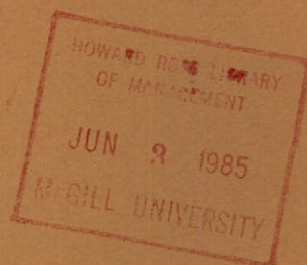


# Dejour Mines Limited

Annual Report 1984









---

## DEJOUR MINES LIMITED

---

### REPORT OF THE DIRECTORS

---

#### TO THE SHAREHOLDERS:

The Seventeenth Annual Report of the Company is presented herewith, including the Financial Statements for the year ended December 31, 1984 and the Auditor's Report for the corresponding period.

#### GENERAL

The past year has been one of achievement as the Company has embarked upon a policy of maximizing the return from its existing exploration properties, of seeking long-term income and of acquiring many new properties of merit, chiefly for gold. This policy included a restructuring of the financial arrangements for the Company's interest in the Ellison-Bousquet property, the acquisition of an interest in a producing gold mine and the optioning and/or staking of nine new properties in Quebec and Ontario. These achievements were brought about in part by the concerted efforts of management and those of the Company's full-time geologist who evaluated approximately 80 situations of interest during the past year. Although nearly \$300,000 was spent on direct exploration costs and administration during the year, the Company's working capital declined by only \$77,000 to \$552,000 at year end as a result of earning \$200,000 in option payments, interest and management fees. Furthermore, the Company expended approximately \$325,000 of funds provided by Brinco Limited of Vancouver on its Rowan Lake and Ste. Helene properties.

Among the properties recently acquired by the Company, the Lac Dasserat, Quebec property contains a gold showing. Three other properties in Ligneris and Mazarin Township lie in the same geological unit as the new gold discoveries announced by Vior Inc. in Ligneris Township and currently under option to Sigma Mines (Quebec) Ltd.

#### NEW DEVELOPMENTS AND ACQUISITIONS

##### (1) Ellison Property, Bousquet, Quebec

In 1984 the Company reached a new agreement with Yorbeau Resources Inc. of Montreal whereby the latter paid Dejour \$100,000 and must pay an additional \$418,543 in four installments on October 12th in the years 1985 to 1988 with interest at 10% per annum on the unpaid balance. If Yorbeau fails to meet any of the above scheduled payments then its working interest in the property will revert to the Company. Dejour also retains its 4½% interest in production profits as defined in the original Ellison agreement.

The Ellison property now consists of five claims totalling 250 acres. In 1984, as reported by Lynx-Canada Explorations Limited and Yorbeau, a deep drilling campaign below the 213 m (700 ft.) level down to the 762 m (2500 ft.) level extended the A Zone to a minimum vertical depth of 366 m (1200 ft.). David S. Robertson & Associates, consultants to Yorbeau, reported in-situ tonnage figures for this zone as 175,996 metric tonnes (194,000 short tons) at an average undiluted grade of 8.56 g Au/t (0.25 oz. Au/ton) in the Probable category and 605,098 tonnes (667,000 tons) averaging an undiluted grade of 6.5 g Au/t (0.19 oz. Au/ton) in the Possible category.

Yorbeau also reports that the drilling outlined a new wider and richer gold-bearing zone known as the C-Zone which lies between 366 m (1200 ft.) and 762 m (2500 ft.) and is open at depth to the west. Although the seven holes intersecting the C-Zone are not sufficient to establish firm tonnage figures, it is possible that it could be more important than the A-Zone. Yorbeau reports that work in 1985 will focus on the further exploration of the C-Zone from underground. Engineering studies have located a pilot hole for the exploration shaft which is planned to reach a vertical depth of 457 m (1500 ft.) with lateral development, from which the C-Zone will be explored.

##### (2) Sterling Gold Mine, Nevada

The Company has been offered practically all of the shares of a Colorado corporation, International Gold & Minerals Ltd. (IGM), which has as its principal asset a 6% direct interest in a producing gold mine in Nevada. The Company proposes to accept these offers subject to obtaining regulatory approvals and the fulfillment of certain other conditions. A total of 1,982,030 shares of the Company will be issued if 100% of the shares of IGM are acquired.



Gold mineralization at the Sterling Mine, about 90 miles by road northwest of Las Vegas, Nevada, is of the Carlin type occurring as shoestring orebodies within flatlying siltstones. Mining is by the room and pillar method with access via adit, followed by on-site crushing and heap cyanide leaching. Production from inception in 1980 to December 31, 1984 was 223,687 tons for a recovery of 38,366 oz. of gold from the heaps in the form of dore, representing a recovery of about 84%. Capital and operating costs are met from cash flow, the original debt having been retired in 1981.

Production in 1984 was at a reduced rate of 51,897 tons grading 0.215 oz. Au/ton (10,188 oz.) to conserve ore while prices of gold were below normal. Geological ore reserves at December 31, 1983 were reported to be 353,167 tons grading 0.28 oz. Au/ton.

IGM also holds a 30% interest in 48 lode mining claims covering the south or down-trend projection of the Sterling orebodies. These claims are essentially unexplored. IGM is in the process of receiving shares in Cultus Pacific N.L., an Australian oil and gas exploration and development company. The number of shares to be issued to IGM will have a value equivalent to \$112,000 (Australian). Cultus trades at approximately 10 cents per share on the Alberta Stock Exchange.

### **(3) Dasserat and Montbray, Quebec**

The Company has recently optioned 63 claims from a prospector who found a gold showing on the shore of Lake Dasserat late in 1984. This consists of a strongly silicified, carbonatized and pyritized zone along a fault contact between andesitic and rhyolitic volcanics. Gold values of up to 0.17 oz. Au/ton were obtained in grab samples. The rock is similar in appearance to ore from the Bachelor Lake gold mine. A programme of I.P., EM and magnetic surveys completed this winter has revealed definite I.P. anomalies associated with the showing area, as well as numerous VLF trends that are believed to indicate faulting. An intensive programme of prospecting and trenching of the showing and the surrounding claims is planned, followed by drilling in the winter.

### **(4) Ligneris, Quebec**

The Company acquired 10 claims in Ligneris Township by option from three prospectors following the announcement, in February 1985, of the Vior Inc. discovery of gold, zinc and silver mineralization of the Bousquet, or Hemlo, type over significant widths in felsic metavolcanic rocks. The significance of the Vior find is indicated by the major commitment to exploration made to them by Sigma Mines (Quebec) Limited this year.

The Company's claims lie 7 km southwest of the discovery and 500 m southwest and on trend of another gold showing known as the Tut Zone, now reported to be held by Lacana. This zone is about 50 ft. wide, 2200 ft. long and is open along strike, with gold values up to 0.32 oz./ton over widths of 20 ft. This was last explored in 1946 and the prospectors report that gold mineralization has been found on the trend of this zone on the Company's property. An intensive programme of I.P., EM and magnetic surveys, prospecting and trenching is planned followed by drilling as required.

### **(5) Mazarin, Quebec**

The Company, late in 1984, staked two groups of claims in Mazarin Township. The first, comprising 16 claims and lying about 7 km northeast of the Vior discovery, covers a cluster of Input EM anomalies which had been tested by only one hole in 1973 that cut felsic metavolcanic rocks similar to those on the Vior property. Due to the extensive drift cover geophysical surveys and drilling are planned.

The second, comprising seven claims, lies about 9 km east of the former group and covers an untested Input EM conductor and a coincident magnetic anomaly. These claims are also assumed to be underlain by the same favourable host unit and a similar programme is planned.

### **(6) Birch River, Ontario**

The Company staked 32 claims, about 40 km northeast of the Selco-Uchi Lake mine, a former Cu-Zn-Ag producer, early in 1985 to cover possible rhyolitic tuffs about 8 km east and in the same geological unit as a recent prospector's discovery. A grab sample from this was reported to assay 7% Zn, 2.5% Cu and 3 oz. Ag/ton and the showing is now under option to Kidd Creek Mines Ltd.

The Company plans to conduct airborne EM surveys, ground geophysical surveys, prospecting and mapping.

### **(7) Other Quebec Acquisitions**

The Company, as a result of its research programme, also staked 83 additional claims in three groups in Maizerets, Quevillon and Celoron Townships in late 1984 in the Joutel-Amos district of Quebec to the north and east of Ligneris Township. The properties contain several untested or inadequately tested Input EM conductors. The geological settings are believed to be similar to those of the Agnico-Eagle gold mine in Joutel Township, the Perron gold deposit in Chaste Township and possibly the Vior occurrences. The gold in these cases is associated with more abundant sulphides together with silver and in some cases zinc.



## **EXPLORATION**

### **(1) Rowan Lake, Ontario**

The property, comprising 56 claims in the Rowan Lake area, lies about 6.5 km east and on trend from the Nuinsco Resources Limited-Monte Cristo gold prospect and about 16.5 km from the Cameron Lake gold deposit. The latter is reported to contain 1,500,000 tons at 0.15 oz. Au/ton and Echo Bay Mines Limited is financing the next stage of exploration, including underground development, if warranted. Recent drilling at Monte Cristo intersected a 17.3 ft. section grading 0.37 oz. Au/ton.

In 1984 a comprehensive programme was carried out, initially by the Company and its partner, Nova-Co Exploration Limited, with current respective working interests of 47% and 18%, and subsequently financed by Brinco Limited. The Company spent \$106,000 directly and Brinco a further \$225,000, for which it earned a 35% working interest. This consisted of magnetometer and VLF-EM surveys, geological mapping, prospecting and geochemical sampling, followed by detailed I.P. surveys, stripping, trenching and 940 m of drilling in ten widely spaced holes.

This work has resulted in the discovery of a horizon of alteration and shearing in basaltic volcanics containing erratically distributed gold and believed to be the extension of the Monte Cristo zone. It has now been traced across a width of 150 m, along a minimum strike length of 550 m and may extend a further 650 m to the east on the basis of the anomalous I.P. effects. Gold values within this zone, on the average, range from trace amounts to 1.0 g/t with one individual intersection of 3.4 g/t over 2.3 m in hole 3.

Further drilling is warranted, both along trend and between the existing holes, to search for ore shoots comparable to those found on the Nuinsco properties. During the year the final option payment to the original vendors was made to fully vest the interests of Dejour and Nova-Co.

### **(2) Ste. Helene, Quebec**

Sixty-two claims were staked by the Company in Ste. Helene and Bapst Townships straddling the Selbaie Mine-Joutel Highway. They cover untested Input EM anomalies as well as the western extension of a zone, held by Selco Inc., of gold bearing pyritic, rhyolite tuff in which values of 0.05 oz. Au/ton were found over a 20 ft. width, including a 5 ft. section assaying 0.08 oz. Au/ton, in a drill hole in 1974.

The Company completed electromagnetic and magnetic surveys and 17 reverse circulation overburden drill holes which confirmed the principal conductors, as well as the band of rhyolite tuff. In addition, six gold anomalies were found in the basal tills and gravels in the west section of the property and the Company has recommended further overburden and diamond drilling to trace these anomalies to their source. Programme funds in 1984 totalling \$100,000 were provided by Brinco which has now earned a 35% working interest.

### **(3) Hauy, Quebec**

The Company staked 62 claims in Hauy Township, about 35 km southwest of Chibougamau, Quebec to cover untested Input EM anomalies within rhyolitic volcanic rocks that have been reinterpreted to be the same as the host rocks for the Lemoine Mine, a former high-grade producer of Cu-Zn-Au-Ag. Private interests hold 50%. A gold showing is reported to occur in the southeast part. To the northwest of the claims, a drill hole cut ore-grade gold mineralization over 8 ft.

The Company completed an airborne magnetic and electromagnetic survey in 1984 and plans geophysical follow-up, mapping, prospecting and diamond drilling to search for massive sulphide base metal deposits, as well as for gold deposits.

### **(4) Batchawana, Ontario**

During the winter the Company completed the geophysical surveys and subsequently farmed out the 35 claims to Master Resources and Developments Limited, who are linked administratively to Massive Energy Limited, the latter holding all of the surrounding claims in the district. Under the terms of the agreement, Master paid \$7,500 in 1984 and will pay \$7,500 in 1985 and can incur up to \$150,000 of expenditures to earn a 50% working interest in the claims.

Massive Energy has recently reported several intersections of significant gold mineralization on the south part of its New Hiawatha property immediately north of the Company's. The best intersection was reported to grade 0.103 oz. Au/ton over 67.5 ft. including a 16.4 ft. section grading 0.246 oz. Au/ton.

### **(5) Other**

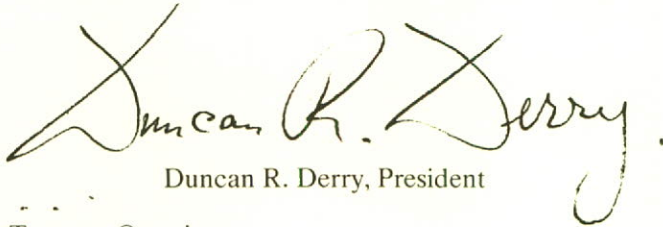
The Company continues to hold numerous other properties as shown on the Statement of Deferred Exploration and Development Expenses. The principal ones are the Hebecourt, Quebec and the Onaman, Ontario base metal properties.



## CORPORATE CHANGES

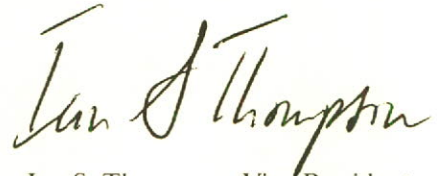
The Company will be holding an annual and special meeting of shareholders on June 19th, 1985. The special business to be conducted at the meeting will include the consideration of special resolutions to amend the articles of the Company to reflect changes in the laws governing the Company resulting from the enactment of the Business Corporations Act, 1982 (Ontario) and to increase the authorized capital of the Company. Shareholders will also be asked to confirm a new general by-law which will also comply with the provisions of the new Act. Details of these matters and the remaining special business are set forth in the Management Information Circular which is included with this report.

ON BEHALF OF THE BOARD OF DIRECTORS

A handwritten signature in dark ink, appearing to read "Duncan R. Derry". The signature is fluid and cursive, with a large initial "D" and a trailing flourish.

Duncan R. Derry, President

Toronto, Ontario  
May 1985

A handwritten signature in dark ink, appearing to read "Ian S. Thompson". The signature is cursive, with a large initial "I" and a trailing flourish.

Ian S. Thompson, Vice President



**Auditors' Report to the Shareholders**

We have examined the balance sheet of Dejour Mines Limited as at December 31, 1984 and the statements of loss and deficit, deferred exploration and development expenses and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1984 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.

Toronto, Ontario  
February 15, 1985

COOPERS & LYBRAND  
Chartered Accountants



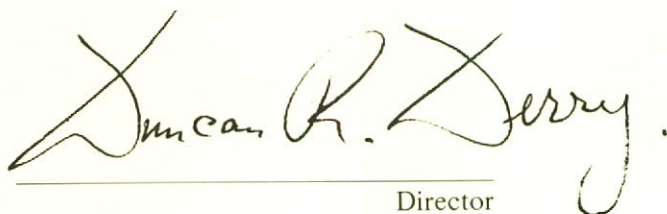
---

**DEJOUR MINES LIMITED****Balance Sheet as at December 31, 1984**

---

	ASSETS	
	1984 \$	1983 \$
<b>CURRENT ASSETS</b>		
Cash and short-term deposits	541,215	623,027
Accounts receivable (note 7)	72,871	34,193
	<u>614,086</u>	<u>657,220</u>
<b>MINING PROPERTIES AND RELATED EXPENDITURES</b> (notes 2, 7, and 9)		
Mining properties	1	1
Deferred exploration and development expenses	830,875	845,679
	<u>830,876</u>	<u>845,680</u>
<b>INVESTMENTS</b> (notes 2, 5(c) and 5(d))	64,590	67,587
	<u>1,509,552</u>	<u>1,570,487</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	<u>61,995</u>	<u>27,884</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL</b> (notes 4 and 9)	2,977,018	2,977,018
<b>CONTRIBUTED SURPLUS</b>	95,473	95,473
	<u>3,072,491</u>	<u>3,072,491</u>
<b>DEFICIT</b>	1,624,934	1,529,888
	<u>1,447,557</u>	<u>1,542,603</u>
	<u>1,509,552</u>	<u>1,570,487</u>

**SIGNED ON BEHALF OF THE BOARD**

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director



---

**DEJOUR MINES LIMITED****Statement of Loss and Deficit**for the year ended December 31, 1984

---

	1984 \$	1983 \$
<b>REVENUE</b>		
Interest	65,276	57,860
Option payments	8,805	1,966
Management fees	22,985	—
Proceeds from sale of mining properties (note 8)	100,000	4,062
	<u>197,066</u>	<u>63,888</u>
<b>EXPENSES</b>		
Administrative expenses	74,499	69,264
General exploration expenses	38,421	12,371
Deferred exploration and development expenses written off	179,192	364,426
	<u>292,112</u>	<u>446,061</u>
<b>LOSS FOR THE YEAR</b>	95,046	382,173
<b>DEFICIT – BEGINNING OF YEAR</b>	<u>1,529,888</u>	<u>1,147,715</u>
<b>DEFICIT – END OF YEAR</b>	<u>1,624,934</u>	<u>1,529,888</u>
<b>LOSS PER SHARE</b>	<u>1.26c</u>	<u>5.07c</u>

**Statement of Changes in Financial Position**for the year ended December 31, 1984

---

	1984 \$	1983 \$
<b>SOURCE OF WORKING CAPITAL</b>		
Interest income	65,276	57,860
Proceeds from option payments	8,805	1,966
Management fees	22,985	—
Proceeds from sale of mining properties (note 8)	100,000	4,062
Government grants	19,235	21,030
Issuance of share capital	—	12,000
Reduction in investments	2,997	—
	<u>219,298</u>	<u>96,918</u>
<b>USE OF WORKING CAPITAL</b>		
Administrative expenses, net of depreciation	74,499	69,221
General exploration expenses	38,421	12,371
Exploration and development expenses	183,623	219,936
Increase in investments	—	9,701
	<u>296,543</u>	<u>311,229</u>
<b>DECREASE IN WORKING CAPITAL</b>	77,245	214,311
<b>WORKING CAPITAL – BEGINNING OF YEAR</b>	<u>629,336</u>	<u>843,647</u>
<b>WORKING CAPITAL – END OF YEAR</b>	<u>552,091</u>	<u>629,336</u>



## DEJOUR MINES LIMITED

### Statement of Deferred Exploration and Development Expenses

for the year ended December 31, 1984

Property or Joint Venture	Balance December 31, 1983 \$	Expenditures during the year \$	Ontario Mineral Exploration Program grants (note 7) \$	Amounts written off \$	Balance December 31, 1984 \$
Batchawana	44,287	15,832	—	—	60,119
Bedivere Lake	9,538	345	—	9,883	—
Bomby Township	10,658	595	—	—	11,253
Bousquet Township (note 8)	519,825	182	—	100,000	420,007
Brongniart	—	8,510	—	8,510	—
Celoron	—	2,667	—	—	2,667
Collinsville Oil	—	3,154	—	3,154	—
Hebecourt	34,232	—	—	—	34,232
Hauy Township	—	10,429	—	—	10,429
Mazarin A	—	698	—	—	698
Mazarin B	—	1,457	—	—	1,457
Maizerets	—	1,131	—	—	1,131
Neill Township	12,730	1,701	—	14,431	—
Onaman River	153,447	—	—	—	153,447
Quevillion	—	3,601	—	—	3,601
Rowan Lake	36,189	106,859	19,235	—	123,813
St. Helene	—	8,021	—	—	8,021
Swayze	20,273	—	—	20,273	—
Other projects	4,500	18,441	—	22,941	—
	<u>845,679</u>	<u>183,623</u>	<u>19,235</u>	<u>179,192</u>	<u>830,875</u>

---

## DEJOUR MINES LIMITED

### Notes to Financial Statements for the year ended December 31, 1984

#### 1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects to International Accounting Standards. The following is a summary of the significant accounting policies followed by the company:

(a) Investments

Investments are carried at cost, except for those investments received from the disposition of mining properties (note 5(c)), which are carried at the market value at the date of receipt.

(b) Mining properties and related expenditures

The amounts shown for mining properties and related expenditures represent costs to date on specific projects, less amounts written off. These expenditures are written off when management has determined that the projects are to be abandoned.

Administrative and general exploration expenditures are written off as incurred.

#### 2. NATURE OF OPERATIONS

The company, on its own and with participants in joint venture agreements, has carried out exploration and development work on and has made expenditures in acquiring mining properties. In addition, the company has made investments in companies with similar operations. The recoverability of the amounts shown for mining properties, deferred exploration and development expenses and investments is dependent upon a variety of factors, including the existence of economically recoverable reserves, the ability to obtain necessary financing to complete development, and future profitable production, or alternatively upon the ability of the company to dispose of properties or its interests therein on an advantageous basis.

#### 3. INCOME TAXES

As at December 31, 1984, the company has deferred exploration, development and administrative expenses amounting to approximately \$2,379,000 which are available to offset future taxable income. Of this amount, \$830,875 has been deferred in the accounts. The potential tax benefits arising from these expenses have not been reflected in these financial statements, and will be recognized in future periods only to the extent they are deductible for income tax purposes.

#### 4. SHARE CAPITAL

(a) Authorized share capital comprises the following:

10,000,000 Common shares without par value

5,000,000 Special shares, designated as "First Preferred Shares", without par value, issuable in series

5,000,000 Special shares, designated as "Second Preferred Shares", without par value, issuable in series

(b) Issued and fully paid:

	Common Shares without par value	\$
For cash	6,757,778	2,927,518
For mining claims	775,000	49,500
	<u>7,532,778</u>	<u>2,977,018</u>

(c) During the year, the company's vice-president was given an option to purchase up to 50,000 shares of the company at a price which is the greater of \$0.40 per share or the lowest price permitted by the Toronto Stock Exchange. The option is exercisable up to 25,000 shares immediately, up to 12,500 further shares commencing in 1985 and up to 12,500 further shares commencing in 1986, the option to have an expiry date of February 22, 1989.



In addition, the directors authorized the granting to an employee of an option to purchase up to 25,000 shares at \$0.40 per share. This option terminates on February 22, 1987 or the date the employee ceases employment with the company, whichever is earlier.

No options were exercised during 1984.

## **5. RELATED PARTY TRANSACTIONS**

The following is a summary of the transactions with related parties during the year ended December 31, 1984:

- (a) A legal firm, in which a director and an officer of the company are partners, has provided legal services to the company at usual professional rates. During the year, the aggregate charges for such services amounted to approximately \$14,000.
- (b) A mining and geological consulting firm, in which a company in which the company's vice-president is a shareholder and another company in which the company's president is a shareholder are partners, has provided, at usual professional rates, geological, exploration and administrative services for certain of the exploration programmes of the company or for syndicates in which it participates. In addition, this firm charges the company for direct administrative services rendered and rent. During the year, \$57,150 (net) was charged for geological and exploration services, \$20,124 for direct administrative services, and \$7,200 for rent.
- (c) Three of the directors and/or officers of the company are also directors and officers of Nova-Co Explorations Limited ("Nova-Co"), an Ontario corporation to which, in 1980, the company sold certain mining properties in Ontario and Quebec for \$10,387 cash and the right to receive up to 154,950 shares of Nova-Co, should Nova-Co retain its right of possession of the properties. Nova-Co has relinquished its rights to certain of the properties. During 1984, the company received a final instalment of 8,190 shares, bringing the total shares received pursuant to this agreement to 75,150.

In addition, the company holds 14,692 shares of Nova-Co which were purchased in 1983. All of the aforementioned shares held are included in investments at a cost of \$19,090 (1983 — \$18,025). The quoted market value as at December 31, 1984 was \$8,984, however the actual value of this investment may be more or less than that amount.

The company participates in one exploration project with Nova-Co. During the year, the company charged Nova-Co \$5,400 for services performed by the company's geologist on Nova-Co's behalf.

- (d) The company has an investment in Corporation Auchib Inc. ("Auchib"), whose president is also the president of the company. The investment in Auchib consists of 102,500 common shares and 35,000 preferred shares at a cost of \$45,500 (1983 — \$45,500). There is no quoted market for the shares of Auchib.

## **6. SEGMENTED INFORMATION**

The company is primarily engaged in the exploration and development of mining properties in Canada and the United States. At December 31, 1984, all deferred expenditures relate to Canadian properties.

## **7. GOVERNMENT ASSISTANCE**

Under the Ontario Mineral Exploration Program, the company has applied for a grant of \$19,235 as a reimbursement of certain qualifying Ontario exploration expenditures made during the year. This amount, together with an outstanding grant receivable of \$20,452 from 1983, is included in accounts receivable as at December 31, 1984.

## **8. SALE OF MINING PROPERTY**

During the year, the company sold its working interest in the Bousquet Township property to Yorbeau Resources Inc. for proceeds of \$518,543 plus interest at 10% payable each June 30 on the unpaid balance. \$100,000 of the total proceeds was due and received during the year. The company retains a 4½% net profits royalty on this property. However, since Yorbeau has the right to relieve itself of all unfulfilled obligations and liabilities under this agreement by transferring the working interest in this property back to the company, the company has recorded the proceeds and equivalent write-off of deferred exploration and development expenses relating to this property only as the proceeds are received. Consequently, \$100,000 was recorded as proceeds and exploration and development expenses written off during 1984.

## 9. SUBSEQUENT EVENTS

- (a) Subsequent to the year-end, the company entered into an agreement, subject to the approval of certain regulatory authorities, to acquire an option on 10 mining claims in Ligneris Township, Quebec for cash of \$7,500 and the issue of 25,000 common shares. At its option, the company can acquire the claims by making additional payments aggregating \$55,500 cash and by issuing 75,000 additional common shares, in varying amounts over a three year period.
- (b) Subsequent to the year-end, the company entered into an agreement, subject to the approval of certain regulatory authorities, to acquire an option on 63 mining claims in Montbray and Dasserat Township, Quebec for cash of \$6,900 and 51,000 common shares. At its option, the company can acquire the claims by making additional payments aggregating \$147,900 and by issuing 357,000 additional common shares, in varying amounts over a four year period.
- (c) Subsequent to the year-end, the directors approved, subject to the approval of certain regulatory authorities, the transaction whereby the company will accept offers from the shareholders of International Gold & Minerals Ltd. ("IGM") to exchange 1,982,030 shares of the company for 3,964,059 (100%) issued and outstanding common shares of IGM. IGM is a U.S. corporation, the principal asset of which is a 6% interest in the Sterling gold mine in Nevada. This transaction would result in IGM becoming a wholly-owned subsidiary of the company and will be accounted for by the purchase method.



---

## DEJOUR MINES LIMITED

### Unaudited Statement of Changes in Financial Position

for the three months ended March 31, 1985

	1985	1984
	\$	\$
<b>SOURCE OF WORKING CAPITAL</b>		
Interest income	20,368	10,855
Proceeds from option payment	12,500	1,065
Proceeds from sale of investments	—	1,191
	<u>32,868</u>	<u>13,111</u>
<b>USE OF WORKING CAPITAL</b>		
Administrative expenses	16,979	17,813
General exploration expenses	13,438	9,357
Exploration and development expenses	45,839	31,909
Increase in investments	—	1,065
	<u>76,256</u>	<u>60,144</u>
<b>DECREASE IN WORKING CAPITAL</b>	<u>43,388</u>	<u>47,033</u>
<b>WORKING CAPITAL, BEGINNING OF PERIOD</b>	552,091	629,336
<b>WORKING CAPITAL, END OF PERIOD</b>	<u>508,703</u>	<u>582,303</u>

### Unaudited Statement of Income

for the three months ended March 31, 1985

	1985	1984
	\$	\$
<b>REVENUE</b>		
Interest	20,368	10,855
Option payment	12,500	1,065
	<u>32,868</u>	<u>11,920</u>
<b>EXPENSES</b>		
Administrative expenses	16,979	17,813
General exploration expenses	13,438	9,357
	<u>30,417</u>	<u>27,170</u>
<b>EARNINGS (LOSS) FOR THE PERIOD</b>	<u>2,451</u>	<u>(15,250)</u>
<b>EARNINGS (LOSS) PER SHARE</b>	<u>.03¢</u>	<u>(.20¢)</u>

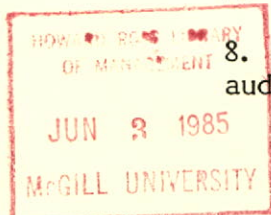
C

DEJOUR MINES LIMITED

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

Notice is hereby given that the annual and a special meeting of the shareholders of Dejour Mines Limited (the "Corporation") will be held in the Boardroom, at the Engineer's Club, 105 Victoria Street, Toronto, Ontario on Wednesday, June 19, 1985 at 11:00 a.m. for the following purposes:

1. to receive the 1984 Annual Report, including the financial statements for the financial year ended December 31, 1984 and the report of the auditors thereon;
2. to consider, and if thought advisable, to confirm, with or without variation, a special resolution authorizing the amendment of the articles of the Corporation in order to bring the articles into conformity with the Business Corporations Act, 1982 (Ontario) (the "Act");
3. to consider, and if thought advisable, to confirm, with or without variation, a special resolution authorizing the amendment of the articles of the Corporation to increase the authorized capital of the Corporation by the creation of an unlimited number of special shares without nominal or par value to be designated as "First Preferred Shares", an unlimited number of special shares without nominal or par value to be designated as "Second Preferred Shares", and an unlimited number of common shares without nominal or par value;
4. to consider, and if thought advisable, to pass, with or without variation, By-law A, a new general by-law for the Corporation which is consistent in its terms with the provisions of the Act and which repeals By-laws Nos. 1 to 7, inclusive, and which changes the number of shareholders required to be present at meetings of shareholders in order to constitute a quorum for the transaction of business;
5. to consider and, if thought advisable, to pass a resolution approving the creation of a Stock Option Plan for the directors and senior officers of the Corporation;
6. to consider, and if thought advisable, to pass, with or without variation, a resolution approving the grant by the Corporation to Mr. I.S. Thompson, the Vice-President, of an option to purchase up to 100,000 common shares of the Corporation;
7. to elect directors;
8. to appoint auditors and authorize the directors to fix the auditor's remuneration; and





9. to transact such further and other business as may properly come before the meeting or any adjournment thereof.

A Management Information Circular (which includes as schedules thereto the text of the aforementioned special resolutions, By-law A, the Stock Option Plan and the resolution approving the Stock Option Plan), a copy of the annual report and a form of proxy are enclosed herewith.

Shareholders who are unable to attend the meeting in person are requested to date, sign and return, in the envelope provided for that purpose, the attached form of proxy.

DATED at Toronto, this 24th day of May, 1985.

By Order of the Board,

EDWARD A. TORY,  
Secretary

---

## **DEJOUR MINES LIMITED**

### **Management Information Circular**

---

This management information circular is furnished in connection with the solicitation of proxies by the management of Dejour Mines Limited (the "Corporation") for use at the annual and special meeting of the shareholders of the Corporation to be held on Wednesday, June 19, 1985 in the Boardroom, at the Engineer's Club, 105 Victoria Street, Toronto, Ontario at the hour of 11:00 a.m. (Toronto time) for the purposes set forth in the accompanying notice of meeting. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally or by telephone by representatives of the Corporation. The costs of solicitation will be borne by the Corporation.

#### **Revocability of Proxy**

The shareholder executing the accompanying proxy instrument has the right to revoke it at any time insofar as it has not been exercised. A proxy may be revoked by depositing an instrument in writing executed by the shareholder, or by his attorney authorized in writing or, if the shareholder is a corporation, by an officer or attorney thereof duly authorized, at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of the meeting on the day of the meeting, or any adjournment thereof, or it may be revoked in any other manner permitted by law. The Corporation's registered office is Suite 410, 20 Richmond Street East, Toronto, Ontario.

#### **Voting Securities**

As at the close of business on May 2, 1985, there were 7,532,778 common shares without par value of the Corporation issued and outstanding. Each shareholder of record at the close of business on the day immediately preceding the day on which the notice calling the said meeting is given is entitled to cast one vote at the meeting for each common share recorded in his name unless he has transferred any of those shares and the transferee has both established the transferee's ownership of the transferred shares and demanded not later than 10 days prior to the meeting that the Corporation recognize the transferee as the person entitled to vote the transferred shares at the meeting.

#### **Principal Holders of Voting Securities**

To the knowledge of the directors or officers of the Corporation, as at May 2, 1985, no person or corporation beneficially owned, or exercised control



or direction over, securities carrying more than 10% of the voting rights attached to the outstanding voting securities of the Corporation.

## **Special Business**

### **1. Approval of Special Resolutions**

On July 29, 1983 the Business Corporations Act, 1982 (Ontario) (the "Act") was proclaimed in force, repealing the Business Corporations Act (Ontario) (the "old Act"). The Act revised and reformed the law governing business corporations which have been incorporated or continued under the laws of the Province of Ontario and applied automatically to all existing Ontario business corporations, including the Corporation, at the date of its proclamation. Any provisions in the articles of the Corporation that were not in conformity with the Act within one year of the proclamation of the Act were, upon the expiry of that one year period, deemed to be amended to the extent necessary to bring the terms of the provisions into conformity with the Act. In order to avoid any uncertainty which may rise from the amendments which are deemed to be made to the articles of the Corporation, management believes that it is desirable to amend the express terms of the articles.

Shareholders will be asked to consider and, if thought advisable, to pass a special resolution, a copy of which is annexed as Schedule "A", which authorizes certain amendments to the articles of the Corporation which are required in order to bring the provisions of the articles into conformity with the Act or which are permitted by the Act and which management considers desirable. The amendments consist of: (i) the deletion of all the objects of the Corporation, (ii) the substitution for the reference to the "Head Office" of the Corporation of a reference to the "registered office" of the Corporation, (iii) the substitution for the provision which originally established a fixed number of directors of a provision stating that there will be a minimum of 3 directors and a maximum of 15 directors, (iv) the addition of a provision entitling the directors to borrow money, to give guarantees and to mortgage, charge or pledge its assets without prior shareholder authorization; (v) the deletion of the words "designation, preferences, rights, conditions, restrictions, limitations and prohibitions" and the substitution therefor of the words "rights, privileges, restrictions and conditions"; and (vi) the deletion of the words "with a par value of \$1.00" and the substitution therefor of the words "without nominal or par value". The special resolution also authorizes the directors to determine from time to time by resolution the number of directors to be elected at annual meetings of shareholders.

Unlike the old Act, the Act does not require that objects be set out in the articles, allows a corporation to establish a minimum and a maximum number of directors, deems the head office of every corporation incorporated prior to the day the Act came into force to be the registered office of the Corporation, deems par value shares to be no par value shares and refers to the "rights, privileges restrictions and conditions" of shares. The Act provides that the articles of a corporation are deemed to include the borrowing powers set out in the special resolution. Management proposes to amend the articles to include these powers in order to comply with the provisions of the Quebec Special Corporate Powers Act which require these powers to be specifically set out in the articles of a corporation. The Act also provides that, if authorized by special resolution, the directors may from time to time determine the number of directors to be elected.



To be effective, the special resolution set out in Schedule "A" must be passed, with or without amendment, by 66 2/3 of the votes cast at the special meeting.

Shareholders will also be asked to consider and, if thought advisable, to pass a special resolution, a copy of which is annexed as Schedule "B", which authorizes the increase of the authorized capital of the Corporation so that the authorized capital of the Corporation shall consist of an unlimited number of special shares without nominal or par value designated as the "First Preferred Shares", an unlimited number of special shares without nominal or par value designated as the "Second Preferred Shares", and an unlimited number of common shares.

The authorized capital of the Corporation currently consists of 5,000,000 special shares which have been designated as "First Preferred Shares", 5,000,000 special shares which have been designated as "Second Preferred Shares" and 10,000,000 common shares, of which 7,532,778 common shares have been issued and are outstanding. In addition, 75,000 common shares are under option. The Corporation has also received an offer from the shareholders of International Gold & Minerals Ltd. ("IGM") offering to tender their shares to the Corporation on the basis that the Corporation will issue one common share for each two shares of IGM. The Corporation has accepted this offer subject to certain conditions being satisfied, including the obtaining of appropriate orders permitting the acquisition of the IGM shares and the issuance of the Corporation's shares from the Ontario Securities Commission. If all IGM shares are acquired, 1,982,030 common shares of the Corporation will be issued. Furthermore, the Corporation has agreed to acquire two groups of mining claims, which acquisitions will result in the issue of 76,000 common shares of the Corporation upon receipt of all regulatory approvals and the potential issue of an additional 432,000 common shares of the Corporation.

The increase in the number of common shares which the Corporation is authorized to issue is necessary to ensure that all of the aforesaid shares may be issued. Management also believes that the increase in the authorized capital will provide the Corporation with greater flexibility in its ability to finance further exploration and development programs. To become effective, the special resolution set out in Schedule "B" must be passed, with or without amendment, by 66 2/3 of the votes cast at the special meeting.

If the special resolution set out in Schedule "B" is passed, each shareholder of the Corporation will be entitled to the rights and privileges set forth in section 184 of the Act to dissent, and if this section is complied with, to be paid the fair value of the shareholder's shares determined in accordance with that section. The provisions of section 184 are summarized as follows:

- (a) a dissenting shareholder may only claim with respect to all the shares held by him on behalf of any one beneficial owner and registered in his name;
- (b) a dissenting shareholder shall send to the Corporation at or before the aforesaid special meeting a written objection to the resolution;



(c) if the resolution is adopted by the shareholders, the Corporation shall, within 10 days thereof, send to each shareholder who has filed an objection notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn his objection;

(d) a dissenting shareholder shall, within 20 days after he receives the foregoing notice from the Corporation, send to the Corporation a written notice containing (i) his name and address, (ii) the number of shares in respect of which he dissents, and (iii) a demand for payment of the fair value of such shares;

(e) a dissenting shareholder shall, within 30 days after sending a notice as described in paragraph (b) above, send the certificate representing the shares in which he dissents to the Corporation or Guaranty Trust Company of Canada, the Corporation's registrar and transfer agent, and if he fails to comply with this paragraph he has no right to make a claim under the said section;

(f) on sending the notice described in paragraph (d) above, a shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of his shares as determined under the said section, except for the circumstances specifically enumerated in subsection (13) of the said section;

(g) the Corporation shall thereupon send to each dissenting shareholder who has complied with the said section a written offer to pay for his shares in an amount considered by the directors of the Corporation to be the fair value thereof; and

(h) if the Corporation fails to make an offer or if the dissenting shareholder fails to accept the offer, either party may apply to a Court to fix a fair value for the shares.

A complete text of section 184 of the Act is reproduced as Schedule "C" to this Management Information Circular. If a shareholder of the Corporation wants to dissent and is unsure as to how to proceed, the shareholder should seek legal advice.

The special resolution set out in Schedule "B" authorizes the directors of the Corporation to revoke the resolution without further approval of the shareholders of the Corporation before it is acted upon.

## 2. Confirmation of By-law

Certain provisions of the Corporation's by-laws are now inconsistent with or unnecessary under the provisions of the Act. A new general by-law, a copy of which is set out in Schedule "D", will be submitted to the shareholders at the special meeting for confirmation. The new general by-law repeals the current general by-law and all of the special by-laws of the Corporation. The new general by-law also amends the Corporation's existing by-laws by reducing the quorum required to transact business at a shareholders' meeting. Under By-law A, the



quorum for the transaction of business at a shareholders' meeting will be as follows:

"At any meeting of shareholders two individuals present in person each of whom is a shareholder or a proxyholder entitled to vote at such meeting shall constitute a quorum for the appointment of the chairman, the adjournment of the meeting and for all other purposes."

To be effective, the resolution confirming By-law A must be passed, with or without variation, by a majority of the votes cast at the special meeting.

### 3. Stock Option Plan Approval

The shareholders will be asked to consider and, if thought advisable, to approve the annexed resolution relating to the annexed Stock Option Plan (the "Plan"), the full texts of which plan and resolution are set out in Schedule "E".

The directors of the Corporation have proposed the establishment of the Plan for the purpose of encouraging the participation of the directors and senior officers of the Corporation in the growth and development of the Corporation. The Plan authorizes the directors to grant options from time to time to directors or senior officers of the Corporation. The Plan provides that the exercise price of any options granted may not be less than the closing price (or if there is no closing price, the closing bid price), for the common shares on the trading day immediately preceding the day on which the option is granted. The period over which any option granted may be exercised will be determined at the time of the granting of the option although the Plan prohibits such period from extending beyond 10 years from the date the option is granted. Any options granted will be non-assignable although the options will contain provisions permitting the legal personal representative of an optionee to exercise the option in the event of the death of the optionee. Any options which have been granted will terminate in the event that the optionee ceases by reason other than his death to be a director or senior officer of the Corporation.

Under the rules of The Toronto Stock Exchange, the Plan requires the approval of the shareholders of the Corporation and such Exchange before becoming effective. Following the approval of the Plan by the shareholders of the Corporation and the Exchange, the Plan will become effective and the directors of the Corporation will be entitled to grant options in accordance with the terms of the Plan. To become effective, the resolution approving the Stock Option Plan must be passed, with or without amendment, by a majority of the votes cast at a special meeting.

### 4. Option to Vice-President

On May 2, 1985, the directors authorized the Corporation to enter into an agreement (the "Option Agreement") with Mr. I.S. Thompson, the Vice-President of the Corporation, providing for the grant by the Corporation to Mr. Thompson of an option to purchase up to 100,000 common shares of the Corporation at a purchase price of \$0.27 per share (the "Option"), which option terminates on May 2, 1989, or, if before that date Mr. Thompson ceases to be an



officer of the Corporation, on such earlier date. Prior to becoming effective, the Option Agreement must be approved by the shareholders of the Corporation and is conditional on the surrender by Mr. Thompson of the option to purchase 50,000 common shares which was granted to him on February 22, 1984, no part of which option has been exercised. Shareholders will be asked to consider and, if thought advisable, to pass a resolution approving the Option Agreement. To be effective, such resolution must be passed, with or without variation, by a majority of the votes cast at the special meeting.

### **Election of Directors**

Proxies in favour of management nominees will be voted for the following proposed nominees (or for substitute nominees in the event of contingencies not known at present), whose term of office will continue until the next annual meeting of shareholders or, subject to the Corporation's by-laws, until their successors are elected in accordance with such by-laws.

Each of the nominees listed below has been a director of the Corporation since the date indicated and on May 2, 1985, he beneficially owned, directly or indirectly, or exercised control or direction over the indicated number of voting securities of the Corporation.

<u>Name and Position</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Number of Common Shares</u>
Dr. D. R. Derry President and Managing Director	Principal, Derry, Michener, Booth & Wahl (Consulting Geologists)	1968	219,654
John L. Easson (1)	President, McEwen Easson Limited (Stockbrokers)	1979	20,000
T. P. Matthews (1)	Financial consultant, self employed	1970	3,025
D. G. C. Menzel (1)	Partner, Campbell, Godfrey & Lewtas (Barristers and Solicitors)	1968	nil
I. S. Thompson Vice-President	Principal, Derry, Michener, Booth & Wahl (Consulting Geologists)	1974	10,000
M. I. Watson	President and a director of Lynx- Canada Explorations Ltd.	1974	37,380

(1) Member of the Audit Committee.

The information as to the shareholdings of each nominee has been furnished by the respective nominees.

### **Remuneration of Management and Others**

Dr. Derry, the President of the Corporation, and members of his family are the shareholders of Duncan R. Derry Limited, which is a partner of Derry, Michener, Booth & Wahl ("DMBW"). Mr. Thompson, the Vice-President of the Corporation, is the sole shareholder of Ian S. Thompson & Associates Ltd., which is also a partner of DMBW. DMBW has provided, at usual professional rates, geological, exploration and administrative services for certain of the exploration programs of the Corporation or for syndicates in which it participates. In addition, DMBW from time to time charges the Corporation for direct administrative services rendered and rent. During the year, \$57,150 (net) was charged for geological and exploration services, \$20,124 for direct administrative services and \$7,200 for rent.

Mr. Menzel, a director of the Corporation, and Mr. Tory, an officer of the Corporation, are partners with the law firm of Campbell, Godfrey & Lewtas which has provided legal services to the Corporation at usual professional rates. In the last fiscal year, the aggregate charges for such legal fees were approximately \$14,000.

### **Interest of Management and Others in Material Transactions**

The Corporation, in accordance with the practice in the industry, undertakes many of its exploration activities in joint ventures with others. From time to time since the Corporation commenced activities, these ventures have been with the companies in which one or more directors have interests. Since the beginning of the last fiscal year, the Corporation's exploration programs have included ventures with Nova-Co Explorations Ltd., a company in which Dr. Derry and Messrs. Easson and Thompson were interested as directors, officers and shareholders. The terms and conditions of the participation with Nova-Co were consistent with those for other parties.

The Corporation has, subject to certain regulatory approvals and the Corporation being satisfied with the fulfillment of certain other conditions, accepted offers from the shareholders of International Gold & Minerals Ltd. ("IGM") to exchange their shares of IGM for common shares of the Corporation on the basis of one common share of the Corporation for every two shares of IGM. The Corporation will issue 1,982,030 common shares in order to acquire all of the shares of IGM. Mr. Thompson, the Vice-President of the Corporation, is a shareholder of IGM and he has offered to exchange 5000 shares of IGM for 2500 shares of the Corporation.

### **Appointment of Auditors**

It is intended to vote proxies in favour of management nominees to reappoint as auditors of the Corporation the firm of Coopers & Lybrand.



## **Manner of Voting Proxies**

The shares represented by any proxy in favour of management nominees will be voted or withheld from voting on the election of directors and the appointment of auditors in accordance with any specification made on the form of proxy. If the shareholder specifies a choice with respect to any matter to be acted upon, the shares shall be voted accordingly. **If no choice is specified, proxies in favour of management nominees will be voted in favour of the special resolution set out in Schedule "A", in favour of the special resolution set out in Schedule "B", in favour of confirmation of By-law A, in favour of the resolution to approve the Stock Option Plan and in favour of the resolution to approve the option granted to Mr. Thompson.**

## **Other Business**

Management knows of no matters to come before the meeting other than the matters referred to in the Notice of Annual and Special Meeting. However, if any other matters which are not now known to the management should properly come before the meeting or if any amendments or variations to the matters identified in the notice of meeting are proposed at the meeting, the form of proxy will be voted on such matters, amendments or variations according to the best judgment of the person voting the proxy, which confers such discretionary authority.

The contents and the sending of this Management Information Circular have been approved by the directors.

By Order of the Board,

EDWARD A. TORY,  
Secretary

May 24, 1985

## **SCHEDULE "A"**

### **SPECIAL RESOLUTION OF DEJOUR MINES LIMITED**

RESOLVED as a special resolution of Dejour Mines Limited (hereinafter called the "Corporation") that:

1. The articles of the Corporation shall be amended to:

- (i) delete all of the objects of the Corporation;
- (ii) delete the words "Head Office" and substitute therefor the words "registered office";
- (iii) include the following additional provision:

"The minimum number of directors shall be 3 and the maximum number of directors shall be 15";

- (iv) include the following additional provisions:

"The directors of the Corporation may, without authorization of the shareholders,

(a) borrow money upon the credit of the Corporation;

(b) issue, reissue, sell or pledge debt obligations (including, without limitation, bonds, debentures, notes or other similar obligations, whether secured or unsecured) of the Corporation;

(c) subject to the provisions of the Business Corporations Act, 1982 (Ontario), and any amendment thereof or substitution therefor, give or guarantee on behalf of the Corporation to secure performance of any obligation of any person; and

(d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any obligation of the Corporation;

and the directors of the Corporation may by resolution delegate any or all of the powers referred to above to a director, a committee of directors or an officer of the Corporation";



(v) delete the words "designation, preferences, rights, conditions, restrictions, limitations and prohibitions" and to substitute therefor the words "rights, privileges, restrictions and conditions"; and

(vi) substitute for the reference to "with a par value of \$1.00" the words "without nominal or par value".

2. The directors are hereby empowered to determine from time to time, by resolution, the number of directors to be elected at any annual meeting of the shareholders.

3. The proper officers of the Corporation be and are hereby authorized and directed forthwith to deliver Articles of Amendment in prescribed form and in duplicate to the Director appointed pursuant to the Business Corporations Act, 1982 (Ontario) for the purpose of bringing this resolution into effect.

## **SCHEDULE "B"**

### **SPECIAL RESOLUTION OF DEJOUR MINES LIMITED**

WHEREAS the authorized capital of Dejour Mines Limited consists of 5,000,000 special shares without par value, designated "First Preferred Shares", 5,000,000 special shares with a par value of \$1.00 each, designated "Second Preferred Shares", and 10,000,000 common shares without par value;

AND WHEREAS the Business Corporations Act, 1982 (Ontario) (the "Act") deems par value shares to be shares without nominal or par value;

AND WHEREAS the Act allows a corporation to have unlimited authorized capital;

AND WHEREAS it is considered necessary and expedient in the interests of the Corporation to amend its articles as hereinafter provided;

RESOLVED, as a special resolution, that:

1. The articles of the Corporation shall be amended to:

- (i) increase the authorized capital of the Corporation by creating:
  - (a) an unlimited number of common shares without nominal or par value;
  - (b) an unlimited number of special shares without nominal or par value to be designated as "First Preferred Shares";
  - (c) an unlimited number of special shares without nominal or par value to be designated as "Second Preferred Shares";

so that the authorized capital of the Corporation shall consist of an unlimited number of special shares without nominal or par value to be designated as "First Preferred Shares", an unlimited number of special shares without nominal or par value to be designated as "Second Preferred Shares", and an unlimited number of common shares without par value;

- (ii) change the rights, privileges, restrictions and conditions attached to the First Preferred Shares by deleting the reference therein to the following:

**"(a) Designation**

The 5,000,000 special shares without par value are designated as "First Preferred Shares."



and substituting therefor the following:

**"(a) Designation**

The unlimited special shares without par value are designated as First Preferred Shares.";

(iv) change the rights, privileges, restrictions and conditions attached to the Second Preferred Shares by:

(a) deleting the reference therein to the following:

**"(a) Designation**

The 5,000,000 special shares with a par value of \$1.00, each are designated as Second Preferred Shares."

and by substituting the following:

**"(a) Designation**

The unlimited special shares without par value are designated as Second Preferred Shares."; and

(v) include the following additional provisions:

"3. The rights, privileges, restrictions and conditions attaching to the common shares are as follows:

(a) Dividends

Subject to the prior rights of the holders of the special shares, the holders of the common shares shall have the right to receive such dividends (if any) as the directors in their discretion may declare.

(b) Dissolution

Subject to the prior rights of the holders of the special shares, the holders of the common shares shall have the right on liquidation, dissolution or winding-up

of the Corporation, whether voluntary or involuntary, or other distribution of its assets among its shareholders for the purpose of winding-up its affairs to receive the remaining assets of the Corporation.

(c) Voting Rights

The holders of the common shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation, other than separate meetings of the holders of another class or series of shares, and to vote at any such meeting on the basis of one vote for each common share held."

2. The proper officers of the Corporation be and they are hereby authorized and directed forthwith to deliver Articles of Amendment in prescribed form and in duplicate to the Director appointed pursuant to the Act for the purpose of bringing this resolution into effect, provided that the directors of the Corporation shall be entitled to revoke the foregoing special resolution before it is enacted upon without further approval by the shareholders of the Corporation.



## SCHEDULE "C"

### Section 184

#### (1) Rights of dissenting shareholders

Subject to subsection (3) and to sections 185 and 247, if a corporation resolves to,

- (a) amend its articles under section 167 to add, remove or change restrictions on the issue, transfer or ownership of shares of a class or series of the shares of the corporation;
- (b) amend its articles under section 167 to add, remove or change any restriction upon the business or businesses that the corporation may carry on or upon the powers that the corporation may exercise;
- (c) amalgamate with another corporation under sections 174 and 175;
- (d) be continued under the laws of another jurisdiction under section 180; or
- (e) sell, lease or exchange all or substantially all its property under subsection 183(3),

a holder of shares of any class or series entitled to vote on the resolution may dissent.

#### (2) Idem

If a corporation resolves to amend its articles in a manner referred to in subsection 169(1), a holder of shares of any class or series entitled to vote on the amendment under section 167 or 169 may dissent, except in respect of an amendment referred to in,

- (a) clause 169(1)(a), (b) or (e) where the articles provide that the holders of shares of such class or series are not entitled to dissent; or
- (b) subsection 169(5) or (6).

#### (3) Exception

A shareholder of a corporation incorporated before this Act comes into force is not entitled to dissent under this section in respect of an amendment of the articles of the corporation to the extent that the amendment,

- (a) amends the express terms of any provision of the articles of the corporation to conform to the terms of the provision as deemed to be amended by section 275; or
- (b) deletes from the articles of the corporation all of the objects of the corporation set out in its articles, provided that the deletion is made within three years after this Act comes into force.

(4) **Shareholder's right to be paid fair value**

In addition to any other right he may have, but subject to subsection (28), a shareholder who complies with this section is entitled, when the action approved by the resolution from which he dissents become effective, to be paid by the corporation the fair value of the shares held by him in respect of which he dissents, determined as of the close of business on the day before the resolution was adopted.

(5) **No partial dissent**

A dissenting shareholder may only claim under this section with respect to all the shares of a class held by him on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(6) **Objection**

A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting or of his right to dissent.

(7) **Notice of adoption of resolution**

The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (6) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn his objection.

(8) **Demand for payment of fair value**

A dissenting shareholder entitled to receive notice under subsection (7) shall, within twenty days after he receives such notice, or, if he does not receive such notice, within twenty days after he learns that the resolution has been adopted, send to the corporation a written notice containing,

- (a) his name and address;
- (b) the number of class of shares in respect of which he dissents;  
and
- (c) a demand for payment of the fair value of such shares.

(9) **Certificates to be sent in**

Not later than the thirtieth day after the sending of a notice under subsection (8), a dissenting shareholder shall send the certificates representing the shares in respect of which he dissents to the corporation or its transfer agent.



(10) **Idem**

A dissenting shareholder who fails to comply with subsections (6), (8) and (9) has no right to make a claim under this section.

(11) **Endorsement on certificate**

A corporation or its transfer agent shall endorse on any share certificate received under subsection (9) a notice that the holder is a dissenting shareholder under this section and shall return forthwith the share certificates to the dissenting shareholder.

(12) **Rights of dissenting shareholder**

On sending a notice under subsection (8), a dissenting shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of his shares as determined under this section except where,

- (a) the dissenting shareholder withdraws his notice before the corporation makes an offer under subsection (13);
- (b) the corporation fails to make an offer in accordance with subsection (13) and the dissenting shareholder withdraws his notice; or
- (c) the directors revoke a resolution to amend the articles under subsection 167(2), terminate an amalgamation agreement under subsection 175(5) or an application for continuance under subsection 180(5), or abandon a sale, lease or exchange under subsection 183(8),

in which case his rights as the holder of the shares in respect of which he has dissented are reinstated as of the date he sent the notice referred to in subsection (8), and he is entitled, upon presentation and surrender to the corporation or its transfer agent of any certificate representing the shares that has been endorsed in accordance with subsection (11), to be issued a new certificate representing the same number of shares as the certificate so presented, without payment of any fee.

(13) **Offer to pay**

A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (8), send to each dissenting shareholder who has sent such notice,

- (a) a written offer to pay for his shares in an amount considered by the directors of the corporation to be the fair value thereof, accompanied by a statement showing how the fair value was determined; or
- (b) if subsection (28) applies, a notification that is unable lawfully to pay dissenting shareholders for their shares.

(14) **Idem**

Every offer made under subsection (13) for shares of the same class or series shall be on the same terms.

(15) **Idem**

Subject to subsection (28), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (13) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

(16) **Application to court to fix fair value**

Where a corporation fails to make an offer under subsection (13) or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as the court may allow, apply to the court to fix a fair value for the shares of any dissenting shareholder.

(17) **Idem**

If a corporation fails to apply to the court under subsection (16), a dissenting shareholder may apply to the court for the same purpose within a further period of twenty days or within such further period as the court may allow.

(18) **Idem**

A dissenting shareholder is not required to give security for costs in an application made under subsection (16) or (17).

(19) **Costs**

If a corporation fails to comply with subsection (13), then the costs of a shareholder application under subsection (17) are to be borne by the corporation unless the court otherwise orders.

(20) **Notice to shareholders**

Before making application to the court under subsection (16) or not later than seven days after receiving notice of an application to the court under subsection (17), as the case may be, a corporation shall give notice to each dissenting shareholder who, at the date upon which the notice is given,

(a) has sent to the corporation the notice referred to in subsection (8); and

(b) has not accepted an offer made by the corporation under subsection (13), if such an offer was made,

of the date, place and consequences of the application and of his right to appear and be heard in person or by counsel, and a similar notice shall be given to each



dissenting shareholder who, after the date of such first mentioned notice and before termination of the proceedings commenced by the application, satisfies the conditions set out in clauses (a) and (b) within three days after he satisfies such conditions.

(21) **Parties joined**

All dissenting shareholders who satisfy the conditions set out in clauses (20)(a) and (b) shall be deemed to be joined as parties to an application under subsection (16) or (17) on the later of the date upon which the application is brought and the date upon which they satisfy the conditions, and shall be bound by the decision rendered by the court in the proceedings commenced by the application.

(22) **Idem**

Upon an application to the court under subsection (16) or (17), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall fix a fair value for the shares of all dissenting shareholders.

(23) **Appraisers**

The court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

(24) **Final order**

The final order of the court in the proceedings commenced by an application under subsection (16) or (17) shall be rendered against the corporation and in favour of each dissenting shareholder who, whether before or after the date of the order, complies with the conditions set out in clauses (20)(a) and (b).

(25) **Interest**

The court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

(26) **Where corporation unable to pay**

Where subsection (28) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (24), notify each dissenting shareholder that is unable lawfully to pay dissenting shareholders for their shares.

(27) **Idem**

Where subsection (28) applies, a dissenting shareholder, by written notice sent to the corporation within thirty days after receiving a notice under subsection (26), may,

(a) withdraw his notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to his full rights as a shareholder; or

(b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(28) **Idem**

A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that,

(a) the corporation is or, after the payment, would be unable to pay its liabilities as they become due; or

(b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

(29) **Court order**

Upon application by a corporation that proposes to take any of the actions referred to in subsection (1) or (2), the court may, if satisfied that the proposed action is not in all the circumstances one that should give rise to the rights arising under subsection (4), by order declare that those rights will not arise upon the taking of the proposed action, and the order may be subject to compliance with such terms and conditions as the court thinks fit and notice of any such application and a copy of any order made by the court upon such application shall be served upon the Director and, if the corporation is an offering corporation, upon the Commission.

(30) **Director may appear**

The Director and, in the case of an offering corporation, the Commission may appoint counsel to assist the court upon the hearing of an application under subsection (29).



## **SCHEDULE "D"**

### **BY-LAW NUMBER A**

A by-law relating generally to the transaction of the business  
and affairs of DEJOUR MINES LIMITED

(hereinafter called the "Corporation")

### **PART 1**

#### **DIRECTORS**

1.01 Any two directors or the president or the chairman of the board may call, or may instruct the secretary or the assistant-secretary to call, a meeting of the board by notice given to each of the directors (except for the person or persons giving the notice, if a director or directors), such notice to be given

- (a) by sending it by mail not later than five days before the date of the meeting, or
- (b) by delivering it not later than 48 hours before the time of the meeting, or
- (c) by sending it by telex, telegram or any other means of prepaid transmitted or recorded communication not later than 48 hours before the time of the meeting.

A notice of a meeting of the board need not specify the purpose of or the business to be transacted at the meeting except where the Act requires the purpose or business or general nature thereof to be specified.

1.02 If a quorum is present, a meeting of the board may be held without notice on the same day and following a meeting of shareholders at which it is elected.

1.03 Any meeting of the board may be held without notice if a quorum thereof is present and those present consent to the transaction of business and those absent, if any, either before or after the meeting waive in writing notice of the meeting.

1.04 A meeting of the board may be held at any place within or outside Ontario, and it shall not be necessary for a majority of the meetings of the board in any financial year to be held at any place within Canada.

1.05 In the case of a director appointed to fill a vacancy on the board no notice of the meeting at which he is appointed shall be required to be given to that director.

1.06 At all meetings of the board, a quorum shall be the greatest of:

- (a) two,

- (b) two-fifths of the minimum number of directors provided for in the articles, and
- (c) if the number determined in (b) above is not a whole number, the smallest whole number that exceeds such number.

1.07 The chairman of any meeting of the board shall be the chairman of the board if he is present at, and consents to preside as chairman of, the meeting, failing whom the president, if he is present and consents, shall preside as chairman failing whom, the directors present shall choose one of their number to be chairman of the meeting.

1.08 At all meetings of the board each director shall have one vote and upon an equal division the chairman of the meeting shall have a second or casting vote. Questions arising at meetings of the board shall be decided by a majority vote.

1.09 The office of a director shall be ipso facto vacated:

- (a) when so provided in the Act, or
- (b) if he ceases to be a resident Canadian, if as a result thereof the majority of directors on the board would not be resident Canadians.

1.10 Subject to the Act, the board may appoint from its number a committee of directors and delegate to such committee any of the powers of the board.

## **PART 2**

### **OFFICERS**

2.01 The officers shall be a chairman of the board, a president and a secretary and such other officers, if any, as the board in its discretion shall from time to time appoint.

2.02 The chairman of the board shall be elected by the board from its members and shall assist the president in general supervision of the exploration activities and programs of the corporation.

2.03 Except as may otherwise from time to time be specified by the board, the president shall be the chief executive officer and shall have general supervision of all activities of the corporation and of all other officers (except the chairman of the board) and their duties.

2.04 In the absence of an agreement to the contrary, all offices shall be held during the pleasure of the board, all officers shall be subject to removal for or without cause by the board, and an officer may resign his office at any time by giving notice to the corporation. Subject thereto, an officer shall continue in office until, but shall cease to hold office when, his successor is elected or appointed.



2.05 Subject to such limitations as the board may from time to time impose and to the provisions of the Act, an officer shall have all the powers and authority, and shall perform all the duties, usually incident to the office he holds and shall perform such other duties as may from time to time be specified for the holder of such office by the board.

### **PART 3**

#### **MEETINGS OF SHAREHOLDERS**

3.01 At any meeting of shareholders two individuals present in person each of whom is a shareholder or a proxyholder entitled to vote at such meeting shall constitute a quorum for the appointment of the chairman, the adjournment of the meeting and for all other purposes.

3.02 The chairman of the board shall be the chairman of any meeting of shareholders if he is present at such meeting and if he consents to preside as the chairman, failing whom the president, if he is present and consents, shall preside as chairman, failing whom the shareholders and the proxyholders entitled to vote who are present shall choose the chairman.

3.03 The chairman of any meeting of shareholders shall have a second or casting vote in case of an equal division, both on a show of hands and on a ballot. Unless the chairman shall direct a ballot, or a ballot shall be demanded by a shareholder or proxyholder entitled to vote at the meeting, any motion submitted shall be voted upon by show of hands. The chairman may direct a ballot, or any shareholder or proxyholder may demand a ballot, either before or after any vote by show of hands. If a ballot is taken on any motion, a prior vote on such motion by show of hands shall have no effect. Save as may from time to time otherwise provided by the Act or the articles in respect of the shares of any particular class or in respect of a vote upon a particular motion, upon a show of hands each shareholder present in person shall have one vote (a duly appointed proxyholder who is not himself a shareholder being for such purposes treated as a shareholder present in person) and upon a ballot each shareholder present in person or by proxy shall have one vote for each share held by such shareholder.

3.04 Whenever a vote by show of hands is taken upon a motion, unless a ballot thereon is directed or demanded, an entry in the minutes of a meeting of shareholders to the effect that the chairman of the meeting declared the motion carried or carried by a particular majority or not carried shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the motion.

### **PART 4**

#### **SHARE CERTIFICATES**

4.01 Share certificates shall be in such form as the board may approve or the corporation adopt.

4.02 Following production to the corporation or to a transfer agent or branch transfer agent of the corporation of any share certificate which has become

defaced, the president or the secretary of the board may order its cancellation and the issuance of a replacement certificate.

## **PART 5**

### **DIVIDENDS**

5.01 Dividends shall be payable from time to time only to the extent and as and when and in the manner the board, in its discretion, shall from time to time determine.

5.02 A dividend payable in cash shall, as regards each registered shareholder entitled thereto, be paid by cheque drawn to the order of such holder and mailed by ordinary or air mail, postage prepaid, to such holder (unless such holder otherwise directs in writing) at his address as recorded on the books of the corporation. In the case of joint holders, the cheque shall be made payable to the order of all such joint holders and if more than one address is recorded on the books of the corporation in respect of such joint holdings, the cheque shall (unless such joint holders otherwise direct in writing) be mailed to the first address so recorded. The mailing of a cheque as aforesaid shall satisfy and discharge all liability for the applicable dividend to the extent of the sum represented by such cheque plus the amount of any tax which the corporation is required to and does withhold, unless such cheque is not paid on due presentation. In the event of non-receipt of any dividend cheque by the person to whom it is sent aforesaid, the corporation shall issue or cause to be issued a replacement cheque for a like amount upon such terms as to indemnity and evidence of non-receipt as the present or the board may from time to time prescribe.

5.03 For as long as the board acts in good faith the board may, in declaring and paying dividends, conclusively rely on the latest audited financial statements of the corporation as long as the balance sheet forming part thereof is as of a date not more than fifteen months prior to the declaration or payment in question.

## **PART 6**

### **EXECUTION OF DOCUMENTS**

6.01 All writings (except writings made in the ordinary course of the corporation's business) requiring the signature of the corporation shall be signed:

- (a) by such person or persons as shall have been appointed to sign the same by resolution of the board applying either to specific writings or to writings generally; or
- (b) by the chairman of the board, the president, a vice-president, the secretary or the assistant-secretary together with a director, the president (if he has already not signed), a vice-president (if he has already not signed), the secretary (if he has already not signed), the treasurer, the controller, an assistant-secretary or an assistant-treasurer;



and when so signed shall without more be binding upon the corporation.

## **PART 7**

### **WITHHOLDING INFORMATION FROM SHAREHOLDERS**

7.01 Except as may be required by the Act, no shareholder shall be entitled by virtue of being a shareholder to discovery of any information or records respecting the corporation or its business except when authorized by the board.

## **PART 8**

### **PROTECTION AND INDEMNITY OF DIRECTORS, OFFICERS AND OTHERS**

8.01 Subject to compliance with the Act to the extent to which the same shall apply, no director shall be disqualified by his office or by reason of holding any other office, or place of profit under, the corporation or any body corporate in which the corporation shall be a shareholder or otherwise interested from entering into any contract, transaction or arrangement with the corporation either as vendor, purchaser or otherwise or from being concerned or interested in any manner whatsoever in any contract, transaction or arrangement made or proposed to be entered into with the corporation; nor shall any such contract, transaction or arrangement be thereby avoided; nor shall any directors be liable to account to the corporation for any profit arising from any such office or place or profit or realized by any such contract, transaction or arrangement. Subject to compliance with the Act to the extent to which the same shall apply, no director shall be obligated to make any declaration or disclosure of interest or refrain from voting.

8.02 Subject to the Act, no director or officer shall be liable for: the acts, receipts, neglects or defaults of any other person; joining in any receipt or act for conformity; any loss, damage or expense happening to the corporation through the insufficiency or deficiency of title to any property acquired by, for or on behalf of the corporation; the insufficiency or deficiency of any security in or upon which any moneys of the corporation are invested; any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or other properties of the corporation are lodged or deposited; or any loss, damage or misfortune whatever which may arise out of the execution of the duties of his office or relation thereto.

8.03 Subject to the Act, any contract entered into or action taken or omitted by or on behalf of the corporation shall, if approved by a resolution of the shareholders, be deemed for all purposes to have had the prior authorization of all the shareholders.

8.04 The corporation shall, whenever required or permitted by the Act or otherwise by law, indemnify each director, each officer, each former director, each former officer and each person who acts or acted at the corporation's request as a director or officer of a body corporate of which the corporation is or was a shareholder or creditor, and his heirs and legal representatives, against all costs, charges and expenses, including without limitation, each amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by



reason of being or having been a director or officer of the corporation or such body corporate.

8.05 The foregoing provisions of this Part 8 shall be in amplification of and in addition to, and not by way of limitation of or substitution for, any rights, immunities or protection conferred upon any director, officer or other person by any statute, law, matter or thing whatsoever.

## **PART 9**

### **NOTICES**

9.01 Every person who by any means whatsoever becomes entitled to any share shall be bound by, and shall be deemed to have received, every notice or communication or document in respect thereof which, at any time prior to the time when the name and address of such person was entered in the share register as the holder thereof, has been duly given or sent to or deemed hereby to have been received by, his predecessor in title.

9.02 Any notice or other communication or document duly given or sent to any shareholder shall, notwithstanding such shareholder is then deceased and whether or not the corporation has notice thereof, be deemed to have been duly given or sent to and received by all persons, including his heirs and legal representatives, having any title to or interest in the shares registered in the name of such shareholder either as sole holder or as holder thereof jointly with others.

9.03 The signature to any notice or other communication or document to be given or sent by the corporation may be in whole or in part written, stamped, typewritten, printed or otherwise mechanically reproduced.

9.04 The accidental omission to give or send any notice or other communication or document to any shareholder, director or officer or the auditor, or the non-receipt of any notice or other communication or document by any shareholder, director or officer or the auditor or any error in any notice or other communication or document not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or other communication or document or otherwise founded thereon.

9.05 Any shareholder, director or officer or the auditor may waive any notice or other communication or document required to be given or sent by the articles or the by-laws or by the Act, and such waiver, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or sending of such notice or other communication or document.

## **PART 10**

### **PERIOD OF FINANCIAL YEAR**

10.01 The financial year of the corporation shall terminate on such day in each year as the board shall from time to time determine.



## **PART 11**

### **COMING INTO FORCE**

11.01 This by-law shall come into force at, and be effective from, the time it is confirmed by the shareholders of the corporation.

## **PART 12**

### **INTERPRETATION**

12.01 Words which are defined in the statute at the time governing the affairs of the Corporation shall apply equally to this general by-law. As used herein, "Act" mean the statute at the time governing the affairs of the Corporation.

12.02 In this general by-law the singular includes the plural, the plural includes the singular and the masculine includes the feminine and, where applicable, the neuter.

12.03 Any reference herein to any statute or statutory provision shall extend to any amendment thereof or substitution therefor.

12.04 This general by-law is subordinate to, and should be read in conjunction with, the statute governing the affairs of the Corporation and the articles of the Corporation.

## **PART 13**

### **REPEAL**

13.01 By-law Numbers 1 to 7 inclusive, of the corporation are repealed effective when this by-law comes into force without prejudice to any action taken thereunder prior to such repeal.

MADE this 2nd day of May, 1985.

D.R. Derry  
President

E.A. Tory  
Secretary

## **SCHEDULE "E"**

### **DEJOUR MINES LIMITED**

#### **Stock Option Plan**

**1. Purpose of the Plan**

Dejour Mines Limited (the "Corporation") by resolution of the Board of Directors has established this Stock Option Plan (the "Plan") to encourage the directors and officers of the Corporation to promote the financial interest, growth and development of the Corporation by providing them with the opportunity through options to acquire a proprietary interest in the Corporation.

**2. Administration**

The Plan is administered by the Board of Directors.

**3. Grant of Options**

From time to time the Board of Directors may designate qualified directors and officers (including those who perform services on an on-going basis, or who have provided, or who are expected to provide services of value) of the Corporation eligible to receive options to purchase common shares of the Corporation and the aggregate number of common shares subject to such options may not exceed the number provided for in clause 4 of the Plan.

**4. Shares Subject to Option**

Options may be granted under the Plan to purchase common shares of the Corporation in the aggregate of up to five percent of the issued and outstanding common shares of the Corporation at any time and from time to time, provided that any and all options which are granted shall be subject to adjustment pursuant to the provisions of clauses 8 and 9 hereof. Common shares in respect of which options have been granted but expire and are unexercised are available for subsequent options.

**5. Option Price**

The option price under the Plan to any optionee shall be fixed by the Board of Directors when the option is granted but may not be less than the price per share which is equal to the closing price (or if no closing price, the closing bid price) quoted on The Toronto Stock Exchange for the common shares of the Corporation at the close of business on the trading date on which the option is granted (the "market price").

**6. Term of Option**

The period during which an option is exercisable may not, subject to



provisions of the Plan, exceed 10 years from the date the option is granted. Each option agreement shall contain provisions to the effect that:

- (a) if the optionee shall no longer be a director of the Corporation, other than by reason of his death, all unexercised options shall terminate within 60 days following the date he ceases to be so employed;
- (b) in the event of the death of the optionee while employed by the Corporation or within 60 days of the date of the termination of the optionee's status as a director or officer of the Corporation, the legal representative of the optionee is entitled to exercise the option during the period ending six months following the date of the optionee's death, failing which exercise of the option terminates; and
- (c) each option is personal to the optionee and is not assignable.

## **7. Exercise of Option**

Subject to the provisions of the Plan, an option may be exercised from time to time by delivering to the Corporation at its registered office a written notice of exercise, specifying the number of shares with respect to which the option is being exercised and accompanied by payment in cash or certified cheque in full of the purchase price of the shares then being purchased.

## **8. Adjustments**

Appropriate adjustments in the number of shares optioned and in the option price per share, both as to options granted or to be granted, may be made by the Board of Directors in its discretion to give effect to adjustments in the number of common shares of the Corporation which result from divisions, consolidations or reclassifications of the common shares of the Corporation; the payment of share dividends by the Corporation; the reconstruction, reorganization or recapitalization of the Corporation or other relevant changes in the capital of the Corporation. If the Corporation sells all or substantially all of its assets as an entirety or substantially as an entirety, options under the Plan may be exercised, in whole or in part, and at any time up to and including (but not after) a date 30 days following the date of completion of such sale or prior to the close of business on the date the option expires, whichever is earlier.

## **9. Mergers**

If the Corporation proposes to amalgamate or merge with another body corporate, the Corporation will give written notice thereof to optionees in sufficient time to enable them to exercise outstanding options if they so elect. The Corporation shall use its best efforts to provide for the reservation and issuance by the amalgamated corporation upon the exercise by the optionees of outstanding options a pro-rata number of shares (on the basis of the number of shares as to which options remain unexercised) at the same aggregate purchase price adjusted according to the increase or decrease in the number of shares involved.

10. **Amendment or Discontinuance of Plan**

The Board of Directors may amend or discontinue the Plan at any time but, subject to clauses 8 and 9, no such amendment may increase the aggregate maximum number of shares that may be subject the option under the Plan, change the manner of determining the minimum option price, extend the option period under any option beyond 10 years, extend the period during which options may be granted or, without the consent of the optionee, alter or impair any option previously granted to an optionee under the Plan.

11. **Evidence of Options**

Each option granted under the Plan shall be embodied in a written option agreement between the Corporation and the optionee which shall give effect to the provisions of the Plan. For greater certainty, all options granted under the Plan prior to confirmation of the Plan by the shareholders of the Corporation which are the subject of written agreements with the Corporation are confirmed as subject to the terms of the Plan.

**RESOLUTION**

BE IT RESOLVED that the Stock Option Plan in the form annexed to the Management Information Circular as Schedule "E" be and is hereby approved.









