



52F16NW0021 63.4690 ECHO

010

79-156
53.4690

NEITHER THE ONTARIO SECURITIES COMMISSION NOR THE TORONTO STOCK EXCHANGE HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

STATEMENT OF MATERIAL FACTS

NEW ISSUE

GOLDLUND MINES LIMITED
(the "Corporation")

AN EXPLORATION AND DEVELOPMENT COMPANY



OFFERING BY MEANS OF A FIXED PRICE OFFERING OF A SUFFICIENT NUMBER OF TREASURY SHARES (BUT IN ANY EVENT NOT EXCEEDING 1,000,000 SHARES) WITHOUT PAR VALUE IN THE CAPITAL OF THE CORPORATION TO PROVIDE THE CORPORATION WITH A MINIMUM OF \$2,250,000.00 AFTER PAYMENT OF AGENT'S COMMISSION.

The shares will be offered by ST. LAWRENCE SECURITIES LIMITED, 401 Bay Street, Toronto, Ontario, as agent for the Corporation, by means of a fixed price offering on the Floor of The Toronto Stock Exchange at such price as shall be determined by the Corporation with the approval of The Toronto Stock Exchange. The proceeds of the sale of these shares will accrue to the benefit of the treasury of the Corporation. For particulars of the offering, refer to Items 2 and 3 hereof.

The offering will take place on a day to be specified by the Corporation in consultation with The Toronto Stock Exchange, which day shall be announced by the said Exchange within a period of not less than five business days and not more than twenty-one business days after the date of mailing of this Statement by the Corporation. Between the hours of 9:00 a.m. and 9:30 a.m. on such day a book will be maintained on the Floor of The Toronto Stock Exchange to receive purchase orders.

The offering is subject to sufficient purchase orders being received to realize for the Corporation a minimum of \$2,250,000.00 after payment of the agent's commission. If sufficient purchase orders are not received to realize for the Corporation the said minimum sum of \$2,250,000.00(after commission), the offering will be withdrawn by the Corporation. If, in the opinion of The Toronto Stock Exchange, a bona fide public distribution has not been accomplished, the offering may be cancelled by the Exchange.

ST. LAWRENCE SECURITIES LIMITED
401 Bay Street
Toronto, Ontario
M5H 2Y4
Telephone: 368-3811

THE SECURITIES OFFERED HEREBY ARE SPECULATIVE SECURITIES

NEITHER THE ONTARIO SECURITIES COMMISSION NOR THE TORONTO STOCK EXCHANGE HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

ONTARIO SECURITIES COMMISSION

THE TORONTO STOCK EXCHANGE

GOLDLUND MINES LIMITED

an exploration and development company
2400, The Bank of Nova Scotia Building
Toronto, Ontario M5H 1G9

(the "Corporation")

STATEMENT OF MATERIAL FACTS

NEW ISSUE

1. Give brief details of the circumstances relating to the offering of the securities and any material changes in the affairs of the issuer.

* * * *

The Corporation proposes to carry out the development program recommended by Mr. Chester J. Kuryliw, M.Sc., Professional Engineer, in his Report dated September 10, 1979. Reference is made to Item 11 of this Statement of Material Facts for a summary of the said Report. The full Report of Mr. Kuryliw and related material have been filed with the Ontario Securities Commission and The Toronto Stock Exchange and may be inspected during normal business hours at the offices of the Commission, 10 Wellesley Street East, Toronto, or at The Exchange, 234 Bay Street, Toronto.

The offering which is being made by the Corporation under this Statement of Material Facts is intended to provide funds to enable the Corporation to carry out the aforementioned development program, the estimated cost of which is \$2,155,000.00 and for the other purposes referred to in Item 11 hereof.

2. Set out the description, designation and number of securities being offered by the issuer or selling security holder. If any of the securities being offered are to be offered for the account of a selling security holder, name the security holder and state the number of securities owned by him, the number to be offered for his account and the number to be owned by him after the offering.

* * * *

St. Lawrence Securities Limited, 401 Bay Street, Toronto, Ontario, acting as agent for the Corporation, will offer a sufficient number of shares without par value in the capital of the Corporation but, in any event not exceeding 1,000,000 shares, at such price as shall be determined within the rules of The Toronto Stock Exchange, so as to provide the Corporation with a minimum of \$2,250,000.00 after payment of the agent's commission. Such shares will be offered pursuant to this Statement of Material Facts through the facilities of The Toronto Stock Exchange on a fixed price offering basis.

3. Set out the distribution price, underwriting discounts or commissions and the estimated net proceeds to the issuer or selling security holder, on both a per security and an aggregate basis. If it is not possible to state the distribution price or the underwriting discount or commissions, the method by which they are to be determined shall be explained. Give the range of the market price during the previous ninety days.

* * * *

Fixed Price Offering

By agreement made as of September 17, 1979, St. Lawrence Securities Limited, 401 Bay Street, Toronto, Ontario (the "Agent"), has agreed to act as the Corporation's agent and, as such, to offer for sale a sufficient number of fully paid and non-assessable shares in the capital of the Corporation, but in any event not exceeding 1,000,000 shares, at such price as shall be necessary to produce for the Corporation a minimum of \$2,250,000.00 after payment of the Agent's commission. These shares will be offered at such time as the Corporation instructs the Agent and will be offered through the facilities of The Toronto Stock Exchange at a fixed price which shall be at a discount from the last sale price on The Toronto Stock Exchange on the day prior to the offering being made. Such discount shall not exceed the maximum discount allowed by The Toronto Stock Exchange. A book will be maintained on the Floor of the Exchange from 9:00 a.m. to 9:30 a.m. on the day determined for such offering and subscriptions will be received from other member houses. The Agent may reserve not more than 75% of the offered shares to fill orders of its own clients.

The offering will take place on a day to be specified by the Corporation in consultation with The Toronto Stock Exchange, which day shall be announced by the said Exchange within a period of not less than five business days and not more than twenty-one business days after the date of mailing of this Statement by the Corporation. Between the hours of 9:00 a.m. and 9:30 a.m. on such day a book will be maintained on the Floor of The Toronto Stock Exchange to receive purchase orders.

Cancellation and Withdrawal

If sufficient purchase orders are not received to realize for the Corporation a minimum of \$2,250,000.00 (after commission), the offering will be withdrawn by the Corporation. If, in the opinion of The Toronto Stock Exchange, a bona fide public

distribution has not been accomplished, the offering may be cancelled by the Exchange.

The Corporation, through the Agent, has the right until one hour after the close of trading on The Toronto Stock Exchange on the business day prior to the offering date to cancel the offering to be made hereunder or to postpone the date of such offer. Notice of any such action will be given to The Toronto Stock Exchange.

Offering price

The price at which shares in the capital of the Corporation are to be offered will not represent the net price to the Corporation. The Corporation's Agent will be entitled to a commission payable by the Corporation with respect to such offering at the applicable commission rates specified in the By-Laws and Rules of The Toronto Stock Exchange.

Purchasers of the offered shares from the Agent or any other members of The Toronto Stock Exchange will be required to pay commissions at the applicable commission rates as specified in the By-Laws and Rules of The Toronto Stock Exchange.

The maximum discount allowed by The Toronto Stock Exchange shall be determined in accordance with the following formula:

<u>Closing Market Price on Day Prior to Offering</u>	<u>Maximum Discount Therefrom</u>
\$.20 and up to \$.50	25%
\$.51 and up to \$1.00	20%
\$1.01 and up to \$2.00	18%
\$2.01 and up to \$5.00	15%
above \$5.00	10%

Range of Market Prices

During the 90-day period prior to the date of this Statement the shares of the Corporation have traded at a low of \$.78 per share and a high of \$3.95 per share.

4. State the principal purposes for which the estimated net proceeds to be derived by the issuer from the sale of the securities to be offered are intended to be used and the approximate amount intended to be used for each such purpose. If any material amounts of other funds are to be used in conjunction with the proceeds, state the amounts and sources of such other funds.

* * * *

As at the date of this Statement of Material Facts, the Corporation has approximately \$62,000.00 available working capital. These funds together with the funds which the Corporation will realize from the offering of shares referred to in this Statement of Material Facts will be used for the following purposes:

- (a) to carry out the program of development work as recommended by Mr. Chester J. Kuryliw, M.Sc., P. Eng., and as set forth in his Report dated September 10, 1979. For details of the recommended program see the extracts from Mr. Kuryliw's Report set out in Item 11 under the heading "The Recommended Program" and for a break-down of the total estimated costs of \$2,155,000.00 see the extracts from Mr. Kuryliw's Report set out in Item 11 under the heading "Summary of Costs Estimate (7 month program)";
- (b) to provide for ordinary administrative and operating expenses of the Corporation for the next 12 months which are estimated at approximately \$60,000.00, and to provide for expenses of this offering including legal, audit, printing and Engineer's Report which are estimated to be approximately \$35,000.00.

5. State the laws under which the issuer was incorporated or organized and the date of incorporation or organization. Where the issuer is incorporated, state whether it was incorporated by letters patent or otherwise or under a particular part of an incorporating statute dealing with mining companies.

* * * *

The Corporation was incorporated under The Companies Act (Ontario) by Letters Patent dated September 26, 1949, as Newlund Mines Limited and was declared subject to the provisions of Part XI of said Act.

1. By Supplementary Letters Patent dated August 29, 1955, the Corporation's authorized capital was increased from \$4,000,000 to \$6,000,000 by creating an additional 2,000,000 shares with a par value of \$1.00 each ranking on a parity with the existing shares of the Corporation.
2. By Supplementary Letters Patent dated April 8, 1969, the Corporation's capital was further increased from \$6,000,000 to \$10,000,000 by creating an additional 4,000,000 shares with a par value of \$1.00 each ranking on a parity with the existing shares of the Corporation.
3. By Articles of Amendment effective May 24, 1973, -
 - (a) the 6,033,810 issued and the 3,966,190 unissued shares of the Corporation with a par value of \$1.00 each were changed into 6,033,810 issued and 3,966,190 unissued shares of the Corporation without par value;
 - (b) the 6,033,810 issued and the 3,966,190 unissued shares of the Corporation without par value were consolidated into 2,413,524 issued and 1,586,476 unissued shares without par value;
 - (c) the authorized capital of the Corporation was increased from 4,000,000 shares without par value to 5,000,000 shares without par value by creating an additional 1,000,000 shares without par value, provided that the 5,000,000 shares without par value shall not be issued for a consideration exceeding in amount or value the sum of \$10,000,000 or such greater amount as the board of directors of the Corporation deems expedient on payment to the Treasurer of Ontario of the fees payable on such greater amount and on the issuance by the Minister of Consumer and Commercial Relations of a certificate of such payment;
 - (d) the name of the Corporation was changed from Newlund Mines Limited to Goldlund Mines Limited.
4. By Articles of Amendment dated February 15, 1977, the Corporation's authorized capital was further increased from 5,000,000 shares without par value to 7,000,000 shares without par value by creating an additional 2,000,000 shares without par value, provided that the 7,000,000 shares without par value shall not be issued for a consideration exceeding in amount or value the sum of \$10,000,000 or such greater amount as the board of directors of the Corporation deems expedient on payment to the Treasurer of Ontario of the fees payable on such greater amount and on the issuance by the Minister of Consumer and Commercial Relations of a certificate of such payment.

5. By Articles of Amendment dated April 11, 1979, the Corporation's authorized capital was further increased from 7,000,000 shares without par value to 10,000,000 shares without par value by creating an additional 3,000,000 shares without par value.

6. Give names, addresses and chief occupations for the past five years of the officers and directors of the issuer.

<u>Name and Address</u>	<u>Position</u>	<u>Became a Director</u>	<u>Occupation or Employment</u>
L. A. Bednarz 135 Betty Ann Drive Willowdale, Ontario M2W 1X3	Director	18 May, 1973	Mining Analyst, A.E. Osler, Wills, Bickel Ltd.
P.S. Broadhurst 4000 Yonge St., Apt. 11 Toronto, Ontario M4N 2W9	Director	9 February, 1977	Mining Engineer
John Campbell 1 Burns Place Fort Erie, Ontario	Director	28 March, 1979	Secretary-Treasurer George Campbell Company Limited; and Campbell Quarries Limited
M.E. DeSpirt 33 Rosedale Blvd. Egbertsville, New York U.S.A. 14226	Director	6 July, 1977	President, DeSpirt Mosaic & Marble Co., Inc.
P.C. Finlay, 2400, 44 King St. W. Toronto, Ontario	Secretary- Treasurer and Director	3 July, 1955	Partner in the legal firm of Holden, Murdoch & Finlay
Francis C. Hornung 16 Parker Avenue Buffalo, New York U.S.A. 14214	Vice-President and Director	18 May, 1973	Dentist
D.W. Keenleyside 574 Princess Street Kingston, Ontario K7L 1C9	Director	5 April, 1972	Medical Doctor
J.K. McCullough 22 Melrose Drive Bevan Heights Niagara Falls, Ontario	Director	9 February, 1977	Dentist
H.H. McGarry 4219 Huron Street Niagara Falls, Ontario L2E 2G6	President and Director	4 March, 1971	Paediatrician
E.D. Wright Apt. 1405 40 Alexander Street Toronto, Ontario M4Y 1B5	Director	30 March, 1967	Chartered Accountant

7. State the share and loan capital of the issuer showing in the case of share capital authorized and issued capital.

Authorized: 10,000,000 shares without par value
 Issued: 7,090,286 shares without par value

8. Outline briefly the manner in which the securities being offered are to be distributed, giving particulars of any outstanding or proposed underwriting or option agreement, including the name and address of each underwriter or optionee. Give similar particulars of sub-underwriting or sub-option agreements outstanding or proposed to be given and particulars of any assignments or proposed assignments of any such agreements.

* * * *

The shares in the capital of the Corporation being offered hereby will be distributed by St. Lawrence Securities Limited, acting as agent on behalf of the Corporation, through the facilities of The Toronto Stock Exchange by a fixed price offering in the manner and at the price to be determined as set forth in Items 2 and 3 hereof. There are no sub-options or sub-underwriting agreements outstanding or proposed to be made.

9. Give the name and address of any person or company who beneficially owns, directly or indirectly, in excess of 10% of the securities of any person or company named in answer to item 8 hereof and the number and percentage of voting securities so owned.

* * * *

The following are the persons beneficially owning, directly or indirectly, in excess of 10% of the shares of St. Lawrence Securities Limited:

Name	Address	Number of Equity Shares Owned	Percentage of Issued Equity Shares Owned
J. L. Goad	34 Bayview Wood Toronto, Ontario M4N 1R7	167	44.53%
D. M. Ross	227 Lytton Blvd. Toronto, Ontario M4R 1L6	138	36.80%

10. Give particulars of any payments in cash or securities of the issuer made or to be made to a promoter or finder in connection with the proposed underwriting.

* * * *

None

11. Give brief particulars of important properties owned, leased, held under option or operated or presently intended to be owned, leased, held under option or operated by the issuer.

Patented Claims

45 Mining Claims in Lots 5, 6 and 7, Concession I and Lots 2, 3, 4, 5, 6 and 7, Concession II, Echo Township, in the Patricia Mining Division, in the District of Kenora, Province of Ontario.

The 45 claims are patented claims, granted by the Crown with certain usual reservations, the titles being registered under the Land Titles Act at The Office of Land Titles at Kenora, in the name of Newlund Mines Limited (former name of the Corporation).

The title in fee simple is subject to the following reservations and exceptions contained in the original patent from the Crown, namely, in brief:

Five percent of the acreage reserved for roads, and right to lay out same;
 All trees, and right of entry to cut same;
 Free use, passage, etc., of navigable waters, with rights of access to shore, and to use of banks for fishing purposes;
 All ores or minerals raised or removed to be treated and refined in Canada.

Title to the underwater parts of two of the mining claims is held by virtue of Licences of Occupation issued under The Mining Act of Ontario, under which an annual rental is payable.

The said 45 mining claims, comprising the acreage below shown are registered at the Office of Land Titles at Kenora as the undermentioned Parcel Numbers, respectively:

<u>Mining Claim Number</u>	<u>Parcel Number</u>	<u>Acreage</u>
KRL 18719	15080	40.125
" 18720	15043	40.125
" 18721	15044	40.125
" 18722	15045	40.0
" 18723	15046	40.0
" 18724	15047	39.875
" 18725	15048	40.125
" 18726	15049	40.125
" 18727	15050	40.125
" 18767	15051	40.125
" 18768	15052	40.125
" 18769	15053	40.0
" 18770	15054	40.0
" 18771	15055	40.0
" 18772	15056	40.0
" 18773	15057	40.0
" 18774	15058	40.0
" 18775	15059	40.0
" 18808	15081	40.125
" 18809	15060	39.875
" 18810	15061	40.0
" 18811	15062	40.0
" 18812	15063	39.875
" 18813	15064	39.875
" 18814	15065	40.125
" 18815	15066	40.125
" 18816	15067	40.0
" 18830	15082	40.220

" 18831	15083	40.140
" 18832	15084	40.140
" 18833	15085	40.140
" 18834	15086	40.140
" 18835	15087	40.120
" 18836	15088	26.410
" 18837	15089	40.0
" 18838	15094	29.910
" 18900	15090	40.125
" 18901	15091	40.125
" 18902	15068	40.0
" 18903	15069	40.0
" 18904	15070	40.125
" 18905	15071	40.125
" 18906	15072	40.000
" 18907	15073	40.0
" 18908	15074	40.0
	Total Acreage -	<u>1,778.595</u>

Particulars of the underwater parts of the Mining Claims are as follows:

Part of Claim KRL 18838 held under Licence of Occupation No. 10927.	- 10 ac.
Part of Claim KRL 18836 held under Licence of Occupation No. 10928.	- 13.5ac.
Total Acreage	- <u>23.5 ac.</u>

Unpatented Claims

23 Mining Claims in Lots 2, 3, 4 and 5, Concession I, Lots 2 and 3, Concession II and Lots 2 and 3, Concession III, in the Township of Echo, in the Patricia Mining Division, District of Kenora, Province of Ontario, namely:

Pa. 358040, Pa. 358041, Pa. 358042, Pa. 358043, Pa. 358044,
Pa. 358045, Pa. 358046, Pa. 358047, Pa. 358048 and
Pa. 358050, Pa. 358051, Pa. 358052, Pa. 358053, Pa. 358054,
Pa. 358056, Pa. 358057, Pa. 376473, Pa. 376474, Pa. 376475,
Pa. 376476, Pa. 376477, Pa. 376478, Pa. 436909,

Note :

The 45 patented mining claims and the 23 unpatented mining claims are contiguous.

THE RECOMMENDED PROGRAM

The program of exploration recommended is as follows.

- I The No. 1 ZONE - in the area of the underground workings
- (a) To diamond drill the zone from surface and from the existing four levels with a pattern of drill holes 50' to 80' apart.
 - (b) To drill a pattern of "fill-in" holes between the original pattern where initial drilling results indicate the necessity of more closely spaced holes in order to calculate "proven" ore reserves.
 - (c) To drive a decline from which planned test stopes can be mined to conclusively check diamond drilling results for grade consistence, tonnage estimates and mining methods.
- II THE EASTERLY EXTENSION OF THE NO. 1 ZONE - beyond the present mine workings
- (a) To diamond drill a series of holes spaced at 100' to 200' intervals along the zone for some 2,000 feet east of the most easterly underground workings. This program would complete testing of the mineralized zone for some 4,300 feet east of the shaft.
 - (b) To drill a pattern of "fill-in" holes where the original exploratory program indicated significant gold mineralization which might be of economic importance.
- III THE NO. 2 AND NO. 3 ZONES
- The No. 2 and No. 3 zones were diamond drilled during the 1945-47 period of exploration on the property.
- It is proposed to carry out a program of diamond drilling on these two zones with a pattern of surface holes located 50 feet apart in the areas where previous drilling indicated better areas of mineralization.
- In areas between the two zones the pattern of holes will be 100 to 200 feet apart for exploratory purposes with "fill-in" drilling where warranted.
- IV OTHER EXPLORATION
- During the field exploration work carried out on the property in the 1940's a number of zones listed as No's 4, 5, 6 and 7 were located but were not tested by diamond drilling.
- It is proposed to check these mineralized areas with a limited number of surface drill holes to ensure that all known gold showings on the property are evaluated.

PROPOSED DIAMOND DRILLING TO BLOCK OUT ORE ZONES

No. 1 Zone in shaft area		
Surface	12,000	
Underground.....		52,450
No. 1 Zone Eastward Extension		
Surface.....	8,000	
No. 2 Zone		
Surface.....	4,000	
No. 3 Zone		
Surface.....	4,000	
Testing new structures and		
No. 4, 5, 6 and 7 Zones		
Surface.....	4,000	
	<u>32,000</u>	<u>52,450 (say 50,000')</u>

PROPOSED DECLINE

The proposed decline will be driven from surface to the East Block of the No. 1 Zone at the 200 foot level for a distance of 1,500 feet.

PROPOSED TEST STOPES

It is intended to mine at least two stope raises across the width of the indicated ore zone to verify diamond drilling results and stope dimensions for tonnage calculations. It is anticipated that a minimum of 5,000 tons will be extracted for this purpose.

SUMMARY OF COSTS ESTIMATE (7 MONTH PROGRAM)

1) Staff overhead, cookery costs, mechanical and electrical hoisting, rentals: 4 compressors, generators and pumps, fuel, transportation and miscellaneous supplies at \$90,000.00 per month	\$630,000.00
2) Underground drilling Contracts (50,000 ft.)	400,000.00
3) Surface Drilling Contracts (32,000 ft.)	400,000.00
4) Diamond Drill Core Assaying - muck sampling - chip sampling	100,000.00
5) Winterizing plant site - bunkhouse, office, ventilation heating, rehabilitation, etc.	50,000.00
6) Decline Contract 1,500 feet	250,000.00
7) 2 of Raise-Stope tests 5,000 tons	75,000.00
8) Supplies for decline, lines, ventilation and facilities	50,000.00
	<u>\$1,955,000.00</u>
TOTAL	<u>\$1,955,000.00</u>
10% Provision for Contingencies	200,000.00
	<u>\$2,155,000.00</u>

GENERAL SUMMARY

It is now recognized that the granodiorite which intruded into the andesitic rocks which formed the No. 1 Zone consisted of a series of intrusions. The original intrusion consisted of a sill of granodiorite rocks which were subsequently injected with gold bearing solutions which occupied tension fractures. Subsequent intrusions of granodiorite were not mineralized.

The mineralized portion of the granodiorite sill referred to as the "host" sill lies in the footwall side of the zone against the andesitic rocks. It dips from 67° to 78° to the south. The tension fractures within the sill are called "shoots" and strike N to N 15° E and dip 40° to 55° to the west. The resultant rake of the shoots is 25° to 45° to the west. Block faulting, not previously recognized, has produced variations in the strike and dip of the No. 1 Zone in certain areas and has resulted in blocks of greater enrichment of gold in specific locations. The width of the mineralized zones varies from 35 feet in the West Block to possibly 50 feet in the East Block and up to 100 feet in the 1-27 Block.

The high frequency of ore grade drill intersections over a length of 2,000 feet in the No. 1 Zone and a more recent study of previous drilling on the No. 2 and No. 3 Zones has greatly broadened the possibility of outlining gold deposits within these Zones.

There is good continuity and consistency of grades in each individual shoot from one drill section to the next. This is especially true of higher grade shoots that carry visible gold.

It has been stated by Mr. Kuryliw that one high grade shoot (109 West) will mine selectively out at several ounces per ton.

In the area of 115E where there is a grouping of closely spaced shoots it is postulated that mining grade might be in the range of 0.20 to 0.25 ounces of gold per ton.

The exploration program which has been recommended is for the express purpose of exploring, testing, outlining and blocking out the gold deposits to permit calculations for grade and tonnage which would meet the definition of "proven" ore.

It is the opinion of Mr. Kuryliw, based on thirty years of gold exploration and gold mine production experience, that the promise for a large gold mine operation exists and can be proven. This opinion is supported by the favourable results obtained to date in drill intersections which have shown consistency and continuity of gold values in individual shoots.

12. Indicate whether any property referred to in item 11 is without a known body of commercial ore or reserves of recoverable oil and gas.

* * * *

None of the properties referred to in Item 11 contains a known body of commercial ore or reserves of recoverable oil and gas.

13. Give brief particulars of any exploration and development work of the issuer during the past year and the results thereof.

* * * *

WORK CARRIED OUT FROM SEPTEMBER 2, 1978 TO DECEMBER 15, 1978

1. The mine plant was rehabilitated and winterized.
2. The shaft was dewatered to below the 200 foot level.
3. Mining was carried out from seven experimental stopes. A total of 3,047 tons was hoisted and sampled.
4. The property was placed in a "care and maintenance" basis for the winter months while the study of the results was undertaken.

Results of the muck sampling, which involved about 2030 assays, were as follows.

<u>Location</u>	<u>Tons</u>	<u>Oz. Au/ton</u> <u>(uncut)</u>	<u>Oz. au/ton</u> <u>(cut)</u>
1-04AW	843.0	.184 oz/T	.172 oz/T
1-04West	880.0	.257 oz/T	.191 oz/T
1-06W	147.0	.189 oz/T	.170 oz/T
*1-07W	756.0	.120 oz/T	.118 oz/T
1-11W	271.5	.348 oz/T	.336 oz/T
1-12W	69.0	.184 oz/T	.143 oz/T
1-13	81.0	.188 oz/T	.188 oz/T
	<u>3047.5</u>		
Average		0.204 oz/T	0.180 oz/T

* There was considerable dilution caused by overbreak when 1-07W stope started from the 1-07W X-cut.

RESULTS OF 1979 DRILLING PROGRAM TO AUGUST 30, 1979

The 1979 drilling was laid out in patterns to cross section shoots along the No. 1 Zone in the east and west blocks in the area of the underground workings.

All drill holes from surface and from the first and second levels underground were directed to stay between the hanging-wall and footwall of the host sill granodiorite and to cross shoots as near to perpendicular as possible. Surface drill holes were spaced in patterns 50 feet and 75 feet apart. Underground drill holes were drilled from available cross cuts, these provided sections spaced 60' to 80' apart. With a few exceptions each drill hole crossed several shoots many of which carried visible gold over narrow widths. The richer shoots were generally sampled over short lengths of core, usually about one foot, so that there would not be an exaggerated foot-ounce product in later calculations.

The high frequency of ore grade drill intersections over a total of 2,000 feet of lengths of the No. 1 Zone shows a large number of shoots, these usually occur as twin sets 3 feet to 10 feet apart with 15 feet to 40 feet separating one twin set from another.

There is good continuity and a consistency of the magnitude of grade in each individual shoot from one drill section to the next. This is especially true of higher grade shoots that carry visible gold. One such high grade shoot (109 West) is estimated to mine out at several ounces per ton by selective stoping. The selective mining of individual or twin set shoots are estimated to provide grades of 0.20 to 0.40 ounce gold per ton at a rate of 15 tons per foot advance along the rake of shoots, using a 5 foot mining width in the west block.

The grouping of closely spaced shoots such as in the 115E area are estimated to mine out at 0.20 to 0.25 ounce gold per ton over a cross section of about 60 feet by 55 feet to provide about 275 tons per foot advance along the rake.

Selected blocks of the whole host sill in the west block of No. 1 Zone are estimated to provide 0.10 to 0.20 ounce gold per ton with each 100 foot square area along the zone providing about 30,000 tons.

This preliminary study projects that the length of the No. 1 Zone listed by underground workings (4200 feet) may become productive over two-thirds of its length to provide tonnages estimated to be in the order of 10,000-15,000 tons per vertical foot. Though still unsubstantiated, this projects to 10 million to 15 million tons to a depth of 1,000 feet. Selective mining would provide about 20% of that low grade bulk tonnage.

An additional total of 5,000 feet of known gold bearing zones has yet to be tested. This is the easterly extension of the No. 1 Zone and the No. 2 and No. 3 Zones. If one-third of that total length of zones responds to drilling that indicates possible ore deposits, an additional 5,000-7,500 tons per vertical foot of bulk low grade may be outlined.

DRILLING COMPLETED TO AUGUST 30, 1979 ON THE NO. 1 ZONE

From surface on west zone	10 d.d. holes	1,055.0'
From surface on east zone	11 d.d. holes	<u>1,495.0</u>
	TOTAL	<u>2,550.0'</u>
Underground 1st level west	13 d.d. holes @ +45°	1,030.5'
	14 d.d. holes @ -45°	<u>1,275.0'</u>
Underground 1st level east	7 d.d. holes @ +45°	781.0'
	7 d.d. holes @ -45°	<u>157.0'</u>
Underground 2nd level west	6 d.d. holes @ +45°	563.0'
	5 d.d. holes @ -45°	<u>765.0'</u>
	1 d.d. hole FLAT	<u>152.0'</u>
		<u>6,136.5'</u>
	TOTAL	<u>8,686.5 feet</u>

14. Give brief particulars of property proposed to be acquired by the issuer or any associate or affiliate of the issuer or acquired by the issuer or any associate or affiliate of the issuer within the previous three years, including the name and address of the vendor and the cost or proposed cost thereof to the issuer or any associate or affiliate, and if any such vendor is or was an insider or promoter of the issuer or an associate or affiliate of any insider or promoter of the issuer, so state and indicate the nature of the relationship.

* * * *

The Corporation acquired for the costs of staking 6 unpatented mining claims on July 12, 1977, from Robert Craig Broadhurst, 11 Raglan Avenue, Apartment 2206, Toronto, Ontario, who staked the claims as agent for the Corporation prior to his father, P.S. Broadhurst, being elected a Director of the Corporation.

The Corporation acquired unpatented mining claim Pa. 436906 on August 16, 1979 for the costs of staking from Chester J. Kuryliw who staked the claim as agent for the Corporation.

15. State the name of any person or company who is or has been a promoter of the issuer within the preceding two years and, if not disclosed in item 14, the nature and amount of anything of value (including money, property, contracts, options or rights of any kind) received or to be received by each promoter.

* * * *

There is and has been no promoter of the Corporation during the preceding two years.

16. If the property referred to in item 14 was or is to be paid for by the issuance of securities of the issuer or any subsidiary, give (a) the number of securities of the issuer and any subsidiary issued to or to be issued to the vendor after giving effect to such transaction, and (b) the number and, if more than 5% of the securities presently outstanding, the percentage of securities of the issuer and any subsidiary owned or to be owned, by the vendor after giving effect to the transaction. If the vendor is a company, give the names and addresses of the insiders of the company.

* * * *

Not applicable.

17. Give the number, and if more than 5%, the percentage of the securities of the issuer held in escrow or in pool and a brief statement of the terms of the escrow or pooling agreement.

* * * *

580,000 shares of the Corporation, being approximately 8.29% of the Corporation's issued capital, are registered in the name of Nautical Investments Limited and are held in escrow under an Agreement dated April 23, 1979 between Nautical Investments Limited and Canada Permanent Trust Company. Under the said Agreement Nautical Investments Limited has deposited the said 580,000 shares to be held in escrow by Canada Permanent Trust Company for a period of six months from the date of the Agreement, namely until October 23, 1979. Copies of the said Agreement were filed with The Toronto Stock Exchange and the Ontario Securities Commission on April 24, 1979.

18. Give the number of securities of the issuer owned of record or beneficially, directly or indirectly, by each person or company who owns of record, or is known either by the issuer or the selling security holder to own beneficially, directly or indirectly, more than 5% of such securities, in each case within

ten days from the date hereof. Show separately whether the securities are owned both of record and beneficially, of record only, or beneficially only, and show the respective amounts in percentages owned in each such manner.

* * * *

<u>Name and Address</u>	<u>Type of Ownership</u>	<u>Number of Shares Owned</u>	<u>Percentage of Issued Capital</u>
Greenshields Ltd. P.O. Box 30 Suite 3000 1 First Canadian Place Toronto, Ontario M5X 1E6	Of record only	2,040,165	28.77%
Nautical Investments Limited 19 Barnwood Court Don Mills, Ontario M3A 3G2	Beneficially only	580,000	8.18%

19. Give a brief statement of any material legal proceedings to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Make a similar statement as to any such proceedings known to be contemplated.

* * * *

The Corporation and Canada Permanent Trust Company have been named as Defendants in a Writ of Summons dated July 10, 1979 issued by Guaranty Trust Company of Canada and Paul Juliar, Plaintiffs. The Plaintiffs' claims is for specific performance of a contract purportedly made between the Plaintiffs and the Defendants, for the purchase of 7,410 shares of the Corporation, and in the alternative, for damages for breach of contract.

The Plaintiffs' Statement of Claim states that on or about the 19th day of October, 1978, pursuant to a request made by the Plaintiffs in writing, the Defendants purportedly agreed to sell to the Plaintiffs 7,410 shares of the Corporation at a price of 22¢ per share. The Plaintiffs apparently sent to the Defendants a certified cheque dated November 17, 1978 in the amount of \$1,630.20 in full payment of the said shares but the Statement of Claim alleges that the Defendants refused to issue the said shares.

The Corporation has filed a Statement of Defence dated September 10, 1979 denying the claim.

20. Give the information required by item 22 of Form 12, and give the aggregate direct remuneration, including amounts for services rendered, paid or payable by the issuer and its subsidiaries during the past year to other insiders of the issuer.

* * * *

**DIRECTORS' AND OFFICERS REMUNERATION
FROM THE CORPORATION**

	Aggregate Remuneration Paid in year ended September 30, 1978	Pension Benefits	Retirement Benefits
DIRECTORS (10) From the Corporation	Nil	Nil	Nil
SENIOR OFFICERS	\$ 17,517.50	Nil	Nil
OFFICERS RECEIVING over \$50,000	N/A	N/A	N/A
OTHER INSIDERS	N/A	N/A	N/A
<u>Totals</u>	<u>\$ 17,517.50</u>	<u>Nil</u>	<u>Nil</u>

21. Using item 24 of Form 12 as a guide, give brief particulars of all options to purchase securities (other than such as are granted or proposed to be granted to security holders as such on a pro rata basis) outstanding or proposed to be given by the issuer and its subsidiaries to any person or company, naming each such person or company and showing separately all such options outstanding or proposed to be given to the insiders of the issuer or its subsidiaries.

* * * *

There are no outstanding options and the Corporation does not now propose to grant any options to purchase securities of the Corporation.

22. State the prices at which securities of the issuer have been issued for cash or traded within the twelve months immediately preceding the date of this statement. For securities which have been traded, give price ranges and volume traded for each of those months and for securities which have been issued during those months, state the number of securities issued at each price. If any securities have been issued for services state the nature and value of the services and give the name and address of the person or company who received the securities.

* * * *

SECURITIES TRADED

SHARES	PRICE RANGE		VOLUME TRADED
	HIGH	LOW	
<u>1978</u>			
August	\$.38	\$.30	223,000
September	.46.5	.30.5	906,800
October	.75	.42.5	1,581,600
November	.84	.50	873,500
December	.84	.45	647,600
<u>1979</u>			
January	.62	.51	347,380
February	.65	.56	293,016
March	.69	.59	291,689
April	.68	.60	114,224
May	.78	.60	338,830
June	.92	.74	747,370
July	3.00	.83	2,387,969
August	3.80	2.05	2,077,992

RIGHTS

<u>1978</u>			
August	.05	.03	214,500
September	.04.5	.03	1,528,300

SECURITIES ISSUED FOR CASH No. of Shares

Issued Capital as of
July 31, 1978 4,273,524

Shares issued pursuant to
rights offering described
in Filing Statement 2005,
dated August 31, 1978
* See note below re price 2,136,762

Issued Capital as of
September 30, 1978 6,410,286

Shares issued to Nautical
Investments Limited, April 23,
1979 pursuant to private
placement described in Filing
Statement 2032, dated March 27,
1979 @ \$.50 per share 580,000

Issued Capital as of
July 31, 1979 6,990,286

Shares issued to P.S. Broadhurst
Managing Director September 7, 1979
pursuant to stock option agreement
dated July 19, 1979 and approved
by The Toronto Stock Exchange @
\$.92 per share. 100,000

Issued Capital as of
September 17, 1979 7,090,286

* Note: Each shareholder of the Corporation was entitled to subscribe for 1 share of the Corporation at the subscription price of \$.22 per share for each 2 rights which were issued on the basis of 1 right for 1 share held.

23. Give the dates of and parties to and the general nature of every material contract entered into by the issuer or any subsidiary within the preceding two years which is still in effect and is not disclosed in the foregoing.

* * * *

The Corporation has not entered into any material contracts within the preceding two years which are still in effect and are not disclosed in the foregoing.

24. Give particulars of any other material facts relating to the shares proposed to be offered and not disclosed pursuant to the foregoing items.

* * * *

There are no other material facts which are not disclosed in the foregoing items.

PURCHASER'S STATUTORY RIGHT OF WITHDRAWAL
AND RESCISSION

The Securities Act, 1978, S.O. 1978, Chapter 47, provides, in effect, that where a security is offered to the public in the course of 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 vendor or his agent not later than midnight on the second business day after the Statement of Material Facts or Amended Statement of Material Facts offering such security is received or is deemed to be received by him or his agent, and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof if the Statement of Material Facts and any Amended Statement of Material Facts offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 180 days from the later of the date of such contract or the date on which such Statement of Material Facts or Amended Statement of Material Facts is received or is deemed to be received by him or his agent.

In the circumstances outlined above a purchaser may have a right of action for damages against the following: the Corporation, St. Lawrence Securities Limited, every director of the Corporation as set out in item

6 hereof, Thorne Riddell & Co. with respect to the information in the Financial Statements, herein, and Chester J. Kuryliw, with respect to his Engineer's Report, but no action to enforce this right can be commenced later than 180 days after the purchaser first had knowledge of the facts giving rise to the right of action or 3 years after the date of purchase of the security, whichever is earlier.

Reference is made to Sections 70, 126 and 135 of The Securities Act, 1978 S.O. 1978, Chapter 47, for the complete text of the provisions under which the above-mentioned rights are conferred.

AUDITORS' REPORT

To the Directors of
Goldlund Mines Limited

We have examined the balance sheet of Goldlund Mines Limited as at September 30, 1978 and the statements of exploration and administrative expenditures deferred, deficit and changes in financial position for the three 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.

In our opinion, these financial statements present fairly the financial position of the company as at September 30, 1978 and the results of its operations and the changes in its financial position for the three years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Canada
January 11, 1979

Thorne Riddell & Co.
Chartered Accountants

GOLDLUND MINES LIMITED
(Incorporated under the laws of Ontario)

BALANCE SHEET

	July 31, 1979 (unaudited)	September 30, 1978
ASSETS		
CURRENT ASSETS		
Cash and short term bank deposits	\$ 230,553	\$ 62,402
Accounts receivable	469	
Receivable from trust company on share issue		255,139
Prepaid expense	<u>1,527</u>	<u>1,527</u>
	232,549	319,068
INTEREST IN OTHER COMPANIES, at cost less allowance for decline in value (quoted market value 1979, \$16,300; 1978, \$20,400) (note 1)	8,200	8,200
MINING PROPERTIES AND CLAIMS (note 2)		
Patented mining claims in Echo Township, Ontario, at cost and nominal value	1,306	1,306
FIXED ASSETS		
Interest in buildings and equipment, Echo Township, Ontario (note 2)	60,098	47,916
DEFERRED EXPENDITURES (notes 2 and 3)	<u>1,630,086</u>	<u>1,146,725</u>
	<u>\$1,932,239</u>	<u>\$1,523,215</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>\$ 126,901</u>	<u>\$ 6,447</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 4)		
Authorized - 10,000,000 shares without par value (7,000,000 shares in 1978)		
Issued - 6,990,286 shares (6,410,286 shares in 1978)	5,333,361	5,051,361
DEFICIT	<u>3,528,023</u>	<u>3,534,592</u>
	<u>1,805,338</u>	<u>1,516,768</u>
	<u>\$1,932,239</u>	<u>\$1,523,215</u>

Approved by the Board

(Signed) H.H. McGarry
Director

(Signed) P.C. Finlay
Director

GOLDLUND MINES LIMITED

STATEMENT OF EXPLORATION AND ADMINISTRATIVE EXPENDITURES DEFERRED

	Ten months ended July 31,		Year ended September 30,		
	1979	1978	1978	1977	1976
	(unaudited)				
Exploration					
Echo Township, Ontario					
Advance to contractor (note 5)	\$ 100,000				
Other expenses at the property	\$ 455,036	\$ 27,446	36,632	\$ 84,573	\$ 41,065
	<u>455,036</u>	<u>27,446</u>	<u>36,632</u>	<u>84,573</u>	<u>41,065</u>
Administrative					
Refinancing expense	18,579				
Share transfer expenses	15,296	3,794	7,298	3,296	(1,282)
Legal and audit fees	12,800	28,500	33,681	10,602	4,811
Shareholders' information and annual meeting expenses	1,239	1,400	2,370	996	1,655
Directors' meetings and expenses	877	345	758	3,434	
Interest on notes payable		1,610	1,610	3,445	3,740
Insurance	6,814	3,608	3,608	2,425	
Stock exchange fees	2,700	2,500	2,918	2,205	1,000
Consulting fees		530	531		
Travel	2,677				
Miscellaneous expenses	1,427	63	493	400	578
	<u>43,830</u>	<u>42,350</u>	<u>53,267</u>	<u>26,803</u>	<u>29,081</u>
Less interest income	15,505	1,507	1,661	5,651	969
	<u>28,325</u>	<u>40,843</u>	<u>51,606</u>	<u>21,152</u>	<u>28,112</u>
NET EXPENDITURES FOR THE PERIOD	483,361	68,289	188,238	105,725	69,177
BALANCE DEFERRED AT BEGINNING OF PERIOD, including \$717,085 expenditures paid by a joint venture participant	1,146,725	958,487	958,487	852,762	831,500
	<u>1,630,086</u>	<u>1,026,776</u>	<u>1,146,725</u>	<u>958,487</u>	<u>900,677</u>
Expenditures reclassified as fixed assets	<u>47,915</u>				
BALANCE DEFERRED AT END OF PERIOD	<u>\$1,630,086</u>	<u>\$1,026,776</u>	<u>\$1,146,725</u>	<u>\$958,487</u>	<u>\$852,762</u>

GOLDLUND MINES LIMITED

STATEMENT OF DEFICIT

	Ten months ended July 31.		Year ended September 30.		
	<u>1979</u> (unaudited)	<u>1978</u>	<u>1978</u>	<u>1977</u>	<u>1976</u>
DEFICIT AT BEGINNING OF PERIOD	\$3,534,593	\$3,534,035	\$3,534,035	\$3,534,477	\$3,529,120
Add increase in allowance for decline in value of interest in other companies	<u>862</u>	<u>558</u>	<u>558</u>	<u>558</u>	<u>8,357</u>
	3,535,455	3,534,593	3,534,593	3,535,035	3,537,477
Deduct					
Gain on sale of shares				1,000	
Amount received on option granted on mining claims					3,000
Amount received on distribution of assets for shares held in another company	<u>7,432</u>				
DEFICIT AT END OF PERIOD	<u>\$3,528,023</u>	<u>\$3,534,593</u>	<u>\$3,534,593</u>	<u>\$3,534,035</u>	<u>\$3,534,477</u>

GOLDLUND MINES LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Ten months ended July 31,		Year ended September 30.		
	<u>1979</u> (unaudited)	<u>1978</u>	<u>1978</u>	<u>1977</u>	<u>1976</u>
WORKING CAPITAL DERIVED FROM					
Issue of capital stock	\$282,000	\$ 47,000	\$494,140	\$ 15,000	\$182,812
Long term debt				9,519	83,740
Gain on sale of shares				1,000	
Amount received on distribution of assets for shares held in another company	7,432				
Amount received on option granted on mining claims					3,000
	<u>289,432</u>	<u>47,000</u>	<u>494,140</u>	<u>25,519</u>	<u>269,552</u>
WORKING CAPITAL APPLIED TO					
Long term debt transferred to current liabilities or repaid				43,259	50,000
Exploration and administrative expenditures deferred	483,361	68,289	188,238	105,725	69,177
Advance to another company	862	558	558	558	557
Fixed assets	12,182				
	<u>496,405</u>	<u>68,847</u>	<u>188,796</u>	<u>149,542</u>	<u>119,734</u>
INCREASE (DECREASE) IN WORKING CAPITAL POSITION	(206,973)	(21,874)	305,344	(124,023)	149,818
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF PERIOD	<u>312,621</u>	<u>7,277</u>	<u>7,277</u>	<u>131,300</u>	<u>(18,518)</u>
WORKING CAPITAL (DEFICIENCY) AT END OF PERIOD	<u>\$105,648</u>	<u>\$(14,570)</u>	<u>\$312,621</u>	<u>\$ 7,277</u>	<u>\$131,300</u>

GOLDLUND MINES LIMITED

NOTES TO FINANCIAL STATEMENTS
(Information subsequent to September 30, 1978 is unaudited)

1. INTEREST IN OTHER COMPANIES

Because of the number of shares involved, the amount that would be realized if the securities were sold may be more or less than the quoted market value.

2. RECOVERY OF COSTS

The recovery of carrying values of mining claims, fixed assets and deferred exploration and administrative expenditures is dependent upon obtaining adequate financing and developing a sufficient quantity of ore of economic value.

3. DEFERRED EXPENDITURES

Expenditures made by a joint venture participant amounting to \$717,085 are not allowable to the company in computing its taxable income.

4. CAPITAL STOCK

During the year ended September 30, 1978, under a rights offering 2,136,762 shares of the company's capital stock were issued for \$447,140 cash net of expenses relating to the issue of \$22,949 and 235,000 shares were issued to a director for \$47,000 cash.

Subsequent to September 30, 1978, the company's authorized capital stock was increased to 10,000,000 shares from 7,000,000 shares and the company issued 580,000 shares for \$282,000 cash net of expenses relating to the issue of \$8,000.

On July 19, 1979, the company granted an option to an employee/director on 100,000 shares at 92c per share. The option was subsequently exercised on September 7, 1979.

5. ADVANCE TO CONTRACTOR

In the year ended September 30, 1978 the company entered into a contract for the mining of a 3,000 ton bulk sample at a total cost of \$213,030. The balance of \$113,030 was paid during the period ended July 31, 1979. Subsequent to July 31, 1979, \$47,000 was paid in full settlement of additional claims to this contractor.

DATED at Toronto, this 17th day of September, 1979

C E R T I F I C A T E

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

(Signed) H.H. McGarry

Chief Executive Officer

(Signed) P.C. Finlay

Chief Financial Officer

On behalf of the Board of Directors

(Signed) J.K. McCullough

Director

(Signed) F.C. Hornung

Director

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

ST. LAWRENCE SECURITIES LIMITED

By: (Signed) Donald M. Ross

The following persons have an interest, direct or indirect, to the extent of not less than 5% in the capital of St. Lawrence Securities Limited:

J.L. Goad, D.M. Ross, E.R. Barbour, J.R. Shemilt.