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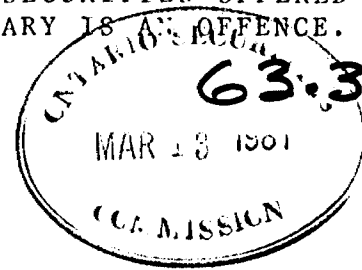
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Prospectus of
Elmwood Resources Ltd.
Lebel Twp.

1981

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

ELMWOOD RESOURCES LIMITED
Suite 500
67 Richmond Street West
Toronto - Ontario
M5H 1Z5



P R O S P E C T U S

NEW ISSUE not less than 500,000 and not more than 750,000 common shares without par value (the "shares")

	<u>Price to Public</u>	<u>Agent's Commission</u>	<u>Proceeds to the Company (1)</u>
Per Share	80¢	5¢	75¢
Total:			
500,000 shares minimum	\$400,000	\$25,000	\$375,000
750,000 shares maximum	\$600,000	\$37,500	\$562,500

(1) Before deducting the expenses of this issue estimated at \$20,000.

Elmwood Resources Limited (the "Company") hereby offers not less than 500,000 shares and not more than 750,000 shares on a best efforts basis through registered dealers acting as agents on its behalf. The offering is to be by way of a distribution over-the-counter in the Province of Ontario and will commence on a day to be specified by the Company not later than five business days after the date of acceptance for filing of this prospectus of the Company by the Ontario Securities Commission. The offering will continue for a period (the "offering period") equal to the lesser of 15 days from the commencement date aforementioned, until the minimum of 500,000 shares have been sold or until terminated by the Company. The Company is not presently aware of any event or circumstance other than the sale of all of the offered shares, which would cause it to terminate the offering before the expiry of 15 days from the commencement date.

Registered dealers acting as agents will be paid such commissions as is negotiated between the Company and such registered dealers, not to exceed the sum of 5¢ per share. All proceeds from the sale of shares shall be held by Crown Trust Company (the "Trustee") until subscriptions or payments for 500,000 shares have been received. If the Company fails to sell the minimum of 500,000 shares during the offering period, it will withdraw the offering in its entirety and all monies paid by subscribers will be refunded without deduction. Reference is made to the caption "Offering".

The purpose of this issue is to provide funds for administrative purposes and to implement the exploration and development programs on the Company's petroleum and mining properties more particularly referred to herein under the caption "Use of Proceeds".

The offering price of these shares was established by the Company and is based on the Company's estimate of the value of its mining claims and petroleum properties.

THE SHARES OF THE COMPANY OFFERED HEREBY ARE SPECULATIVE. THERE IS NOT MARKET FOR SHARES OF THE COMPANY AND PURCHASERS OF THE SHARES MAY NOT BE ABLE TO RESELL THEM. REFERENCE IS MADE TO THE CAPTION "RISK FACTORS".

TRUSTEE

Crown Trust Company
P.O. Box 3800, First Canadian Place
Toronto, Ontario

February 2, 1981

(Agents name and address)

ELMWOOD RESOURCES LIMITED

PROSPECTUS SUMMARY

Property Interests

Goldfinch Gold Property

The Company has acquired leases granting it the right to explore and develop four unpatented mining claims covering a total area of approximately 220 acres located in Beaverhead County, State of Montana. The leases reserve to the owners a royalty equal to 10% of the net value of all ores mined, milled, shipped or sold from the mining claims. In order to maintain the leases in good standing, the Company is obligated to make aggregate monthly rental payments of \$300 (US) per month. There is also an option on the part of the Company to continually renew the leases and if desired, to purchase the mining claims covered by the leases for a total consideration in respect of all of the claims of \$100,000 (US). Any royalty and/or rental payments paid to the owners form a credit towards the aforesaid \$100,000 (US) purchase price. A preliminary program of exploration work to be carried out on the claims has been recommended which includes trenching, sampling, certain geophysical work and diamond drilling. The total cost of the program is estimated at \$49,000.

Guy Silver Property

The Company has acquired leases granting it the right to explore and develop one patented and four unpatented mining claims covering a total area of approximately 100 acres located in Beaverhead County, State of Montana. The leases covering the patented mining claim reserves in favour of the owner a royalty equal to a variable percentage of the net smelter returns of all ores mined, milled, shipped or sold therefrom ranging between 7% to 15%, depending upon the value of the ore per ton. The unpatented mining claims reserve to the owners a fixed 10% net smelter return royalty. In order to maintain the leases in good standing, the Company is obligated to make aggregate monthly rental payments of \$600 (US) per month. There is also an option on the part of the Company to continually renew the leases, and if desired, to purchase the mining claims covered by the leases for a total consideration in respect of all of the claims of \$185,000 (US). All of the leases provide that any rental and/or royalty payments form a credit towards the purchase price for each of the leases. A preliminary program of exploration work to be carried out on the claims has been recommended which includes trenching, sampling, certain geophysical work and diamond drilling. The total cost of the program is estimated at \$49,500.

Giddings Oil Prospect

The Company has entered into a farmout agreement with Westchase Petroleum Corporation ("Westchase") pursuant to which the Company intends to participate in the cost of drilling a test well to a depth of approximately 7,000 feet to test the

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Austin Chalk Formation on certain petroleum leases covering an area of approximately 5,000 acres located in Lee and Bastrop Counties, Texas. The leases are subject to royalties and overriding royalties of 30%, leaving a net working interest of 70%. Westchase has been appointed the operator.

The Company has agreed to pay to Westchase 10% of the costs necessary to drill a test well to the casing point, which is defined as the point at which a decision must be made whether to complete the test well as a producer of petroleum substances or to abandon the well, 10% of acreage costs and 10% of the costs of a seismic survey to be conducted on the petroleum leases, all in order to earn 7.5% of the working interest in the test well and its spacing unit of 160 acres. If the well is recommended to be completed as a producer of petroleum substances, the Company has agreed to pay 7.5% of completion costs. With respect to all subsequent wells, the Company may contribute 7.5% of the costs of drilling and completion to earn 7.5% of the working interest in such well.

Based upon the estimates and recommendations of the Company's technical consultant, the sum of approximately \$147,500 (US), being \$177,000 (CDN) at an exchange rate of \$1.00 US equals \$1.20 CDN should be sufficient to pay for the Company's share of acreage costs, survey costs, drilling and completing two test wells on the petroleum leases to earn 7.5% of the working interest therein. Based on a 70% working interest, the Company will receive 5.25% of the net revenue from the sale of petroleum products from the well.

Financing Arrangements

The Company intends to make a best efforts offering at 80¢ per share of not less than 500,000 and not more than 750,000 common shares over-the-counter in the Province of Ontario. Unless a minimum of 500,000 shares are sold, all monies paid by the subscribers will be refunded without interest or deduction.

Risk Factors

The mining claims of the Company located in Beaverhead County in the State of Montana do not contain known mineralized zones sufficiently large to constitute a body of commercial ore and any further work thereon would be an exploratory search for ore.

There is no assurance that the drilling program to be carried out by the Company with Westchase Petroleum Corporation will be successful in establishing commercial producing wells. The Company has sufficient funds to participate in the drilling of the first two test wells, however participation in subsequent wells will be dependent upon the success experienced

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by the Company in the drilling program and the availability of funds to the Company. At the present time, the only source of future funds available to the Company is through the sale of equity capital.

There is no market for shares of the Company and purchasers may not be able to resell them. The Company does not have a registered dealer who has agreed to act as underwriter or to provide financial sponsorship for the Company's shares.

Assuming the sale of the minimum number of offered shares, purchasers of any of the offered shares will suffer an immediate dilution of 65.9¢ per share.



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ELMWOOD RESOURCES LIMITED

P R O S P E C T U S

HISTORY AND BUSINESS

Elmwood Resources Limited (hereinafter referred to as the "Company") was incorporated under The Corporations Act of the Province of Ontario on the 22nd day of May, 1928 to engage in the acquisition, exploration, development and operation of mines. By articles of amendment effective, June 10, 1980, the name of the Company was changed from its former name, Simpson Gold Mines Limited to Elmwood Resources Limited and its objects were extended to clearly permit, in addition to the usual mining objects, the right to deal in properties and interests relating to the exploration and development of petroleum and natural gas properties. In addition thereto, the Company's shares were changed from shares with a par value of \$1.00 each to shares without par value. The head office of the Company is Suite 500, 67 Richmond Street West, Toronto, Ontario, where the Company's records are kept. The Company has a wholly owned subsidiary, David Agency Limited, which is completely inactive and without any assets.

The mining properties in which the Company has an interest do not contain a known body of commercial ore and any work programs to be carried out thereon are exploratory searches for ore. The petroleum property in which the Company has an interest, does not contain known reserves of crude oil, natural gas or natural gas liquids in commercial quantities, and any exploration programs thereon are exploratory searches to develop such reserves.

Goldfinch Gold Property

Acquisition

The Company entered into a lease and option agreement made the 29th day of August, 1980 with Jack M. Knapp and Nancy D. Knapp (the "Owners"), Argenta Star Route, Dillon, Montana, 59725, whereby the Owners granted to the Company the right to explore and develop for a period of five years commencing August 29, 1980, four unpatented mining claims known as Jack, Goldfinch, Duchman and Nancy in the Argenta Mining District, County of Beaverhead, Montana. The Company is required to pay the Owners, as rent, the sum of \$300 (US) per month commencing on the date of the agreement and thereafter, on a monthly basis, provided that any royalties paid to the owners pursuant to the terms of the agreement, form a credit against the Company's rental payment obligations. With respect to all ores taken from the mining claims, the Company is required to pay the Owners a royalty of 10% of the net value of all ores mined, milled,

shipped or sold from the claims. "Net value" means the net smelter returns after deducting the actual costs of milling, smelting and transportation from the mine to the smelter or refinery.

The agreement provides for the right on the part of the Company to renew the agreement for any number of additional five year terms by giving the Owners written notice of renewal. The agreement also contains provisions requiring assessment work to be recorded to maintain the claims in good standing and for all work to be conducted in accordance with good mining practice and in compliance with the requirements of all state and federal statutes in force from time to time.

In the event of the Company's failure to perform any obligation assumed by it pursuant to the agreement, the Owners are required to give to the Company written notice of default and may terminate the agreement if the Company fails to correct such default within 60 days after the giving of such notice. The Company is entitled at any time during the term of the agreement, to terminate same by giving written notice of termination to the Owners and upon the expiry of 30 days from the giving of such notice, the Company's obligations pursuant to the agreement terminate, save with respect to the payment of rents or royalties or taxes accruing during the period that the agreement was in force.

The Company is also granted the exclusive right and option throughout the term of the agreement or any renewal thereof to purchase the claims for the sum of \$100,000 (US) payable on the basis that all royalties and rentals that have been received by the Owners shall be applied to the purchase price and the balance of the purchase price shall be paid in cash upon the exercise of the option. Upon payment of the purchase price, the Company is entitled to receive a good and sufficient deed and bill of sale conveying or transferring the claims to the Company and any dumps or tailings located thereon or produced therefrom, free and clear of all encumbrances.

Property Location and Access

The Goldfinch gold property consists of a group of 11 contiguous mining claims located in Beaverhead County, State of Montana, U.S.A. The total area covered by the group is approximately 220 acres. Four of the claims, namely the Goldfinch, Jack, Duchman and Nancy are held by the Company pursuant to the terms of the lease and option agreement dated August 29, 1980 with Jack M. Knapp and Nancy D. Knapp referred to above under the caption "Acquisition". In addition, the Company caused to be staked in 1980, 7 claims known as the

Taras Bulba 1 - 7 to the east and west, so that the entire 11 claims are all contiguous.

The mining claims are located in the southwest part of Montana about 17 miles west and slightly north of the Town of Dillon and can be reached from that centre by good roads. The nearest municipality is the small village of Argenta between 2 and 3 miles to the south of the claims.

The topography of this part of the State of Montana is quite mountainous, however the topography of the immediate area of the mining claims is quite flat and they lie in a wide, flat valley floor with only low sparse vegetation and scattered small areas of rock outcrop. A large stream known as Rattlesnake Creek flows in a southeasterly direction through the area and is less than a mile south of the mining claims. Numerous small drainage creeks flow into this larger stream. The old mine workings on the mining claims are flooded in the lower levels.

History

The mineralized zone on the mining claims was first discovered in the 1880's and is now generally referred to as the Goldfinch. It consists of a north-south striking steep dipping shear zone up to 50 feet in width and locally silicified and mineralized with variable amounts of auriferous and argenteriferous pyrite, galena and arsenopyrite as well as some sphalerite and chalcopyrite. The zones of silicification and mineralization form lenses up to 15 feet in width within the shear structure. A quartz-feldspar porphyry dike possibly of Cenozoic age parallels the shearing and along most of the observed strike length of the zone forms the hanging wall of the mineralized lenses.

Several shafts, the deepest being 220 feet, have been sunk at roughly 300 foot intervals along a 2,500 foot length of the shear zone. Most of this development work was done prior to World War II, but some work was carried out as late as 1954. The mining operations were all on a small scale and directed to removing high grade gold and silver bearing rock for direct shipment to a smelter. Total production from the mining claims is reported to have been 6,604 tons of material average 2.4% lead, 0.59 ounces of gold and 6.97 ounces of silver along with small percentages of zinc and copper.

There does not appear to have been any investigation of the zone below the 220 foot level, although some of the old reports state that the overall grade of material from the limited workings at the 220 foot level was somewhat better than the grade of the rock mined on the 120 foot level, suggesting the depth potential of the mineralization to be encouraging.

Geologist's Report

The following is management's summary of the conclusions and recommendations of Mr. James D. McCannell, Geologist, contained in his report dated January 20, 1981 whose full report is available for inspection in the public files of the Ontario Securities Commission, 10 Wellesley Street East, Toronto, Ontario, during normal business hours.

The Company currently controls a strike length of 4,500 feet along the main known shear structure and has sufficient ground to the east and west to protect the zone down dip or to cover possible immediate parallel structures. Considerable work would be required to rehabilitate any of the existing shafts and it is very likely that because of the soft gouge nature of the host rock, most of the underground workings would be caved. This precludes any plan to approach the mining claims with the idea of setting up a small high-grade operation with a limited capital outlay. The mining claims do, however, appear to have much merit, especially in view of the possible depth potential of the shear structure and associated mineralized zones.

It is concluded that the mining claims represent a favourable gold-silver prospect, which warrants further investigation. There appears to have been no effort in the past to test the zone below the 220 foot level, although existing reports state that the grade of the mineralized zones developed at that level was as good as the grades encountered in the upper levels of the workings. The shear zone is very strong and persistent along strike, the only discouraging feature being that the mineralization occurs in silicified lenses that may be somewhat difficult and costly to locate.

It is believed that diamond drilling would be the most feasible method to apply in the search for the mineralized zones in the shear structure. A minimum of 1,000 feet of drilling is recommended for the initial phase of an exploration program on the mining claims, the estimated cost of which is as follows:

Diamond drilling, 1,000 feet @ \$40 per foot	\$ 40,000
Engineering and supervision	6,000
Travel	2,500
Assaying, 50 samples, gold and silver @ \$10 per sample	500
	<hr/>
TOTAL	\$ 49,000

The Company has not itself carried out any work on the Goldfinch gold prospect and the only surface or underground development work known by the Company to have been carried out by others on the mining claims is referred to herein under the caption "History". There is neither surface nor underground plant or equipment located on the mining claims. In entering into the agreement with the Owners, the Company was acting on an arms-length basis.

Guy Silver Property

The Guy silver property consists of the Guy Claim, Tiger 41 and Tiger 42 claims and Elkhorn 109 and Elkhorn 117 claims more particularly described below.

Acquisition - Guy Claim

The Company entered into an assignment agreement made the 11th day of August, 1980 with Mr. Don Jenkins (the "Assignor") Box 1340, Dillon, Montana, 59725 pursuant to which the Assignor assigned to the Company all of his right, title and interest in a lease and option agreement (the "Guy lease") made the 11th day of August, 1980 between Wayne Fitzwater (the "Owner"), 605 Oliver, Dillon, Montana, 79725 and the Assignor. Pursuant to the assignment agreement, the Company has agreed with the Assignor that if there is eventual production from the Guy claim, then the Company will pay the Assignor 5% of the royalty and/or option purchase payments made to the Owner as and when such payments are made to the Owner. There is a commitment on the part of the Company to drill a minimum of 800 feet of diamond drilling on the Guy claim and the Tiger 41 and 42 claims which are the subject of a separate agreement between the Company and the Assignor, such drilling to take place within a period of 12 months from August 11, 1980.

The Guy lease grants the Company the right to enter upon the Guy claim and to carry out exploration and development operations thereon. The term of the agreement is for a period of two years commencing August 11, 1980 provided that the agreement may be renewed for any number of additional terms of two years by giving the Owner written notice of renewal. Rent is payable to the Owner at the rate of \$300 (US) per month payable monthly with provision that any and all royalties paid pursuant to the provisions of the Guy lease may be credited against the obligation to make rental payments.

There is reserved a royalty in favour of the Owner equal to a variable percentage of the net smelter returns of all ores mined, milled, shipped or sold from the Guy claim after deducting the actual costs of milling, smelting and transportation from the mine to the smelter or refinery, as follows: less than \$60 per ton - 7%, between \$60 and \$100 per ton - 10%, between \$100 and \$150 per ton - 12% and over \$150 per ton - 15%.

The Guy lease contains an option to purchase whereby the Company is granted the exclusive right and option throughout the term or any renewal to purchase the Guy claim for the sum of \$90,000 (US) payable on the basis that all royalties and rentals that have been received by the Owner shall be applied to the purchase price and the balance of the purchase price shall be paid in cash upon the exercise of the option.

The Guy lease also contains provisions usual to agreements of this type, that all work to be carried out on the claims, be carried out in a good and workmanlike manner in accordance with applicable requirements of state and federal statutes, may be terminated by the Company on 30 days written notice to the Owner and may be terminated by the Owner only in the event the Owner notifies the Company of default under the agreement and the Company has not remedied such default within 60 days following the receipt of such notice.

Acquisition - Tiger 41 and Tiger 42 Claims

The Company entered into a lease and option agreement made the 12th day of August, 1980 with Don Jenkins and Clayton Jenkins (the "Owners"), Box 1340, Dillon, Montana, 59725 whereby the Owners granted the Company the right to explore and develop two unpatented mining claims, known as Tiger 41 and Tiger 42. The term of the agreement is for two years commencing August 12, 1980 and may be renewed at the Company's option for any number of additional two year terms by giving the Owners written notice of renewal. The Company is required to pay the Owners as rent the sum of \$200(US) per month commencing on the date of the agreement.

The Company has the right to explore and develop the mining claims and to treat, ship or dispose of any and all ores taken therefrom. The Company is required to pay the Owners a royalty of 10% of the net value of all ores mined, milled, shipped or sold from the claims and for the purposes of the agreement, "net value" means the net smelter returns after deducting the actual costs of milling, smelting and transportation from the mine to the smelter or refinery. Any smelter return payments paid by the Company form a credit against the obligation to make rental payments under the agreement.

The agreement contains other provisions similar to those contained in the agreement referred to herein under the caption "Acquisition - Guy Claim". The Company is also granted the exclusive right and option during the term of the agreement to purchase the claims for the sum of \$50,000 (US) on the basis that all royalties and rentals that have been received by the Owners are to be applied to the purchase price and the balance of the purchase price to be paid in cash upon the exercise of the option.

Acquisition - Elkhorn 109 and Elkhorn 117 Claims

The Company entered into a lease and option agreement made the 7th day of November, 1980 with Elkhorn Mining and Exploration Company Ltd., (the "Owner"). The agreement has a term of two years commencing November 7, 1980 and may be renewed for any number of additional two year terms by giving the Owner written notice of renewal. The Company is required to pay the Owner as rent for the claim the sum of \$100 (US) per month, the first payment falling due six months after November 7, 1980.

The agreement grants the Company the right to treat, ship or dispose of any and all ores taken from the claims for which the Owner is entitled to receive a royalty equal to 10% of the net value of all ores mined, milled, shipped or sold from the claims. The term "net value" has a similar meaning as contained in the agreement relating to the Tiger 41 and Tiger 42 claims and any payments made on account of net smelter returns form a credit against the Company's obligation to make rental payments under the agreement.

The remaining terms of the agreement are similar to those contained in the agreement relating to the Tiger 41 and Tiger 42 claims. The Company is granted an option during the term of the agreement to purchase the claims for the sum of \$45,000 (US) payable on the basis that all royalties and rentals that have been received by the Owner shall be applied to the purchase price and the balance of the purchase price shall be paid in cash upon the exercise of the option.

Property Location and Access

The Guy silver property consists of a group of 1 patented (Guy claim) and 4 unpatented contiguous mining claims located in the Elkhorn Area, Beaverhead County, State of Montana, U.S.A. The claims consist of approximately 20 acres each and are known as the Guy, Tiger 41, Tiger 42, Elkhorn 109 and Elkhorn 117. Apex Law is in effect in Montana so that any veins out-cropping on ground held by the Company can be followed and mined to any depth on adjoining ground, even if that ground is not held by the Company. Because the Apex Law is in effect in Montana, there is some overlapping of claim boundaries, so that the five claims comprising the Guy silver property, only include about 80 acres of ground. The claims are located 25 miles northwest of Dillon, Montana and can be reached by good hard surfaced and gravel roads from that town to the village of Elkhorn Hot Springs and then 5 miles by a well graded mountain road directly to the mining claims. The distance from Dillon to Elkhorn Hot Springs is about 40 miles.

The mining claims are located within the Pioneer Mountains mining region with the result that the topography of the general area is quite rugged. The highest peak, Comet Mountain rises to an altitude of 10,200 feet and the elevation at the mining claims is 7,800 feet. The mountain slopes below an altitude of 9,000 feet are heavily timbered, mostly with large spruce, lodgepole pine and fir. The terrain in the vicinity of the mining claims is fairly heavily overburdened with only sparse exposures of outcrop.

History and Previous Work

The first discovery in the Elkhorn silver district was made in 1872 and shortly thereafter a carload of ore was shipped which reportedly averaged 300 ounces of silver to the ton. The resulting prospecting activity that followed led to the discovery of several other silver bearing veins in the surrounding area and from which small quantities of high grade silver ore were shipped.

In 1913 the Boston and Montana Company was formed to take over 68 claims including the original discovery. The old Elkhorn claim on which the original discovery was made is located about 1-3/4 miles north and east from the mining claims. The Boston and Montana Company closed their mining operation in 1930.

The Elkhorn silver area is underlain by quartz monzonite which forms a part of a large intrusive mass referred to as the Pioneer Mountain Intrusive. This rock is quite young and described in published reports as being of Tertiary or Cenozoic age. The silver mineralization usually accompanied by some gold occurs in quartz veins associated with shearing and fracturing. Sulphide mineralization including pyrite, tetrahedrite, chalcopyrite, galena, sphalerite and some molybdenite are also frequently present with the silver values. The veins are usually narrow and steep dipping and unconfirmed reports mention widths in some of the underground workings of as much as 50 feet.

The main vein on the mining claims is the Guy Vein reported to be up to 12 feet in width with values as high as 100 ounces of silver per ton across 4 feet. The vein was discovered in 1891 and in 1907 the underground workings consisted of 2 shafts about 300 feet apart in a north-south direction. The south shaft was reported to be 50 feet deep at that time and the more northerly one, 100 feet deep. In subsequent work the northerly shaft was deepened and the present depth is believed to be somewhere between 200 and 300 feet. In the 1930's a third shaft located between the above

two was sunk to a depth of 35 feet with 30 feet of drifting on the vein. William Tritt of Dillon, who did this work, recently stated that the face of the drift 30 feet north from the shaft averaged 9 to 11 ounces of silver per ton across 8 to 9 feet of vein material.

In 1961 the north shaft was dewatered to the 100 foot level by a Mr. W. Erikson of Riverton, Wyoming and high grade ore was reported in place but no values were given and no mining was carried out. In 1973 this shaft was dewatered to the 160 foot level by Geo-Resources Inc. who carried out sampling in the cross-cuts on the 65 foot and 160 foot levels. They reported 15.8 ounces of silver per ton across 7.1 feet on the 65 foot level and samples from both faces of the 165 foot level cross cut are reported to have returned 31.7 ounces of silver across 11.7 feet and 37.0 ounces across 12.0 feet.

Geologist's Report

The following is management's summary of the conclusions and recommendations of Mr. James D. McCannell, Geologist, contained in his report dated January 20, 1981 whose full report is available for inspection in the public files of the Ontario Securities Commission, 10 Wellesley Street East, Toronto, Ontario during normal business hours.

The five claims comprising the Guy silver property located in the Elkhorn silver district of Montana presents an encouraging silver-gold prospect. Existing records covering the history of this area show the presence of high grade silver and gold values associated with quartz veining over good mining widths.

There are no indications of any attempt ever having been made to test the Guy Vein below the present mine workings which have a maximum vertical depth of 300 feet. It is recommended that the Company carry out a program of diamond drilling to further check the economic merits of this vein structure and 1,000 feet of drilling is suggested as the initial phase of such a program. The estimated cost for this work is as follows:

Diamond drilling 1,000 feet @ \$40 per foot	\$ 40,000
Engineering and supervision	6,000
Travel and car rental	3,000
Assaying 50 samples for gold and Silver @ \$10 per sample	<u>500</u>
Total estimated cost	<u>\$ 49,500</u>

The Company has not itself carried out any work on the Guy silver property and the only surface or underground development work known by the Company to have been carried out by others on the mining claims is referred to herein under the caption "History and Previous Work". There is neither surface nor underground plant or equipment located on the mining claims. In entering into the agreements with Messrs. Don Jenkins, Clayton Jenkins and Elkhorn Mining and Exploration Company Ltd, the Company was acting on an arms-length basis.

Title

Title to patented and unpatented mining claims is governed by the regulations pertaining to mining claims issued by the U.S. Department of the Interior, Bureau of Land Management. Mining claims are of two distinct classes: lode claims and placers. A lode claim may extend for 1,500 linear feet along the course of any mineral vein or lode subject to location and may be up to 600 feet in width. In order to hold the possessory right to a lode claim, not less than \$100 worth of labour must be performed or improvements made thereon annually. The period within which work required to be done shall commence is September 1st succeeding the date of location of each claim. Where a number of contiguous claims are held in common, the aggregate expenditure that would be necessary to hold all the claims may be made on any one claim, although cornering locations are held not to be contiguous. Failure to make the expenditures or to perform the labour required upon a location will subject the claim to relocation unless the original locator, his heirs, assigns or legal representatives, have resumed work after such failure and before relocation.

The locator of a mining claim is limited under his location to the right to the minerals discovered in the land and to mine and remove the same and to occupy so much of the surface of the claim as may be required for all purposes reasonably incident to the mining and removal of minerals. The holder of a mining claim may make application for a patent of the mining claim if not less than \$500 worth of labour has been expended or improvements made by the applicant or his grantors upon each location embraced in the application and if the application embraces several contiguous locations held in common, that an amount equal to \$500 for each location has been so expended upon and for the benefit of the entire group. The application should contain a full description of the kind and character of the vein or lode and should state whether ore has been extracted therefrom and if so, in what amount and of what value and show the precise place within the limits of each of the locations embraced in the application where the vein or

lode has been exposed or discovered and the width thereof in order that government officials may determine whether a viable deposit of mineral actually exists within the limits of each of the locations embraced in the application. If the application is approved, the claimant is required to pay for the land contained in the patent at the rate of \$5 for each acre or part thereof. Annual expenditures are not required subsequent to the date of issuing of a mining patent.

Giddings Oil Prospect

Farmout Agreement

Westchase Petroleum Corporation ("Westchase"), 3131 Briarpark Drive, Suite 675, Houston, Texas, 77042 entered into an agreement made as of the 27th day of October, 1980 with the Company and others (collectively referred to herein as the "Participants") whereby Westchase agreed on or before February 1, 1981 to commence or cause to be commenced operations for the drilling of a test well (hereinafter referred to as the "test well") and to prosecute the drilling of such test well in a diligent and workmanlike manner to a depth sufficient to test the Austin Chalk Formation estimated at a subsurface depth of approximately 7,000 feet on certain oil, gas and mineral leases (the "petroleum leases") covering approximately 5,000 acres of lands located in Lee and Bastrop Counties, Texas. Such commencement date may be delayed depending upon drill rig availability and participation by others to the extent of the balance of the costs for the first test well. Should other participants not be found, Westchase has advised the Company that it will itself participate in the deal for the balance that remains.

For convenience, the agreement between Westchase and the Company is herein referred to as the "farmout agreement". The leases are subject to royalties and overriding royalties aggregating 30%, thereby leaving a net 70% working interest available for acquisition by the various Participants. The Participants agreed to carry out a seismic survey of the petroleum leases to consist of 10 line miles of seismic work at such location on the petroleum leases as shall be determined by Westchase in consultation with the Participants. The Participants shall pay for 100% of the cost of the seismic survey in accordance with their respective percentage participation in the drilling of the first well to the casing point. It is estimated that the cost of the seismic survey will not exceed \$60,000 (US), however, all costs will be paid by Participants on an actual cost invoice basis so that if the seismic survey costs \$60,000 (US), the Company's share of such costs will amount to 1/10 or \$6,000 (US).

On or before the commencement date for the drilling of the first test well, Westchase in consultation with the Participants and based upon the information available from the seismic program carried out on the petroleum leases and any other seismic information then available shall select one-half of the 5,000 acres covered by the petroleum leases so that after such selection, the Company will have an interest in approximately 2,500 acres. The selection shall be on a checkerboard basis with each square covering an area of 160 acres. In making their selection, the Participants and Westchase shall be limited only by the requirement that following the selection of all checkers, at least two off-set drilling locations shall remain on unselected acreage with a common boundary with each selected checker. That portion of the petroleum leases not selected by Westchase and the Participants shall be returned to the predecessors in title of Westchase and Westchase and the Participants shall have no further right, title or interest therein. The total number of wells that can be drilled depends upon the targets certified but could be as many as 25 wells.

The Participants agree to pay 100% of the costs incurred in drilling the test well to the casing point, which is defined as that point during the course of drilling the test well at which time a decision must be made whether to run production casing to complete the well or to plug and abandon same. Upon completion of the test well to the casing point, the Participants shall have collectively earned 75% of the interest of Westchase in the test well and the 160 acres constituting the checker within which the test well is located. The drill spacing unit prescribed by the Texas Railroad Commission for this area is 80 acres and accordingly earning 160 acres is an advantage to the Company. After the casing point, all costs incurred in the completion of the test well shall be borne by the Participants in such proportion that the Participants shall collectively pay 75% of the costs thereof and Westchase shall pay 25% of the costs thereof. Completion costs are defined to mean all costs and expenses incurred to complete a test well after the casing point as well as in the case of an oil well, the installation of tank batteries and all other production facilities and in the case of a gas well, production facilities and pipeline connections. All costs to drill and complete the second and subsequent wells shall be paid by the Participants to the extent of 75% of such costs and Westchase to the extent of 25% and the net revenue interest of the parties in the second and any subsequent wells shall likewise be earned in the proportion of the Participants - 75% and Westchase - 25% thereof. Accordingly, the allocation of costs and revenues in the drilling and completion of the first test well and all subsequent wells is as follows:

<u>Participation</u>	<u>Royalties and Over- Riding Royalties</u>	<u>All Participants</u>	<u>Westchase</u>
Cost of first test well to casing point	0	100%	0%
Cost to complete first test well and drilling and completion of subsequent wells	0	75%	25%
Net revenue for all wells	30%	52.5%	17.5%

In addition to the assumption and payment by the Participants when due of their portion of the drilling and completion costs, the Participants agree to pay acreage costs in proportion to their percentage of participation towards the cost of drilling the first test well to the casing point, which costs are fixed at \$250,000 for the entire acreage of approximately 5,000 acres covered by the petroleum leases. Such amount includes all land and geological costs incurred prior to October 27, 1980 and all legal costs incurred or to be incurred in connection with the examination of titles to the petroleum leases prior to the commencement of drilling operations thereon. Since the Company has agreed to participate to the extent of 10% of the costs to drill the first test well to the casing point in order to earn 7.5% of the working interest, the Company's share of the \$250,000 (US) acreage cost amounts to \$25,000 (US). For the purposes of the farmout agreement, the term "working interest" means 100% of the interest in any petroleum lease after deducting royalties and overriding royalties. Royalties and overriding royalties means any interest in the petroleum, natural gas or related hydrocarbons and all other substances derived from the well which interest is not subject to the payment of any share of drilling, completion or operating costs.

Delay rentals at the rate of \$1 per acre per year are paid by Westchase until the first earning well is completed. Thereafter the parties will pay their pro rata share of the \$2,500 per year delay rental payments.

Westchase has agreed to act as operator with respect to the drilling of all wells on the petroleum leases and has received an authorization for expenditures (A.F.E.) in the amount of \$700,000 (US). Westchase has during the past three years acted as operator with respect to the drilling of approximately twenty-five wells. Westchase has agreed to attempt to obtain a contractor to drill the well on a turnkey contract basis for a price not exceeding 115% of the A.F.E. price. In the event that Westchase is unable to obtain a turnkey contract

for the drilling of the test well within the price specified above, or in the event a contractor cannot be found who is willing to drill the test well on a turnkey contract basis, and it is necessary to commence the drilling of the test well owing to the various requirements contained in the petroleum leases, then Westchase will consult with the Participants to agree upon the manner of drilling the first test well. Should the parties fail to agree, Westchase shall have the right to drill the test well for a turnkey contract price equal to the aforesaid estimated A.F.E. cost plus 15%. Nothing contained in the farmout agreement obligates Westchase to make a turnkey drilling contract as aforesaid. A turnkey contract is defined to mean a contract in which the cost of performance by the contractor is guaranteed in advance at a fixed and predetermined price without reference to the actual costs experienced or incurred by the contractor in effecting performance.

Monies payable to Westchase to drill the first test well to the objective depth and to run necessary log and drill tests thereon is to be paid at such time as Westchase shall require in order that it shall be reasonably satisfied that the monies will be available in sufficient time for Westchase to enter into appropriate commitments and agreements with drill rig operators, provided that Westchase shall not demand or request payment on such monies before such monies are reasonably required as aforementioned. Completion operations are payable upon receipt of invoices. When the test well has been drilled to the casing point, Westchase will notify the Participants of its recommendations regarding completion and shall provide Participants with copies of all logs, tests and analysis and other information upon which such decision was based. The Participants shall have 24 hours following the receipt of notice within which to advise Westchase whether or not the Participant will participate in completing the test well. A failure to respond to Westchase within the time provided shall be deemed to constitute an election not to participate in completing such test well.

The Company has agreed to pay 10% of the cost of drilling the first well to the casing point to earn 7.5% of the working interest. The Company is accordingly responsible to pay 7.5% of the costs of completing the first test well if it decides to participate in such completion in order to earn 5.25% of the net revenue interest in production from the test well. With respect to all subsequent wells, the Company will contribute 7.5% of the costs of drilling and completion to earn 7.5% of the working interest in the test well spacing unit surrounding such wells, which is equivalent to a 5.25% net revenue interest in the value of production from such spacing unit of 160 acres.

Provided that the Participants comply with the terms of the farmout agreement, the Participants have the option to drill an additional well or wells (a "subsequent well") in an effort to obtain commercial production or to attempt to earn additional acreage. If the Participant elects to exercise the option to drill a subsequent well or wells on the petroleum leases, the actual drilling of each subsequent well must be commenced within 120 days from the date of actual completion of the previous well. All subsequent wells are to be drilled to the same depth and specifications as those set out in the first test well and if any Participant fails to timely commence the actual drilling of a subsequent well, the option to drill subsequent wells ipso facto terminates. Westchase has agreed to notify the Participants of the intent to commence the drilling of each subsequent well and shall furnish the Participant with an itemized budget covering the costs of the drilling and completing of each additional well. Each Participant has agreed to notify Westchase within the time provided for in the operating agreement of its election to participate in the drilling of each additional well, and to pay Westchase its proportionate share of the costs thereof.

If any Participant fails to notify Westchase of its intention to participate in the drilling of any additional wells and also to pay over the full amount of its share of the projected costs of any additional wells within the time provided in the operating agreement, such Participant's right to participate further ipso facto terminates and the Participant loses its interest in the farmout agreement, retaining unto itself only the interest in that portion of the petroleum leases pertaining to the well or wells in which such Participant has previously participated. All of the interests so forfeited reverts to Westchase which thereafter has agreed to assume all responsibilities and privileges relating thereto.

By participating in the drilling of each of the first four wells on the petroleum leases, the Participant earns its interest in the 160 acre checker on the petroleum leases on which the well is drilled. Upon the timely completion by any Participant of the drilling of five wells on the petroleum leases, Westchase will execute and deliver to the Participant an assignment of all of the acreage covered by the petroleum leases not previously earned by the Participant, so that if any Participant participates in the drilling of five wells, it will by agreement have earned its percentage of the entire 2,500 acres covered by the checkerboard selection. Non participation in any wells after the first five may activate the penalty clauses referred to herein under the caption "Operating Agreement".

Subject to the completion of any wells drilled pursuant to the farmout agreement as commercial producers of oil or gas the Participants agree to pay to Westchase their proportion of an additional acreage payment calculated at the rate of \$500 (US) per acre. Such additional acreage payment shall apply only to the 160 acres covered by the checker within which the well has been drilled and shall be payable only out of 1/8th of the working interest in the well. Because the aggregate of the ownership of all Participants in each well is equal to 75% of the working interest, the total of the additional acreage payments payable by all Participants equals 75% of \$500 (US) multiplied by 160 acres per checker.

Westchase has itself commenced the seismic work which will be completed by February 28, 1981. At that time the most desirable acres will be kept and the remainder dropped. If after completion of the seismic work and subsurface evaluation of the leases due to adjacent drilling, it is decided that less than 2,500 acres be selected, then Westchase has agreed that the oil payment shall be reduced by the amount of \$30 per acre for every 100 acres less than 2,500 selected up to 900 acres. Accordingly, the maximum reduction of the oil payment could be \$270 leaving a balance of \$230 per acre. The parties entered into an agreement dated December 31, 1980 to give effect to these additional provisions.

The farmout agreement also contains provisions usual to agreements of this type dealing with the maintenance of insurance, the provision of daily progress reports, including copies of logs, tests, analysis and surveys made, non-consent operations, taxes, the giving of notice and applicable law. The farmout agreement is without warranty of title, however in the event subsequent title examinations disclose that the petroleum leases after the acreage selection cover less than 2,500 net mineral acres, then Westchase will reimburse to the Participants the proportionate share of the acreage acquisition costs equal to \$100 (US) multiplied by the number of net acres in respect of which there has been a title failure.

Operating Agreement

Westchase has been appointed the operator which shall conduct and direct and have full control of all operations according to the American Association of Petroleum Landmen Form 610, Model Form Operating Agreement.

If the Company fails to complete the first test well or fails to participate in any of the next four wells to be drilled subsequent to the test well, then it forfeits its entire right, title and interest in the farmout agreement

and the leasehold interests which are the subject thereof, retaining unto itself only the interest which it may have earned in any previously drilled well or wells in which it may have participated. The leasehold interest so forfeited reverts to Westchase which has agreed to offer such interest on a pro rata basis to those participants continuing in further development of the petroleum leases. If the Company fails to participate in the cost of any proposed operations on the petroleum leases, after the fifth well, then a different procedure applies, so as to protect the non-participating party from any forfeiture of its interest. The entire cost of conducting such non-consent operations shall be borne by the other parties consenting to such operations. If such operations result in a dry hole, the consenting parties shall plug and abandon the well at their sole cost, risk and expense. If any well in which the Company has failed to participate results in a producer of oil and/or gas in paying quantities, then the consenting parties shall complete and equip the well to production at their sole cost and risk. The well shall be operated for the account of the participating parties which shall be entitled to receive all of the Company's interest in the well and a share of production therefrom until the proceeds of the sale thereof (after deducting production taxes, royalties, overriding royalties and other interests payable out of or measured by the production from such well) shall equal the total of the following:

- (a) 300% of the Company's share of the cost of any newly acquired surface equipment beyond the well head connections plus 300% of the Company's share of the cost of operations of the well commencing with the first production and continuing until the Company's relinquished interest shall revert to it, it being agreed that the Company's share of such costs and equipment is equal to the interest which would have been chargeable to the Company had it participated in the well from the beginning of operations; and
- (b) 300% of that portion of the costs and expenses of drilling, re-working, deepening or plugging back, testing and completing and 300% of that portion of the cost of newly acquired equipment in the well (to and including well head connections) which would have been chargeable to the Company if it had participated therein.

Description of Petroleum Leases

The petroleum leases which cover a total acreage of approximately 5,000 acres straddle the county line between Lee and Bastrop Counties, some six miles southwest of the City

of Giddings, Texas and some two miles west of the present west extremity of the large Giddings oil field.

The Giddings area is easily reached by car from Houston, Austin or Dallas, Texas. The highway distance from Houston is about 90 miles, from Austin about 50 miles and from Dallas about 170 miles. Houston, Austin and Dallas are all served by frequent air, rail and bus service and Houston is also a well-equipped ocean port. Southeast Texas is a large oil-producing district, and all of the usual oil field servicing facilities such as pipelines, well logging contractors and equipment suppliers are available.

The regulated spacing unit for Austin Chalk wells in the area is 80 acres. Title to the leases will be examined after the selection of the location of the first test well in respect of that portion of the petroleum leases covered by the drill site spacing unit. Since the Company is participating in the exploration and development of the leases as an investor only, it will assume no responsibility for the supervision of exploration activities, or verification of the titles to the petroleum leases. The Company will rely upon the operator and will be furnished with copies of the title opinions prior to the commencement of each well so as to satisfy itself that title thereto is adequate for the Company's purposes.

History

The Giddings field is a large Austin Chalk field occupying parts of Bastrop, Lee, Burleson, Brazos, Fayette and Washington Counties in Southeast Texas. The field has been found and developed during the past five years and some 19 million barrels of oil and 30 million M.C.F. of gas have been produced to date. 435 wells are presently in production almost all from the Austin Chalk horizon.

The Austin Chalk horizon is a widespread stratigraphic petroleum reservoir having porosities of from 8 to 11%. The permeabilities of the beds vary directly with the fracture density of the horizon and are therefore difficult to predict in absolute millidarcies. The Austin Chalk horizon does not normally carry much water and well water problems are rare. As a rule of thumb, logging resistivities of 10 ohms per foot or greater are indicative of hydrocarbon content in the horizon rather than water. Austin Chalk wells, other than those which flow oil to surface, are normally shot-fractured and then treated by acid and sand, using about 110,000 pounds of sand in total.

The average production rate for the wells of the field is 114 barrels of oil per day per well and 245 M.C.F. of gas per day, per well. The nearest well to the petroleum leases at the west end of the Giddings Field began production in December, 1976 and has averaged 32.9 barrels of oil per day and 73.9 M.C.F. gas per day since commencing production. The next nearest well began production in March, 1978 and

has averaged 72.3 barrels of oil per day and 1.5 M.C.F. of gas per day since commencing production. There are four wells lying within the area of the petroleum leases, two of which were dry holes with shows of oil in the Austin Chalk. One well began production in January, 1979 and averaged 12.2 barrels of oil per day and 2.4 M.C.F. gas per day to May, 1980. A second well also began production in January, 1979 and has averaged 18.5 barrels of oil per day and 3.7 M.C.F. gas per day to May, 1980. There are three more producing wells to the south of these wells and all had initial production potential of 50 - 80 barrels of oil per day, but because they were recently placed in production, no actual producing rates are available as yet. Gas production facilities are located within the general lease area.

Almost all the oil and gas production from the Giddings Field has come from the Austin Chalk beds. These beds have formed stratigraphic traps for hydrocarbon accumulation, which to date occupy an area of about 20 miles by 6 miles with very few dry hole interruptions. Depths to the Austin Chalk vary from 6,500 to 7,500 feet in those wells closest to the petroleum leases.

Underlying the Austin Chalk horizon there are several other stratigraphic-type potential hydrocarbon reservoir beds, namely the Woodbine, the Buda just below the Woodbine and the Georgetown and Edwards beds further down. Some of the Giddings Field wells tested these deeper horizons without success, but most of them did not.

Westchase has provided single velocity composite data along three seismic lines traversing the petroleum leases. Several zones of character change in the Austin Chalk rocks are indicated by the seismic readings. These zones may be due to increased fracturing of the Austin Chalk beds which in turn could mean increased hydro carbon accumulations. They could also be caused by fault action which may or may not be accompanied by trapping of hydrocarbons. Several companies operating within the Giddings Field have used seismic work to delineate fracture zones in which some of the better production wells have been developed. Other companies have not had much luck using seismic guidance.

Engineer's Report

The following is management's summary of certain portion's of the report of Mr. Ross Kidd, P.Eng., Consulting Mining Engineer, dated January 4, 1981, whose full report is available for inspection in the public files of the Ontario Securities Commission, 10 Wellesley Street East, Toronto, Ontario during normal business hours.

Assuming the Company participants in a two-well program, it is possible that both wells will be dry and all monies expended will be lost. This is deemed to be unlikely because of the numerous nearby producing wells and the widespread

nature of the Giddings Field. It is also possible, on the other hand, that both wells guided by seismic data will produce at better rates than the Giddings Field averages and the total costs will be returned within a few months. The most likely event appears to lie somewhere between the case where (i) one of the two wells will produce oil at the average rate of the four nearest wells (34 barrels of oil per day) and the other well will be dry and no economic gas will be encountered and the case where (ii) both wells produce oil and gas at the average rates of the nearby Giddings Field (114 barrels of oil per day and 245 M.C.F. gas per day). Should the results fall between these two alternatives, it should result in a payback period of three to four years. This is an acceptable potential return for petroleum ventures and the project is judged to be an acceptable gamble.

The potential of the venture is also enhanced by the large acreages involved and should the first two wells be successful, there is additional acreage enough for at least a dozen more wells which means that a potential exists for substantial future revenues. Should the initial wells be only moderately successful, there is also scope for selling the acreage at a profit, since the acquisition costs of \$100 (US) per acre are lower than recent costs of other leases in the area.

It is concluded that:

1. The chances for finding oil and gas on the leases are considered to be good.
2. The project is judged to be an acceptable gamble.
3. A 7.5% working interest participation should be taken in the venture.

It is recommended that:

1. About 10 miles of seismic readings should be taken across the petroleum leases.
2. The locations should be selected on the basis of the seismic data and nearby well data.
3. Two wells should be drilled to the base of the Austin Chalk horizon with Westchase Petroleum Corporation as operator.

It is estimated that the cost in United States dollars of a 7.5% participation in the two wells, both completed, is as follows:

First Well

Lease option costs	\$ 250,000	
Seismic Work	60,000	
Cost of first well to casing point	<u>460,000</u>	
	\$ 770,000	
Company's 10% share		\$ 77,000
Completion costs (first well)	\$ 240,000	
Company's 7.5% share		18,000
		<u>52,500</u>
	TOTAL	<u>\$147,500 (US)</u>

At the exchange rate of \$1.00 (US) equals \$1.20 (CDN), the aforesaid costs amount to \$177,000 (CDN).

In entering into the farmout agreement with Westchase, the Company's was acting on an arms-length basis.

Lebel Township Gold Property

The Company is the beneficial owner of 3 patented mining claims which it has held since 1939 known as claims Nos. LS272, LS269 and 2327. The claims are located in Lebel Township, some six miles east of Kirkland Lake, Ontario and can be reached by easy access from the main highway between Kirkland Lake and Rouyn, Quebec. The east boundary of the mining claims is on the west shore of Crystal Lake and they extend westerly and northwesterly from there.

The claims are underlain by Timiskaming tuff-breccia, agglomerate and greywacke, intruded by a large body of porphyrite. A northeast trending fault cuts the western most claim and this continues northeastward where it becomes apparent that it is a 'horsetail' branch of the Bidgood fault. The latter continues a short distance northeast to the old Bidgood Kirkland mine.

No showings of note are known on the claims. Two drillholes were bored in 1940 and these were drilled in a scissor-fashion in opposing directions (N.W. and S.E.) to explore the lineament expressed by the bed for Crystal Creek on claim 2327. These holes intersected only low values in gold and the logs are apparently not available. The most westerly claim is of most interest due to the existence of a possible fault and there is a considerable area of swamp cover along the line of the fault near where an outcrop of greywacke occurs within the porphyrite mass. This location is of interest since the northeast extension of the fault could have some bearing on the locus of mineralization at the Bidgood Kirkland deposit located some 5,000 feet to the northeast. The mineralization there is quartz veins parallel to the fault within a diorite body.

The latter mine between 1934 and 1939 produced 160,184 ounces of gold and 72,468 ounces of silver and at present prices this equates to a gross metal value of some one hundred million dollars.

The Company has no current plans to carry out further work on the Lebel Township claims, since it prefers to expend its funds in exploring and developing the various properties referred to herein under the captions "Goldfinch Gold Property", "Guy Silver Property" and "Giddings Oil Prospect".

It is estimated that approximately \$50,000 would be required to carry out an initial program to explore the Lebel Township claims consisting of geological mapping, line cutting where potential targets are indicated, magnetometer and V.L.F. surveys, possible soil sampling in favoured locations, the acquisition of further claims if possible and diamond drilling dependent upon the results obtained in connection with the previous work.

The Company's intends to maintain the mining claims in good standing. There are no requirements that the Company carry out assessment work in order to maintain the claims in good standing, however, annual acreage taxes are due amounting to approximately \$100.00 per year.

USE OF PROCEEDS

The proceeds to be received by the Company from the sale of the offered shares will range between \$375,000 and \$562,500 depending upon the number of shares which are purchased under the offering. In the event the minimum number of 500,000 shares are purchased, the proceeds available to the Company will be \$375,000 prior to deducting the expenses of this issue estimated not to exceed \$20,000. The net proceeds will be added to the Company's working capital which amounted to \$55,338 at December 31, 1980.

The proceeds from the offering will be used to implement the recommendations of Mr. James D. McCannell, Consulting Geologist referred to in his report dated January 20, 1981 on the mineral prospects described herein under the captions "Goldfinch Gold Property" and "Guy Silver Property". Particulars of such expenses are as follows:

Goldfinch Gold Property	\$ 49,000
Guy Silver Property	\$ 49,500
Maximum annual rental payments payable on the Goldfinch Gold Property and the Guy Silver Property	\$ 12,960.

The proceeds of the offering will also be used to implement the recommendations of Mr. Ross Kidd, P.Eng., Consulting Mining Engineer referred to in his report dated January 4, 1981 on the petroleum leases described under the caption "Giddings Oil Prospects". Particulars of such expenses are as follows:

First Well \$ 90,000

Depending upon the results achieved and the availability of funds, the Company may participate in the drilling of additional wells on the petroleum leases. The costs to drill and complete a second and any subsequent wells on the petroleum leases to earn 7.5% of the working interest therein is as follows:

Second Well, cost of 7.5% participation in completed well \$52,500 (US) \$ 63,000

In summary, therefore, the proceeds will be used as follows:

	<u>Maximum</u>	<u>Minimum</u>
Proceeds of Offering	\$562,500	\$375,000
Add working capital	<u>55,338</u>	<u>55,338</u>
	<u>\$617,838</u>	<u>430,338</u>
Deduct administrative expenses, 1 yr.	15,000	15,000
Costs of issue	20,000	20,000
Goldfinch Gold Property	49,000	49,000
Guy Silver Property	49,500	49,500
Annual rentals	12,960	12,960
Giddings Oil Prospect	90,000	90,000
Second Well	<u>63,000</u>	<u>63,000</u>
Total	<u>\$299,460</u>	<u>\$299,460</u>
Balance	<u><u>\$318,378</u></u>	<u><u>\$130,878</u></u>

Depending upon the results achieved and the availability of funds, the Company may also carry out further exploration and development work of its mining properties more particularly referred to herein under the captions "Goldfinch Gold Property" and "Guy Silver Property". Administrative expenses of the Company are estimated for the next year to be approximately \$15,000.

While the Company has no plans in this regard at the present time, monies in its treasury as available, may also be used to defray the cost of programs of acquiring, exploring and developing other properties either alone or in concert with others and generally to carry out exploration programs as opportunities and finances permit, but no such properties will be acquired and monies will not be expended thereon without an amendment to this prospectus being filed if the securities of the Company are then in the course of distribution to the public.

Monies not immediately required for the Company's purposes as set out in this prospectus will be deposited in interest bearing accounts with Canadian chartered banks and/or trust companies.

No part of the proceeds will be deposited outside of Canada or advanced or disbursed in any way to other companies or persons except to the extent necessary to enable the Company to implement and complete the exploration and development programs as set forth in this prospectus and amendments thereto. No part of the proceeds is to be used to invest in securities other than securities in which a company registered under Part III of the Canadian and British Insurance Companies Act may invest funds without availing itself for that purpose of the provisions of sub-section 63(4) of the said Act. If the Company wishes to use the proceeds for purposes other than as set out in this prospectus, it will obtain the prior consent of a majority of the shareholders obtained at a meeting called for that purpose and will provide 21 days prior notice to the Ontario Securities Commission.

OFFERING

The Company hereby offers at the price of 80¢ per share to the public (75¢ net to the treasury) before the expenses of this issue, not less than 500,000 and not more than 750,000 common shares without par value (the "shares") through registered dealers acting as agents on its behalf. The offering is to be by way of a distribution over-the-counter in the Province of Ontario and will commence on a day to be specified by the Company not later than 5 business days after the Ontario Securities Commission has accepted for filing this prospectus of the Company. The offering will continue for a period (the "offering period") equal to the lesser of 15 days from the commencement date aforementioned, until a minimum of 500,000 shares have been sold or until terminated by the Company.

All of the proceeds from the sale of shares shall be held by Crown Trust Company (the "Trustee") pursuant to an agreement with the Company dated February 2, 1981 until subscriptions or payments for a minimum of 500,000 shares have been received. If such minimum number of shares are sold during the offering period, the Company may continue to offer the balance of the 750,000 shares over-the-counter at the price of 80¢ per share. If the Company fails to sell a minimum of 500,000 shares during the offering period, it will withdraw the offering in its entirety and all monies paid by subscribers will be refunded without deduction.

Registered dealers acting as agents will be paid commissions by the Company on the sale of shares sold by them at the rate of 5¢ per share. Accordingly, if the minimum of 500,000 shares are sold to the public, net proceeds to be received by

the Company after the payment of agents' commissions of \$25,000 will amount to \$375,000. THE PRICE OF 80¢ PER SHARE TO THE PUBLIC WAS ESTABLISHED BY THE DIRECTORS OF THE COMPANY BASED SOLELY UPON THEIR ASSESSMENT OF THE LIKELY RECEPTION OF THE FINANCIAL MARKETS TO AN OFFERING OF THE COMPANY'S SHARES. The agents commission of 5¢ per share was considered proper compensation in the circumstances.

DESCRIPTION OF CAPITAL STOCK

Common shares without par value are the Company's only class of stock. The holders of common shares are entitled to dividends if, as and when declared by the board of directors; common shares are entitled upon liquidation, dissolution or winding up of the Company to receive those assets distributable to shareholders and to receive notice of and attend and vote at all meetings of shareholders of the Company. There are no indentures or agreements limiting the payment of dividends and all common shares issued by the Company will rank equally as to voting power, one vote for each share. There are no conversion rights and there are no special liquidation rights, pre-emptive rights or subscription rights. The presently outstanding common shares are not subject to any call or assessment and the shares offered hereby, when issued and sold as described by this prospectus, will not be subject to any call or assessment.

CAPITALIZATION

<u>Designation of Security</u>	<u>Amount Authorized</u>	<u>Amount Outstanding at Dec. 31/80</u>	<u>Amount Outstanding at Feb. 28/81</u>	<u>Amount Outstanding if all Securities being Offered are Sold</u>
common shares without par value	5,000,000 (\$unlimited)	2,400,000 (\$1,609,281) (3)	2,400,000 (\$1,609,281)	2,900,000 (1) (\$1,984,281)
share purchase warrants (2)	100,000	100,000	100,000	100,000

(1) This figure assumes that a minimum of 500,000 shares offered hereby have been sold. If the maximum of 750,000 shares are sold, the number of shares outstanding will be 3,150,000 shares and the consideration paid therefor \$2,171,781.

(2) Reference is made to the caption "Private Placement" for further particulars concerning the outstanding share purchase warrants.

(3) \$1,500,000 of this amount represents consideration attributable to mining claims. Since these claims are unproven, this value has been written down to \$1.00.

MANAGEMENT

The board of directors of the Company consists of five directors. The names and home addresses of the directors and officers of the Company and positions presently held by them in the Company are as follows:

<u>Name</u>	<u>Address</u>	<u>Position</u>
William Fleming	City of Toronto Province of Ontario	President and director
Charles William Pegg	City of Mississauga Province of Ontario	Director and Executive Vice-President
Rocco Anthony Schiralli	City of Toronto Province of Ontario	Director
Donald H. Crawford	City of Toronto Province of Ontario	Director
Gordon H. McCaslin	City of Toronto Province of Ontario	Director
Harry Shlesinger	City of Toronto Province of Ontario	Secretary- Treasurer

The principal occupations of the directors and officers for the past ten years are as follows:

Dr. Fleming is a self-employed periodontist.

Mr. Pegg is a self-employed mining geologist.

Mr. Schiralli has been a partner in the law firm of Armstrong, Schiralli & Cleary since October, 1976. From July 1970 to September, 1976 he was a partner in the law firm of Salter & Apple.

Mr. Crawford is an insurance executive and senior partner in the firm of Crawford & Stratton, Toronto, Ontario.

Mr. McCaslin is an Executive Vice-President with Alfred Bunting & Co. Limited, stockbrokers, Toronto, Ontario.

Mr. Shlesinger has been, since July, 1975, a director and beneficial owner of all of the shares of Shlesinger Corporate Services (1975) Ltd., a corporation engaging in the business of providing corporate, secretarial services, head office facilities and administrative services to various companies. Prior thereto, he was a director and officer of Shlesinger Corporate Services Ltd., the predecessor company to Shlesinger Corporate Services (1975) Ltd.

Messrs. Fleming and Pegg are expected to devote approximately 20% of their time to the business and affairs of the Company. Messrs. Schiralli, Crawford, McCaslin and Shlesinger are expected to devote less than 5% of their time to the business and affairs of the Company. All of the

directors carry out their duties and responsibilities whenever the needs of the Company require same.

REMUNERATION OF MANAGEMENT

No remuneration has been paid or is payable by the Company to the directors and senior officers of the Company for the year ended December 31, 1980.

The sum of \$5,000 was paid to Mr. Charles W. Pegg for the period ended December 31, 1980 for professional services rendered to the Company as its technical consultant. Mr. Pegg will be paid for professional services rendered to the Company on the basis of time spent by him at the rates for such services within the amounts prescribed by the Association of Professional Engineers of Ontario. A monthly fee of \$450 will be paid to Shlesinger Corporate Services (1975) Ltd. for providing the Company with head office accommodation, accounting, administrative and secretarial services. Shlesinger Corporate Services (1975) Ltd. was paid the sum of \$3,150 for providing such services for the seven months ending December 31, 1980. The issued shares of Shlesinger Corporate Services (1975) Ltd. are owned by Mr. Harry Shlesinger, an officer of the Company. Mr. Schiralli is a partner in the law firm of Messrs. Armstrong, Schiralli & Cleary, who are the Company's solicitors and will be paid by the Company for legal services rendered to it at the usual rates for such services.

DIVIDENDS

No dividends have been paid to date by the Company.

REGISTRAR AND TRANSFER AGENT

Crown Trust Company, Suite 3800, First Canadian Place, Toronto, Ontario acts as the Company's registrar and transfer agent.

AUDITORS

Messrs. Campbell Sharp, Chartered Accountants, 55 University Avenue, Toronto, Ontario act as the Company's auditors.

PRIVATE PLACEMENT

On March 31, 1980 the Company received a subscription from I.W.S. Investments Associates, an investment syndicate, (the "private purchaser"), 43 Hanna Avenue, Toronto, Ontario, to purchase 100,000 units from the Company for the aggregate consideration of \$100,000. The units consist of 4 common shares valued at 25¢ per share and 1 share purchase warrant. Each share purchase warrant entitles the holder thereof to purchase 1 common share of the Company's capital stock for the price of 30¢ per share at any time on or before 4:00 p.m., Eastern Standard Time, on March 31, 1982, after which the warrant becomes wholly void and the rights to subscribe and purchase shares of the Company terminate. The warrants do not otherwise entitle the holders thereof to any rights whatsoever as a shareholder of the Company.

The private purchaser has certified to the Company and appropriate regulatory authorities that the units purchased by it were being acquired for investment purposes and not with a view to resale or distribution to the public.

So far as the Company is aware, the only persons or companies beneficially owning in excess of 5% of the capital of the syndicate are S.M. Irwin, Eugene Wahl and Douglas Shaw.

PRINCIPAL SHAREHOLDERS

Set forth below are particulars of the present principal holders of common shares of the Company as at the date hereof, whose ownership is direct, of record and beneficial.

<u>Name and Address</u>	<u>No. of Shares</u>	<u>Percentage of Class</u>	
The Platino Corporation* 67 Blythwood Road Toronto, Ontario	495,141	20.6%	(1)
		17.1%	(2)
Charles W. Pegg 96 Oakes Drive Mississauga, Ontario	495,141	20.6%	(1)
		17.1%	(2)
Rocco A. Schiralli 44 Charles Street West Toronto, Ontario	247,570	10.3%	(1)
		8.5%	(2)
Gordon H. McCaslin 20 Longhope Place Willowdale, Ontario	247,570	10.3%	(1)
		8.5%	(2)

* The shares of The Platino Corporation are owned by William Fleming, the President of the Company and his wife and children.

<u>Name and Address</u>	<u>No. of Shares</u>	<u>Percentage of Class</u>
Donald H. Crawford 110 Garfield Avenue Toronto, Ontario	247,570	10.3% (1) 8.5% (2)
I.W.S. Investments Associates 43 Hanna Avenue Toronto, Ontario	400,000	16.6% (1) 13.87% (2)

Set forth below are particulars of the number of shares of the Company beneficially owned directly or indirectly by all the directors and senior officers of the Company.

<u>Designation of Class</u>	<u>Percentage of Class</u>
common shares without par value	72.2% (1) 59.7% (2)

- (1) calculated on the basis of there being 2,400,000 shares issued and outstanding before the offering.
- (2) calculated on the basis of there being 2,900,000 shares issued and outstanding after the offering.

PRIOR SALE OF SHARES

On March 31, 1980 the Company issued 400,000 shares for \$100,000 cash being at the rate of 25¢ per share and in addition, 100,000 share purchase warrants entitling the holder of each warrant to purchase 1 common share of the Company for 30¢ per share on or before March 31, 1982. Reference is made herein to the caption "Private Placement" for further particulars.

OTHER MATERIAL FACTS

The promoters of the Company, in September, 1979, made an exempt takeover bid whereby they purchased control of the Company (1,732,992 common shares) for the sum of \$25,000.

RISK FACTORS

The mining claims of the Company located in Beaverhead County in the State of Montana, U.S.A. and Lebel Township, Ontario do not contain known mineralized zones sufficiently large to constitute a body of commercial ore and any further work thereon would be an exploratory search for ore.

The petroleum leases referred to herein under the caption "Giddings Oil Prospect" in which the Company has an interest do not contain known reserves of oil or gas in commercial quantities and accordingly the estimates of recovery referred to by Mr. Kidd in his report under the caption "Engineer's Report" are based upon theoretical well behaviour for the area and the assumption that the drilling program will prove to be successful. The Company does not have sufficient funds to drill more than two wells on the petroleum leases and the only source of future funds presently available to the Company is through the sale of equity capital. The shares of the Company being offered by this prospectus should accordingly be considered as an investment involving risk and are speculative. Profit on an investment in the Company's shares will be dependent upon the success experienced in the work programs being carried out by the Company.

There is no market for shares of the Company and purchasers may not be able to resell them. The Company does not have a registered dealer who has agreed to act as underwriter or to provide financial sponsorship for the Company's shares.

As of the effective date of this prospectus, the Company's working capital will consist of approximately \$35,338 after deducting current liabilities and the estimated costs of this issue. Assuming the sale of the minimum number of offered shares, 500,000, the number of shares of the Company which will be issued will be 2,900,000. The net tangible book value at that time will be \$410,338 or 14.1¢ per share. Accordingly, shareholders purchasing any of the offered shares will suffer an immediate dilution of 65.9¢ per share.

MATERIAL CONTRACTS

The Company has entered into the following material contracts within the two years prior to the date hereof, which are still in effect, namely:

1. Agency agreement made as of the 2nd day of February, 1981 between the Company and Crown Trust Company more particularly referred to under the caption "Offering".

2. Lease and option agreement made the 29th day of August, 1980 with Jack M. Knapp and Nancy D. Knapp more particularly referred to herein under the caption "Acquisition" under the principal caption "Goldfinch Gold Property".
3. Assignment agreement made the 11th day of August, 1980 with Mr. Don Jenkins more particularly referred to herein under the caption "Acquisition - Guy Claim" under the principal caption "Guy Silver Property".
4. Lease and option agreement made the 12th day of August, 1980 with Don Jenkins and Clayton Jenkins more particularly referred to herein under the caption "Acquisition - Tiger 41 and Tiger 42 Claims" under the principal caption "Guy Silver Property".
5. Lease and option agreement made the 7th day of November, 1980 with Elkhorn Mining and Exploration Company Ltd. more particularly referred to herein under the caption "Acquisition - Elkhorn 109 and Elkhorn 117 Claims" under the principal caption "Guy Silver Property".
6. Farmout agreement made the 27th day of October, 1980 with Westchase Petroleum Corporation and amending agreement dated December 31, 1980 more particularly referred to herein under the caption "Farmout Agreement" under the principal caption "Giddings Oil Prospect". Annexed as a schedule to the farmout agreement is an operating agreement.

In addition to the foregoing, the following material contracts have been entered into affecting the Company, namely:

7. Option agreement made the 11th day of August, 1980 between Wayne Fitzwater and Don Jenkins pursuant to which Mr. Jenkins acquired an interest in certain mining claims more particularly referred to herein under the caption "Acquisition - Guy Claim" under the principal caption "Guy Silver Property".

HISTORY OF MANAGEMENT

The association of the various directors and officers of the Company during the past ten years with active exploration companies are set out below. A company is considered to be active if it is either engaging in a work program, proposing to engage in a work program or has adequate funds to enable it

to participate in a meaningful program, although any properties in which it may have an interest do not warrant further work. Inactive companies are those which have no reasonable prospect of carrying out meaningful work within the foreseeable future due to lack of finances, nor do they have any prospects to obtain further financing.

William Fleming, in addition to his association as a director or officer of the Company is also a director and/or officer of Blythwood Mining Limited and Evergreen Energy Resources Limited.

Charles W. Pegg, in addition to his association as a director or officer of the Company is also a director and/or officer of Blythwood Mining Company Limited, Evergreen Energy Resources Ltd., Silver Acorn Developments Limited and Luxor Red Lake Mines Limited and is also a major shareholder of Silver Acorn Developments Limited.

Rocco A. Schiralli, in addition to his association as a director of the Company, is also a director and/or officer of Vetina Energy Resources Ltd., Parlake Resources Limited, Reef Resources Corporation, Evergreen Energy Resources Ltd and Lyndex Explorations Limited.

Harry Shlesinger, in addition to his association as an officer of the Company, is also a director and/or officer of M.W. Resources Limited, Evergreen Energy Resources Ltd. and Vetina Energy Resources Ltd. During the past ten years Mr. Shlesinger has been a director and/or officer of nine junior mining companies, but is no longer associated with them.

Neither Donald H. Crawford nor Gordon H. McCaslin have in the past or are presently associated with any exploration companies.

HISTORY OF PROMOTERS

The Platino Corporation, Charles W. Pegg, Rocco A. Schiralli, Donald H. Crawford and Gordon H. McCaslin are the promoters of the Company. The promoters of the Company have not in the past acted as underwriters for any junior exploration companies.

The Platino Corporation and Charles W. Pegg together with William Samis are promoters of Blythwood Mining Limited, an active exploration company which had to December 31, 1978 expended \$271,285 on field expenses from net proceeds of \$381,875 from the sale of treasury shares. Additional work

amounting to approximately \$800,000 has been financed and undertaken under the supervision of Roman Corporation Limited.

The Platino Corporation, Charles W. Pegg and Rocco A. Schiralli are the promoters of Evergreen Energy Resources Ltd., an active exploration company which has expended \$521,000 in field expenses to September 30, 1980 from net proceeds of \$652,000 from the sale of treasury shares. Evergreen Energy Resources Ltd. is presently participating in a two well drilling program to the extent of a 12.0625% working interest in Burleson County, Texas.

Mr. Schiralli is the promoter of Vetina Energy Resources Ltd., an active exploration company which has incurred field expenses to date in the amount of \$186,775 from net proceeds of \$280,500 from the sale of treasury shares. Vetina participated to the extent of 25% in a 9,200 foot gas well in Navarro County, Texas. The well reached total depth of approximately 9,200 feet in January, 1981. The target horizon Smackover sands were not productive. The shallow rights to the well (to 5,000 feet) have been farmed out to another operator who has agreed to attempt completion of the well in the Woodbine and/or Austin Chalk.

Neither Donald H. Crawford nor Gordon H. McCaslin have in the past acted as a promoter of any junior resource exploration company.

PURCHASER'S STATUTORY RIGHTS
OF WITHDRAWAL AND RESCISSION

Sections 70, 126 and 135 of The Securities Act (1978) provides in effect that when a security is offered in the course of a distribution or a distribution to the public:

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the dealer from whom the purchaser purchased the security not later than midnight on the second business day after the latest prospectus and any amendment to the prospectus offering such security is received or deemed to be received by the purchaser or his agent, and
- (b) if a prospectus, together with any amendment to the prospectus, contains a misrepresentation, a purchaser who purchases a security offered thereby during the period of distribution or distribution to the public shall be deemed to have relied on such misrepresentation, if it was a misrepresentation at the time of purchase and, subject to the limitations set forth in the Act,

- (1) has a right of action for damages against,
 - (i) the issuer or a selling security holder on whose behalf the distribution is made;
 - (ii) each underwriter required to sign the certificate required by Section 58 of the Act;
 - (iii) every director of the issuer at the time the prospectus or amendment was filed;
 - (iv) every person or company whose consent has been filed pursuant to a requirement of the regulations under the Act but only with respect to reports, opinions or statements made by them; and
 - (v) every other person or company who signed the prospectus or the amendment,

but no action to enforce the right can be commenced by a purchaser more than the earlier of 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or

- (2) where the purchaser purchased the security from a person or company referred to in (i) or (ii) above or from another underwriter of the securities, he may elect to exercise a right of rescission against such person, company or underwriter, in which case he shall have no right of action for damages against such person, company or underwriter, but no action to enforce this right can be commenced by a purchaser more than 180 days after the date of the transaction that gave rise to the cause of action.

Reference is made to the aforesaid Act for the complete text of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

AUDITORS' REPORT

To the Shareholders of
Elmwood Resources Limited

We have examined the consolidated balance sheet of Elmwood Resources Limited as at December 31, 1980 and the consolidated statement of deferred exploration and administrative expenditures for the year then ended and the consolidated statements of surplus (deficit) and changes in financial position for the five years 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. We have relied on the reports of the auditors who have examined the financial statements of the company for the four years ended December 31, 1979.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its activities and the changes in its financial position for the five years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Canada
March 6, 1981

Campbell Sharp
Chartered Accountants

ELMWOOD RESOURCES LIMITED
 (Formerly Simpson Gold Mines Limited)
 (Incorporated under the laws of Ontario)
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1980

	<u>1980</u>	<u>1979</u>
ASSETS		
CURRENT		
Cash and term deposits	\$56,980	\$7,972
Interest receivable	<u>252</u>	<u>-</u>
	57,232	7,972
MINING CLAIMS AND LEASES (Note 3)	4,736	1
ADVANCE ON OIL AND GAS EXPLORATION (Note 4)	23,771	-
DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENDITURES	<u>9,541</u>	<u>-</u>
	<u>\$95,280</u>	<u>\$7,973</u>
LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 1,894	\$ 892
SHAREHOLDERS' EQUITY		
CAPITAL (Note 5)		
Authorized 5,000,000 Common shares, without par value		
Issued 2,400,000 Common shares (2,000,000 in 1979)	1,609,281	1,509,281
DEFICIT	<u>1,515,895</u>	<u>1,497,299</u>
	93,386	11,982
EXCESS OF PRICE PAID OVER BOOK VALUE OF SUBSIDIARY SHARES	<u>-</u>	<u>4,901</u>
	<u>93,386</u>	<u>7,081</u>
	<u>\$ 95,280</u>	<u>\$ 7,973</u>

On behalf of the Board

"William Fleming" Director

"R.A. Schiralli" Director

ELMWOOD RESOURCES LIMITED
CONSOLIDATED STATEMENT OF DEFERRED EXPLORATION AND
ADMINISTRATIVE EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1980

EXPLORATION EXPENDITURES	
Guy Lode leases	\$3,154
Goldfinch leases	<u>3,270</u>
	<u>6,424</u>
ADMINISTRATIVE EXPENDITURES	
Professional fees	4,000
Transfer agent fees	50
Shareholders' information and meeting	1,310
Licences, taxes and fees	258
Office and general	<u>175</u>
	5,793
INTEREST INCOME	<u>2,676</u>
	<u>3,117</u>
DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENDITURES	<u>\$9,541</u>

CONSOLIDATED STATEMENT OF SURPLUS (DEFICIT)FOR THE FIVE YEARS ENDED DECEMBER 31, 1980

	1980	1979	1978	1977	1976
GENERAL EXPLORATION					
EXPENDITURES, written off	\$ 13,461	\$ -	\$ -	\$ -	\$ -
MINING CLAIMS, written down	-	-	-	-	1,499,999
EXCESS OF PRICE PAID OVER BOOK VALUE OF SUBSIDIARY, written off	4,901	-	-	-	-
REORGANIZATION EXPENSE, written off	234	-	-	-	-
EXPENSES WRITTEN OFF					
Fees and taxes	-	333	283	223	237
Legal and audit	-	450	-	-	-
Shareholders' information	-	85	-	-	-
	<u>18,596</u>	<u>868</u>	<u>283</u>	<u>223</u>	<u>1,500,236</u>
SURPLUS (DEFICIT), beginning of year					
As previously reported	2,700	3,568	3,851	4,074	4,311
Adjustment in the value of mining claims	<u>1,499,999</u>	<u>1,499,999</u>	<u>1,499,999</u>	<u>1,499,999</u>	-
As restated	<u>(1,497,299)</u>	<u>(1,496,431)</u>	<u>(1,496,148)</u>	<u>(1,495,925)</u>	<u>4,311</u>
DEFICIT, end of year	<u>\$1,515,895</u>	<u>\$1,497,299</u>	<u>\$1,496,431</u>	<u>\$1,496,148</u>	<u>\$1,495,925</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITIONFOR THE FIVE YEARS ENDED DECEMBER 31, 1980

	1980	1979	1978	1977	1976
WORKING CAPITAL INCREASED BY					
Issue of common shares	<u>\$100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
WORKING CAPITAL DECREASED BY					
General exploration expenditures	13,461	-	-	-	-
Exploration and administrative expenditures	9,541	-	-	-	-
Advance on oil and gas exploration	23,771	-	-	-	-
Cost of mining leases	4,735	-	-	-	-
Reorganization expense	234	-	-	-	-
Expenses written off	-	868	283	223	237
	<u>51,742</u>	<u>868</u>	<u>283</u>	<u>223</u>	<u>237</u>
INCREASE (DECREASE) IN WORKING CAPITAL	48,258	(868)	(283)	(223)	(237)
WORKING CAPITAL, beginning of year	<u>7,080</u>	<u>7,948</u>	<u>8,231</u>	<u>8,454</u>	<u>8,691</u>
WORKING CAPITAL, end of year	<u>\$ 55,338</u>	<u>\$7,080</u>	<u>\$7,948</u>	<u>\$8,231</u>	<u>\$8,454</u>

ELMWOOD RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1980

1. ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, David Agency Limited.

(b) Mining claims and leases

The mining claims and leases are valued at cost or written down value. When a property comes into production the cost will be amortized over the expected productive life of the property.

(c) Deferred exploration and administrative expenditures

Exploration and administrative expenditures on the mining claims and leases are deferred while in the exploration stage. Upon abandonment of a property the related exploration expenditures and a pro rata portion of the administrative expenditures will be written off. When a property comes into production the related exploration expenditures and a pro rata portion of the administrative expenditures will be amortized on the same basis as the cost of the mining claims and leases.

(d) Foreign currency translation

Amounts in U.S. currency have been translated to Canadian dollars as follows:

- (i) Current assets and liabilities at the rate of exchange in effect at the balance sheet date;
- (ii) Other assets on the basis of rates of exchange prevailing at the date of acquisition or transaction.

2. OFFERING OF TREASURY SHARES

By an agreement dated February 2, 1981, with a trustee, the company will offer a minimum of 500,000 to a maximum of 750,000 common shares without par value through registered dealers at a price to net the treasury of the company 75¢ per share. If proceeds to the company do not exceed \$375,000 the trustee will return to the subscribers all funds received.

ELMWOOD RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1980

3. MINING CLAIMS AND LEASES

The company holds an interest in the following mining claims and leases.

	<u>1980</u>	<u>1979</u>
Timiskaming Area - 3 claims in Lebel Township, Ontario	\$ 1	\$1
Elkhorn Mining District, County of Beaverhead, Montana, U.S.A. (Guy Lode leases) - various mining leases expiring from August 11, 1982 to August 25, 1985 (at cost of leases to date)	2,957	-
Argenta Mining District, County of Beaverhead, Montana, U.S.A. (Goldfinch leases) - various mining leases all expiring on August 29, 1985 (at cost of leases to date)	<u>1,778</u>	<u>-</u>
	<u>\$4,736</u>	<u>\$1</u>

4. ADVANCE

The company has advanced \$23,771 (\$20,000 U.S.) in order to obtain a 7½% working interest in an oil and gas lease on 5,000 acres in Lee and Bastrop Counties, Texas, U.S.A.

5. CAPITAL

By Articles of Amendment, dated June 10, 1980, the company amended its capital structure as follows:

- (a) To change the common shares to shares without par value from shares with a par value of \$1;
- (b) To decrease the issued capital to \$1,509,281 from \$2,000,000 by cancelling \$490,719 attributed to the discount at which the issued common shares have been issued; and

ELMWOOD RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1980

5. CAPITAL (Cont'd)

(c) To increase the authorized capital to 5,000,000 from 3,000,000 common shares.

The issued capital is summarized as follows:

	<u>Number of Shares</u>	<u>Value of Shares</u>
For cash	900,000	\$ 109,281
For mining claims	<u>1,500,000</u>	<u>1,500,000</u>
	<u>2,400,000</u>	<u>\$1,609,281</u>

During the year, the company issued 400,000 common shares for \$100,000 cash and 100,000 share purchase warrants. The share purchase warrants entitle the holder to purchase 1 common share of the company for 30¢ per share on or before March 31, 1982.

6. PRIOR PERIOD ADJUSTMENT

The company has retroactively written down the value of the mining claims to \$1. effective in 1976, accordingly, the surplus as previously reported has been restated.

There are no other material facts.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XIV of The Securities Act, 1978 and the regulations thereunder.

DATED this 6th day of March, 1981.

WILLIAM FLEMING (Signed)
Chief Executive Officer

HARRY SHLESINGER (Signed)
Chief Financial Officer

ROCCO A. SCHIRALLI (Signed)
Director

CHARLES W. PEGG (Signed)
Director

PROMOTERS

THE PLATINO CORPORATION

By: William Fleming
(Signed)

Charles W. Pegg (Signed)

Rocco A. Schiralli
(Signed)

Gordon H. McCaslin (Signed)

Donald H. Crawford
(Signed)