



THE GOVERNMENT OF
THE PROVINCE OF BRITISH COLUMBIA

Form 12

Securities Act

Date Accepted
For Filing March 18, 1977

SUPERINTENDENT OF BROKERS
AND
VANCOUVER STOCK EXCHANGE
VANCOUVER CURB EXCHANGE

STATEMENT OF MATERIAL FACTS

VANCOUVER CURB EXCHANGE

Name of Exchange

NORCO RESOURCES LTD.

Name of Issuer

711 - 850 West Hastings St., Vancouver, B.C.

Address of Head Office of Issuer

200 - 890 West Pender St., Vancouver, B.C.

Address of Registered Office of Issuer

200 - 890 West Pender St., Vancouver, B.C.

Address of Records Office (Section 38 - Companies Act)

National Trust Company, 510 Burrard St., Vancouver, B.C.

Name & address of Registrar & Transfer Agent
for Issuer's shares in British Columbia.

**GEOLOGICAL BRANCH
ASSESSMENT REPORT**

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Neither the Superintendent of Brokers nor the Vancouver Stock Exchange/Vancouver Curb Exchange has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

1. DETAILS OF THE CIRCUMSTANCES RELATING TO THE OFFERING OF SECURITIES.

New Offering

By an Underwriting Agreement dated March 11, 1977 Fisher Securities Corporation of 789 West Pender Street, Vancouver, British Columbia agreed to underwrite 100,000 shares of Norco Resources Ltd. ("the Issuer") at \$1.50 per share to net the Issuer \$150,000.

The underwritten shares will be offered to the public in British Columbia through the facilities of the Vancouver Curb Exchange at the market prices from time to time prevailing.

There are no sub-underwriting or option agreements outstanding or proposed at this time. There are no payments in cash, securities or other consideration made or to be made to a promoter, finder or other person or company in connection with the proposed offering.

The sole shareholder of Fisher Securities Corporation is Errol Fisher of 789 West Pender Street, Vancouver, B.C. who owns 100% of the issued shares of Fisher Securities Corporation.

The underwriter, subject to the by-laws of the said Exchange, may buy and sell shares for the purpose of maintaining an orderly market during the period that the shares to be sold hereunder are being distributed to the public, and may be considered the market maker during that period. The market maker does not have any shares under its control.

The range of the market price of the shares of the Issuer and the volume of shares for each of the four weeks immediately preceding the date of the certificate to this Statement of Material Facts on the Vancouver Curb Exchange is as follows:

<u>Week</u>	<u>Market Range</u>	<u>Volume</u>
February 7 - 11	\$1.05 - \$1.14	21,050
February 14 - 18	\$1.00 - \$1.07	17,550
February 21 - 25	\$1.05 - \$1.20	134,930
February 28 - March 4	\$1.20 - \$1.72	46,250

The promoters, directors, officers and other insiders of the Company own as a group directly or indirectly 338,313 shares, representing 20.16% of the presently issued shares of the Company.

ITEM 2 PARTICULARS CONTRIBUTING TO THE SPECULATIVE NATURE OF THE SECURITIES BEING OFFERED

The Issuer's properties are without established economic coal reserves and the proposed programme will establish only the physical properties and marketability of the Bowron Valley coal.

ITEM 3 DETAILS OF ANY MATERIAL CHANGES OR PROPOSED
MATERIAL CHANGES IN THE AFFAIRS OF THE ISSUER

There have been no material changes in the affairs of the Issuer since February 21, 1977, the date of the Issuer's last Statement of Material Facts.

ITEM 4 THE ESTIMATED NET PROCEEDS OF THE ISSUER
ARE TO BE SPENT

The principal purposes for which the estimated net proceeds from the sale of securities offered by this Statement of Material Facts are to be spent as follows:

a.	To carry out the recommendations of John R. Kerr, P. Eng., in his report dated March 10, 1977	\$ 80,000
b.	Provision for legal and audit	\$ 4,000
c.	To provide general working capital	<u>\$ 66,000</u>
	TOTAL	<u>\$150,000</u>

ITEM 5 GIVE THE FULL NAME, HOME ADDRESS AND CHIEF
OCCUPATION, THE NUMBER OF SHARES OF THE ISSUER
BENEFICIALLY OWNED, DIRECTLY OR INDIRECTLY,
BY EACH SENIOR OFFICER OR DIRECTOR OF THE ISSUER
AND IF EMPLOYED DURING THE PAST FIVE YEARS THE
NAME OF EACH EMPLOYER

<u>Name and Address</u>	<u>Occupation for the Last Five Years</u>	<u>Number of Shares of Issuer bene- ficially owned</u>
MORRIS M. MENZIES 5585 McMaster Vancouver, B.C. President & Director	Vice President, Exploration, Brameda Resources Ltd., Jan. 1/69 to Dec. 15/71; President of Mountain Pass Mines Ltd., Jan./70 to present; President of M.M. Menzies Consultants Ltd., Apr./73 to present;	149,010

HERBERT JOHN WILSON 584 Orkney Court St. Coquitlam, B.C. Secretary & Director	Laboratory Super- visor and Geochemist, Placer Development Ltd., Jan./65 to May 15/73; President and Managing Director, Hallmark Resources Ltd., May 16/73 to present;	74,000
GEOFFREY WILLIAM HORNBY 4678 W. 12th Ave. Vancouver, B.C. Director	Manager, Crown Zellerback Fraser Mills, Jan./64 to present;	48,003
KEITH M. RALSTON 2914 Tudor Ave. Victoria, B.C. Director	Retired Mining Engineer;	22,300
HARRY KEARNEY HOLOHAN c/o General Delivery Grand Marais, Manitoba	Business Management Consultant; President, Holohan & Associates Ltd., 1972 to present;	45,000

ITEM 6 PARTICULARS OF THE CORPORATE STANDING OF THE ISSUER

The Issuer was incorporated in the Province of British Columbia under the name "Northern Coal Mines Limited" on November 24, 1961 by Memorandum and Articles. The name of the Issuer was changed to the present Norco Resources Ltd. by certificate dated January 19, 1976.

The last Annual Report was filed with the Registrar of Companies of British Columbia on November 24, 1976. All filings required to be made by the issuer under the Securities Act and Companies Act of British Columbia are up to date.

The audited financial statements of the Issuer dated September 30, 1975 were placed before the Members of the Issuer at the Annual General Meeting held on March 18, 1976. The audited financial statements dated September 30, 1976 will be placed before the Annual General Meeting called for March 31, 1977.

There is no business which the Issuer is restricted from carrying on, however, the Issuer is primarily engaged in the development of coal deposits in the Bowron River Valley.

ITEM 7 THE AUTHORIZED AND ISSUED SHARE CAPITAL OF THE ISSUER

The authorized capital of the Issuer consists of 5,000,000 shares without par value of which 1,677,509 shares are issued and outstanding.

ITEM 8 THE PRICES AT WHICH SECURITIES OF THE ISSUER HAVE BEEN ISSUED AT DURING THE PAST YEAR

By a rights offering dated March 3, 1976 the Company sold 300,000 shares at 10¢ per share.

By Statement of Material Facts dated July 7, 1976, the Issuer sold by way of underwriting 400,000 shares at 25¢ per share netting to the Issuer the sum of \$100,000.

By Statement of Material Facts dated February 21, 1977, the Issuer sold by way of underwriting a further 100,000 shares at \$1 per share netting to the Issuer the sum of \$100,000.

ITEM 9 PARTICULARS OF ANY BONDS, DEBENTURES, NOTES, MORTGAGES, CHARGES, LIENS, OR HYPOTHECATIONS OF THE ISSUER

There are no bonds, debentures, notes, mortgages, charges, liens, or hypothecations of the Issuer.

ITEM 10 PARTICULARS OF IMPORTANT PROPERTIES PRESENTLY OWNED, LEASED, HELD UNDER OPTION OR OPERATED BY THE ISSUER OR ANY SUBSIDIARY THEREOF OR PROPOSED TO BE OWNED, LEASED, HELD UNDER OPTION OR OPERATED BY THE ISSUER OR ANY SUBSIDIARY THEREOF

The Issuer is the recorded owner of three coal licenses (C.L. 148, C.L. 162, C.L. 163) (the "Property") located in the valley of the Bowron River, 35 miles East of Prince George, B.C., Cariboo Land District.

During the months of August and September 1976, the Issuer employed the firm of R.F. Fry and Associates (Pacific) Ltd. to dewater the existing workings on the property and take a bulk sample for testing purposes. The cost of this program to the Issuer was \$75,138.

The bulk sample was delivered for testing and analysis to the laboratories and research facilities of the Department of Energy and Mineral Resources ("Western Laboratories") and after washing, delivered in early October 1976 to Cyclone Engineering Sales Ltd. ("Cyclone"), both of Edmonton, Alberta. To date, the Issuer has received an analytical report from Cyclone. A report prepared by Dr. Jan Visman of Western Laboratories dealing with the significance of the data obtained from Cyclone is expected shortly. The findings of Cyclone may be summarized as follows:

1. Analysis of Bulk Feed Sample Prior to Washing

Ash	36.10%
Residual Moisture	2.24%
Volatile Material	30.99%
Fixed Carbon	30.67%
Sulphur	0.97%
Calorific Value	8.310 BUT/lb

2. Analysis of Clean Coal Middlings & Rejects After Washing

	<u>Clean Coal</u>	<u>Middlings</u>	<u>Rejects</u> <u>Coarse</u> <u>Fine</u>	
Ash	9.79%	35.00%	68.6%	37.40%
Residual Moisture	2.54%	2.11%		
Volatile Material	34.93%	26.99%		
Fixed Carbon	52.74%	35.90%		
Sulphur	0.90%	0.87%		
Calorific Value (BTU/lb)	12,360	8,630	4,580	8,050

3. Float-Sink Analysis

While 95% of the clean coal product has a specific gravity of less than 1.50, about 55% of the middlings and 75 to 85% of the rejects exceed 1.50 specific gravity.

The testing and analysis expenditures incurred subsequent to the dewatering and bulk sampling program total \$2,000 paid as a retainer to Cyclone. The complete account of Cyclone and an account from Western Laboratories have not to date been tendered but are expected to require the expenditure of an additional \$1,500.

The Issuer has acquired no new properties but has applied for Coal Licenses No.s 453, 454, 455, 456, 1644 and 1645 located contiguous to the Issuer's current Coal Licenses.

ITEM 11 PARTICULARS OF THE COST OF PROPERTIES ACQUIRED BY THE ISSUER OR ANY SUBSIDIARY THEREOF WITHIN THE PAST THREE YEARS OR PROPOSED TO BE ACQUIRED BY THE ISSUER OR ANY SUBSIDIARY THEREON

The anticipated cost of acquisition of Coal Licenses Nos. 453, 455, 455, 456, 1644 and 1645 is estimated to be \$3,900 including the first year's annual rental.

ITEM 12 THE NAME AND ADDRESS OF ANY PERSON OR COMPANY WHO OR THAT IS OR HAS BEEN A PROMOTER OF THE ISSUER WITHIN THE PRECEDING TWO YEARS AND THE NATURE AND AMOUNT OF ANYTHING OF VALUE RECEIVED OR TO BE RECEIVED FROM THE ISSUER

Mr. M.M. Menzies and Mr. H. John Wilson, both Directors of the Company, are the promoters of the Company. See Item 17 for stock options granted to Messrs. Menzies and Wilson.

Subsequent to the Issuer's Statement of Material Facts dated July 7, 1976, the Issuer has paid Mr. Menzies the sum of \$500 per month as a management salary, together with a lump sum payment to Mr. Menzies of \$15,425.72 representing \$2,800 salary arrears and \$12,625.70 to reimburse Mr. Menzies for monies advanced by him on behalf of the Issuer.

ITEM 13 THE NUMBER OF THE SHARES OF THE ISSUER HELD IN ESCROW OR IN POOL AND A BRIEF STATEMENT OF THE TERMS OF THE ESCROW OR POOLING AGREEMENTS

There are 192,810 shares held in escrow by National Trust Company subject to release with the consent of the Vancouver Curb Exchange and the Superintendent of Brokers.

There are no shares held in pool.

ITEM 14 THE NUMBER OF EQUITY SHARES OF THE ISSUER OWNED BENEFICIALLY, DIRECTLY OR INDIRECTLY, BY EACH PERSON OR COMPANY WHO OWNS, OR IS KNOWN BY THE SIGNATORIES HERETO TO OWN BENEFICIALLY, DIRECTLY OR INDIRECTLY, MORE THAN 10% OF THE EQUITY SHARES OF THE ISSUER

The following information is provided as of March 8, 1977:

<u>Name and Address</u>	<u>Number of Shares</u>
Vancouver Stock Exchange Service Corporation 536 Howe Street Vancouver, B.C.	403,947

The Company is not aware of the identity of the beneficial owners of the shares held by the Vancouver Curb Exchange Service Corporation.

ITEM 15 A BRIEF STATEMENT OF ANY LEGAL PROCEEDINGS TO WHICH THE ISSUER OR ANY OF ITS SUBSIDIARIES IS A PARTY OR WHOSE PROPERTY IS THE SUBJECT OF SUCH PROCEEDINGS

None.

ITEM 16 THE AGGREGATE DIRECT OR INDIRECT REMUNERATION PAID OR PAYABLE BY THE ISSUER AND ITS SUBSIDIARIES DURING THE PAST YEAR TO INSIDERS OF THE ISSUER

The Issuer has paid \$5,800 to Morris M. Menzies over the past year in consideration of services rendered as president of the company.

ITEM 17 BRIEF PARTICULARS OF ALL OPTIONS TO PURCHASE SECURITIES OF THE ISSUER UNLESS OTHERWISE DISCLOSED

By Agreements dated July 21, 1976, the Issuer granted options to purchase a total of 22,000 shares in the capital stock of the Issuer to each of Morris M. Menzies, H. John Wilson, Keith M. Ralston, and Geoffrey Hornby, as fully paid and non-assessable as follows:

- a) 11,000 shares at a price of 30¢ per share exercisable by each optionee at any time between July 15, 1976 and July 15, 1977; and
- b) 11,000 shares at a price of 35¢ per share exercisable by each optionee at any time between July 15, 1977 and July 15, 1978.

The above directors' stock options are subject to the approval of the Vancouver Curb Exchange and the shareholders of the Issuer. The above options were granted when the shares of the Company were trading at the 23¢ mark.

ITEM 18 THE DATES OF AND PARTIES TO AND THE GENERAL NATURE OF EVERY MATERIAL CONTRACT ENTERED INTO BY THE ISSUER OR ANY SUBSIDIARY WITHIN THE PRECEDING TWO YEARS WHICH IS STILL IN EFFECT AND NOT PREVIOUSLY DISCLOSED HEREIN

None.

ITEM 19 PARTICULARS OF ANY OTHER MATERIAL FACTS RELATING TO THE SECURITIES BEING OFFERED AND NOT DISCLOSED UNDER ANY OTHER ITEM

None.

NORCO RESOURCES LTD.
(Formerly Northern Coal Mines Ltd.)
FINANCIAL STATEMENTS
SEPTEMBER 30, 1976

AUDITORS' REPORT

The Shareholders,
Norco Resources Ltd.,
Vancouver, B. C.

We have examined the balance sheet of Norco Resources Ltd. (Formerly Northern Coal Mines Ltd.) as at September 30, 1976 and the statements of deficit, deferred exploration, development and other expenditures and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

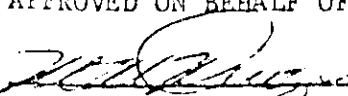
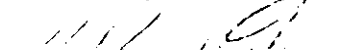
In our opinion, these financial statements present fairly the financial position of the company as at September 30, 1976 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis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

Vancouver, B. C.
November 2, 1976

McAfee Lilly & Co.
Chartered Accountants

NORCO RESOURCES LTD.
(Formerly Northern Coal Mines Ltd.)

BALANCE SHEET
SEPTEMBER 30, 1976

	<u>1976</u>	<u>1975</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 15	\$ 15
Trust funds receivable	<u>36,999</u>	<u>-</u>
	<u>37,014</u>	<u>15</u>
MINERAL CLAIMS AND LEASES (Note 1)	<u>1</u>	<u>1</u>
FIXED ASSETS		
Camp buildings	7,574	7,574
Camp equipment	<u>2,313</u>	<u>2,313</u>
	<u>9,887</u>	<u>9,887</u>
DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES, at cost	<u>1,543,791</u>	<u>1,466,069</u>
OTHER ASSETS		
Unamortized commissions and financing expense (Note 2)	162,608	162,608
Incorporation and organization costs	<u>5,260</u>	<u>5,260</u>
	<u>167,868</u>	<u>167,868</u>
	<u>\$1,758,561</u>	<u>\$1,643,840</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 3)	\$ 5,604	\$ 5,604
Accounts, payable and accrued	48,908	94,836
Debenture payable (Note 4)	-	6,000
Loans payable	-	4,100
Management fees payable (Note 5)	<u>30,000</u>	<u>30,000</u>
	84,512	140,540
AMOUNTS DUE TO SHAREHOLDERS	<u>13,423</u>	<u>24,687</u>
	<u>97,935</u>	<u>165,227</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Notes 6 and 7)		
Authorized 5,000,000 common shares of no par value		
Issued 1,577,509 shares	2,065,818	1,935,819
DEFICIT	<u>(405,192)</u>	<u>(457,206)</u>
	<u>1,660,626</u>	<u>1,478,613</u>
APPROVED ON BEHALF OF THE BOARD	<u>\$1,758,561</u>	<u>\$1,643,840</u>
 Director		
 Director		

The accompanying notes are an integral part of these financial statements.

McJee, Lilly & Co.

CHARTERED ACCOUNTANTS

NORCO RESOURCES LTD.

(Formerly Northern Coal Mines Ltd.)

STATEMENT OF DEFICIT

YEAR ENDED SEPTEMBER 30, 1976

	<u>1976</u>	<u>1975</u>
DEFICIT, BEGINNING	\$ 457,206	\$ 448,350
Amounts due from subscribers and affiliated companies considered uncollectible	-	8,856
Accounts payable balances in excess of amounts settled	<u>52,014</u>	<u>-</u>
DEFICIT, ENDING	<u>\$ 405,192</u>	<u>\$ 457,206</u>

The accompanying notes are an integral part of these financial statements.

McFie, Lilly & Co

CHARTERED ACCOUNTANTS

NORCO RESOURCES LTD.

(Formerly Northern Coal Mines Ltd.)

STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES
YEAR ENDED SEPTEMBER 30, 1976

	<u>1976</u>	<u>1975</u>
EXPLORATION AND DEVELOPMENT		
Consulting	\$ 5,455	\$ -
Dewatering	36,280	-
Equipment rent	614	-
Fuel	705	-
Geological compilation	-	500
Taxes assessments and coal licence fees	<u>4,446</u>	<u>6,687</u>
	<u>47,500</u>	<u>7,187</u>
ADMINISTRATIVE		
Accounting office and secretarial	651	2,166
Corporation capital tax	3,518	1,603
Interest and bank charges	1,064	692
Listing fees	2,000	-
Management fees	2,000	30,000
Printing	1,790	-
Professional services	11,773	1,410
Rent	1,750	-
Telephone and telegraph	-	25
Transfer agent fees	2,915	1,111
Travel	<u>500</u>	<u>-</u>
	<u>27,961</u>	<u>37,007</u>
EXPENDITURES FOR THE YEAR	75,461	44,194
Deferred exploration, development and other expenditures, beginning		
As previously reported	1,466,069	1,421,875
Prior years' adjustment (Note 8)	<u>2,261</u>	<u>-</u>
	<u>1,468,330</u>	<u>1,421,875</u>
DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES, ENDING	<u>\$1,543,791</u>	<u>\$1,466,069</u>

The accompanying notes are an integral part of these financial statements.

NORCO RESOURCES LTD.

(Formerly Northern Coal Mines Ltd.)

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED SEPTEMBER 30, 1976

	<u>1976</u>	<u>1975</u>
SOURCE OF WORKING CAPITAL		
Issuance of share capital	\$ 130,000	\$ -
Advances from shareholders	7,135	-
Disposal of oil and gas leases	-	4,064
Accounts payable written off to deficit	<u>52,014</u>	<u>-</u>
	<u>189,149</u>	<u>4,064</u>
APPLICATION OF WORKING CAPITAL		
Exploration, development and other expenditures	75,461	44,194
Prior years' adjustment of exploration and development expense	2,261	-
Repayment of amounts due to shareholders	<u>18,400</u>	<u>3,740</u>
	<u>96,122</u>	<u>47,934</u>
INCREASE (DECREASE) IN WORKING CAPITAL	93,027	(43,870)
Working capital deficiency, beginning	<u>140,525</u>	<u>96,655</u>
WORKING CAPITAL DEFICIENCY, ENDING	<u><u>\$ 47,498</u></u>	<u><u>\$ 140,525</u></u>

The accompanying notes are an integral part of these financial statements.

McAfee, Lilly & Co.

CHARTERED ACCOUNTANTS

NORCO RESOURCES LTD.
(Formerly Northern Coal Mines Ltd.)

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1976

1. MINERAL CLAIMS AND LEASES

The company has abandoned all its mineral claims and renewed only three of its coal licences. As coal licences are renewed on an annual basis, and as it has been the company's policy to include annual licence fees in deferred exploration and development expenditures, these properties have been written down on the balance sheet to a nominal value of \$1.

2. UNAMORTIZED COMMISSIONS AND DEVELOPMENT EXPENSE

This account is made up of the following:

- (i) \$120,000 which represents the cash equivalent value of shares issued to Intercoal Resources Ltd. under the terms of an option agreement dated February 28, 1967 with that company for the development of Northern Coal's properties. The agreement was terminated in 1968 and an additional 1,000,000 shares were issued to cover the value of work done by Intercoal up to the date of termination of the agreement.
- (ii) \$42,608 representing commissions paid, including \$32,800 which is the cash equivalent value of 147,402 shares taken by shareholders in lieu of commissions.

3. BANK INDEBTEDNESS

Bank indebtedness is secured by the personal guarantee of a shareholder and former director of the company.

4. DEBENTURE PAYABLE

On August 11, 1975, the company issued Canarim Investment Corporation Ltd. a single debenture in the total principal amount of \$6,000 carrying interest at 12% per annum.

During the period Canarim Investment Corporation exercised an option and accepted 60,000 shares at \$0.10 from a recent rights offering in lieu of cash, as proper discharge of the company's liability.

5. MANAGEMENT FEES

The directors of the company have approved the payment of a management fee of \$10,000 each to two former directors and one current director of the company.

NORCO RESOURCES LTD.

(Formerly Northern Coal Mines Ltd.)

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1976

6. NAME CHANGE AND ALTERATION OF CAPITAL STRUCTURE

On April 10, 1974 the shareholders of the company passed a resolution to alter the name of the company to Norco Resources Ltd. At the same meeting, the shareholders approved a consolidation of all shares on the basis of one new share for ten old shares so that the present authorized capital of 10,000,000 shares without nominal or par value, of which 8,775,095 shares are issued and outstanding, be consolidated so that the authorized capital of the company will consist of 1,000,000 shares of which 877,509 shares are issued and outstanding. It was also resolved that after the above consolidation, the share capital be increased so that the company is authorized to issue 5,000,000 shares without par value.

The above resolution became effective during the year ended September 30, 1976.

7. SHARE CAPITAL

Share capital has been issued for the following consideration to September 30, 1976:

	<u>Number of Shares</u>	<u>Cash Consideration</u>
FOR CASH	990,656	\$1,057,686
		<u>Cash Equivalent Consideration</u>
OTHER CONSIDERATION		
For mineral properties and licences	190,750	284,500
For machinery and equipment	7,618	8,421
For bulldozing and clearing	2,000	2,000
For legal and management	5,000	3,167
For commission	14,740	32,800
For Intercoal development agreement	12,000	120,000
For reimbursement of Intercoal expenditures and commitments on behalf of the company	100,000	161,248
For directors' advances	178,245	356,997
For indebtedness to Cariboo Collieries Ltd.	16,500	33,000
For discharge of debenture	60,000	6,000
	<u>1,577,509</u>	<u>\$2,065,819</u>

During the year ended September 30, 1976 the company issued 700,000 shares under rights offerings to net the treasury \$130,000.

8. PRIOR YEARS' ADJUSTMENTS

The prior years' adjustment to deferred exploration, development and other expenditures consists of expenses incurred by a director and shareholder of the company.

McAfee, Lilly & Co

CHARTERED ACCOUNTANTS

NORCO RESOURCES LTD.
FINANCIAL STATEMENTS
DECEMBER 31, 1976

ACCOUNTANTS' COMMENTS

The Shareholders,
Norco Resources Ltd.,
Vancouver, B.C.

We have prepared the accompanying balance sheet as at December 31, 1976 and the statements of deficit, exploration, development and other expenditures and changes in financial position for the three months then ended from the records of Norco Resources Ltd. and from other information supplied to us by the company. In order to prepare these financial statements we made a review, consisting primarily of enquiry, comparison and discussion, of such information. However, in accordance with the terms of our engagement, we have not performed an audit and consequently do not express an opinion on these financial statements.

Vancouver, B.C.
February 1, 1977.

McAfee Lilly & Co.
Chartered Accountants

NORCO RESOURCES LTD.

BALANCE SHEET

DECEMBER 31, 1976

(With comparative figures as at September 30, 1976)

(Prepared without audit)

	December 31, 1976	September 30, 1976
ASSETS		
CURRENT ASSETS		
Cash	\$ 15	\$ 15
Trust funds receivable	428	36,999
	<u>443</u>	<u>37,014</u>
MINERAL CLAIMS AND LEASES (Note 1)	<u>1</u>	<u>1</u>
FIXED ASSETS		
Camp buildings	7,574	7,574
Camp equipment	2,313	2,313
	<u>9,887</u>	<u>9,887</u>
DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES, at cost	<u>1,570,777</u>	<u>1,543,791</u>
OTHER ASSETS		
Unamortized commissions and financing expense (Note 2)	162,608	162,608
Incorporation and organization costs	5,260	5,260
	<u>167,868</u>	<u>167,868</u>
	<u>\$1,748,976</u>	<u>\$1,758,561</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	\$ -	\$ 5,604
Accounts, payable and accrued	44,369	48,908
Management fees payable	26,000	30,000
	<u>70,369</u>	<u>84,512</u>
AMOUNTS DUE TO SHAREHOLDERS	<u>16,403</u>	<u>13,423</u>
	<u>86,772</u>	<u>97,935</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 3)		
Authorized		
5,000,000 common shares of no par value		
Issued		
1,577,509 shares	2,065,818	2,065,818
DEFICIT	<u>(403,614)</u>	<u>(405,192)</u>
	<u>1,662,204</u>	<u>1,660,626</u>
APPROVED ON BEHALF OF THE BOARD	<u>\$1,748,976</u>	<u>\$1,758,561</u>

M. J. [Signature] Director
A. J. [Signature] Director

The accompanying notes are an integral part of these financial statements.

McAffie, Lilly & Co

CHARTERED ACCOUNTANTS

NORCO RESOURCES LTD.

STATEMENT OF DEFICIT

THREE MONTHS ENDED DECEMBER 31, 1976

(With comparative figures for the year ended September 30, 1976)

(Prepared without audit)

	Three Months Ended December 31, 1976	Year Ended September 30, 1976
DEFICIT, BEGINNING	\$ 405,192	\$ 457,206
Accounts payable and loan balances in excess of amounts settled	<u>1,578</u>	<u>52,014</u>
DEFICIT, ENDING	<u>\$ 403,614</u>	<u>\$ 405,192</u>

The accompanying notes are an integral part of these financial statements.

McIver, Lilly & Co.

CHARTERED ACCOUNTANTS

NORCO RESOURCES LTD.

STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES

THREE MONTHS ENDED DECEMBER 31, 1976

(With comparative figures for the year ended September 30, 1976)

(Prepared without audit)

	Three Months Ended December 31, 1976	Year Ended September 30, 1976
EXPLORATION AND DEVELOPMENT		
Consulting	\$ 11,482	\$ 5,455
Dewatering	-	36,280
Engineering fees	2,000	-
Equipment rent	-	614
Fuel	160	705
Taxes, assessments and coal licence fees	585	4,446
	<u>14,227</u>	<u>47,500</u>
ADMINISTRATIVE		
Accounting, office and secretarial	225	651
Corporation capital tax	3,744	3,518
Interest and bank charges	-	1,064
Listing fees	-	2,000
Management fees	1,500	2,000
Printing	(31)	1,790
Professional services	3,611	11,773
Rent	750	1,750
Telephone and telegraph	538	-
Transfer agent fees	494	2,915
Travel	1,928	500
	<u>12,759</u>	<u>27,961</u>
EXPENDITURES FOR THE PERIOD	26,986	75,461
Deferred exploration, development and other expenditures, beginning	<u>1,543,791</u>	<u>1,468,330</u>
DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES, ENDING	<u>\$1,570,777</u>	<u>\$1,543,791</u>

The accompanying notes are an integral part of these financial statements.

MORCO RESOURCES LTD.

STATEMENT OF CHANGES IN FINANCIAL POSITION

THREE MONTHS ENDED DECEMBER 31, 1976

(With comparative figures for the year ended September 30, 1976)

(Prepared without audit)

	Three Months Ended December 31, 1976	Year Ended September 30, 1976
SOURCE OF WORKING CAPITAL		
Advances from shareholders	\$ 2,980	\$ 7,135
Accounts payable and loans written off to deficit	1,578	52,014
Issuance of share capital	<u>-</u>	<u>130,000</u>
	<u>4,558</u>	<u>189,149</u>
APPLICATION OF WORKING CAPITAL		
Exploration, development and other expenditures	26,986	75,461
Prior years' adjustment of exploration and development expense	-	2,261
Repayment of amounts due to shareholders	<u>-</u>	<u>18,400</u>
	<u>26,986</u>	<u>96,122</u>
INCREASE (DECREASE) IN WORKING CAPITAL DEFICIENCY	22,428	(93,027)
Working capital deficiency, beginning	<u>47,498</u>	<u>140,525</u>
WORKING CAPITAL DEFICIENCY, ENDING	<u>\$ 69,926</u>	<u>\$ 47,498</u>

The accompanying notes are an integral part of these financial statements.

McAfee, Lilly & Co

CHARTERED ACCOUNTANTS

NORCO RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1976

(With comparative figures as at September 30, 1976)

(Prepared without audit)

1. MINERAL CLAIMS AND LEASES

The company has abandoned all its mineral claims and renewed only three of its coal licences. As coal licences are renewed on an annual basis, and as it has been the company's policy to include annual licence fees in deferred exploration and development expenditures, these properties have been written down on the balance sheet to a nominal value of \$1.

2. UNAMORTIZED COMMISSIONS AND DEVELOPMENT EXPENSE

This account is made up of the following:

- (i) \$120,000 which represents the cash equivalent value of shares issued to Intercoal Resources Ltd. under the terms of an option agreement dated February 28, 1967 with that company for the development of Northern Coal's properties. The agreement was terminated in 1968 and an additional 1,000,000 shares were issued to cover the value of work done by Intercoal up to the date of termination of the agreement.
- (ii) \$42,608 representing commissions paid, including \$32,800 which is the cash equivalent value of 147,402 shares taken by shareholders in lieu of commissions.

3. SHARE CAPITAL

Share capital has been issued for the following consideration to December 31, 1976:

	<u>Number of shares</u>	<u>Cash Consideration</u>
FOR CASH	990,656	\$1,057,686
OTHER CONSIDERATION		
For mineral properties and licences	190,750	\$ 284,500
For machinery and equipment	7,618	8,421
For bulldozing and clearing	2,000	2,000
For legal and management	5,000	3,167
For commission	14,740	32,800
For Intercoal development agreement	12,000	120,000
For reimbursement of Intercoal expenditures and commitments on behalf of the the company	100,000	161,248
For directors' advances	178,245	356,997
For indebtedness to Cariboo Collieries Ltd.	16,500	33,000
For discharge of debenture	60,000	6,000
	<u>1,577,509</u>	<u>\$2,065,819</u>

M. A. Fee, Lilly & Co.

CHARTERED ACCOUNTANTS

NORCO RESOURCES LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1976

(With comparative figures as at September 30, 1976)

(Prepared without audit)

4. RENUMERATION TO DIRECTORS

Remuneration to directors totalled \$1,500 for the three months ended December 31, 1976.

REPORT

- on the -

BOWRON RIVER COAL DEPOSIT

- for -

NORCO RESOURCES LTD.,

#711 - 850 W. Hastings Street,

VANCOUVER, B. C.

Prepared By:

KERR, DAWSON & ASSOCIATES LTD.,

#1 - 219 Victoria Street,

KAMLOOPS, B. C.

John R. Kerr, P. Eng.,

March 10th., 1977.

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History	5
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APPENDICES:

- APPENDIX A: - Cost Estimates
- APPENDIX B: - Writer's Certificate
- APPENDIX C: - References

LIST OF ILLUSTRATIONS:

- Figure 1 - General Location Map
- Figure 2 - General Surface Plan - Coal Licences
- Figure 3 - Structural Contours of Coal Measures and
 Plan of Located and Proposed Drill Holes.
- Figure 4 - Vertical Sections of Coal Measures.

SUMMARY

Norco Resources Ltd. owns three Coal Licences (#148, 162 and 163), covering three square miles, and situated 35 miles east of Prince George in the Bowron River Valley. Application has been made for adjoining licences; however, these have not been granted at this date.

Coal measures consist of at least three seams of a good quality bituminous coal, ^{each 7.} measuring 5 - 11 ft. in thickness. The seams are located near the base of a thick (> 2,000 ft.) succession of Tertiary sediments. Total drill indicated and inferred coal reserves are estimated at 81,000,000 short tons, of which 57,000,000 short tons are located within the existing Norco coal licences. Further drilling is required to prove these reserves.

The coal contains substantial quantities, (estimated at 3 - 8%) of "Amber" and "Refined" resin, believed to have a market value of \$0.80/lb. Gross

value of the coal, including resin content, is estimated at \$105/Ton. Further laboratory work is required to study the quality and market ability of the resin, and further drilling and sampling is required to substantiate the average resin content. There are documented reports of zones of radioactivity in the sedimentary sequence associated with the coal seams. Further investigation for uranium is warranted.

A two phase development programme to prove the indicated coal reserves is recommended. The initial phase is a 4,500 ft. (4-5 hole) diamond drill programme, estimated to cost \$80,000.00. The second phase will be totally contingent upon the success of the initial drilling and continued laboratory results.

INTRODUCTION

General Statement:

Norco Resources Ltd. holds 3 Coal Licences (Nos. 148, 162, and 163) from the Government of British Columbia. The licences cover an area of 3 sq. mi. and are identified as Lots 9591, 9592, and 9593 on Provincial Land Maps.

At the request of M. M. Menzies, President of Norco, the writer was asked to summarize previous reports of L. S. Trenholme, P. Eng. (August 25, 1975, March 10, 1976, and January 27, 1977), and recommend an initial phase development programme of the known coal seams. The writer visited the property on February 16th. and 17th., 1977 to become familiar with local geology, topography, and other possible problems that may be encountered during a development programme. Due to an extensive snow cover, observation of outcrop was not possible. Samples of core and bags of coal, however, were examined at the mine camp.

Location and Access:

The property is located in the Bowron River Valley, approximately 35 miles east of Prince George, B. C. Geographic coordinates are Latitude 52°50'N and 122°55'W (NTS Reference 93H/13W 1/2).

Access to the mine camp on the west side of the Bowron River is possible along a gravel logging road, 37 miles east of Highway #97 at Buckhorn. Buckhorn is a small community, 10 miles south of Prince George. Access to the licences on the east side of the Bowron River is possible along a gravel logging road, 5 miles south of Highway #16 at Purden Lake. Purden Lake is 40 miles east of Prince George. Crossing the Bowron River is only possible by boat or raft.

Topography and Vegetation:

The property is located in the broad, flat-bottomed valley of the Bowron River. Relief is in the order of 1,600 ft., ranging from 2,400 ft. (a.s.l.) in the Bowron River to over 4,000 ft. (a.s.l.) in surrounding hills.

NORCO RESOURCES LTD

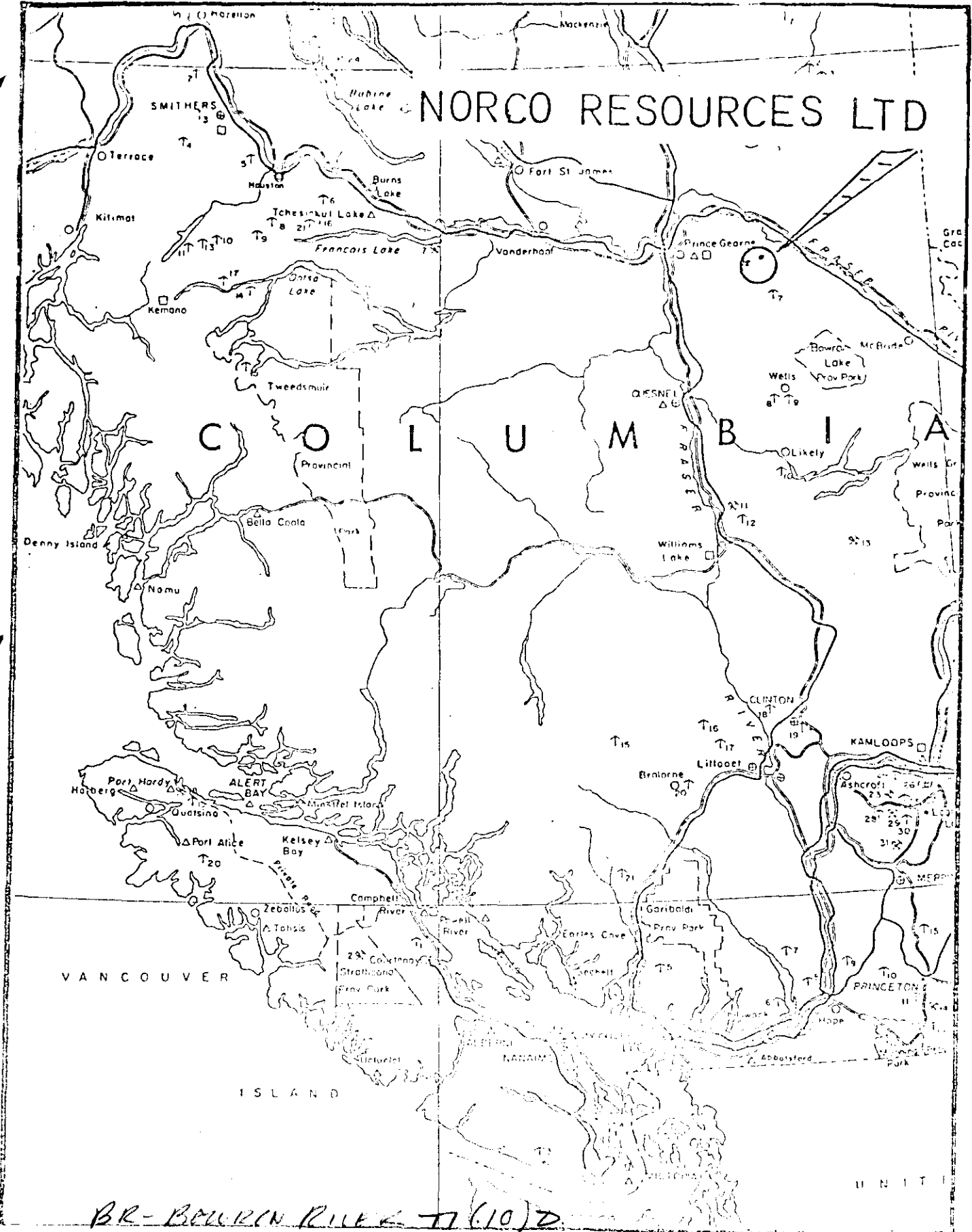


Figure 1
General Location Map 1 inch to 50 miles

Vegetation is dominantly stands of fir, jack pine, and poplar, with light scrubby underbrush. Much of the licenced area has been burned (1961) and subsequently salvage logged. Logging roads and skid trails are scattered throughout the property.

Property:

The Norco property consists of three contiguous coal licences, numbered 148, 162, and 163, and registered to Norco Resources Ltd. under the Coal Act of British Columbia. Additional contiguous licences have been applied for; however, have not been granted at this time.

The three licences contain 85% of the drill indicated coal reserves, as discussed in this report.

History:

Coal was discovered in the Bowron River Valley as early as 1870. Some preliminary exploration was

conducted in 1914. It is believed that the head-frame and 90 ft. vertical shaft existing on the property were part of a 1946 programme. During the period 1960 - 1967, 39 diamond drill holes were completed on the property, and two inclined adits, referred to as the "North" and "South" entries, exposed all seams of coal.

. In 1971, Bethlehem Mines Ltd., held an option on the property, completing 5 additional vertical diamond drill holes. During the period 1971 - 1976, the property was idle, and the underground workings were allowed to flood.

In the summer and early fall of 1976, the north workings were dewatered, and a 12 Ton bulk sample was obtained for detailed studies, and analyses in Edmonton, Alberta.

GEOLOGY

At least three coal seams ^{each} ranging in thickness from 5 - 11 ft. have been identified in a thick (> 2,000 ft.) Tertiary sedimentary rock sequence. The coal seams are located within 200 ft. of the base of the Tertiary sediments. The Tertiary sediments unconformably overlay a Mississippian volcanic-sedimentary assemblage referred to as the Slide Mountain Group.

The Tertiary sediments form a basin, 1 - 1 1/2 miles wide by 10 miles long, and consist of a sequence of shale, sandstone, conglomerate, argillite, and coal. In the western portion of the basin, dips have been interpreted as 5 - 20°E. Information is lacking in the eastern portion of the basin.

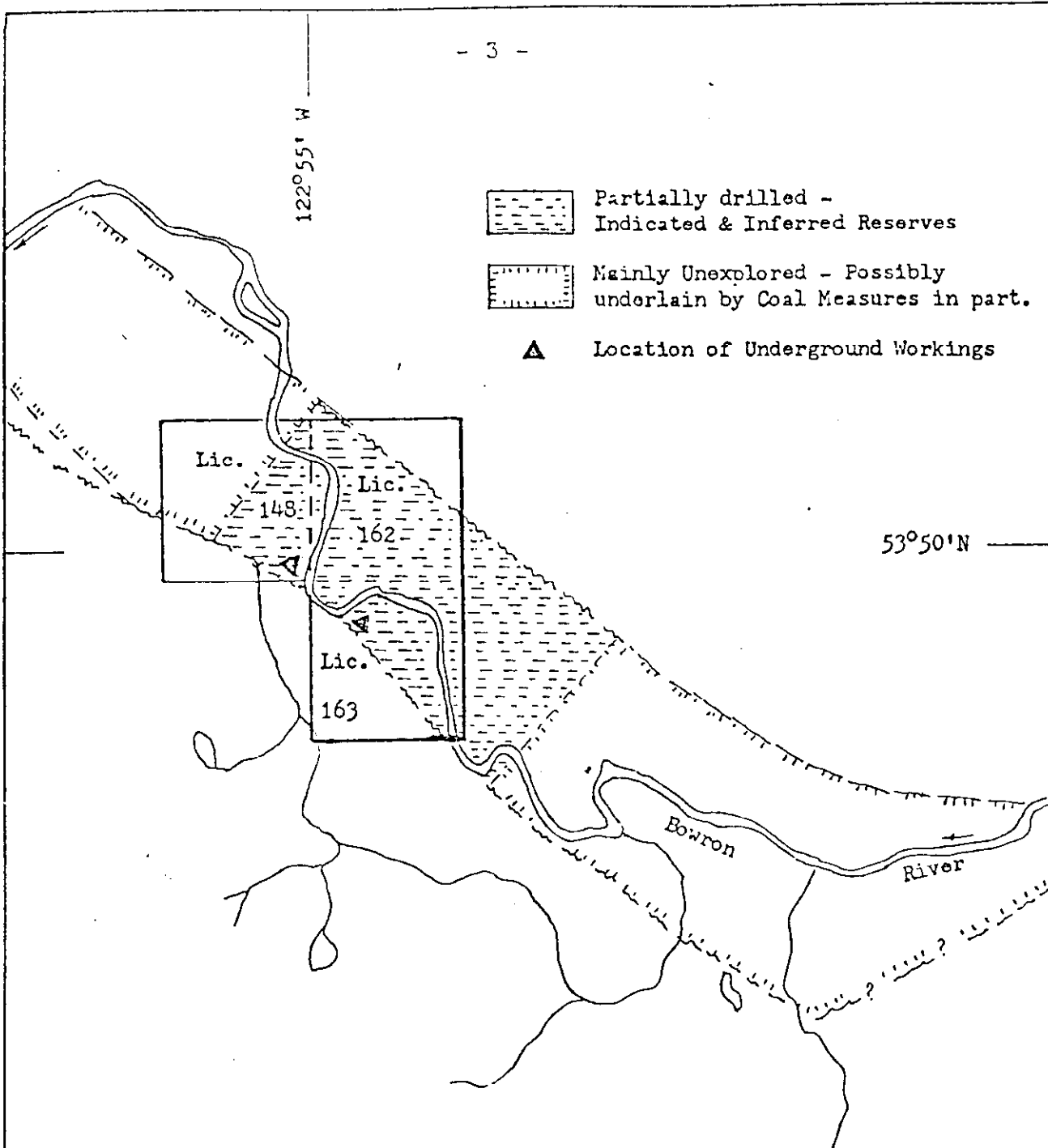
At least two offsetting faults have been interpreted through the coal seams.

COAL RESERVES

L. S. Trenholme, P. Eng. has completed an exhaustive study and compilation of all exploration work completed on the property during the period 1960 - present. He has provided a comprehensive calculation of drill indicated and drill inferred coal reserves on the Norco property and adjoining lots. These calculations were based on individual block calculations, considering each drill intersection of coal, and measured widths of each coal seam. The writer has not duplicated each calculated block; however, has reviewed the methods used, and the general calculated values. A factor of 23 was used (representing SG of coal - 1.4) to convert volume (cu. ft.) to short tons.

The following is a summary of Mr. Trenholme's calculations:

	<u>Norco Property</u>	<u>Adjacent Lots</u>	<u>Total Reserves</u>
I. DRILL-INDICATED ED (short tons)	49,808,000	8,757,000	58,565,000
II. DRILL INFERRED (short tons)	<u>7,072,000</u>	<u>15,773,000</u>	<u>22,845,000</u>
TOTAL (short tons)	56,880,000	24,530,000	81,410,000



NORCO RESOURCES LTD.

Plan of Coal Licences in

Bowron River Basin

1 inch : 1 mile

Open

FIGURE 2

L.S.T. August, 1975

Lot 9592
Lic. 148

Lot 9593
Lic. 162

07-5

North Workings
(Main Slope)

100' to West Bdy.

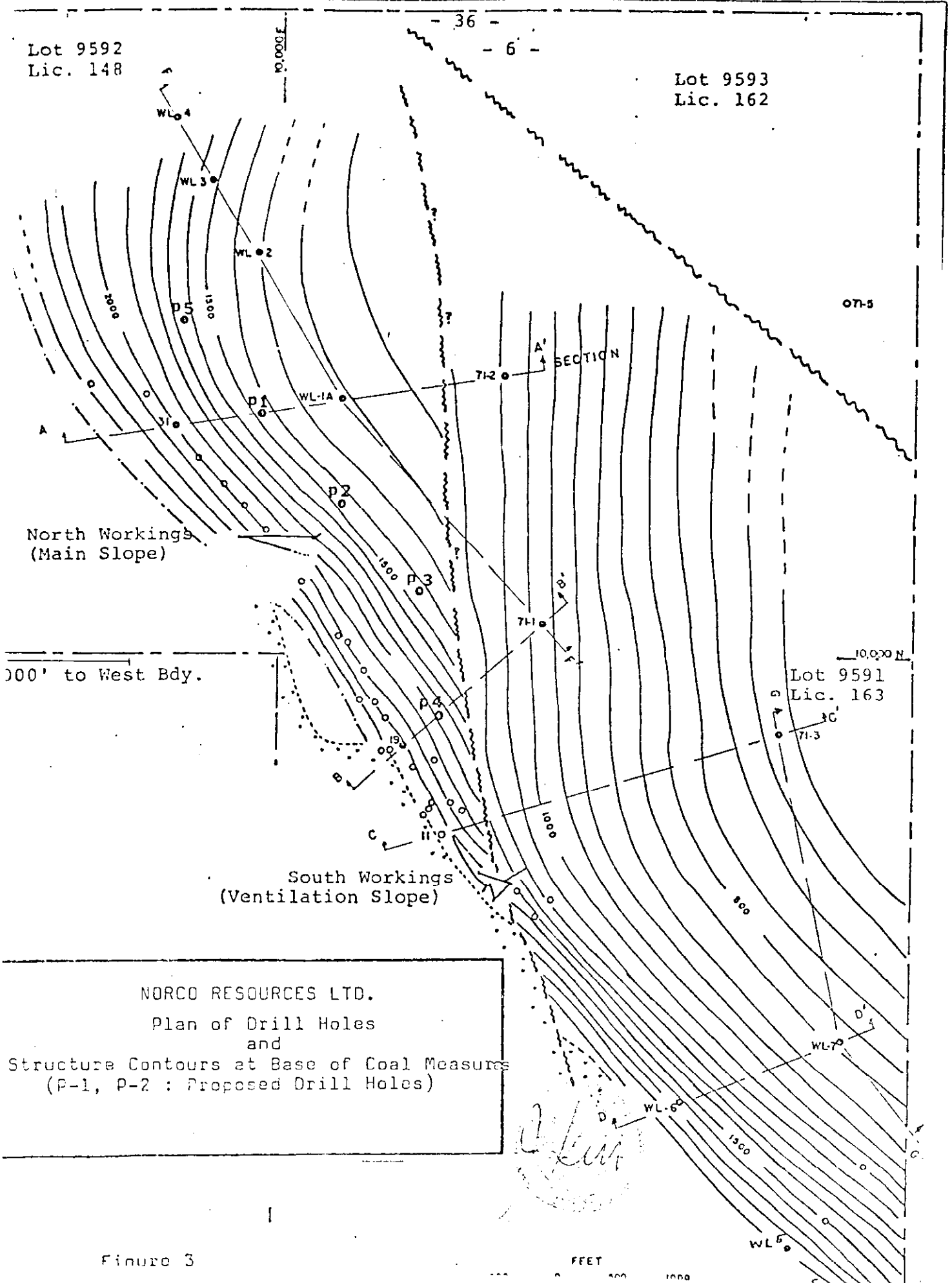
South Workings
(Ventilation Slope)

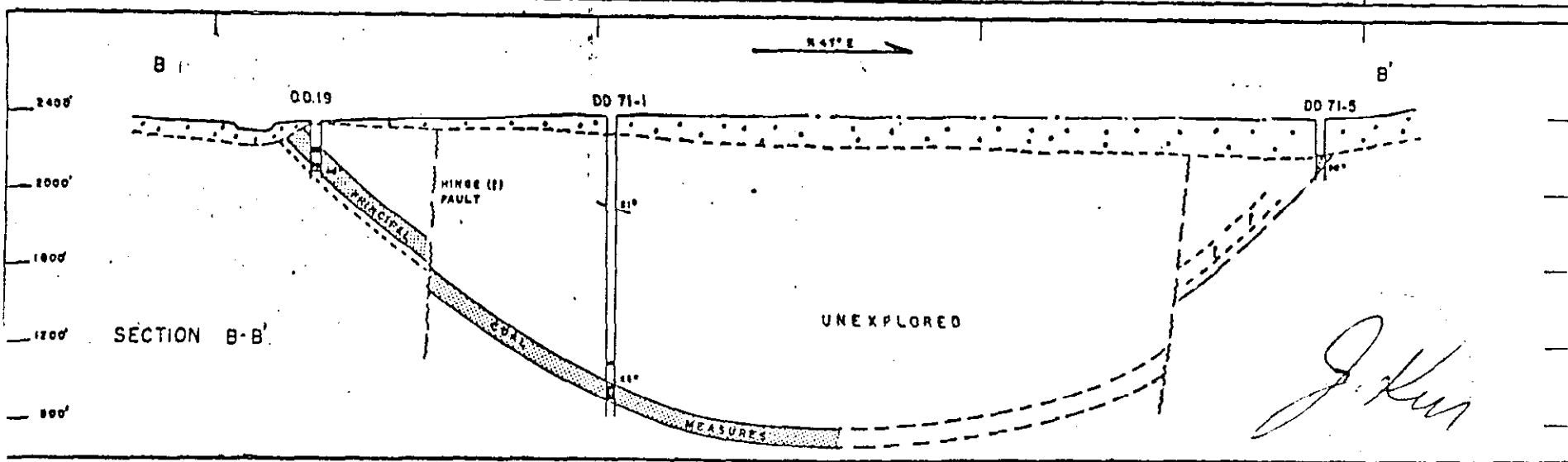
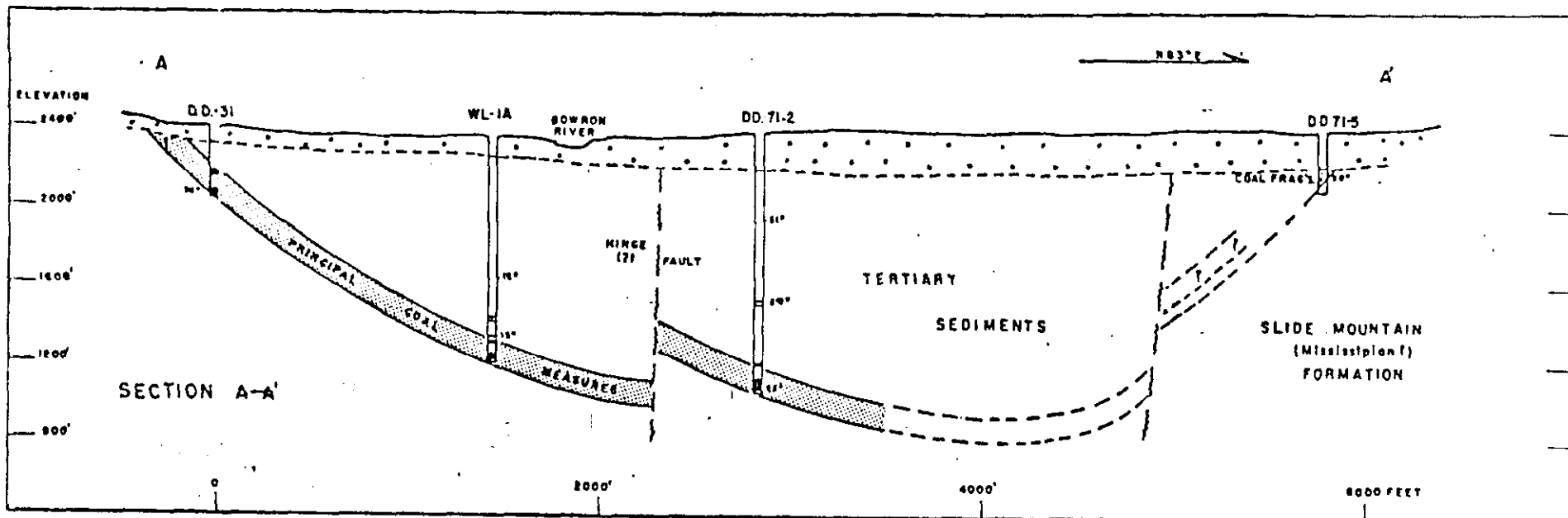
Lot 9591
Lic. 163

NORCO RESOURCES LTD.
Plan of Drill Holes
and
Structure Contours at Base of Coal Measures
(P-1, P-2 : Proposed Drill Holes)

Figure 3

FEET





NORCO RESOURCES LTD.

PLATE 4.

VERTICAL SECTIONS
BOWRON RIVER BASIN

37

ECONOMIC POTENTIAL

Coal at Bowron River has two marketable potentials:

(1). Thermal Coal - The quality of this coal is described by Trenholme -

"The rank is High Volatile B Bituminous. This coal is indicated to be good quality thermal coal, somewhat high in sulphur and subject to further testing, might be suitable for blending with other coals to produce a good quality metallurgical coke".

Recent tests of a 12 Ton bulk sample by Cyclone Engineering Sales Ltd. of Edmonton substantiate a 12,360 BTU/lb. coal product with sulphur content at 0.9%. There are no other undesirable impurities. Trenholme estimates the value of this coal at \$25.00/Ton.

(2). Resin Content - The following is quoted from Trenholme regarding the Resin Potential of the coal:

"The Bowron River coal deposit is known to contain significant amounts of natural resins which may be commercially important. Their extraction as primary products in a coal mining operation could be very profitable.

Natural and synthetic resins have many uses, particularly in special purpose varnishes resistant to heat and acids. The substitution of natural resins by synthetic resins

has been affected to a large extent by a more reliable source of supply for the latter; most of the natural resins being imported from Africa and the Far East. However, substantial quantities of natural resins are still being imported from Africa, India, and Malaya and prices have risen from about 27¢ per lb. in 1972 to about 80¢ per lb. in 1976.

Research conducted to date indicates that the Bowron River "Refined Resin" is superior in most respects to the Congo Resin and that the Bowron River "Amber Resin" would likely prove superior to both (high melting point, light colour). It can therefore be assumed that the "Amber Resin" would command a still higher price if specifications can be documented and a steady source of supply can be assured."

The resin content of coal has been estimated at 3-8%. This variation in content has been established from tests at various locations in the coal seams, and an average content of resin cannot at this time be calculated. If the resin can be marketed at \$0.80/lb., as suggested by Trenholme, and the average resin content is 5% (100 lbs./T), the value of the resin would be \$80.00/Ton. With the estimated value of coal at \$25.00/Ton, the gross value of coal including resin would be \$105.00/Ton. Coal, at this value, could certainly be mined by underground methods at a profit.

SUMMARY OF RESULTS OF RESIN RESEARCH

"Refined Resin"

Amber Resin

Megascopically invisible.
Comprises about 8% of raw coal.

Amber nodules elongated to about 1 inch; random distribution through seams; visually "guesstimated" at 4% raw coal.

Microscopic; opaque; reddish brown; irregular outlines.

Light amber; transparent; sharp edges; conchoidal fracture.

Completely soluble in pyridine; actually "a soluble fraction of the coal"

Completely insoluble in chloroform, benzene or pyridine

Softens about 200°C.
S.G. = 1.04 - 1.05. Makes a 25% concentrate in coal-resin fraction float at S.G. 1.30

Does not soften at 400°C.
Melts and volatilizes about 450°C.
Separation: mechanical?
or froth flotation?

Possible Uses:

- (a). low cost rubber extender
- (b). Compares favourably with Congo resin in varnishes
- (c). High quality baked coatings

Possible Uses:

Not tested, but appears to be superior to "Refined Resin" for coating and varnishes.

Current testing at Cyclone Engineering Laboratories in Edmonton substantiates the above properties of the resin, and is oriented at establishing the marketability and value of the resin.

In addition to the indicated coal reserves, radioactivity in the overlying Tertiary sediments has been reported from previous drill programmes. Quantitative or qualitative assays are not available, therefore source of the radioactivity is not known. The radioactivity is reported to be 4 - 8 times background.

Scintillometer readings of drill core, and subsequent assaying of radioactive zones for uranium should accompany logging of core during the recommended drill programme.

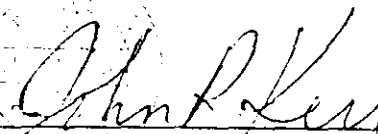
RECOMMENDATIONS

A two phase development programme is recommended to upgrade the drill-indicated reserves to proven reserves, and to provide samples for continued research and marketability studies.

PHASE I - Approximately 4,500 ft. of diamond drilling, consisting of 4 or 5 drill holes, locations suggested on Figure 3. The cost of this programme has been estimated at \$80,000 (See Appendix A).

PHASE II - Continued drilling, would be totally contingent upon the results of Phase I, and the results of continued laboratory testing and research. A suggested 15,000 ft. programme is estimated to cost \$250,000.

Respectfully Submitted By:



John R. Kerr, P. Eng.,
GEOLOGIST

Kamloops, B. C.,

March 10th., 1977.

APPENDIX A
COST ESTIMATES

COST ESTIMATES

PHASE I:

Diamond Drilling	
4,500 ft. at \$14.00/ft.	\$63,000.00
Supervision	8,000.00
Miscellaneous - Supplies, Travel Expenses, Room and Board, Contingencies .	<u>9,000.00</u>
TOTAL - PHASE I	<u><u>\$80,000.00</u></u>

PHASE II:

Diamond Drilling	
15,000 ft. at \$14.00/ft.	\$210,000.00
Supervision, Supplies and Services . . .	<u>40,000.00</u>
TOTAL - PHASE II	<u><u>\$250,000.00</u></u>

APPENDIX B

WRITER'S CERTIFICATE

JOHN R. KERR, P.ENG.
GEOLOGICAL ENGINEER

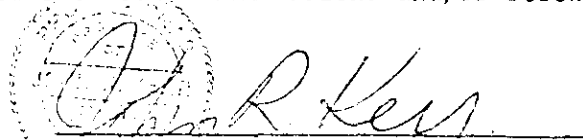
9-219 VICTORIA STREET
KAMLOOPS. B.C.

PHONE (604) 374-6427

CERTIFICATE

I, JOHN R. KERR, OF THE CITY OF KAMLOOPS, DO HEREBY CERTIFY THAT:

- (1). I am a member of the Association of Professional Engineers in the Province of British Columbia, and a Fellow of the Geological Association of Canada.
- (2). I am employed by Kerr, Dawson and Associates Ltd., with my office at #1 - 219 Victoria Street, Kamloops, B. C.
- (3). I have practised continuously as a geologist since graduation from the University of British Columbia in 1964 with a B.A. Sc. in Geological Engineering.
- (4). I have not directly or indirectly received nor do I expect to receive any interest in the properties or securities of Norco Resources Ltd., or any beneficial interest in any of the securities of Norco Resources Ltd.
- (5). This report is based on an exhaustive study of all available data, published and unpublished reports and my attendance on the property February 16th. and 17th., 1977.
- (6). I have reviewed the work of L. S. Trenholme, P. Eng. referred to in this report, and fully concur with his findings and calculations.
- (7). Permission is hereby granted to Norco Resources Ltd. to use this report to satisfy requirements of Securities Commissions and/or Stock Exchanges.



John R. Kerr, P. Eng.,
GEOLOGIST

Kamloops, B. C.,
March 10th., 1977.

APPENDIX C

REFERENCES

REFERENCES

- Trenholme, L. S.
- Report on the Bowron River Coal Deposit, January 27th., 1977.
 - Report on the Bowron River Coal Deposit, March 10th., 1976.
 - Norco Resources Ltd., Summary Report, August 25th., 1975.
- Donaldson, J. R.
- Petrography of the Coal from the Garroway Mine in the Bowron River Coal Area, British Columbia, G.S.C. Report No. 93 - H - 13W - 1, 1972.
- Dolmage, Campbell and Associates Ltd.
- Bowron River Coal Deposit, 1975. Excerpt from "Coal Resources of British Columbia", prepared for B. C. Hydro and Power Authority.
- Black, J. M.
- Report on Northern Coal Mines Ltd., September 8th., 1967.
- Haslam, H. S.
- Bowron River Coal Mine Dewatering and Bulk Sampling, September, 1976.
 - Numerous other published and unpublished documents, letters, maps, and laboratory and research reports.

20. STATUTORY RIGHTS OF RESCISSION

Sections 61 and 62 of the Securities Act (British Columbia) provides in effect, that where a security is offered to the public in the course of primary distribution:

- (a) A purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last Statement of Material Facts, together with financial statements and a summary of engineering reports as filed with the Vancouver Stock Exchange, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.
- (b) A purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the Statement of Material Facts or any amended Statement of Material Facts offering such security contains an untrue statement of material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such Statement of Material Facts or amended Statement of Material Facts is received or is deemed to be received by him or his agent.

Reference is made to the said Act for the complete text of the provisions under which the foregoing rights are conferred.

21. CERTIFICATE OF THE DIRECTORS AND PROMOTERS OF THE ISSUER:

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

March 11, 1977
(Date)

Morris M. Menzies
Morris M. Menzies, President & Director

H.K. Holohan
H.K. Holohan, Director by His Attorney-in-fact Morris M. Menzies

H. John Wilson
H. John Wilson, Secretary & Director

Geoffrey W. Hornby
Geoffrey W. Hornby, Director

K. M. Ralston
Keith Ralston, Director

CERTIFICATE OF THE UNDERWRITER(S):

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

March 11, 1977
(Date)

Fisher Securities Corporation

Errol Fisher
per: Errol Fisher



THE GOVERNMENT OF
THE PROVINCE OF BRITISH COLUMBIA

Form 12

Securities Act

Date Accepted
For Filing February 21/77

SUPERINTENDENT OF BROKERS
AND
VANCOUVER STOCK EXCHANGE
VANCOUVER CURB EXCHANGE

STATEMENT OF MATERIAL FACTS

VANCOUVER CURB EXCHANGE

Name of Exchange

NORCO RESOURCES LTD.

Name of Issuer

711 - 850 West Hastings St., Vancouver, B.C.

Address of Head Office of Issuer

200 - 890 West Pender St., Vancouver, B.C.

Address of Registered Office of Issuer

200 - 890 West Pender St., Vancouver, B.C.

Address of Records Office (Section 38 - Companies Act)

National Trust Company, 510 Burrard St., Vancouver, B.C.

Name & address of Registrar & Transfer Agent
for Issuer's shares in British Columbia.

Neither the Superintendent of Brokers nor the Vancouver Stock Exchange/Vancouver Curb Exchange has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

I. DETAILS OF THE CIRCUMSTANCES RELATING TO THE OFFERING OF SECURITIES.

New Offering

By an Underwriting Agreement dated February 3, 1977 Canarim Investment Corporation Ltd. of 424 Burrard Street, Vancouver, British Columbia agreed to underwrite 50,000 shares of Norco Resources Ltd. ("the Issuer") at \$1 per share and Fisher Securities Corporation of 789 West Pender Street, Vancouver, British Columbia agreed to underwrite 50,000 shares of the Issuer at \$1 per share for a total of 100,000 shares of the Issuer underwritten at \$1 per share to net the Issuer \$100,000.

The underwritten shares will be offered to the public in British Columbia through the facilities of the Vancouver Curb Exchange at the market prices from time to time prevailing.

There are no sub-underwriting or option agreements outstanding or proposed at this time. There are no payments in cash, securities or other consideration made or to be made to a promoter, finder or other person or company in connection with the proposed offering.

The names and addresses of persons who beneficially own directly or indirectly in excess of 5% of the issued shares of each class of shares of Canarim Investment Corporation Ltd., and the number and percentage of each class of shares so owned are as follows:

<u>Name and Address</u>	<u>Class of Shares</u>	<u>No. of Shares</u>	<u>Percentage</u>
Alfred E. Turton 1 Lakeview Square Winnipeg, Manitoba	Common	24,119	54%
Peter M. Brown 424 Burrard St. Vancouver, B.C.	Common	15,212	34%
Brian D. Harwood 424 Burrard St. Vancouver, B.C.	Common	5,625	12%

The sole shareholder of Fisher Securities Corporation is Errol Fisher of 789 West Pender Street, Vancouver, B.C. who owns 100% of the issued shares of Fisher Securities Corporation.

The underwriters, subject to the by-laws of the said Exchange, may buy and sell shares for the purpose of maintaining an orderly market during the period that the shares to be sold hereunder are being distributed to the public, and may be considered the market maker during that period. The market maker does not have any shares under its control.

The range of the market price of the shares of the Issuer and the volume of shares for each of the four weeks immediately preceding the date of the certificate to this Statement of Material Facts, on the Vancouver Curb Exchange is as follows:

<u>Week</u>	<u>Market Range</u>	<u>Volume</u>
January 3 - 7	\$0.81 - \$0.61	83,025
January 10 - 14	\$0.85 - \$0.80	56,150
January 17 - 21	\$1.00 - \$0.83	56,700
January 24 - 28	\$1.06 - \$1.00	43,307

The promoters, directors, officers and other insiders of the Company own as a group directly or indirectly 282,280 shares, representing 17.89% of the presently issued shares of the company.

ITEM 2 PARTICULARS CONTRIBUTING TO THE SPECULATIVE NATURE OF THE SECURITIES BEING OFFERED

The Issuer's properties are without established economic coal reserves and the proposed programme will establish only the physical properties and marketability of the Bowron Valley coal.

ITEM 3 DETAILS OF ANY MATERIAL CHANGES OR PROPOSED MATERIAL CHANGES IN THE AFFAIRS OF THE ISSUER

There have been no material changes in the affairs of the Issuer since July 7, 1976, the date of the Issuer's last Statement of Material Facts.

ITEM 4 THE ESTIMATED NET PROCEEDS OF THE ISSUER ARE TO BE SPENT

The principal purposes for which the estimated net proceeds from the sale of securities offered by this Statement of Material Facts are to be spent as follows:

a) To carry out the recommendation of Lawrence S. Trenholme, P. Eng. in his report dated January 27, 1977	\$ 15,000
b) Provision for Accounts Payable	\$ 44,369
c) To provide general working capital	<u>\$ 40,631</u>
	<u>\$ 100,000</u>

[Handwritten initials]

ITEM 5 GIVE THE FULL NAME, HOME ADDRESS AND CHIEF OCCUPATION, THE NUMBER OF SHARES OF THE ISSUER BENEFICIALLY OWNED, DIRECTLY OR INDIRECTLY, BY EACH SENIOR OFFICER OR DIRECTOR OF THE ISSUER AND IF EMPLOYED DURING THE PAST FIVE YEARS THE NAME OF EACH EMPLOYER

<u>Name and Address</u>	<u>Occupation for the Last Five Years</u>	<u>Number of Shares of Issuer beneficially owned</u>
Morris M. Menzies 5585 McMaster Vancouver, B.C. President & Director	Vice President, Exploration, Brameda Resources Ltd., Jan. 1/69 to Dec. 15/71; President of Mountain Pass Mines Ltd., Jan./70 to present; President of M.M. Menzies Consultants Ltd., Apr./73 to present	162,377
Herbert John Wilson 584 Orkney Court St. Coquitlam, B.C. Secretary & Director	Laboratory Super- visor and Geochemist, Placer Development Ltd., Jan/65 to May 15/73; President and Managing Director, Hallmark Resources Ltd., May 16/73 to present	61,500
Geoffrey William Hornby 4678 W. 12th Ave. Vancouver, B.C. Director	Manager, Crown Zellerback Fraser Mills, Jan./74 to present	36,103
Keith M. Ralston 2914 Tudor Avenue Victoria, B.C. Director	Retired Mining Engineer	22,300

ITEM 6 PARTICULARS OF THE CORPORATE STANDING OF THE ISSUER

The Issuer was incorporated in the Province of British Columbia under the name "Northern Coal Mines Limited" on November 24, 1961 by Memorandum and Articles. The name of the Issuer was changed to the present Norco Resources Ltd. by certificate dated January 19, 1976.

The last Annual Report was filed with the Registrar of Companies of British Columbia on November 24, 1976. All filings required to be made by the issuer under the Securities Act and Companies Act of British Columbia are up to date.

The audited financial statements of the Issuer dated September 30, 1975 were placed before the Members of the Issuer at the Annual General Meeting held on March 18, 1976. The audited financial statement dated September 30, 1976 will be placed before the Annual General Meeting called for March 31, 1977.

There is no business which the Issuer is restricted from carrying on, however, the Issuer is primarily engaged in the development of coal deposits in the Bowron River Valley.

ITEM 7 THE AUTHORIZED AND ISSUED SHARE CAPITAL OF THE ISSUER

The authorized capital of the Issuer consists of 5,000,000 shares without par value of which 1,577,509 shares are issued and outstanding.

ITEM 8 THE PRICES AT WHICH SECURITIES OF THE ISSUER HAVE BEEN ISSUED AT DURING THE PAST YEAR

By a rights offering dated March 3, 1976 the Company sold 300,000 shares at 10¢ per share.

By Statement of Material Facts dated July 7, 1976, the Issuer sold by way of underwriting a further 400,000 shares at 25¢ per share netting to the Issuer the sum of \$100,000.

ITEM 9 PARTICULARS OF ANY BONDS, DEBENTURES, NOTES, MORTGAGES, CHARGES, LIENS, OR HYPOTHECATIONS OF THE ISSUER

There are no bonds, debentures, notes, mortgages, charges, liens, or hypothecations of the Issuer.

ITEM 10 PARTICULARS OF IMPORTANT PROPERTIES PRESENTLY OWNED, LEASED, HELD UNDER OPTION OR OPERATED BY THE ISSUER OR ANY SUBSIDIARY THEREOF OR PROPOSED TO BE OWNED, LEASED, HELD UNDER OPTION OR OPERATED BY THE ISSUER OR ANY SUBSIDIARY THEREOF

The Issuer is the recorded owner of three coal licenses (C.L. 148, C.L. 162, C.L. 163) (the "Property") located in the valley of the Bowron River, 35 miles East of Prince George, B.C., Cariboo Land District.

The Property has drill-indicated reserves of 58,565,000 short tons and inferred reserves of 81,410,000 short tons as indicated in the report of L.S. Trenholme, P. Eng., dated January 27, 1977 and included herewith.

During the months of August and September 1976, the Issuer employed the firm of R.F. Fry and Associates (Pacific) Ltd. to dewater the existing workings on the property and take a bulk sample for testing purposes. The cost of this program to the Issuer was \$75,138.00.

The bulk sample was delivered for testing and analysis to the laboratories and research facilities of the Department of Energy and Mineral Resources ("Western Laboratories") and after washing, delivered in early October 1976 to Cyclone Engineering Sales Ltd. ("Cyclone"), both of Edmonton, Alberta. To date, the Issuer has received an analytical report from Cyclone. A report prepared by Dr. Jan Visman of Western Laboratories dealing with the significance of the data obtained from Cyclone is expected shortly. The findings of Cyclone may be summarized as follows:

1. Analysis of Bulk Feed Sample Prior to Washing

Ash	36.10%
Residual Moisture	2.24%
Volatile Material	30.99%
Fixed Carbon	30.67%
Sulphur	0.97%
Calorific Value	8.310 BTU/lb

2. Analysis of Clean Coal Middlings & Rejects After Washing

	<u>Clean</u>	<u>Middlings</u>	<u>Rejects</u>	
	<u>Coal</u>		<u>Coarse</u>	<u>Fine</u>
Ash	9.79%	35.00%	68.6%	37.40%
Residual Moisture	2.54%	2.11%		
Volatile Material	34.93%	26.99%		
Fixed Carbon	52.74%	35.90%		
Sulphur	0.90%	0.87%		
Calorific Value (BTU/lb)	12,360	8,630	4,580	8,050

3. Float - Sink Analysis

While 95% of the clean coal product has a specific gravity of less than 1.50, about 55% of the middlings and 75 to 85% of the rejects exceed 1.50 specific gravity.

The testing and analysis expenditures incurred subsequent to the dewatering and bulk sampling program total \$2,000 paid as a retainer to Cyclone. The complete account of Cyclone and an account from Western Laboratories have not to date been tendered but are expected to require the expenditure of an additional \$1,500.

The Issuer has acquired no new properties but has applied for Coal Licenses Nos. 453, 454, 455, 456, 1644 and 1645 located contiguous to the Issuer's current Coal Licenses.

ITEM 11 PARTICULARS OF THE COST OF PROPERTIES ACQUIRED BY THE ISSUER OR ANY SUBSIDIARY THEREOF WITHIN THE PAST THREE YEARS OR PROPOSED TO BE ACQUIRED BY THE ISSUER OR ANY SUBSIDIARY THEREON

The anticipated cost of acquisition of Coal Licenses Nos. 453, 454, 455, 456, 1644 and 1645 is estimated to be \$3,900 including the first year's annual rental.

ITEM 12 THE NAME AND ADDRESS OF ANY PERSON OR COMPANY WHO OR THAT IS OR HAS BEEN A PROMOTER OF THE ISSUER WITHIN THE PRECEDING TWO YEARS AND THE NATURE AND AMOUNT OF ANYTHING OF VALUE RECEIVED OR TO BE RECEIVED FROM THE ISSUER

Mr. M. M. Menzies and Mr. Herbert John Wilson, both Directors of the Company, are the promoters of the Company. See Item 17 for stock options granted to Messrs. Menzies and Wilson.

Subsequent to the Issuer's last Statement of Material Facts dated July 7, 1976, the Issuer has paid Mr. Menzies the sum of \$500 per month as a management salary.

ITEM 13 THE NUMBER OF THE SHARES OF THE ISSUER HELD IN ESCROW OR IN POOL AND A BRIEF STATEMENT OF THE TERMS OF THE ESCROW OR POOLING AGREEMENTS

There are 192,810 shares held in escrow by National Trust Company subject to release with the consent of the Vancouver Curb Exchange and the Superintendent of Brokers.

There are no shares held in pool.

ITEM 14 THE NUMBER OF EQUITY SHARES OF THE ISSUER OWNED BENEFICIALLY, DIRECTLY OR INDIRECTLY, BY EACH PERSON OR COMPANY WHO OWNS, OR IS KNOWN BY THE SIGNATORIES HERETO TO OWN BENEFICIALLY, DIRECTLY OR INDIRECTLY, MORE THAN 10% OF THE EQUITY SHARES OF THE ISSUER

The following information is provided as of January 27, 1977:

<u>Name and Address</u>	<u>Number of Shares</u>
Vancouver Stock Exchange Service Corporation 536 Howe Street Vancouver, B.C.	416,677
Morris M. Menzies 5585 McMaster Vancouver, B.C.	162,377

ITEM 15 A BRIEF STATEMENT OF ANY LEGAL PROCEEDINGS TO WHICH THE ISSUER OR ANY OF ITS SUBSIDIARIES IS A PARTY OR WHOSE PROPERTY IS THE SUBJECT OF SUCH PROCEEDINGS

None.

ITEM 16 THE AGGREGATE DIRECT OR INDIRECT REMUNERATION PAID OR PAYABLE BY THE ISSUER AND ITS SUBSIDIARIES DURING THE PAST YEAR TO INSIDERS OF THE ISSUER

The Issuer has paid \$3,000 to Morris M. Menzies over the past year in consideration of services rendered as president of the company.

ITEM 17 BRIEF PARTICULARS OF ALL OPTIONS TO PURCHASE SECURITIES OF THE ISSUER UNLESS OTHERWISE DISCLOSED

By Agreements dated July 21, 1976, the Issuer, subject to Vancouver Curb Exchange approval, granted options to purchase a total of 22,000 shares in the capital stock of the Issuer to each of Morris M. Menzies, H. John Wilson, Kenneth M. Ralston, and Geoffrey Hornby, as fully paid and non-assessable as follows:

- a) 11,000 shares at a price of 30¢ per share exercisable by each optionee at any time between July 15, 1976 and July 15, 1977; and
- b) 11,000 shares at a price of 35¢ per share exercisable by each optionee at any time between July 15, 1977 and July 15, 1978.

The above director's stock options are subject to the approval of the Vancouver Curb Exchange but they have not as yet been accepted for filing by the said Exchange.

ITEM 18 THE DATES OF AND PARTIES TO AND THE GENERAL NATURE OF EVERY MATERIAL CONTRACT ENTERED INTO BY THE ISSUER OR ANY SUBSIDIARY WITHIN THE PRECEDING TWO YEARS WHICH IS STILL IN EFFECT AND NOT PREVIOUSLY DISCLOSED HEREIN

None.

ITEM 19 PARTICULARS OF ANY OTHER MATERIAL FACTS RELATING TO THE SECURITIES BEING OFFERED AND NOT DISCLOSED UNDER ANY OTHER ITEM

None.

JS
RS

NORCO RESOURCES LTD.
(Formerly Northern Coal Mines Ltd.)
FINANCIAL STATEMENTS
SEPTEMBER 30, 1976

McAfee, Lilly & Co.

CHARTERED ACCOUNTANTS

SUITE 900,
1055 WEST HASTINGS ST.
VANCOUVER, B.C.
CANADA V6E 2G2.
(604) 685-1351

AUDITORS' REPORT

The Shareholders,
Norco Resources Ltd.,
Vancouver, B. C.

We have examined the balance sheet of Norco Resources Ltd. (Formerly Northern Coal Mines Ltd.) as at September 30, 1976 and the statements of deficit, deferred exploration, development and other expenditures and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

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



Vancouver, B. C.
November 2, 1976

McAfee Lilly & Co.
Chartered Accountants

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NORCO RESOURCES LTD.
(Formerly Northern Coal Mines Ltd.)

BALANCE SHEET
SEPTEMBER 30, 1976

	<u>1976</u>	<u>1975</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 15	\$ 15
Trust funds receivable	<u>36,999</u>	<u>-</u>
	<u>37,014</u>	<u>15</u>
MINERAL CLAIMS AND LEASES (Note 1)	<u>1</u>	<u>1</u>
FIXED ASSETS		
Camp buildings	7,574	7,574
Camp equipment	<u>2,313</u>	<u>2,313</u>
	<u>9,887</u>	<u>9,887</u>
DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES, at cost	<u>1,543,791</u>	<u>1,466,069</u>
OTHER ASSETS		
Unamortized commissions and financing expense (Note 2)	162,608	162,608
Incorporation and organization costs	<u>5,260</u>	<u>5,260</u>
	<u>167,868</u>	<u>167,868</u>
	<u>\$1,758,561</u>	<u>\$1,643,840</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 3)	\$ 5,604	\$ 5,604
Accounts payable and accrued	48,908	94,836
Debenture payable (Note 4)	-	6,000
Loans payable	-	4,100
Management fees payable (Note 5)	<u>30,000</u>	<u>30,000</u>
	84,512	140,540
AMOUNTS DUE TO SHAREHOLDERS	<u>13,423</u>	<u>24,687</u>
	<u>97,935</u>	<u>165,227</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Notes 6 and 7)		
Authorized 5,000,000 common shares of no par value		
Issued 1,577,509 shares	2,065,818	1,935,819
DEFICIT	<u>(405,192)</u>	<u>(457,206)</u>
	<u>1,660,626</u>	<u>1,478,613</u>
APPROVED ON BEHALF OF THE BOARD	<u>\$1,758,561</u>	<u>\$1,643,840</u>
 Director		
 Director		

The accompanying notes are an integral part of these financial statements.

NORCO RESOURCES LTD.
(Formerly Northern Coal Mines Ltd.)
STATEMENT OF DEFICIT
YEAR ENDED SEPTEMBER 30, 1976

	<u>1976</u>	<u>1975</u>
DEFICIT, BEGINNING	\$ 457,206	\$ 448,350
Amounts due from subscribers and affiliated companies considered uncollectible	-	8,856
Accounts payable balances in excess of amounts settled	<u>52,014</u>	<u>-</u>
DEFICIT, ENDING	<u><u>\$ 405,192</u></u>	<u><u>\$ 457,206</u></u>

The accompanying notes are an integral part of these financial statements.

(1)

NORCO RESOURCES LTD.

(Formerly Northern Coal Mines Ltd.)

STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES

YEAR ENDED SEPTEMBER 30, 1976

	<u>1976</u>	<u>1975</u>
EXPLORATION AND DEVELOPMENT		
Consulting	\$ 5,455	\$ -
Dewatering	36,280	-
Equipment rent	614	-
Fuel	705	-
Geological compilation	-	500
Taxes assessments and coal licence fees	<u>4,446</u>	<u>6,687</u>
	<u>47,500</u>	<u>7,187</u>
ADMINISTRATIVE		
Accounting office and secretarial	651	2,166
Corporation capital tax	3,518	1,603
Interest and bank charges	1,064	692
Listing fees	2,000	-
Management fees	2,000	30,000
Printing	1,790	-
Professional services	11,773	1,410
Rent	1,750	-
Telephone and telegraph	-	25
Transfer agent fees	2,915	1,111
Travel	<u>500</u>	<u>-</u>
	<u>27,961</u>	<u>37,007</u>
EXPENDITURES FOR THE YEAR	75,461	44,194
Deferred exploration, development and other expenditures, beginning		
As previously reported	1,466,069	1,421,875
Prior years' adjustment (Note 8)	<u>2,261</u>	<u>-</u>
	<u>1,468,330</u>	<u>1,421,875</u>
DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES, ENDING	<u>\$1,543,791</u>	<u>\$1,466,069</u>

The accompanying notes are an integral part of these financial statements.

M. Afee, Lilly & Co.

CHARTERED ACCOUNTANTS

NORCO RESOURCES LTD.
 (Formerly Northern Coal Mines Ltd.)
 STATEMENT OF CHANGES IN FINANCIAL POSITION
 YEAR ENDED SEPTEMBER 30, 1976

	<u>1976</u>	<u>1975</u>
SOURCE OF WORKING CAPITAL		
Issuance of share capital	\$ 130,000	\$ -
Advances from shareholders	7,135	-
Disposal of oil and gas leases	-	4,064
Accounts payable written off to deficit	<u>52,014</u>	<u>-</u>
	<u>189,149</u>	<u>4,064</u>
APPLICATION OF WORKING CAPITAL		
Exploration, development and other expenditures	75,461	44,194
Prior years' adjustment of exploration and development expense	2,261	-
Repayment of amounts due to shareholders	<u>18,400</u>	<u>3,740</u>
	<u>96,122</u>	<u>47,934</u>
INCREASE (DECREASE) IN WORKING CAPITAL	93,027	(43,870)
Working capital deficiency, beginning	<u>140,525</u>	<u>96,655</u>
WORKING CAPITAL DEFICIENCY, ENDING	<u>\$ 47,498</u>	<u>\$ 140,525</u>

The accompanying notes are an integral part of these financial statements.

NORCO RESOURCES LTD.
(Formerly Northern Coal Mines Ltd.)

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1976

1. MINERAL CLAIMS AND LEASES

The company has abandoned all its mineral claims and renewed only three of its coal licences. As coal licences are renewed on an annual basis, and as it has been the company's policy to include annual licence fees in deferred exploration and development expenditures, these properties have been written down on the balance sheet to a nominal value of \$1.

2. UNAMORTIZED COMMISSIONS AND DEVELOPMENT EXPENSE

This account is made up of the following:

(i) \$120,000 which represents the cash equivalent value of shares issued to Intercoal Resources Ltd. under the terms of an option agreement dated February 28, 1967 with that company for the development of Northern Coal's properties. The agreement was terminated in 1968 and an additional 1,000,000 shares were issued to cover the value of work done by Intercoal up to the date of termination of the agreement.

(ii) \$42,608 representing commissions paid, including \$32,800 which is the cash equivalent value of 147,402 shares taken by shareholders in lieu of commissions.

3. BANK INDEBTEDNESS

Bank indebtedness is secured by the personal guarantee of a shareholder and former director of the company.

4. DEBENTURE PAYABLE

On August 11, 1975, the company issued Canarim Investment Corporation Ltd. a single debenture in the total principal amount of \$6,000 carrying interest at 12% per annum.

During the period Canarim Investment Corporation exercised an option and accepted 60,000 shares at \$0.10 from a recent rights offering in lieu of cash, as proper discharge of the company's liability.

5. MANAGEMENT FEES

The directors of the company have approved the payment of a management fee of \$10,000 each to two former directors and one current director of the company.

NORCO RESOURCES LTD.
 (Formerly Northern Coal Mines Ltd.)
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 1976

6. NAME CHANGE AND ALTERATION OF CAPITAL STRUCTURE

On April 10, 1974 the shareholders of the company passed a resolution to alter the name of the company to Norco Resources Ltd. At the same meeting, the shareholders approved a consolidation of all shares on the basis of one new share for ten old shares so that the present authorized capital of 10,000,000 shares without nominal or par value, of which 8,775,095 shares are issued and outstanding, be consolidated so that the authorized capital of the company will consist of 1,000,000 shares of which 877,509 shares are issued and outstanding. It was also resolved that after the above consolidation, the share capital be increased so that the company is authorized to issue 5,000,000 shares without par value.

The above resolution became effective during the year ended September 30, 1976.

7. SHARE CAPITAL

Share capital has been issued for the following consideration to September 30, 1976:

	<u>Number of Shares</u>	<u>Cash Consideration</u>
FOR CASH	990,656	\$1,057,686
		<u>Cash Equivalent Consideration</u>
OTHER CONSIDERATION		
For mineral properties and licences	190,750	284,500
For machinery and equipment	7,618	8,421
For bulldozing and clearing	2,000	2,000
For legal and management	5,000	3,167
For commission	14,740	32,800
For Intercoal development agreement	12,000	120,000
For reimbursement of Intercoal expenditures and commitments on behalf of the company	100,000	161,248
For directors' advances	178,245	356,997
For indebtedness to Cariboo Collieries Ltd.	16,500	33,000
For discharge of debenture	<u>60,000</u>	<u>6,000</u>
	<u>1,577,509</u>	<u>\$2,065,819</u>

During the year ended September 30, 1976 the company issued 700,000 shares under rights offerings to net the treasury \$130,000.

8. PRIOR YEARS' ADJUSTMENTS

The prior years' adjustment to deferred exploration, development and other expenditures consists of expenses incurred by a director and shareholder of the company.

NORCO RESOURCES LTD.
FINANCIAL STATEMENTS
DECEMBER 31, 1976

McAfee, Lilly & Co.

CHARTERED ACCOUNTANTS

SUITE 900,
1055 WEST HASTINGS ST.
VANCOUVER, B.C.
CANADA V6E 2G2.
(604) 685-1351

ACCOUNTANTS' COMMENTS

The Shareholders,
Norco Resources Ltd.,
Vancouver, B.C.

We have prepared the accompanying balance sheet as at December 31, 1976 and the statements of deficit, exploration, development and other expenditures and changes in financial position for the three months then ended from the records of Norco Resources Ltd. and from other information supplied to us by the company. In order to prepare these financial statements we made a review, consisting primarily of enquiry, comparison and discussion, of such information. However, in accordance with the terms of our engagement, we have not performed an audit and consequently do not express an opinion on these financial statements.

Vancouver, B.C.
February 1, 1977.

McAfee Lilly & Co.
Chartered Accountants

NORCO RESOURCES LTD.

BALANCE SHEET

DECEMBER 31, 1976

(With comparative figures as at September 30, 1976)

(Prepared without audit)

	<u>December 31,</u> 1976	<u>September 30,</u> 1976
ASSETS		
CURRENT ASSETS		
Cash	\$ 15	\$ 15
Trust funds receivable	<u>428</u>	<u>36,999</u>
	<u>443</u>	<u>37,014</u>
MINERAL CLAIMS AND LEASES (Note 1)	<u>1</u>	<u>1</u>
FIXED ASSETS		
Camp buildings	7,574	7,574
Camp equipment	<u>2,313</u>	<u>2,313</u>
	<u>9,887</u>	<u>9,887</u>
DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES, at cost	<u>1,570,777</u>	<u>1,543,791</u>
OTHER ASSETS		
Unamortized commissions and financing expense (Note 2)	162,608	162,608
Incorporation and organization costs	<u>5,260</u>	<u>5,260</u>
	<u>167,868</u>	<u>167,868</u>
	<u>\$1,748,976</u>	<u>\$1,758,561</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	\$ -	\$ 5,604
Accounts, payable and accrued	44,369	48,908
Management fees payable	<u>26,000</u>	<u>30,000</u>
	70,369	84,512
AMOUNTS DUE TO SHAREHOLDERS	<u>16,403</u>	<u>13,423</u>
	<u>86,772</u>	<u>97,935</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 3)		
Authorized		
5,000,000 common shares of no par value		
Issued		
1,577,509 shares	2,065,818	2,065,818
DEFICIT	<u>(403,614)</u>	<u>(405,192)</u>
	<u>1,662,204</u>	<u>1,660,626</u>
	<u>\$1,748,976</u>	<u>\$1,758,561</u>

APPROVED ON BEHALF OF THE BOARD

 Director
 Director

The accompanying notes are an integral part of these financial statements.

McAfee, Lilly & Co

CHARTERED ACCOUNTANTS

NORCO RESOURCES LTD.
 STATEMENT OF DEFICIT
 THREE MONTHS ENDED DECEMBER 31, 1976
 (With comparative figures for the year ended September 30, 1976)
 (Prepared without audit)

	Three Months Ended December 31, 1976	Year Ended September 30, 1976
	<u> </u>	<u> </u>
DEFICIT, BEGINNING	\$ 405,192	\$ 457,206
Accounts payable and loan balances in excess of amounts settled	<u>1,578</u>	<u>52,014</u>
DEFICIT, ENDING	<u><u>\$ 403,614</u></u>	<u><u>\$ 405,192</u></u>

The accompanying notes are an integral part of these financial statements.

NORCO RESOURCES LTD.

STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES

THREE MONTHS ENDED DECEMBER 31, 1976

(With comparative figures for the year ended September 30, 1976)

(Prepared without audit)

	Three Months Ended December 31, <u>1976</u>	Year Ended September 30, <u>1976</u>
EXPLORATION AND DEVELOPMENT		
Consulting	\$ 11,482	\$ 5,455
Dewatering	-	36,280
Engineering fees	2,000	-
Equipment rent	-	614
Fuel	160	705
Taxes, assessments and coal licence fees	<u>585</u>	<u>4,446</u>
	<u>14,227</u>	<u>47,500</u>
ADMINISTRATIVE		
Accounting, office and secretarial	225	651
Corporation capital tax	3,744	3,518
Interest and bank charges	-	1,064
Listing fees	-	2,000
Management fees	1,500	2,000
Printing	(31)	1,790
Professional services	3,611	11,773
Rent	750	1,750
Telephone and telegraph	538	-
Transfer agent fees	494	2,915
Travel	<u>1,928</u>	<u>500</u>
	<u>12,759</u>	<u>27,961</u>
EXPENDITURES FOR THE PERIOD	26,986	75,461
Deferred exploration, development and other expenditures, beginning	<u>1,543,791</u>	<u>1,468,330</u>
DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES, ENDING	<u><u>\$1,570,777</u></u>	<u><u>\$1,543,791</u></u>

The accompanying notes are an integral part of these financial statements.

NORCO RESOURCES LTD.
STATEMENT OF CHANGES IN FINANCIAL POSITION
THREE MONTHS ENDED DECEMBER 31, 1976
(With comparative figures for the year ended September 30, 1976)
(Prepared without audit)

	<u>Three Months Ended December 31, 1976</u>	<u>Year Ended September 30, 1976</u>
SOURCE OF WORKING CAPITAL		
Advances from shareholders	\$ 2,980	\$ 7,135
Accounts payable and loans written off to deficit	1,578	52,014
Issuance of share capital	<u>-</u>	<u>130,000</u>
	<u>4,558</u>	<u>189,149</u>
APPLICATION OF WORKING CAPITAL		
Exploration, development and other expenditures	26,986	75,461
Prior years' adjustment of exploration and development expense	-	2,261
Repayment of amounts due to shareholders	<u>-</u>	<u>18,400</u>
	<u>26,986</u>	<u>96,122</u>
INCREASE (DECREASE) IN WORKING CAPITAL DEFICIENCY	22,428	(93,027)
Working capital deficiency, beginning	<u>47,498</u>	<u>140,525</u>
WORKING CAPITAL DEFICIENCY, ENDING	<u>\$ 69,926</u>	<u>\$ 47,498</u>

The accompanying notes are an integral part of these financial statements.

NORCO RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1976

(With comparative figures as at September 30, 1976)

(Prepared without audit)

1. MINERAL CLAIMS AND LEASES

The company has abandoned all its mineral claims and renewed only three of its coal licences. As coal licences are renewed on an annual basis, and as it has been the company's policy to include annual licence fees in deferred exploration and development expenditures, these properties have been written down on the balance sheet to a nominal value of \$1.

2. UNAMORTIZED COMMISSIONS AND DEVELOPMENT EXPENSE

This account is made up of the following:

(i) \$120,000 which represents the cash equivalent value of shares issued to Intercoal Resources Ltd. under the terms of an option agreement dated February 28, 1967 with that company for the development of Northern Coal's properties. The agreement was terminated in 1968 and an additional 1,000,000 shares were issued to cover the value of work done by Intercoal up to the date of termination of the agreement.

(ii) \$42,608 representing commissions paid, including \$32,800 which is the cash equivalent value of 147,402 shares taken by shareholders in lieu of commissions.

3. SHARE CAPITAL

Share capital has been issued for the following consideration to December 31, 1976:

	<u>Number of shares</u>	<u>Cash Consideration</u>
FOR CASH	990,656	\$1,057,686
<u>Cash Equivalent Consideration</u>		
OTHER CONSIDERATION		
For mineral properties and licences	190,750	\$ 284,500
For machinery and equipment	7,618	8,421
For bulldozing and clearing	2,000	2,000
For legal and management	5,000	3,167
For commission	14,740	32,800
For Intercoal development agreement	12,000	120,000
For reimbursement of Intercoal expenditures and commitments on behalf of the the company	100,000	161,248
For directors' advances	178,245	356,997
For indebtedness to Cariboo Collieries Ltd.	16,500	33,000
For discharge of debenture	60,000	6,000
	<u>1,577,509</u>	<u>\$2,065,819</u>

NORCO RESOURCES LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1976

(With comparative figures as at September 30, 1976)

(Prepared without audit)

4. RENUMERATION TO DIRECTORS

Remuneration to directors totalled \$1,500 for the three months ended December 31, 1976.

REPORT
ON
THE BOWRON RIVER COAL DEPOSIT
OF
NORCO RESOURCES LTD.

by

L. S. TRENHOLME, M. Sc.

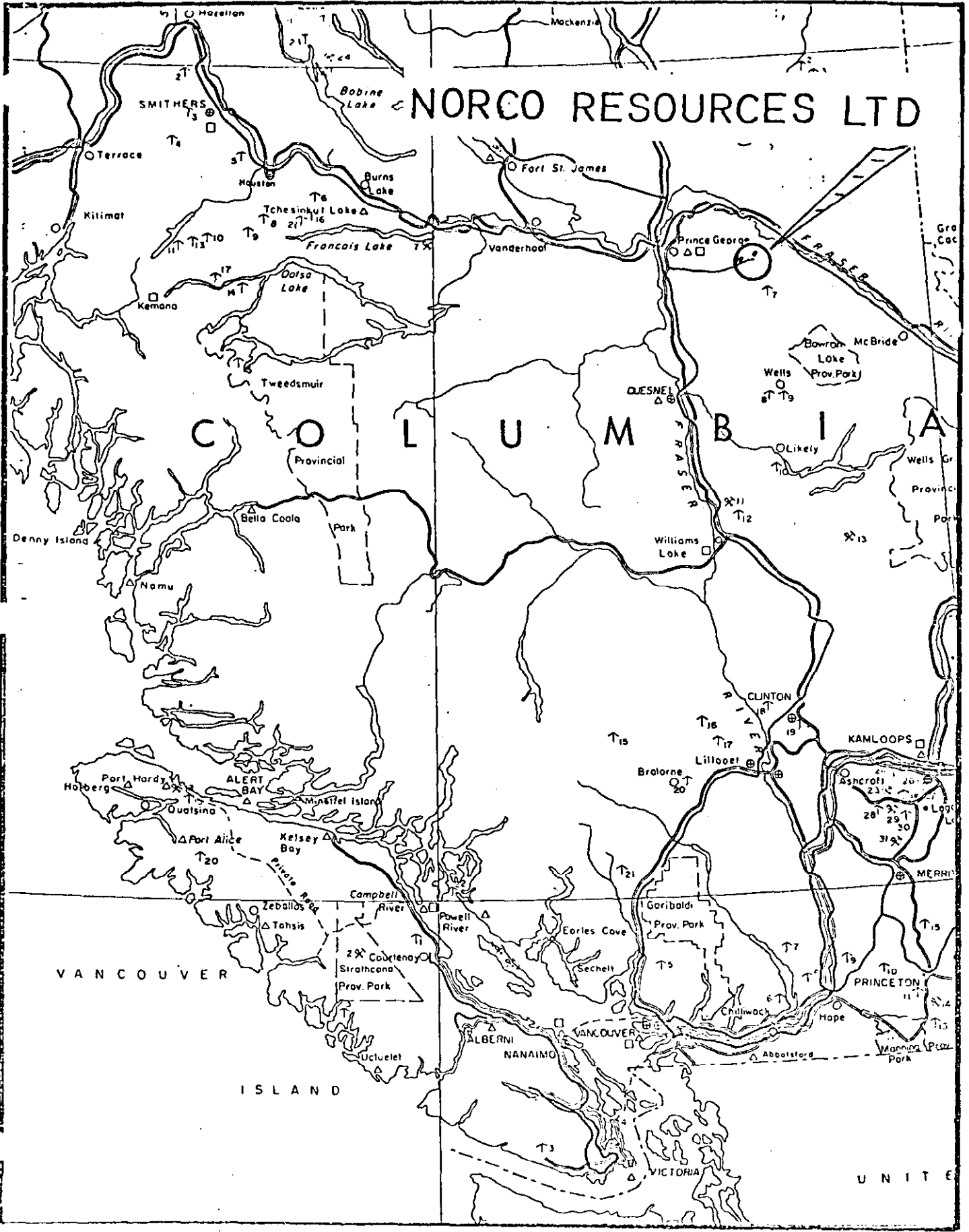
January 27, 1977

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MAPS:

Plate 1	General Location	Front
Plate 2	Property	follows page 3
Plate 3	Surface Plan	" plate 2
Plate 4	Vertical Sections	" plate 3



General Location Map 1 inch to 50 miles

PLATE I.

2

INTRODUCTION

Norco Resources Ltd. holds 3 square miles of property in the Bowron River Valley under licence from the Government of British Columbia.

The writer served as a director of Northern Coal Mines Ltd., predecessor to Norco Resources Ltd., from May, 1971 to August, 1975 and has made one visit to the company's coal property (June, 1969) at which time the underground workings were accessible for inspection.

This report is based on extensive study of company records, of various geological reports listed under "Selected References" and on recently completed coal washing tests.

SUMMARY

1. Norco Resources Ltd. owns three Coal Licences with combined area of 1920 acres, situated 35 miles east of Prince George, B. C. in the Bowron River Basin.
2. Application has been made for adjoining licences and it is presumed that this will receive favourable consideration when the company can demonstrate its ability to conduct a major development program.
3. Total drill-indicated and inferred tonnages of coal in place on the Norco property and adjoining Crown lands are estimated at 81 million short tons of good quality thermal bituminous coal but no valid estimate of recoverable reserves can be made prior to further work.

4. Coal in the vicinity of present workings contains substantial quantities of two varieties of resins, believed to have a market value of at least \$.80 per pound. An initial mining operation of modest size might generate annual profits of \$2 - \$3 million with a modest investment.
5. Documented reports of anomalous radioactivity at certain horizons warrant further investigation.
6. The deposits are conveniently located with respect to road and rail transportation, water, electricity and other services.
7. It is recommended that the sum of \$15,000.00 be allocated to further investigation of the resins (and residual coal) as a pre-requisite to undertaking any major feasibility program.

PROPERTY

The company's coal properties are situated in the valley of the Bowron River, 35 miles east of Prince George, B. C., at Lat. 52°50' N., Long. 122°55' W. (N.T.S. Reference 93H/13). At present the company holds three coal licences (C.L. 148, C.L. 162, and C.L. 163) of one square mile each (Plate 2). Additional contiguous licences were relinquished for financial reasons, but representations have been made to the provincial government for the future reinstatement of some of the licences to avoid multiple ownership of the deposit. The three licences which have been retained contain 85% of the indicated reserves and 31% of the inferred reserves of the Bowron River coal field as herein calculated.

ACCESS

Present access is by 37 miles of gravel road eastward from Buckhorn, a community on No. 97 Highway, 10 miles south of Prince George. However, the principal workings are within 6 miles of (paved) Highway No. 16, which extends eastward from Prince George, and within 17 miles of the Prince George - Jasper section of the Canadian National Railway.

TOPOGRAPHY

The deposits underlie the flat-bottomed Bowron River Valley at an elevation of 2,400 feet. Beyond the valley, local hills attain elevations of about 4,000 feet. Future roads or railways to the property would not encounter steep gradients.

GEOLOGY

The coal measures occur within a few hundred feet of the base of a thick succession of Tertiary (?) sedimentary and volcanic strata which occupies a trough-like depression in the underlying Slide Mountain strata of Mississippian age.

General descriptions are provided by Black (1967) and a more detailed account of structure and stratigraphy is given by Kucera.(1971)

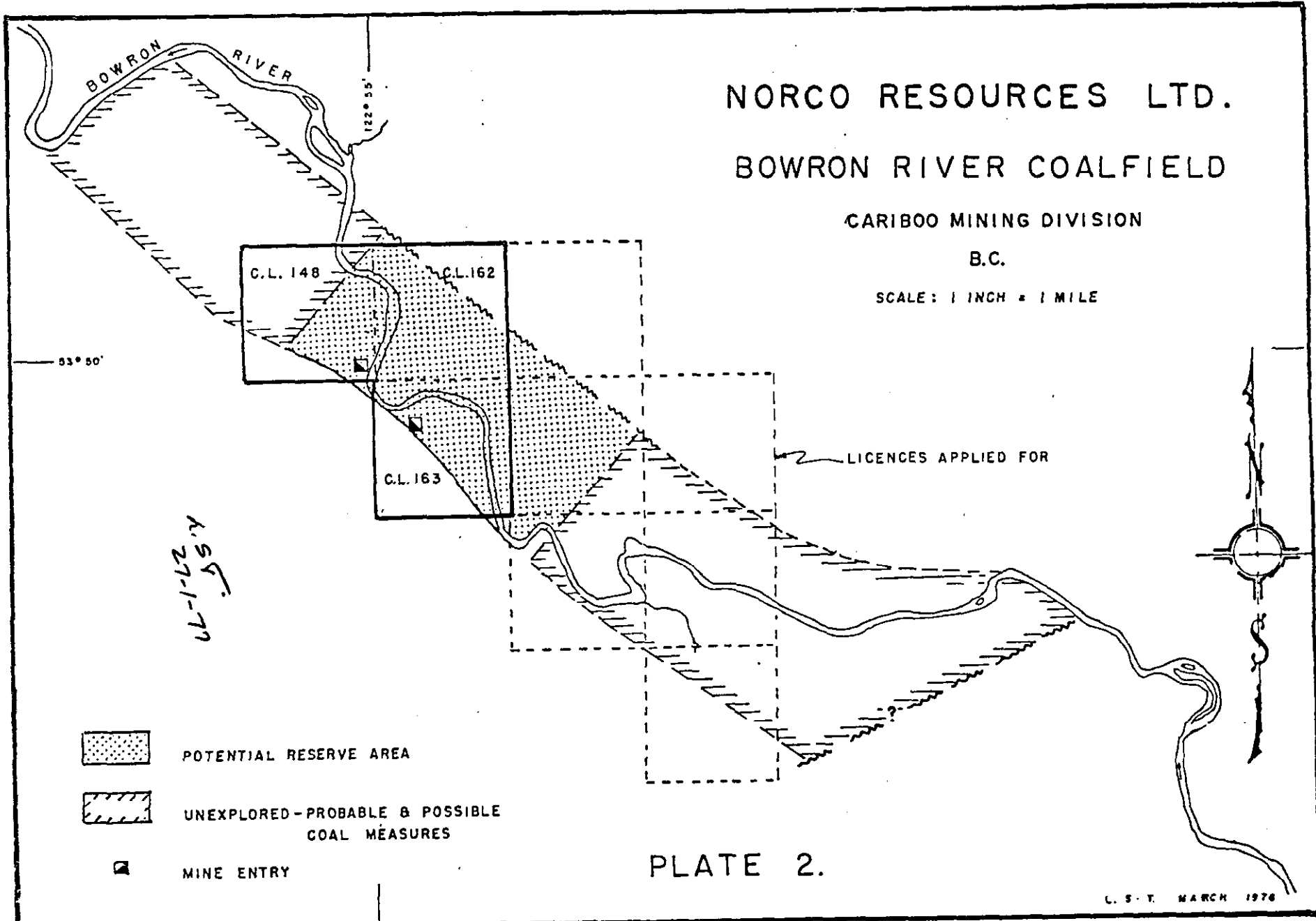
NORCO RESOURCES LTD.

BOWRON RIVER COALFIELD

CARIBOO MINING DIVISION

B.C.

SCALE: 1 INCH = 1 MILE



A.S.T.
27-1-77




-  POTENTIAL RESERVE AREA
-  UNEXPLORED-PROBABLE & POSSIBLE COAL MEASURES
-  MINE ENTRY

PLATE 2.

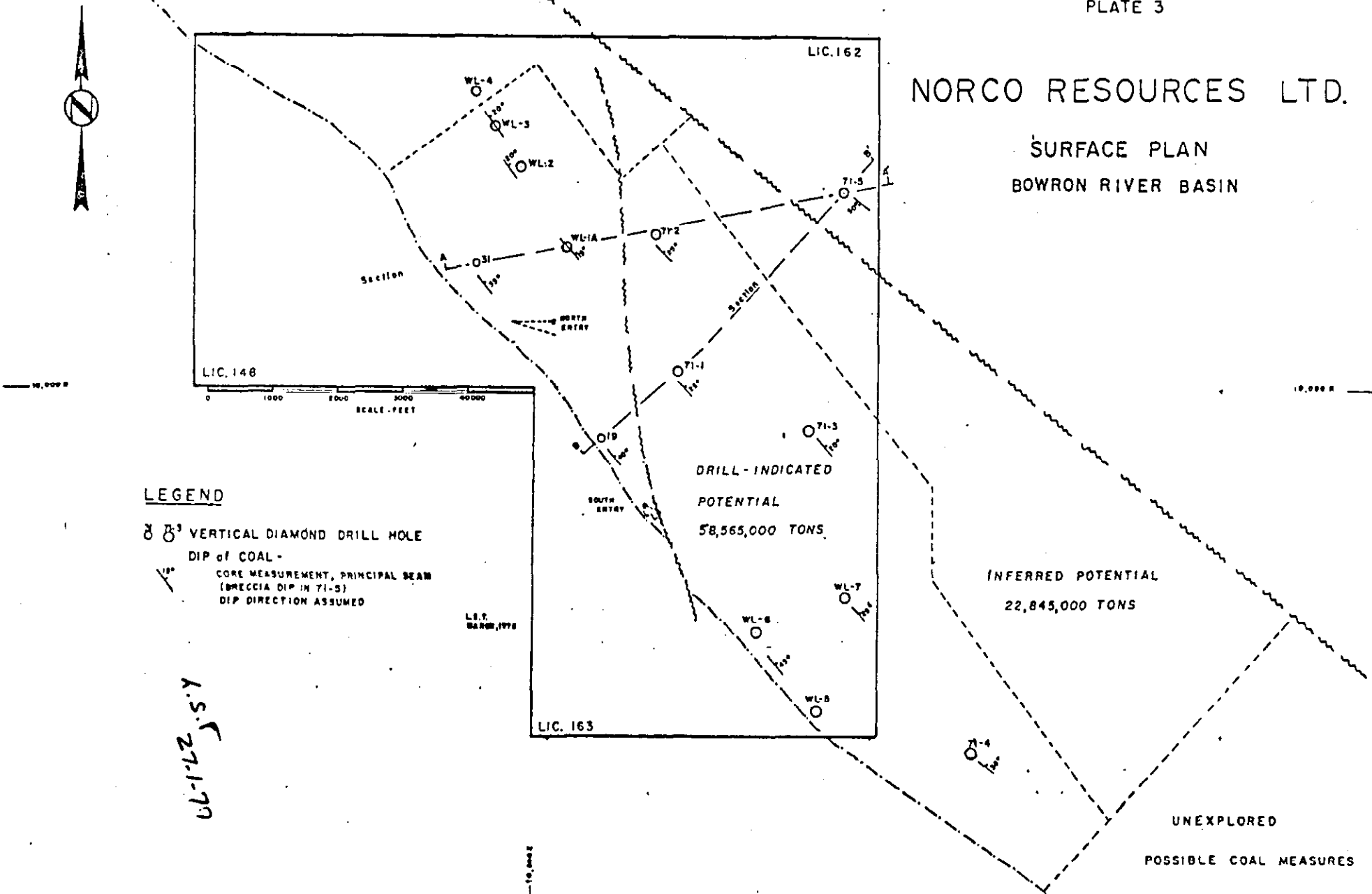
L. S. T. MARCH 1976

UNEXPLORED - POSSIBLE COAL MEASURES

PLATE 3

NORCO RESOURCES LTD.

SURFACE PLAN BOWRON RIVER BASIN



LEGEND

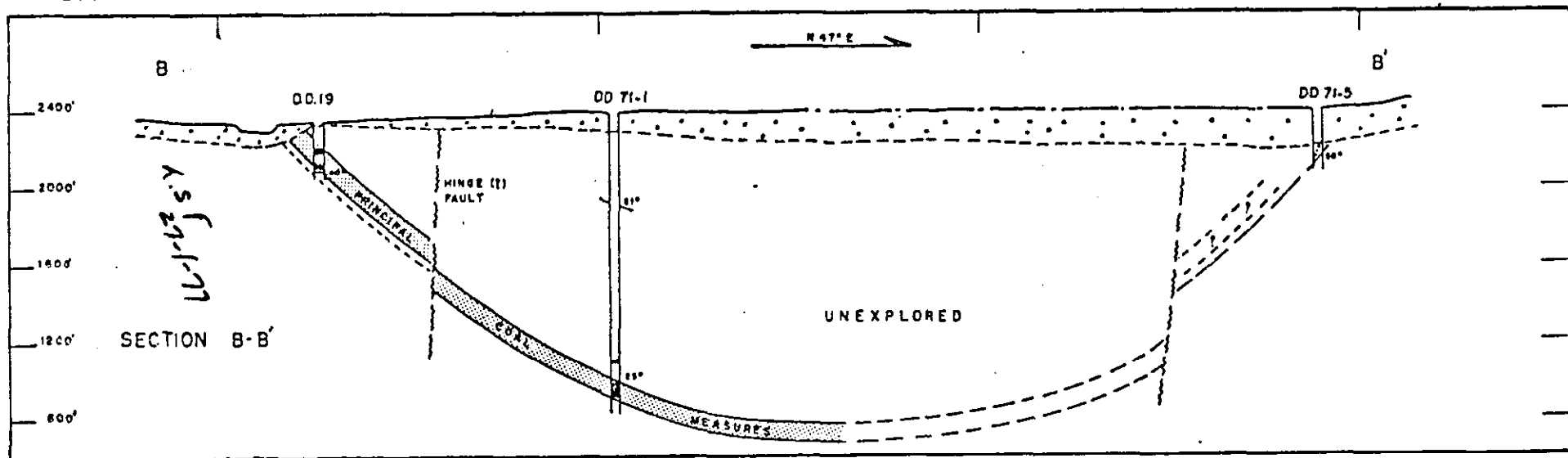
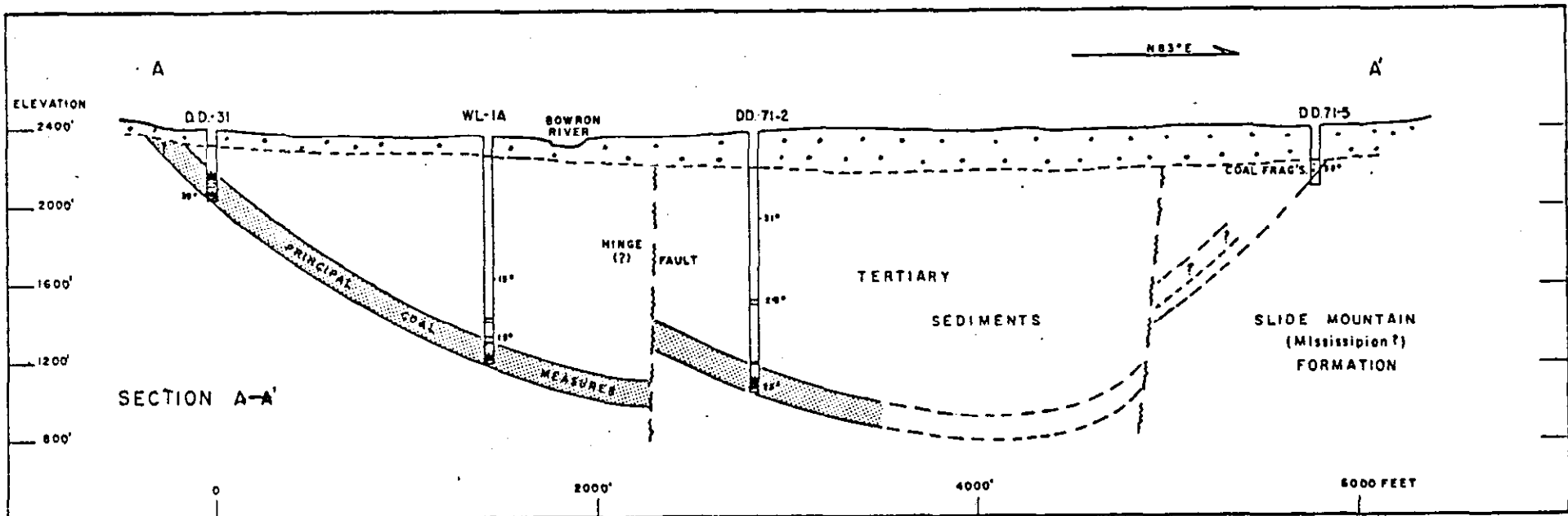
- ⊗ ⊗³ VERTICAL DIAMOND DRILL HOLE
- DIP of COAL -
- 15° CORE MEASUREMENT, PRINCIPAL BEAM (BRECCIA DIP IN 71-3)
- DIP DIRECTION ASSUMED

L.S.T.
BARRE, 1978

L.S.T.
27-1-79

10,000 E

①



NORCO RESOURCES LTD.

VERTICAL SECTIONS

BOWRON RIVER BASIN

PLATE 4.

HISTORY

- i) "Coal seams outcrop in the banks of the Bowron River and were discovered about 1870. Some exploration was carried out just before 1914. Then very little was done until 1946. In most years since then some exploration has been carried out by a series of companies. In the last four years exploration has been successful in tracing seams for a distance of two miles and to depth of 1800 feet."

(Black, September, 1967)

- ii) 1967 drilling under the supervision of Dr. J. M. Black completed holes WL-1A to WL-7 inclusive as shown on Plate 3. These recovered BQ (1½") core.

About 32 holes of earlier programs are not identified on the accompanying maps, Plates 3 and 4. All were drilled near the southwest (sub-outcrop) margin of the coal measures and contribute little information on reserves.

iii) Underground Work

During the 1960's two entries, about 3100 feet apart, were driven on the coal seams.

- a) The south entry explored the upper of two seams for a length of 600 feet with average width of 8 feet.
- b) The north entry "slope" was driven at -12° to expose upper and lower seams having thicknesses of 8 - 10 feet and 6 - 7 feet respectively.

iv) Bethlehem Option - 1971

- a) 5 vertical holes (71-1 to 71-5) were drilled for a total of 7,474 feet, recovering NQ (1 7/8") core.
- b) A comprehensive report on this program, submitted by Dr. Richard E. Kucera, contains detailed description of the stratigraphy and a structural interpretation; both based on core examination, surface mapping and photo-geological studies.

v) 1976 Program

Under the personal supervision of Mr. H. S. (John) Haslam, of H. S. Haslam and Associates Limited, the main (north) workings were dewatered in September and a bulk sample of approximately 10 tons of coal was taken. Approximately 7 tons of this sample were shipped to the Western Laboratory of the Department of Energy, Mines and Resources (DEMR) in Edmonton with the balance being stored at the minesite.

At DEMR the coal sample was processed by the "Compound Water Cyclone" method, resulting in four products, namely: "Clean Coal", "Middlings", "Coarse Rejects" and "Fine Rejects".

Samples of each of these products were then submitted to Cyclone Engineering Sales Ltd. for analysis. Results of these analyses were reported on January 13, 1977 and an overall opinion of their significance is expected shortly from Dr. Jan Visman of DEMR.

1977 PROGRAM

Using various fractions of the bulk sample, it is now proposed to conduct research to determine:

- a) The best method for separating resins from coal.
- b) Additional information on the chemical characteristics of the resins.
- c) Marketability of resins and coal.

A proposal from Cyclone Engineering Sales Ltd. is now in preparation and proposals from other research facilities will be considered.

COAL RESERVES

Black, in 1967, calculated indicated and probable reserves of 20,185,000 short tons of coal in place.

The 1971 drilling program substantially extended the area of known coal deposition. However, much more closely spaced drilling would be required to make any reliable estimate of actual mineable reserves.

The present calculation of 81.4 million tons of total coal in place considers only an explored strike length of 14,000 feet and a horizontal width of 5,000 feet terminated down dip by an assumed limiting fault on the northeast flank of the basin, as inferred from the log of D.D.H. 71-5.

The strike limits are determined by D.D.H. WL-4 to the northwest and an arbitrary extension of 2,200 feet beyond D.D.H. 71-4 to the southeast. The coal-bearing strata probably extend beyond these limits.

NORCO RESOURCES LTD.

Summary of Potential Reserves on Property and Vicinity

I. Drill-Indicated Reserves Short Tons

Block	Norco Property	Adjoining Lots			Total	Total Reserve
		Lot 9594	Lot 9590	Lic. 1644		
A	7,344,000					7,344,000
B	9,500,000					9,500,000
C	2,631,000					2,631,000
D	9,160,000					9,160,000
E ¹	4,127,000					4,127,000
E ²	7,174,000					7,174,000
F ¹	4,757,000					4,757,000
F ²	3,260,000		1,086,000		1,086,000	4,346,000
G ¹	1,855,000		1,200,000	600,000	1,800,000	3,655,000
G ²			2,331,000		2,331,000	2,331,000
H ¹				1,776,000	1,776,000	1,776,000
H ²			441,000	1,323,000	1,764,000	1,764,000
	49,808,000		5,058,000	3,699,000	8,757,000	58,565,000

II. Inferred Reserves Short Tons

Block	Norco Property				Total	Total Reserve
		Lot 9594	Lot 9590	Lic. 1644		
CI	1,392,000					1,392,000
DI	2,880,000					2,880,000
EI	2,800,000	2,646,000	600,000		3,246,000	6,046,000
FI		132,000	3,900,000		4,032,000	4,032,000
GI			4,535,000		4,535,000	4,535,000
HI			3,500,000	460,000	3,960,000	3,960,000
	7,072,000	2,778,000	12,535,000	460,000	15,773,000	22,845,000

TOTAL: 56,880,000 2,778,000 17,593,000 4,159,000 24,530,000 81,410,000

COAL QUALITY

The rank is "High Volatile B Bituminous". This coal is indicated to be good quality thermal coal, somewhat high in sulphur and subject to further testing, might be suitable for blending with other coals to produce a good quality metallurgical coke. (Donaldson, 1972)

Summary of Coal Analyses - Air Dry Basis

<u>Location</u>	<u>Moisture</u>	<u>Ash</u>	<u>V.M.</u>	<u>F.C.</u>	<u>S.</u>	<u>B.T.U.</u>	<u>F.S.I.</u>	<u>Analyst</u>
"Ventilation Slope" 9' Seam	0.40	9.8	43.0	46.8	0.80	11,070	3	Coast Eldridge
"Main Slope" 200'	5.7	4.0	39.1	51.2	0.80	-	1	N.K.K. - Japan
"Main Slope" 400'	4.92	2.77	36.50	55.31	0.85	12,550	2½	Superintendence Company
Bethlehem 19 samples 4 drill holes	-	24.63	36.73	42.0	1.30	11,000	?	Commercial Testing & Engineering, 1971
1976 Sample Clean Coal	2.54	9.79	34.93	52.74	0.90	12,360	½	Cyclone Engineering Sales Ltd.

Summary of Washing Tests

<u>Sample Description</u>	<u>Medium S.G.</u>	<u>Recovery %</u>	<u>% Ash</u>	<u>% S</u>	<u>Laboratory</u>
a) 13 Core Samples-182' from 6 drill holes					Commercial Test & Engineering, 1969
CORE (Raw Coal)		100.0	7.96	1.29	
FLOAT	1.40	86.0	4.66	1.22	
SINK	1.40	14.0	22.86	1.79	
b) Bulk Sample "Main Slope"		100.0	14.6	-	
FLOAT	1.50	82	6.3	-	Osaka
SINK	1.50	18	52.2	-	Shipbuilding Company
FLOAT	1.60	85.6	7.3	-	
SINK	1.60	14.4	57.9	-	
c) Clean Coal + 28 Mesh					
FLOAT	1.35	82	-	-	Cyclone Engineering, 1976-77
FLOAT	1.50	95.1	-	-	

RESIN POTENTIAL

1. General

The Bowron River coal deposit is known to contain significant amounts of natural resins which may be commercially important. Their extraction as primary products in a coal mining operation could be very profitable.

Natural and synthetic resins have many uses, particularly in special purpose varnishes resistant to heat and acids. The substitution of natural resins by synthetic resins has been affected to a large extent by a more reliable source of supply for the latter; most of the natural resins being imported from Africa and the Far East.

However, substantial quantities of natural resins are still being imported from Africa, India and Malaya and prices have risen from about 27¢ per lb. in 1972 to about 80¢ per lb. in 1976.

Research conducted to date indicates that the Bowron River "Refined Resin" is superior in most respects to the Congo Resin and that the Bowron River "Amber Resin" would likely prove superior to both (high melting point, light colour). It can therefore be assumed that the "Amber Resin" would command a still higher price if specifications can be documented and a steady source of supply can be assured.

2. Results of Research

"Refined Resin"

Amber Resin

Megascopically invisible Comprises about 8% of raw coal	Amber nodules elongated to about 1 inch; random distribution through seams; visually "guesstimated" at 4% raw coal
Microscopic; opaque; reddish brown; irregular outlines	Light amber; transparent; sharp edges; conchoidal fracture
Completely soluble in pyridine; actually "a soluble fraction of the coal"	Completely insoluble in chloroform, benzene or pyridine
Softens about 200° C. S.G. = 1.04 - 1.05. Makes a 25% concentrate in coal-resin fraction float at S.G. 1.30	Does not soften at 400° C. Melts and volatilizes about 450° C. Separation: mechanical? or froth flotation?
Possible Uses: a) Low cost rubber extender b) Compares favourably with Congo resin in varnishes c) High quality baked coatings	Uses: Not tested, but appears to be superior to "Refined Resin" for coating and varnishes.

3. Production

The resin-bearing coal seams in the vicinity of the present underground workings could supply a plant of 500 tons per day capacity (or larger) for many years. Initial production could be achieved with a modest amount of development work and mining with conventional low-cost equipment should be practical. After removal of the resins it is contemplated that the coal would be used for power generation and/or in the form of briquettes for domestic use.

4. Profit Potential

Subject to favourable results from research, market studies and trial mining, preliminary calculations indicate the possibility of profitable operation, as follows:

Assume: 500 tons per day raw coal - 150,000 tons per annum
Saleable Coal (60%) - 90,000 tons per annum
Recoverable Resin (5%) - 100 lb. per ton mined
Capital Cost - \$15 million over 10 years

<u>Revenue</u>	<u>Per ton mined</u>	<u>Per Annum</u>
Resin	\$80.00	\$12,000,000.00
Coal (60% @ \$25.00)	<u>15.00</u>	<u>2,250,000.00</u>
	95.00	14,250,000.00
<u>Capital Cost</u> (\$15 million)	10.00	1,500,000.00
<u>Operating</u>		
Mining	30.00	4,500,000.00
Processing	<u>10.00</u>	<u>1,500,000.00</u>
<u>NET PROFIT</u>		
Before Taxes	45.00	6,750,000.00
Less Taxes (60%)	<u>27.00</u>	<u>4,050,000.00</u>
NET PROFIT	<u>\$18.00</u>	<u>\$ 2,700,000.00</u>

RADIOACTIVITY

Various references in the company's progress reports are made to analyses for uranium but these have not been verified at time of writing. Other references are as follows:

1. Geological Survey of Canada - Project 680106

"In British Columbia 125 stations of Tertiary coal areas were surveyed..... In most areas readings above or even approaching the two times background were rarely obtained, with the following exceptions:"

<u>Location</u>	<u>Reading Above Background</u>	<u>Background Microroentgens</u>	<u>Total Reading Background</u>
White Lake	16	14	2.14
Princeton	19	8	3.37
Chu Chua	33	7	5.71
Bowron River	40	4	11.00

2. Kucera (1971) Reports:

"A scintillometer survey of rocks along the Bowron River, 500 feet south of the Northern Coal camp, reveals that fine-grained sandstones 5 to 10 feet below the upper coal zone are radioactive with readings up to 7 times background count....."

3. Kucera (1971, p. 3)

"One foot of breccia in this drill hole (D.D.H. 71-3) at a depth of 290 feet is radioactive with readings of 4 to 5 times background count."

The present writer does not know which, if any, of the other drill holes were checked for radioactivity and thus can offer no opinion as to the potential economic importance of these occurrences. Obviously, all available existing drill cores and future cores should be carefully checked for radioactivity.

CONCLUSIONS

1. The large "potential" coal reserves calculated for the Bowron River Coalfield can only be classed as "geologic" reserves until more is known about the continuity of individual seams and by what means and to what extent they can be exploited.
2. The occurrence of substantial amounts of natural resins with the coal in underground workings and drill holes offers the possibility of earning substantial profits from a medium-to-small-scale operation. This, in turn, could facilitate evaluation of large-scale mining potential.
3. Anomalous radioactive readings may be of more than academic interest and should receive close attention.

RECOMMENDATIONS

Priority should be given to utilizing the bulk sample fractions, recently obtained, to evaluate various methods of concentration and extraction of the resins.

Samples of resins so obtained should then be submitted to various potential customers, e.g. varnish manufacturers, for specific evaluation.

Sample quantities of coal briquettes should be supplied to potential distributors.

The sum of \$15,000.00 should be allocated to expedite the foregoing.

Respectfully submitted,

L. S. Trenholme

L. S. Trenholme, M. Sc.

Vancouver, B. C.
January 27, 1977

27-1-77

SELECTED REFERENCES

- A-1 Kucera, R. E., "Geological Report, Bowron River Coal, Cariboo District, British Columbia, November 4, 1971"
- A-2 "Northern Coal Mines Ltd., Report by J. M. Black, P. Eng., Consulting Geologist, January 31, 1967"
- A-3 "Report on Northern Coal Mines Ltd., by J. M. Black, P. Eng., September 8, 1967"
- B-1 Sink - Float Analysis of Drill Cores - 1969
- B-2 Black, J. M., Letter Report on Cleaning Tests, June 4, 1969
- B-3 Superintendence Company (Canada) Ltd., "Proximate Analysis of Mine Sample from Main Slope", November 19, 1968
- B-5 Proximate Analysis "Main Slope at 200 feet" Nippon Kaiji Jentei Kyokai, April 6, 1968
- B-6 Proximate Analysis - Coast Eldridge, January 28, 1964
- B-7 Donaldson, J. R., Geological Survey of Canada Technical Report No. 93-H-13W-1
- C-2 Battelle Memorial Institute Report on Refined Resins, November 30, 1966
- C-3 Battelle Memorial Institute Summary Report on Resins, February 28, 1967
- C-4 Battelle Columbus Laboratories Letter and Attachments, November 29, 1972
- C-5 Cyclone Engineering Sales Ltd. "Recovery of Resin from Coal" Report R R 65/05 Dec., 1965
- C-6 H. S. Haslam and Associates "Bowron River Coal Mine, Dewatering and Bulk Sampling", September, 1976
- C-7 Cyclone Engineering Sales Ltd. "Analysis of Test Products", January 13, 1977

CERTIFICATE

The undersigned certifies that:

1. He is a graduate geologist:

B. Sc. (Sask.) 1936
M. Sc. (McGill) 1939

and has practised as a mining and exploration geologist to the present time.

2. He is a member in good standing of the Association of Professional Engineers of the Province of British Columbia.
3. This report on the property of Norco Resources Ltd. is based on careful analysis of results reported by earlier workers, who are considered to be competent and reliable, on a brief visit to the property in June, 1969 and on the results of recent reports on analytical tests.
4. He does not now own and does not expect to receive any shares of the Capital Stock of Norco Resources Limited or any financial interest in any of the properties referred to in this report.
5. Permission is hereby granted to Norco Resources Ltd. to use this report or any part of it for the purpose of a financial prospectus.

L.S. Trenholme

L.S. TRENHOLME
6746 Marguerite Street
Vancouver, B.C.
V6P 5E9

Dated at Vancouver, B.C.
the 27th day of January, 1977

L.S.T.
27-1-77

20. STATUTORY RIGHTS OF RESCISSION

Sections 61 and 62 of the Securities Act (British Columbia) provides in effect, that where a security is offered to the public in the course of primary distribution:

- (a) A purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last Statement of Material Facts, together with financial statements and a summary of engineering reports as filed with the Vancouver Stock Exchange, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.
- (b) A purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the Statement of Material Facts or any amended Statement of Material Facts offering such security contains an untrue statement of material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such Statement of Material Facts or amended Statement of Material Facts is received or is deemed to be received by him or his agent.

Reference is made to the said Act for the complete text of the provisions under which the foregoing rights are conferred.

21. CERTIFICATE OF THE DIRECTORS AND PROMOTERS OF THE ISSUER:

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

February 3, 1977
(Date)

Geoffrey W. Hornby
Geoffrey W. Hornby, Director

H. John Wilson
H. John Wilson, Director, Secretary & Promoter, By His Attorney In Fact, Geoffrey W. Hornby

Morris M. Menzies
Morris M. Menzies, Director, President & Promoter

Keith Ralston
Keith Ralston, Director, By his Attorney in fact, Morris M. Menzies

CERTIFICATE OF THE UNDERWRITER(S):

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

February 3, 1977
(Date)

Canarim Investment Corporation Ltd.

Fisher Securities Corporation

Robert M. Brown

Ernest Fisher
