

\*Debbie

the Issuer, or (d) the acquisition is not arms length being with a director, officer or other insider of the Issuer or with a company having common insiders with the Issuer.

3. MATERIAL NATURAL RESOURCE PROPERTIES

Summary of Material Mining Properties

Group I Properties for which regulatory approval has been obtained under this Statement of Material Facts.

Group II Presently held properties which are currently producing or being explored, or upon which exploration is planned within the next year.

Group III Other presently held properties upon which the Issuer's acquisition and exploration costs to date exceed \$100,000.

Group	Property Name	Issuer's Acquisition and Exploration Costs to May 31, 1987	Shares Issued to May 31, 1987	Planned Expenditure from Funds Available upon Completion of the Offering
I	--	--	--	--
II	Yellow	\$434,861.	50,000	\$319,000.
III	Duncan	\$239,218.	None	None

Group I Properties for which regulatory approval has been obtained under this Statement of Material Facts.

None.

Group II Presently held properties which are currently producing or being explored, or upon which exploration is planned within the next year.

Yellow Claim,  
Alberni Mining Division, British Columbia

Pursuant to a joint venture agreement made as of June 24, 1987 with Silver Cloud Mines Ltd. (N.P.L.) ("Silver Cloud") and Angle

Superintendent of Brokers & Vancouver Stock Exchange  
Statement of Material Facts (#142/87)  
Effective Date: Oct 2/87

Resources Ltd. ("Angle"), the Issuer (as to a 24.5% interest) Angle (as to a 24.5% interest) and Silver Cloud (as to a 51% interest) have agreed to jointly explore and develop a located mineral claim, known as the Yellow Claim, which comprises an area of approximately 370 acres situated in the Alberni Mining Division, British Columbia. The Issuer and Angle acquired their respective 24.5% interests in the Yellow Claim subsequent to May 31, 1987, being the date of the latest financial statements included in this Statement of Material Facts, by the Issuer issuing 40,000 shares to Silver Cloud at a deemed price of \$1.25 per share in full satisfaction of the obligations of the Issuer and Angle to acquire such interests in the Yellow Claim.

The Yellow Claim covers the old Vancouver Island gold mine located on Mineral Creek. Development of the Vancouver Island gold mine began in 1895 when the original claims were staked. From 1896 to 1898 a relatively minor amount of tunnelling was carried out by Consolidated Alberni Mining Co. The mine then lay dormant until 1933 when Vancouver Island Gold Mines Ltd. recommenced production. Total reported production was 438 tonnes of ore yielding 384 ounces of gold, 52 ounces of silver and 88 kilograms of copper.

In 1962 a regional aeromagnetic survey was carried out. During 1963 to 1966 Gunnex Ltd. carried out a regional mapping program with some prospecting and silt sampling. No further exploration was carried out on the property until 1973 when surface and underground mapping and sampling was carried out by Keywest Resources Ltd.

Silver Cloud acquired the property in 1979 and since then has constructed an access road and carried out limited exploration consisting of prospecting and soil sampling.

Since 1986 the Issuer and Angle have carried out three phases of an exploration program on the property which included line cutting, prospecting, geological mapping, soil sampling, induced polarization surveying, underground sampling, trenching and diamond drilling. In addition a total of 4,976 meters of wire line drilling in 20 holes was carried out. The total cost of the three phases was approximately \$848,000.

The Issuer intends to expend approximately \$1,090,000. to fund its portion of Phase IV of the work program recommended by Dr. Peter A. Christopher, P. Eng. in his report dated June 3, 1987 on the property. Phase IV consists of detailed mapping and geophysical surveying to select sites for diamond drilling, underground rehabilitation and mapping, sampling, road construction and 7,400 meters of diamond drilling. The total cost of Phase IV is approximately \$2,000,000. of which the Issuer's portion is approximately \$1,090,000. and Angle's portion is approximately \$910,000. The Issuer proposes to raise such

funds through the private placement of "flow-through" shares with First Exploration Fund 1987 and Company, Limited Partnership ("First Fund") as further described under item 9.

There are no known ore reserves on the property.

Silver Cloud and Angle are reporting British Columbia companies the shares of which trade on the Vancouver Stock Exchange. Leon E. Nowek, James W. MacNeil and Thomas S. Hughes, directors of the Issuer, are also directors of Angle.

**Group III Other presently held properties upon which the Issuer's acquisition and exploration costs to date exceed \$100,000.**

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**Duncan Property**  
**Victoria Mining Division, British Columbia**

The Issuer holds a 17.6% undivided interest in four contiguous located mineral claims comprising an area of approximately 2,700 acres situated in the Victoria Mining Division, British Columbia. The remaining 82.4% undivided interest is held by Nexus Resource Corporation ("Nexus") and is operated by the Issuer and Nexus pursuant to a joint venture agreement. The property overstakes certain Crown granted mineral claims, not owned by Nexus or the Issuer, to which all gold and silver has been reserved.

The claims were first staked in 1904 and were mined during the period 1904 to 1907. In 1908 the King Solomon Copper Mining Company acquired the claims and installed various mining and milling equipment. During the period 1983 to 1986, the Issuer carried out various exploration work on the property at a total cost of \$239,218. however, it has no present intentions to carry out any further work on the property.

There are no known reserves of ore on the property.

**4. PARTICULARS OF NON-RESOURCE ASSETS**

The Issuer is not engaged nor does it propose to engage, in whole or in part, in a business other than the exploration and development of natural resource properties.

**5. CORPORATE INFORMATION**

The Issuer was incorporated in British Columbia on December 30, 1981 under the name "Reward Resources Ltd." by the registration of Memorandum and Articles under the British Columbia Company Act.