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NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATIONS TO THE CONTRARY IS AN OFFENCE.

New Issue

SILMIL EXPLORATIONS INC.

(Incorporated under the laws of the Province of Ontario)

750,000 SHARES  
(without par value)

PRICE: 40¢ PER SHARE



The Corporation's shares trade on the Vancouver Stock Exchange. The following sets forth trading particulars since April 1, 1976.

<u>Month</u>	<u>Trading Range</u>		<u>Volume</u>
	<u>High</u>	<u>Low</u>	
April	23	13	13,777 shares
May	24	10	9,587 shares
June	25	20	15,000 shares
July	29	21	22,900 shares

THESE SECURITIES ARE SPECULATIVE. See within under the heading "Speculative Nature of the Offering". Reference is made to the captions "History and Business", "Offering" and "Use of Proceeds". The purpose of this issue is to provide the Corporation with sufficient funds to help defray its ordinary operating expenses and the costs of carrying out an oil and gas exploration program described within under the caption "Hercules and Halliday Prospects".

	<u>Price to Public</u>	<u>Underwriting Discount</u>	<u>Proceeds to Corporation(1)</u>
Per Share.....	40 cents	20 cents	20 cents
Total.....	\$300,000	\$150,000	\$150,000

(1) Before deduction of expenses of the offering estimated at approximately \$15,000.

Secondary Offering

In consideration of and subject to the Underwriters taking down and paying for 750,000 shares underwritten as set forth above the Corporation has agreed to issue to the Underwriters by way of bonus a further 112,500 shares. These 112,500 shares will be offered by the Underwriters by way of a secondary offering following the completion of the sale of the underwritten shares. None of the proceeds from the sale of this secondary offering will accrue to the treasury of the Corporation.

We, as principals, offer these shares subject to prior sale, if as and when issued by the Corporation and accepted by us in accordance with the conditions contained in the underwriting agreement referred to under the caption "Offering".

The date of this Prospectus is September 15, 1976.

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## THE CORPORATION

Silmil Explorations Inc. (hereinafter for convenience referred to as "the Corporation" or "Silmil") was incorporated under the Companies Act (Ontario) by Letters Patent dated January 9, 1946 under the name Silver Miller Mines Limited. By Articles of Amendment dated September 20, 1972 the capital of the Corporation was reorganized and the name of the Corporation was changed to Silmil Explorations Inc. The head office of the Corporation is located at Suite 1100, 85 Richmond Street West, Toronto, Ontario.

## HISTORY AND BUSINESS

Since incorporation the Corporation has carried on business in the field of mining exploration and more recently has also participated in programs of exploration for oil and gas.

The Corporation's main interest at the present time is in two natural gas prospects located in the Province of Alberta, particulars of which are set forth below under the heading "Hercules and Halliday Gas Prospects". The proceeds from this issue will be used to finance the exploration programs recommended for these prospects.

### Cobalt Area mining claims

The only mining property in which the Corporation presently has any interest is a group of 21 patented mining claims located in the Cobalt area of the Province of Ontario. The Corporation assembled this group of claims over the period 1946 to 1961.

The whole 21 claim group was originally leased by Silmil to Hiho Silver Mines Limited by lease agreement dated July 25, 1967. Hiho subsequently assigned its interest as Lessee to International Mariner Resources Ltd. which subsequently assigned same to Silver Shield Mines Inc.

By an agreement dated September 21, 1972, five (5) of the claims known as the Brady Lake claims were excluded from the aforesaid lease and re-leased to Agnico-Eagle Mines Limited for a period of five (5) years expiring July 31, 1977 with the Lessee having the right to renew for a further five years. Under the terms of this lease if the property is put into production Silmil will receive lease rentals calculated on a sliding scale from 3% to 5% of net smelter returns. In order to keep the lease in good standing the Lessee is required to expend a minimum of \$25,000 on exploration and development work on these leases. The lease is currently in good standing.

The remaining 16 patented mining claims remain subject to the original lease which matures on April 30, 1978, subject to automatic one year renewals at the election of the Lessee. Under this lease the Lessee pays \$500 per month as rental payments. An additional \$250 per month is payable on account of access through certain of Silmil's underground workings to other property held by the Lessee. Under the terms of the lease the Lessor is entitled to receive a

royalty of 10% of the net profits from mining operations on these claims after recovery by the Lessees of all pre-production and capital expenditures. In order to keep the lease in good standing the Lessees must expend a total of \$50,000 yearly on exploration and development work, however the \$25,000 work requirement in respect of the above mentioned Brady Lake claim group is included in such \$50,000 work requirement. The lease is currently in good standing.

The assets of Silver Shield including its interest as Lessee of the 16 claim group were subsequently acquired by Canadaka Mines Ltd., a company organized by St. Joseph Explorations Limited (subsidiary of St. Joe Minerals Corp. U.S.A.). Canadaka now acts as operator of the property and is responsible for the Lessee obligations under the lease.

By agreement dated May 28, 1973, and subsequently approved by the shareholders of Silmil, Silmil sold to St. Joseph Explorations Limited a 60% interest in the said lease for a total of \$110,000, all of which has been received by Silmil. The annual lease payments to Silmil after the sale of this 60% interest are \$3,600 per year and the 10% net profits royalty referred to above if as and when same comes into effect.

#### Sale of Ranfurly Gas Unit Interest

In the summer of 1975 the Corporation sold to White Resource Management Ltd., 345 - 4th Avenue S.W., Calgary, Alberta, for \$187,000 a 2.7% working interest being all of the Corporation's interest in a unitized gas field located in east central Alberta described as the Ranfurly Gas Unit. This interest had been acquired by the Corporation as a working interest participant at a cost to the Corporation of approximately \$56,000. To the knowledge of the signatories hereto Mr. Ronald J. White, Calgary, Alberta, is the sole shareholder of White Resource Management Ltd. This transaction was duly approved by the shareholders of the Corporation at a general meeting of shareholders held on July 21, 1975.

#### Vegreville Area - Alberta

The Corporation holds a 5.5% working interest in four shut in gas wells and interest varying from 5% to 10% in approximately 35,507 acres located in the Vegreville area of the Province of Alberta. Trans Canada Pipe Lines have recognized net reserves for the Corporation of 2 Billion cubic feet of natural gas in respect of the four shut in wells. There are no immediate plans for further expenditures on the remaining acreage.

A compression and dehydration plant is presently being built to service the shut in wells. The Corporation's portion of the cost of construction of the plant is approximately \$19,139.61 and an additional \$4,610 for the installation of tie in lines.

#### Hercules and Halliday Gas Prospects

##### Hercules Prospect

By an agreement dated August 5, 1976, the Corporation has agreed to acquire from D'Eldona Gold Mines Limited, 85 Richmond Street West, Toronto, Ontario ("D'Eldona") 50% of D'Eldona's interest in a farmout agreement dated July 16, 1976 made between Compass Resources Ltd.,

1150 Guinness House, 727 - 7th Avenue S.W., Calgary, Alberta and Strom Energy Ltd., 618 - 8th Avenue S.W., Calgary, Alberta as Farmor and D'Eldona as Farmee. The remaining 50% interest is held by Strom Energy Ltd. as to 20%, Compass Resources Ltd. as to 20% and Paramount Oil & Gas Ltd., 717 - 7th Avenue S.W., Calgary, Alberta as to 10%. The Corporation may earn 50% of D'Eldona's interest by payment of 50% of the costs attributable to D'Eldona under the agreement.

Strom Energy Ltd. is 100% owned by Mr. M.N. Chernoff, Calgary, Alberta. Compass Resources Ltd. is a subsidiary of Conquest Oil & Mining Ltd. which is a subsidiary of Compass Alberta Ltd. which is a subsidiary of Paloma Petroleum Ltd. which is 93% owned by Mr. R.J. Adams, London, England.

The farmout agreement provides that the Farmee shall drill a test well on or before October 31, 1976. Upon drilling the test well the Farmee shall have earned an undivided 50% working interest in Alberta P.& N.G. Lease No. 42846 covering the E/2 of Section 4-52-23-W4M. The agreement provides for a substitute earning well in the event of drilling difficulties or an impenetrable formation in the case of the original test or well. D'Eldona and Silmil will be required to drill and to pay the costs of drilling such substitute earning well. The drilling of the test well or the substitute earning well is a contractual commitment by the Farmee in default of which the Farmor may sue for damages.

The cost of a dry test well is estimated at \$80,000 (Silmil's share - \$40,000). If successful however additional costs for testing, completing and equipping will be \$30,000 (Silmil's share - \$15,000).

#### Halliday Prospect

By an agreement dated August 5, 1976 the Corporation has agreed to acquire from D'Eldona Gold Mines Limited, 85 Richmond Street West, Toronto, Ontario ("D'Eldona") 50% of D'Eldona's interest in a farmout agreement dated June 28, 1976 made between Strom Energy Ltd. 618 - 8 Avenue S.W., Calgary, Alberta, as Farmor and D'Eldona as Farmee. The Corporation may earn 50% of D'Eldona's interest by payment of 50% of the costs attributable to D'Eldona under the agreement.

The farmout agreement provides for an initial payment to Strom of \$5,000 (Silmil's share - \$2,500) as an option payment and a further \$5,120 (Silmil's share - \$2,560) on account of advance rental payments. Under the agreement an election to drill a test well must be made on or before September 30, 1976 and the test or earning well must then be drilled on or before November 30, 1976. If the earning well is successful Silmil and D'Eldona must complete and equip the well for delivery of production to a pipeline gathering system. If unsuccessful Silmil and D'Eldona must plug and abandon the well.

The agreement provides for a substitute earning well in the event of operating difficulties or impenetrable formations in the case of the original test or earning well. D'Eldona and Silmil will be required to drill and to pay the costs of drilling such substitute earning well. The drilling of the test well or the substitute earning well is a contractual commitment by the Farmee in default of which the Farmor may sue for damages.



## Halliday Prospect

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The Halliday prospect is located on the north side of the Cessford field in Twp. 28 Rge. 14 W4M Alberta and involves a total of 5120 acres of Petroleum and Natural Gas leases. A well defined seismic anomaly is located on this prospect covering approximately 4200 acres. The main targets are the Nisku, Cairn Reef and Beaverhill zones. The cost of a dry hole is estimated at \$170,000 with the cost of a completed well estimated at \$230,000. It is to be noted that this is a high risk venture.

The Corporation intends to participate as to a 50% interest in the test wells to be drilled in the Hercules and Halliday prospects.

### CAPITAL STRUCTURE

The capital of the Corporation is comprised of shares of one class, namely, common shares. All shares issued by the Corporation rank equally as to entitlement to dividends and voting power, each share carrying one vote. There are no indentures or agreements, extant or proposed limiting the payment of dividends. At all meetings of the shareholders of the Corporation two shareholders personally present and entitled to vote thereat constitute a quorum and at such meetings resolutions may be voted upon by a show of hands unless a poll is demanded by a shareholder. On a show of hands every shareholder voting exercises one vote whereas on a poll every shareholder voting exercises one vote for each share held by him. In either case, the Chairman has a second or deciding vote in the event of a tie vote. There are no conversion, pre-emptive, liquidation or distribution rights or other special privileges or provisions whatsoever attaching to any of the shares in the capital of the Corporation. None of the presently issued and outstanding shares in the Capital of the Corporation are subject to call having been issued as fully paid and non-assessable shares. None of the shares offered hereby will be subject to call or assessment of any kind.

### CAPITALIZATION

<u>Designation of Security</u>	<u>Amount Authorized</u>	<u>Amount Outstanding as at the date of the most recent balance sheet contained in the Prospectus i.e. April 30, 1976</u>	<u>Amount Outstanding as at August 9, 1976</u>	<u>Amount Outstanding if all securities being issued are sold</u>
Common shares without par value	3,000,000 (not to be issued for more than \$3,500,000)	1,307,697 (\$2,812,366)	1,307,697 (\$2,812,366)	2,170,197 (\$2,962,366)

### DIVIDENDS

No dividends have been paid by the Corporation to date.

### AUDITORS

The auditors of the Corporation are Messrs. Laventhol & Horwath, Chartered Accountants, 120 Adelaide Street West, Toronto, Ontario.

## STOCK REGISTRAR AND TRANSFER AGENT

Canada Trust Company is the stock registrar and transfer agent of the Corporation with its offices at 110 Yonge Street, Toronto, Ontario, and 901 West Pender, Vancouver, B.C.

## OFFERING

### New Issue

By an agreement dated August 6, 1976, Rosmar Corporation Limited, Suite 805, 100 Adelaide Street West, Toronto, Ontario, Durham Securities Corporation Ltd., Suite 610, 100 Adelaide Street West, Toronto, Ontario, and Norwich Investments Ltd., Suite 805, 88 University Avenue, Toronto, Ontario, each acting as principal as to a 1/3 interest have agreed to firmly purchase 750,000 shares in the capital of the Corporation at the price of 20¢ per share on the third business day next following the effective date defined in the agreement as the date upon which the Ontario Securities Commission has issued its receipt for this prospectus under The Securities Act (Ontario). The agreement provides that the underwriters may terminate the underwriting agreement at their discretion upon the occurrence of certain conditions set forth therein. The underwriters are however obliged to take up and pay for all of the underwritten shares if any of the underwritten shares are purchased under the said agreement.

There are no sub-underwriting agreements outstanding or proposed. In the event that any sub-underwriting is granted an amendment to this prospectus will be filed within ten (10) days thereof if the shares of the Corporation are then in the course of distribution to the public.

The underwritten shares will be offered to the public at the price of 40¢ per share.

The shares of the Corporation are listed for trading on the Vancouver Stock Exchange, however this offering is being made only in the Province of Ontario.

### Secondary Offering

In consideration of and subject to the Underwriters taking down and paying for 750,000 shares underwritten as set forth above the Corporation has agreed to issue to the Underwriters by way of bonus a further 112,500 shares. These 112,500 shares will be offered by the Underwriters by way of a secondary offering following the completion of the sale of the underwritten shares. None of the proceeds from the sale of this secondary offering will accrue to the treasury of the Corporation.

## USE OF PROCEEDS

The net proceeds to be received by the Corporation from the sale of the underwritten shares as hereinbefore set forth are estimated at approximately \$135,000 after deducting the expenses of this offering estimated at approximately \$15,000. These funds together with monies presently in the Corporation's treasury will be used to defray the ordinary operating expenses of the Corporation



and the Corporation's share of the programs recommended on the Hercules and Halliday Oil and Gas Prospects hereinbefore referred to and estimated to cost approximately \$125,000 on a dry hole basis and up to \$170,000 on a completed well basis.

#### PURCHASERS' STATUTORY RIGHT OF WITHDRAWAL AND RESCISSION

##### A. Right of Withdrawal

An agreement of purchase and sale covering any of the shares hereby offered is not binding upon the purchaser if the Corporation from whom the purchaser buys same receives written or telegraphic notice evidencing the intention of the purchaser not to be bound by the agreement not later than midnight of the second day (exclusive of Saturdays, Sundays and holidays) after receipt of the prospectus of the Corporation or amended prospectus; provided the purchaser has not sold or transferred the said shares prior to the expiration of the said two-day period.

Receipt of the prospectus or amended prospectus by the agent of the purchaser and receipt of the said notice by the agent for the vendor of the said shares shall be receipt by the purchaser and vendor respectively.

##### B. Right of Rescission

A purchaser of any of the shares hereby offered has a right to rescind his contract to purchase while he is still the owner of the said shares if the prospectus of the Corporation and any amending prospectus received by such purchaser, as of the date of receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading; provided, however, such right of rescission will not apply:

- (a) if the untruth or fact of omission was unknown to the Corporation and to the underwriter and could not have been known in the exercise of reasonable diligence;
- (b) if such statement or omission is disclosed in an amended prospectus and same has been received by the purchaser;
- (c) if the purchaser knew the untruth of the statement or knew of the omission at the time of purchase.

Receipt of a prospectus or an amended prospectus by a party who is acting as agent or who thereafter commences to act as agent of the purchaser shall be receipt by the purchaser. No action shall be commenced after the expiration of ninety days from the last to occur of the receipt of the prospectus or the date of the contract.

The full text of the respective statutory provisions summarized above are contained in Section 64 and 65 of The Securities Act (Ontario).

PRINCIPAL HOLDERS OF SHARES

To the knowledge of the signatories hereto no person or company owns of record or beneficially directly or indirectly more than 10% of the outstanding shares in the capital of the Corporation. The directors and officers of the Corporation own less than 1% of the outstanding shares of the Corporation.

MANAGEMENT

The names and addresses of the directors and officers of the Corporation and the position presently held by them are listed below:

- President and Director.....MURRAY COOPER, 207 - 2500 Bathurst Street, Toronto, Ontario. Mining Executive. Mr. Cooper is also a director of D'Eldona Gold Mines Limited and Aldona Mines Limited.
- Vice-President and Director.....WALTER A. CARTER, P.O. Box 417, Colbourne, Ontario. Consulting Mining Engineer. Mr. Carter is also a director of North American Rare Metals Limited and Gull Lake Iron Mines Limited.
- Secretary-Treasurer and Director....WILLIAM W. DENNIS, 16 Cranleigh Court, Islington, Ontario. Mining Prospector, self-employed. Mr. Dennis is also a director of D'Eldona Gold Mines Limited and Aldona Mines Limited.
- Director.....HAROLD B. McLEAN, 2043 McKeown Ave. North Bay, Ontario. Mining Engineer Staff Member, Mines Accident Prevention Association of Ontario.
- Director.....IRWIN A. WALLACE, 508 - 2500 Bathurst Street, Toronto Ontario. Notary Public and Insurance and Real Estate Broker. Mr. Wallace is also a director of Aldona Mines Limited and Newrich Explorations Limited.

#### REMUNERATION AND MANAGEMENT

During the last financial year ended April 30, 1976, directors and senior officers of the Corporation as a group were paid a total remuneration of \$7,450.

#### MATERIAL CONTRACTS

1. Agreement dated June 11, 1975 whereunder the Corporation sold to White Resources Management Ltd., 345 Fourth Avenue S.W., Calgary, Alberta, a 2.7% working interest in the Ranfurly Gas Unit for \$187,000.
2. Underwriting agreement dated August 6, 1976, between the Corporation and Rosmar Corporation Limited, Durham Securities Corporation Ltd. and Norwich Investments Ltd. (see caption "Offering").
3. Agreement dated August 4, 1976 wherein the Corporation agreed to acquire from D'Eldona Gold Mines Limited a 50% interest in the Hercules Prospect (See caption "Hercules Prospect").
4. Agreement dated August 4, 1976 wherein the Corporation agreed to acquire from D'Eldona Gold Mines Limited a 50% interest in the Halliday Prospect (See caption "Halliday Prospect").

During the period that the shares covered by this prospectus are in the course of distribution to the public the above mentioned material contracts will be available for inspection by the public during business hours at the head office of the Corporation, Suite 1100, 85 Richmond Street West, Toronto, Ontario.

#### SPECULATIVE NATURE OF OFFERING

The shares of the Corporation being offered by this prospectus should be considered as an investment involving risk and are speculative. None of the properties of the Corporation has a known body of ore and the Corporation is not realizing any cash flow at the present time from any of its gas and oil interests. The Hercules and Halliday prospects for which the funds raised by this offering will be used, involve a high degree of risk since there can be no assurance that gas will be discovered.

LAVENTHOL & HORWATH

CHARTERED ACCOUNTANTS

120 ADELAIDE STREET WEST  
TORONTO, ONTARIO M5H 1T6  
TELEPHONE 416-594-3200  
CABLE: HCRWNTAS

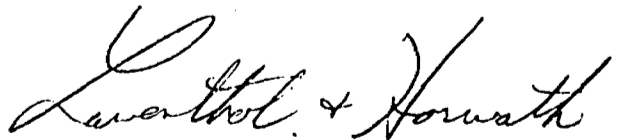
REPRESENTED THROUGHOUT THE WORLD

AUDITORS' REPORT

To the Directors of  
Silmil Explorations, Inc.

We have examined the balance sheet of Silmil Explorations, Inc. as at April 30, 1976 and the statements of income and deficit and changes in financial position for the five years then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at April 30, 1976 and the results of its operations and the changes in financial position for the five years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.



Toronto, Ontario,  
June 10, 1976, except for  
Note 4 as to which the date  
is August 5, 1976.

Chartered Accountants.

SILMIL EXPLORATIONS, INC.  
(Incorporated under the laws of Ontario)

BALANCE SHEET - APRIL 30, 1976

ASSETS

Current:

Cash and short-term deposits	\$ 218,375	
Advance re development expenditures	<u>1,866</u>	\$ 220,241

Fixed:

Interest in petroleum and natural gas acreage, Vegreville Area, Alberta and related development expenditures, at cost	33,568	
Gas production plant and equipment, at cost	18,570	
Mining properties (Notes 1 and 2)	665,066	
Mine buildings, machinery and equipment, at cost less \$426,197 accumulated depreciation	<u>3,987</u>	<u>721,191</u>
		<u>\$ 941,432</u>

LIABILITIES

Current:

Accounts payable		\$ 1,500
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SHAREHOLDERS' EQUITY

Capital stock:

Authorized:  
3,000,000 shares, no par value

Issued: 1,307,697 shares	\$2,812,366	
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Deficit	<u>1,872,434</u>	<u>939,932</u>
		<u>\$ 941,432</u>

See accompanying notes.

On behalf of the Board:

*M. Macrae*  
.....(Director)

*W. W. Dennis*  
.....(Director)

SILMIL EXPLORATIONS, INC.  
STATEMENT OF INCOME AND DEFICIT

	Years ended April 30				
	1976 (a)	1975	1974	1973	1972
<b>Revenue:</b>					
Gas sales, net of royalties	\$ 3,123	\$ 16,084	\$ 740	\$ -	\$ -
Less operating expenses	<u>1,204</u>	<u>3,468</u>	<u>41</u>	<u>-</u>	<u>-</u>
	1,919	12,616	699	-	-
Rental income from leasing mining properties	1,800	15,000	15,000	15,000	15,000
Profit on disposal of mine equipment	-	2,122	-	10,081	4,050
Interest income	<u>15,141</u>	<u>4,124</u>	<u>861</u>	<u>2,305</u>	<u>1,854</u>
	<u>18,860</u>	<u>33,862</u>	<u>16,560</u>	<u>27,386</u>	<u>20,904</u>
<b>Expenses:</b>					
Lease rentals	2,543	3,992	-	-	-
General expenses at Cobalt properties	676	1,250	906	2,133	2,027
Head office expenses (schedule)	28,155	29,806	28,657	40,919	26,591
Cost of mining claims abandoned and exploration expenditures thereon	-	63,496	-	-	3,316
Depreciation, depletion and amortization	<u>2,469</u>	<u>15,022</u>	<u>12,214</u>	<u>10,553</u>	<u>10,553</u>
	<u>33,843</u>	<u>113,566</u>	<u>41,777</u>	<u>53,605</u>	<u>42,487</u>
Income (loss) before extraordinary item	(14,983)	(79,704)	(25,217)	(26,219)	(21,583)
<b>Extraordinary item</b>					
Profit on sale of gas properties	<u>129,622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss)	(b) 114,639	(79,704)	(25,217)	(26,219)	(21,583)
Deficit at beginning of year	<u>(1,987,073)</u>	<u>(1,907,369)</u>	<u>(1,882,152)</u>	<u>(1,855,933)</u>	<u>(1,834,350)</u>
Deficit at end of year	<u>(\$1,872,434)</u>	<u>(\$1,987,073)</u>	<u>(\$1,907,369)</u>	<u>(\$1,882,152)</u>	<u>(\$1,855,933)</u>
<b>Earnings per share (c):</b>					
Income (loss) before extraordinary item	(\$0.011)	(\$0.061)	(\$0.019)	(\$0.022)	(\$0.019)
Net income	\$0.088	(\$0.061)	(\$0.019)	(\$0.022)	(\$0.019)

(a) During the current year the company sold its producing properties, consequently gas sales are reflected for two months only in 1976.

(b) No provision for income tax is required because exploration and development expenditures, previously written-off in the accounts, have been applied to eliminate taxable income.

(c) Earnings per share have been determined on the basis of the weighted monthly average of shares outstanding during the respective fiscal years. On September 20, 1972 the capital of the company was reorganized. Earnings per share for 1972 and 1973 were calculated recognizing the new share capital as though it had existed from May 1, 1971.

## SILMIL EXPLORATIONS, INC.

## STATEMENT OF CHANGES IN FINANCIAL POSITION

	Years ended April 30				
	1976	1975	1974	1973	1972
<b>Working capital provided:</b>					
Proceeds from sale of gas property	\$187,000	\$ -	\$ -	\$ -	\$ -
Payments received from option and sale of an interest in lease of mining properties	-	75,000	35,000	-	-
Proceeds from sale of mining properties	-	3,000	-	-	1,000
Proceeds from sale of mine equipment	-	-	-	-	9,000
Bank loan	-	-	17,600	-	-
Proceeds from sale of capital stock	-	-	-	40,001	-
	<u>187,000</u>	<u>78,000</u>	<u>52,600</u>	<u>40,001</u>	<u>10,000</u>
<b>Working capital used:</b>					
<b>In operations:</b>					
Loss before extraordinary item	14,983	79,704	25,217	26,219	21,583
<b>Deduct items not requiring current outlay of funds:</b>					
Depreciation, depletion and amortization	(2,469)	(15,022)	(12,214)	(10,553)	(10,553)
Mining claims abandoned and exploration expenditures thereon	-	(63,496)	-	-	(3,316)
Profit on sale of mine equipment	-	-	-	-	4,050
	<u>12,514</u>	<u>1,186</u>	<u>13,003</u>	<u>15,666</u>	<u>11,764</u>
Well costs capitalized to gas properties	987	4,198	21,612	28,669	-
Petroleum and natural gas properties	-	-	1,912	21,490	-
Gas plant and equipment	16,585	4,119	17,230	-	-
Mine explorations	-	-	98	146	1,146
Bank loan transferred to current liabilities	-	17,600	-	-	-
	<u>30,086</u>	<u>27,103</u>	<u>53,855</u>	<u>65,971</u>	<u>12,910</u>
<b>Increase (decrease) in working capital</b>	156,914	50,897	(1,255)	25,970	2,910
<b>Working capital at beginning of year</b>	<u>61,827</u>	<u>10,930</u>	<u>12,185</u>	<u>38,155</u>	<u>41,065</u>
<b>Working capital at end of year</b>	<u>\$218,741</u>	<u>\$ 61,827</u>	<u>\$ 10,930</u>	<u>\$ 12,185</u>	<u>\$ 38,155</u>

SILMIL EXPLORATIONS, INC.  
SCHEDULE OF HEAD OFFICE EXPENSES

	Years ended April 30				
	<u>1976</u>	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1972</u>
Accounting and corporate services	\$ -	\$ 3,500	\$ 5,100	\$ 4,550	\$ 4,900
Directors' fees and officers' remuneration	7,450	6,100	4,100	4,150	4,450
Head office rent	873	1,820	1,800	1,800	1,800
Legal and audit fees and disbursements	5,493	4,685	5,180	7,690	4,805
Transfer agent's fees and expenses	2,347	4,580	7,483	11,933	4,463
Shareholders' information and meeting expenses	4,177	3,724	2,777	6,364	3,719
Interest expense	-	3,006	-	-	-
Stock exchange fees and expenses	900	500	500	2,577	1,347
Ontario corporation taxes	5,275	-	-	-	-
Miscellaneous	1,640	1,891	1,717	1,855	1,107
	<u>\$28,155</u>	<u>\$29,806</u>	<u>\$28,657</u>	<u>\$40,919</u>	<u>\$26,591</u>



SILMIL EXPLORATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 1976

1. Summary of significant accounting policies:

Petroleum and natural gas operations:

The company follows the accounting policies of charging exploration expenses and carrying charges of producing and non-producing properties to income as incurred. Lease and other property acquisition costs are capitalized and are charged to earnings if the property is subsequently abandoned. The costs of drilling productive wells are capitalized and the costs of unproductive wells are charged to earnings when determined to be dry. The costs of producing properties and producing wells are amortized using the unit of production method based upon estimated gas reserves.

Depreciation on production equipment is provided on the straight-line basis at 10% per annum, commencing in the month that the plant is placed on production.

Mining operations:

The amounts shown for mining properties represent costs to date less amounts written off and are not intended to reflect present or future values. On the sale of a portion of a mining property, the proceeds are credited to the mining property accounts.

Preproduction expenditures applicable to the Cobalt Area properties were fully amortized in 1971. Exploration expenditures applicable to other properties were written off to operations in the year of abandonment.

2. Mining properties:

All of the companies mining properties are situated in the Cobalt Area of Ontario and are leased out, under two long-term leases.

Under the terms of both leases, the lessees are committed to expend minimum amounts of exploration work on the properties.

Should the Cobalt properties be placed on production, the company is to receive a royalty of 10% of net profits from mining operations on the properties covered by one lease, after recovery by the lessee of all preproduction and capital expenditures. Under the terms of the other lease, the company will receive a rental calculated on a sliding scale from 3% to 5% of net smelter returns based on the price of silver.

3. Reclassification:

Payments received from option and sale of an interest in a lease in Cobalt properties (\$35,000 in 1974 and \$75,000 in 1975) were credited to income in the annual financial statements previously submitted to shareholders. These payments have been reclassified and applied to reduce the carrying value of the Cobalt mining properties.

Silmil Explorations, Inc.

Notes to financial statements  
(continued)

4. Subsequent events:

Hercules Prospect:

By an agreement dated August 5, 1976, the company has agreed to participate in a farmout agreement. Under the terms of the agreement, the company will earn an undivided 25% working interest in a petroleum and natural gas lease in the Province of Alberta by paying 50% of the costs of the test well to be drilled.

The total cost of a dry test well is estimated at \$80,000 (company's share - \$40,000). If successful, the additional costs for testing, completion and equipping is estimated at \$30,000 (company's share - \$15,000).

Halliday Prospect:

By an agreement dated August 5, 1976, the company has agreed to participate in another farmout agreement covering two petroleum and natural gas leases in the Province of Alberta. Under the terms of the agreement, the company may earn a 25% interest in the leases by paying 50% of the cost of a test well. An election to drill the well must be made by September 30, 1976.

The total cost of a dry test well is estimated at \$170,000 (company's share - \$85,000). If successful, the additional cost of testing, completing and equipping is estimated at \$60,000 (company's share - \$30,000).

The farmout agreement provides for an initial payment to the farmor of \$5,000 (company's share - \$2,500) as an option payment and \$5,120 (company's share - \$2,560) on account of advance rental payments.

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There are no other material facts.

Toronto, Ontario, September 15, 1976

CERTIFICATE OF THE COMPANY

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act (Ontario) and the regulations thereunder.

"MURRAY COOPER"  
Chief Executive Officer

"WILLIAM W. DENNIS"  
Chief Financial Officer

On behalf of the Board of Directors:

"HAROLD B. McLEAN"  
Director

"IRWIN A. WALLACE"  
Director

CERTIFICATE

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act (Ontario) and the regulations thereunder.

ROSMAR CORPORATION LIMITED

NORWICH INVESTMENTS LTD.

Per: "A. Allison"

Per: "K.R. Macklin"

DURHAM SECURITIES CORPORATION LIMITED

Per: "D.J. Foster"

The only persons who own a greater than 5% interest in the underwriters are as follows:  
ROSMAR CORPORATION LIMITED: Albert Allison, Suite 23, Park Tower East, 400 Walmer Rd., Toronto, Ontario and Martin I. Allison, 169 Inglewood Dr., Toronto, Ontario; DURHAM SECURITIES CORPORATION LIMITED: David J. Foster, 32 Forest Ridge Dr., Toronto, Ontario and Alex Pancer, 110 Elise Terrace, Willowdale, Ontario; NORWICH INVESTMENTS LTD.: Kenneth R. Macklin, 117 Kenwood Ave., Toronto, Ontario and June S. Brew, 28 Century Drive, Scarborough, Ontario.