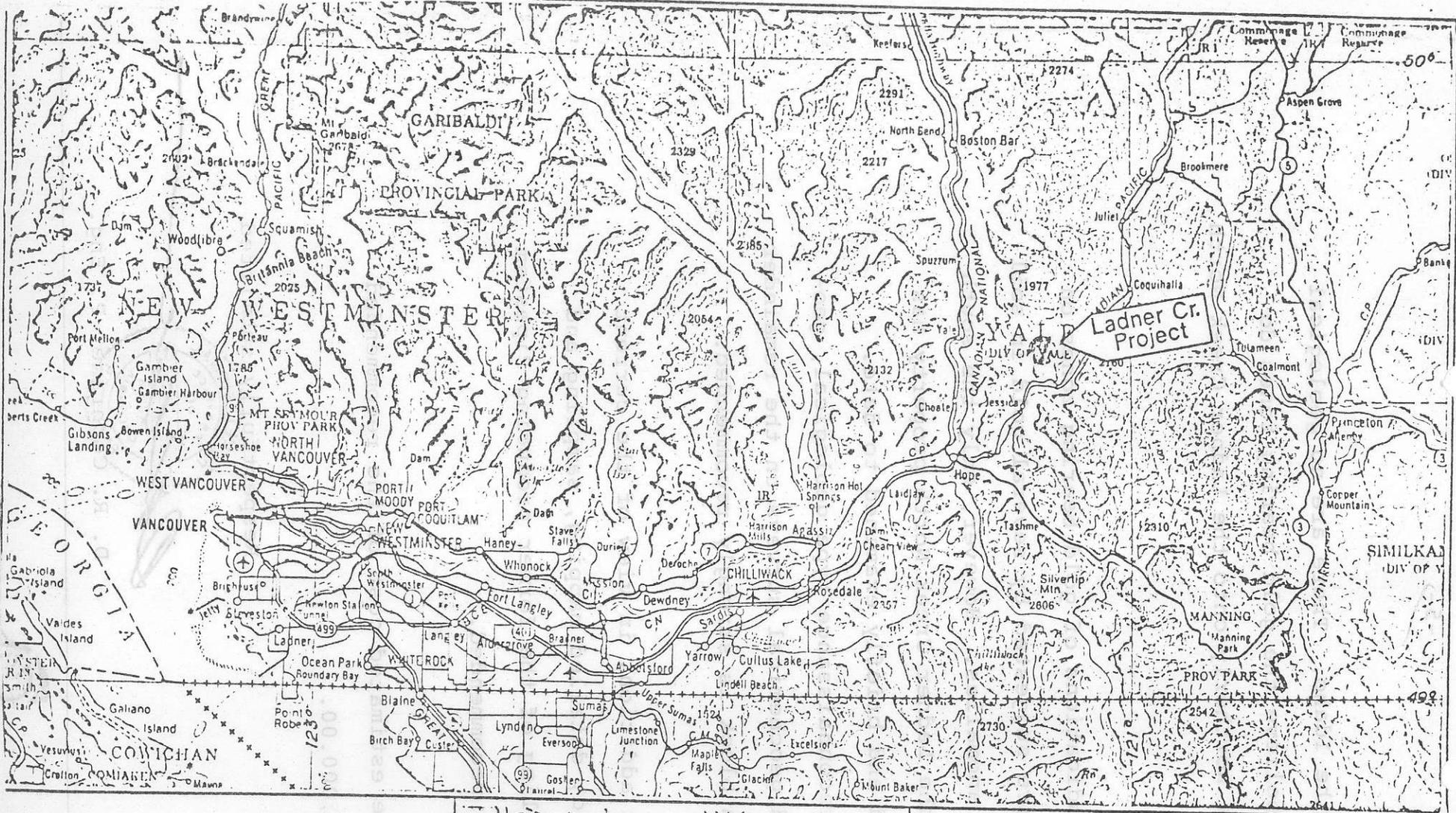
8. In addition, in view of the current price of gold; detailed mapping, sampling and diamond drilling of the former producing Pipestem Mine is also recommended.

9. The estimated cost of the recommended work is \$460,000.00.

Respectfully submitted


D. R. Cochrane, P. Eng.

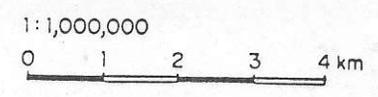




Ladner Creek Project

Location Map
from E.M. & R. map NM 9-10

Figure 1



Cochrane Consultants Limited
4411 Dufferin St., Delta, B.C. V4E 1T9 664-2321

C. LOCATION AND ACCESS

The Ladner Creek North Property of Carolin Mines Ltd., is centred some 130 air kilometres (80 air miles) east of the City of Vancouver, in the southwestern mainland area of the Province of British Columbia. Normal access is by 4 x 4 truck easterly on B.C. No. 1 to the town of Hope. From this point there are two alternate routes as follows:

- (a) northeasterly along the Coquihalla gravel road to mile 16 (26 km) then northerly and westerly along the Carolin Road to the upper reaches of the Idaho Zone. There are two pack trails that lead northerly onto the claims;

- (b) north from Hope along a gravel/dirt logging road on the east side of the Frazer River to Squeah, then north-easterly up the Hillsbar (Qualark) Creek logging roads, then by foot to the westerly claims area.



Access is somewhat difficult, however
alternate and facile transportation is available
by helicopter from a heliport at Agassiz.

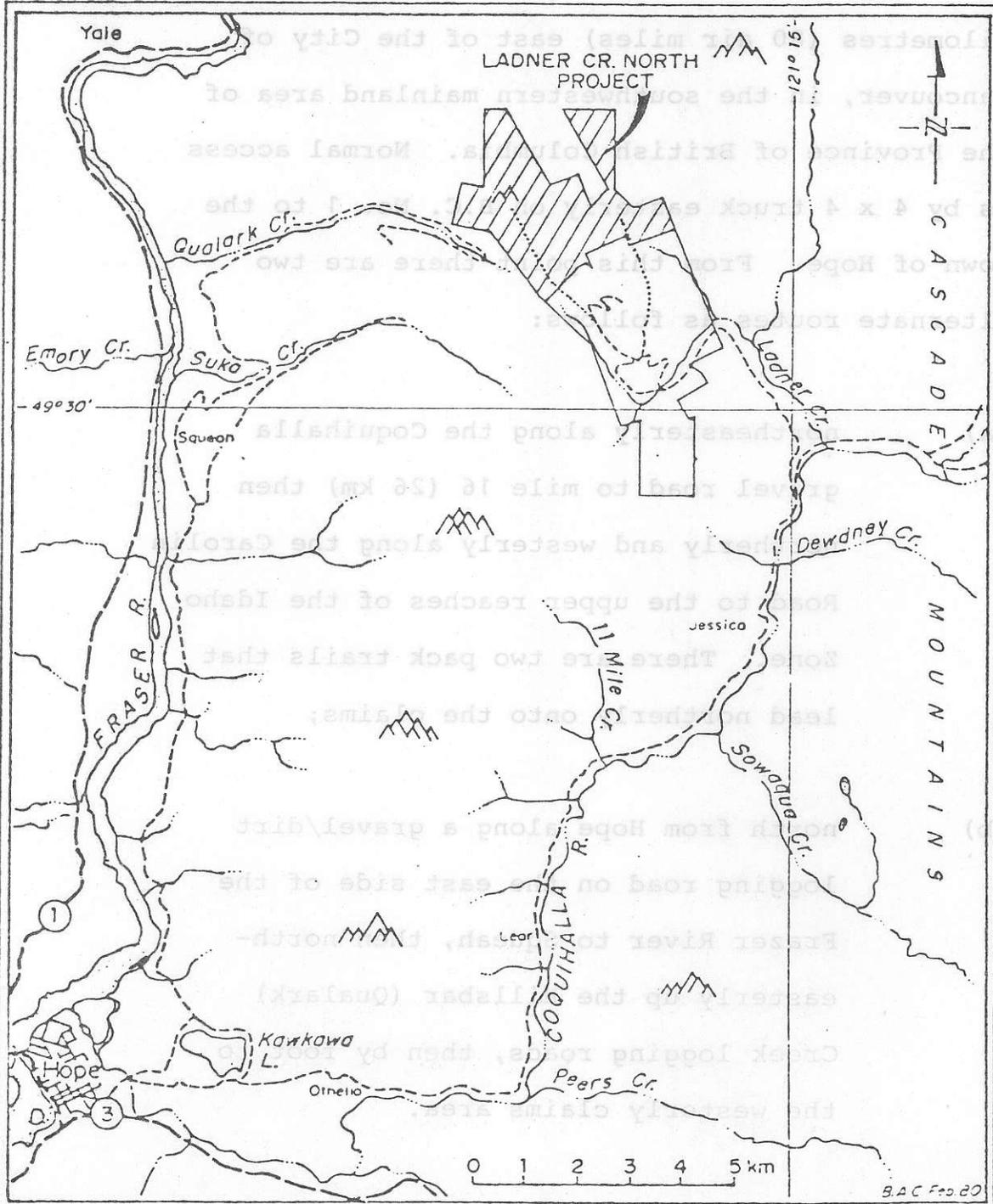


Plate II Access to Ladner Creek North Project. --- 4 x 4 — trail

B.A.C. Feb 80

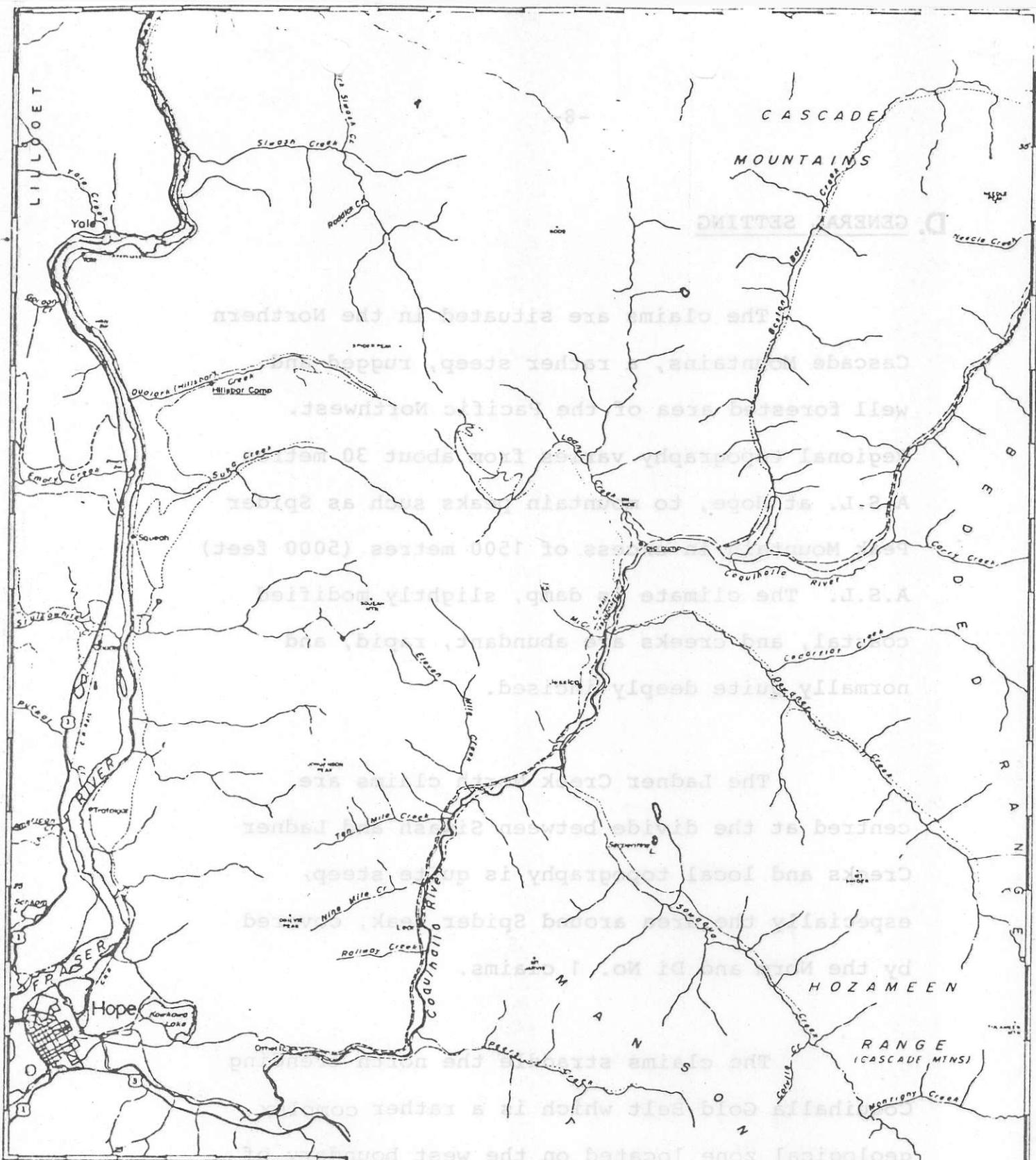
D. GENERAL SETTING

The claims are situated in the Northern Cascade Mountains, a rather steep, rugged and well forested area of the Pacific Northwest. Regional topography varies from about 30 metres A.S.L. at Hope, to mountain peaks such as Spider Peak Mountain, in excess of 1500 metres (5000 feet) A.S.L. The climate is damp, slightly modified coastal, and creeks are abundant, rapid, and normally quite deeply incised.

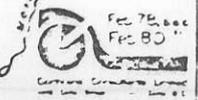
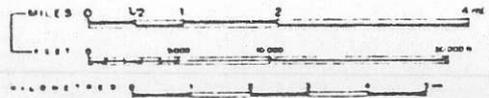
The Ladner Creek North claims are centred at the divide between Siwash and Ladner Creeks and local topography is quite steep, especially the area around Spider Peak, covered by the Norm and Di No. 1 claims.

The claims straddle the north trending Coquihalla Gold Belt which is a rather complex geological zone located on the west boundary of the Methow Grabben. The western claims are underlain by Paleozoic Cache Creek (Hozameen Series) rocks consisting mainly of metasediments.





HOPE AREA, BRITISH COLUMBIA.
 NEW WESTMINSTER MINING DIVISION
 NTS 92 H/6 E, 92 H/11 E W



To the east of the Hozameen is a narrow band of volcanics, basic rocks and serpentine. The east boundary of this sequence is the Hozameen Fault, a throughgoing major crustal structure which separates the Hozameen/Serpentine complex from the Jurassic Ladner slates. The slates underly the eastern claims area.

Gold showings and previous producers are found in all above named rocks along the Coquihalla belt.

The town of Hope is strategically located at the confluence of the Fraser and Coquihalla Rivers and junction of the Trans Canada and Hope-Princeton Highways. The town had an estimated population (1971) of 3,400 and offers complete services; a variety of retail outlets and has a hospital. The principal sources of income are logging, tourism and mining. There is a full slate of recreational facilities, (skating rink, parks, movies, etc.), several public schools, a high school and part time community college.

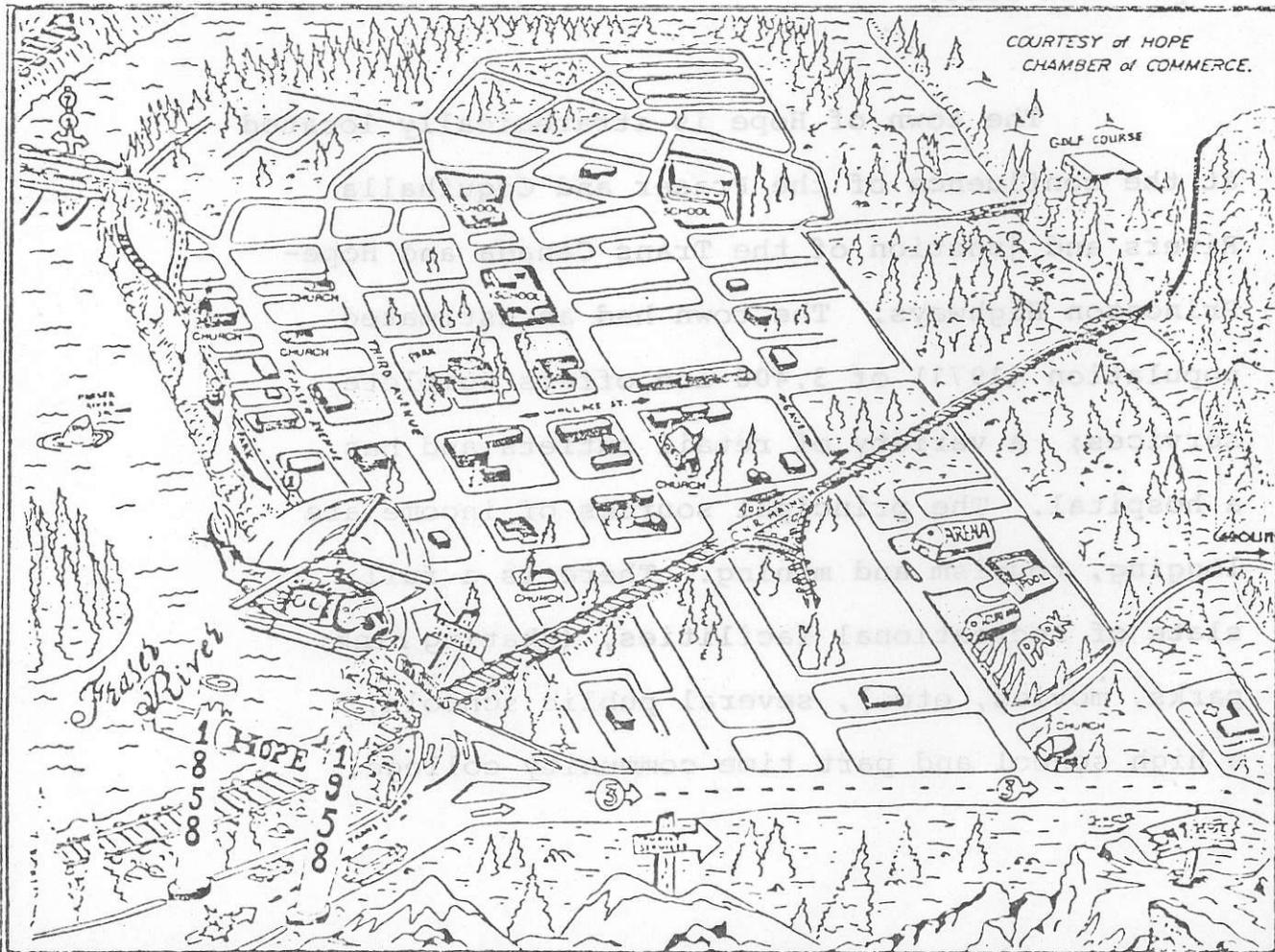


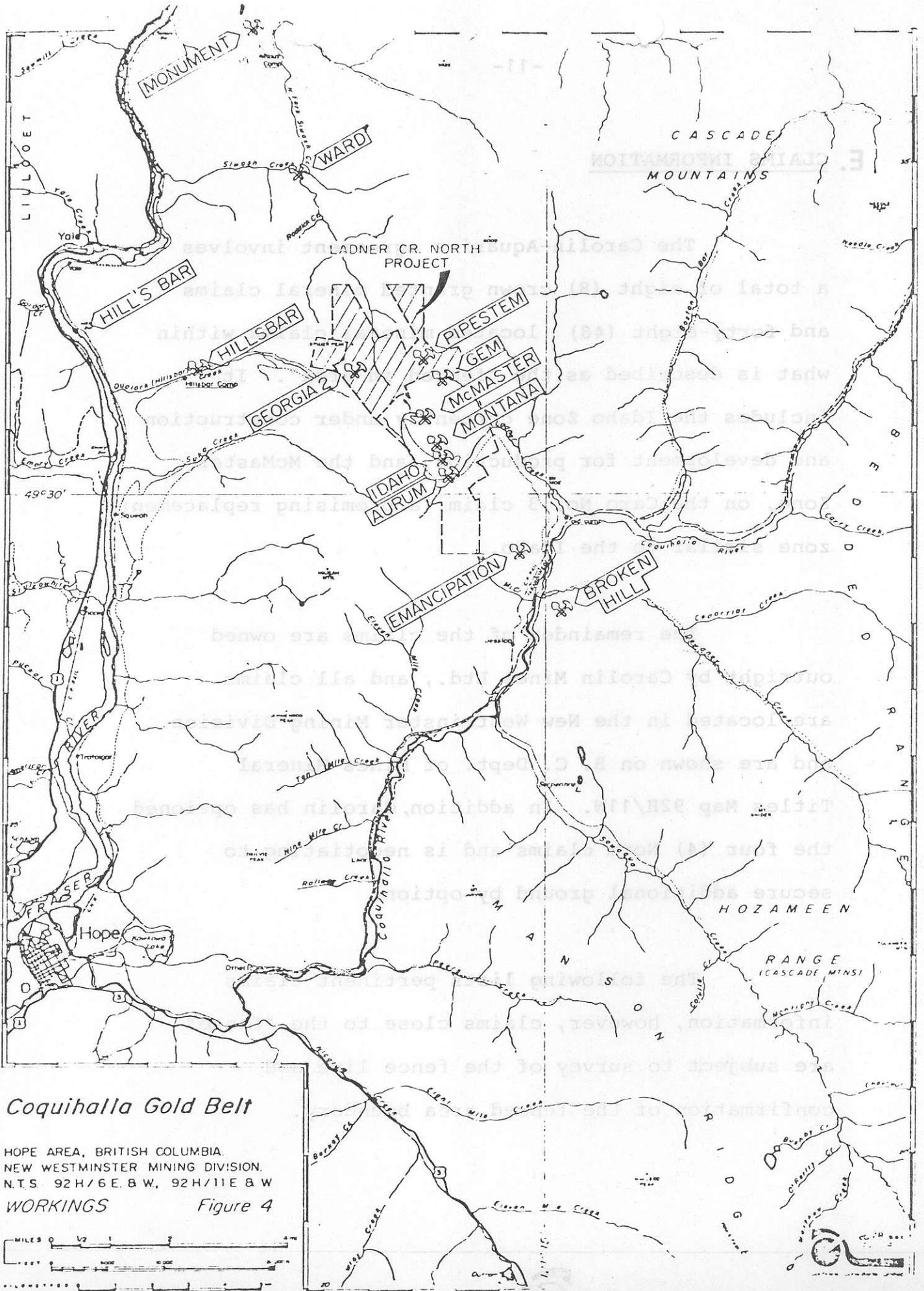
Hope is itself serviced by the CPR and CNR railways, several trucking firms, Pacific Stage and Greyhound bus lines, and river tugs and barges. There is electricity, paved roads, natural gas, sewers, telephone facilities, a helicopter company and light airplane landing strip.

The average mean annual precipitation is 1577 mm, the mean monthly low is 0°C. The average annual frost free period is 226 days.

Hope is a scenic and pleasant small town and an excellent townsite.

FIGURE 2. SKETCH of HOPE, B.C.

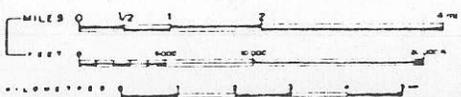




Coquihalla Gold Belt

HOPE AREA, BRITISH COLUMBIA
 NEW WESTMINSTER MINING DIVISION.
 N.T.S. 92H/6E.8W, 92H/11E.8W

WORKINGS Figure 4



E. CLAIMS INFORMATION

The Carolin-Aquarius agreement involves a total of eight (8) crown granted mineral claims and forty-eight (48) located mineral claims within what is described as the "fenced in area". It includes the Idaho Zone currently under construction and development for production, and the McMaster Zone, on the Caro No. 3 claim, a promising replacement zone similar to the Idaho.

The remainder of the claims are owned outright by Carolin Mines Ltd., and all claims are located in the New Westminster Mining Division and are shown on B. C. Dept. of Mines Mineral Titles Map 92H/11W. In addition, Carolin has optioned the four (4) Norm claims and is negotiating to secure additional ground by option.

The following lists pertinent claims information, however, claims close to the "fence" are subject to survey of the fence line and confirmation of the fenced area boundary.

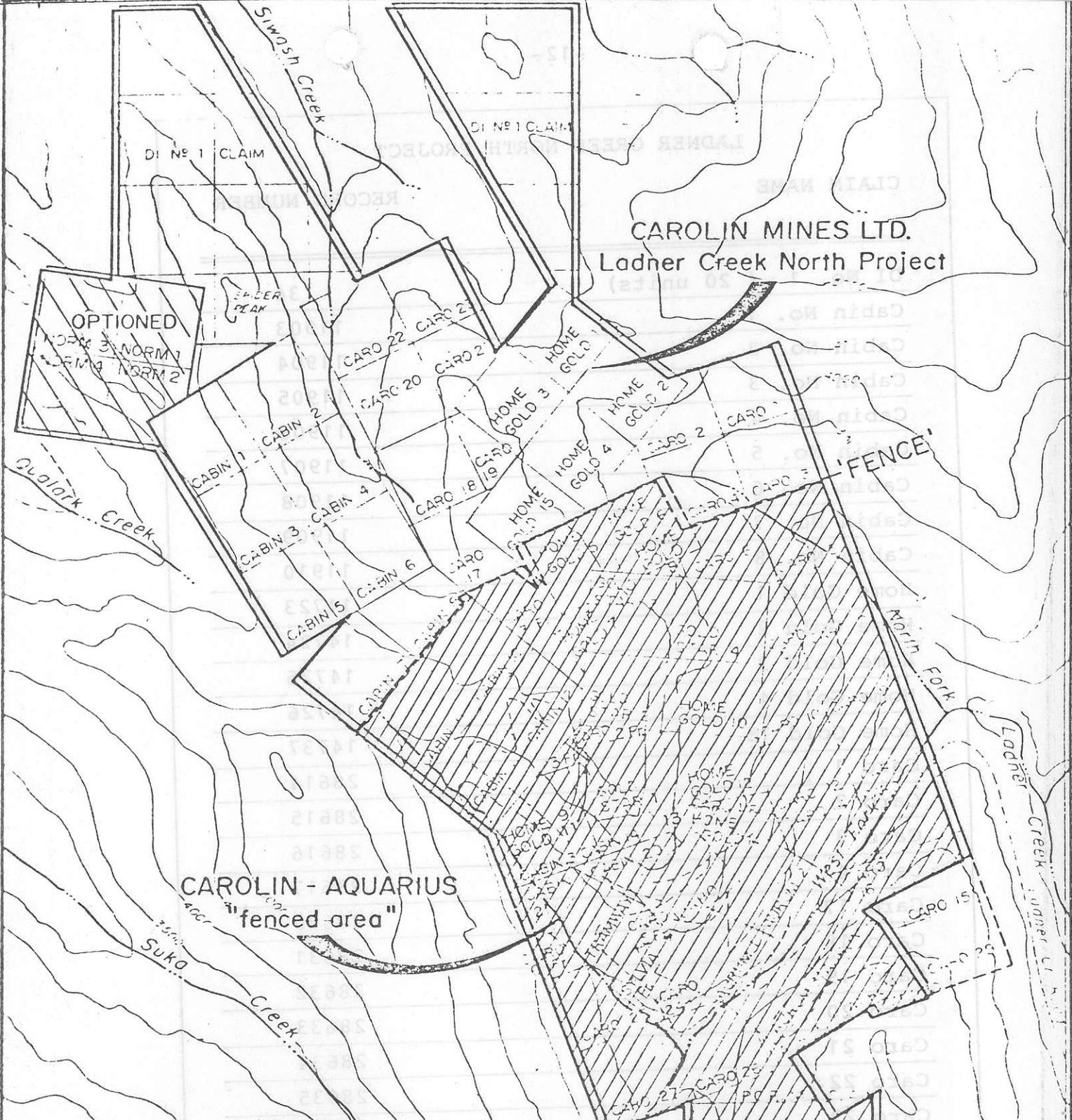


LADNER CREEK NORTH PROJECT

CLAIM NAME	RECORD NUMBER
DI No. 1 (20 units)	34
Cabin No. 1	11903
Cabin No. 2	11904
Cabin No. 3	11905
Cabin No. 4	11906
Cabin No. 5	11907
Cabin No. 6	11908
Cabin No. 7	11909
Cabin No. 8	11910
Home Gold 1	14723
Home Gold 2	14724
Home Gold 3	14725
Home Gold 4	14726
Home Gold 15	14737
Caro 1	28614
Caro 2	28615
Caro 3	28616
Caro 4	28617
Caro 17	28630
Caro 18	28631
Caro 19	28632
Caro 20	28633
Caro 21	28634
Caro 22	28635
Caro 23	28636
Norm 1	29448
Norm 2	29449
Norm 3	29450
Norm 4	29451



CAROLIN MINES LTD.
Ladner Creek North Project

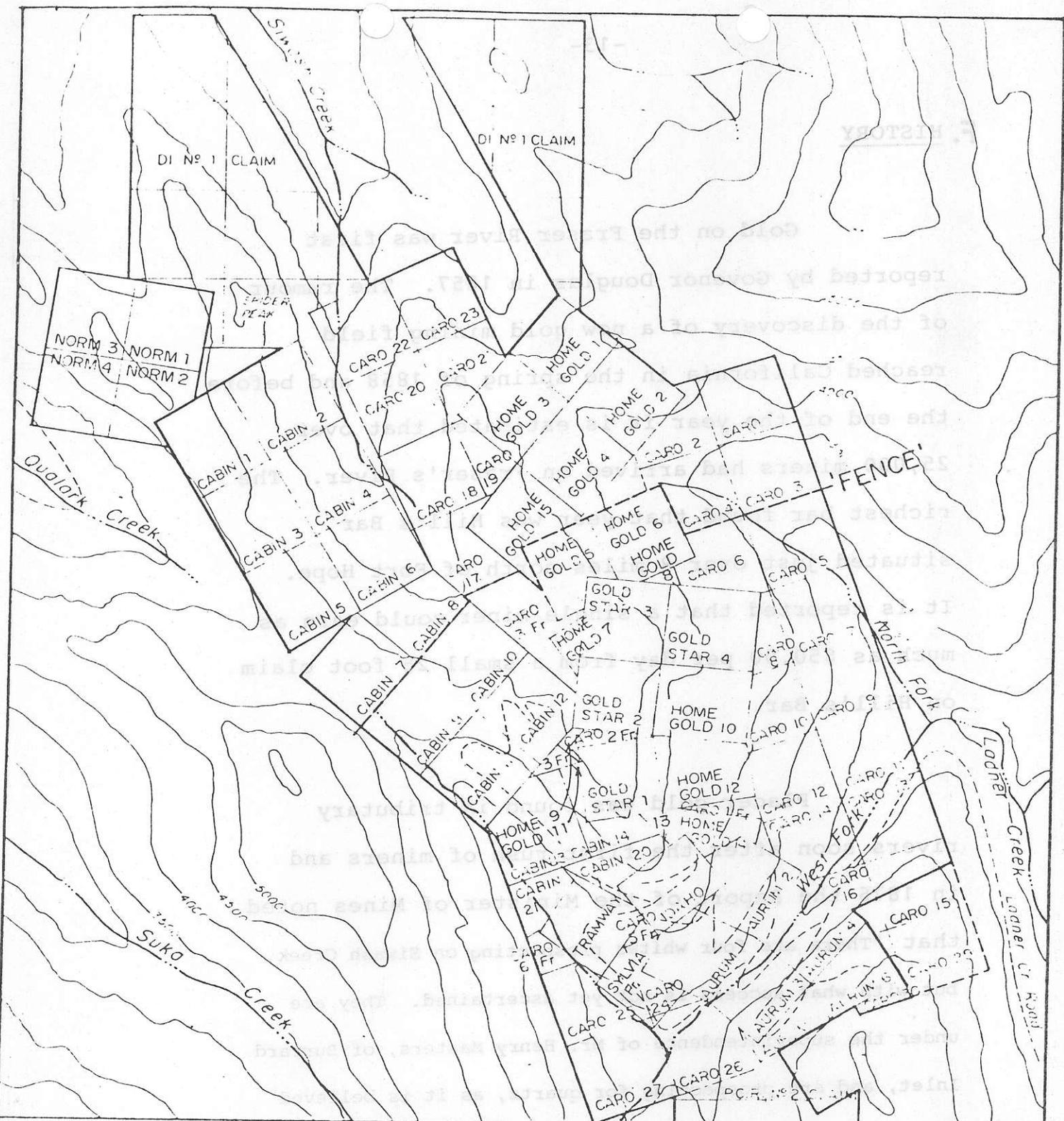


Lodner Creek Project
New Westminster M. D. 92H/11W

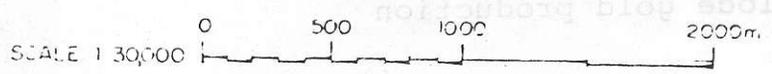
SCALE: 1:30,000 0 500 1000 2000m.

CLAIMS MAP Figure 3A
CLAIMS AREAS Figure 3B
B.A.C. Feb. '80

Cochrane Consultants Limited



Lodner Creek Project
 New Westminster M.D. 92H/11W



CLAIMS MAP Figure 3A

Feb. '80

Cochrane Consultants Limited

F. HISTORY

Gold on the Fraser River was first reported by Govenor Douglas in 1857. The rumour of the discovery of a new gold mining field reached California in the spring of 1858 and before the end of the year it is estimated that over 25,000 miners had arrived on Fraser's River. The richest bar found that year was Hill's Bar situated just over 8 miles north of Fort Hope. It is reported that a single miner could earn as much as \$50.00 per day from a small 25 foot claim on Hill's Bar.

Placer gold was found in tributary rivers soon after the first rush of miners and in 1876 the Report of the Minister of Mines noted that "There are four whites prospecting on Siwash Creek, but with what success is not yet ascertained. They are under the superintendence of Mr. Henry Masters, of Burrard Inlet, and are prospecting for quartz, as it is believed by experienced miners that from the appearances of the gold obtained, rich gold-bearing ledges exist on Siwash Creek." The first recorded lode gold production



in the Hope area was 135 ounces from The Ward Mine, on Siwash Creek in 1905. Between 1905 and 1941 recorded production totaled 3800 ounces of gold from five small mines.

Dr. C. E. Cairnes in the "teens" was the first government geologist to systematically map the area, and to coin the term Coquihalla Gold Belt, a rather complex geological feature located some 10 air miles north and east of Hope, and trending north northwesterly nearly parallel to the Fraser River.

Two former gold producers are covered by Carolin's Ladner Creek north property, the Pipestem or Home Gold Mine, and The Georgia Number Two.

The Pipestem produced 272 ounces of gold between 1935 and 1937 from 1,650 tons mined and milled, and the Georgia Number Two produced 37 ounces of gold from two tons mined. Little had been done in the area since the closure of the Emancipation Mine in 1941.



The property was first acquired by Carolin Mines Ltd. in 1973, and after a rigorous and intensive exploration program, mainly on the south end of the property on the Crown Granted Idaho Claim, a production announcement was made in 1979. Mineable ore reserves to date are estimated at 1,500,000 metric tonnes grading 0.14 troy ounces of gold per tonne on the Idaho. The zone is open to the north.

The Idaho Zone is centered some 2000 metres south of the "fence". (see Figure 3A)

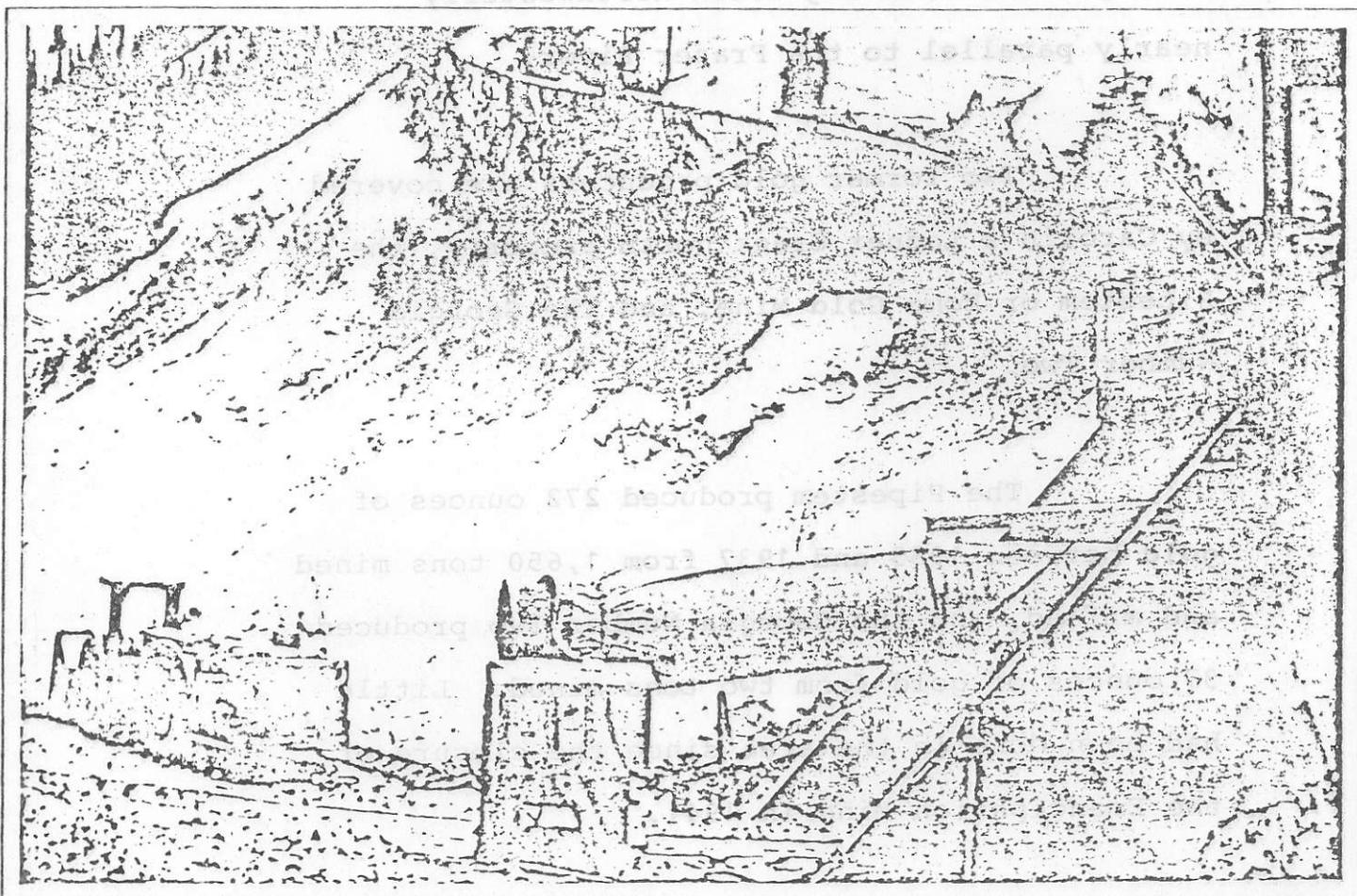


Plate III

"Blowing Smoke"; Portal, 800 Mainline, Idaho Zone.

G. DISCUSSION

The vast bulk of the exploration work to date by Carolin Mines on the Ladner Creek Property, has been on a single crown granted claim, the Idaho. Arrangements for financing and a decision for production was made in 1979, and arrangements include a fenced area, the south portion of the Carolin claims.

The Idaho Gold Bearing Zones are replacement type occurrences lying within Ladner Slates adjacent and slightly east of the through-going, steeply dipping Hozameen Fault. This fault, and the geologically favourable zone trends northerly outside of the "fenced" area onto ground held solely by Carolin Mines.

A gold deposit similar in nature to the Idaho was discovered in 1975, by Carolin, and tested by four (4) trenches and seven (7) diamond drill holes. This zone is located some 4,000 feet north of the Idaho and is called the McMaster Zone. No work has been conducted on



this zone since 1975, however there are remarkable geological and mineralogical similarities with the Idaho and the partly tested McMaster Zone. Considerable potential is expected on McMaster since it lies along the same structure, exhibits similar alteration and is hosted by the same rock type as the Idaho Zone.

There is good reason to believe additional deposits of this nature occur northerly from McMaster and along the same belt. There are a considerable number of gold in soil geochemical anomalies in the portion of the Ladner Creek North area that was investigated in 1973 and 1974.

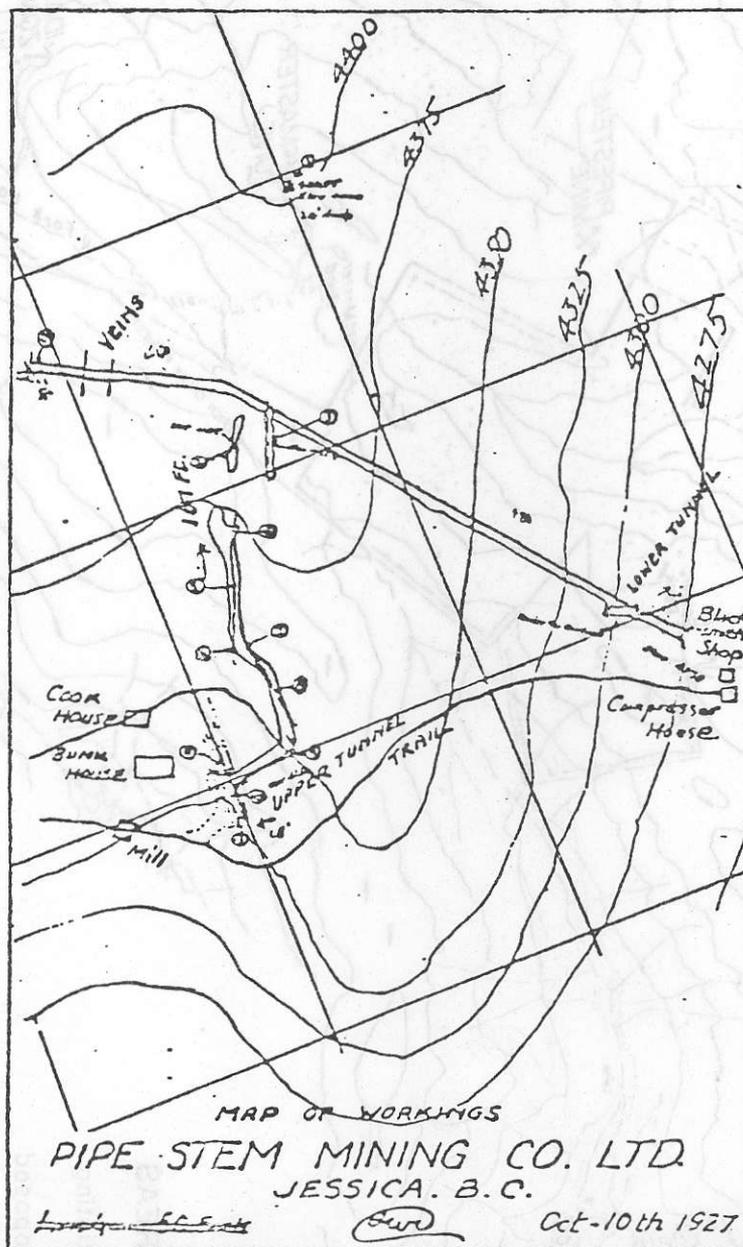
Anomalously high gold in soil values are certainly important since, due to the low mobility of gold in the weathering cycle, soil anomalies are indicative of areas in which bedrock also contains higher than average amounts of gold.

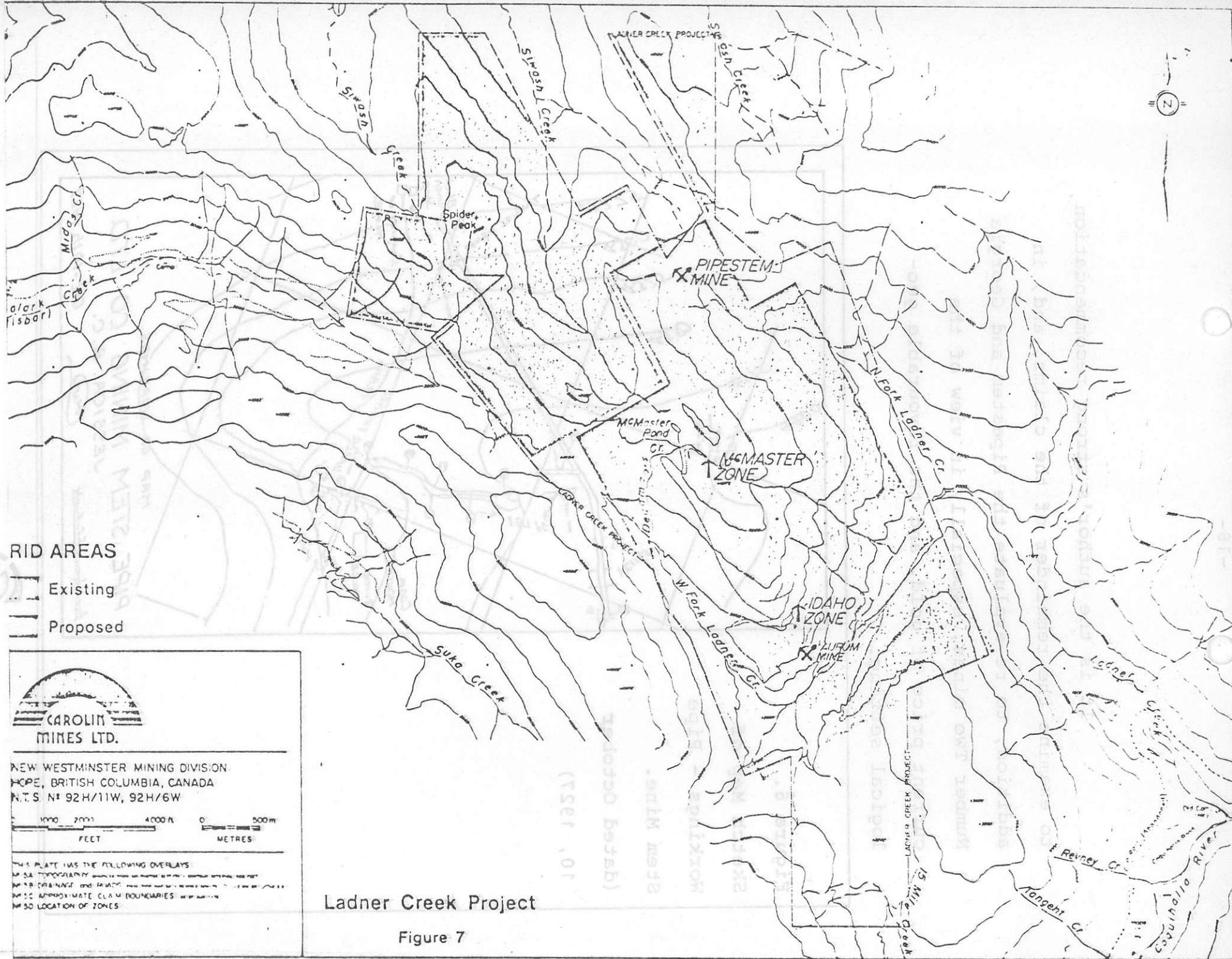
Much of the Ladner Creek North claims area has not, as yet, been explored.



It is the author's strong recommendation to examine the remainder of the claims, and, in addition, to re-evaluate the Pipestem and Georgia Number Two mines, especially in view of the current price of gold, and the favourable geological setting.

Figure 6.
Sketch Map of
Workings - Pipe
Stem Mine.
(dated October
10, 1927)



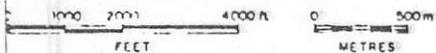


RIDGE AREAS

-  Existing
-  Proposed



NEW WESTMINSTER MINING DIVISION
 HOPE, BRITISH COLUMBIA, CANADA
 N.T.S. N° 92H/11W, 92H/6W



THIS PLATE HAS THE FOLLOWING OVERLAYS
 1. A TOPOGRAPHIC MAP
 2. A DRAINAGE AND FLOOD HAZARD MAP
 3. APPROXIMATE CLAIM BOUNDARIES
 4. LOCATION OF ZONES

Ladner Creek Project

Figure 7

H. RECOMMENDATIONS AND COST ESTIMATE

In view of the forgoing, the author recommends a thorough, integrated modern exploration program on the Ladner Creek North property of Carolin Mines Ltd.

The following lists recommended work and estimates the cost of same:

1. Access road construction north from the McMaster Zone to the Pipestem Mine:
3000 m (approx. 10,000') at \$7.50/m ... \$ 22,500.00

2. Extend existing ground control grid to cover the entire claims area:
60 line km at \$150/line km \$ 9,000.00

3. Geochemical soil sampling survey over new grid: (including analysis)
60 line km at \$200/line km \$ 12,000.00

4. Geophysical ground fluxgate magnetometer survey over new grid:
60 line km at \$125/line km \$ 7,500.00

Cont'd..



5. Geological mapping of Ladner Creek North property including underground mapping and sampling of the Pipestem Mine \$ 15,000.00

6. Rehabilitation of the four portals of the Pipestem Mine, and the rehabilitation of the raise between the No. 4 and No. 3 levels suitable for mapping and sampling. \$ 25,000.00

7. Bulldozer trenching of existing geo-chemical anomalies, freshen old Pipestem pits and allowance for trenching additional anomalies:
150 hrs at \$60/hr \$ 9,000.00

8. Diamond drilling
4000 lineal metres at \$60/m \$240,000.00

9. Surveying, logging, assaying drill hole sections:
4000 lineal metres at \$7.50/m \$ 30,000.00

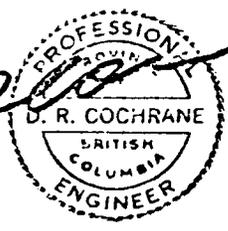
10. Transportation, communications \$ 12,000.00

Cont'd.....



11. Camp costs	\$ 7,500.00
12. Supervision	\$ 20,000.00
13. Drafting, compilation of data	\$ 7,500.00
14. Contingencies at 10% of \$417,000.00	<u>\$ 41,700.00</u>
Total	\$458,700.00
Say	\$460,000.00

Respectfully submitted,

D. R. Cochrane, P. Eng.



APPENDIX I

I. CERTIFICATE

I, Donald Robert Cochrane, of the Municipality of Delta, British Columbia, do hereby certify that:

1. I am a consulting geological engineer with an office at 4882 Delta Street, Delta, B. C.
2. I am a graduate of the University of Toronto (1962) with a degree in Applied Geology (B.A.Sc.) and a graduate of Queen's University (1965) with a Master of Science Degree in Geological Sciences (Engineering).
3. I have practiced my profession continuously since graduation while being employed by such companies as Noranda Exploration Co. Ltd., Quebec Cartier Mines, and Meridian Explorations Syndicate. I have been in private independent practice since 1969.
4. I have no interest, either direct or indirect in the properties or securities of Carolin Mines Ltd., nor do I expect to acquire any such interest.
5. I am a member in good standing of the Association of Professional Engineers (A.P.E.) of the Province of British Columbia, and also a member of the A.P.E. in the Province of Ontario, Saskatchewan, Alberta and the Yukon Territories.



D. R. Cochrane, P. Eng.
February 5, 1980,
Delta, B. C.



CAROLIN MINES LTD.

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

31ST JANUARY, 1980.

Comments on Unaudited
Interim Financial Information

To the Shareholders of Carolin Mines Ltd.

We have prepared the accompanying unaudited interim financial information comprising of the balance sheet and the statements of exploration and administrative expense and changes in financial position for the period ended 31st January, 1980 from the records of Carolin Mines Ltd., and from other information supplied to us by the company and have reviewed such interim financial information. Our review, which was made in accordance with standards established for such reviews, consisted primarily of enquiry, comparison, and discussion.

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

Harwood & Grayson
HARWOOD & GRAYSON

CHARTERED ACCOUNTANTS

Vancouver, B.C.
11th March, 1980

CAROLIN MINES LTD.

BALANCE SHEET AS AT 31ST JANUARY, 1980.

(Unaudited)

ASSETS

<u>PROPERTY, PLANT AND EQUIPMENT</u> (Note 1)			1,735,137.88
<u>DEFERRED EXPENSES</u> (Note 1)			<u>4,199,056.98</u>
			<u>\$5,934,194.86</u>

LIABILITIES

CURRENT LIABILITIES

Bank advances			
Outstanding cheques	19,464.93		
Bank loan	<u>22,000.00</u>	41,464.93	
Accounts payable		<u>121,362.49</u>	162,827.42

SHAREHOLDERS' EQUITY

Share capital -			
Authorized -			
10,000,000 common shares of no par value			
Issued (Note 3)			
4,854,981 shares			5,546,046.65
Paid-in surplus			1,069,254.35
Deficit - unchanged			<u>(843,933.56)</u>
			<u>\$5,934,194.86</u>

APPROVED ON BEHALF OF THE BOARD:

Director

Director

Subject to the accompanying comments of Harwood & Grayson,
Chartered Accountants, dated 11th March, 1980.

CAROLIN MINES LTD.

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE EIGHT MONTHS ENDED 31ST JANUARY, 1980.

(Unaudited)

SOURCE OF FUNDS

Sale of shares	934,338.00
Loan	100,000.00
Bank loan	22,000.00
Increase in accounts payable	74,947.91
	<u>\$1,131,285.91</u>

USE OF FUNDS

Administrative expense	217,546.61
Exploration expense	20,979.17
Retirement of debenture	900,000.00
Debenture interest reclassified as account payable	83,200.00
Purchase of equipment	15,612.88
Loan repaid	100,000.00
	<u>\$1,337,338.66</u>

DECREASE IN FUNDS

(206,052.75)

FUNDS ON HAND BEGINNING OF PERIOD

186,587.82

FUNDS DEFICIT 31ST JANUARY, 1980

\$ (19,464.93)

CAROLIN MINES LTD.

STATEMENT OF EXPLORATION AND ADMINISTRATIVE EXPENSE

FOR THE EIGHT MONTHS ENDED 31ST JANUARY, 1980.

(Unaudited)

EXPLORATION AND DEVELOPMENT

Engineering	17,352.83	
Insurance	89.00	
Travel and transportation	279.90	
Wage costs	<u>3,257.44</u>	20,979.17

ADMINISTRATIVE EXPENSE

Accounting and legal	62,078.49	
Corporation capital tax	11,640.46	
Fees and assessments	5,642.25	
Interest and charges	49,807.42	
Office	32,620.95	
Publicity	19,458.63	
Salaries	14,155.43	
Travel	13,297.41	
Transfer agent fees	<u>8,845.57</u>	<u>217,546.61</u>
		238,525.78

BALANCE AT BEGINNING OF PERIOD

3,960,531.20

BALANCE AT END OF PERIOD

\$4,199,056.98

CAROLIN MINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST JANUARY, 1980.

1. Values

Property, plant and equipment and deferred expenses are shown at cost to the company. Where assets were acquired for treasury shares the value attributed to the treasury shares was the prevailing deemed market value. These costs are not intended to represent present or future values.

2. Debenture payable - Norvan Management

	<u>Principal</u>	<u>Interest</u>
Balance 31st May, 1979	900,000	83,200
Interest accrued	-	47,291
	900,000	130,491
Repaid during period	900,000	34,338
Balance 31st January, 1980	\$ NIL	\$ 96,153

NOTE: Principal and interest repaid during the period was repaid by conversion into shares @ \$3.00 each. Balance of unpaid interest is currently payable and has been reclassified as a current liability.

3. Capital Stock

A. As at 31st January, 1980 the shares issued, premiums and discounts related thereto were as follows:

<u>Consideration</u>	<u>Shares</u>	<u>Par value</u>	<u>Premiums less (discounts)</u>	<u>Net</u>
Par value shares to November 1977				
Cash	1,813,333	906,666	548,839	906,666
Mineral claims	750,000	375,000	-	375,000
Options	5,000	2,500	3,500	2,500
Services	395,666	197,833	574,415	197,833
Other	575,000	287,500	(57,500)	287,500
No par value shares after November 1977				
Cash	584,479	-	-	1,729,838
Services	731,203	-	-	2,046,709
	4,854,681	\$1,769,499	\$1,069,254	\$5,546,046

B. During the period ended 31st January, 1980 the company issued the following treasury shares:

	<u>Shares</u>	<u>Value</u>
Norvan Management - conversion of debenture	300,000	900,000
Norvan Management - debenture interest	11,146	34,338
	311,146	\$934,338

- C. On 10th July, 1979 Norvan converted \$300,000 principal and \$34,338 interest into 111,146 shares. On 25th October, 1979 the balance of \$600,000 principal was converted into 200,000 shares.
- D. The company has granted an option to a director to purchase 25,000 shares at \$11.00 per share.

4. Ladner Creek Joint Venture Agreement

The company entered an agreement with a group of companies collectively referred to as the Aquarius Group. The Aquarius Group provided funds to confirm a mineral ore reserve and to carry out a feasibility study to put the property into production. The feasibility study was favourable.

Once the mine is in production the cash flow shall be distributed:

- A. A sum sufficient to permit the participants to recover costs incurred on the Ladner Creek property, first by Carolin Mines Ltd. and then by the Aquarius Group.
 - B. A sum equal to A. which is to be paid 1/3 to Carolin and 2/3 to the Aquarius Group.
 - C. The balance is to be allocated 47% to the Aquarius Group and 53% to Carolin. The Aquarius Group can earn another 3% by transferring 50% of the assets back to Carolin. Each party would then have an undivided 50% interest in certain designated claims and the production facilities. The agreement further provides that all expenditures are deemed to have been incurred by the party who advanced the funds.
5. During the eight months ended 31st January, 1980 remuneration paid to directors consisted of \$4,000 salary paid to the company's secretary.
6. The Aquarius Group has announced that they will provide the \$20.4 million required to finance the company to production. There has been approximately \$1.6 million spent to 31st January, 1980.

CAROLIN MINES LTD.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MAY, 1979.

HARWOOD & GRAYSON

CHARTERED ACCOUNTANTS

F. H. HARWOOD, C.A.
W. H. GRAYSON, B.COM., C.A.
D. G. GUTHRIE, C.A.

TELEPHONE: 682-2805
837 WEST HASTINGS STREET
VANCOUVER, B.C., V6C 1B6

AUDITORS' REPORT

To the Shareholders of Carolin Mines Ltd.

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

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

Harwood & Grayson

HARWOOD & GRAYSON

CHARTERED ACCOUNTANTS

Vancouver, B.C.
16th August, 1979.

CAROLIN MINES LTD.

BALANCE SHEET AS AT 31ST MAY, 1979.

(With Comparative Figures for the Preceding Year)

<u>ASSETS</u>	<u>1979</u>	<u>1978</u>
	(In Canadian Dollars)	
	(Restated Note 1)	
<u>CURRENT ASSETS</u>		
Cash in bank	186,588	1,286
<u>PROPERTY, PLANT AND EQUIPMENT (Note 1)</u>		
Mineral claims	455,000	57,000
Camp	56,300	56,300
Equipment	121,975	121,975
Roads	320,000	300,000
Tunnels	626,250	461,250
Feasibility study	140,000	-
	<u>1,719,525</u>	<u>996,525</u>
<u>DEFERRED EXPENSE (Notes 1 and 6)</u>		
Exploration and administrative	3,960,531	2,810,925
	<u>\$5,866,644</u>	<u>\$3,808,736</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Bank overdraft	-	26,122
Accounts payable	46,415	93,295
Accrued interest on debenture loan	-	30,600
	<u>46,415</u>	<u>150,017</u>
<u>DEBENTURE LOAN PAYABLE (Note 2)</u>	983,200	800,000
<u>SHAREHOLDERS' EQUITY</u>		
Share capital -		
Authorized -		
10,000,000 common shares of no par value		
Issued - (Note 3)		
4,543,535 shares (1978 - 3,868,332 shares)	4,611,708	2,631,398
Paid in surplus	1,069,254	1,069,254
Deficit - per statement	(843,933)	(841,933)
	<u>\$5,866,644</u>	<u>\$3,808,736</u>

APPROVED ON BEHALF OF THE BOARD:

Director:..... Orval Gillespie

Director:..... Roy McKay

This is the balance sheet referred to in the report of Harwood & Grayson, Chartered Accountants, dated 16th August, 1979.

CAROLIN MINES LTD.

STATEMENT OF DEFICIT

FOR THE YEAR ENDED 31ST MAY, 1979.

(With Comparative Figures for the Preceding Year)

	<u>1979</u>	<u>1978</u>
	<u>(In Canadian Dollars)</u>	
<u>BALANCE AT BEGINNING OF YEAR</u>	841,933	838,433
Add: Cost of claims and/or options abandoned	2,000	3,500
	<hr/>	<hr/>
<u>BALANCE AT END OF YEAR</u>	<u>\$ 843,933</u>	<u>\$ 841,933</u>

CAROLIN MINES LTD.

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED 31ST MAY, 1979.

(With Comparative Figures for the Preceding Year)

	<u>1979</u>	<u>1978</u>
	(In Canadian Dollars)	
		(Restated Note 1)
<u>SOURCE OF WORKING CAPITAL</u>		
Sale of shares - (Note 3) 675,203 shares	1,980,310	1,854,697
Proceeds of debenture loans (Note 2)	960,000	1,200,000
Debenture loan interest accrued (Note 2D)	83,200	-
	<u>\$3,023,510</u>	<u>\$3,054,697</u>
<u>APPLICATION OF WORKING CAPITAL</u>		
Payments on mineral claims	400,000	20,000
Camp	-	29,000
Equipment	-	103,750
Roads	20,000	195,000
Tunnels	165,000	461,250
Feasibility study	140,000	-
Exploration expense	438,170	691,470
Administrative expense	290,236	169,824
Finance fees	1,161,200	1,115,897
Debenture loan		
Repaid in cash	250,000	-
Converted into shares	610,000	400,000
	<u>3,474,606</u>	<u>3,186,191</u>
Less: Expenses incurred by Aquarius Group	<u>740,000</u>	<u>-</u>
	<u>\$2,734,606</u>	<u>\$3,186,191</u>
<u>INCREASE (DECREASE) IN WORKING CAPITAL</u>	288,904	(131,494)
<u>WORKING CAPITAL DEFICIT - Beginning of year</u>	<u>(148,731)</u>	<u>(17,237)</u>
<u>WORKING CAPITAL (DEFICIT) - End of year</u>	<u>\$ 140,173</u>	<u>\$ (148,731)</u>
 <u>Represented by:</u>		
Current assets	186,588	1,286
Current liabilities	<u>46,415</u>	<u>150,017</u>
	<u>\$ 140,173</u>	<u>\$ (148,731)</u>

CAROLIN MINES LTD.

SCHEDULE OF EXPLORATION AND ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31ST MAY, 1979.

(With Comparative Figures for the Preceding Year)

	<u>1979</u>	<u>1978</u>
	(In Canadian Dollars)	
	(Restated Note 1)	
<u>EXPLORATION</u>		
Assay	16,209	13,284
Camp	14,804	25,116
Drilling and sampling	232,252	167,637
Engineering	67,949	82,878
Environmental study	4,730	14,085
Equipment operating and supplies	2,915	24,854
Insurance	4,727	2,175
Mine miscellaneous	9,689	85,383
Muck handling and storage	-	94,769
Roads	-	11,758
Taxes, recording etc.	10,190	1,175
Travel and transportation	9,517	63,976
Wage costs	65,188	104,380
	<u>\$ 438,170</u>	<u>\$ 691,470</u>
<u>ADMINISTRATIVE</u>		
Accounting, audit and legal	93,604	37,805
Interest and bank charges	98,221	26,652
Office	34,108	32,518
Publicity	12,793	40,846
Salaries	15,600	9,280
Travelling	18,759	13,382
Transfer agent	8,072	4,193
Fees and assessments	1,700	5,148
Corporation capital tax	7,379	-
	<u>\$ 290,236</u>	<u>\$ 169,824</u>
<u>FINANCE COSTS</u>	<u>\$1,161,200</u>	<u>\$1,115,897</u>
<u>TOTAL</u>	1,889,606	1,977,191
Less: Expenses incurred by Aquarius Group (Note 5)	<u>740,000</u>	<u>-</u>
	1,149,606	1,977,191
<u>BALANCE AT BEGINNING OF YEAR</u>	<u>2,810,925</u>	<u>833,734</u>
<u>BALANCE AT END OF YEAR</u>	<u>\$3,960,531</u>	<u>\$2,810,925</u>

CAROLIN MINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST MAY, 1979.

1. Significant Accounting Policies

The company has made a change during the current year of classifying assets in the financial statements. Assets, that have been previously capitalized as deferred expense, are now being segregated, where applicable, into their respective accounts under property, plant and equipment. The figures for the preceding period have been restated to conform to this change.

Property, plant and equipment and deferred expense are shown at cost to the company. Where assets were acquired for treasury shares the value attributed to the treasury shares was the prevailing deemed market value.

Expenditures pertaining to claims in good standing are carried as deferred expense, while expenditures pertaining to properties abandoned have been written off to deficit. Depletion of these costs is being deferred until production commences.

The costs of property, plant and equipment and deferred expense are not intended to represent present or future values.

2. Debenture Payable - Norvan Management

A. Amount outstanding - original loan		1,500,000
Less repaid - by cash	250,000	
- converted into shares	<u>1,010,000</u>	<u>1,260,000</u>
		240,000
Additional loan		<u>660,000</u>
		900,000
Accrued interest		<u>83,200</u>
		<u>\$ 983,200</u>

B. Rate of interest - 12% compounded semi-annually, anniversary date 18th September, 1978. Payment of interest may be deferred until maturity, except that should any part of the debenture be converted into shares, interest is payable on the portion so converted. Interest may be paid in cash or in shares at \$3.00 per share.

C. Security - A fixed and/or a floating charge on all of the assets and undertakings of the company less such interests as may be acquired by the Aquarius Group (see item 4F).

D. Repayment - As of September 1978 the debenture was revised so that the principal and all unpaid interest is repayable on 10th June, 1983. The debenture may be converted at any time into shares of the company at a conversion rate of \$3.00 per share.

E. Bonuses - The company has issued as bonus shares and finder's fees 620,000 shares for the original loan and 270,000 shares for the additional loan.

3. Capital Stock

A. As at 31st May, 1979 the shares issued, premiums and discounts related thereto were as follows:

<u>Consideration</u>	<u>Shares</u>	<u>Par value</u>	<u>Premiums less (discounts)</u>	<u>Net</u>
Par value shares to November 1977				
Cash	1,813,333	906,666	548,839	906,666
Mineral claims	750,000	375,000	-	375,000
Options	5,000	2,500	3,500	2,500
Services	395,666	197,833	574,415	197,833
Other	575,000	287,500	(57,500)	287,500
No par value shares after November 1977				
Cash	273,333	-	-	795,500
Services	731,203	-	-	2,046,709
	<u>4,543,535</u>	<u>\$1,769,499</u>	<u>\$1,069,254</u>	<u>\$4,611,708</u>

B. During the year ended 31st May, 1979 the company issued the following treasury shares:

	<u>Shares</u>	<u>Value</u>
Norvan Management bonus shares re balance of 1st debenture	100,000	305,000
Fore Management Ltd. finder's fee	24,000	73,200
Norvan Management bonus re second debenture	270,000	783,000
Norvan Management - conversion of debenture	203,333	610,000
Norvan Management - debenture interest	7,870	23,610
Directors' options	70,000	185,500
	<u>675,203</u>	<u>\$1,980,310</u>

C. On 10th July, 1979 the company converted \$300,000 principal and interest thereon into shares. Should the remaining principal be converted into shares an additional 200,000 shares would have to be issued.

4. Ladner Creek Joint Venture Agreement

The company entered an agreement with a group of companies collectively referred to as the Aquarius Group. Particulars of the agreement are:

- A. The Aquarius Group was to supply \$600,000 to carry out a further exploration program.
- B. The Aquarius Group could then elect to provide a further \$140,000 to carry out a feasibility study pertaining to putting the property into production.
- C. Should the feasibility study be favourable the Aquarius Group would have the right to finance the mine to production.

Once the mine is in production the cash flow shall be distributed:

- D. A sum sufficient to permit the participants to recover costs incurred on the Ladner Creek property, first by Carolin Mines Ltd. and then by the Aquarius Group.
- E. A sum equal to D. which is to be paid 1/3 to Carolin and 2/3 to the Aquarius Group.
- F. The balance is to be allocated 47% to the Aquarius Group and 53% to Carolin. The Aquarius Group can earn another 3% by transferring 50% of the assets back to Carolin. Each party would then have an undivided 50% interest in certain designated claims and the production facilities. The agreement further provides that all expenditures are deemed to have been incurred by the party who advanced the funds.

As at 13th August, 1979 the exploration program and the feasibility study were completed. The funds received from the Aquarius Group have been shown as a reduction of deferred expenses.

- 5. During the year ended 31st May, 1979 remuneration paid directors consisted of \$6,000 salary paid to the company's secretary. In addition certain directors were granted stock options on an aggregate of 70,000 shares at \$2.65 per share. All the options were exercised.

6. Additional Information for United States Shareholders

Reconciliation to United States Accounting Principles

The company, in the preparation of its financial statements, conforms to generally accepted accounting principles prevailing in Canada.

The differences in United States and Canadian generally accepted accounting principles for a company exploring for natural resources relate to the treatment of exploration and administrative expenses. For Canadian purposes these expenses are deferred whereas for United States purposes these expenses are to be charged to an account called Deficit Accumulated During The Development Stage through an income statement.

A reconciliation of net loss and deficit is as follows:

A. Net Loss Reconciliation

	<u>1979</u>	<u>1978</u>
	(In Canadian Dollars)	
<u>NET LOSS FOR THE YEAR</u> - as determined in accordance with Canadian generally accepted accounting principles	-	-
Add exploration and administrative expenses (per schedule) - written off	<u>1,149,606</u>	<u>1,977,191</u>
<u>NET LOSS FOR THE YEAR</u> - as determined in accordance with United States generally accepted accounting principles	1,149,606	1,977,191
<u>CUMULATIVE NET LOSS AT BEGINNING OF YEAR</u>	<u>2,810,925</u>	<u>833,734</u>
<u>CUMULATIVE NET LOSS AT END OF YEAR</u>	<u>\$3,960,531</u>	<u>\$2,810,925</u>

As the company has not entered the production stage of its operations net loss per share information has not been provided as it would not be meaningful in the circumstances.

B. Deficit Reconciliation

<u>DEFICIT</u> - (per statement) as determined in accordance with Canadian generally accepted accounting principles	843,933	841,933
Add: Cumulative net loss at end of year	<u>3,960,531</u>	<u>2,810,925</u>
<u>DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE</u> - as determined in accordance with United States generally accepted accounting principles	<u>\$4,804,464</u>	<u>\$3,652,858</u>

20. STATUTORY RIGHTS OF RESCISSION

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

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

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

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

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

March 10, 1980
(Date)

Orval Edward Gillespie

ORVAL EDWARD GILLESPIE - PRESIDENT/DIRECTOR

Roy Gordon McKay

ROY GORDON MCKAY - SECRETARY/PROMOTER

Joseph Shirley Labine by his attorney, G. B. Z.

JOSEPH SHIRLEY LABINE

Alfred Edmunds Angus

ALFRED EDMUNDS ANGUS

John Rogers Bogert

JOHN ROGERS BOGERT

CERTIFICATE OF THE UNDERWRITER(S):

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

WEST COAST SECURITIES LTD.

March 10, 1980
(Date)

per. *[Signature]*

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