



**WESDOME GOLD MINES LTD.  
Suite 1305, 8 King Street East  
Toronto, Ontario  
M5C 1B5**

**ANNUAL INFORMATION FORM  
For the year ended December 31, 2005**

March 31, 2006

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## **PRELIMINARY NOTES**

In this Annual Information Form, information is given as at December 31, 2005 unless stated otherwise. Wesdome Gold Mines Ltd. (“Wesdome” or the “Corporation”) is the corporation resulting from the merger (the “Merger”) of River Gold Mines Ltd. (“River”) and Wesdome Gold Mines Inc. (“Old Wesdome”) on February 1, 2006. The description of the corporate structure and business of the Corporation is based on the Merger having been completed.

### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This Annual Information Form contains forward-looking statements concerning the Corporation’s plans at the Eagle River mine, the Kiena mine property, the Shawkey property (No. 22 Structure) and the Wesdome property (“A” Zone), estimated production, capital and operating cash flow estimates and other matters. These statements relate to analyses and other information based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Statements concerning mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if any of the Corporation’s exploration properties is developed. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects”, “is expected”, “anticipates”, “plans”, “projects”, “estimates”, “assumes”, “intends” “strategy”, “goals”, “objectives”, “potential” or variations thereof or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be “forward-looking statements.” Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation:

- uncertainty of production at the Corporation’s mineral exploration properties;
- risks related to the Corporation’s ability to commence production and generate material revenues from its exploration properties;
- uncertainty of capital costs, operating costs, production and economic returns;
- risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of the Corporation’s mineral deposits;
- gold and other commodity price fluctuations;
- share price fluctuations
- risks related to the Corporation’s current intention not to use hedging arrangements;
- currency fluctuations;
- risks related to governmental regulations, including environmental regulations;
- risks related to reclamation activities on the Corporation’s properties;
- the Corporation’s ability to attract and retain qualified management;
- the Corporation’s lack of infrastructure;

- mining and development risks, including risks related to accidents, equipment breakdowns, labour disputes, hazardous or inclement weather or other unanticipated difficulties with or interruptions in production;
- uncertainty related to title to the Corporation's mineral properties;
- insurance risk;
- the Corporation's ability to acquire additional commercially mineable mineral rights; and
- increased competition in the mining industry.

This list is not exhaustive of the factors that may affect any of the Corporation's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Corporation or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in this Annual Information Form under the heading "Risk Factors" and elsewhere.

The Corporation's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Corporation does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

#### **INFORMATION CONCERNING PREPARATION OF RESOURCE ESTIMATES**

Mineral reserves and resource estimates included in this Annual Information Form have been calculated in accordance with National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101") adopted by Canadian securities regulators. The terms "mineral reserves", "proven mineral reserves" and "probable mineral reserves" used herein have the meanings ascribed thereto in the Canadian Institute of Mining Standards on Mineral Resources and Reserves Definitions and Guidelines. Except as otherwise indicated, reserve estimates included herein have been prepared by George Mannard, P.Geol., Vice President, Exploration of Wesdome, "Qualified Person" in accordance with NI-43-101.

#### **CAUTIONARY NOTE TO U.S. INVESTORS**

This Annual Information Form has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. Unless otherwise indicated, all resource estimates included in this Annual Information Form have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining and Metallurgy Classification System. NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

Canadian standards differ significantly from the requirements of the United States Securities and Exchange Commission ("SEC"), and resource information contained herein may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserves". Under U.S. standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve

determination is made. The SEC's disclosure standards normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by U.S. standards in documents filed with the SEC, unless such information is required to be disclosed by the law of the Corporation's jurisdiction of incorporation or of a jurisdiction in which its securities are traded. It should also be understood that "inferred mineral resources" have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. Under Canadian rules, estimated "inferred mineral resources" may not form the basis of feasibility or pre-feasibility studies except in rare cases. In addition, it cannot be assumed that all or any part of an "inferred mineral resource" exists or is economically or legally mineable. Disclosure of "contained ounces" is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report "resources" as in place tonnage and grade without reference to unit measures.

## WESDOME GOLD MINES LTD.

### 1. CORPORATE STRUCTURE

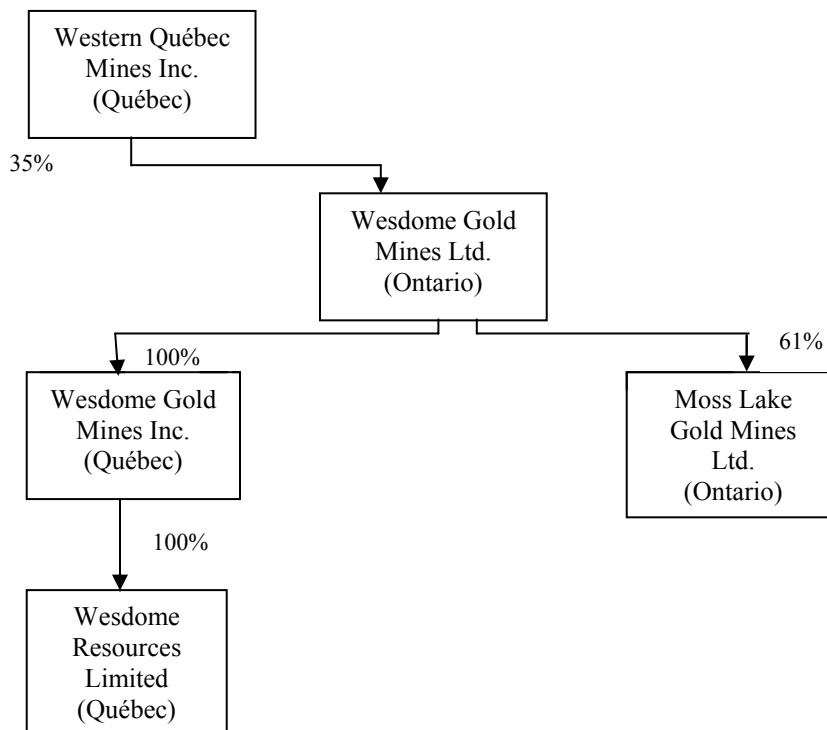
#### 1.1 Name, Address and Incorporation

The Corporation was incorporated under the laws of the Province of British Columbia on October 21, 1980 under the name “Central Crude Ltd.” By Articles of Amendment effective January 8, 1991, the original articles of the Corporation were deleted in their entirety and replaced and its authorized capital was increased. Effective July 2, 1991, Articles of Continuance were filed in the Province of Ontario such that the Corporation is presently governed by the *Business Corporations Act* (Ontario). By Articles of Amendment effective July 27, 1994, the Corporation changed its name to “River Gold Mines Ltd.” and by Articles of Amendment effective February 1, 2006, the Corporation effected the Name Change (as hereinafter defined) and the Consolidation (as hereinafter defined). See “General Development of the Business – The Merger”.

The Corporation’s registered and principal office is at 8 King St. East, Suite 1305, Toronto, Ontario M5C 1B5. Telephone: (416) 360-3743, Facsimile: (416) 360-7620, e-mail: [info@wesdome.com](mailto:info@wesdome.com), website: [www.wesdome.com](http://www.wesdome.com).

#### 1.2 Inter-Corporate Relationships

As at March 31, 2006, the Corporation owned 100% of the common shares of Wesdome Gold Mines Inc. (“Old Wesdome”) and approximately 61% of the common shares (the “Moss Lake Shares”) of Moss Lake Gold Mines Ltd. (“Moss Lake”). In addition, as at such date, Western Québec Mines Inc. (“WQM”) owned approximately 35% of the issued and outstanding common shares in the capital of the Corporation (the “Common Shares”). The following chart describes the intercorporate relationships amongst the Corporation and its material subsidiaries as at March 31, 2006, including the percentage of voting securities of the subsidiary owned by the Corporation and the jurisdiction of the subsidiary:



Additionally, there are certain relationships in terms of common management within the structure of these inter-corporate relationships which, with a view towards clarifying disclosure, are tabulated below.

	<u>Occupation</u>	<u>Position or Office</u>	<u>Director Since</u>	<u>Western Québec Mines Inc.</u>	<u>Wesdome Gold Mines Ltd.</u>	<u>Moss Lake Gold Mines Ltd.</u>
A. David Birkett Calgary, Alberta	President of Landis Mining Corporation	Director V-Pres, Corporate Development	1999			X * X
Marc Blais St-Lambert, Québec	President of Dynacor Mines Inc.	Director	2006		X *	
Paul Cregheur Harricana Ouest, Québec	President, Wesdome Gold Mines Ltd. Vice-President, Operations of Western Québec Mines Inc.	Director President Vice-President, Operations	2006	X	X X	
John Hilland Calgary, Alberta	Consulting Geologist	Director	2004			X *
Roger W Jolicoeur Dubuisson, Québec	Mining Consultant	Director	2006		X *	
Robert K Landis Weston, Mass.	Private Investor	Director	2001	X *		
George Mannard Toronto, Ontario	Wesdome Gold Mines Ltd. Vice-President, Exploration	Director President Vice-President, Exploration	1994		X	X X
Jean Martineau Blainville, Québec	Chairman of the Board, Dynacor Mines Inc.	Director	2006		X *	
Brian Northgrave Ottawa, Ontario	Consultant	Director	2004	X *		
Donald Orr Toronto, Ontario	Secretary-Treasurer of Wesdome Gold Mines Ltd.	Director Director Secretary-Treasurer	1984 1994	X X	X X	X
Donovan Pollitt Toronto, Ontario	Vice-President, Corporate Development of Wesdome Gold Mines Ltd.	Vice-President, Corp. Development			X	
Murray H Pollitt Toronto, Ontario	President, Pollitt & Co Inc. an investment dealer	Director Director Chairman of the Bd	1985 1994	X X	X X	
Barry G Smith Oakville, Ontario	Businessman	Director Director President	1991 2005	X X	X	
Rowland Uloth Burlington, Ontario * <i>Audit Committee</i>	President, Rosedale Group, a logistics company	Director	1999		X	

## 2. GENERAL DEVELOPMENT OF THE BUSINESS

### 2.1 Overview

On March 1, 1994 Western Québec Mines Inc. (“WQM”) purchased control of the Corporation (then Central Crude Ltd.) from Hemlo Gold Mines Inc., when the Corporation was basically dormant. The Eagle River property, the main property of the Corporation at the time, had existing underground development and near surface reserves. During 1994, WQM announced its intention to restructure its interest in the Corporation and the Eagle River property so that the Corporation would own 100% of the Eagle River property. The Corporation also decided to obtain the financing necessary to bring the Eagle River property into commercial production. The Corporation commenced commercial production on the Eagle River property on January 1, 1996 and has been in continuous production ever since. The Corporation’s properties have produced 786,864 ounces of gold as of December 31, 2005.

The Corporation is a Canadian-based mining company engaged in the mining, exploration and development of precious metal properties. The Corporation’s principal income producing asset is its interest in the Eagle River mine located in Ontario. The Corporation also has an interest in a number of exploration and development projects, including the Kiena mine property, the Shawkey property (No. 22 Structure) and the Wesdome property (“A” Zone).

In 2005, the Corporation owned and operated the Eagle River mine, the Mishi mine, and the River Gold mill. In 1998, the Corporation acquired the Mishi property located near the River Gold mill. In 2000, the Corporation acquired a 75% joint venture interest in the Magnacon properties. In 2003, the Corporation commenced an underground exploration program at Magnacon with the dual purpose of evaluating its potential and providing access to resources on the neighbouring Mishi property.

In 2005, its tenth year of production, the Corporation produced 53,100 ounces of gold (2004 – 71,000 ounces). Expenditures in 2005 on exploration and development totalled \$1.8 million (2004 - \$7.1 million). As at December 31, 2005, the Corporation had 130 full-time employees.

### 2.2 Three Year History

During this period (2003 – 2005), the Corporation produced gold from two properties (the Eagle River property and the Mishi property), conducted exploration and underground development at the Magnacon property, completed a series of small financings primarily to fund exploration and invested in Moss Lake to fund its exploration work. A brief chronological description of these developments follows.

Property	Gold (oz)			
	2003	2004	2005	Total
Eagle River property	70,781	66,800	53,100	190,681
Mishi property	3,256	4,200	0	7,456
<b>Total (oz)</b>	<b>74,037</b>	<b>71,000</b>	53,100	198,137

## 2.3 Financial Arrangements

In 2003, the Corporation repaid the remaining \$600,000 principal amount of promissory notes, issued in 1999. These notes had 600 warrants exercisable at \$1.40 per common share attached to each \$1,000 principal amount. All 600,000 warrants were exercised in the amount of \$840,000. These transactions eliminated outstanding debt obligations.

In October, 2003, 2,602,413 warrants originally issued in connection with a rights offering in 2001 were exercised at \$1.35 netting the Corporation \$3.5 million.

In order to fund exploration, the Corporation completed the following private placements during the period:

2003	571,429 flow-through common shares @ \$3.50 per share to net \$1.9 million
2004	950,000 flow-through common shares @ \$3.45 per share to net \$3.15 million
2005	3,500,000 units @ \$1.00 per share to net \$3.5 million

During the period, the Corporation continued to fund Moss Lake by purchasing Moss Lake Shares for working capital or in settlement of advances owing. These investments are summarized below.

2003	4,000,000 shares @ \$0.12 per share for \$480,000
2004	330,000 shares @ \$0.15 for \$49,500
2005	nil

As of December 31, 2005, the Corporation owned 24,119,445 Moss Lake Shares or 61% of the issued and outstanding Moss Lake Shares.

## 2.4 Subsequent Events

### The Merger

On February 1, 2006, the Corporation and Old Wesdome completed the Merger, which involved the amalgamation of Old Wesdome with a wholly-owned subsidiary of the Corporation (the "Amalgamation"). Immediately prior to the Amalgamation, the Corporation filed articles of amendment (i) changing its name to "Wesdome Gold Mines Ltd." (the "Name Change") and (ii) consolidating (the "Consolidation") the outstanding common shares of the Corporation on the basis that 1.538461538 of a common share of the Corporation (each a "Pre-Consolidation Share") became one common share of the Corporation (each a "Post-Consolidation Share"). Upon the Amalgamation, each common share in the capital of Old Wesdome (each an "Old Wesdome Share") was exchanged for one Post-Consolidation Share and the shareholders of Old Wesdome became shareholders of the combined entity. Immediately following the Merger, WQM owned or exercised control or direction over 29,147,147 Post-Consolidation Shares or approximately 38% of the outstanding common shares of the Corporation. The term "Common Share" is used interchangeably herein to describe a Pre-Consolidation Share or a Post-Consolidation Share as the context requires.

In connection with the Merger, the Old Wesdome Shares were delisted from the TSX Venture Exchange at the close of business on February 3, 2006 and the Post-Consolidation Shares commenced trading on the Toronto Stock Exchange (the "TSX") at the opening of trading on February 6, 2006.

## **The Offering**

On March 23, 2006, the Corporation successfully completed a public offering of 9,000,000 Common Shares at a price of \$2.20 per share for gross proceeds of \$19,800,000 (the "Offering"). The Offering was completed by way of a short form prospectus through a syndicate of underwriters led by CIBC World Markets Inc. (the "Underwriters"). The Underwriters also have an option to purchase up to an additional 1,350,000 Common Shares for a period of 30 days after the closing. The net proceeds of the Offering will be used by Wesdome toward completion of Phase I of the underground exploration and development plan for the Kiena mine property (as noted in the joint management circular of River Gold Mines Ltd. and Wesdome Gold Mines Inc. dated December 29, 2005 under the heading "Summary of Wesdome Technical Report") and, if warranted, toward the completion of Phase II, for continued resource drilling and for general working capital purposes.

## **WQM Loan and Repayment**

As stated herein under the heading "Interests of Management and Others in Material Transactions", on February 15, 2006, WQM loaned the sum of \$1,800,000 to the Corporation. The loan bore interest at the rate of eight per cent per annum, payable semi-annually on August 15 and February 15 of each year. The principal amount of the loan, together with the accrued interest thereon, were due on demand. The terms of the loan provided that, subject to regulatory approval, if the Corporation undertook a public equity offering, WQM had the option (the "Conversion Option") of converting the principal amount of the loan plus all accrued and unpaid interest into Common Shares at the offering price under the offering undertaken by Wesdome during the same period. As the Corporation completed the Offering on March 23, 2006, the Corporation issued 824,637 Common Shares to WQM upon the exercise of Conversion Option. Taking into account the Common Shares issued pursuant to the Offering and the Common Shares issued to WQM upon the exercise of the Conversion Option, as of the date hereof, WQM owns 29,971,784 Common Shares (or approximately 35 % of the issued and outstanding Common Shares).

## **3. DESCRIPTION OF THE BUSINESS**

### **3.1 General**

The Corporation is a mining, exploration and development business and has been producing gold and generating revenues of over \$30 million annually for ten years. The principal product of the Corporation is gold in the form of doré bars. The gold is further refined at the Royal Canadian Mint to produce gold that meets international delivery standards. The gold is refined under commercially competitive terms common to the industry. About one ounce of by-product silver is recovered for each ten ounces of gold. Gold is sold on numerous markets worldwide and, at any time, it is not difficult to ascertain the current market price. The Corporation is not dependent upon any one customer.

As of March 31, 2006, the Corporation's principal properties were the Eagle River property, the Kiena mine property, the Wesdome property and the Shawkey property. The properties are described in detail below.

### **3.2 The Eagle River Property**

The information in this section is summarized or extracted from the "Technical Report on the Eagle River Mine for River Gold Mines Ltd.", dated December 22, 2005 (the "Eagle River Technical Report"),

prepared by George Mannard, P. Geo, of the Corporation, and Henrik Thalenhorst, P. Geo, Strathcona Mineral Services Limited (“Strathcona”), each of whom is a “Qualified Person” in accordance with National Instrument 43-101 (“NI 43-101”).

Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Eagle River Technical Report which is available for review on SEDAR located at [www.sedar.com](http://www.sedar.com).

### **Eagle River Mine**

The Eagle River mine is located 50 kilometres west of Wawa, Ontario, Canada and is owned 100% by the Corporation. It has been in continuous commercial production since 1996. Due to increasing costs for energy and consumables, the reduced availability of skilled manpower and unfavourable currency exchange rates, the Corporation’s management completed a comprehensive review of operations in the summer of 2005, which resulted in the decision to reduce the production rate of the mine from 700 tonnes per day (tpd) to 300 tpd and to reduce the number of employees by one-half.

### **Terms of Reference**

Strathcona Mineral Services Limited (“Strathcona”) was retained by the Corporation to provide an independent technical report on the Eagle River mine. The Eagle River Technical Report was requested by the Corporation in connection with its merger with Wesdome Gold Mines Inc. The Eagle River Technical Report was jointly authored by George Mannard, P. Geo, Vice President Exploration of the Corporation, and Henrik Thalenhorst, P. Geo, of Strathcona, who assumes overall responsibility for its contents and conclusions. Messrs. Mannard and Thalenhorst are both “Qualified Persons” as such term is defined by NI 43-101.

### **Sources of Information**

The Eagle River mine mineral resource and reserve estimates are based on data acquired by exploration and development conducted on the property from 1987 to present.

### **Property Description and Location**

The Eagle River mine property is located at 48° N latitude and 85° 30’ W longitude, 50 kilometres due west of Wawa, Ontario near the northeast coast of Lake Superior.

The mineral properties of the Corporation are in two groups that reflect the project history. The northern group covers the former Magnacon (75% to 77.8% owned by the Corporation) and Mishi properties (100% owned by the Corporation) and includes the mill and tailings site for the current operation. The southern group encompasses the Eagle River mine property (100% owned by the Corporation) and consists of three 21-year renewable mining leases and 431 staked claims covering a combined area of 7782 hectares. The southern property is broadly rectangular in geometry, stretching for a length of 18 kilometres east-west and averaging about three kilometres in width, with the Eagle River mine located in its west-central portion.

As at the date of the Eagle River Technical Report, all permits and licences required for the conduct of mining operations at Eagle River were in good standing.

## **Accessibility, Climate, Local Resources, Infrastructure and Physiography**

Access to the Eagle River mine site is via road – travelling northwest on Highway 117 for 50 kilometres from Wawa then southward 70 kilometres along the Paint Lake Road. The access road is a secondary gravel road and the trip from Wawa takes about 1.5 hours.

The mill site is at the former Magnacon mine located 17 kilometres by road north of the Eagle River mine site.

The climate is temperate continental with some marine influence from Lake Superior involving extended fall seasons and late spring arrivals.

Mean annual rainfall is 669 millimetres and mean annual snowfall is 278 centimetres. Over the last 10 years interruptions to Eagle River operations have totalled about 6 weeks due to flooding and lightning strikes affecting infrastructure.

The property is situated in the Algoma Highlands, a rugged plateau steeply incised by north-south drainages fed by SE and SW flowing tributaries. The mine site is situated approximately 320 metres above Lake Superior, near the headwaters of the Eagle River.

The Eagle River area is in the transition area between the Great Lakes-St. Lawrence Mixed Forest Zone and the Southern Boreal Forest Zone. More specifically, it has been identified as the Superior Section of the Boreal Forest Region with forest cover varying from mixed hardwoods and softwoods to pure stands of black spruce and jack pine.

The property is glacially scoured supporting only rare occurrences of primary morainal till and dominated by thin immature regasols and humus.

The local power supply is provided from the provincial grid via a 70-kilometer line owned by the Corporation. Standby diesel generators provide a backup source at the mine site and mill site. A 100-man camp with kitchen and recreation facilities houses workers and is located at Cameron Lake, 3.5 kilometres north of the mine. A smaller camp with kitchen facilities exist at the mill site.

Regionally, mining supplies and services as well as skilled labour are sourced from the mining centres of Timmins and Sudbury. Foundry and office equipment services come from Sault-St. Marie, and the mine and mill sites have high-speed internet and telephone communications via microwave relay from Bell Canada.

## **Exploration and Development History**

Prior to 1986, the area only had limited exploration involving airborne surveys and ground reconnaissance work seeking base metals. Following the Hemlo discovery in 1982, Peter Ferderber and Don McKinnon staked the entire Mishibishu greenstone belt (8,000 claims) and parcelled out properties to junior companies in a grand scale area play.

Central Crude Ltd. acquired the Eagle River property in 1983, flew an airborne magnetic survey and conducted limited ground reconnaissance and geological mapping. This work resulted in the discovery of a showing that yielded a grab sample grading 7.0 grams of gold per tonne in the No Name Lake area 400 metres south of current mine workings.

In 1986, Hemlo Gold Mines Ltd, a Noranda affiliate, entered into an option agreement to earn a 60% stake in the property. Field work commenced in the fall of 1986 and consisted of line cutting, geological mapping and soil/humus geochemical surveys over portions of the property. This work continued in 1987 and was complemented by ground geophysical surveying (magnetic susceptibility, VLF-EM and induced polarization) over selected portions of the property and led to the discovery of Zones 6, 7 and 8 in October 1987. Delineation drilling of these zones at 50 metre centres ensued with 76,000 metres of drilling in 266 holes from 1987-1989. A further 48 holes were drilled in 1990 to delineate the Zone 2 and provide some definition of the Zones 6 and 8, and a bulk sample of 60,000 tonnes grading 4.9 grams per tonne (g/t) was extracted and test milled at the Hemlo mill.

In 1990-1991, Noranda Minerals undertook a feasibility evaluation on behalf of the Eagle River joint venture. Although the study indicated economically viable options for development and production, no further development was undertaken.

On March 1, 1994, WQM purchased from Hemlo Gold Mines Inc. its 60% interest in the property, a control block of Central Crude stock and certain debts Central Crude owed Hemlo Gold. WQM then restructured its interest by vending its property interest to Central Crude for stock and settling debt via a gold loan payable from future production. Central Crude changed its name to "River Gold Mines Ltd." and raised \$17.3 million in equity financing to bring the property into commercial production.

In the fall of 1994, the Corporation conducted a drilling program consisting of 118 shallow surface holes to provide stope-scale definition above 120 metres depth. In 1995, the workings were dewatered, development mining commenced and the existing Magnacon mill was leased, refurbished and later purchased. The first gold bar was poured in October, 1995, with full-scale commercial production declared January 1, 1996.

### **Mineral Reserve History**

Mineral reserves published for the Eagle River mine have remained relatively stable over time, reflecting the ongoing development of the mine in a gold quartz-vein setting. Many of the estimates pre-date NI 43-101 adopted in February, 2001. The year-end 1998 and all subsequent reserve estimates were undertaken in accordance with the definitions and standards recommended by the Mining and Standards Task Force, Final Report, published by the TSX and the Ontario Securities Commission in 1999. These definitions and standards have since been adopted into the requirements of NI 43-101.

The principal estimates from 1994 to 2004 are summarized in the table below:

**Eagle River - History of Mineral Reserve Estimates  
(thousands of tonnes ore and ounces of gold)**

Reserve Date (year-end)	Proven & Probable Mineral Reserves			Mined before Date of Reserve Estimate <sup>(1)</sup>				Total Deposit		
	<u>Ore</u>			<u>Ore</u>			<u>Waste</u>	<u>Ore</u>		
	Tonnes	Gold		Tonnes	Gold		Tonnes	Tonnes	Gold	
		g/t	Ounces		g/t	Ounces			g/t	Ounces
Pre-Production Bulk Sample										
1994	422	17.6	239	60	4.9	10	74	422	17.6	239
Commercial Operations										
1995	542	12.2	213	29	11.0	10	133	571	12.1	223
1996	980	12.1	381	191	12.5	77	125	1 171	12.2	458
1997	1 164	10.9	408	347	11.1	124	109	1 511	10.9	532
1998	1 226	10.4	410	547	11.5	202	166	1 773	10.7	612
1999	1 511	10.8	525	710	11.0	251	105	2 221	10.9	776
2000	1 211	10.1	393	939	10.1	305	94	2 150	10.1	698
2001	899	10.5	304	1 185	9.9	375	93	2 084	10.1	679
2002	1 184	9.2	350	1 467	9.6	452	123	2 651	9.4	803
2003	1 268	10.0	408	1 709	9.6	525	162	2 977	9.8	933
2004	874	10.3	289	1 955	9.5	594	147	2 829	9.7	884
<b>Current</b>	<b>217</b>	<b>11.3</b>	<b>79</b>	<b>2 120</b>	<b>9.4</b>	<b>639</b>	<b>78</b>	<b>2 337</b>	<b>9.6</b>	<b>718</b>

(1) Includes the low-grade stockpiled ore not yet milled.

**Production History**

The Eagle River mill started processing ore in October, 1995. To September 2005, a total of 2.1 million tonnes of ore averaging 9.4 grams of gold per tonne from the Eagle River mine had been milled yielding 617,000 ounces of refined gold. Bulk sampling by the Eagle River joint venture in 1990 yielded an additional 9,600 ounces of gold from the bulk sample in 1989.

From 1997 to 2004, additional mill feed was supplied from two satellite operations. The Edwards Mine produced 140,000 ounces of gold from 390,000 tonnes at a grade of 11.5 grams of gold per tonne and the Mishi open pit yielded 11,000 ounces from 90,000 tonnes at a grade of 3.9 grams of gold per tonne. This brought total production from regional operations to 776,000 ounces. Annual production data for the Eagle River mine and the mill are shown in the table below:

**Eagle River Production History**  
(thousands of tonnes of ore and ounces of gold)

Year	Ore Mined, Eagle River Mine		Total Ore Milled <sup>(1)</sup>			Recovered
	Tonnes	Gold (g/t)	Tonnes	Gold (g/t)	Recovery	Ounces
1995	28.6	11.0	28.6	11.0	95.5	9.7
1996	162.1	12.8	162.1	12.8	97.0	64.5
1997	156.3	9.3	219.3	11.1	96.6	75.5
1998	199.5	12.2	233.6	12.3	95.8	88.5
1999	163.2	9.4	268.5	10.5	96.8	87.4
2000	229.3	7.3	331.6	8.3	96.0	85.1
2001	246.2	8.9	322.0	9.0	97.0	89.9
2002	281.6	8.5	310.0	8.2	96.5	78.8
2003	241.9	9.4	269.0	9.0	95.5	74.0
2004	246.0	8.7	290.0	8.0	95.1	71.0
2005 Q1-3	165.4	8.4	165.4	8.4	94.7	42.4
<b>Total</b>	2120.1	9.4	2600.1	9.6	96.0	766.8

(1) Includes production from Edwards (1997 to 2001) and Mishi (2002 to 2004).

### Regional Geology

The Mishibishu Lake greenstone belt is a broad arcuate syncline 55 kilometres long east-west and 16 kilometres wide north-south. This belt is part of the Wawa Subprovince of the Archean age Superior Province.

Supracrustal rocks in the belt are dominated by greenschist facies mafic to intermediate volcanic rocks with lesser sedimentary rocks including iron formation and intermediate to felsic volcanic rocks. Minor intrusions include synvolcanic stocks and sills of intermediate to felsic composition and an array of northeast and northwest striking late Precambrian diabase dykes.

The northern limb of the belt is dominated by an assemblage of clastic sedimentary rocks, felsic tuffs and mafic flows. The southern limb, where the Eagle River property is located, is dominated by tholeiitic basalts and calc-alkaline andesites with minor interflow clastic sedimentary rocks and lean chert-magnetite iron formation. In this area, the supracrustal rocks form a steeply north-dipping and north-facing sequence displaying moderate to steep eastward plunges defined by minor fold axes and mineral lineations.

Gold occurrences in the Mishibishu Lake greenstone belt occur primarily as quartz-vein-hosted deposits located within regional zones of deformation. The Mishibishu Deformation Zone follows a volcanic-sedimentary contact in the north limb of the belt hosting the Magnacon and Mishi deposits while the Eagle River Deformation Zone hosts the Eagle River deposit along the south limb of the belt.

### Eagle Geology and Mineralization

Gold bearing quartz veins at Eagle River are predominantly hosted by sub-vertically dipping, east-west

striking shear zones that constitute a structural corridor within an elliptical quartz diorite stock with dimensions of 1.8 kilometres east-west and 0.5 kilometres north-south.

A number of different ore zones have been distinguished that constitute different segments of the overall shear zone corridor and that each have their own gold grade characteristic. Mineable portions of the individual zones form ore shoots that plunge steeply to the east. The bulk of the historic production has come from Zone 8 and Zone 6, which are entirely within the intrusive quartz diorite, while Zone 2 mineralization is hosted in sheared mafic volcanic rocks just east of the stock. Current mining activity is taking place in Zone 8, Zone 6, Zone 650 (a southern splay of the Zone 6) and Zone 7.

Zone 8 is characterized by a series of thick, white laminated quartz vein lenses. The veins vary in thickness from one metre to 15 metres, averaging about 2.5 metres. Commonly portions of the vein system can be selectively mined with mining widths varying between 1.2 and 7.5 metres. Gold is concentrated in highly strained quartz of grey colour and in sericite-chlorite lamellae and accessory sulphide minerals including pyrite, pyrrhotite, galena, sphalerite, and chalcopyrite. The gold grade in Zone 8 has averaged about 8.0 grams of gold per tonne with individual stoping blocks ranging from 5.0 to 12.0 grams of gold per tonne.

Zone 6 is a distinct and discrete shear zone that forms a splay off the shear hosting Zone 8 hosts the Zone 6 mineralization. The vein varies in thickness from 0.5 metres to 2.0 metres. Locally the vein is folded back on itself forming tight S-folds or “ballrooms” which form plunging, pipe-like bodies 12 to 15 metres in diameter. Zone 6 is high-grade averaging 12 to 18 grams of gold per tonne and has very competent wall rocks. Because of its high-grade character, Zone 6 has traditionally provided the economic backbone of the mine.

The 650 Zone is in a subparallel southern splay from the shear hosting Zone 6, which continues eastward into volcanic rocks and hosts Zone 2. Both the 650 and 2 Zones are characterized by sheeted vein complexes of laminated white quartz ranging in thickness from 1.5 to 6.5 metres. These zones have good grades of 10 to 15 grams of gold per tonne but have been subject to high dilution in long-hole mining due to incompetent wallrock slabbing and sliding block failure.

Zone 7 is a complex folded white quartz vein located 100 metres north of the Zone 8 shear. It contains patches of coarse pyrite containing very high grades. This zone has very competent walls and is currently being mined by sublevel long-hole blasting.

## **Deposit Type**

The Eagle River deposit is an Archean Greenstone Belt hosted vein-type deposit. Gold bearing quartz is highly strained and recrystallized commonly displaying stylolytic texture. Gold occurs at recrystallized quartz grain boundaries and in stylolites. Gold predates the straining of the quartz.

## **Sampling Method and Approach**

### *Historical Methods*

The Eagle River joint venture operated by Noranda Exploration Company Ltd (“Noranda”) completed a large amount of sampling prior to the property being purchased by WQM in 1991.

For surface drilling, NQ sized core was logged by several different geologists, and the core and sample

intervals were commonly 1.0 metre with individual samples up to 2.0 metres in length. The core was split and assayed at various commercial laboratories employing fire assay and metallic screen methods.

The underground work was conducted by Noranda Minerals Inc. and involved an exhaustive sampling program using chip channel samples of each round with individual sample lengths from 0.2 to 1.0 metres. Muck samples of 5 to 10 kilograms each were taken from each round from the mine trucks on surface. Initially, three separate samples per round were taken but due to variability of results this was changed to 5 samples and then 10 samples per round. This historic approach seems to reasonably assess the portion of the deposit that was sampled, based on subsequent mining activity by the Corporation. Current reserves are not substantially based on the historic sampling data.

#### *Central Crude/River Methodology*

The Corporation's sampling approach was set up based on a selective mining strategy and in an effort to pragmatically cope with the often narrow vein mineralization. It involves taking many small samples to determine exactly where the gold was and minimize the cumulative effects of the sub sampling variance.

Whole core from underground drill holes is sampled in systematic 30-centimetre sample lengths across the entire mineralized interval, observing obvious breaks in the geology or intensity of mineralization. For exploration drilling outside the immediate mine area, drill core is split and stored for future reference, but the sample length is the same as for the routine underground drilling.

Chip samples are taken every round (every 3 to 4 metres) in ore development headings including sill drifts and long-hole sub drifts, covering the full width of the face. Shrinkage stopes are breasted with sample densities every 2.5 to 3.5 metres on every 2.5-metre lift, or on every second lift. An average chip sample is about 2.5 kilograms and taken to best represent the face in the judgement of the sampler. Sample lengths are generally between 0.3 to 0.5 metres and observe geological contacts and obvious changes in the intensity or character of the mineralization.

Raises are sometimes chip sampled and always muck sampled round per round depending on safety issues and available sampling personnel.

Muck samples consist of a handful of muck per scoop bucket when loading the truck. One muck sample composites all of the individual bucket samples and represents 25-30 tonnes. The samples are collected by the muckers at the draw-points, and one composite muck sample has an average weight of about three kilograms.

### **Sample Preparation, Analysis and Security**

#### *Historical Methods*

Detailed documentation of sample preparation, analytical protocols and any quality assurance and quality control ("QA/QC") work done in the pre-1994 era are not available. In general, commercial laboratories did the historic assaying and the results reconcile well with results received from bulk sample milling. Little of the historic information is still relevant for the current reserve and resource estimates.

#### *Central Crude/River Methodology*

Since January 1995, drill core, mill samples, underground samples and doré bars have been assayed at the

company-owned Wawa laboratory. The laboratory is not certified. After crushing to three millimetres, a 250-gram sub sample is riffled out and pulverized to 75 microns from which a 25-gram aliquot is subjected to a conventional fire assay with a gravimetric finish.

Since January 1995, greater than 450,000 assays have been performed with 80,000 duplicates and replicates and 2-3% sample standards and blanks and laboratory-internal standards and blanks at a rate of two to three percent. The results of this QA/QC work are only available in hard copy, have been archived in Wawa except for those of the last two years, and are not customarily included in the assay information provided to the mine. The information of the last two years was to have been reviewed in preparation for the Eagle River Technical Report but has not been made available prior to its completion.

The Eagle River geology department relies on the results of the internal QA/QC measures for their assessment of the assay results with respect to daily grade control and to resource and reserve estimation. The QA/QC information should therefore be routinely reported to the mine geology department.

In addition to the internal QA/QC data not being documented and made available, very limited external QA/QC work has been done in the past. This consisted of a round-robin series of assays completed between the neighbouring assay laboratories at the Williams, Battle Mountain, David Bell and Eagle River mines in 1997, 1998 and 2000. While these external checks show satisfactory results, they do not represent a systematic and comprehensive external QA/QC program. Particularly, no systematic external checks have been performed in the last five years.

#### *Conclusion on Sampling and Analytical Protocols*

The sampling, sample preparation and assaying methods employed at the Eagle River mine are industry standard. While the analytical laboratory is run by dedicated and experienced staff that follows the Manual for Quality Control and Quality Assurance in Analytical Chemistry produced by the Canadian Mineral Analysts in 1992, there is no documentation of the internal QA/QC results for external review, and there is a general lack of external quality control. Both issues need to be addressed and remedied. The very limited data Strathcona has been able to review indicate that neither the repeatability nor the accuracy of the assay information produced by the company-owned laboratory is compromised. However, a systematic external QA/QC program is now the industry norm and should be instituted.

Strathcona concluded that a significant portion of the assay database that was used for the current resource and reserve estimates has had no systematic external quality control work, and that the results of the internal QA/QC data generated by the laboratory were not available for review.

#### *Bulk Density Determination*

The Corporation uses a bulk density figure of 2.7 tonnes per cubic metre to calculate tonnages from volumes. This factor was inherited from previous operators and has not been independently checked by the Corporation. Reconciliation of mine survey data with ore haulage data weighed on a Canadian Standards Association calibrated truck scale and the belt weightometer in the mill indicate that the factor is reliable.

#### **Data Verification**

The Eagle River data are contained in Microsoft Access databases that are updated daily and audited monthly. The electronic databases are linked to the Surpac software system, which allows plotting of

sections and level plans. These sections form the basis of the manual interpretive process used for daily ore control as well as mineral resource and reserve estimation. The drill hole database includes all surface and underground drilling to date comprising more than 90,000 gold assays, the accompanying survey information and geological information. The underground sample database includes all chip samples and positional information from October 2002 to the present and all muck sampling data from January 2002 to the present. Chip sample information prior to October 2002 is archived in paper form.

Strathcona did not undertake any independent sampling of check-assaying as part of the verification of the database. The ten-year period of operation that the Eagle River mine has had, together with reasonable reconciliation between mineral reserve estimates and actual production results, has not indicated any requirement for independent data verification.

## **Mineral Resource and Mineral Reserve Estimates**

### *General*

Both mineral resources and reserves at Eagle River are estimated with the inclusion of a provision for mining dilution. This allows the ready evaluation of mineral resource blocks during mine planning. Given the tabular geometry of the vein mineralization at Eagle River, the resource estimation process employs conventional polygonal methods on a set of 1:100 scale cross sections, level plans and stope plans, and on a set of and longitudinal projections at a scale of 1:500.

Subsequent to resource estimation, the engineering department splits out reserves that can be mined according to the life-of-mine plan (LOM) which takes into account current economic conditions and development requirements.

### *Geological Modelling*

Drill-hole information is interpreted from cross sections and level plans to assign individual intersections to the various ore zones and to ensure reasonable continuity of individual zones. Individual composite intersections are then compiled onto longitudinal projections, separately for each of the major vein structures. A minimum horizontal width of 1.2 metres is observed for drilling information. Drift or sub level development in mineralization is compiled on assay level plans with a minimum horizontal width expanded to 1.5 metres, and this information is also entered onto the longitudinal section for each zone.

### *Grade Modelling*

High grade individual assays are cut at two different levels: 60 grams per tonne for all veins except Zones 6 and 650, which are cut to 140 grams per tonne, because of their higher average gold grade. These factors were determined based on the 95th percentile on grade-frequency histograms for large sample populations (greater than 15,000 samples) from historic stope chip sampling data. The cutting levels for drill core and chip sample assays are identical.

Resource block limits are outlined on longitudinal section based on a nominal cut off grade of three grams of gold per tonne over the applicable minimum mining width, and are projected halfway between data points within interpreted resource limits, or to a maximum of 20 metres beyond data points. The cut off grade is below economic requirements but provides for geological continuity during ore blocking, taking into account the practical application of the shrinkage and long-hole mining methods.

Individual block areas are measured on longitudinal section, their volumes determined by multiplying with the horizontal width, and converted to tonnage using a bulk density of 2.7 tonnes per cubic metre. Polygon tonnages and grades are averaged for a stoping unit, creating undiluted resource tonnages and grades that respect the minimum horizontal width requirement.

For the current mineral resources dilution is applied at 25% for shrinkage mining and 35% for long-hole mining as determined by the mine engineering department. The dilution figures were increased for the year-end 2004 resource estimate from previously 20% for shrinkage mining and from 25% for long-hole mining. Dilution is assigned an arbitrary 0.5 grams of per tonne grade which is based on an average observed grade in the immediate wall rock intervals. Internal polygons below cut-off grade are included for continuity within mining blocks. Likewise, external dilution is added to preserve muck flow lines at 50° or steeper. Primary development of indicated blocks is now done to achieve mining widths similar to those experienced during actual stope operation, and thus no additional development waste dilution is applied to parts of these blocks.

Where available, grades and diluted widths are assigned from adjacent stoping blocks above or below, based on detailed production chip sample data and experienced mining widths.

### **Mineral Resource Classification**

Measured mineral resources are projected 20 metres above and below or halfway between sill drifts and sub-drifts in mineralized zones and are based on chip sample grades.

Indicated mineral resources are based on drilling information beyond 20 metres from existing development in zones that have previously been mined.

Inferred mineral resources are drill indicated in zones that have not previously been developed or mined and therefore continuity has not been proven by development.

Strathcona believes that, given the extensive mining history of the Eagle River mine and the reasonable resource-mine-mill reconciliation, this classification approach is in accordance with the requirements of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Resource and Reserve Definitions as required by NI 43-101.

### **Mineral Resource Reporting**

According to the (CIM) Resource and Reserve Definitions,

*A **Mineral Resource** is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such grade or quality that it has reasonable prospects for economic extraction. ....*

In light of this requirement for reasonable prospects for economic extraction, and in light of the recent increase in operating costs facing Canadian gold mines in general and the Eagle River mine in particular, the current resource estimate excludes some 500,000 tonnes grading 7.0 grams of gold per tonne that had previously been reported as measured and indicated resources. The decision to exclude this material from public reporting is corroborated by its elimination from the new LOM plan developed recently by the Eagle River engineering department, which takes into account the current more adverse economic

conditions. Should economic conditions improve, reclassification of some or all of this material can be considered, since it does satisfy the geological/technical classification requirements.

### **Mineral Reserve Estimation**

Mineral reserves at Eagle River are derived from the diluted mineral resources by the process of mine planning. Only that part of the mineral resources that is included in the current LOM is reported as mineral reserves. The current LOM takes into account the worsening economic conditions imposed primarily by increased energy and consumable costs and unfavourable exchange rates which have seen the Canadian dollar value rise 30% in the last two years vis-à-vis its American counterpart, cancelling out much of the gold price increase of the past two years in that currency. The current LOM minimizes mine capital expenditures allowing for little additional mine development and thus limiting the ability of the mine to replace reserves.

In transforming mineral resources into mineral reserves, the mine engineering department has applied a set of technical and economic parameters including gold price (in Canadian dollar terms), mining methods, mining loss experiences, pillar allowances, geotechnical constraints, operating costs and metallurgical recoveries. The mineral reserves have been scheduled into a practical development and production schedule which is the basis of the mine plan and which takes into account productivity experiences and equipment availabilities.

Proven mineral reserves include stockpiles and broken ore inventories in stopes, as well all in situ measured resources that were included in the LOM. Indicated mineral resources included in the LOM are reported as probable reserves.

The Eagle River mineral reserves available for mining at September 30, 2005 were estimated on the basis of the following parameters as summarized and compared to 2005 actual figures are set out in the table below:

### Economic Parameters for Resource Conversion to Reserves

<b>Operating Costs (per tonne milled)</b>		<b><u>Planned</u></b> <b>(\$)</b>	<b><u>Actual 2005</u></b> <b>(\$)</b>
Mining		86	82
Milling		31	29
General & Administration		32	28
Total		<b>149</b>	<b>139</b>
<b>Capital Costs (per tonne milled)</b>			
Total		<b>4</b>	<b>10</b>
<b>Total</b>		<b>153</b>	<b>149</b>
<b>Metallurgical Recovery</b>		96%	96.3%
<b>Gold Price</b>		<b>525</b>	<b>528</b>
Royalties + Corporate		14	7

#### *Mining Methods and Geotechnical Considerations*

The Eagle River mine has operated successfully and partly profitably in the past employing selective mining shrinkage methods. Conversion to long-hole blasting methods to maintain production levels in 2000 contributed to make the mine unprofitable by increasing development and labour costs, dilution and ore losses. Over the past year, methods have reverted to a shrinkage-long-hole hybrid involving 65% shrinkage and 35% long-hole.

Wallrock sloughing and sliding block failure has destabilized ground conditions in the Zone 6 open stopes between the 300 and 450-metre levels. The mined-out stopes in this area have to a large extent been backfilled with waste rock, and ground movement in critical areas is being monitored by an array of smart cables and extensometers which indicate that the ground is stabilizing. Currently all waste rock from development is used to backfill open stopes, and only ore is hoisted.

Annual ground control audits and periodic special situation reviews have been provided by expert rock mechanic consultants. The latest such review in December 2005 reportedly expressed satisfaction with the appearance of the 580-607 stope area, which represents the high-grade core of the remaining mineral reserves. Strathcona cautions that any real impediment to mining in this area would negatively impact the economic performance of the mine in 2006.

#### *Eagle River Mineral Resource and Reserve Estimates*

The Eagle River mineral reserves and additional mineral resources as of September 30, 2005 are summarized in the two tables below:

**Eagle River Mineral Reserves at September 30, 2005  
(at \$525 per ounce gold price)**

	<u>Tonnes</u> (‘000)	<u>Contained Gold</u>	
		Grade (g/t)	Ounces (‘000)
<b>Proven</b> In-situ	138	11.1	49
Broken Stope Inventory	18	7.4	4
Surface Stockpiles	0		0
<b>Probable</b> In-situ	61	12.8	25
<b>Total Mineral Reserves</b>	<b>217</b>	<b>11.3</b>	<b>78</b>

Subsequent to the development of the current life-of-mine (LOM) plan, approximately 14,000 tonnes of high-grade reserves have been added due to updated drill results and development. This tonnage is included in the mineral reserve estimate reported in the table above but is not included in the LOM plan. The grade of the reserve is thus slightly higher than that of the LOM plan.

**Eagle River Additional Mineral Resources as of September 30, 2005  
(at \$525 per ounce gold price)**

	<u>Tonnes</u> (‘000)	<u>Contained Gold</u>	
		Grade (g/t)	Ounces (‘000)
Measured	40	9.5	12
Indicated	96	10.3	32
<b>Measured + Indicated</b>	<b>136</b>	<b>10.1</b>	<b>44</b>
<b>Inferred</b>	13	15.7	7

**Mineral resources have no demonstrated economic viability.**

*Accuracy of Eagle River Mineral Resource and Reserve Estimates*

No detailed reconciliation records have been compiled at the Eagle River mine that would compare tonnages and grades produced by reserve estimates, with those determined by grade control data and with the actual mill production data.

From 1995 to present reserve grades have averaged 10.6 grams of gold per tonne while production grades at the mill have averaged 9.4 grams of gold per tonne, but the discrepancy has been larger since 2000, when the long-hole mining method was first introduced.

With a larger percentage of stopes using the more selective shrinkage mining methods and with the increased dilution provisions in the current resource and reserve estimates, it is reasonable to expect that the grade gap experienced in the past few years will diminish, but Strathcona still perceives a risk that the

actual head grade of the ore delivered to the mill may be 10%, or one gram gold per tonne, lower than the average reserve grade. From experience to date, the tonnage estimates may be slightly conservative, barring any unforeseen adverse mining conditions

*Life-of-Mine Plan*

The Corporation's staff have developed a LOM plan that is summarized in the table below:

**Eagle River Life-Of-Mine Plan and Production Forecast  
(thousands of tonnes of ore and ounces of gold)**

- thousands			<u>Life of Mine Plan (LOM)</u>			
			2005	2006	2007	Total
<b>Mining</b>	Stoping	tonnes	31.7	102.6	57.4	<b>191.7</b>
	Grade	g/t	6.4	10.7	13.5	<b>10.8</b>
	Waste Development	metres	181	547	0	<b>728</b>
		tonnes	6.5	19.2	0	<b>25.7</b>
	Ore Development	metres	251	325	0	<b>576</b>
		tonnes	4.2	6.0	0	<b>10.3</b>
	Grade	g/t	18.5	15.0	0	<b>16.0</b>
	<b>Total</b>	<b>tonnes</b>	<b>36.1</b>	<b>108.5</b>	<b>57.4</b>	<b>202.0</b>
	<b>Grade</b>	<b>g/t</b>	<b>7.8</b>	<b>10.9</b>	<b>13.5</b>	<b>11.1</b>
<b>Milling</b>	Ore	tonnes	36.1	108.5	57.4	<b>202.0</b>
	Grade	g/t	7.8	10.9	13.5	<b>11.1</b>
	Recovery	%	96.3	96.3	96.3	<b>96.3</b>
<b>Gold produced</b>		<b>ounces</b>	<b>8.7</b>	<b>36.8</b>	<b>24.1</b>	<b>69.6</b>

Based on this plan, mining and milling operations would extend into the third quarter of 2007, and closure would follow. Possibilities to extend the life of the operation will be discussed below.

*Mineral Reserve Addition Possibilities*

Mineral reserve additions at Eagle River are possible from several sources, as outlined in the following sections. Many of these require drilling and/or development. It is important to note that the decision to develop any of the additional resources will have to be made by mid-2006 or the mine will revert to a salvage operation with closure in late 2007 as predicted by the current LOM plan.

### Developed Mineral Resources

Measured and indicated resources in Zone 2 (204 stope) total 30,000 tonnes at 7.4 grams of gold per tonne. A portion of this mineralization has gold grades greater than 10 grams of gold per tonne and is already developed, requiring only drilling and blasting. This material is a priority for re-examination and incorporation into the mine plan if merited.

### Resources Requiring Development

#### 580-818 Zone

Measured and indicated resources between the 540 and 580 metre levels in the 818 zone total 14,000 tonnes at 9.8 grams of gold per tonne. Development required consists of 60 metres of crosscut in waste and sill drifting and a raise in mineralization. The resources are defined by a cluster of detailed drilling and remain open along strike east and west. This material will be incorporated into an updated LOM plan.

#### 400-811 Zone

Measured and indicated resource estimates total 46,000 tonnes at 9.5 g/t. The 811 zone has been previously mined from surface to a depth of 260 metres. The eastern portion of the zone is narrow yet high grade, averaging 13.5 grams of gold per tonne over a 40-metre strike length with an average width of 1.4 metres. Development of this zone would require 400 metres of ramp, drift and crosscut in waste, 150 metres of raising and 2,500 metres of drilling at a cost estimated by the Corporation of \$1.0 million.

#### 580-808 Zone

Indicated resources are 46,000 tonnes at 12.5 grams of gold per tonne which remain open at depth. The 808 zone has previously been mined from surface to a depth of 280 metres. Development of this zone would require 400 metres of track drift, 100 metres of crosscut and 250 metres of raising at a cost of \$1.2 million as estimated by River. Prior to any decision to develop this zone, a 3,000 infill and delineation drilling program from the existing 330 metre level drift at a cost of \$150,000 is recommended. Potential to add significantly to resources in this area is good because the zone is open below elevation 480 below which there is little drilling.

#### 202 Zone

This zone is defined by detailed drilling yet has never been developed or mined. It is included in the inferred resource category at 13,000 tonnes grading 15.7 grams of gold per tonne. Exploration drilling is recommended to trace this structure at depth from existing drifts on the 460 and 580 metre levels. To prove up this zone, continuity must be established by drifting in mineralization. This would involve 200 metres of access and sill drifting from the 325 metre level at an estimated cost of \$300,000.

### Evaluation of Accessible Targets

Several areas within the mine workings need to be re-examined for their potential to add to reserves and resources. These include the 350-808 and 400-809 zones where further drifting could establish small stoping blocks. Likewise, a number of remnants tied up by sumps, access ramps and other infrastructure will be studied for mining in a final retreat phase.

### Deep Mine Extensions

The “vital statistics” of the known parts of the Eagle River deposit can be summarized as follows:

1. Total production plus mineral reserves as of September 30, 2005 amounted to 2.34 million tonnes with an average gold grade of 9.6 g/t containing some 718,000 ounces of gold. The deposit, re-defined to account for the excess dilution caused during the years 2001 to 2004 by long-hole mining, would have yielded a grade closer to 10 g/t, at a somewhat reduced tonnage.
2. The deposit has been developed to an average depth of about 500 metres below the surface to the 580-metre level, and its overall mineral endowment is thus around 4,700 tonnes per vertical metre.
3. There is no indication that this overall endowment of the deposit will change in any significant way below the developed part of the mine.

In May of 2005, the Eagle River engineering department produced a report that investigated, on the level of a pre-feasibility study, the target tonnage and grade to the 870-level, some 250 to 300 metres below the currently deepest mine infrastructure. The target tonnage and grade were defined at a gold price of \$525 per ounce and by the need to “cover the capital cost of constructing the Deep Zone, while producing positive net present value and remaining within the required payback period and operating cost parameters.” The study anticipates no change in the tonnes per vertical metre for that part of the deposit that would be developed (about one million tonnes), but varies the expected mill head grade to suit a number of economic conditions. At a discount rate of 15.5%, the study shows the project to essentially break even at a mill head grade of 10.2 g/t, which includes payback of capital costs of \$22.3 million. One million tonnes of new reserves would mean an additional four years of operation at the current reduced production rate.

An initial confirmatory underground diamond drill program aimed at verifying the basic assumption of the deposit to continuing below the current mine infrastructure, would require some 20,000 metres of drilling at an estimated cost of \$1.0 million. The drill program would initially focus on the down-plunge extension of the 6 Zone, which has historically provided the economic backbone of the deposit, due to its high grade. The results of the drilling program, which would take nine months to complete, would flow into a definitive study that would provide the justification for the deep development of the mine.

### **Regional Exploration**

Strathcona has not reviewed the technical information on the large claim group held by the Corporation in the area surrounding the Eagle River mine. The Corporation advised Strathcona that no substantial exploration programs are currently planned on these claims. However, Strathcona recommends that the available information of the general area, including claims held by the Corporation and by others, be reviewed and compiled to formulate a regional exploration strategy that would augment the mine exploration efforts.

### **Current Operations**

The mining department works on ten days in – ten days out rotation, the mill works on a 14 in – 14 out schedule and administration, maintenance and staff work on a variety of schedules.

### *Mining and Grade Control*

The Eagle River mine is accessed via a ramp system and a 500 metre shaft with a loading pocket at 460 metres. There is a partial ore-pass system in the upper part of the mine, but the ore from the lower levels is trucked to the loading pocket at the 425-metre level. Ore is hoisted and live loaded to 40 ton haul trucks from chutes under an underground ore bin for direct haulage to the mill. All waste rock is currently used to backfill old stopes. The currently deepest mining level is 580 metres with ramp development in progress to 640 metres.

From 1996 to 2000, the main primary mining method was shrinkage mining. From 2001 to 2004, the primary method was sublevel long-hole blasting.

The ventilation system involves downcasting the shaft and exhausting stopes, ramps and raises upwards. Mine air is heated with propane during winter months. Total installed capacity is 275,000 cubic feet per minute (cfm). Since ventilation is a major energy cost factor, a program of bulk head construction is underway to optimize the energy consumption for this purpose.

Primary development historically has been trackless with electric-hydraulic jumbos, diesel load-haul-dump or LHD units (scoop trams) and 30-tonne trucks. The 580 level is a track drift driven with jack legs on Long Toms. It was designed as a main haulage-exploration drift for the future to ease ventilation requirements, maintenance and energy costs.

Grade control procedures involve detailed chip and muck sampling as previously described. Stopping blocks currently employ a cut-off grade of 8.0 g/t with development muck and incremental stope rounds employing a cut-off grade of 5.0 g/t.

The recently adopted LOM plan calls for 400 tonnes per day production through the fourth quarter 2005 with a 300 tonnes per day rate starting in 2006. Historically, the Eagle River mine has averaged 210,000 tonnes per annum or 600 tonnes per day.

### *Mineral Processing*

The Corporation initially leased, and then subsequently acquired the former Magnacon mill and tailings facilities in 1996. The mill is 17 kilometres by road from the mine. The mill capacity was increased from 600 to 1,000 tonnes per day in 1999. Potential exists to further expand capacity to 1,200 tonnes per day through the addition of a cone crusher.

The mill employs the Merrill-Crowe process for the recovery of gold with about 40% of the gold recovered into a gravity concentrate using a Knelson concentrator. The Merrill-Crowe process involves cyanide solution and subsequent zinc precipitation. Precipitate is refined on site to produce doré bars containing approximately 80% gold. By-product silver is recovered at a rate of one part for every ten parts of gold. The doré bars are shipped to the Royal Canadian Mint in Ottawa for refining. The mill is equipped with an activated carbon plant to treat solution tails. Loaded carbon is stripped at Hemlo on a batch contract basis. With the carbon treatment, overall mill recoveries for Eagle River ore average 96% to 97%.

The mill tailings with an average grade of 0.25 g/t are deposited in the tailings pond. Process water is reclaimed to be used in the mill process as required to minimize the necessity to discharge effluent. An expansion/raise of the tailings dam was completed by Trow Construction Engineering Ltd. in 2002. To

September 30, 2005, 2,770,320 tonnes of tailings have been deposited in the tailings basin and the remaining capacity for solids at that date was 950,000 tonnes. In 2005, a belt filter was purchased to dewater and dry stack tailings around the perimeter of the pond. This will increase water capacity and settling time prolonging the life of the tailings pond well beyond the current reserves.

The mill has historically operated 24 hours per day, 7 days per week with two crews working 12 hour shifts on a rotation of 7 days in, 7 days out. Under the new LOM plan, the mill will operate on a 14 days on, 14 days off schedule at a rate of 700-850 tonnes per day using only one crew.

### **Human Resources**

At September 30, 2005, the Eagle River operation employed a total of 125 permanent employees, distributed by department as follows:

#### **Summary of Eagle River Personnel, September 30, 2005**

<b>Department</b>	<b>Hourly</b>	<b>Staff</b>	<b>Total Employees</b>
Mining	60	5	65
Milling including Wawa Laboratory	18	5	23
Maintenance	18	6	24
Technical Services & Site Administration	-	13	13
<b>Total</b>	<b>96</b>	<b>29</b>	<b>125</b>

In addition, there were 13 contractors performing diamond drilling, security services, road maintenance and ore haulage. As the new LOM plan phases in, the total number of permanent employees will fall to 96, and the costs in the mine plan are based on that number.

### **Permitting, Environmental Management and Closure Plan**

#### *Permits and Licences*

The key mining permits for operations at the Eagle River mine are “Certificates of Approval” of industrial sewage issued by the Ontario Ministry of the Environment for both the mill and mine site and “Closure Plan” approvals for both the mill and mine sites issued by the Ontario Ministry of Mines and Northern Development.

#### Eagle River Mine

- (1) Certificate of Approval No. 4-0106-94-956 dated Feb 10, 1995
- (2) Closure Plan issued June 21, 1995

#### Mill Complex

- (1) Certificate of Approval No. 4-0169-88-896 dated May 10, 1989 with 6 subsequent amendments, notices No. 1 through No. 6
- (2) Closure Plan issued September, 1995

The Certificates of Approval stipulate specific conditions for monitoring mine and mill water discharges and set limits on water pH, suspended solids and various deleterious compounds.

The Closure Plans specify remedial site work at closure with a budget for costs and require posting of a reclamation bond as financial assurance.

In addition to these main permits, an array of minor permits and approvals are maintained which cover all aspects of the operation and are administered by agencies ranging in this example, from the Municipal Department of Health to the Canadian Coast Guard.

#### *Environmental Management System*

The environmental management system at the Eagle River mine is based on required effluent sampling at the mill and mine sites based on the detailed requirements of "Certificates of Approval" issued by the Ministry of the Environment of Ontario.

Since operations began, results have conformed to strict effluent limits and standards set out in the "Certificate of Approval". Remedial actions have been implemented to reverse patterns recognized in effluent sampling involving zero discharge periods and closed system recirculation. Recently, total suspended solids have exceeded allowable limits in mine water discharge in February, March and April 2005. The Corporation with its consultants implemented a three-stage flocculent-coagulant treatment program which has remedied the high readings. Nevertheless, Environment Canada has filed charges with respect to these occurrences which are pending and which the company is defending.

The Tailings Management Area (TMA), located 500 metres southeast of the mill, consists of two tailings lines, a tailings dam and berm system, a concrete spillway, pump house, appropriate seepage and collection ponds and diversion ditches. The main rockfill dam located at the southeast corner of the TMA is founded on bedrock, has a crest length of 180 metres and a maximum height of 13 metres. Rockfill berms and access roads encircle the TMA on the north and south perimeters. Upstream slopes are covered by a layer of sand for filtration and a synthetic impermeable liner.

At September 30, 2005, the TMA held nearly 2.8 million dry tonnes of tailings and the remaining capacity for solids stood at 950,000 tonnes. A total of 331,000 cubic metres of unprocessed water must be retained in the facility to allow settling of suspended solids and natural degradation of cyanide. Tailings water is reclaimed for use in the mill and, therefore, discharge into the environment is minimal consisting mainly of seasonal snowmelt and rainfall.

Trow Construction Engineering Ltd. designed and upgraded the TMA and performs annual inspections which to date have not detected any movement of the tailings dam.

#### *Closure Plan*

In Ontario, closure plans must be accepted by the Ministry of Northern Development and Mines, must conform to the *Mining Act* (Ontario) and provide a detailed budget and financial assurance for the work. The Corporation has four closure plans covering the Eagle River mine, Mishi mine, Magnacon mine and the Mill Complex. Closure costs total \$570,000 for these projects and the Corporation maintains \$700,000 invested in GICs and held under letters of guarantee by a major Canadian bank.

Details of the closure plans include removal of all buildings and equipment, sealing underground openings, breaking and burying all concrete with waste rock, contouring waste rock to slopes safe to wildlife and re-vegetating the tailings. All non-salvageable or contaminated material will be removed and disposed of at a certified landfill. Mine site roads will be scarified with a grader, allowed to re-vegetate

naturally and trenched to restrict access.

Realizable value from the sale of plant and equipment is difficult to assess. The value of the mining equipment fleet, compressors and generators is estimated at \$2.0 million under current market conditions.

## **Gold Sales and Taxation**

### *Gold Sales*

All gold produced by the Eagle River mine is refined (processed) by the Royal Canadian Mint in Ottawa. It is then sold to Guardian International Currency, Toronto, or International Assets Holding Corp., Florida. Gold is sold at spot prices. The Corporation does not hedge its gold production.

### *Taxation and Royalties*

The Eagle River mine is subject to the usual taxation of Ontario and Canada, and the following is a summary of the production taxes and royalties that are applied against the operation.

#### *Provincial Mining Tax*

The Corporation is subject to an Ontario tax on mining profits at a rate of 20%. As at December 31, 2004, the Corporation had the following amounts available to reduce future mining tax otherwise payable:

Unclaimed Exploration and Development Expenditures:	\$ 45,105,191
Allowance for Depreciation of Mining Costs	1,965,675
Allowance for Depreciation of Processing & Transportation:	<u>3,837,133</u>
	\$ 50,907,999

#### *Federal and Provincial Income Taxes*

As at December 31, 2004, the Corporation had unclaimed exploration and development expenditures of approximately \$32,000,000 and undepreciated capital costs of \$26,000,000 which are available to reduce future taxable income. The Corporation also has capital losses of approximately \$775,000 which are available indefinitely to offset future capital gains and non-capital loss of \$600,000 which expires in 2014.

#### *Royalties*

The Corporation is obligated to pay an aggregate Net Smelter Royalty of 2% to Don McKinnon (0.5%), Peter Ferderber (0.5%) and Bert Applegath (1.0%).

## **Economic Analysis**

### *Production Forecast*

The table below summarizes the projected annual gold production and sales from the Eagle River mine over the next three years based on the current LOM plan, starting with the fourth quarter of 2005:

**Eagle River Production Forecast 2005 - 2008**  
(thousands of tonnes and ounces)

		<b>2005<sup>1</sup></b>	<b>2006</b>	<b>2007</b>	<b>Total</b>
Ore Milled	tonnes	36.1	108.5	57.4	202.0
Grade	g/t	7.8	10.9	13.5	11.1
Gold recovery	%	96.3	96.3	96.3	96.3
Gold recovered	ounces	8.7	36.8	24.1	69.6
Gold sold	ounces	8.7	36.8	24.1	69.6

<sup>1</sup> In this and the following forward looking tables, only the last quarter of 2005 is included.

*Revenue Estimates*

In the financial model that the Corporation has developed for the Eagle River mine, a gold price of \$525 per ounce has been considered. Based on the LOM production plan, gold sales are consequently projected to amount to a total of \$37 million, as presented in the table below:

**Gold Sales 2005 – 2008**  
(at \$525 per ounce of Gold)

	<b>2005 (Q4)</b>	<b>2006</b>	<b>2007</b>	<b>Total</b>
Ounces Sold ('000s)	8.7	36.8	24.1	<b>69.6</b>
Gold Price (\$)	525	525	525	<b>525</b>
Gold Sales (\$ millions)	4.6	19.3	12.7	<b>36.6</b>

**Cash Production (Operating) Costs**

*Operating Costs*

The estimated operating costs cover mining and milling at the Eagle River mine site, including on-site administration and the corporate office located in Toronto as summarized in the table below:

### Operating Costs 2005 – 2008

	2005	2006	2007	Total
<b>Annual Operating Costs - \$ millions</b>				
Mining	2.5	9.4	4.4	<b>16.3</b>
Milling	1.2	3.4	2.1	<b>6.7</b>
General & Administration	1.5	5.3	3.4	<b>10.2</b>
<b>Total operating costs</b>	<b>5.2</b>	<b>18.1</b>	<b>9.9</b>	<b>33.2</b>
<b>Unit Operating Costs - \$ per tonne</b>				
Mining	69	87	77	<b>81</b>
Milling	33	31	36	<b>33</b>
General & Administration	42	49	59	50
<b>Total operating cost per tonne</b>	<b>144</b>	<b>167</b>	<b>172</b>	<b>164</b>

#### Taxes and Royalties

Sufficient tax loss carry forwards exist to eliminate any taxes payable over this life-of-mine production scenario. Underlying royalties consist of a 2% Net Smelter Return which is included in General and Administration costs.

#### Capital Project Costs

Capital expenditures consist entirely of sustaining capital and only total \$0.73 million over the remaining life of the mine, reflecting the current approach of minimizing mine development. The funds required for exploration and development for the purpose of adding to the mineral resources and reserves of the mine as outlined above are not included.

The existing reclamation fund of \$0.7 million and the salvage value of plant and equipment will be sufficient to fund reclamation activities.

#### Eagle River Mine Projected Net Cash Flow

The table below summarizes the projected Eagle River mine cash flows at the projected gold price of \$525 per ounce, net of operating costs, sustaining capital, and repayment of the capital lease obligations, but before any expenditures on exploration.

**Eagle River Mine Net Cash Flow Forecast 2005 - 2008**  
(\$ millions)

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>Total</b>
<b>Sales revenue</b>	4.6	19.3	12.7	0	<b>36.5</b>
Operating costs	5.2	18.1	9.9	0	<b>33.2</b>
Capital project costs	0.2	0.4	0.1	0	<b>0.7</b>
Financing	2.3	(0.8)	(2.3)	(3.0)	<b>(3.8)</b>
<b>Sub-total</b>	7.7	17.7	7.7	(3.0)	<b>30.1</b>
<b>Net Mine Cash Flow</b>	<b>(3.1)</b>	<b>1.6</b>	<b>5.0</b>	<b>3.0</b>	<b>6.4</b>

**Sensitivity Analysis**

As with any gold mine, the Eagle River mine cash flows are sensitive to changes in gold price, reserve grade, and operating costs. Given the short mine life, the calculation of a net present value (NPV) of mine cash flows has been omitted. Changes are examined that vary the parameters by  $\pm 10\%$  and by such an amount as to reduce the net cash flow to zero, with the results set out in the table below:

**Variance of Cumulative Net Cash Flow 2005 – 2008 to Changes in Mill Head Grade, Gold Price and Operating Costs**  
(\$ millions)

		<b><u>Cumulative Cash Flow</u></b>	
		Positive Variance	Negative Variance
Base Case		6.4	
Grade Variance $\pm 10\%$ or	$\pm 1.1$ g/t	10.1	2.8
Grade Variance $\pm 17.5\%$ or	$\pm 1.9$ g/t	12.8	0.0
Gold Price Variance $\pm 10\%$ or	$\pm 52$ /ounce	10.1	2.8
Gold Price Variance $\pm 17.5\%$ or	$\pm 92$ /ounce	12.8	0.0
Operating Cost Variance $\pm 10\%$ or	$\pm \$16$ /tonne milled	9.7	3.1
Operating Cost Variance $\pm 19\%$ or	$\pm \$30$ /tonne milled	11.1	0.0

The grade and the gold price are the most sensitive parameters. Given the likelihood of the actual production to include low-grade material not captured by the reserve estimate, there is a chance that the predicted cash flow will not be achieved. A higher-than-assumed gold price (as is the case at the time of writing of the Eagle River Technical Report), would counteract this pressure on the cumulative project cash flow.

**Interpretation and Conclusions**

The Eagle River mine has been in continuous operation since 1996, producing 767,000 ounces of gold from more than 2.1 million tonnes of ore. The operation was economically successful until 1999 but has

since suffered from dilution problems and, more recently, operating cost pressure so that the net cash flow since 2000 has not been positive. As a result, necessary development has lagged the mining over the past few years. Recently, the Corporation has reacted to the economic difficulties by drastically changing the mine plan that now includes only ore that can be mined with a minimum of development. The predictable result is a large reduction in mineral resources and reserves at Eagle River, with many lower-grade blocks being removed that do not offer reasonable prospects for economic extraction. The current life-of-mine plan projects the closure of the operation for late 2007, and while small additions to the reserve tonnage will no doubt be found, mining is not assured thereafter.

Under the economic conditions assumed for the LOM, particularly a gold price of \$525 per ounce, and if the reserve grade of 11.1 g/t can be achieved, the mine is forecast to produce a positive net cash flow of \$6.4 million, starting October 1, 2005. However, if, as has been the case in the past few years, the mine under-achieves from a grade point of view, a lesser net cash flow will be produced. A reduction of the head grade or the gold price by 17% would result in operating cash break-even.

Rock movements in the central mined-out areas within the 6 Zone in the past two years have mostly been remedied by filling the mining voids with development waste. The indications are that the movement has been contained. However, there is a remaining risk that mining of the very high-grade ore in the 607 stopes below the 580 level (40,000 tonnes at 19.5 g/t) may be imperilled if further substantial rock movements occur above this ore block.

The lower part of the mine, below the current infrastructure, offers the opportunity to prolong the life of the operation. Projecting the main ore shoots to depth indicates one million tonnes of mineralization to a depth of 870. An internal study by the Corporation shows that at a gold price of \$525 per ounce, this material would break even with a gold grade of around 10 g/t, paying back the required development capital. A key component of this deep ore would be the continued existence of the high-grade 6 Zone in much the same manner as known from the upper levels. If it is absent or greatly diminished in tonnage or grade, there would be little hope of reaching the target grade of 10 g/t. The decision to commence the depth development program must be taken in mid-2006 to assure continuity of mining operations.

### **Recommendations**

It is obvious that underground drilling to determine the tonnage and grade of the 6 Zone below the 640 level down to the 870-level is urgently required. The drilling would have to be tight enough to allow the estimation of mineral resources in the indicated class. If positive, the other zones targeted at depth can be drilled. In total, a program of 20,000 metres is planned by the Corporation, and has indeed partially started. The drill program should be undertaken in two phases, with the results obtained in the 6 Zone being critically reviewed prior to drilling of the other targets.

The Corporation has advised that no substantial exploration programs are currently planned on the large group of claims surrounding the Eagle River mine. While there is no immediate concern with respect to the claim expiry dates, Strathcona recommends that the available information of the general area, including claims held by the Corporation and by others, be reviewed and compiled to formulate a regional exploration strategy that would augment the mine exploration efforts.

The sampling, sample preparation and assaying methods employed at the Eagle River mine and at the Corporation-owned chemical laboratory in Wawa are industry standard. However, there is a lack of documentation and outside scrutiny of the laboratory-internal QA/QC programs, and there is currently no

external QA/QC program at all. While there is no indication that the gold assays being produced by the laboratory are not reliable, the results of the internal QA/QC programs should be systematically documented to allow monitoring, and a program of external quality control, now the industry norm, needs to be instituted.

### **3.3 The Wesdome Properties**

At the date of the Merger, Old Wesdome's principal properties consisted of the Kiena mine property, the Shawkey (No. 22 Structure) property and the Wesdome ("A" Zone) property (sometimes collectively referred to herein as the "Wesdome Properties").

The information in this section regarding the Wesdome Properties is summarized or extracted from the report entitled the "NI 43-101 Technical Report of the Wesdome Properties Kiena Mine, Shawkey No. 22 Structure and Wesdome "A" Zone", dated April 15, 2005 as amended November 28, 2005 (the "Old Wesdome Technical Report"), prepared by Alain Jean Beaugard, President of Geologica Groupe-Conseil Inc. ("Geologica") and Daniel Gaudreault, Geological Engineer with Geologica, each of whom is a "Qualified Person" in accordance with National Instrument 43-101 ("NI 43-101").

Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Old Wesdome Technical Report which is available for review on SEDAR located at [www.sedar.com](http://www.sedar.com).

#### **Introduction**

Old Wesdome retained Geologica to carry out an independent technical review of the Wesdome Properties. In particular, Geologica reviewed and audited the mineral resource estimates for the VC, North, 388 and Martin Zones of the Kiena mine property, the 22 Zone at the Shawkey property and the "A" Zone of the Wesdome property as prepared by previous and current operators, and in collaboration with Old Wesdome. A work plan and budget covering further work on the properties was also recommended.

#### **Property Description and Location**

The Wesdome Properties are located 10 kilometres west of Val-d'Or in Dubuisson Township, Northwestern Quebec.

The Kiena mine property consists of one large mining concession totalling 184.3 hectares and 165 mining claims totalling 3,008.6 hectares, which surround the mining concession and are owned (100%) by Old Wesdome, except for three mining claims owned 50% by Old Wesdome and 50% by Mines Dynacor Inc. Old Wesdome purchased the Kiena mine property from McWatters Mining Inc. ("McWatters") by paying to McWatters a total of \$3,000,000. The acquisition included mining concession and claims comprising the Kiena mine property together with the Kiena mill and related equipment. The Shawkey property consists of 21 mining claims totalling 394.7 hectares and is currently owned by Old Wesdome. The Wesdome property consists of 51 contiguous claims, totalling 810.8 hectares, located in Vassan and Dubuisson Townships currently owned (100%) by Old Wesdome.

#### **Accessibility, Climate, Infrastructure and Physiography**

The Wesdome Properties are readily accessible by road from Val-d'Or using Highway 117, which runs

immediately south of the properties. An all season gravel road crosses the central part of the Kiena mine complex to the minesite.

Val-d'Or and surrounding region were founded and established with the development of the local mining industry. There are various resources and infrastructures available to facilitate the continued development and expansion of mine operations.

The Val-d'Or region is typical shield-type terrain that is characteristically very flat with local low knolls and hummocks. Topographic elevation at Val-d'Or is 300 metres above sea level. Large areas are dominated by swamp, numerous small shallow lakes and ponds. Lac De Montigny covers approximately 55% of the surface area of the Wesdome property. These areas are forested with spruce and low bush vegetation.

Seasonally, the summers are hot and the winters are cold. Normally the changing weather conditions, colder weather and limited snowfall are not severe problems for mine operations.

## **History**

### *Kiena Mine*

The first discovery of native gold-bearing quartz veins in the Lac De Montigny area was made during the period from 1911 to 1914 on Parker Island on which the present Kiena mine site has been constructed. Exploration during the period from 1922 to 1927 uncovered the Wisik vein on an island to the east of Parker Island. Activities heightened in the area with the commencement of mine operations at Siscoe, Sullivan and Shawkey Mines during the period from 1929 to 1936. Kiena Gold Mines Limited was established in 1936 under Ventures Limited Management, and a shaft with four levels for exploration was developed on Parker Island. The Parker vein system had limited extensions; however the underground exploration was successful in identifying the North and VC Zones prior to shut-down of the program in 1940 due to wartime issues.

The main S-50 Zone was discovered in 1961. At this stage, Falconbridge Copper Ltd. had assumed management of this project, and exploration had outlined a reserve of 4.5 million tonnes averaging 6.34 g/t Au for the S-50 Zone. Shaft No. 1 was collared in 1963 to advance the project, but with gold price at US\$35.00 per ounce in 1965, the property was not developed. Falconbridge re-evaluated the project in 1979 and successfully commenced mine production in October 1981. Ore was initially transported to the Lamaque Mill for three years until Kiena mines constructed its own mill in September 1984. Most of this zone has been mined out.

Falconbridge sold its Kiena mine interest to Campbell Red Lake Mines in January 1986. Subsequently, with the merger of Placer Development Limited, Dome Mines Limited and Campbell Red Lake Mines; Placer Dome Inc. assumed operatorship of Kiena mine from 1987 to 1994. Les Mines McWatters Inc. purchased Kiena mine from Placer Dome Canada Ltd. to become the operator of the mine on September 12, 1997.

The Kiena mine's production rate was 2,000 tons per day to date, total mine production is 10.7 Mtons at 4.77 g/t Au for a total of 1.56 million ounces of gold (1981-2002).

### *Shawkey Property*

Early exploration work on the Shawkey property dates back to the early 1910's with the discovery of gold mineralization by prospector Fred Lapalme in 1911 in the vicinity of Vein No. 1 in the central part of the property. A shaft was sunk (Shaft No. 1) and Martin Gold Mining Company Ltd., between 1932 and 1945, developed three levels on Vein No. 1. Shawkey Gold Mines Ltd. was created and work was completed on Shaft No. 1 to the fifth level. In February 1936, production began and a total of 139,050 tons were extracted at an average grade of 6.17 g/t Au before work was stopped in August of 1938. Between 1945 and 1989, a second shaft was sunk on the No. 10 Zone approximately 750 metres south of the original underground workings. Four levels were developed. A bulk sample of 51.3 tons was sent to the Ministry pilot plant and an average of 7.89 g/t Au was obtained from 53 samples. Another bulk sample of 1,039 tons was sent to the Malartic Goldfield mill, where an average grade of 1.81 g/t Au was obtained. Surface drilling outlined narrow auriferous veins in the "West" Zone. In 1979, Les Mines Sigma Ltée. started work to acquire a 65% interest in the property from Valmag Inc. Magnetic surveys (69 kilometres) and diamond drilling (21,521 metres) were completed in the "22" structure. Recently, in mid-March 2002 and March 2003, WQM launched a drill program of eleven (11) holes totalling 1,248 meters and ten (10) holes totalling 1,657 meters, respectfully, on the "22" structure in order to evaluate the possibility of finding gold bearing veins in tension fractures at an angle to the contacts of the SE-NW trending host Quartz-Feldspar Porphyry (QFP) a sill-like body carrying gold bearing veins and veinlets containing erratic gold values.

### *Wesdome Property*

The first exploration work on the Wesdome property dates back to the 1930's. Several mineralized zones were encountered in drill holes (450 Diamond Drill Holes). These are fractures or shear zones (defined as alteration zones) a few metres thick, with a variable quantity of quartz veins containing pyrite and gold. Depending on the location, the fractures or shear zones contain either one quartz vein alone, parallel veins, up to a few metres in thickness, or a group of small quartz veins and veinlets. In 1999, WQM estimated inferred resources 452,400 tonnes @ 5.10 g/t Au and indicated resourced of 145,500 tonnes @ 5.36 g/t Au with a cut-off of 3.5 g/t Au. The authors of the Old Wesdome Technical Report have verified the methodology of this resource calculation, and confirmed that it conforms to the criteria of NI 43-101. The authors of the Old Wesdome Technical Report have estimated additional inferred resources by taking into account the continuity of the structure for the zone "A" at 162,664 tonnes @ 5.35 g/t Au (cut-off at 3.5 g/t Au), using the same methodology as WQM. According to the authors, total inferred resources for the zone "A" are estimated at 615,064 tonnes @ 5.17 g/t Au and total indicated resources at 145,500 tonnes @ 5.36 g/t Au with a cut-off grade set at 3.5 g/t Au. In the past, mineralization was estimated by previous operators at 2.7 million tonnes at 4.6 g/t gold for several mineralized zones (A, B, C, D, E and E3), but this did not consist of resources determined in accordance with NI 43-101.

### **Geology**

The Wesdome Properties are in the southeastern area of the Abitibi greenstone belt in the Superior Province of the Canadian Shield. They are hosted within northeast dipping and overturned sequence of mafic and ultramafic rocks of the Malartic Group in the Val-d'Or-Malartic area. The volcanic assemblage is intruded by dioritic granodioritic and younger feldspar porphyry dykes. The main style of mineralization for the deposits are related with carbonate-quartz sulphide stockworks, veins, breccia-filling and disseminated sulphides with associated carbonatization and albitization in diorite and surrounding volcanic rocks.

The Kiena mine was developed on the main S-50 Zone that has been the cornerstone of the mine. Other satellite deposits in and around the S-50 Zone have provided supplementary production and resources.

The regional geology of the Val-d'Or – Malartic area predominantly consists of a supracrustal assemblage of ultramafic to felsic volcanic rocks and narrow belts of clastic sedimentary rocks. Plutonic rocks dominantly diorite to tonalite composition intrude these belts. The regional easterly-trending Cadillac Break separates the above assemblage of rocks from younger sedimentary rocks of the Pontiac Group to the south.

Many of the gold deposits in the Val-d'Or and Malartic district occur within a 15 kilometre wide corridor along the north side of the Cadillac Break. Two main styles of gold deposits are recognized in the area. The more abundant structurally controlled gold quartz-vein type deposits are more closely associated with localized smaller scale shear zone systems that are subsidiary and proximal to the main Cadillac Break. These quartz vein gold deposits are dominantly hosted by mafic volcanic rocks, of the Malartic Group and they commonly show a marked spatial association with felsic intrusions that are typically felsic porphyritic plugs, sills and dykes. There are also a number of quartz vein gold deposits that are developed within intrusive rocks such as the Bourlamaque batholith. The "A" Zone or vein of the Wesdome property corresponds to this type of mineralization. The second type are the disseminated deposits in which mineralized zones of disseminated sulphide occur in massive, fractured and brecciated wallrocks commonly with small quartz veinlets in the form of a stockwork. The Kiena and the Shawkey deposits would classify with this second type of deposits.

### **Deposit Geology**

The Kiena mine was developed on the major S-50 Zone, which to the end of 1999 had produced 8.7 million tonnes averaging 5.04 g/t Au. This represents 98.9% of the total production from the mine. The S-50 Zone at the surface is 200 metres east of Parker Island on Lac De Montigny and occurs as an irregular-shaped body roughly in a north-south trending corridor of structurally deformed and hydrothermally altered komatiitic basalt. The deposit extends over a maximum strike length of 500 metres on level 33. In cross section, the deposit dips 30 to 40° W, steepens rapidly and then rolls to a 50 to 60° easterly dip. The configuration of the deposit and the mineralogical characteristics change with depth. There are a number of satellite deposits and by comparison, these are significantly smaller than the S-50 Zone. These include the North, VC and Hanging Wall Zones as well as the recently discovered North-east Zone and several earlier explored deposits such as the South, Northwest, 388, Wisik and Martin Zones. Geological studies to date have been concentrated on the main S-50 ore deposit, but they have also recognized that the mineralization for many of the satellite deposits are quite similar to the S-50 Zone characteristics.

The Main S-50 ore deposit and several smaller satellite deposits North, 388 and Martin Zones occur as unique style of mineralization where the gold is intimately associated with carbonate, quartz, pyrite and minor pyrrhotite and chalcopyrite. These occur as veins and veinlets in the form of sheeted veins and stockworks, breccia filling and disseminations in carbonatized and albitized diorite dykes and mafic volcanic rocks. Veins and veinlets in the S-50 Zone are primarily calcite and other carbonates with minor quartz whereas most other deposits have quartz veins and veinlets with minor carbonate. On the Kiena property, most mineralized zones are hosted within and near the upper contact of the komatiitic basalt with the older komatiitic units. In and around the main deposit, the komatiitic basalt on a more finite scale has been deformed and hydrothermally altered to locally be defined as brecciated basalt, massive to pillowed basaltic flow and a light greyish-green carbonate talc-chlorite schist. Gold mineralization is

mainly developed in the basaltic rocks in association with sodium-rich diorite dyke intrusion; the schistose unit is weakly mineralized and commonly forms the uneconomic boundary around the ore deposit.

Two other zones (P and R Zones) were identified as satellite mineralized lenses, sub-parallel to the main S-50 zone in the hanging wall (northern part of S-50 zone). The P Zone is located between 10 and 30 metres from S-50 zone in the hanging wall and R Zone located between 120 and 150 metres in the hanging wall too. The zones are lenticular and squeezed, similar to the S-50 Zone and they are traceable from the surface pillar (120 metres below surface) to below level 48 (480 metres below surface). The P Zone is most often associated with brecciated, albitized basalt, which is a maximum of several metres thick and follows a komatiite-basalt contact, though it can be situated in both the basalt and the talc-chlorite schist of the komatiites. The zone is often brecciated and/or schistose and alteration is albite and/or silica. Mineralization is predominantly pyrite, up to 15% but average 3-4%. Quartz veins and quartz-carbonate veins are very common and a mineralized, albitized dyke often occurs within the mineralized diorite envelope. The R Zone consists of quartz-carbonate-chlorite vein stockwork with occasional tourmaline often present. Mineralization includes pyrite, chalcopyrite, pyrrhotite, galena, honey-coloured sphalerite and visible gold, most often associated with quartz. A mineralized, altered diorite dyke is often contained within the R Zone.

On the Shawkey property, the No. 22 structure was initially intersected in hole 141-2 in 1980. The structure consists of quartz-tourmaline veinlets in poorly pyritized porphyry dyke, which is emplaced in a sheared komatiitic unit of NW-SE trend and vertical dip. The "22 Deformation Zone" may correspond with the U-1778 target on the Kiena property. In some areas, two narrow dykes separated by a few metres of host komatiite comprise the structure. Most of the quartz-chlorite-carbonate-tourmaline veins and veinlets intersected carried pyrite often in related narrow bleached zones and several returned gold values over narrow intervals. In 1991, Placer Dome Inc. calculated a mineral inventory of 883,132 tons at 4.04 g/t Au over 5.24 metres (J. Lebel and J. Lafleur, 1991 internal report). This data is historical in nature and were compiled before the implementation of NI 43-101 reporting standards. It is presented for historical purposes only. This classification is not in compliance with the current definitions as stated by the CIM.

The "A" Zone of the Wesdome property is hosted within the NE part of the Snowshoe Stock. The "A" Zone and other mineralized areas (Zones B, C, D, E and F) are found at locations where dykes are particularly numerous, which suggests a relation of cause and effect between intrusives and mineralization. The mineralized zones are hosted within fractures and/or shear zones a few metres thick, with a variable quantity of quartz veins containing pyrite and gold. The "A" Zone has been traced over a length of 900 metres and a depth of 530 metres with an average width of 3.2 metres. Depending on the location, the fractures or shear zones contain either one quartz vein alone, parallel veins, ranging from a few centimetres to a few metres in thickness, or a group of small quartz veins and veinlets. The veins transcut the basaltic rocks and felsic dykes, trend N120° and dip to the SW towards the Snowshoe Stock.

The veins are mostly composed of quartz with some carbonate. Tourmaline is frequently observed, but remains secondary. Albite, chlorite, muscovite and rutile, which are rare in the middle of the major veins, are frequent in proximity to the walls and inside the veinlets. Certain veinlets are essentially composed of albite. Pyrite is the main sulphide and is present in the auriferous veins. It is generally more abundant in the walls (1-10%) than in the veins (0.5 to 5%). Traces of chalcopyrite are found while sphalerite and hematite are rare. Tellurides are often associated with gold. Gold can be found in fine inclusions (3 to 20 micrometers) within pyrite, or in fine grains at the margins of chalcopyrite or galena, and also as isolated

grains within the gangue. The "A" Zone and other veins of the Wesdome property are distinguished from the different vein-type of the Val-d'Or area by a clearly higher content in galena and molybdenite. This zone has inferred mineral resources of 452,400 tonnes at 5.10 g/t Au and total indicated resources of 145,500 tonnes at 5.36 g/t Au using a cut-off grade of 3.5 g/t Au and these resources are NI 43-101 compliant.

## **Exploration**

On the Kiena mine property, between August 2000 and July 2003, Les Mines McWatters completed resources estimations of zones S-50, P and R having for objective the discovery potential of new mineralized zones. Measured and indicated historical resources were established at 3,010,251 tons grading 4.25 g/t Au.

These resource blocks are now being re-evaluated by the Corporation. Since the acquisition by Old Wesdome until March 15, 2005, 61 diamond drill holes were completed for a total of 13,602.5 metres (8,428.3 metres to explore news zones and 5,174.2 metres to explore the VC Zones). Moreover, 1,338.8 metres of drift, 43 metres of raises, 15 metres of sub-levels, rehabilitation at the level 33 of 490 metres of tunnel with extension of 605 metres were completed by Old Wesdome.

Old Wesdome has not conducted any diamond drilling activities on the Shawkey property recently. However, eleven diamond drill holes totalling 1,248 metres were completed in mid-March 2002 and ten holes totalling 1,657 metres in March 2003 by WQM.

Old Wesdome has not conducted any diamond drilling activities on the Wesdome property recently.

Old Wesdome's 2003-2004 and 2005 program consisted of underground maintenance, development and diamond drilling at the Kiena mine only. No additional exploration efforts were recently realized on the Shawkey and Wesdome properties since 2003.

## **Sampling and Analysis**

### *Sample Preparation*

During the previous and recent drill programs, the drill core was partially cut with a splitter along its longitudinal axis and sampled every 0.3, 0.5 and/or 1.5 metres following the typology of the mineralization. Thereafter the following steps were taken:

1. the core boxes were unloaded, washed and tagged;
2. the core was measured and logged by one of Old Wesdome's geologists;
3. one-half of the core was sampled, placed in a tagged bag for assay lab. The other half was replaced in a box with a corresponding tag, which was placed at the beginning of the splitted core;
4. the metallic pan and the splitter were washed and cleaned after each sample was taken;
5. each sample bag was then sealed and attached; and

6. the samples were placed in larger shipping bags and delivered by company personnel to the laboratory for the analysis.

On the Kiena mine, samples were divided into PT and RT types for processing at the laboratory. PT refers to total pulverisation or more universally to the metallic screening assaying procedure, which is used for samples containing coarse-gold. RT refers to routine assaying procedures, which are used for presumed low-grade gold samples or those without visible gold mineralization.

Geologica concluded that the sampling approach and assay procedure used appear to conform with mining standards.

#### *Diamond Drill Samples*

**RT samples:** Procedures for routine fire assaying are to initially crush the entire sample to – 10 mesh, then a 300 g sub-sample is split and pulverized to 95 % - 150 mesh, and a 30 g sub-sample is fire assayed using standard industry procedures, with the gold content determined by atomic absorption spectrometry.

**PT samples:** Sample is initially crushed to – 10 mesh, and a 250 g sub-sample is riffle split from the crushed material for a standard fire assay as a first step. Then a 1.5 kg sub-sample from the reject material is split and pulverized, screened to  $\pm$  150 mesh to follow standard metallics assaying procedures. There is normally sufficient material remaining for further check assay work. To ensure no cross-contamination between samples, the crushing of each total pulverization sample is followed by processing a barren granite cobble.

For the security and quality control, diamond drill core samples were catalogued on sample shipment memos, which were completed at the time samples, were being packed for shipment. Each batch of PT samples shipped to the laboratory for metallics assaying consisted of 6 samples plus the addition of one standard and one blank. Every third batch contained a duplicate sample as one of the 6, which was prepared by the laboratory. Each batch of RT samples consisted of 17 samples plus the addition of 1 standard and 1 blank. A duplicate, prepared by the laboratory, was included in every batch of RT samples.

The material used for standards comprised certified reference material purchased from commercial facilities specializing in their manufacture (RockLab and CND “Analytical Solution Limited”). All material used for blank samples comprised barren mafic volcanic rock, granite or quartzite. Laboratories also added their own quality control standards. In the case of any doubt regarding the validity of a sample, the entire batch was re-assayed.

The sampling completed by Old Wesdome was analyzed by Bourlamaque Assay Laboratories Ltd. in Val-d’Or. The check sampling for the actual audit by Geologica was analyzed by ALS Chemex in Val-d’Or with the same approach.

#### *Ore Material to the Mill*

Ore from underground is crushed to 10 centimetres or less and skipped to the surface where it is transported directly to the crushing circuit. The circuit is composed of a primary sag mill and a secondary closed circuit ball mill. Calcium cyanide used to dissolve the gold is added to the pulp, which is then processed in two stages of cyclones with the goal of obtaining the desired grain size distribution for the leaching thickener.

The pulp decantation takes place in a 3.6 m x 20 m thickener. A flocculent is used to accelerate the sedimentation. The thickener overflow is pumped into three carbon columns 1.1 m diameter x 3.6 m high each containing 0.7 tonnes of carbon.

The pulp itself passes through a series of three leaching reservoirs 10 m x 10.6 m, each giving a retention time of 40 hours necessary for full gold dissolution before reaching by gravity, the five carbon-in-pulp (C.I.P.) reservoirs.

In the final stage, the carbon from the columns and the C.I.P. is transferred to the desorption reservoir to extract the collected gold. Subsequently, the gold extracted from the carbon at the desorption stage is pumped through two electro-winning cells set in parallel. The cathodes are removed on a daily basis. They are dried, a flux is added, and they are melted into gold bullion in the induction furnace.

### **Data Corroboration**

For all the mineralized zones that were check sampled (235 samples) and then audited by Geologica on the Wesdome Properties (Kiena mine, Shawkey and Wesdome "A" Zone) the measured correlation coefficient varied between 41% and 100%. Zone VC-1 gave the lowest coefficient most probably caused by the presence of coarse and visible gold specks. This is often seen at Kiena and sample representativity problems are partly resolved by using Metallic Screen Analysis (total pulverization). This situation is common in the Val-d'Or area and in several other mining districts of the Abitibi Greenstone Belt such as Timmins, Kirkland Lake, Shebandowan, Hemlo and particularly along the Cadillac Tectonic Zone an important gold metallotect.

### **Mineral Resource Estimates**

Geologica's assignment included reviews and audits of historical and recent mineral resources for the VC, North, 388, Martin, "22 Structure" and "A" Zones. The resource estimates, regardless of who completed them, were done in the same general manner using the same basic parameters. Geologica understands that geological interpretation was done both on cross section and longitudinal section, but the resource estimates were completed on longitudinal sections using the polygonal method. In the case of Kiena the zones (VC, North, 388 and Martin) were estimated using the Datamine Software Package.

At the Kiena mine, all resource estimates and audits, whether completed by Placer Dome, McWatters or Old Wesdome used a specific gravity of 2.8 to calculate the tonnage of the block model and Geologica agrees that this is a reasonable figure for this type of estimate. Estimates by Placer Dome, McWatters and Old Wesdome used an upper cut-off grade of 26 g/t Au and lower 1.9 g/t Au for resources for VC, North, 388 and Martin Zones at Kiena. For the "A" Zone at the Wesdome property, used a density or specific gravity of 2.7 t/m<sup>3</sup>, a lower cut-off grade of 3.5 g/t Au, minimum horizontal width of 1.5 metres and the high value were capped at 34 g/t Au. Old Wesdome used the conventional polygonal method for their estimation of resources after performing geological interpretation from drill hole intersections. Geologica concluded that the manner, in which resources were estimated appears to follow appropriate standards and conservative procedures that were sound, correctly applied and gave acceptable results.

Geologica's audit included:

1. The independent sampling and assaying of several intercepts from old drill core on which Old Wesdome estimates were based;

2. General review of the estimation parameters and methods of interpretation of mineralization;
3. Random checks of assays on the cross sections compared to assays reported in the drillhole logs. No checks could be made on some certificates of analysis because they were not available and likely no longer exist (i.e. Shawkey No. 22 Structure);
4. Check calculations on grade composites to confirm that they were averaged correctly;
5. Checks to ensure that capping of individual assays was done as specified; and
6. Check calculations on areas of polygons.

Geologica's audit found reasonable agreement with Old Wesdome's results and Geologica concluded that Old Wesdome's estimates were completed in an acceptable manner. Geologica's audit validated Old Wesdome's mineral resource estimates for the VC-1, VC-2, VC-3, North, 388 and Martin Zones at Kierna mine, the No. 22 Structure zone of the Shawkey property and the "A" Zone of the Wesdome property. The resources were classified using criteria specified in NI 43-101 and CIM Standards.

#### *Methodology*

1. Each hole is described with the PROLOG Software
2. Data from PROLOG is transferred in DATAMINE Software
3. Generate DDH sections with 15 metres spacing with the DDH date
4. Interpretation of each section with mineralized zones and geological contacts
5. Define and close the envelope of each mineralized zone on each section
6. Generate a block model with an influence area of 5m x 5m around the DDH intersection and by other small block to complete the area defined by the defined mineralized envelope on each sections
7. Define a grade legend, to assign a color at each block and to classify these blocks in categories of reserves and/or resources.

#### *Parameters*

1. Recuperation of 95.5%
2. Cut-off grade for reserves: 2.5 g/t Au in long hole working place  
3.0 g/t Au in cut and fill  
2.5 g/t Au in the North Zone
3. Cut-off for resources: 1.9 g/t Au (75% of cut-off for reserves)
4. Density: 2.8 t/m<sup>3</sup>
5. Dilution: 85-95% for tonnage in-situ and 10-15% for tonnage at 0 g/t Au
6. Cut-off grade: 34.38 g/t Au for the North Zone  
30 g/t Au for VC Zones

34.28 g/t for the 388 Zone  
34.28 g/t for the Martin Zone

The volume, grade and results obtained by Geologica on the VC Zone during this audit corroborated at 95% the results presented on the table of resource calculations completed by WQM in 2003. Geologica considers this result as very reasonable and confirms that it is compliant with National Instrument 43-101. The methodology used by WQM for Old Wesdome was the one proposed by the CIM Standards (“The Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines of May 30, 2003”).

**Mineral resources have no demonstrated economic viability.**

*Kiena Mineral Resource Estimate*

On the Kiena mine property, between August 2000 and July 2003, Les Mines McWatters completed resources estimations of zones S-50, P and R having for objective the discovery potential of new mineralized zones. Measured and indicated resources were established at 3,010,000 tons grading 4.25 /t Au as set out in the chart below at an assumed gold price of \$350US/ounce. These estimates were calculated using the block method and a Classification Schedule in accordance with NI 43-101.

**Les Mines McWatters Inc. (July 2003)**

	<b>Tonnage (metric ton)</b>	<b>Grade (g/t Au)</b>	<b>Ounce of gold</b>
Measured Resource	1,035,000	4.13	137,432
<b>INDICATED RESOURCE</b>	1,975,000	4.31	273,679
<b>TOTAL:</b>	3,010,000	4.25	411,111

The authors have retained only the calculations for the North, VC, 388 and Martin Zones. Here below tables show resource estimates for these zones at an assumed gold price of \$437US/ounce.

**North zone**

**Wesdome Gold Mines Inc. (November 14, 2004)**

	<b>Tonnage (metric ton)</b>	<b>Grade (g/t Au)</b>	<b>Ounce of gold</b>
<b>Indicated Resource</b>	269,776	4.23	36,689

**VC zone**

**Wesdome Gold Mines Inc. (November 14, 2004)**

	<b>Tonnage (metric ton)</b>	<b>Grade (g/t Au)</b>	<b>Ounce of gold</b>
<b>Measured Resource</b>	473,026	4.19	63,723
<b>Indicated Resource</b>	159,960	4.66	23,966

**388 zone**

**Wesdome Gold Mines Inc. (November 14, 2004)**

	<b>Tonnage (metric ton)</b>	<b>Grade (g/t Au)</b>	<b>Ounce of gold</b>
<b>Measured Resource</b>	100,997	5.67	18,412
<b>Indicated Resource</b>	129,203	6.31	26,212

**Martin zone**

**Wesdome Gold Mines Inc. (November 14, 2004)**

	<b>Tonnage (metric ton)</b>	<b>Grade (g/t Au)</b>	<b>Ounce of gold</b>
<b>Indicated Resource</b>	191,198	3.60	22,130

*Shawkey*

A mineral inventory was estimated on the “22” Structure by Placer Dome Inc. in March 1991 to be 883,132 tons at 4.04 g/t Au over a width of 5.24 metres and a density of 2,7 t/m<sup>3</sup>. The authors have verified the methodology of the resource’s calculation and confirm that was not in compliance with NI 43-101 and CIM Standard. However, in the conclusion Geologica Groupe-Conseil Inc. and the budget of the Old Wesdome Technical Report, the authors recommend the completion of mine development and underground access at the Kiena mine to verify the “22” Structure on the Shawkey property by conducting underground exploration and definition drilling. These works will facilitate the confirmation and extension of the mineralized zones.

*Wesdome (“A” Zone)*

In 1999, Old Wesdome estimated mineral resources (inferred and indicated) for the “A” Zone as set out in the chart below at an assumed gold price of \$280US/ounce. Geologica verified the methodology of the resource calculation and confirmed that it is compliant with NI 43-101.

**Wesdome Gold Mines Inc. (March 31, 1999)**

	<b>Cut-off 3.5 g/t Au</b>			<b>Cut-of 4.5 g/t Au</b>		
	<b>Tonnes</b>	<b>Grade g/t Au</b>	<b>Ounce of gold</b>	<b>Tonnes</b>	<b>Grade g/t Au</b>	<b>Ounce of gold</b>
<b>Indicated Resources <sup>(1)</sup></b>	145,500	5.36	25,074	124,200	6.02	24,039
<b>Inferred Resources <sup>(1)</sup></b>	452,400	5.10	-	344,100	5.65	-

(1) 100-metre crown pillars excluded; minimum width set at 1.5 m.

Geologica has estimated additional inferred resources by taking into account the continuity of the structure for the “A” Zone at 162 664 tonnes @ 5.35 g/t Au (cut-off at 3.5 g/t Au), following the methodology required and in accordance with NI 43-101. Geologica calculated total inferred resources of “A” Zone of Wesdome property to stand at 615 064 tonnes @ 5.17 g/t Au and total indicated resources at 145 500 tonnes @ 5.36 g/t Au with a cut-off grade set at 3.5 g/t Au at an assumed gold price of \$408US/ounce

**Geologica Groupe-Conseil Inc. (December 17, 2003)**

<b>Inferred Resources</b>				
<b>Zone</b>	<b>Tonnes</b>	<b>Grade (g/t Au)</b>	<b>Cut-off</b>	<b>Ounce of gold</b>
"A" (Western Quebec)	452,4	5.10	3.5 g/t Au	-
"A" (Geologica)	162,664	5.35	3.5 g/tAu	-
<b>TOTAL</b>	615,064	5.17	3.5 G/T Au	
<b>Indicated Resources</b>				
"A" (Western Quebec)	145,5	5.36	3.5 g/t Au	25,074

**Conclusions and Recommendations**

Geologica considers that the Wesdome Properties (Kiena, Shawkey and Wesdome "A" Zone) have excellent potential for further discoveries of economic gold mineralization and that the fundamental control on mineralization is structural.

Details of the property-scale controls for the structures on the Kiena mine property were well documented by Suzanne Morasse, Ph.D. and Placer Dome's geological staff prior to 1997. Although all surface and underground drill hole information was incorporated into a comprehensive digital database (Prolog, Datamine, Gemcom, etc.) including surveys, skeleton geology of underground stopes and access drifts crosscuts and raises with assays should be compiled and digitized. Such a database will allow for the plotting of plans and sections and querying assay results.

Geologica believes that significant exploration potential exists near and around the S-50 zone and its satellite deposits developed within lithological and structurally controlled corridors favourable for mineralization. Lateral and depth extensions of already known mineralized zones (VC North, 388, Martin) with promising signatures. Drifting towards the Shawkey No. 22 structure and Wesdome's "A" Zone should permit access and reconnaissance of new mineralized host structures.

Geologica, in collaboration with Old Wesdome, has prepared and recommends a two-phase work and underground development plan and budget to advance the contiguous group of properties. A total exploration budget of \$21.9 million is recommended as detailed below.

**Phase IA: Surface Expenses**

\$

- Geology (Staff and Furniture)	420,000
- Engineering	328,000
- Capital Expenditures	2,725,500
- Environment	512,000
- Mechanic	300,000
- Mill (Operation and maintenance)	886,000
- Mill (Contractors)	763,000
- Surface work and maintenance (access, houses, etc.)	<u>1,065,500</u>

**Sub Total Phase 1A:**

**7,000,000**

<b><u>Phase IB: Underground Exploration and Development Work (Drifts)</u></b>	<b>\$</b>
Underground mechanic (furniture and maintenance)	950,000
Special project (rail alignment level 33, blasting store, garage)	325,000
Electrical wiring and installation	105,000
<b><u>1) VC-2. 3. 4 Zones (Level 52 to 33)</u></b>	
Excavation and development (drift, access, production chimney, etc)	115,000
Diamond Drilling (BQ size): 5,000 metres at \$100/metre*	500,000
<b>2) North Zone (Drift 52-03) toward the “A” Zone (Wesdome)</b>	
Excavation and development (drift, access, production chimney, etc)	100,000
<b><u>3) Exploration drift - Martin Zone (Kiena)</u></b>	
Excavation and development (exploration drift, etc)	230,000
Diamond Drilling (BQ size): 1,000 metres at \$100/metre*	100,000
<b><u>4) Exploration drift - 388 Zone</u></b>	
Excavation and development (exploration drift, etc)	200,000
Diamond Drilling (BQ size): 1,000 metres at \$100/metre*	100,000
<b><u>5) Development drift — VC-1 Zone</u></b>	
Excavation and development (drift, access, production chimney, etc)	215,000
Diamond Drilling (BQ size): 1,500 metres at \$100/metre*	150,000
<b>Sub Total Phase 1B:</b>	<b>\$3,090,000</b>
<b>Sub total Phase I Program:</b>	<b>\$10,090,000</b>
Management, Logistics and Contingencies (≈15%)	\$1,510,000
Management, Logistics and Contingencies (≈15%)	\$1,510,000
<b><u>Total Phase I Program:</u></b>	<b><u>\$11,600,000</u></b>
<b><u>Phase II: Underground Exploration (Martin Zone) and Development Work - Raises (388. Vc-1, 2, 3 and 4 Zones) (If Warranted Following Phase I)</u></b>	
	<b>\$</b>
- Underground mechanic (furniture and maintenance)	1,000,000
- Special project (rail installation level 52, ventilation, garage)	1,300,000
- Electrical wiring and installation	150,000

**1) VC-2, 3, 4 Zones (Level 52 to 331)**

- Excavation and development (raises, access, etc)	600,000
- Diamond Drilling (BC size): 6,000 metres at \$100/metre <sup>5</sup>	600,000

**2) Exploration drift - Martin Zone (Kiena)**

- Excavation and development (exploration drift, etc)	500,000
- Diamond Drilling (BQ size): 2,500 metres at \$1 00/metre*	250,000

**3) North Zone (Drift 52-03) toward the "A" Zone (Wesdome)**

- Excavation and development (drift, access, drill station, etc)	1,000,000
- Diamond Drilling (BC size): 2,500 metres at \$1 00/metre*	250,000

**4) Raises – 388 Zone**

- Excavation and development (raises, etc)	1,000,000
- Diamond Drilling (BC size): 1,500 metres at \$100/metre*	150,000

**5) Development raise — VC-1 Zone**

- Excavation and development (raises, access, etc.)	1,000,000
- Diamond Drilling (BC size): 1,500 metres at \$100/metre*	150,000

**6) Exploration drift — No. 22 Zone (Shawkev)**

- Excavation and development (exploration drift, etc)	800,000
- Diamond Drilling (BC size): 2,000 metres at \$100/metre*	<u>200,000</u>

**Sub Total Phase 2: \$8,950,000**

Management, Logistics and Contingencies (≈15%) \$1,350,000

**Sub Total Phase 2: \$8,950,000**

**Total Phase 2 Program: \$10,300,000**

**Total Phase 1 and 2: \$21,900,000**

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\*All inclusive: mobilization, demobilization, water supplies and lines, logging, splitting, sampling and analysis

### **3.4 Other Properties**

In addition to the properties covered by the Eagle River Technical Report and the Old Wesdome Technical Report, the Corporation also holds, either directly or indirectly, interests in the Mishi/Magnacon property and the Moss Lake property (including the Fountain Lake property) and in the additional properties noted below.

#### **Mishi and Magnacon Properties**

The Mishi and Magnacon properties are contiguous and collectively cover a ten kilometre strikelength of a gold-bearing structure called the Mishibishu Deformation zone. The properties are 17 road kilometres north of the Eagle River mine with the River Gold mill situated on the Magnacon property. The Magnacon property consists of 66 patented and staked claims covering 1,000 hectares which are now in a mining lease. The property is operated under a joint venture owned 75% by the Corporation. The Mishi property located immediately west of the Magnacon consists of a 30-claim mining lease covering approximately 500 hectares and is 100% owned by the Corporation. The properties are traversed by an east-west secondary gravel road and host all required infrastructure for mining and milling operations.

The Magnacon property is subject to a 2% net smelter return royalty on production while the Mishi property is subject to a one dollar per tonne royalty on surface mined tonnes milled after the first 700,000 tonnes milled and a two dollar per tonne royalty on underground tonnage milled after the initial 700,000 tonnes milled.

#### *Regional and Property Geology and Mineralization*

The Mishi and Magnacon properties cover a portion of the Mishibishu greenstone belt which is part of the Wawa Subprovince of the Archean age Superior Structural Province of the Canadian Shield. Supracrustal rocks belong to the Mishi Assemblage and consist of mafic volcanic rocks in contact with epiclastic volcanic and sedimentary rocks to the south.

These rocks strike east-west and dip approximately 40 degrees north. A regional zone of ductile deformation called the Mishibishu deformation zone traverses the Mishi and adjoining Magnacon properties and is localized along the regional mafic volcanic-sedimentary rock contact. These Archean supracrustal rocks are crosscut by a series of northeast and northwest trending crossfaults and fractures which are commonly occupied by Proterozoic diabase dykes.

In the Mishi mine area the Mishibishu deformation zone is sandwiched between a small quartz-feldspar porphyry stock to the north and a small (300 metre long) gabbroic mafic sill to the south. At the Mishi mine mineralization is characterized by disseminated pyrite in ankerite-sericite alteration accompanied by 10% irregular smoky quartz vein stringers and lenses. A series of five en echelon mineralized lenses has been identified, one of which comes to surface and is being mined by open pit methods.

The Mishi gold deposits were found by Granges Inc. in the late 1980s. Over \$10 million was spent on detailed drilling, stripping, bulk sampling and feasibility studies prior to the Corporation's 1998 purchase of the property for \$1.4 million.

At the Magnacon property, the first records of gold occurrences date to the 1930s. In 1984, Westfield Minerals Ltd. discovered the Magnacon deposit while drill testing humus geochemical anomalies. In

1985, the Muscocho-Flanagan McAdam-Windarra joint venture was formed to explore and develop the property. Mining commenced in 1989 and was shut down in October, 1990 after producing about 40,000 ounces of gold from 265,000 tons milled. The Corporation acquired a 75% interest in the Magnacon property in 2000.

Gold mineralization on Magnacon property is hosted by strongly deformed, folded and dislocated white quartz veins generally confined to sericite schists within the Mishibishu Deformation zone. Near the western property boundary, in the G zone area, there is some indication that gold mineralization occurs in pyrite bearing alteration zones more typical in style to known mineralization on the neighbouring Mishi property.

*Mineral Resource Estimates*

A mineral resource estimate has been established on the Mishi deposit with the view towards future underground development. Work to date on the Magnacon project has failed to establish a reasonable enough level of confidence in the continuity of known mineralization to estimate resources.

**2004 Mineral Resource Estimate – Mishi**

	<u>Tonnes</u>	<u>Average Gold Grade (gAu/tonne)</u>	<u>Contained Gold (ounces)</u>
<b>Indicated Resources</b>	1,043,000	5.1	171,000

Indicated resource estimates are based on detailed diamond drilling information for 5 known en echelon zones. Conventional polygon construction on longitudinal projections were made employing a cut-off grade of 2.0 grams of gold per tonne, a minimum width of 2.0 metres, a cutting factor of 20.0 grams of gold per tonne, a maximum projection beyond drilling information of 7.5 metres and the application of a 15% dilution factor.

*Mishi Production*

Mining by open pit methods at Mishi was conducted on a seasonal basis in 2002 and 2003. A remaining stockpile was milled in 2004. Production results for the last three years are summarized below.

**Mishi Production**

<u>Year</u>	<u>Ore Milled (tonnes)</u>	<u>Recovered Grade (grams/tonne)</u>	<u>Gold Production (ounces)</u>
<b>2002</b>	20,019	4.4	2,838
<b>2003</b>	26,727	3.8	3,256
<b>2004</b>	44,000	3.0	4,200

Open pit mining ceased in 2003 as the strategy shifted to gaining underground access via a drift to be established off the 150 metre level of the Magnacon workings. By September 2004, this drift had advanced to the property boundary prior to work being suspended to allocate resources to the Eagle River mine. At present, this project is on hold pending improved economic conditions.

#### *Magnacon Exploration and Development*

In 2002, the Corporation initiated a comprehensive compilation project and 6,000 metres of drilling in 14 holes to provide a systematic regional evaluation of the Mishibishu Deformation zone. This project cost \$475,000.

In 2003, the Magnacon workings were dewatered and rehabilitated and a crosscut and diamond drilling drift were established on the 150 metre level in order to drill the Magnacon Main zone at depth. The Corporation spent \$2.5 million in 2003.

In 2004, the Corporation drove 800 metres of drift westward on the 150 metre level and completed 9,800 metres of detailed drilling to trace the Main zone to depth. Detailed engineering and rehabilitation work was done in order to evaluate potential mining blocks near former production areas. In September, a decision was made to suspend work and reallocate skilled labour and equipment resources to the Eagle River mine. A total of \$3.9 million was spent in 2004 and results were generally discouraging. The Corporation intends to revisit this project when economic conditions improve.

#### **Moss Lake Property**

The Moss Lake property is situated in Moss Lake Township, 25 kilometres south of Kashabowie which is located on the Trans-Canada highway about 115 kilometres northwest of Thunder Bay in Northwestern Ontario. The property consists of 48 mining claims and 2 mining leases (comprised of 16 former unpatented mining claims) comprising approximately 705 hectares. Freehold patents have been issued in respect of 15 of the claims. In 1999, Moss Lake paid \$5,000 in full settlement of one of the underlying entitlements to a 1.25% net profits royalty. Moss Lake remains obligated to pay an underlying advance royalty of \$5,469 per quarter to the remaining underlying vendors until commercial production is achieved. Upon commencement of commercial production, the Moss Lake property is subject to an 8.75% net profits royalty to such underlying vendors in place of the underlying advance royalty payments already made.

The Moss Lake property hosts a large low grade gold deposit. The deposit hosts a resource of 60 million tonnes grading 1.1 grams of gold per tonne to a depth of 250 metres representing an in situ resource of 2.1 million ounces of gold. A higher grade core near existing workings has measured and indicated resources of 475,000 tonnes grading 6.2 grams of gold per tonne.

In 1999, Moss Lake acquired a 100% interest in the Fountain Lake property from Landis Mining Company and its original vendors for 4.5 million treasury shares and \$45,000 cash. The Fountain Lake property consists of 149 mining claims contiguous with the Moss Lake property to the east, west and south.

The gold mineralization at the Moss Lake property occurs in a sheared and altered “diorite” sill about 450 metres wide, striking northeast, and flanked on the north and south by felsic volcanics. The entire sill is somewhat sheared and altered with alteration consisting mainly of sericite and carbonate with lesser

chlorite, hematite and epidote (there is very little silicification or quartz veining). The central part of the sill (120 - 150 metres wide) is highly sheared and altered and contains most of the known gold-bearing zones. In the central part, there are two main zones of gold mineralization which were probably one zone originally and were separated by a north-south striking fault with a displacement of about 50 metres. The more westerly zone has been called the Main Zone and the easterly, the QES Zone. In the Main Zone, the mineralized zones are fairly distinct (average thickness about 15 metres thick), but toward the east (in QES Zone) they merge into a broader zone (up to 90 metres thick) of more uniform gold mineralization. In addition to the central zones, there are several smaller zones (North Zone, Boundary Zone) associated with weaker shears parallel to the central ones. They are similar in nature to the Main and QES Zones. The mineralized zones have a near vertical dip.

The gold at the Moss Lake property occurs mainly as fine-grained free gold associated with minor disseminated pyrite and chalcopyrite (total sulphide 2 to 3%) in the zones of most intense shearing and sericitization.

In 2003, drilling tested a felsic volcanic sequence located 2.5 kilometres southeast of the Moss Lake deposit encountering widespread gold mineralization, including an intersection of 6.9 grams of gold per tonne over 1.86 metres. In 2004, a 1,600 metre drill program followed up on this occurrence helping define two parallel pyritic zones carrying values of up to 3.1 grams of gold per tonne over 3.0 metres, 4.16 grams of gold per tonne over 1.8 metres and 5.46 grams of gold per tonne over 1.3 metres. This area merits further work.

### Additional Properties

In addition to the properties covered by the Eagle River Technical Report and the Old Wesdome Technical Report, the Mishi/Magnacon property and the Moss Lake property (including the Fountain Lake property), the Corporation also has an interest in the following additional properties:

Property	Township or concession	Number of claims or lots	Interest
Lamothe <sup>(1)</sup>	Vassan, Québec	11	100%
Lamothe-Extension	Vassan, Québec	3	100%
Yankee Clipper <sup>(2)</sup>	Vassan, Québec	10	100%
Callahan <sup>(3)</sup>	Vassan, Québec	3	100%
Siscoe <sup>(4)</sup>	Vassan and Dubuisson, Québec	2 mining concessions	100%
Siscoe-Extension <sup>(5)</sup>	Vassan and Dubuisson, Québec	13	100%
Shawkey South <sup>(6)</sup>	Dubuisson, Québec	10	100%
McKenzie Break <sup>(7)</sup>	Fiedmont and Courville, Québec	10	100%

(1) The claims are subject to a 1% net smelter return royalty.

(2) Eight of the 10 claims are subject to a 2% net profit royalty.

(3) The mining concessions are subject to a 3% net smelter return royalty in favour of Dynacor, of which 1% may be purchased for an amount of \$500,000. In addition, Dynacor has undertaken to take charge of an additional 0.5% net smelter return royalty in favour of Ressources Minérales De Montigay Inc., redeemable for an amount of \$500,000.

(4) The claims are subject to a 3% net smelter return royalty.

(5) The Shawkey South property is subject to a 1% net smelter royalty.

(6) The property is subject to a 1.75% net smelter return. The Corporation has made advance royalty payments of \$30,000 per year since 1996. The advanced royalty payments are deducted from the royalty owed after production commences.

(7) The property is subject to a 1.75% net smelter return royalty. The Corporation has made advance royalty payments of \$30,000 per year since 1996. The advanced royalty payments are deducted from the royalty owed after production commences.

#### **4. RISK FACTORS**

The operations of the Corporation are speculative due to the high risk nature of its business which is the operation, exploration and development of mineral properties. In addition to risks described elsewhere herein, readers should note the following:

##### *Nature of Mineral Exploration*

The exploration for and development of mineral deposits involves significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an orebody may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a site. It is impossible to ensure that the exploration programs planned by the Corporation will result in a profitable commercial mining operation.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices which are highly cyclical and government regulations. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Corporation not receiving an adequate return on invested capital.

##### *Mining Risks and Insurance*

The business of mining is generally subject to a number of risks and hazards, including environmental hazards, industrial accidents, labour disputes, encountering unusual or unexpected geologic formations, cave-ins, flooding and periodic interruptions due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability. Insurance against environmental risks (including potential for pollution or other hazards as a result of disposal of waste products occurring from exploration and production) is not generally available to the Corporation or to other companies within the industry.

##### *Government Regulations and Environmental Matters*

The Corporation's activities are subject to extensive federal, provincial and local laws and regulations controlling not only the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment. Permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development of the Corporation's properties, the extent of which cannot be predicted. In the context of environmental permitting, including the approval of reclamation plans, the Corporation must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. While it is possible that the costs and delays associated with compliance with such laws, regulations and permits could become such that the Corporation would not proceed with the development or operation of a mine, the Corporation is not aware of any material environmental constraint affecting its properties that would preclude the economic development or operation of any specific property.

The Corporation has obtained approval for its closure plan for the Eagle River mill, Eagle River mine and

the Mishi-Magnacon complex and has provided security of approximately \$0.6 million to cover estimated rehabilitation and closure costs. In the event of any future expansion or alteration of a mine on the Eagle River property, the Corporation would likely be required to amend its closure plan and could also be required to provide further security. The Corporation estimates its future closure costs for the Kiena mine and mill are \$1.0 million. The Corporation has provided letters of credit in the aggregate amount of \$0.7 million to be held against these future environmental obligations. The Corporation believes it is currently in compliance in all material respects with the legislation described above.

#### *Reliance on Management*

The Corporation is heavily reliant on the experience and expertise of its executive officers. If any of these individuals should cease to be available to manage the affairs of the Corporation, its activities and operations could be adversely affected.

#### *Economic Conditions*

General levels of economic activity and recessionary conditions may have an adverse impact on the Corporation's business.

#### *Mineral Resource and Mineral Reserve Estimates*

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the Corporation's control. Such estimation is a subjective process, and the accuracy of any mineral resources and mineral reserves estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material effect in the future on the Corporation's financial position and results of operation.

#### *Competition and Agreements with Other Parties*

The mining industry is intensely competitive in all of its phases, and the Corporation competes with many companies possessing greater financial resources and technical facilities than itself. Competition in the mining business could adversely affect the Corporation's ability to acquire suitable properties or prospects for mineral exploration in the future.

#### *Conflicts of Interest*

Certain officers and directors of the Corporation are or may be associated with other companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time. The directors are required by law to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any interest which they may have in any project or opportunity of the Corporation. Not every officer or director devotes all of their time and attention to the affairs of the Corporation.

#### *Gold Price Volatility*

The profitability of the Corporation's operations may be significantly affected by changes in the market price of gold and other mineral commodities. Metal prices fluctuate widely and are affected by numerous

factors beyond the Corporation's control. The level of interest rates, the rate of inflation, world supply of mineral commodities and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political systems and developments. The price of mineral commodities has fluctuated widely in recent years, and future serious price declines could cause commercial production to be uneconomic.

#### *Insurance*

The Corporation carries insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include environmental pollution, mine floodings or other hazards against which such companies cannot insure or against which they may elect not to insure.

#### *Share Price Fluctuations*

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies, have experienced wide fluctuations in price that would have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.

#### *Exchange Rate Fluctuation*

The financial results of the Corporation may be adversely affected by fluctuations in the rate of exchange of Canadian dollars into U.S. dollars. The Corporation does not currently take any steps to hedge against currency fluctuations.

#### *Title Matters*

The acquisition of title to mining claims and similar property interests is a detailed and time consuming process. Title to and the area of mining claims and similar property interests may be disputed. The Corporation has investigated title to all of its material mineral properties and obtained title opinions with respect thereto and, based upon such opinions, the Corporation believes that title to all of its material properties are in good standing; however, the foregoing should not be construed as a guarantee of title to those properties. Title to those properties may be affected by undisclosed and undetected defects.

#### *Additional Funding Requirements*

Further exploration on, and development of, the Corporation's mineral resource properties, may require additional capital. In addition, a positive production decision on any of the Corporation's development projects may require significant capital for project engineering and construction. Accordingly, the continuing development of the Corporation's properties may depend upon the Corporation's ability to obtain financing through the joint venturing of projects, debt financing, equity financing or other means. There is no assurance that the Corporation will be successful in obtaining the required financing.

#### *Dividend Policy*

No dividends on the Common Shares have been paid by the Corporation to date. The Corporation currently plans to retain all future earnings and other cash resources, if any, for the future operation and development of its business. Payment of any future dividends, if any, will be at the discretion of the

Corporation's board of directors after taking into account many factors, including the Corporation's operating results, financial condition, and current and anticipated cash needs.

### *Hedging*

The Corporation does not have a hedging policy and has no current intention of adopting such a policy. Accordingly, the Corporation has no protection from declines in mineral prices.

### *Operational Challenges*

The activities of the Corporation are subject to a number of challenges over which the Corporation has little or no control, but that may delay production and negatively impact the Corporation's financial results, including: increases in energy and fuel costs; higher insurance premiums; industrial accidents; labour disputes; shortages of skilled labour and contractor availability; unusual or unexpected geological or operating conditions; slope failures; cave-ins of underground workings; failure of pit walls or dams.

### *Dilution to Common Shares*

The issuance of additional Common Shares from time to time may have a depressive effect on the price of the Common Shares. In addition, as a result of such additional Common Shares, the voting power of the Corporation's existing shareholders will be diluted.

## **5. DIVIDENDS**

There is no restriction on the ability of the Corporation to pay dividends other than cash flow considerations. Dividend payments in the future will depend on the Corporation's ability to continue as a going concern and to generate earnings. The Corporation paid an initial dividend of \$0.05 per share in the fourth quarter of 1996, a dividend of \$0.03 per share in the fourth quarter of 1997 and \$0.04 per share in the fourth quarter of 1998. The Corporation has not paid a dividend since 1998.

## **6. CAPITAL STRUCTURE**

The authorized share capital of the Corporation consists of (i) an unlimited number of Common Shares without par value of which 46,469,767 Pre-Consolidation Shares were outstanding as at December 31, 2005 and 76,914,781 Post-Consolidation Shares were outstanding immediately following the Merger and; (ii) an unlimited number of first and second preferred shares, none of which were outstanding as of December 31, 2005.

The Common Shares of the Corporation rank equally as to dividends, voting rights (one per share) and the distribution of remaining assets of the Corporation upon liquidation, dissolution or winding-up of the Corporation. Holders of Common Shares have no pre-emptive rights, nor any right to convert their shares into other securities.

As at December 31, 2005, there were 1,977,500 Pre-Consolidation Shares issuable upon the exercise of warrants and 1,460,000 Pre-Consolidation Shares issuable upon exercise of outstanding stock options of the Corporation.

## 7. MARKET FOR SECURITIES

The Common Shares are currently listed on the TSX under the symbol “WDO”. The Post-Consolidation Shares commenced trading on the TSX on a post-consolidation basis at the opening of trading on February 6, 2006.

The following table summarizes the monthly trading history of the Pre-Consolidation Shares during the financial year ended December 31, 2005.

Month (2005)	High (Cdn \$)	Low (Cdn \$)	Volume
January	1.70	1.40	155,787
February	1.49	1.32	166,100
March	1.39	1.00	166,999
April	1.23	0.92	547,707
May	1.10	0.88	828,589
June	1.35	0.90	243,683
July	1.09	0.95	80,650
August	1.39	0.95	299,909
September	1.75	1.01	698,035
October	1.10	0.90	659,200
November	1.00	0.90	280,000
December	1.03	0.84	683,900

## 8. DIRECTORS AND OFFICERS

### 8.1 Name, Occupation, Security Holding

The names, municipalities of residence, positions, principal occupations and the year they became directors, if applicable, of the directors and officers of the Corporation are as follows:

<u>Name and Municipality of Residence</u>	<u>Present principal Occupation or Employment</u>	<u>Position with Corporation</u>	<u>Year became a Director</u>
Marc Blais <sup>(1)</sup> St-Laurent, Québec	President of Dynacor Mines Inc. (mining company)	Director	2006
Paul Cregheur Harricana Ouest, Québec	President of the Corporation and Vice- President, Operations of WQM	Director and President	2006
Roger W. Jolicoeur <sup>(1)</sup> Dubuisson, Quebec	Mining Consultant	Director	2006
George Mannard Toronto, Ontario	Vice-President of Exploration of the Corporation and President of Moss Lake	Vice-President of Exploration	n/a
Jean Martineau <sup>(1)</sup> Blainville, Quebec	Chairman, Dynacor Mines Inc. (mining company)	Director	2006

<b><u>Name and Municipality of Residence</u></b>	<b><u>Present principal Occupation or Employment</u></b>	<b><u>Position with Corporation</u></b>	<b><u>Year became a Director</u></b>
Donald D. Orr Toronto, Ontario	Secretary-Treasurer of the Corporation, WQM and Moss Lake	Director and Secretary-Treasurer	1994
Donovan Pollitt Toronto, Ontario	Vice-President, Corporate Development of the Corporation	Vice-President, Corporate Development	n/a
Murray H. Pollitt Toronto, Ontario	President, Pollitt & Co. Inc., (investment dealer)	Director and Chairman	1994
Barry G. Smith Oakville, Ontario	President, B.G. Smith Inc. (holding company)	Director	2005
Rowland Uloth Burlington, Ontario	President, Rosedale Group (logistics company)	Director	1999

(1) Audit Committee member.

Each of the directors are appointed for a one year term expiring at each annual meeting of the shareholders or until their successors are elected or appointed.

Each of the officers and directors of the Corporation has held the principal occupation or employment referred to above for the preceding five year period except: Paul Cregheur who from January 1998 to February 2001 was a mining consultant and Donovan Pollitt who from August 2004 to January 2006 was an EIT with WQM.

As at December 31, 2005, the directors and senior officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, approximately 16,494,924 Pre-Consolidation Shares or 35.5% of the outstanding Pre-Consolidation Shares. The information as to Common Shares beneficially owned or over which control or direction is exercised, not being within the knowledge of the Corporation, has been furnished by the directors and senior officers directly.

## **8.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

No director or executive officer of the Corporation, or any shareholder holding a sufficient number of common shares of the Corporation to affect materially control of the Corporation:

- (a) is, as at the date of this Annual Information Form or has been within the ten years preceding this date, a director or officer of any company that, while the person was acting in this capacity:
  - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
  - (ii) was subject to an event that resulted, after such person ceased to be a director or officer of that company, in that company being the subject of a cease trade or

similar order that denied that company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

- (iii) within a year of that person ceasing to act as a director or officer of that company, that company became bankrupt, made a proposal under any legislation related to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or trustee appointed to hold its assets; or
- (b) has, within the ten years preceding the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold assets of that person.

In 2004, Murray H. Pollitt, Chairman and a director of the Corporation and 75% owner of Pollitt & Co. Inc., an investment dealer, made a settlement agreement with the Ontario Securities Commission with regards to a contravention of section 76(2) of the *Securities Act* (Ontario) and clause 14.1 of National Instrument 44-101 involving pre-marketing activities in the context of bought deal financings. This was with respect to a convertible debenture bought deal financing of United Grain Growers Ltd. in November, 2002. This settlement resulted in Mr. Pollitt's registration as a trading officer being suspended for 30 days from November 17, 2004 to December 17, 2004 and a \$27,000 payment in respect to costs of the investigation.

This suspension was with regards to Mr. Pollitt's activities at Pollitt & Co. Inc. and was unrelated to the affairs of the Corporation.

### **8.3 Conflicts of Interest**

Certain directors of the Corporation also serve as directors of other companies involved in resource exploration, development and production (see section 1.2 "Inter-Corporate Relationships" ). Consequently there exists the possibility that such directors will be in a position of conflict of interest. Any decision made by such directors involving the Corporation will be made in accordance with their duties to deal fairly and in good faith with the Corporation and such other companies. In addition, such directors will declare and refrain from voting on any matters in which they may have a material conflict of interest.

## **9. LEGAL PROCEEDINGS**

The Corporation is not a party to any material legal proceedings, and there are no material legal proceedings to which any of the Corporation's property is subject, and no such proceedings are known to the Corporation to be contemplated.

## **10. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

During the three most recently completed financial years (2003 – 2005), no material transactions were completed by the Corporation with WQM. On February 15, 2006, WQM loaned the sum of \$1,800,000 to the Corporation. The loan bore interest at the rate of eight per cent per annum, payable semi-annually on August 15 and February 15 of each year. The principal amount of the loan, together with the accrued

interest thereon, were due on demand. The terms of the loan provided that, subject to regulatory approval, if the Corporation undertook a public equity offering, WQM had the option (the "Conversion Option") of converting the principal amount of the loan plus all accrued and unpaid interest into Post-Consolidation Common Shares at the offering price under the offering undertaken by Wesdome during the same period. On March 23, 2006, the Corporation issued 824,637 Post-Consolidation Shares to WQM upon the exercise of Conversion Option.

Old Wesdome had a management services agreement with WQM (the "WQM Agreement") which expired on May 31, 2005. Pursuant to the WQM Agreement, WQM was entitled to receive the following fees for work performed on the Corporation's properties:

- (a) 7.5% of allowable costs for exploration work;
- (b) 5% of allowable costs for development work up until the date of commercial production; and
- (c) 2.5% of allowable costs for mining production

Fees paid to WQM by Old Wesdome in the last three fiscal years 2005, 2004 and 2003 amounted to \$333,293, \$427,530 and \$6,554 respectively.

Other than the foregoing, no director or executive officer of the Corporation, nor any other person or company controlling more than 10% of the outstanding Common Shares, has had any transactions which may be deemed to have materially affected the Corporation within the last three financial years.

## **11. TRANSFER AGENTS AND REGISTRARS**

Computershare Investor Services Inc. in Toronto, Ontario, is the transfer agent and registrar for the Common Shares.

## **12. MATERIAL CONTRACTS**

During the most recently completed financial year the Corporation did not enter into any contracts, besides those entered into in the ordinary course of business, that may be considered to be material to the Corporation.

## **13. INTERESTS OF EXPERTS**

Under the definitions of NI 43-101, the Corporation is deemed to be a "Producing Issuer" and is therefore exempt from certain independent reporting requirements. As such, all references in this report to geoscientific observations and mineral reserves and resources estimates are the responsibility of George Mannard, P. Geo. a licensed geoscientist in the Province of Ontario and "Qualified Person" as per NI 43-101. Mr. Mannard is an officer of the Corporation (Vice-President, Exploration) and at the date of this report beneficially owned 12,500 Common Shares or less than one percent.

#### 14. AUDIT COMMITTEE INFORMATION

The Audit Committee is comprised of three members of the Board of Directors: Marc Blais, who is also the Chairman of the Audit Committee, Roger Jolicoeur and Jean Martineau . Each of the members of the Audit Committee is independent as required by National Instrument 52-110 – *Audit Committee* and each is financially literate. The relevant education and experience of each audit committee member is outlined below and the text of the audit committee charter is attached hereto as Schedule “A”.

Marc Blais: Mr. Blais is the President and CEO of Dynacor Mines Inc., is a certified public accountant and was on the board of Old Wesdome from 1993 until the Merger. From 1988 to 1993 he worked as senior CGA and as a financial planner and consultant. Earlier on in his career he worked as an accountant in various assignments.

Roger Jolicoeur: Mr. Jolicoeur is a graduate from a technical school in 1965. He started in mining in gold ore processing in the maintenance crew for a few years, then into operations as plant superintendent. For the last 10 years he has been the president of RWJ mining consulting over the world, in ore processing, building and commissioning plants.

Jean Martineau: Mr. Martineau is the Chairman of the Board of Directors of Dynacor Mines Inc. and was previously a director of Old Wesdome. Between 1993 and 1995, he was in charge of public relations for another publicly traded exploration company and between 1988 and 1992 he was an assistant manager for a paper and pulp mill in South America.

The following table provides the fees billed by Grant Thornton LLP, the Corporation’s external auditor, during fiscal 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Audit Fees	\$ 74,000	\$ 71,000
Audit Related Fees	8,300	3,500
Tax Fees	<u>5,000</u>	<u>15,150</u>
	<u>\$87,300</u>	<u>\$89,650</u>

#### 15. ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Corporation’s web site [www.wesdome.com](http://www.wesdome.com).

Additional information, including directors’ and officers’ remuneration and indebtedness, principal shareholders and securities reserved for issuance under equity compensation plans is contained in the Corporation’s management proxy information circular, which is mailed to registered shareholders with the Corporation’s 2005 Annual Report. Additional financial information and management’s discussion and analysis of financial results and is provided in the Corporation’s 2005 Annual Report.

The Corporation’s administrative office is at 8 King Street East, Suite 1305, Toronto, Ontario, M5C 1B5. The telephone number is 416-360-3743.

## **SCHEDULE A**

### **Wesdome Gold Mines Ltd. (the “Company”) Charter for the Audit Committee**

#### **1. Purpose**

The Audit Committee (the “Committee”) is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting, as well as internal controls to achieve the objectives of safeguarding of corporate assets, reliability of information, and compliance with applicable policies and laws. The Committee will also be responsible for identifying principal risks of the business and ensuring that appropriate risk management techniques are in place.

The Committee charges management with developing and implementing procedures to:

- (a) ensure internal controls are appropriately designed, implemented and monitored; and
- (b) ensure reporting and disclosure of required information are complete, accurate, and timely.

The Committee will make recommendations to the Board of Directors regarding items relating to financial and regulatory reporting and the system of internal controls in discharging its responsibilities as described in this Charter.

#### **2. Constitution and Membership**

(a) The Board will appoint the Committee. It will be comprised of three Directors, all of whom will be independent and free of any relationship that, in the opinion of the Board, would interfere with their exercise of independent judgment as Committee members. The Board may remove or replace a member at any time. A member will cease to be a member upon ceasing to be a Director.

(b) All members of the Committee will be “financially literate” as defined by applicable guidelines. If, upon appointment, or following adoption of this Charter, a member of the Committee is not financially literate, such member will be provided a three month period in which to achieve the required level of financial literacy.

(c) The Board will appoint the Chairman of the Committee. The Committee will appoint the Corporate Secretary or his designate as Secretary at each meeting. The Secretary will keep minutes of each meeting, which will be distributed to the Board.

(d) The external auditors of the Company (the “Auditors”) will report directly to the Committee.

### **3. Meetings**

(a) Meetings of the Committee will be held at such times and places as the Chairman or Secretary may determine, but in any event at least four times per year. Each member will be given twenty-four (24) hours advance notice of each meeting, either orally, by telephone or by facsimile, together with an agenda, unless all members are present and waive notice, or unless those absent waive notice before or after a meeting.

(b) A majority of members of the Committee will constitute a quorum. Decisions of the Committee will be made by affirmative vote of the majority. Powers of the Committee may also be exercised by resolution in writing signed by all the members of the Committee.

(c) At the request of the Auditors, the President, the Chief Financial Officer, or a member of the Committee, the Chairman will convene a meeting of the Committee.

(d) The Committee will have access to the Auditors and management of the Company, each in the absence of the other, for purposes of performing its duties.

(e) The Auditors will be notified of all meetings of the Committee and may attend if so requested by a member of the Committee.

### **4. Specific Responsibilities**

The Committee will have the following specific duties and responsibilities:

#### **Responsibilities in Relation to External Audit**

(a) The Committee will recommend to the Board the Auditors to be retained for purposes of preparing or issuing the auditor's report or performing other audit, review or attest services for the Company, and will further recommend the level of compensation of the Auditors.

(b) The Committee will oversee the work of the Auditors, including the resolution of disagreements between management and the Auditors regarding financial reporting.

(c) The Committee will review the Auditors' management letter and management's response thereto.

(d) The Committee will ensure that the Auditors are in good standing with the Canadian Public Accountability Board ("CPAB") and enquire if there are any sanctions imposed by the CPAB on the Auditors.

(e) The Committee will review and approve the Company's hiring policies regarding partners, principals, employees and former partners and employees of the Auditors.

(f) The Committee will ensure that the Auditors meet the rotation requirements for partners, principals and staff on the Company's audit.

(g) The Committee will pre-approve all non-audit services to be provided to the Company by the Auditors. The Committee may delegate to one or more of its members the authority to pre-approve non-audit services but pre-approval by such member or members so delegated shall be presented to the full Committee at its first scheduled meeting following such pre-approval.

### **Other Responsibilities**

(h) The Committee will review the Company's quarterly and annual financial statements, management discussion and analysis, as well as annual and interim earnings, press releases and recommend such to the Board, prior to public disclosure of such information.

(i) The Committee will review and discuss with management and the Auditors the annual audited consolidated financial statements, including discussion of material transactions with related parties, accounting policies, as well as the Auditors' written communications to the Committee and to management.

(j) The Committee will ensure that adequate procedures are in place for the review and recommendation to the Board for approval, where appropriate, financial information extracted or derived from the Company's consolidated financial statements, financial information contained in any prospectuses, annual information forms, material change disclosures of a financial nature and similar documents and will periodically assess the adequacy of those procedures.

(k) The Committee will establish procedures for:

(1) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

(2) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

(l) The Committee will understand the process utilized by the President and the Chief Financial Officer to comply with Multilateral Instrument 52-109, regarding the filing of interim and annual certificates.

(m) The Committee will undertake a process to identify the principal risks of the business and ensure that appropriate risk management techniques are in place. This will involve enquiry of management regarding how risks are managed.

(n) The Committee will review:

(1) the impact of proposed changes and new developments in generally accepted accounting principles and their impact on the consolidated financial statements of the Company;

(2) with management the procedures adopted to ensure compliance with the Company's code of business conduct; and

(3) the role, the activities and the results of the Company's internal business conduct.

(o) The Committee will review with management, the Company's internal accounting and financial systems and controls to ensure that the Company maintains:

(1) the necessary books, records and accounts in reasonable detail to accurately and fairly reflect the Company's transactions;

(2) effective internal control systems; and

(3) adequate processes for assessing the risk of material misstatement of the financial statements and for detecting control weaknesses or fraud.

(p) The Committee will direct and supervise the investigation into any matter brought to its attention within the scope of its duties, including the right to use outside consultants as deemed required.

(q) Perform such other duties as may be assigned to it by the Board of Directors from time to time or as may be required by applicable regulatory authorities or legislation.

(r) Report regularly and on a timely basis to the Board on matters coming before the Committee.

## **5. Authority**

The Committee will have the authority:

(a) to engage independent counsel and other advisors as it determines necessary to carry out its duties;

(b) to set and pay the compensation for any advisors employed by the Committee, and

(c) to communicate directly with the Auditors and internal auditors, if employed by the Company.

## **6. Oversight**

The responsibilities and powers of the Committee are set forth in this Charter, and it is not the responsibility of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate or are in accordance with the generally accepted accounting principles and applicable rules and regulations. The role of a Committee member who is identified as having accounting or related financial expertise, like the role of all Committee members, is to oversee the process, not to certify or guarantee the internal or external audit of the Company's financial information or public disclosure.

**7. Effective Date**

This Charter will come into effect on the date on which the Board approves it, which approval will be evidenced by the signature of the Secretary-Treasurer of the Company below.

Signed at Toronto, Ontario, on January 11, 2005

“Donald D. Orr”  
Secretary-Treasurer