



territorial gold placers ltd.

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I. INTRODUCTION

Territorial Gold Placers Ltd., a private Canadian gold mining company, has been mining placer gold in the Dawson City area of the Yukon Territory (the scene of the famous Klondike 'gold rush' of 1898) since early 1975. To the best of the company's knowledge, it has been the leading Yukon placer gold producer in every one of the six seasons it has operated; revenues have grown from \$256,000 in 1975 to \$4,600,000 in 1980. Production in 1980 was 8,300 ounces of raw gold and projections for 1981 are for 15,000 to 20,000 ounces with a value at current prices of \$7.5 to \$10 million.

In 1980, the company mined two creeks south of Dawson City: Black Hills Creek and Henderson Creek, while developing Miller Creek and Dominion Creek properties for mining in 1981. The main camp is at Black Hills Creek, with full repair facilities, although all camps have sufficient spare parts, hand tools, welding machines, etc., to take care of their day-to-day repair and maintenance needs. During the 1980 mining season, Territorial Gold operated 14 pieces of Caterpillar heavy equipment (12 D-8 tractors, a 966 loader and a 225 backhoe) with a staff of 43 people.

The company has its operational office in the City of Whitehorse at 209-303 Jarvis Street, Telephone (403) 668-6888, and has a permanent year round staff of seven persons. Banking arrangements are handled through the Canadian Imperial Bank of Commerce in Dawson City, Yukon, and the Bank of Nova Scotia, Whitehorse.

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The company's mining operations have been concentrated on its holdings 75 miles south of Dawson City, Yukon, on Black Hills and Henderson Creeks. Eureka Creek (in the same area) was operated in 1978 and 1979 and was sold in 1979. Over the years from 1975 to 1980, the company has acquired a number of other properties for possible development. A number of these have been disposed of but the company's holdings at the present time through ownership and lease arrangements, encompasses in excess of 150 miles of placer claims and leases in the Dawson district.

The company has for a number of years carried out prospecting work on a number of hard-rock prospects. One of these programs resulted in the acquisition of the A & B Piggy Claim group located on Boulder Creek, Yukon. This property is optioned to S.E.R.E.M. Ltd., and is presently under investigation by Amax of Canada Limited for tungsten, molybdenum and porphyry. Results to date have been very promising.

The company is carrying out extensive exploration in the Lillooet River area and has identified and staked seventeen claims in the area covering moly and copper prospects. The company is continuing to explore these prospects and the general area.

Early in 1980 the company decided to diversify its operations away from the strictly seasonal nature of placer mining in Yukon permafrost, and has purchased properties in downtown Whitehorse two blocks from Main Street totalling in excess of \$1.75 million.

II. PLACER MINING DIVISION

A. This is the active mining operation for the company. Two mining camps have been operated by the company over the period from 1975 to 1980 inclusive. The first is Black Hills Creek where the main camp is located. The second is Henderson Creek. In 1978 and 1979 the company operated a third placer mining property on Eureka Creek which was sold in December, 1979. A third camp was set up on Upper Dominion in mid 1980 to prepare ground for full production in 1981.

Production from these camps for the six years has been 34,800 ounces of raw gold. Over 1,400,000 cubic yards of gravel have been moved to effect this recovery. -024803/yd

Our 1981 plans call for the operation of camps on Henderson, Black Hills, Upper Dominion, Miller and Scroggie Creeks. The company is estimating a minimum recovery of 15,000 ounces of raw gold with a projection of 20,000 ounces well within the realm of possibility.

The Company mines the gold-bearing gravels of its creeks using Caterpillar D-8 Bulldozers, washing the gravels to recover the gold in advanced design sluice boxes. During the upcoming season, the company will be operating thirteen Bulldozers, two Caterpillar 966 Loaders, two Graders, a Caterpillar 235 Excavator (Backhoe) and a chartered Bell Jet Ranger Helicopter.

The gold in the creeks that Territorial Gold Placers Ltd. mines is fairly typical of placer gold in the Klondike, although the percentage of 'coarse gold' the company mines is significantly higher than that in many other creeks of the region. About half of the company's production is 'dust' and about half will remain on a 12-mesh screen (screen openings of 1.41 millimeters or 0.0555 inches).

During the 1981 season Henderson Creek and Black Hills Creek will see their seventh year as placer gold producers for the company. Dominion Creek will enter its first year of production after a season of preparation last year. And now, with the addition of Miller Creek and Scroggie-Mariposa Creeks as two additional new producers, Territorial Gold Placers Ltd., has achieved a truly broad base as a placer gold producer. But interestingly, what may first appear as a major expansion has been accomplished largely by redistribution of the company's assets - and by assets is meant both equipment and its pool of skilled

placer mining personnel. In 1980 we operated 12 D-8 tractors. In 1981 we will operate only one additional D-8 even though Miller Creek and Scroggie-Mariposa Creeks will have five machines between them. This has been accomplished by reducing last year's complement of D-8's on Henderson and Black Hills Creek from five on each creek to their historic level of three machines each. As a result, production on each creek will drop to historic levels as well - from 4,000+ ounces each in 1980 to an expected 3,000 ounces each in 1981. Production on both creeks in 1980 was forced to higher levels than usual on a 'one shot' basis by the addition of extra equipment in order to make up for production lost by the sale of the company's third producing creek, Eureka Creek, late in 1979; this method of increasing production is not cost effective, however, and was not intended to be sustained once Dominion Creek was prepared for production.

The expansion of Territorial Gold's production base will be accomplished without a major increase in personnel. Staff in 1980 averaged about 43; in 1981 it will average only about 47. Reductions in staff at Henderson Creek and Black Hills Creek commensurate with their reduction in equipment account for this, and a number of the people who were at Black Hills and Henderson Creek in 1980 will be working on Miller and Scroggie-Mariposa Creeks in 1981. A description of the program at each of the camps follows: -

1. Black Hills and Henderson Creeks

These creeks which have produced over 90% of the company's gold over the past six years, were churn-drilled in the late 1930's and the early 1940's by the Yukon Consolidated Gold Corporation, the dredging company which controlled nearly all placer ground in the Klondike until the mid 1960's. Territorial Gold Placers Ltd., has a complete set of drill maps covering the churn-drilling. These maps indicate that the company's drilled reserves on these creeks will support mining, at the current rate of production, for at least another ten years. In addition, there are substantial reserves of gold-bearing gravels which are undrilled on both creeks as well as extensive gravel benches which are unexplored.

Included in these operations was Eureka Creek in 1979 which produced 1,750 ounces. This property was sold in December, 1979, to finance the company's Whitehorse real estate acquisitions.

The following table summarizes the company's production from these creeks to the end of 1980.

Year	Raw Gold Production	Average Price Canadian	Value
1975	2,330 ounces	\$ 149.00	\$ 258,000.00
1976	4,170 ounces	\$ 119.00	\$ 361,000.00
1977	4,500 ounces	\$ 170.00	\$ 565,000.00
1978	6,900 ounces	\$ 220.00	\$ 1,100,000.00
1979*	8,600 ounces	\$ 360.00	\$ 2,322,000.00
1980	8,300 ounces	\$ 740.00	\$ 4,600,000.00

* Includes 1,750 ounces from Eureka.

1.1 Black Hills Creek

In 1974 the company acquired the rights to over 60 placer claims on Black Hills. This creek lies about 50 air miles south of Dawson and can be reached by truck on a 78 miles access road which leaves the Klondike Highway at Hunker Creek. Since that time, additional claims and leases have been staked.

Gold was discovered on Black Hills in 1906 when the Discovery claim was recorded. The Whitehorse Dawson wagon road ran through this valley and there are very extensive hand workings on the creek. The company started production in 1975 and has operated every summer since then. In 1980, the company operated five Caterpillar D-8 tractors and two sluice boxes. This method of operation was established on a 'one shot' basis by the addition of extra equipment in order to make up for production lost by the sale of the company's third producing creek, Eureka Creek, in late 1979. This method of increasing production did not prove cost effective, however, and plans for the 1981 season will be on the basis of three machines and one operating sluice box.

Operations commenced in late April under the management of Pierre Calame who is in his third year with the company.

Production on Black Hills Creek for the 1981 season is estimated at 3,000 ounces with a gross revenue of \$1.5 million at current prices.

1.2 Henderson Creek

In 1974 the company acquired the rights to over 150 claims on Henderson Creek. Since then extensive staking has increased their holdings to over 210 claims plus placer leases totalling three miles.

Gold was discovered on Henderson Creek in 1897 when the discovery claims were recorded. There are extensive hand workings on the creek and the Yukon Consolidated Gold Corporation operated on the creek during the period 1949 to 1956 with a gold production of \$4,300,000.00 at \$35 (U.S.) gold.

The company started production in 1975 and has operated every summer since then. In 1980, the company operated Henderson on the same basis as Black Hills and proposes like the latter, to reduce the operation for the 1981 season to three machines.

Operations, which commenced in late April, are managed by Mr. John Butterworth who is in his fifth year with the company.

Production on Henderson for 1981 is estimated at 3,000 ounces with a gross revenue of \$1.5 million at current prices.

Henderson camp is reached by means of a 14 mile access road from the company's main base of operations at Black Hills.

2. Dominion Creek

The company acquired ground on Upper Dominion in 1979 and currently has 21 claims plus a two mile lease under its control. Dominion Creek was discovered in 1898 and has been extensively worked ever since by hand workings, bulldozer operations and dredging. Several operators are presently successfully placer mining on undredged ground and on side pay.

The company's ground has been dredged and the plans are to sluice this ground as well as work the benches for side pay. During 1980 considerable exploration and development work was carried out which will enable full production to be effected during the summer of 1981.

Operations, which commenced in late April, are managed by Mr. Frank Spencer, who is in his sixth year with the company. Production has been conservatively estimated at 2,000 ounces with a gross revenue of \$960,000.00. Production is expected to increase in the second and third year to 3,000 ounces.

Dominion Creek is on the Hunker-Granville Road, the same route taken to reach Black Hills and Henderson.

3. Miller Creek

Late in the 1980 season the company was successful in purchasing operational placer ground on Miller Creek involving in excess of fifty claims from Walter Yaremicio who had operated a very successful but small operation over the past thirteen years. In 1980, Mr. Yaremicio produced in excess of 2,000 ounces during a half season using only one D-8 and a 966 loader. Following the purchase the company has staked eleven miles of bench ground above the placer claims on the left limit.

Miller Creek is a tributary of the Sixtymile River adjacent to the Alaska Border west of Dawson City. It was one of the early gold finds in the Klondike area with the discovery claim being recorded in 1892.

Following the discovery of immensely rich ground on Bonanza Creek in 1896, creeks such as Miller in outlying districts were abandoned for the more rewarding ground on Bonanza and Eldorado. After the rush was over and the dredging operations started, the Sixtymile was extensively dredged including lower Miller Creek. In those days dredging was confined to the richest pay zone and on Miller Creek there is extensive side pay zones and bench ground capable of high yields.

There are extensive hand workings on Miller Creek and during the late 30's and early 40's the creek channel itself was dredged by a small unit on the lower limits of the company's property. Recent mining has been done on a small scale and not on a consistent basis. There are currently successful placer operations on Glacier, Big Gold and Sixtymile. The former lie on the same side of the Sixtymile immediately downstream from Miller.

Judging from the nature and extent of the previous owners workings on Miller and test holes by an associated operator, the company full expects the primary pay streak to average between 40 and 50 ounces of raw gold per thousand yards sluiced - about \$25.00 per yard at current gold prices.

Records indicate that there is a high percentage of larger nuggets on Miller and it is expected that a premium will be gained on the sale of these over their intrinsic gold content.

It is expected that about 120,000 cubic yards of gravel can be mined and washed on Miller Creek this summer. With values expected at \$25.00 per yard and costs expected to be no more than \$7.00 per yard, there is clearly a substantial profit to be made on this operation. Production is estimated at 5,000 to 6,000 ounces of raw gold with a value of \$2.5 to \$3 million.

Territorial Gold put in one month of stripping and road building on the property during the fall of 1980 and will put Miller Creek into full scale production this summer with two 1980 Caterpillar D-8K tractors equipped with U-blades and 4-barrel, multi-shank rippers, a new 12' x 38' modified 'Ross' design sluice box, a new Cummins diesel powered 10" x 12" Morris 5,000 gal/min. slurry pump (to permit recycling of sluicing water), a 1980-966 loader, a late model Caterpillar 235 backhoe and a complete camp.

Operations on Miller Creek will be managed by Mr. Theophile Merlet, a seven year employee who has been promoted from superintendent of the company's mining operations on Black Hills Creek.

Our five year program for Miller Creek is projected to be as follows:

Year	Projected Yards	Cost @ \$7.00/Yd.	Gross \$25.00/Yd.
1981	120,000	\$ 840,000.00	\$ 3,000,000.00
1982	160,000	\$ 1,120,000.00	\$ 4,000,000.00
1983	200,000	\$ 1,400,000.00	\$ 5,000,000.00
1984	240,000	\$ 1,680,000.00	\$ 6,000,000.00
1985	300,000	\$ 2,100,000.00	\$ 7,500,000.00

Note: Based upon gold at \$500.00 per raw ounce, which is about U.S. \$520.00 London price.

The Company currently has no estimate of reserves on this property. Based on its experience, however, the Company believes the creek can be successfully operated for the next fifteen years by conventional methods. This still leaves substantial reserves in deep bench gravels and tier claims.

4. Scroggie Creek

Shortly after the purchase of Miller Creek, Territorial Gold acquired a lease on four miles of potentially rich placer ground on Scroggie and Mariposa Creeks and subsequently, during a very active winter of staking, was able to locate fourteen more miles of adjoining ground - seven miles above the leased ground and seven miles below. In addition, the company has acquired, by lease, purchase and by staking, another 35 miles of potentially productive placer gold bearing creeks in the same vicinity - an area south of Dawson City

bounded by the Stewart River on the north and by the heights of land bounded by Mt. Stewart on the west, Thistle and Pyroxene Mountains on the south and Grizzly Dome on the east. The creeks are all tributary to the Stewart River. The company now has a total of 53 miles of placer claims and leases in the area.

Placer mining has been known in the region from the very early days with gold on the largest creek, Scroggie, having been discovered in 1898. Gold discoveries on Mariposa Creek, a tributary of Scroggie, and then on Barker and Brewer Creeks followed not long after. There are extensive hand workings on several of the creeks dating from the period 1898-1940 and while some mining has been done in more recent times using very small tractors and loaders, no modern large scale placer mining operations have ever been attempted on these creeks. There is one modern mining operation nearby, to the west across the Stewart-Yukon River divide: that of Goldmark Minerals Ltd. on Thistle Creek, which was drilled in the 1940's and partially dredged in the 1950's. In addition, there are three smaller operations within the company's area of interest; one below us on Scroggie Creek, and two above our optioned ground on Barker Creek.

Research by Territorial Gold indicates that four of the creeks (Scroggie, Mariposa, Barker and Brewer Creeks) are definitely gold-bearing and should support profitable mining operations. Four others (Simmons, Telford, Walhalla and Sharpe Creeks) plus unnamed tributaries of Brewer Creek, although not heavily worked in the past and at present untested, represent considerable potential at today's gold price as they lie either between or adjacent to known gold-bearing creeks, or are tributary to them. The total reserves of gravel on the company's holdings in the area will measure in the tens of millions of cubic yards and while the percentage which is gold-bearing is unknown, it will almost certainly be adequate to permit long-scale mining operations to continue to twenty years or more.

Judging from the nature and extent of the old hand-mined workings on Scroggie and Mariposa Creeks, the company fully expects the primary pay streaks on these creeks to average 35-40 ounces of raw gold per thousand yards sluiced - about \$20.00 per yard at the current gold price - with excellent chances for higher grade sections. Old records indicate that most of the gold recovered in the early days from these creeks was in the form of

nuggets as opposed to dust (indeed, a 4½ ounce nugget was reported on Mariposa Creek in August, 1915), and while this may be partly due to primitive washing methods that were not very efficient at retaining the finer particles of gold, it, nevertheless, indicates that a substantial number of nuggets can be expected — and nuggets can be sold at a large premium above their intrinsic gold content.

It is expected that 120,000 cubic yards of gravel can be mined and washed on Scroggie and Mariposa Creeks this summer. Mining costs are expected to run about one-third higher than on less remote creeks due to higher costs associated with the necessity of a winter haul of heavy equipment, fuel and supplies, plus the required summer fixed-wing aircraft support, but they still should amount to no more than \$8.00 per yard of gravel sluiced. With values expected to be \$20.00 per yard there is clearly a substantial potential for profit.

Territorial Gold plans to undertake an exploration and development program on remaining creeks on a systematic basis so they can be brought into production on a progressive basis in future years.

The following is the company's projected five year program for these properties:

Year	Projected Yards	Cost at \$8.00/Yd.	Gross Revenue at \$20.00/Yd.
1981	120,000	\$ 960,000.00	\$ 2,400,000.00
1982	150,000	\$ 1,200,000.00	\$ 3,000,000.00
1983	200,000	\$ 1,600,000.00	\$ 4,000,000.00
1984	280,000	\$ 2,240,000.00	\$ 5,600,000.00
1985	360,000	\$ 2,880,000.00	\$ 7,200,000.00

Note: Based upon gold at \$500 per raw ounce, which is about U.S. \$520 London per fine ounce.

In preparation for this spring and summer's operations on these creeks, Territorial Gold Placers Ltd., has readied three Caterpillar D-8 tractors, a 966 loader, a Caterpillar 14E grader, a new 12' x 38' sluice box, a new Cummins diesel powered 10" x 12" slurry pump, four trucks, four camp

buildings, 40,000 gallons of fuel and the required tanks, and the necessary pipe, welding equipment, tools, cutting edges, ripper teeth, replacement tracks, supplies, etc. for hauling into the property on a winter road. The value of the material and equipment to be moved in approximates \$1,200,000.00.

Operations, which commenced in April, are managed by Mr. Steve Van Bibber, who has been promoted from superintendent of the company's Henderson Creek mining operation. This will be Mr. Van Bibber's seventh mining season with Territorial Gold. His basic crew has been selected from the 1980 Henderson Creek and Black Hills Creek crews with a few new additions. Total permanent personnel in 1981 will be eight. Surveying, carpentry, gold-cleaning, maintenance, repair and helicopter services will be provided from the company's Black Hills Creek base camp as required. An airstrip at the junction of Scroggie Creek and Walhalla Creek (high on a bench) a few miles away will be lengthened and upgraded to permit fixed-wing aircraft to bring in groceries and other supplies from Whitehorse.

5. Other Properties

The company has control of a number of other non producing placer leases and claims. These are as follows:

Hunker Creek: In 1980, the company acquired 40 claims and a one mile lease on Hunker Creek. This creek has been a consistent producer since 1895 and has been extensively hand worked and dredged. The creek has produced in excess of \$229,000,000.00 since its discovery in 1895. There are several successful placer operations on the creek today. The company has no plans for production of this ground and will likely sell the property or arrange a suitable farm out.

Moose Creek: The company acquired fourteen miles of placer leases on Moose Creek in early 1979. This creek, a tributary of the Forty Mile River, is located west of Dawson City adjacent to and parallel with the Alaska-Yukon Border. It is accessible from the Top of the World Highway by means of a cat road. While the company has no immediate plans for production on this creek, it is interesting to note that other ground on the creek will be in production in the summer of 1981.

Tenderfoot: In line with the company's policy to take up ground adjacent to the company's operations, a 50% interest in four miles of placer leases were staked on Tenderfoot Creek in 1980. This creek lies immediately south of Henderson Creek. There are old workings on the Creek, but the company has no information on its potential as a placer producer, and no plans for production. This property will likely be developed in conjunction with Henderson Creek.

Montana and Steele Creeks: The company staked placer leases on these creeks in 1979 and currently has over 100 claims in good standing. The creeks lie immediately north and west of Black Hills. Steele is a tributary of Montana which drains into the Indian River. There is evidence of hand workings on Steele Creek. The company plans to carry out exploration on these creeks in 1981 and will likely develop the creeks in conjunction with Black Hills Creek.

Indian River Bench: The company staked a one mile placer lease a number of years ago on a bench on the Indian River at the mouth of Nine Mile Creek. This bench has old workings and has the potential to be a small but profitable operation. The company has no plans for production in 1981.

B. OVERALL PROJECTION FOR PLACER PRODUCTION

Territorial Gold Placers Ltd., is recognized as one of the most experienced placer mining companies in Canada. Its six years of successful operation has provided the company with an in depth understanding of modern placer mining operations. Previous projections of production have been remarkably consistent with results and the company is reasonably expectant that the projections given for each of the properties will be achieved.

Combining the projections for each of the camps, results in the company's overall five year planned production plan is as follows:

Year	Projected Yardage	Estimated Gold Recovery	Gross Revenue @ \$500/oz.
1981	580,000	18,300	\$ 9,060,000
1982	690,000	22,500	\$ 11,250,000
1983	820,000	27,000	\$ 13,500,000
1984	940,000	32,200	\$ 16,100,000
1985	1,080,000	38,400	\$ 19,200,000
Total for 5 years	4,110,000	138,400	\$ 69,110,000

The company is of the opinion that the properties can be maintained at the 1985 rate for a minimum of another five years beyond 1985. The project reserves to 1991 are, therefore, about 330,000 ounces of gold or \$16 million at a selling price of \$500.00.

When the rising price of gold is taken into consideration, the company obviously has a very healthy future.

C. MANAGEMENT

The company's placer mining operations are under the capable management of the company's President, Larry D. Barr. Mr. Barr has successfully worked the company's production from 2,330 ounces in 1975, to 8,300 in 1980. Prior to entering the placer field in 1975, Mr. Barr managed the mining production for a number of Jade Mines in British Columbia.

The company's maintenance and repair operations will be carried out from the company's base camp at Black Hills under the capable management of Ray Desgagne, Service Manager. Extensive facilities have been developed at this camp for this purpose.

Communications between camps is effected by means of an extensive radio telephone network and transportation will be by means of a fulltime leased helicopter.

D. ENGINEERING AND DEVELOPMENT

The company has currently engaged Mr. Robert Hilker, P.Eng., to produce an engineering report on all its placer properties. This will be followed up at a later date with an exploration and development program aimed at establishing the company's reserves on a more formal and scientific basis.

III. HARD ROCK DIVISION

A. Through Delphi Resources Ltd., and in its own right, the company has been involved in an exploration and development program on a number of hard rock prospects. The company plans to expand and intensify this work as funds become available. The program is described as follows: -

1. Boulder Creek Property

The company acquired through Delphi Resources, the A & B group of claims in 1974. At that time, the showing was for zinc, lead and silver. The company's geologist felt that the property warranted detailed exploration.

The claims are located in the valley of Boulder Creek, about three miles from its junction with Rancheria River at mile 701.6 on the Alaska Highway. Mile 701 is 70 miles west of Watson Lake, Yukon.

In 1977 an option agreement was signed with S.E.R.E.M. Ltd., who controlled other claims in the area. This was followed by a joint venture agreement between AMAX of Canada Ltd., S.E.R.E.M. Ltd., and Pan Ocean Oil Limited.

AMAX of Canada Ltd., have been carrying out a drilling program on the property and have outlined a possible porphyry molybdenum prospect at depth as well as a tungsten bearing skarn at 300-400 meters. Both of these warrant further exploration work and the 1981 program is planned to accomplish the following for an expenditure of \$150,000.00.

- a) Detailed mapping.
- b) Magnetometer survey.
- c) 600 meter drill program including penetration into the expected prophyry.

In the event of production from the property, the company has a carried net profits interest.

2. Lillooet River Project

An agreement was signed in April, 1980, whereby the company agreed to finance this project which is operated by J.M.T. Services Corporation. The initial work involved a mineral inventory followed by investigation of specific targets by road and by air.

The area to be covered was contained by the Fraser River on the east and south, the British Columbia Railway on the north and longitude 122° 50' W on the west. Much of the area lies within 100 air miles of Vancouver and has not generally been subject to heavy exploration efforts.

The first part of the program concentrated on possible massive sulfide deposits, the second on moly-copper or molybdenum porphyry's. The program resulted in three porphyry MoS₂ showings and two massive sulphide properties being staked.

The operation has recommended a further program of exploration and development costing \$125,000.00 and this is proceeding.

3. General

The company is planning to expand its involvement in hard rock prospects and is currently examining a number of other prospects.

IV. COMMERCIAL AND INDUSTRIAL DEVELOPMENT DIVISION

A. The seasonal nature of the company's placer operations, together with the increasing volume and resulting cash flow, led to an examination of other areas of endeavor. In 1979, the company decided to expand into commercial and industrial developments, and in line with this reasoning, acquired a full city block of land totalling 60,000 sq. ft. in downtown Whitehorse, Yukon, for the sum of \$1,125,000.00 in early 1980. In addition, another five lots on an adjacent block was also purchased.

1. The Gold Plaza

It is proposed to develop 'The Gold Plaza' on the block which is located between Wood and Jarvis Streets and between 2nd and 3rd Avenues, two blocks north of main street. The Gold Plaza will be a mixed use development consisting of a 280 room deluxe hotel, restaurants, lounges, meeting rooms, a 500 seat Community/Dinner Theatre, possibly a Casino operated by the Klondike Visitors Association, retail areas and general office space. The project is being carried out on a project management basis and the company's policy will be to use Yukon goods and services wherever possible.

2. Concrete and Aggregate Operations

In March, 1981, the company was presented with an opportunity to acquire the rights to a concrete manufacturing enterprise and a sand and gravel operation. It was decided to proceed with the purchase of these assets and continue the operations as part of the company's diversification program. Details of the operation are still being worked out. The assets of the two operations are estimated to be in excess of \$1,500,000.00.

3. Other Investments

The company has no development plans for property already purchased. It would be suitable for an office building or office/retail complex. The company will continue to look for good real estate investments in Whitehorse.

4. Management

The company's development program is under the direction of the company's Vice President, Fred R. Dorward, P.Eng. Mr. Dorward has had over twenty years experience in the construction industry.

V. LAPIDARY DIVISION

The Board of Directors authorized the formation of a Lapidary Division to investigate the possibility of marketing gemstone materials. This resulted from information on an excellent jade like material which was available in the Phillipines. A small budget was established and an investigative program is being carried out under the direction of Mr. Eric Layfield. Mr. Layfield, a Director of the Company since its formation, has over twenty years of experience in the lapidary field.

The company proposes to look into sources of materials such as jade, rhodonite, fuchite, etc. The emphasis will be on exotic type materials with good market potential.

VI. RESEARCH AND DEVELOPMENT

This program is currently being established and will have its emphasis on the company's mining operations specifically in the following areas, namely:

1. Equipment and mining methods.
2. Geologic literature searches.
3. New property acquisition.

In regard to the first, the company has from its early beginnings, been cognizant of the need for improvement in placer mining methods. The Ross sluice box was developed on the company's Black Hills and Henderson properties as a result of this policy. Improvements continue to be made on the company's sluice boxes.

Currently the company is looking at methods of processing concentrates, and alternative placer equipment is being researched. It is proposed to purchase equipment for study purposes in the 1981 season.

In regard to the second, the company has established a reference library, and as this is being built up, will be researching the literature in order to identify prospects in both hard rock and placers.

On the third, the company continues its policy of reviewing properties brought to their attention by prospectors and others. The company has an on-going grub stake program which will be continued.

V. FUTURE

As mentioned earlier in this report, Territorial Gold Placers Ltd., is a private company. Shares outstanding amount to 1,500,000 common shares - although a planned reverse takeover of the parent company, Delphi Resources Ltd., will result in a minor net addition to approximately the 1.54 million level. Share capital is Cdn. \$140,000.00. Retained earnings are in the \$2.5 million range. Long term debt is nil.

With two profitable years immediately behind it, an almost certainly very profitable mining season coming up, and six years of seasoning, Territorial Gold Placers Ltd., would seem to be a vehicle ripe for a public offering. And, assuming both the gold market and the Vancouver stock market hold up reasonably well over the next few months, Territorial Gold does indeed anticipate a public offering of its shares. Prior to the offering the company will likely split its existing outstanding shares 3 or 4 for one with a resultant offering price in the \$3 to \$4 range (post-split). It should be noted that this is the company's estimate of its worth as only very preliminary discussions have been held with members of the brokerage community who might underwrite the issue.

The company proposes to build a strong base for its operations in Whitehorse before making any extensive investments in other parts of Canada and the U.S.A.

TERRITORIAL GOLD PLACERS LTD.

INFORMATION CIRCULAR

May 20th 1981

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by the management of TERRITORIAL GOLD PLACERS LTD. (the "Company"), for use at the Annual General Meeting (the "Meeting"), of the Members of the Company, to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting and at any adjournment thereof. The cost of solicitation will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the accompanying form of Proxy are Directors of the Company. A MEMBER HAS THE RIGHT TO APPOINT A PERSON TO ATTEND AND ACT FOR HIM ON HIS BEHALF AT THE MEETING OTHER THAN THE PERSONS NAMED IN THE ENCLOSED INSTRUMENT OF PROXY. TO EXERCISE THIS RIGHT, A MEMBER SHALL STRIKE OUT THE NAMES OF THE PERSONS NAMED IN THE INSTRUMENT OF PROXY AND INSERT THE NAME OF HIS NOMINEE IN THE BLANK SPACE PROVIDED, OR COMPLETE ANOTHER INSTRUMENT OF PROXY. THE COMPLETED PROXY SHOULD BE DEPOSITED WITH THE REGISTERED OFFICE OF THE COMPANY AT SUITE 1830 -700 WEST GEORGIA STREET, VANCOUVER, B.C. AT LEAST 24 HOURS BEFORE THE TIME OF THE MEETING OR ADJOURNMENT THEREOF.

The Instrument of Proxy must be signed by the Member or by his Attorney in writing, or, if the Member is a corporation, it must either be under its common seal or signed by a duly authorized officer.

A Member who has given a proxy may revoke it at any time before it is exercised. A proxy may be revoked by instrument in writing executed by the Member or by his attorney authorized in writing, or, if the Member is a corporation, under its common seal, or by an officer or attorney thereof duly authorized and deposited with the Registered Office of the Company at Suite 1830 - 700 West Georgia Street, Vancouver, B.C. at least 24 hours before the time of the meeting or adjournment thereof.

VOTING OF SHARES AND EXERCISE OF DISCRETION OF PROXIES

On any poll, the persons named in the enclosed Instrument of Proxy will vote the shares in respect of which they are appointed and, where directions are given by the Member in respect of voting for or against any resolution, will do so in accordance with such direction.

IN THE ABSENCE OF ANY DIRECTION IN THE PROXY, IT IS INTENDED THAT SUCH SHARES WILL BE VOTED IN FAVOUR OF THE MOTIONS PROPOSED TO BE MADE AT THE MEETING AS STATED UNDER THE HEADINGS IN THIS INFORMATION CIRCULAR. The Instrument of Proxy enclosed, when properly signed, confers discretionary authority with respect to amendments or variations to the matters which may properly be brought before the Meeting. At the time of printing this Information Circular, the Management of the Company is not aware that any such amendments, variations or other matters are to be presented for action at the meeting. However, if any other matters which are not now known to the Management should properly come before the meeting, the Proxies hereby solicited will be exercised on such matters in accordance with the best judgment of the nominee.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

On May 20th 1981, 1,500,000 shares were issued and outstanding, each share carrying the right to one vote. Only those common shareholders of record on June 20th 1981 shall be entitled to vote at the forthcoming Annual General Meeting or any adjournment thereof in person or by proxy.

To the knowledge of the Directors and Senior Officers of the Company, only the following own, directly or indirectly, shares carrying more than 10% of the voting rights attached to all outstanding shares of the Company:

<u>Name of Shareholder</u>	<u>No. of Shares</u>	<u>Percentage of Issued and Outstanding</u>
Delphi Resources Ltd.	700,000	46.4
Howard Lo	230,900	15.4

The above information was supplied by the Registrar and Transfer Agent for the Company

ELECTION OF DIRECTORS

The persons named in the enclosed Instrument of Proxy intend to vote for the election of a Board of Directors comprised of five persons. The names of further nominees for Directors may come from the floor at the meeting. The Company has received no nominations for Directors pursuant to Sections 177 and 178 of the Company Act as set out in the Advance Notice of Meeting, published in the Vancouver Sun.

Each Director elected will hold office until the next Annual General Meeting or until his successor is duly elected, unless his office is earlier vacated, in accordance with the Articles of the Company.

INFORMATION CONCERNING NOMINEES SUBMITTED BY MANAGEMENT

<u>Name and Address</u>	<u>Present Principal Occupation</u>
Lawrence D. Barr 2203-1160 Haro St., Vancouver, B.C.	President of Company
Fred D. Dorward 7116-85th St., Edmonton, Alberta	Electrical Engineer
Barry J. Price 2155 W. 15th Ave., Vancouver, B.C.	Consulting Geologist
Robert J. Straight Box 3111, Mercury, Nevada 89023, U.S.A.	Chemist

4 .

Eric C. Layfield Businessman
R.R. 3, McIver Road,
West Bank,
B.,C.,
VOH 1RO

APPOINTMENT AND REMUNERATION OF AUDITORS

The persons named in the enclosed Instrument of Proxy will vote for the appointment of Lohn and Company, Chartered Accountants as auditors for the Company, to hold office until the next Annual General Meeting of the Members, at a remuneration to be fixed by the Board of Directors.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the Directors or Senior Officers of the Company, or any associate or affiliate of such person or company, has any material interest, direct or indirect, in any transaction during the past year or any proposed transaction which has materially affected or will materially affect the Company.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

The Management of the Company knows of no other matters to come before the meeting other than those referred to in the Notice of Meeting. Should any other matters properly come before the Meeting, the shares represented by the Proxy solicited hereby will be voted on such matter in accordance with the best judgement of the persons voting by proxy.

DATED at Vancouver, B.C. this 20th day of May,
1981.

BY ORDER OF THE BOARD



territorial gold placers ltd.

209 — 303 JARVIS STREET
WHITEHORSE, YUKON Y1A 2H3
CANADA (403) 667-6888

F I N A N C I A L S T A T E M E N T S

FOR THE PERIOD ENDING

DECEMBER 31, 1979

TERRITORIAL GOLD PLACERS LTD.

Balance Sheet

December 31, 1979

	<u>ASSETS</u>	<u>1979</u>	<u>1978</u>
CURRENT ASSETS			
Accounts Receivable (Note 6)		\$ 1,421,893.70	\$ 36,468.18
Prepaid Expense		39,146.49	30,360.46
Inventory		54,516.00	25,709.76
		\$ 1,515,556.19	\$ 92,538.40
FIXED ASSETS			
Equipment at Cost (Note 2)		\$ 1,310,032.22	\$ 491,684.10
Less: Accumulated Depreciation (Note 2)		363,354.27	308,014.37
		946,677.95	183,669.73
Roads - (Note 3)		64,934.53	64,934.53
Land and Buildings		9,000.00	9,000.00
		\$ 1,020,612.48	\$ 257,604.26
OTHER ASSETS			
Investments		\$ 8,085.43	\$ 3,970.43
Interests in Mineral Properties (Note 9)		39,938.16	59,571.52
Deferred Costs (Note 1, Schedule 2)		188,934.30	399,099.85
Incorporation Costs		753.41	753.41
		\$ 237,711.30	\$ 463,395.21
<u>Total Assets:</u>		\$ 2,773,879.97	\$ 813,537.87

LIABILITIES

CURRENT AND LONG TERM LIABILITIES			
Accounts Payable and Accrued		\$ 396,892.34	\$ 229,206.73
Bank Indebtedness		119,044.77	29,380.81
Notes Payable		8,286.27	13,361.00
Accrued Interest		13,415.26	28,696.64
Equipment Liability (Note 4)		642,707.14	-0-
Long Term Debt (Note 5)		411,287.29	542,250.27
		\$ 1,591,633.07	\$ 963,144.45
<u>Total Liabilities:</u>		\$ 1,591,633.07	\$ 963,144.45

SHAREHOLDER'S EQUITY

SHARE CAPITAL:			
Authorized: 10,000,000 Common Shares of no par value;			
Issued: 1,500,000 Common Shares		\$ 140,200.00	\$ 140,200.00
RETAINED EARNINGS:			
Balance, Previous Year End (Deficit)		\$ (289,806.58)	\$ (282,925.44)
Net Income For Year (Loss)		1,282,668.04	(6,881.14)
		\$ 992,861.46	\$ (289,806.58)
RESERVE:			
Commitment re Sale of Equipment (Note 8)		\$ 49,185.44	\$ -0-
Total: Liabilities and Shareholder's Equity		\$ 2,773,879.97	\$ 813,537.87

APPROVED ON BEHALF OF THE BOARD:

TERRITORIAL GOLD PLACERS LTD.

Income Statement

For the year ended December 31, 1979

	<u>1979</u>	<u>1978</u>
Revenue: Gold and Silver Sales	\$ 2,430,172.02	\$ 1,213,060.10
Add: Inventory Adjustment	28,806.24	15,013.36
	<u>\$ 2,458,978.26</u>	<u>\$ 1,228,073.46</u>
Less: Gold Purchases	35,000.00	-0-
Sales Expenses	14,964.75	15,276.07
Production Royalties Paid to Property Vendors	232,146.33	141,181.19
Net Revenue From Gold and Silver Sales	<u>\$ 2,176,867.18</u>	<u>\$ 1,071,616.20</u>
Net Production Expenses (Schedule 1)	<u>\$ 1,669,216.69</u>	<u>\$ 874,096.31</u>
Net Operating Income	\$ 507,650.49	\$ 197,519.89
Administrative and Financing Expenses -- (Schedule 1)	<u>\$ 220,581.51</u>	<u>\$ 207,042.06</u>
Net Income (Loss) Before Other and Extraordinary Income	\$ 287,068.98	\$ (9,522.17)
Other Income (Loss):		
Interest	12,087.91	-0-
Gain on Sale of Investment	-0-	2,641.03
Loss on Sale of Fixed Assets (Note 2)	(2,968.43)	-0-
Net Other Income	<u>\$ 9,119.48</u>	<u>\$ 2,641.03</u>
Extraordinary Income (Loss):		
Gain on Sale of Resource Properties (Note 9, Schedule 3)	\$ 1,099,686.30	\$ -0-
Reserve Appropriation: Commitment re Sale of Equipment (Note 8)	(49,185.44)	-0-
Net Extraordinary Income	<u>\$ 1,050,500.86</u>	<u>\$ -0-</u>
Net Income Before Writeoff	\$ 1,346,691.32	\$ -0-
Less: Deferred Administrative Expenses from 1974, 1975 (Schedule 2)	64,023.28	-0-
Net Income For Year	<u><u>\$ 1,282,668.04</u></u>	<u><u>\$ (6,881.14)</u></u>

TERRITORIAL GOLD PLACERS LTD.

Schedule 1

Schedule of Production, Administration and
Financing Expense for the year ended December 31, 1979

	<u>1979</u>	<u>1978</u>
PRODUCTION EXPENSE:		
Aircraft Charter	\$ 5,827.15	\$ 4,222.73
Automotive	60,066.67	28,245.30
Camp Operation and Supplies	82,191.43	45,155.16
Communication	14,992.12	4,599.95
Depreciation: Field Equipment and Facilities - (Note 2)	55,339.90	77,351.34
Expediting	11,500.00	2,525.00
Fuel	190,460.93	100,051.18
General Supplies and Services	104,123.50	17,943.54
Heavy Equipment Leases and Rentals	315,070.86	129,382.00
Heavy Equipment Repairs and Maintenance	289,959.13	95,979.14
Insurance	8,054.28	5,471.16
Travel and Accommodation	12,501.64	6,651.53
Transportation and Hauling	64,949.98	17,994.36
Wages and Benefits and Field Supervision	609,299.10	365,723.93
Total Production Expenses:	\$1,824,336.69	\$ 901,296.31
Less: Site Preparation and Stripping Expenses		
Recovered	75,120.00	-0-
Allocation for Capital Equipment Built on Site	80,000.00	-0-
Allocations to Deferred Expenditure Accounts	-0-	27,200.00
Total Deductions:	\$ 155,120.00	\$ 27,200.00
Net Production Expenses:	\$1,669,216.69	\$ 874,096.31
 ADMINISTRATIVE AND FINANCING EXPENSE:		
Accounting and Legal Fees	\$ 7,585.01	\$ 8,542.93
Advertising and Promotion	14,968.92	10,323.31
Financing Costs	149,464.78	148,107.03
Management Fees and Officer's Remuneration	37,800.00	33,000.00
General Office and Administrative Expense	6,896.65	7,068.79
Dues and Donations	2,950.00	-0-
Bad Debts	916.15	-0-
Net Administrative and Financing Charges	\$ 220,581.51	\$ 207,042.06

TERRITORIAL GOLD PLACERS LTD.

Schedule 2

Schedule of Deferred Expenditures

For the year ended December 31, 1979

ON MINERAL PROPERTIES: (Note 1)

Henderson Creek:

Balance December 31, 1979 - no net change in 1978 or 1979.		\$ 85,270.90
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Black Hills Creek:

Balance December 31, 1977 - no net change in 1978 or 1979.		\$ 103,663.40
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Lower Dominion Creek:

Balance December 31, 1978.	\$ 21,462.00	
Written off to sale of royalty interest, 1979.	<u>(21,462.00)</u>	-0-

Lower Dominion Creek ('Gold Run' option):

Balance December 31, 1978.	102,396.27	
Engineer's Report, 1979.	<u>1,681.99</u>	
Sub-Total:	\$ 104,078.26	
Written off to sale of option, 1979.	<u>(104,078.26)</u>	-0-

Eureka Creek:

Balance December 31, 1978.	\$ 22,284.00	
Written off to sale of property, 1979.	<u>(22,284.00)</u>	-0-

Total Deferred Expenditures on Mineral Properties		\$ <u>188,934.30</u>
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ON ADMINISTRATION: (Note 1)

Balance from 1974 and 1975 - no additions in 1976, 1977, 1978, 1979.	\$ 64,023.28	
Written off against Income, 1979.	<u>(64,023.28)</u>	-0-

Total Deferred Expenditures		\$ <u>188,934.30</u>
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TERRITORIAL GOLD PLACERS LTD.

Schedule 3

Income from Sale of Resource Properties
for the year ended December 31, 1979

Proceeds of sale of Lower Dominion Creek 'Gold Run' Option		\$ 300,000.00
Less: Cost of Acquisition: (Note 9)	\$ 40,000.00	
Development Costs (Schedule 2)	<u>104,078.26</u>	<u>144,078.26</u>
Gain:		\$ 155,921.74
Proceeds of sale of royalty interest on Lower Dominion Creek		\$ 125,000.00
Less: Development Costs (Schedule 2)		<u>21,462.00</u>
Gain:		\$ 103,538.00
Proceeds of sale of Eureka and Eldorado Creek properties. (Net after deduction of fair market value of equipment and facilities sold with property)		\$1,054,000.00
Less: Cost of Disposition -		
Legal Fees	\$ 4,800.00	
Finders Fee	44,000.00	
Buy out of royalty interest	<u>70,000.00</u>	<u>\$ 118,800.00</u>
Net proceeds of Disposition		\$ 935,200.00
Less: Cost of acquisition (Note 9)	\$ 72,689.44	
Development Costs (Schedule 2)	<u>22,284.00</u>	<u>\$ 94,973.44</u>
Gain:		\$ 840,226.56
Net Income from Sale of Resource Properties		<u>\$1,099,686.30</u>

TERRITORIAL GOLD PLACERS LTD.
Notes to Financial Statements
December 31, 1979

1. ACCOUNTING POLICIES — Deferred Expenditures

In previous years the company has deferred (capitalized) current expenditures on properties which were being prepared for production or being held for possible future production, although in 1979 there were no such expenditures and previously deferred expenditures were written off against the proceeds of sale of properties which were sold during the year (see Schedules 2 and 3).

In addition, the company has in the past deferred expenditures on properties which are in production which relate to preparations being made for mining in future years. There were no net additions to these accounts in 1979.

During 1974 and 1975 the company deferred administrative expenditures. These were written off against 1979 profits (see Income Statement).

2. EQUIPMENT — DEPRECIATION

At 31 December, 1979 the company owned five Caterpillar D8 tractors, a 2-yd. dragline, two completely equipped mining camps, service trucks, pumps and welders, plus sluice boxes and other mining equipment. This equipment is being depreciated at an annual rate of 30% on the declining balance although in 1979, for accounting purposes, no depreciation was taken on \$577,853 in new equipment which was acquired in December of the year as it had not yet been put into service.

As part of the Eureka Creek sale agreement the company sold camp facilities and equipment. In addition, during the year the company sold certain equipment for its salvage value. These transactions affected the company's accounts as follows:

Proceeds of disposal of fixed assets in Eureka Creek sale:	\$181,000.00
Less: Original cost:	<u>152,468.43</u>
Gain:	\$ 28,531.57
 Proceeds of disposal of fixed assets for salvage value:	 \$ 2,000.00
Less: Original cost:	<u>33,500.00</u>
Gain: (Loss):	\$(31,500.00)
Net Gain (Loss) on disposal of fixed assets:	\$ (2,968.43)

These transactions resulted in a recapture of \$101,633.57 in accumulated depreciation allowances taken in previous years. Based on an unclaimed capital cost base of \$522,344.98 (excluding \$577,853.00 in new equipment purchases as explained above), this year's depreciation allowance at 30% was \$156,703.47 less the \$101,633.57 recapture for a net of \$55,339.90 as reported in Schedule 1.

3. ROAD CONSTRUCTION

The company has constructed or rebuilt 33 miles of road between Dominion Creek and Henderson Creek at a net cost of \$64,935.00.

4. EQUIPMENT LIABILITY

This sum includes \$589,054.00 financed by an equipment supplier on 36 - month terms.

5. LONG TERM DEBT

In 1978 the principal source of the company's financing assigned \$550,390.00 (principal and interest) of the company's total debt to that source to a Hong Kong bank. The company subsequently capitalized the said sum at an interest rate of 15% per annum in a \$720,000.00 debenture to the Hong Kong bank which called for payments of \$20,000.00 per month commencing July 25, 1978. During the year the company paid \$220,000.00 on this account. At year end the principal sum due on the debenture was \$411,287.29. Interest arrears at year end were \$12,805.96.

6. ACCOUNTS RECEIVABLE

Of the sum of \$1,421,893.70 shown, \$98,183.19 was due from a gold refinery and \$1,260,000.00 was owed by companies to which resource properties were sold. These sums were collected on schedule over the ensuing seven months.

7. INCOME TAXES

Due to previous years' losses and to accelerated depreciation allowances, reserve allocations and other allowances permitted under the Income Tax Act and related regulations, the company had no income tax liability for the period. Note that no provision for 'deferred income taxes' has been made in this presentation.

8. RESERVE ALLOCATION FOR COMMITMENT RE SALE OF EQUIPMENT

As part of the Eureka Creek sale agreement, the company agreed to rebuild a tractor to a specified condition. The actual cost of the repairs, undertaken in a subsequent fiscal period, is taken as a reserve in 1979 to avoid distorting operating costs in the subsequent period.

9. INTERESTS IN MINERAL PROPERTIES

The company has placer mining claims and leases or operating rights on mining claims on a number of creeks in the Dawson City area of the Yukon Territory. Henderson Creek and Black Hills Creek have been in production since 1975, and a new property on upper Dominion Creek will be prepared for production in 1980. Many of the company's properties are held subject to the payment of production royalties at various rates (with minimum annual guarantees in some cases) to the

original vendors and to Forum Resources Ltd. (formerly United Leisure Gold Ltd.) and to sources which have provided financing for the company.

The net direct costs (payments to vendors and staking costs less royalty interests sold) of these properties are:

Henderson Creek	- Forward from 1975	\$ 29,321.52	
	- Additional staking, 1979	<u>1,853.75</u>	\$ 31,175.27
Lower Dominion Creek ('Gold Run' option)			
	- Forward from 1975	\$ 15,000.00	
	- Paid to vendor, 1979	25,000.00	
	- Written off to sale, 1979	<u>(40,000.00)</u>	-0-
Eureka Creek	- Forward from 1978	\$ 23,250.00	
	- Written off to sale, 1979	<u>(23,250.00)</u>	-0-
Eldorado Creek	- Purchased 1979	\$ 49,439.44	
	- Written off to sale, 1979	<u>(49,439.44)</u>	-0-
Black Hills Creek	- Forward from 1975		
	- No changes 1979		\$ (8,000.00)
Upper Dominion Creek	- Purchased 1979	\$ 60,000.00	
	- Finder's fee paid, 1979	3,000.00	
	- Royalty interest sold, 1979	<u>(50,000.00)</u>	\$ 13,000.00
Montana Creek, Steele Creek	- Staked, 1979	<u>\$ 3,762.89</u>	<u>\$ 3,762.89</u>
			<u>\$ 39,938.16</u>