

JOINT PROXY CIRCULAR

PAMOUR INC.

and

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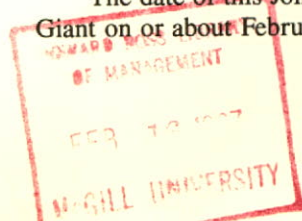
GIANT YELLOWKNIFE MINES LIMITED

P.O. Box 158
Royal Trust Tower
Toronto-Dominion Centre
Toronto, Ontario, Canada M5K 1H1

This Joint Proxy Circular is being furnished to shareholders of Pamour Inc. ("Pamour"), a Canada corporation, and Giant Yellowknife Mines Limited ("Giant"), an Ontario corporation, in connection with special meetings of shareholders of Pamour and Giant to be held on March 10, 1987. At such meetings, shareholders of Pamour will be asked to approve a special resolution to sell substantially all the operating assets of Pamour to Giant and shareholders of Giant will be asked to approve an amendment to its articles to delete restrictions on its authorized capital and to approve the asset acquisition and the issue of shares of Giant to Pamour in connection therewith. The proposed issuance of 2,683,567 shares by Giant, if approved, combined with the 19.16% of Giant now held by Pamour will result in Pamour having majority ownership and voting control of Giant. In addition, Pamour shareholders will be asked to elect an additional director and approve certain directors' options.

Pamour shareholders are directed to the Pamour Pro Forma Information Statement which is being sent to Pamour shareholders concurrently with this Joint Proxy Circular.

The date of this Joint Proxy Circular is February 6, 1987 and it is first being sent to shareholders of Pamour and Giant on or about February 11, 1987.



**HOWARD ROSS LIBRARY OF MANAGEMENT
MCGILL UNIVERSITY**

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NOTES, DEFINITIONS AND GLOSSARY

Notes

Each of Pamour Inc. ("Pamour") and Giant Yellowknife Mines Limited ("Giant") publish their financial statements in Canadian dollars.

In this Joint Proxy Circular, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars. Since June 1, 1970 the Government of Canada has permitted a floating exchange rate to determine the value of the Canadian dollar against the United States dollar. On February 3, 1986, the noon buying rate in New York City, payable in Canadian dollars as reported by the Federal Reserve Bank of New York, was U.S. \$0.75019 = Can. \$1.00. The rate at end of period and the average, high and low rates for the Canadian dollar in terms of United States dollars for the five years ended December 31, 1985 and for the nine months ended September 30, 1986, as reported by the Federal Reserve Bank of New York, were as follows:

	September 30	December 31				
	1986	1985	1984	1983	1982	1981
			(U.S. dollars)			
Rate at End of Period.....	.7200	.7151	.7566	.8035	.8132	.8429
Average Rate .....	.7188	.7308	.7710	.8108	.8089	.8338
High Rate .....	.7271	.7575	.8054	.8201	.8429	.8499
Low Rate .....	.7109	.7130	.7492	.7993	.7691	.8047

The financial statements of Pamour and Giant contained in this Joint Proxy Circular are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") which are not identical, in all respects, with United States generally accepted accounting principles ("U.S. GAAP"). The financial statements of, and the summaries of financial information concerning, each of Pamour and Giant contained in this Joint Proxy Circular set forth certain amounts which would have been reported under U.S. GAAP and United States Securities and Exchange Commission requirements.

Pamour and Giant are Canadian corporations. Most of their respective directors and officers and the experts named herein are residents of Canada, and most of the assets of Pamour and Giant are located outside the United States. As a result, it may be difficult for shareholders to effect service within the United States upon such directors, officers and experts or to realize against them or the assets of Pamour and Giant upon any judgments of courts of the United States predicated upon the civil liability provisions of the United States federal securities laws. In addition, there is doubt as to the enforceability in Canada of liabilities predicated solely upon such provisions, either in original actions or in actions for enforcement of judgments of United States courts.

Definitions

Terms which are defined in this Joint Proxy Circular include:

"OBICA"	means the Business Corporations Act, 1982 (Ontario).
"CBCA"	means the Canada Business Corporations Act (Canada).
"Pamour"	means Pamour Inc.
"Giant"	means Giant Yellowknife Mines Limited.
"CNV"	means Consolidated CSA Minerals Inc.
"Jimberlana"	means Jimberlana Minerals N.L.
"Jimberlana Canada"	means Jimberlana Holdings (Canada) Corporation.
"ERG"	means ERG Resources Inc.
"asset acquisition"	means the sale by Pamour of substantially all of its operating assets to Giant in exchange for the assumption by Giant of liabilities relating thereto and cash and shares of Giant resulting in the combination of the operating assets of each company in Giant.

Glossary

In this Joint Proxy Circular:

"City of Timmins" means the old town of Timmins located within the boundary of the present city of Timmins.

"Conventional cyanidation process" means a process for the extraction of gold and silver from finely ground gold-pyrite flotation concentrates whereby gold is dissolved in a dilute cyanide solution and is subsequently deposited onto metallic zinc as a gold precipitate.

"Dilution" means an adjustment to the tonnage and grade of the in situ ore reserves to reflect unavoidable inclusion of waste or low grade material during mining of the orebody. Statements of Pamour's ore reserves in this Joint Proxy Circular include dilution whereby tonnage is increased by 10% to 20% at zero grade, depending on the particular ore

body, and the average grade is correspondingly reduced. Statements of Giant's ore reserves include dilution whereby tonnage is increased by 10% and the average grade is reduced by the amount that would result if the tonnage was increased by 30% at zero grade.

"Gold-pyrite flotation concentrate" means the product of a commonly used method of beneficiating low grade sulfide gold ores whereby the pulp (finely ground ore and water) is agitated and pumped with air in a flotation cell while chemical reagents are added which in turn cause the surfaces of the desired mineral particles (pyrite containing gold) to adhere to air bubbles and rise to the surface where they are skimmed off as a concentrate. The waste minerals remain in the pulp and are discarded as tailings.

"Mineralized material" means a natural aggregate of one or more minerals which either is not sufficiently delineated as to size, tonnage and grade or, even if so delineated, cannot be economically extracted at the time of the reserve determination and, accordingly, cannot be classified as proven or probable ore reserves.

"Minesite cost" means costs incurred at or directly allocated to each of the active sites and would be equal to "total costs" as defined below, less depreciation and amortization, treatment and marketing, administration, exploration and provision for employee deferred profit sharing plan.

"Modified open shrinkage method" means an underground mining method designed for mining, without backfill, narrow vein structures which have a dip ranging from 35 to 65 degrees from the horizontal.

"Ore pillar" means pillars of ore grade material left unmined in order to provide localized temporary ground support. These pillars can be mined after support is no longer required.

"Ore reserves" means a natural aggregate of one or more minerals which, at a specified time and place, may be mined and sold at a profit, or from which some part may be profitably separated.

"Ounce" means a troy ounce, equal to 31.103 grams.

"Probable ore reserves" means that material for which tonnage and grade are computed partly from specific measurements, samples or production data, and partly from projection for a reasonable distance on geological evidence, and for which the sites available for inspection, measurement and sampling are too widely or otherwise inappropriately spaced to outline the material completely or to establish its grade throughout.

"Proven ore reserves" means that material for which tonnage is computed from dimensions revealed in outcrops or trenches or underground workings or drill holes and for which the grade is computed from the results of adequate sampling, and for which the sites for inspection, sampling and measurement are so spaced and the geological character is so well defined that the size, shape and mineral content are established and for which the computed tonnage and grade are judged to be accurate within certain limits.

"Salvage stope" means a stope, originally mined without backfill, where the walls have failed and the mineral values contained in the resulting broken material are sufficient to warrant extraction.

"Ton" means a short dry ton, equal to 2,000 pounds.

"Tonne" means a metric ton, equal to 2,204.6 pounds.

"Total costs" means total expenses plus treatment and marketing costs less by-product, custom tolls and other sundry revenues.

"Vertical crater retreat method" means an underground mining method designed for mining of large ore zones using four to six and one-half inch diameter blast holes. The method minimizes development costs, maximizes fragmentation and allows the mined area to be kept full of broken ore, thereby decreasing dilution.

U.S. Definitions

The definitions of ore reserves, proven ore reserves and probable ore reserves set forth above are those used in Canada by the provincial securities regulatory authorities. The definitions used in the United States by the Securities and Exchange Commission are as follows:

"Ore reserves" means that part of the mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.

"Proven ore reserves" means reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth, and mineral content of reserves are well established.

"Probable ore reserves" means reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

Ore reserves, proven ore reserves and probable ore reserves of each of Pamour and Giant as stated in this Joint Proxy Circular qualify as such under both the Canadian and United States definitions.

SUMMARY

The following information is a summary of certain information contained in this Joint Proxy Circular. It is selective and qualified in its entirety by the more detailed information appearing elsewhere in this Joint Proxy Circular.

Meetings

Pamour

March 10, 1987, 10:00 a.m. (Toronto time), at the King Edward Hotel, Vanity Fair Ballroom, 37 King Street East, Toronto, Canada.

Giant

March 10, 1987, 2:00 p.m. (Toronto time), at the King Edward Hotel, Vanity Fair Ballroom, 37 King Street East, Toronto, Canada.

Record Dates

Neither Pamour nor Giant has fixed a record date. Pursuant to governing corporate legislation, for each company the record date for the determination of shareholders entitled to receive notice is the close of business on the date immediately preceding the date of mailing. The mailing date is February 11, 1987. See "Voting Securities and Principal Holders Thereof" at page 10.

Purpose of Meetings

Pamour

- (a) To approve the sale of substantially all of Pamour's operating assets to Giant in order to effect the acquisition of Pamour's operating assets by Giant.
- (b) To elect an additional director.
- (c) To approve options to be issued to certain directors.

Giant

- (a) To approve the amendment of Giant's articles to delete the maximum number of shares that Giant is authorized to issue and the maximum consideration for which shares may be issued in order to allow for the proposed issue of shares to Pamour.
- (b) To approve the purchase by Giant of substantially all the operating assets of Pamour and to approve the issue of 2,683,567 common shares of Giant to Pamour in connection therewith.

Votes Required

Pamour

The sale of substantially all the operating assets must be approved by two-thirds of the votes cast. The election of an additional director and the approval of the options must be approved by a majority of the votes cast.

Directors and executive officers (and their affiliates) of Pamour beneficially hold (or would be deemed to hold under regulations of the United States Securities and Exchange Commission ("SEC") to hold) 10,512 (less than 1%) of the Pamour shares entitled to vote. None of the directors and executive officers of Pamour who are shareholders of Pamour has indicated an intention to vote such shares otherwise than in favour of the sale of assets.

Giant

The removal of the maximum number of authorized shares and maximum consideration must be approved by two-thirds of the votes cast. The purchase of the Pamour operating assets and the issue of shares must be approved by a majority of the votes cast by the shareholders of Giant other than Pamour, its associates, affiliates and insiders. Pamour holds 19.16% of the issued Giant shares.

No directors or executive officers (and their affiliates) of Giant beneficially hold or are deemed under regulations of the SEC to hold any of the Giant shares entitled to vote.

Background to Asset Acquisition

Pamour acquired 19.16% of the issued shares of Giant on August 12, 1986. One of Pamour's considerations in making the acquisition was the potential for a merger of the Giant and Pamour gold mining operations. Following completion of the acquisition, the Boards of Directors of the two companies authorized their respective Presidents to enter into discussions as to whether it would be advisable from a financial and operational point of

view for assets to be transferred from Pamour to Giant to consolidate the companies' active mining operations. D. S. MacLeod, President of Pamour, is also a director and Chairman of the Board of Giant. D. J. Emery, President of Giant, is not an officer or director of Pamour. See "Background to Asset Acquisition" at page 11.

In the course of these discussions, Pamour staff prepared a proposal for the merger of the active mining operations of the two companies, including the purchase price for the assets to be transferred and the manner of payment. The proposal was based on the respective quoted market prices of the shares of Pamour and Giant (see "Determination of Purchase Price" below). Both the President of Pamour and the President of Giant, each acting independently on behalf of their respective companies, accepted the terms of the proposal and agreed to refer it to their respective Boards of Directors for consideration. The companies also retained Kilborn Limited, consulting engineers, to produce five-year mine studies containing cash flow projections for each company on the basis of various possible production plans. Analysis of these projections by management supported the original market values which were the basis of the proposal. In addition, Price Waterhouse, Chartered Accountants, was retained to give its opinion whether the terms of the asset acquisition were fair to the shareholders of each company. In giving its opinion, Price Waterhouse considered a number of factors as more particularly described under "Directors' Approvals and Fairness Opinion" at page 12.

The Boards of Directors of Pamour and Giant met separately on October 17, 1986 in order to consider the proposal and the Kilborn Limited studies. As well, the directors received Price Waterhouse's preliminary opinion that the asset acquisition as proposed was fair and reasonable from a financial point of view to the shareholders of Giant and Pamour. At those meetings, the proposal was considered by all of the directors of each company and was unanimously approved by the independent directors of each company (that is, those directors not common to both Boards of Directors), subject to shareholder and regulatory approval.

Terms of Asset Acquisition

Pamour will transfer to Giant on a going concern basis substantially all of its operating assets together with associated liabilities (including its mines and mills but excluding its exploration properties, tailings, cash, shareholdings in Giant and other assets not related to its mining operations) for a purchase price of \$63,389,000. The purchase price will be satisfied by a cash payment by Giant of \$17.5 million and the issue of 2,683,567 previously unissued shares of Giant having an aggregate value, based on the average quoted market price for Giant shares for the three-month period from May 16 to August 15, 1986, of \$45,889,000. The liabilities to be assumed by Giant consist of the outstanding bank debts and accounts payable relating to the assets being transferred at the effective date in the approximate amount of \$15 million. Pamour will also assign to Giant the full benefit and right to its existing agreements and contracts related to the operating assets being transferred in consideration of the assumption by Giant of the obligations and liabilities relating thereto. See "Terms of Asset Acquisition" at page 12.

Each of the Pamour and Giant Boards of Directors has concluded that the transaction is fair to the shareholders of those companies and the transaction was unanimously approved by the independent directors of each company. Price Waterhouse, independent financial advisors to the companies, have given an opinion, based on its reviews and on the five-year mine studies undertaken by Kilborn Limited, that the transaction is fair and reasonable to the shareholders of Pamour and Giant from a financial point of view. See "Directors' Approval and Fairness Opinion" at page 12.

All applicable federal, provincial or state and stock exchange regulatory requirements in connection with the asset acquisition have been complied with or obtained.

The effective date of the asset acquisition will be January 1, 1987.

Determination of Purchase Price

The purchase price for the operating assets to be transferred by Pamour to Giant on a going concern basis was determined with reference to the average quoted market price of the Pamour shares for the three-month period from May 16 to August 15, 1986. On this basis, Pamour's total value was estimated to be approximately \$72.1 million. Because Pamour's assets which are not related to its active mining operations are to be excluded from the asset acquisition, a value had to be attributed to such assets and deducted from the overall market value of Pamour. For this purpose, the assets excluded, principally Pamour's exploration properties and tailings, were valued on the basis of costs incurred and projected cash flows, respectively. After these were deducted, the net value of the operating assets to be acquired by Giant and, hence, the purchase price, was determined to be \$63,389,000.

The purchase price is to be paid by Giant by a combination of \$17.5 million in cash and 2,683,567 shares of Giant issued for a value of \$45,889,000. The determination of the number of shares of Giant to be issued was based on quoted market prices of such shares for the same period as that used in determining the value of Pamour. See "Determination of Purchase Price" at page 13.

Reasons for Asset Acquisition

In the view of Giant's management, the principal benefit of the asset acquisition will be to almost double Giant's average gold production and give it a broader asset and revenue base through the expansion of ore reserves and operations. The broader base will facilitate the raising of capital needed to develop further reserves and make Giant more resilient to economic change in the mineral industry. The asset acquisition will also allow Giant to utilize certain tax benefits associated with the acquired assets (see "Tax Consequences to Pamour and Giant" at page 16). In addition, although of lesser importance, the transaction should provide opportunities for pooling of managerial and technical skills of Pamour and Giant and to generate general economies of scale.

In the view of Pamour's management, Pamour, as an investor in Giant, will also share in the benefits realized by Giant from the asset acquisition. In addition, Pamour will be able to consolidate all its interests in mining operations within Giant and, by virtue of other transactions described herein, consolidate its tailings and exploration interests in other subsidiaries. Pamour will also realize certain tax benefits from the sale and be in a position to utilize the cash proceeds of the sale to reduce corporate indebtedness. See "Reasons for Asset Acquisition" at page 14.

Results of the Transaction

As a result of the asset acquisition, all of the mining operations of Pamour and Giant will be combined in and operated by Giant. Pamour will hold 50.2% of the total issued shares of Giant and, accordingly, will consolidate its results with those of Giant. No changes in directors or officers of either Pamour or Giant are proposed as a result of the asset acquisition. Due primarily to the effects of increased amortization and depreciation charges and a reduction in investment income, Giant is likely to suffer a decrease in earnings following the asset acquisition, although revenues will increase. See "Results of the Transaction" at page 15.

Pamour Shareholders' Right of Dissent

Shareholders of Pamour have the right to dissent and be paid the fair value of their shares upon compliance with the provisions of section 184 of the Canada Business Corporations Act. Shareholders of Giant do not have a statutory right of dissent. See "Pamour Shareholders' Right of Dissent" at page 17.

Termination of Asset Acquisition

The asset acquisition may be terminated by the directors of Pamour prior to its completion if certain terms and conditions of the transaction are not satisfied, notwithstanding approval by Pamour shareholders. In particular, this could occur if the directors determined that rights of dissent were being exercised by Pamour shareholders to a degree which would be unduly detrimental in light of the economic circumstances of Pamour and the gold industry generally at the time. See "Shareholder Approvals - Pamour" at page 17.

Pamour

Pamour primarily carries on the business of exploring for, developing deposits of and mining gold in Canada. Its principal operations are located in Timmins, Ontario where it operates three underground gold mines, two open pit mines and two large concentrating plants. Pamour mines and mills its own ores and custom mills ores for a number of other companies on a toll basis. See "Background on Pamour Inc." at page 19.

Giant

Giant primarily carries on the business of exploring for, developing deposits of and mining gold in Canada. Its principal operations are located in the Northwest Territories, Canada. At Yellowknife it mines and treats ore from its own mines and those of two subsidiaries and at its Salmita property it mines and treats ore from its own mine. See "Background on Giant Yellowknife Mines Limited" at page 34.

Recent Developments

For recent developments concerning transactions which should be considered in connection with the proposed asset acquisition, see "Recent Developments Relating to Pamour" at page 32 and "Recent Developments Relating to Giant" at page 42.

Recent Share Market Prices

Set out below are the closing prices of the Pamour and Giant shares on The Toronto Stock Exchange and, in the case of Giant, the American Stock Exchange, on October 17, 1986, the last day prior to which the terms of the asset acquisition were announced and on February 5, 1987, the last trading day prior to the date of this Joint Proxy Circular:

	Pamour Shares	Giant Shares	
	TSE (Cdn.\$)	ASE (U.S.\$)	TSE (Cdn.\$)
October 17, 1986	12½	14⅞	20
February 5, 1987	13	14½	19¾

Summary Financial Information

The following tables present selected historical financial information for Pamour and Giant and selected pro forma financial information for Giant. The tables should be read in conjunction with the detailed financial statements and notes thereto and the Giant pro forma financial information included elsewhere in this Joint Proxy Circular.

	Pamour					
	Nine months ended September 30, 1986	Year ended December 31				
		1985	1984	1983	1982	1981
		(in thousands, except per share amounts)				
Historical						
Revenues	\$41,616	\$50,741	\$51,068	\$53,508	\$56,108	\$65,787
Earnings (loss) from operations						
- Canadian GAAP	1,035	763	(9,759)	(760)	(913)	672
- U.S. GAAP	(40)	1,843	(9,759)	(760)	(913)	672
Earnings (loss) before extraordinary item						
- Canadian GAAP	745	10,525	(8,250)	1,816	(1,303)	3,834
- U.S. GAAP	(1,965)	10,525	(8,250)	1,816	(1,303)	3,834
Earnings (loss) after extraordinary item						
- Canadian GAAP	1,039	12,565	(8,250)	2,630	(1,303)	(13,505)
- U.S. GAAP	(1,965)	12,565	(8,250)	2,630	(1,303)	(11,770)
Earnings (loss) per share after extraordinary item						
- Canadian GAAP	0.15	1.79	(1.18)	.38	(0.19)	(1.93)
- U.S. GAAP	(0.28)	1.79	(1.18)	.38	(0.19)	(1.68)
Total assets						
- Canadian GAAP	62,302	28,817	32,602	34,923	45,677	44,815
- U.S. GAAP	61,033	28,817	32,602	34,923	45,677	44,815
Total long-term debt						
- Canadian and U.S. GAAP	678	506	1,080	1,080	1,080	1,080
Cash dividend per share	nil	nil	nil	nil	nil	0.15
Book value per share						
- Canadian GAAP	3.13	2.20	0.41	1.59	1.21	1.40
- U.S. GAAP	2.97	2.44	0.65	1.83	1.46	1.64
Number of shares outstanding	7,756	7,006	7,006	7,006	7,006	7,006

NOTE: See notes 4 and 9 to the audited financial statements and note 5 to the interim financial statements of Pamour for details of significant uncertainties affecting Pamour.

	Giant					
	Nine Months ended September 30, 1986	Year ended December 31				
		1985	1984	1983	1982	1981
		(in thousands, except per share amounts)				
Historical						
Revenues	\$42,915	\$56,074	\$49,540	\$32,727	\$35,214	\$30,954
Net income (loss)						
– Canadian GAAP	2,259	5,690	1,891	4,129	1,675	(199)
– U.S. GAAP	2,259	6,040	1,891	4,209	1,456	(199)
Earnings (loss) per share						
– Canadian GAAP	0.52	1.32	0.44	0.96	0.39	(0.05)
– U.S. GAAP	0.52	1.40	0.44	0.98	0.34	(0.05)
Total assets						
– Canadian GAAP	39,815	40,545	33,365	31,768	24,406	22,307
– U.S. GAAP	39,815	40,545	32,635	31,002	23,740	22,066
Total long term debt						
– Canadian and U.S. GAAP	nil	nil	nil	nil	nil	nil
Cash dividend per share	nil	0.25	nil	nil	nil	0.25
Book value per share						
– Canadian GAAP	7.78	7.25	6.18	5.74	4.78	4.39
– U.S. GAAP	7.78	7.34	6.10	5.66	4.68	4.34
Number of shares outstanding	4,303	4,303	4,303	4,303	4,303	4,303
Pro Forma (unaudited)						
Earnings (loss) per share						
– Canadian GAAP	\$ 0.21	\$ 0.55				
– U.S. GAAP	\$(1.78)	\$(1.46)				
Book value per share						
– Canadian GAAP	11.36	N/A				
– U.S. GAAP	11.36	N/A				
Number of shares outstanding	6,987	6,987				

Additional Matters for Pamour Shareholders

Pamour shareholders will also vote upon the following matters:

1. *Election of Additional Director*

The number of directors of Pamour has been increased to 12. Senator Jack Austin has been nominated by management to fill the vacancy arising upon such increase.

2. *Approval of Options*

Three directors, D. C. Deacon, A. C. A. Howe and D. E. G. Schmitt, have each been granted options on 15,000 Pamour shares at \$13 per share for three years, subject to shareholder approval. The terms of the options are similar to those granted to other directors and previously approved by shareholders.

See "Additional Matters to Be Acted Upon by Pamour Shareholders" at page 43.

GENERAL PROXY INFORMATION

Solicitation of Proxies

This Joint Proxy Circular is furnished in connection with the solicitation by the managements of Pamour Inc. ("Pamour") and Giant Yellowknife Mines Limited ("Giant") of proxies for use at the special meetings of shareholders of Pamour and Giant and at any adjournments thereof. The meetings will be held on March 10, 1987 at 10:00 a.m. (Toronto time) in respect of Pamour and 2:00 p.m. (Toronto time) in respect of Giant at the King Edward Hotel, Vanity Fair Ballroom, 37 King Street East, Toronto, Ontario, Canada for the purposes set out in the respective notices of meeting.

Each of Pamour and Giant will bear its own cost of solicitation. In both cases solicitation will be primarily by mail. However, certain officers and employees may also solicit proxies by telephone or in person. Giant has engaged Merrill Lynch Canada Inc. to solicit proxies from shareholders by mail, by telephone or in person in Canada and elsewhere (excluding the United States) at a cost to Giant of U.S.\$25,000 plus out-of-pocket expenses, and D. F. King & Co., Inc. have been engaged to solicit proxies in the United States by mail, by telephone or in person at a cost to Giant of U.S.\$25,000 plus out-of-pocket expenses.

Appointment of Proxyholders and Revocation of Proxies

A vote at the meetings of shareholders of each of Pamour and Giant may be given in person or by proxy whether or not the proxyholder is a shareholder. The time for the deposit of proxies is specified in the notices of meeting.

A shareholder giving a proxy has the right to revoke the proxy: by instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing and deposited either at the registered office of Pamour or Giant, as the case may be, at any time up to and including the last business day preceding the date of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the meeting on the date of the meeting, or any adjournment thereof; or in any other manner permitted by law.

Voting Shares as Specified

Shares represented by properly executed proxies appointing the persons designated in the printed portion of the enclosed form of proxy will be voted or withheld from voting on any ballot that may be called for and, where the shareholder specifies a choice with respect to any matter to be acted upon, such shares will be voted in accordance with any specification so made. **In the case of Pamour and in the absence of such specification, such shares will be voted FOR the approval of the sale of substantially all of its operating assets, FOR the election of the additional director and FOR approval of the options to directors. In the case of Giant and in the absence of such specification, such shares will be voted FOR the special resolution to delete the maximum number of authorized shares and maximum consideration and FOR the purchase of the Pamour operating assets and issue of 2,683,567 shares of Giant to Pamour.**

Exercise of Discretion by Proxyholders

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and with respect to other matters which may properly come before the meeting. At the date of this Joint Proxy Circular, the managements of Pamour and Giant know of no such amendments, variations or other matters to come before the respective meetings.

Voting Securities and Principal Holders Thereof

Pamour

On February 6, 1987, there were outstanding 8,293,310 common shares, the holders of which are entitled to one vote for each share held. To the knowledge of management of Pamour, Jimberlana Minerals N.L. of Melbourne, Australia is the only shareholder beneficially owning, directly or indirectly, or exercising control or direction over, more than 10% of the shares of Pamour. It holds through its wholly-owned subsidiary, Jimberlana Holdings (Canada) Corporation ("Jimberlana Canada"), 2,623,017 common shares constituting 31.7% of the issued common shares.

Giant

On February 6, 1987, there were outstanding 4,303,050 shares, the holders of which are entitled to one vote for each share held. To the knowledge of management of Giant, Pamour is the only shareholder beneficially owning, directly or indirectly, or exercising control or direction over, more than 5% of the shares of Giant. It holds 824,413 shares constituting 19.16% of the issued shares. These shares were acquired from Falconbridge Limited on August 12, 1986 for aggregate consideration of \$15,713,312. See "Recent Developments Relating to Giant". No directors or officers of Giant own shares of Giant.

Neither of the Boards of Directors of Pamour and Giant has fixed a record date for the purpose of determining shareholders entitled to receive notice of the respective meetings. In accordance with the Canada Business Corporations Act ("CBCA") and the Ontario Business Corporations Act, 1982 ("OBCA"), the record date is deemed to be the close of business on the day immediately preceding the day on which the notice is sent to shareholders. The failure of any shareholder to receive a notice of meeting of shareholders does not deprive the shareholder of a vote at the meeting. If a person has acquired shares after the deemed record date, that person is entitled to vote those shares at the meeting upon producing properly endorsed share certificates, or otherwise establishing share ownership, and demanding the inclusion of his or her name in the list of shareholders not later than 10 days before the date of the meeting.

THE ASSET ACQUISITION

The respective Boards of Directors of Pamour and Giant by resolutions passed by the independent members thereof approved in principle on October 17, 1986 a joint proposal of the managements of each company whereby Pamour would transfer substantially all of its operating assets to Giant in exchange for cash and shares of Giant and the assumption by Giant of liabilities of Pamour relating to the acquired assets in order to effect the combination of their mining operations (the "asset acquisition"). Subsequently, the asset purchase agreement to effect the asset acquisition was prepared and final directors' approvals to the asset purchase agreement and other matters relating to the transaction were given on November 18, 1986.

The Boards of Directors of Pamour and Giant consider it advantageous to Pamour and Giant and their shareholders that the asset acquisition proceed and unanimously recommend that shareholders vote for its approval.

Background to Asset Acquisition

Pamour acquired 19.16% of the outstanding shares of Giant on August 12, 1986. Prior to the acquisition, Giant was interested in expanding its reserve base in light of the anticipated termination of its Salmita operation. Giant had investigated the acquisition of the Con Mine, also located at Yellowknife, from Cominco Limited. Contemporaneously with Pamour's acquisition of its interest in Giant, Giant submitted a bid to purchase the Con Mine which was unsuccessful. Giant did not consider any other alternative acquisition until the asset acquisition.

In connection with its acquisition of its interest in Giant, Pamour conducted an extensive review of Giant's operations and considered the extent to which Pamour's and Giant's active mining operations were compatible and capable of being merged. This review indicated that a merger of operations could be potentially favourable. Therefore, upon completion of the August 12 acquisition, the Boards of Directors of Giant and Pamour authorized their respective Presidents to enter into discussions as to whether it would be advisable from a financial and operational point of view for assets to be transferred from Pamour to Giant to consolidate the companies' active mining operations. D. S. MacLeod, President of Pamour, is also a director and Chairman of the Board of Giant. D. J. Emery, President of Giant, is not an officer or director of Pamour.

In the course of these discussions, Pamour staff conducted an internal valuation of both companies based on market values as derived from published stock market data. Utilizing these market values, a proposal was prepared for the merger of the active mining operations of the two companies, including the purchase price and the manner of payment therefore (see "Determination of Purchase Price" below). Both the President of Pamour and the President of Giant, each acting independently on behalf of their respective companies accepted the terms of the proposal and agreed to refer it to their respective Boards of Directors.

In connection with the discussions, D. J. Emery, President of Giant, together with H. H. Bird, a director of Giant and a mining consultant to Giant, carried out on-site inspections of Pamour's Timmins mining operations and reviewed the reserve and production data of Pamour in relation to Giant. Mr. Emery has been the Chief Executive Officer of Giant and has been in charge of the Giant Yellowknife and Salmita operations for ten years and has extensive experience in the mining industry. Mr. Bird is a consulting geologist and the principal of Mining Geology Services Ltd. of Oakville, Ontario, and also has extensive experience in the mining industry.

In conjunction with the internal studies, Giant and Pamour also retained Kilbom Limited ("Kilbom"), consulting engineers and construction managers, to conduct five-year mine studies on each of their mining operations. As part of its studies, Kilbom conducted on-site inspections of both the Pamour operations at Timmins and the Giant operations at Yellowknife. Extensive discussions were also held with management of each company. The reports cover the assessment of ore reserve and cost data provided by Pamour and Giant, the provision of cost estimates for the expansion and operation of the Pamour No. 1 mill, the construction of a tailings retreatment plant at Giant's Yellowknife Mine, the use of heap leaching as an extraction process at Timmins and the application of cost sensitivity analyses on various scenarios relating to the Pamour and Giant operations. On the basis thereof, Kilbom prepared for each company alternative production plans covering a five-year period starting January, 1987 based on alternative approaches which could be taken in conducting each company's mining operations. The studies do not contain an appraisal of the mining assets or a valuation of the mining operations of either company and do not contain any recommendations as to operation of the mines. In completing the five-year mine studies, Kilbom was not limited in its instructions in the investigations it could make.

Cash flow projections for each company were prepared by Kilborn based on the implementation of each of the alternative production plans. Analysis of these projections by management supported the original market values determined by management.

In addition, Price Waterhouse, Chartered Accountants, was retained to provide its opinion as to the fairness of the proposal. As discussed below under "Directors' Approval and Fairness Opinion", Price Waterhouse considered the asset acquisition proposal in order to determine if it was fair from a financial point of view to the shareholders of each company. As part of its review, representatives of Price Waterhouse visited both the Pamour operations in Timmins and the Giant operations in Yellowknife, reviewed the Kilborn five-year mine studies, and held discussions with management of each company.

As a result of the foregoing process, a final proposal for the purchase of Pamour's Timmins active mining operations on the going concern basis was prepared for submission to the Boards of Directors of each of Pamour and Giant for approval.

Directors' Approvals and Fairness Opinion

The Boards of Directors of Pamour and Giant met separately on October 17, 1986 to consider the joint proposal of management. At those meetings, the reports of Kilborn containing five-year studies of Pamour's Timmins operations and Giant's Northwest Territories operations were presented and Price Waterhouse gave its preliminary opinion that the proposal was fair from a financial point of view. In light of Pamour's shareholdings in Giant and the fact that certain members of the Giant Board are directors of both companies, the resolutions approving the proposal were considered only by the independent directors of each of Giant (four out of seven directors) and Pamour (seven out of ten directors). The independent directors of each of Pamour and Giant unanimously adopted the proposal and Pamour agreed to arrange a \$10 million line of credit facility in favour of Giant. The approval in each case was subject to the necessary shareholder and regulatory approvals. Following approval of the proposal, an asset purchase agreement dated November 18, 1986 (the "Agreement") was prepared to give effect to the proposal and to detail the conveyancing, timing, conditions, representations and warranties of each company in relation to the asset acquisition.

Final approval of the Agreement was given by the independent directors of each of the Boards of Directors of Pamour and Giant on November 18, 1986. At that time, the opinion of Price Waterhouse was delivered to each Board of Directors and the most favoured consolidated five year plan for the combined operations of Giant and Pamour as prepared by Kilborn was submitted for the consideration of each Board. A copy of the Price Waterhouse opinion is included as Schedule V to this Joint Proxy Circular.

Price Waterhouse considered, in order of importance, the operating and financial performance of Pamour in relation to Giant, the five-year operating plans prepared by Kilborn, certain publicly available and internal information relating to the business and operations of Pamour and Giant, their historical, current and prospective financial information and published stock market and other data of a general nature relating to the mining industry. In addition, Price Waterhouse had discussions with certain members of senior management of both Pamour and Giant in Toronto and at their primary operating locations and with representatives of Kilborn involved in the preparation of the five-year mine plans. On the basis of the foregoing, Price Waterhouse concluded that the terms of the asset acquisition are fair and reasonable from a financial point of view to the shareholders of each of Giant and Pamour.

Price Waterhouse will be paid by Pamour and Giant fees totalling no more than \$125,000 for their advisory services in connection with the asset acquisition. Price Waterhouse is independent from each of Pamour and Giant and is not the auditor of either company. The terms of the engagement of Price Waterhouse were to provide an opinion as to whether the terms of the asset acquisition were fair and reasonable from a financial point of view to the shareholders of Pamour and Giant. No other instructions were given or limitations imposed on Price Waterhouse. Subsequent to the date Price Waterhouse was retained in connection with the asset acquisition, Pamour acquired 50.1% of Consolidated CSA Minerals Inc. ("CNV"). See "Recent Developments Relating to Pamour". Price Waterhouse is the independent auditor of CNV.

Terms of Asset Acquisition

The asset acquisition is to be effected in accordance with the Agreement between Pamour and Giant dated November 18, 1986. A copy of the Agreement, excluding schedules thereto, is included as Schedule VI to this Joint Proxy Circular. Copies of the complete Agreement, including schedules thereto, are available for inspection at the registered offices of Pamour and Giant and at the offices of the Securities and Exchange Commission in Washington, D.C., the American Stock Exchange in New York, New York and The Toronto Stock Exchange in Toronto, Ontario.

Under the terms of the Agreement, the following assets of Pamour will be transferred to Giant: Pamour's Timmins, Ontario mining operations; Pamour's rights and benefits in existing contracts and agreements relating to its Timmins leases; accounts receivable and prepaid expenses; all financial and other records relating to the Timmins mining operations; and the shareholdings of Pamour in Akaitcho Yellowknife Gold Mines Limited ("Akaitcho"). Among the

assets excluded from the asset transfer will be the shares in Giant held by Pamour, all of Pamour's tailings with related surface rights and any future tailings produced from the Timmins mining operations, Pamour's exploration properties, Pamour's shareholdings in Canadian Arrow Mines Limited, ERG Resources Inc. ("ERG") and CNV and all cash in hand of Pamour. Employees of Pamour at its Timmins operations will become employees of Giant.

In return for the transferred assets, Giant will pay cash consideration of \$17,500,000, issue 2,683,567 shares of Giant to Pamour and assume the following liabilities of Pamour relating to the transferred assets: Pamour's trade accounts arising in the normal course relating to its Timmins mining operations, but excluding obligations to employees prior to the effective date of the Agreement; all obligations and liabilities arising under existing agreements and contracts assigned by Pamour to Giant; the obligations of Pamour arising pursuant to its \$5 million credit facility with Barclays Bank of Canada; Pamour's debt of \$1,234,177 incurred for the purchase of the shares of Akaitcho from Falconbridge Limited; and such liabilities of Pamour as may arise pursuant to a reassessment of its Ontario mining tax liabilities in the approximate amount of \$1,735,000 (plus any further applicable penalty or interest) in respect of its Timmins mining operations, but excluding any other liability of Pamour with respect to taxes. Liabilities relating to assets not transferred to Giant, such as Pamour's shareholdings in Giant, will not be assumed by Giant.

Included in the assets sold to Giant are Pamour's shareholdings in Akaitcho, aggregating 36.69% of the total issued and outstanding shares of Akaitcho. Giant already owns 7.79% of Akaitcho. Akaitcho is an Ontario corporation listed on The Toronto Stock Exchange. Its principal asset is its 49.99% interest in Supercrest Mines Limited, the owner of a gold mine adjacent to the Giant mine at Yellowknife. Giant is the operator of the Supercrest mine and holds the remaining interest in Supercrest Mines Limited. Accordingly, the acquisition of Pamour's Akaitcho shares will result in all of Pamour's and Giant's interests in the Supercrest mine being held by or through Giant.

In addition, Pamour has agreed to provide to Giant a \$10 million operating credit facility to be available to Giant for one year following the closing. Interest on advances under the facility is payable at the rate of prime (as defined in the Agreement) plus 1%. To secure the credit facility, Giant will grant to Pamour a floating charge over its assets and undertaking which will be subordinate to security interests of Giant's bankers from time to time. Pamour will finance this credit facility from the proceeds of the private placement to Jemberlana Canada referred to under "Recent Developments Relating to Pamour".

The Agreement also contains warranties and conditions negotiated between Pamour and Giant relating to the asset transfer and the share issue.

All regulatory approvals necessary to completion of the asset acquisition have been received, including those of Investment Canada, The Toronto Stock Exchange and the Securities and Exchange Commission. Some of these approvals are conditional on the requisite shareholder approvals being obtained. Application has been made to The Toronto Stock Exchange and the American Stock Exchange to list the 2,683,567 common shares to be issued to Pamour by Giant.

The closing of the transfer will take place as soon as possible after the special meetings of shareholders. The effective date of the transfer will be January 1, 1987.

Determination of Purchase Price

At the outset of negotiations, management of both companies agreed that, in determining the terms of the asset acquisition, reliance should not be placed on the book values of Pamour's and Giant's assets as such amounts are based on historic costs and do not adequately reflect the future earnings potential of those assets. Accordingly, it was agreed that the appropriate approach to the valuation of Pamour on a going concern basis in determining the purchase price for the operating assets to be transferred by Pamour to Giant was on the basis of the quoted market price of Pamour's shares. Based on the average quoted market price of Pamour's shares for the three-month period from May 16 to August 15, 1986, Pamour's total market value was calculated to be approximately \$72.1 million. Because Pamour's assets which are not related to its active mining operations are to be excluded from the asset acquisition, a value had to be attributed to such assets and deducted from the overall market value of Pamour. For this purpose, the assets excluded, principally Pamour's exploration properties and tailings, were valued on the basis of costs incurred and projected cash flows, respectively. No value was attributed to Pamour's interest in Giant, which is also excluded from the asset acquisition, as this interest was acquired after the relevant three-month period and was acquired entirely through debt financing, which debt is also excluded from the asset acquisition. After these were deducted, the net value of the assets to be acquired by Giant and, hence, the purchase price, was determined to be \$63,389,000.

The purchase price is to be paid by Giant by a combination of \$17.5 million in cash and \$45,889,000 in shares of Giant. The number of shares of Giant to be issued in payment of the \$45,889,000 portion of the purchase price was determined on the basis of the average quoted price of Giant's shares for the three-month period from May 16 to August 15, 1986. Accordingly, it was determined that the 2,683,567 shares at \$17.10 per share was the correct number of shares to be issued.

Conditions to Asset Acquisition

The completion of the asset acquisition pursuant to the Agreement is subject to the following conditions:

- (1) the approval by special resolution of the shareholders of Pamour of the sale of assets to Giant pursuant to the Agreement;
- (2) the approval by special resolution of the shareholders of Giant of the removal of the maximum number of shares authorized to be issued by Giant and the approval by ordinary resolution of the shareholders of Giant of the purchase of assets and issue of shares to Pamour pursuant to the Agreement; and
- (3) satisfaction of certain terms and conditions set out in the Agreement.

Reasons for Asset Acquisition

By reason of the asset acquisition, Giant will acquire a broader asset base, in the form of increased ore reserves and fixed assets and a broader revenue base from increased production from the combined operations. In addition, the acquisition of the Pamour reserves will serve to cushion the effect of termination of production at Giant's Salmita mine in early 1987 and the acquisition of additional operations will make Giant generally more resilient to economic change in the mineral industry by decreasing its dependence on a single, remote mine in the Northwest Territories. As a result of the broader asset and revenue bases, Giant, in the view of management, will benefit from an increased ability to raise capital for the expansion of production at Giant's Yellowknife mine site and the Timmins mine sites acquired from Pamour and the development of new ore reserves at these locations. The following discussion describes the effect of the asset acquisition on Giant's ore reserves, production and fixed assets as well as a suggested production plan based on the combined operations prepared by Kilbom.

Although not necessarily indicative of future production, the mines being acquired by Giant from Pamour have recovered, since production began, 41 million ounces of gold from 172 million tons of ore at an average grade of 0.258 ounce per ton. Total Pamour gold production exceeds that of any other mining company in North America. With the merging of operations, total ore reserves of Giant will be substantially increased from the present 982,000 tons to approximately 6.8 million tons. In addition, Giant's other mineralized material will increase from the present 1.5 million tons to 9.3 million tons. See "Background on Giant Yellowknife Mines Limited - Ore Reserves".

The Pamour mines are expected to produce about 110,000 ounces of gold from about 1.5 million tons of ore in 1986. With the closing of the Salmita mine in early 1987, the production of gold by Giant is expected to decrease to about 85,000 ounces per year. However, the acquisition of the Pamour mines will result in Giant's gold production immediately increasing to about 210,000 ounces per year and, with the successful implementation of a proposed consolidated five-year production plan, to about 290,000 ounces per year by 1989.

The managements of Giant and Pamour also believe that the Pamour mines offer excellent potential for the discovery of new orebodies and the extension of existing orebodies.

In terms of fixed assets, following the asset acquisition Giant will have in the Timmins, Ontario area three operating underground mines, two operating open pits, two large mills and three additional underground mines (currently on a care and maintenance basis), as well as its two plants and two mines in the Northwest Territories. Mining operations can be concentrated in lower cost open pits and bulk mining stopes if necessitated by reduced gold prices.

A study of existing mines of Giant and those being acquired from Pamour has been carried out by Kilbom. A most-favoured consolidated five-year production plan has been developed for these operations by Kilbom and is currently being considered by the managements of both companies with a view to its possible adoption. The plan calls for capital expenditures in the order of \$100 million for expansion of production at Giant, retreatment of Giant tailings, expansion of the mill at Pamour No. 1 mine, development of the Ross mine, and development of the heap leaching operations at Timmins. Other aspects of the plan include increasing exploration with a view to increasing ore reserves at Timmins, Yellowknife and Salmita. The plan shows a positive cash flow in excess of \$114 million, after recoupment of capital, for the five-year period at a gold price of U.S.\$400 per ounce. Actual results from the plan, if implemented, may vary from those projected. For background on Kilbom, see "Experts", below.

Discussions with bank advisors indicate that the broad asset base achieved by Giant with the acquisition of the Pamour mines will allow for a significant portion of the funds required for the expansion of these operations to be obtained in the form of a gold loan or other such means of debt financing. (A gold loan is a common means of financing in the Canadian gold industry whereby the borrower borrows gold bullion, instead of cash, from the lender, and sells the gold to obtain funds; the loan is repaid by returning the amount of gold bullion borrowed; interest on such a loan, which is paid in cash, is typically lower than for normal commercial loans.) The remainder will be financed from cash flow. Discussions with investment dealers indicate that it should be possible to raise further funds for the purpose of acquiring other suitable mining companies through equity financing.

In addition to the benefits arising from Giant achieving a broader asset and revenue base, certain tax benefits will be available to Giant as a result of the acquisition. Presently, Pamour has available tax losses and deductions in excess of \$25 million which are not being fully utilized. The asset acquisition will enable their more timely utilization since Giant is currently in a taxable position. See "Tax Consequences to Pamour and Giant".

Also of benefit to Giant, although to a lesser extent, are certain cost benefits which also should result from the transaction because of potential economies of scale (eg. stores purchasing, refining and marketing). Pooling of personnel, technical and managerial resources not only will improve the operations, but will also reduce the reliance on outside consulting services.

The transaction will also provide Giant with access to technical skills of the Pamour operations, particularly with reference to heap leaching. Exchange of information and technology between the Yellowknife and Timmins operations will be beneficial to all mines of the combined operations.

In the view of Pamour's management, Pamour, as the largest shareholder of Giant, will benefit as an investor from the beneficial effects of the asset acquisition on Giant. In addition, the asset combination, when taken together with its transactions with ERG and its acquisition of 50.1% of CNV, which transactions are more particularly described under "Recent Developments Relating to Pamour" below, will enable Pamour to concentrate its mining operations in Giant, its tailings developments in ERG and its exploration activities in CNV. Exploration and development type financing will be more easily accomplished through CNV. Pamour will also be in a position to utilize the cash proceeds from the sale to reduce corporate indebtedness and will realize certain tax benefits from the sale.

Results of the Transaction

Pamour

Following the asset acquisition, Pamour will no longer be the operator of its present mining operations which will then be held by Giant. Pamour will hold approximately 50.2% of the total issued shares of Giant and will consolidate its results with those of Giant.

No changes in directors or officers of either Pamour or Giant are proposed as a result of the asset acquisition.

Giant

As a result of the asset acquisition, all of the active mining operations of Pamour and Giant will be combined in and operated by Giant. Consequently, Giant will have operations at both Timmins, Ontario and Yellowknife, Northwest Territories and will have the increased reserves, production and fixed assets referred to above under "Reasons for Asset Acquisition". It will also hold 44.48% of Akaitcho which, in turn, holds the 49.99% of Supercrest Mines Limited not already held by Giant. The effect on Giant's balance sheet and statement of earnings, on a pro forma basis, is described below under "Management's Discussion of Pro Forma Consolidated Financial Results".

For the nine month period ended September 30, 1986, Giant recorded earnings of \$2,259,000 or \$0.52 per share. After giving effect to the asset acquisition and related accounting adjustments, pro forma earnings of \$1,475,000 or \$0.21 per share would have been recorded for the same period.

The decline in earnings, on a pro forma basis, is primarily due to a net increase of \$1.2 million in recorded depreciation and amortization. As a result of the significant excess of the value of Pamour's fixed assets over their historic book values depreciation and amortization is increased by \$2.6 million. This amortization is based on the estimated economic life of the mines, being 12 years for the Giant mines and 17 years for the mines to be acquired from Pamour assuming continuation of production levels experienced in 1985 and 1986. These amortization periods reflect a change in Giant's accounting policy from that used previously which was based on proven and probable reserves. The effect of this change in policy is to reduce recorded amortization and depreciation by \$1.4 million from that previously recorded in Giant's interim financial statements for the nine months ended September 30, 1986. The amortization amount under United States accounting guidelines would increase by \$12.2 million since the amortization period would be shortened to approximately four years as only proven and probable reserves may be used. However, it is management's contention that the four year amortization period as required by these guidelines is not realistic given the long duration of operations at the Giant and Pamour mines. Each company has consistently been able to maintain the level of proven and probable ore reserves over several decades by promoting reserves into these categories from the mineralized material category through ongoing diamond drilling and mine development.

Another major factor contributing to the decrease in earnings on a pro forma basis is a reduction of \$1.5 million in investment income. This decrease arises from the fact that if Giant had acquired the assets from Pamour as of January 1, 1985, Giant's cash balance would have been significantly reduced resulting in a decrease in investment income.

On a pro forma basis, at September 30, 1986, Giant would have \$2.7 million in cash which is expected to increase modestly on a pro forma basis as of December 31, 1986. Pro forma working capital at September 30, 1986 exceeds \$4.0 million and is also expected to increase by December 31, 1986. Furthermore, should Giant's operating plans call for a heavy draw on funds, Giant will be entitled to call on up to \$10.0 million in funds from Pamour.

At September 30, 1986, the book value of Giant was \$7.78 per share. The Giant pro forma condensed consolidated balance sheet shows a book value of \$11.36 per share after the asset acquisition.

The following table sets forth the existing capitalization of Giant as at September 30, 1986 and the pro forma capitalization as at September 30, 1986 after giving effect to the asset acquisition. This table should be read in conjunction with the consolidated financial statements and notes thereto and the pro forma condensed consolidated financial information and notes thereto of Giant appearing elsewhere in this Joint Proxy Circular.

	Pro forma as at September 30, 1986 (note 1)	Outstanding as at September 30, 1986 (in thousands)
Operating loan (note 2)	\$ 4,250	—
Bank note (note 3)	1,234	—
Deferred taxes	187	\$ 187
Obligations under capital lease (note 4)	678	—
Minority interest	250	250
Shareholders' equity		
Shares	51,589	5,700
(unlimited authorized (note 5))	(6,986,617 shs.)	(4,303,050 shs.)
Contributed surplus	2,637	2,637
Retained earnings	25,135	25,135
Total shareholders' equity	79,361	33,472
	<u>\$85,960</u>	<u>\$33,909</u>

NOTES:

- (1) See pro forma consolidated balance sheet and notes to pro forma consolidated financial statements for detailed information relating to pro forma accounts.
- (2) Secured by an assignment of inventories and book debts.
- (3) Secured by Giant's holdings in Akaitcho.
- (4) For details of obligations under capital lease see note 5 to the financial statements of Pamour for the years ended December 31, 1985 and 1984.
- (5) Giant proposes to delete the maximum number of shares that it is authorized to issue subject to shareholder approval (see Schedule III).

Tax Consequences to Pamour and Giant

The transfer of assets from Pamour to Giant, with the exception of Pamour's mining properties, will take place on a tax deferred "rollover" basis. Accordingly, Pamour will not recognize any gain or loss, for income tax purposes, on the transfer of assets and Giant will assume Pamour's tax cost for the assets acquired.

Pamour incurred losses in its mining operations during its 1982 and 1984 taxation years. These losses could be carried forward to offset Pamour's income in following years, subject to the time limits prescribed by the Income Tax Act (Canada). Certain of these loss carry-forwards will expire at the end of 1987, while the remainder could be carried forward until the end of 1991. Projections prepared on behalf of Pamour indicate that Pamour will not generate sufficient taxable profit to utilize these losses on a timely basis; however, the combined operations of Pamour and Giant will generate taxable profit which could more quickly utilize the tax benefits attributable to these losses.

Pamour's losses cannot be transferred to Giant in their present form. However, the allocation of the price payable by Giant for the mining properties will be such that Pamour will recognize income from their sale which will be offset by the losses carried forward from prior taxation years. The amount payable by Giant on the acquisition of Pamour's mining properties will represent an addition to Giant's Cumulative Canadian Development Expense pool ("CCDE pool") from which Giant is entitled to a deduction in computing its income of up to 30% of the unclaimed CCDE pool per annum.

Shareholder Approvals

Pamour

In order for the asset acquisition to proceed, the special resolution approving the sale of assets must be passed by not less than two-thirds of the votes cast by the holders of the Pamour common shares voting in respect of the resolution. The text of the special resolution is included in this Joint Proxy Circular as Schedule I.

The Agreement also provides, in effect, that it may be terminated by the directors of Pamour prior to completion of the asset acquisition if certain terms and conditions of the Agreement are not satisfied, notwithstanding approval by Pamour shareholders. In particular, this could occur if the directors determined that rights of dissent were being exercised by Pamour shareholders to a degree which would be unduly detrimental in light of the economic circumstances of Pamour and the gold industry generally at the time.

Giant

The special resolution to delete the maximum number of shares authorized to be issued by Giant and maximum consideration for which shares may be issued must be passed by not less than two-thirds of the votes cast, and the ordinary resolution approving the asset acquisition and issue of shares must be passed by a majority of the votes cast, in each case by the holders of the Giant shares voting in respect of the particular resolution. The text of the special resolution to amend the articles is included as Schedule III to this Joint Proxy Circular and the resolution approving the asset acquisition is included as Schedule IV. The latter approval is called for by policies of stock exchanges on which Giant's shares are listed and the former approval is required pursuant to the OBCA. If either approval is not obtained, the Agreement will not be implemented and shares of Giant will not be issued to Pamour pursuant thereto. In accordance with requirements of The Toronto Stock Exchange, none of Pamour, its associates, affiliates and insiders (including the directors and officers of Pamour) will vote any shares held by them with respect to approval of the asset acquisition by Giant and, accordingly, the approval of the purchase and the issue of shares must be passed by a majority of the Giant shareholders voting in respect of the resolution, other than Pamour and such associates, affiliates and insiders.

At least 33⅓% of the outstanding shares of Giant must be represented in person or by proxy in order to constitute a quorum for the Giant special meeting pursuant to the policies of the American Stock Exchange. Pamour's shareholdings in Giant may be counted for the purpose of determining compliance with this policy.

Pamour Shareholders' Right of Dissent

Pamour shareholders have a statutory right of dissent which arises in connection with the asset acquisition. Giant shareholders do not have any such statutory right of dissent in connection with the asset acquisition.

Under section 184 of the CBCA, shareholders of Pamour have the right to dissent in respect of the special resolution approving the sale of substantially all the assets of Pamour. A shareholder who complies with the section is entitled, when the asset acquisition becomes effective, to be paid the fair value of his shares, determined as of the close of business on the day before the special resolution is adopted. A dissenting shareholder may only claim under the section with respect to all the common shares of Pamour held by him on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

To comply with the dissent provisions of the CBCA, a dissenting shareholder must (a) send to Pamour at or before the special meeting of shareholders, a written objection to the special resolution; (b) within 20 days after receiving notice that the special resolution has been adopted, or if such notice is not received, within 20 days after learning that the special resolution has been adopted, send to Pamour a written notice containing his name and address, the number and class of shares in respect of which he dissents, and a demand for payment of the fair value of such shares; and (c) within 30 days thereafter send the certificates representing the shares to Pamour or its transfer agent. On sending the notice containing the demand for payment, a dissenting shareholder ceases to have any other rights as a shareholder, except where he withdraws his notice before Pamour makes an offer to pay for his shares, where Pamour fails to make such an offer and he withdraws his notice, or where the Pamour directors terminate the Agreement, in which case his rights are reinstated.

The sending of a written objection to the special resolution does not deprive a shareholder of his right to vote thereon. A vote against the special resolution or execution of a proxy which is so voted does not in itself constitute a written objection. A vote for the special resolution or execution of a proxy which is so voted could constitute a waiver of the right of dissent. Not voting on the special resolution in person or by proxy does not constitute a waiver of the right of dissent.

Pamour's offer is to be sent not later than seven days after the later of the date on which the asset acquisition becomes effective or the day Pamour receives the notice containing the demand for payment. If Pamour fails to make an offer, or if a dissenting shareholder fails to accept an offer, Pamour may, within 50 days after the asset acquisition is effective, or within such further period as a court may allow, apply to a court to fix a fair value for the shares. If

Pamour fails to apply to a court, a dissenting shareholder may apply to a court for the same purpose within a further period of 20 days or such further period as a court may allow. The application must be made to a court having jurisdiction in the place where Pamour has its registered office or in the province where the dissenting shareholder resides if Pamour carries on business in that province.

Reference is made to Schedule VII hereto containing section 184 of the CBCA for the complete text of the provisions conferring the right of dissent. Any shareholder desiring to exercise this right should seek legal advice since failure to comply properly with the provisions of the section could prejudice the right.

Gold Prices

The price of gold in U.S. and Canadian funds based on the 3:00 p.m. (London time) price for gold bullion as established by the five principal London Bullion Dealers has been as follows:

	\$U.S./ounce		\$Canadian/ounce	
	High	Low	High	Low
1981 1st quarter	599.25	461.50	711.85	554.17
2nd quarter	533.75	426.00	633.99	511.41
3rd quarter	463.50	391.25	554.02	486.13
4th quarter	453.50	395.00	542.84	468.35
1982 1st quarter	403.50	312.00	479.92	380.02
2nd quarter	366.75	296.75	448.90	385.78
3rd quarter	481.00	306.75	596.92	397.70
4th quarter	460.50	387.50	570.70	479.69
1983 1st quarter	509.25	408.50	623.42	502.01
2nd quarter	443.75	400.25	544.35	494.35
3rd quarter	430.50	401.75	530.16	495.60
4th quarter	405.00	374.25	501.88	463.32
1984 1st quarter	405.85	365.10	508.33	455.46
2nd quarter	393.75	367.90	512.23	478.53
3rd quarter	370.00	335.00	488.18	442.03
4th quarter	350.45	307.50	460.88	405.35
1985 1st quarter	330.40	284.25	450.83	398.38
2nd quarter	334.24	311.25	456.22	426.60
3rd quarter	340.90	308.25	462.26	418.39
4th quarter	331.25	315.50	456.36	439.18
1986 1st quarter	363.00	326.30	509.65	457.15
2nd quarter	348.35	333.10	483.20	463.64
3rd quarter	435.10	342.30	603.95	471.79
4th quarter	438.10	380.50	607.25	527.30
1987 January	422.25	398.75	573.71	548.52

Information supplied by Noranda Sales Corporation Limited.

Gold traditionally has had a monetary value. It is perceived to be a store of value in times of political and economic uncertainty, particularly when inflation is eroding the value of other forms of money. A number of factors and events influence the price of gold in unpredictable ways. The price of gold is therefore volatile and difficult to predict.

Experts

The audited financial statements of Pamour included in this Joint Proxy Circular have been examined by Coopers & Lybrand, Chartered Accountants, for the years and to the extent set forth in the auditors' report in respect thereof. The audited consolidated financial statements of Giant included in this Joint Proxy Circular have been examined by Thorne Riddell, Chartered Accountants, a predecessor firm of Thorne Ernst & Whinney, Chartered Accountants, for the years and to the extent set forth in the auditors' report in respect thereof. Such financial statements have been included herein in reliance upon such reports given upon the authority of such accountants as experts in accounting and auditing.

The references to reports of Kilbom Limited, consulting engineers and construction managers, relating to five year studies for Pamour's Timmins operations, Giant's Northwest Territories operations and the most favoured consolidated five year plan for the combined operations, have been included in this Joint Proxy Circular in reliance upon the authority

of that company as experts in the evaluation of ore reserves and in mining and processing operations. Kilbom was established in 1947 to provide engineering services to Canadian resource industries. Since that time, it has expanded within Canada and internationally and has provided services for over 1500 mining, metallurgical, process and public works projects in Canada and 36 other countries. In recent years the total annual constructed value of Kilbom projects has been in excess of \$300 million. The company is owned and operated by over 200 key employees.

Legal Matters

The matters referred to under "Tax Consequences to Pamour and Giant" will be passed upon by the law firm of Tilley, Carson & Findlay, Toronto, Ontario. Other legal matters relating to the asset combination will be passed upon by Tilley, Carson & Findlay in respect of Pamour and by the law firm of Bogart, Russell, Campbell, Robertson, Toronto, Ontario in respect of Giant.

United States legal matters relating to Giant will be passed upon by the law firm of Gaston Snow Beekman & Bogue, New York, New York.

BACKGROUND ON PAMOUR INC.

The Company

Pamour was incorporated by letters patent under the laws of Canada on March 7, 1934. By Certificate of Continuance issued April 17, 1980, Pamour was continued under the CBCA and its authorized capital was changed and increased to an unlimited number of common shares without par value. The present name, Pamour Inc., was adopted on June 5, 1986; the previous name was Pamour Porcupine Mines, Limited. The registered office of Pamour is at Suite 1902, Post Office Box 158, Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario, M5K 1H1.

Business and Properties

Pamour operates, in the Timmins, Ontario area, three underground gold mines (Pamour No. 1, Schumacher and Ross mines), two open pit mines (the Timmins surface and the No. 3 pits) and two large mills (Pamour No. 1 and Schumacher mills) and a smaller government sponsored mill (the "GoMill"). There are three additional underground mines (No. 2, No. 3 and Timmins underground) currently on a care and maintenance basis pending an improvement and stabilization in the price of gold. Pamour mines and mills its own gold bearing ores and, at the GoMill, custom mills ores from other companies on a toll basis. Pamour also provides custom assaying, design and engineering and shop fabrication services for others in the Timmins area. In addition to the operating mines, Pamour holds mineral inventory and lands for exploration.

Pamour's original No. 1 mine began production in 1936 and it has continued to this day. In the 1970's as gold prices rose, Pamour acquired a number of mines in the Timmins area. These included the No. 2 mine (then called the Hallnor mine) in 1971, the No. 3 mine in 1972 (then called the Aunor mine), the Schumacher mine and mill in 1973 (formerly the McIntyre mine and mill) and the Timmins (then called the Hollinger) and Ross mines in 1976.

Pamour's two mills have a combined capacity of approximately 5,500 tons per day and treat all of the Pamour's ore. In 1984, Pamour constructed the 300 ton per day capacity GoMill for the use of area prospectors and developers of smaller operations as a milling facility and for larger custom shippers as a pilot plant for metallurgical test results.

Ore Reserves and Mineralized Material

Details of Pamour's ore reserves and mineralized material are set out in the following tables:

	Sept. 30, 1986		Jan. 1, 1986		Jan. 1, 1985		Jan. 1, 1984		Jan. 1, 1983	
	Tons (000's)	Grade (Gold) oz/ton	Tons	Grade	Tons	Grade	Tons	Grade	Tons	Grade
Ore Reserves										
Proven	1,934	0.085	2,528	0.080	2,578	0.084	2,754	0.092	2,725	0.100
Probable	3,886	0.077	3,699	0.081	2,280	0.093	2,450	0.097	2,886	0.098
Total	<u>5,820</u>	<u>0.080</u>	<u>6,227</u>	<u>0.081</u>	<u>4,858</u>	<u>0.088</u>	<u>5,204</u>	<u>0.094</u>	<u>5,611</u>	<u>0.099</u>
Mineralized Material	7,790	0.084	7,054	0.092	3,670	0.097	3,576	0.097	3,227	0.097

NOTE: Mineralized material on the Porcupine Peninsula and Young Davidson properties (which total a further 4.3 million tons) are excluded as these properties will not be transferred to Giant as part of the asset acquisition.

Strategy

Pamour pursues a strategy of efficiently producing gold from its relatively low grade reserves, relying on its two large mills and its ability to respond rapidly to changes in gold prices by opening lower grade, higher cost mines maintained on a stand-by basis as gold prices increase and closing such mines as gold prices decline. Pamour continually assesses the economics of each of its operations with a view to improving or discontinuing the operation of unprofitable mines.

Over the past two years Pamour has moved from being a narrow-vein, high-cost per ton producer to a predominantly low-cost per ton bulk mining and open pit producer with current mining costs being about \$27 per ton. At the 1985 year end, about 61% of the tonnage produced was from underground bulk mining, 33% from open pits, and the remaining 6% from development and narrow-vein mining. Productivity per man shift increased 27% and production costs per ton decreased 11% in 1985 compared with 1984. Operating costs per ounce decreased 11.3% in 1985 to \$453 from \$511 in 1984.

The change in mining approach has helped to turn a \$9.76 million operating loss in 1984 into a \$763,000 operating profit in 1985 in spite of a 4.3% decrease in realized gold prices. Profitability continued with an operating profit for the nine months to September 30, 1986 of \$1,035,000 and net earnings for the same nine months of \$1,039,000.

Pamour has consistently followed a program of selling some of its production forward in the commodities market. The percentage of production sold forward varies according to the prevailing economic outlook. Currently about 70% of Pamour's current gold production is sold forward on a regular monthly basis. Because of this, the impact of recent changes in the gold price will not be substantially reflected in earnings until about the fourth quarter of 1987. Actual forward sales at November 1, 1986 extend to December 31, 1987 and total 97,500 ounces with an average forward price of \$532 per ounce.

Pamour continues to develop and broaden its economic base through exploration and the development of custom milling and assaying businesses. A business development group has been established to identify diversification opportunities, such as design and engineering services and custom shop fabrication, which are complementary to Pamour's skills and assets.

Production Facilities

1. Pamour No. 1 Complex

The Pamour No. 1 complex comprises mining, milling and administration facilities and a small townsite located in Whitney Township, 22 kilometers east of the City of Timmins. The property consists of 36 patented claims covering 1,623 acres.

Pamour No. 1

No. 1 mine commenced operation in 1936 as the original Pamour mine and has operated continuously to date. The mine currently produces 1,750 tons per day through a 3,145 foot five-compartment timbered shaft. Where possible bulk mining methods are utilized, primarily by vertical crater retreat method. Higher grade, narrow veins are mined by a modified open shrinkage method.

The on-site mill has capacity to treat 3,000 tons of ore per day and is currently processing ore from the No. 1 mine and the No. 3 open pit. Average mill throughput in 1985-86 is approximately 2,750 tons per day. A gold-pyrite flotation concentrate is produced from the ore and is treated by a conventional cyanidation process to produce a gold precipitate. Average recovery in the mill during 1986 was 86.9%. Precipitates from the mill are shipped to the Schumacher complex for initial refining (see "Schumacher Complex").

Selected Operating Data - No. 1 Mine

	YTD Sept 1986	Year ended December 31,				
		1985	1984	1983*	1982	1981
Tons of ore milled (000's)	456.6	650.9	647.3	486.8	627.9	578.8
Average grade of ore milled (oz. of gold per ton)	0.072	0.069	0.068	0.079	0.078	0.074
Production of gold (ozs.)	29,112	40,101	40,412	34,927	44,387	37,583
Employees at period end	231	217	291	336	341	393
Minesite cost per ounce**	\$491	\$450	\$483	\$446	\$372	\$431

*1983 results were affected by work stoppage May 6 to June 23, 1983.

**Excluding depreciation and administration expense.

Ore Reserves and Mineralized Material – No. 1 Mine

	Jan. 1, 1986		Jan. 1, 1985		Jan. 1, 1984		Jan. 1, 1983	
	Tons (000's)	Grade (Gold) oz/ton	Tons	Grade	Tons	Grade	Tons	Grade
Proven	1,102	.073	1,498	.072	1,425	.077	1,264	.080
Probable	1,700	.070	1,186	.070	1,233	.064	1,516	.066
Mineralized material	3,577	.067	1,626	.072	1,240	.080	1,199	.081

No. 3 Pit

Surface drilling continues to outline the full extent of the No. 3 pit which is immediately south-east of the No. 1 mill. Mining at a rate of 50,000 tons per month is proceeding. To September 30, 1986 a total of 349,000 tons grading 0.058 ounces of gold per ton has been mined and operating costs of less than \$300 per ounce have been experienced. This ore, together with ore from present underground operations at No. 1 mine, should allow the No. 1 mill to operate at capacity for the next five or six years.

In 1986, a 40,000 foot diamond drilling program has been carried out. This is expected to increase surface and underground reserves by as much as 2 million tons. In addition, 2 million tons of lower grade material will be mined in conjunction with the pit ore, which will be heap leached if studies indicate this to be economically feasible. Results to the end of October, 1986 from a 10,000 ton test heap leach on this material have indicated a gold recovery rate of up to 68% is possible.

Selected Operating Data – No. 3 Pit

	YTD Sept. 1986	Year ended December 31, 1985
Tons of ore milled (000's)	349.2	180.9
Average grade of ore milled (oz. of gold per ton)	0.058	0.065
Production of gold – ozs.	16,923	10,245
Minesite cost per ounce*	\$298	\$292

*Excluding depreciation and administration expense.

Ore Reserves – No. 3 Pit

	Jan. 1, 1986		Jan. 1, 1985	
	Tons (000's)	Grade (Gold) oz/ton	Tons	Grade
Proven	758	.067	176	.064
Probable	985	.067	—	—

2. Schumacher Complex

The Schumacher Complex ("Schumacher"), consisting of the former McIntyre mine, mill and refinery and related facilities, is located one kilometer east of the City of Timmins. The property, acquired in 1973 from McIntyre Mines Limited, covers 1,638 acres on 35 patented claims. The former Coniaurum mine and Bishop shaft are located on a 760 acre adjoining property which Pamour also holds. Production of gold bearing copper ore from the Schumacher copper zone was terminated in 1982. The current extraction rate for gold ore is 700 tons per day through two surface shafts, one 3,200 feet and the other 4,000 feet deep. Since 1982, Schumacher production has come primarily from ore grade salvage stopes and ore pillars.

The Schumacher mill has a capacity of 2,700 tons per day and treats gold and copper/gold carbonaceous refractory ores. Ores primarily from the Schumacher and Ross mines and Timmins Surface are treated at the Schumacher mill. Gold flotation concentrates produced at Schumacher and at Pamour No. 1 are treated by a conventional cyanidation process to produce a gold precipitate or shipped to Noranda Inc.'s Horne smelter at Noranda, Quebec. Average recovery in the mill during 1986 was 79.6%. The refinery at Schumacher refines all gold precipitates from both the Pamour No. 1 and Schumacher mills (see "Marketing" below).

Selected Operating Data – Schumacher Mine

	YTD Sept. 1986	Year ended December 31,				
		1985	1984	1983*	1982	1981
Tons of ore milled (000's)	180.4	243.2	275.0	221.7	333.4	539.6
Average grade of ore milled (oz. of gold per ton)	0.073	0.078	0.082	0.095	0.076	0.055
Production of gold – ozs.	10,851	17,348	20,042	18,597	21,806	24,543
Employees at period end	113	98	237	345	346	462
Minesite cost per ounce**	\$563	\$423	\$517	\$509	\$539	\$659

*1983 results were affected by work stoppage May 6 to June 23, 1983.

**Excluding depreciation and administration expense.

Ore Reserves and Mineralized Material – Schumacher Mine

	Jan. 1, 1986		Jan. 1, 1985		Jan. 1, 1984		Jan. 1, 1983	
	Tons (000's)	Grade (Gold) oz/ton	Tons	Grade	Tons	Grade	Tons	Grade
Proven	77	.081	80	.085	219	.085	210	.101
Probable	95	.080	64	.080	35	.131	59	.118
Mineralized material	259	.130	111	.090	88	.120	70	.126

3. GoMill and Custom Services

In 1984 and early 1985 Pamour constructed a new 300 ton per day dedicated custom milling circuit at the Schumacher mill. This separate circuit is available to area prospectors and developers of smaller operations as a custom milling facility and to larger operators as a pilot plant for metallurgical testing. Under the Ontario government's "GoMill" program, Pamour was provided with financial assistance in the form of a forgivable interest-free loan of \$950,000 received from the government in July 1986. The first \$190,000 of principal of the loan has been forgiven and the balance is to be forgiven over the next four years, subject to compliance with the terms of the assistance.

In the expanded custom assaying facilities located at the Schumacher site, Pamour Analytical Services provides custom assaying services for prospectors and developers in the Timmins area.

4. Ross Mine and Timmins Mine

In 1976 Pamour acquired the Timmins mine (the former Hollinger Mine) and the Ross Mine from Hollinger Mines Limited. Production from these mines is subject to royalty payments to Hollmin Resources Limited.

Ross Mine

The Ross mine is located 90 kilometers east of the City of Timmins in Hislop Township near Holtyre, Ontario. The property is comprised of five patented claims covering 375 acres. Since commencing underground production in 1936 the mine has been expanded several times and it currently produces 650 tons per day. The three compartment shaft was deepened to the 3,300 foot level in 1979. Development of the 3,150 foot level has been completed and mining at this elevation has commenced. The primary mining method at Ross is vertical retreat mining. Four known ore pipes below the 3,150 foot level have indicated 4.5 million tons of mineralized material grading 0.120 ounce of gold per ton from the 3,150 foot level to the 5,175 foot elevation. Pamour estimates that approximately \$17 million would be required to sink the shaft to this depth and install a service shaft to allow the mining rate to increase to 1,150 tons per day. No decision has been reached to proceed with this project, although a program to confirm reserves has been approved.

Selected Operating Data – Ross Mine

	YTD Sept.	Year ended December 31,				
	1986	1985	1984	1983*	1982	1981
Tons of ore milled (000's)	164.3	212.6	236.9	239.1	252.4	210.7
Average grade of ore milled (oz. of gold per ton)	0.106	0.107	0.094	0.093	0.096	0.095
Production of gold – ozs.	13,967	19,108	17,875	18,010	20,147	16,432
Employees at year end	83	91	97	95	92	82
Minesite cost per ounce**	\$499	\$477	\$565	\$374	\$412	\$417

*1983 results were affected by work stoppage May 6 to June 23, 1983.

**Excluding depreciation and administration expense.

Ore Reserves and Mineralized Material – Ross Mine

	Jan. 1, 1986		Jan. 1, 1985		Jan. 1, 1984		Jan. 1, 1983	
	Tons (000's)	Grade (Gold) oz/ton	Tons	Grade	Tons	Grade	Tons	Grade
Proven	407	.121	570	.124	689	.105	668	.104
Probable	919	.117	995	.122	645	.129	699	.127
Mineralized material	728	.117	349	.120	730	.107	522	.107

Timmins Mine

The Timmins surface operation and underground mine are located in the City of Timmins. The property covers 718 acres on 17 patented claims. The Timmins underground mine, the former Hollinger Mine, has suspended operations. Reference is made to "Suspended Operations".

The surface operation is designed to recover crown pillars and adjacent lower grade mineralization.

Selected Operating Data – Timmins Surface

	YTD Sept.	Year ended December 31,				
	1986	1985	1984	1983*	1982	1981
Tons of ore milled (000's)	169.2	157.7	204.6	200.0	143.6	39.0
Average grade of ore milled (oz. of gold per ton)	0.079	0.106	0.072	0.082	0.070	0.041
Production of gold – ozs.	10,489	13,913	11,708	13,088	8,240	1,315
Minesite cost per ounce**	\$417	\$310	\$423	\$330	\$325	\$752

*1983 results were affected by work stoppage May 6 to June 23, 1983.

**Excluding depreciation and administration expense.

Ore Reserves and Mineralized Material – Timmins Surface

	Jan. 1, 1986		Jan. 1, 1985	
	Tons (000's)	Grade (Gold) oz/ton	Tons	Grade
Proven	184	.085	254	.080
Probable	—	—	35	.063
Mineralized material	270	.073	190	.068

Prior to January 1, 1985, Timmins surface ore reserves were included with Timmins underground ore reserves.

Suspended Operations

The three underground mines described below are currently on a care and maintenance basis pending an improvement and stabilization in the price of gold. There are no current studies under way to determine the economic basis upon which these mines may be re-opened on a profitable basis. Should the price of gold reach a sustained level of about U.S. \$475 per ounce then management would consider undertaking the appropriate review.

Pamour No. 2 Mine

The Pamour No. 2 mine purchased from Hallnor Mines Limited in 1971 is located in Whitney Township, 21 kilometers east of the City of Timmins on two Veteran Lots covering 320 acres, and is developed by two shafts, one from surface and the other an internal shaft. Operations were suspended in February 1982 as a result of declining metal prices.

Mineralized Material – No. 2 Mine

	Jan. 1, 1986	
	Tons (000's)	Grade (Gold) oz/ton
Mineralized Material	826	.108

Prior to January 1, 1986, mineralized material at the No. 2 mine was not recorded.

Pamour No. 3 Mine

The Pamour No. 3 mine is composed of the former Aunor and Delnite gold mines, located 8 kilometers southeast of the City of Timmins, on 19 patented claims acquired from Aunor Gold Mines, Limited in 1972 and two patented claims acquired from Aunor under a 99 year lease with Montreal River International Silver Mines Limited. The two mines were developed by two surface shafts and an internal shaft. Operations at No. 3 mine were suspended in 1984. A surface exploration program is being carried out to determine open pit potential on the Delnite property.

Mineralized Material – No. 3 Mine

	Jan. 1, 1986		Jan. 1, 1985		Jan. 1, 1984		Jan. 1, 1983	
	Tons (000's)	Grade (Gold) oz/ton	Tons	Grade	Tons	Grade	Tons	Grade
Mineralized material	402	.146	402	.146	435	.139	488	.154

NOTE: Prior to suspension of operations during 1984, this mineralized material was categorized as ore reserves.

Timmins Underground Mine

The Hollinger underground mine which ran from 1910 to 1968 was acquired by Pamour in 1976 and renamed the Timmins underground mine. Surface mining has been carried out on this property since 1976. Operations at the underground mine were suspended in late 1984 and the mine and plant are being maintained on a standby basis. At the time operations were suspended, \$11.3 million of Pamour's original \$15 million investment in the mine remained to be amortized. Amortization will continue when operations are recommenced.

Mineralized Material – Timmins Underground Mine

	Jan. 1, 1986		Jan. 1, 1985		Jan. 1, 1984		Jan. 1, 1983	
	Tons (000's)	Grade (Gold) oz/ton	Tons	Grade	Tons	Grade	Tons	Grade
Mineralized material	992	.117	992	.117	2,041	.109	2,143	.114

NOTES:

- (1) Prior to suspension of operations during 1984, this mineralized material was categorized as ore reserves.
- (2) Includes Timmins surface ore reserves prior to January 1, 1985.

Development

Development expenditures charged to earnings at each of the Pamour properties over the last five years and up to September 30, 1986 totalled approximately \$11.45 million and were as follows:

	YTD Sept. 1986	Year ended December 31,				
		1985	1984	1983	1982	1981
No. 1 Mine	\$ 826	\$ 799	\$1,339	\$ 972	\$ 385	\$ 861
No. 2 Mine	—	—	—	—	41	286
No. 3 Mine	—	—	85	129	62	169
Schumacher	47	94	256	364	401	1,011
Ross	508	336	696	471	318	547
Hoyle	—	—	(1)	1	—	—
Arrow	—	—	—	—	3	49
Timmins Underground	—	—	173	138	75	—
Timmins Surface	3	4	—	—	—	—
Heap leach	—	—	—	—	—	—
TOTAL	<u>\$1,384</u>	<u>\$1,233</u>	<u>\$2,548</u>	<u>\$2,075</u>	<u>\$1,285</u>	<u>\$2,923</u>

Capital Expenditures

Capital expenditures over the last six years are as follows:

Year	Fixed Assets Additions	Deferred Exploration & Development (in thousands)	Total
1981.....	\$ 7,450	\$ 5,185	\$12,635
1982.....	2,115	2,289	4,404
1983.....	541	200	741
1984.....	1,534	432	1,966
1985.....	3,727	336	4,063
1986.....	3,734	4,953	8,687
TOTAL	<u>\$19,101</u>	<u>\$13,395</u>	<u>\$32,496</u>

Royalties

The Company negotiated several royalty agreements commencing in the early 1970s. The most significant royalty agreement requires payment of royalties to Hollmin Resources Limited for ore mined and milled at the Ross and Timmins mine operations which were acquired from Hollinger Mines Limited in 1976. Agreement was reached in mid-1986 for the reduction of the royalty payable on ore mined from open pits at those locations from \$3.60 per ton to \$1.00 per ton.

Royalty expense over the last six years is as follows:

	(in thousands)
1981	\$ 934
1982	445
1983	1,718
1984	1,085
1985	738
1986	894
Total	<u>\$5,814</u>

Marketing

Pamour's metal production is marketed by Noranda Sales Corporation Limited a marketing subsidiary of Noranda Inc. Pamour's gold bars are refined either at the Royal Canadian Mint or at Noranda Inc.'s Canadian copper refinery. Gold-bearing copper concentrate residue is shipped to the Noranda Inc. smelter in Noranda, Quebec for smelting.

Pamour has consistently followed a program of selling some of its production forward in the commodities market. The percentage of production sold forward varies according to the prevailing economic outlook. Actual forward sales at November 1, 1986 extend to December 31, 1987, and total 97,500 ounces with an average forward price of \$532.

Exploration

Pamour recently completed a private placement of 150 Units entitling purchasers to acquire up to 150,000 common shares on a flow-through basis for proceeds of \$2,700,000 which it proposes to expend on thirteen gold exploration properties and one magnesite deposit. These properties will not be included in the properties transferred to Giant as part of the asset acquisition. Set out below is a table naming the properties included in this program and the amount of funds proposed to be expended on each:

<u>Property</u>	<u>Budgeted Cost</u>
Young Davidson	\$ 600,000
Porcupine Peninsular Mine	650,000
Southeast Ronocco	110,000
South Matheson	115,000
McHugh/McLay	127,500
Hopson	175,000
Porcupine Peninsula Surface	255,000
Choi/Delnite	450,000
South and Southeast Hydra	25,000
East Goldhawk	15,000
Kraft Creek	50,000
Northwest Tisdale	12,500
Matheson Gravel Property	15,000
Pamour Magnesite Property	100,000
	<u>\$2,700,000</u>

Pamour at its discretion may expend more or less than the budgeted sums on these properties.

Pamour also holds other properties for exploration in addition to those referred to above. The total exploration acreage exceeds 14,000 acres. Exploration expenditures charged to earnings over the last six years (excluding the exploration program referred to above) are:

<u>Year</u>	<u>Expenditures</u>
1981	\$1,472,000
1982	321,000
1983	651,000
1984	738,000
1985	335,000
1986	314,000
Total	<u>\$3,831,000</u>

Selected Financial Information

The following table summarizes the production statistics, revenues and earnings statistics, working capital, total assets, total long-term debt and dividends and book value per share for the periods indicated:

	Nine months ended September 30,		Year ended December 31,				
	1986	1985	1985	1984	1983	1982	1981
<i>Production Statistics</i>							
Ores mined and treated – tons (000's) . . .	1,320	1,077	1,445	1,509	1,306	1,637	1,758
Production of gold – ounces	81,342	78,862	100,715	103,804	101,969	119,523	103,232
Average price realized for gold –							
\$ per ounce	482	468	469	490	520	445	644
Total cost to produce gold – \$ per ounce .	467	451	464	571	517	468	583
Ores treated for others on a toll basis –							
tons (000's)	98	204	260	294	230	170	147
<i>Comparative Statement of Earnings Data</i> (thousands of dollars except per share amounts)							
Revenues	41,616	38,782	50,741	51,068	53,508	56,108	65,787
Earnings (loss) from operations	1,035	1,830	763	(9,759)	(760)	(913)	672
Other income (expense)	72	6,099	11,214	(742)	1,338	(2,540)	2,750
Income and production taxes recoverable (provided)	(362)	(1,980)	(1,452)	2,251	1,238	2,150	412
Earnings (loss) before extraordinary items	745	5,949	10,525	(8,250)	1,816	(1,303)	3,834
Extraordinary items	294	1,851	2,040	—	814	—	(17,339)
Net earnings (loss)	1,039	7,800	12,565	(8,250)	2,630	(1,303)	(13,505)
Earnings (loss) per share – after extraordinary items	\$0.15	\$1.11	\$1.79	(\$1.18)	\$0.38	(\$0.19)	(\$1.93)
<i>Comparative Balance Sheet Data</i> (as at end of period) (thousands of dollars except per share amounts)							
Working capital (deficiency)	(16,443)	(7,849)	(3,936)	(18,261)	(9,493)	(17,455)	(13,344)
Total assets	62,302	28,714	28,817	32,602	34,923	45,677	44,815
Total long-term debt	678	—	506	—	—	—	—
Retained earnings	7,970	2,166	6,931	(5,634)	2,616	(14)	1,289
Shareholders' equity	24,300	10,658	15,423	2,858	11,108	8,478	9,781
Dividends per share	—	—	—	—	—	—	\$1.15
Book value per share	\$3.13	\$1.52	\$2.20	\$0.41	\$1.59	\$1.21	\$1.40
<i>Financial Information in Accordance with United States Generally Accepted Accounting Principles</i> (thousands of dollars except per share amounts)							
Earnings (loss) from operations	(40)	1,830	1,843	(9,759)	(760)	(913)	672
Earnings (loss) before extraordinary items	(1,965)	5,949	10,525	(8,250)	1,816	(1,303)	3,834
Earnings (loss) after extraordinary items .	(1,965)	7,800	12,565	(8,250)	2,630	(1,303)	(11,770)
Earnings (loss) per share	(\$0.28)	\$1.11	\$1.79	(\$1.18)	\$0.38	(\$0.19)	(\$1.68)
Total assets	61,033	28,714	28,817	32,602	34,923	45,677	44,815
Total long-term debt	678	—	506	1,080	1,080	1,080	1,080
Retained earnings	6,701	3,901	8,666	(3,899)	4,351	1,721	3,024
Shareholders' equity	23,031	12,393	17,158	4,593	12,843	10,213	11,516
Cash dividend per share	—	—	—	—	—	—	0.15
Book value per share	\$2.97	\$1.77	\$2.44	\$0.65	\$1.83	\$1.46	\$1.64

NOTE:

See notes 4 and 9 to the audited financial statements and note 5 to the interim financial statements of Pamour for details of significant uncertainties affecting Pamour.

Supplementary Financial Information

The following table summarizes revenues, operating earnings and earnings per share for each of the last eleven quarters together with the operating statistics for the same periods.

	Nine months ended September 30, 1986			Year ended December 31, 1985				Year ended December 31, 1984			
	1st	2nd	3rd	1st	2nd	3rd	4th	1st	2nd	3rd	4th
<i>Operating Statistics</i>											
Ores mined and treated – tons	413,900	438,800	467,101	358,600	362,400	359,841	364,562	402,300	365,600	367,900	373,314
Production – gold ounces	26,114	26,697	28,531	25,663	27,312	23,887	23,853	29,579	22,909	26,281	25,035
Average price realized for gold – \$ per ounce	485	478	483	499	469	437	471	479	486	456	539
Other ores treated on a toll basis – tons	40,600	34,000	23,173	60,900	66,600	76,600	55,499	33,400	98,000	71,200	91,051
<i>Statement of Earnings</i> (thousands of dollars except per share data)											
Revenues	13,221	13,557	14,838	13,876	12,935	11,971	11,959	14,458	12,587	12,511	11,512
Earnings (loss) from operations	49	369	617	1,676	729	(575)	(1,067)	(1,335)	(3,884)	(2,718)	(1,822)
Earnings (loss) before extraordinary items	32	302	411	896	374	4,679	4,576	(735)	(3,708)	(2,722)	(1,085)
Net earnings (loss)	36	502	501	1,220	441	6,139	4,765	(735)	(3,708)	(2,722)	(1,085)
Earnings (loss) per share											
Before extraordinary items	\$0.01	\$0.05	\$0.06	\$0.13	\$0.05	\$0.67	\$0.65	\$(0.11)	\$(0.53)	\$(0.39)	\$(0.15)
After extraordinary items	\$0.01	\$0.07	\$0.07	\$0.17	\$0.06	\$0.88	\$0.68	\$(0.11)	\$(0.53)	\$(0.39)	\$(0.15)

NOTE:

See notes 4 and 9 to the audited financial statements and note 5 to the interim financial statements of Pamour for details of significant uncertainties affecting Pamour.

Management's Discussion of Financial Results

Operating Results

Pamour's profitability is determined to a great extent by world gold prices. This is reflected in the highest historical earnings in fiscal 1980 when gold prices were high. Conversely, as gold prices fell in 1981 and 1982, Pamour suspended operations at lower grade properties and stressed grade control and increased productivity. Despite record gold production and a reduction of \$6 million in operating costs, an operating loss was incurred in 1982 when gold prices remained depressed.

Net earnings for 1983 were \$2,630,000 or \$0.38 per share compared with a loss of \$1,303,000 or \$0.19 per share in 1982. To reduce debt and interest expense, certain investments were sold, resulting in proceeds of \$7 million and a gain of \$2 million which is included in net earnings for the year.

Revenue from bullion and concentrates produced in 1983 decreased to \$55,506,000 from \$58,001,000 in 1982, due primarily to the significant drop in production caused by a seven week labour dispute with unionized employees, and by lower productivity preceding and subsequent to the work stoppage. The strike impacted operating results, and adversely affected efforts to decrease costs, to increase grade and to maximize productivity. The effort to optimize an economic mix of tons and grade was successful, however, to the extent that overall ore grade increased by seven percent.

During 1983, 1,306,022 tons of ore averaging 0.090 ounces of gold per ton were milled, a decrease from 1982, when 1,637,000 tons of ore grading 0.084 ounces of gold per ton were milled. A small increase in gold price cushioned the effect of lower tonnages mined.

Production costs during 1983 amounted to \$46,884,000 versus \$51,302,000 in 1982. The reduction was attributed primarily to the work stoppage caused by the strike. Depreciation and amortization decreased from \$2,501,000 in 1982 to \$2,314,000 in 1983. Exploration and development were increased from \$2,139,000 in 1982 to \$2,727,000 in 1983, reflecting the development of ore reserves and mine properties.

Mine site operating costs in 1983 were \$39.00 per ton milled or \$487.00 per ounce of gold produced, compared to \$33.00 per ton and \$445.00 per ounce in 1982.

In early 1984, ore production from all operations was increased in anticipation of stronger gold prices. As gold prices continued to decline, operations were curtailed. In the second quarter ore grade decreased at all properties. In the third quarter, Schumacher mining operations were placed on a salvage basis, operations at the higher cost Timmins underground and No. 3 mines were suspended, and costs were reduced significantly at the remaining properties. Despite

reduced losses in the final quarter, the net loss for the year was \$8,250,000 or a loss of \$1.18 per share. The decrease in earnings was attributable to a significant drop in gold prices, to higher operating costs, and to increased expenditures on exploration.

During 1984, revenue from bullion and concentrate production decreased by \$1,836,000 from \$55,506,000 in 1983 to \$53,670,000 in 1984. To partially offset the decreasing gold price, an aggressive forward selling program was followed in 1984.

Forward sales contracts maturing in 1984 amounted to 66,500 ounces and resulted in a gain of \$3.4 million over the spot price. At year end, 57,000 ounces of 1985 production had been sold forward at an average price of US\$370, or (based on the average 1984 exchange rate of 0.7710) CDN\$480.

Mining operations processed 1,509,114 tons of ore grading 0.079 of gold per ton in 1984. This compares with the 1983 production of 1,306,000 tons. An additional 293,651 tons of ore and concentrates were processed for six customers on a toll basis. Gold produced in bullion and concentrate totalled 103,804 ounces versus 101,969 ounces in 1983.

Production costs in 1984 escalated to \$53,072,000 compared with \$46,884,000 in 1983. Depreciation and amortization increased to \$2,706,000 in 1984 from \$2,314,000 in 1983 and exploration and development increased to \$3,390,000 from \$2,727,000 in 1983, as Pamour increased its efforts to locate additional sources of ore.

Mine site operating costs in 1984 were \$37.00 per ton milled or \$539.00 per ounce of gold produced, compared to \$39.00 per ton and \$487.00 per ounce in 1983.

Net earnings for 1985 were \$12,565,000 or \$1.79 per share compared to a 1984 loss of \$8,250,000 or \$1.18 per share. In the second half of 1985, Pamour sold its investments in shares of Noranda Inc. and Kerr Addison Mines Limited for a net gain of approximately \$9.1 million which is reflected in net earnings. The increase in earnings also was due to a \$1 million gain on sale of a mineral rights lease, reductions in depreciation and amortization, exploration and development, and from elimination of the provision for severances of \$1,080,000 which was no longer required.

During 1985, revenue from bullion production decreased by \$1,656,000 from \$53,670,000 in 1984 to \$52,014,000. The decrease, which was due to lower gold prices and a decrease in ounces of gold being sold, would have been greater but for the cushioning effect of the forward selling program. Bullion and concentrate production dropped to 100,715 ounces in 1985 from 103,804 ounces in 1984. Production of ore dropped from 1,509,000 tons in 1984 to 1,445,000 tons in 1985.

In 1985, Pamour achieved a turnaround in its operating results by the continued application of lower cost mining techniques such as underground bulk mining and open pit mining. For example, for 1985, about 98% of ore produced was from underground bulk mining and open pit mining with the remaining 2% from narrow-vein mining. This compares with 1984 when 85% of ore produced was from underground bulk mining and open pit mining with the remaining 15% from narrow-vein mining.

This shift in mining techniques permitted an improvement in productivity per manshift of 27% from 1984 to 1985 while the total number of employees decreased 6.5% from 1984 to 1985. Although ore milled decreased by 4.2% in 1985 from 1984, the total production costs decreased 14.1% from \$35.00 in 1984 to \$32.00 in 1985. Narrow vein mining costs moved from approximately \$75.00/ton in 1984 to \$50.00/ton in 1985; bulk mining costs moved from approximately \$40.00/ton in 1984 to \$31.00/ton in 1985 and open pit mining costs from approximately \$24.00/ton in 1984 to \$21.00/ton in 1985.

The change in mining techniques reflects a move to a more efficient utilization of manpower rather than development of a new technology. Accordingly development costs specifically related to the shift in mining techniques are very low, being nil in 1984 and \$170,000 for bulk mining and \$3,000 for open pit mining in 1985. These development costs are included under deferred development in the capital expenditures table on page 25.

The change in mining approach has been an important factor in turning a \$9.76 million operating loss in 1984 into a \$763,000 operating profit in 1985 in spite of a 4.3% decrease in realized gold prices from \$490 per ounce to \$469 per ounce.

Depreciation and amortization expense in 1985 totalled \$1,501,000 versus \$2,706,000 in 1984 and exploration and development totalled \$1,568,000 compared to \$3,390,000 in 1984. Production costs were cut from \$53,072,000 in 1984 to \$45,587,000 in 1985.

Mine site operating costs in 1985 were \$31.00 per ton milled or \$442.00 per ounce of gold produced, compared to \$37.00 per ton and \$539.00 per ounce in the same period of 1984.

Net earnings for the first nine months of 1986 were \$1,039,000 or \$0.15 per share. Earnings from operations for the same nine months were \$1,035,000. The comparable net earnings for the same period of 1985 were \$7,800,000 or \$1.11 per share which included a non-operating gain on the sale of investments totalling \$6,289,000, while the comparable earnings from operations for the same period of 1985 were \$1,830,000. The nine months earnings from operations were lower in 1986 than in 1985 due primarily to the following items: an increase in administrative costs of \$554,000, an increase in exploration and development costs of \$460,000 and an increase in royalties of \$186,000; these were partly offset by a reduction in depreciation and amortization of \$395,000.

Production of ore by September 30, 1986 totalled 1,320,000 tons grading 0.073 ounces of gold per ton; a significant increase over the 1,077,000 tons grading 0.08 ounces of gold per ton for the same period in 1985. Ounces of gold produced totalled 81,342 compared with 78,862 in the same period of 1985.

In February, 1986, control of Pamour passed from Noranda Inc. to Jimberlana Minerals N.L. To date in 1986, much progress has been made towards the new management's goal of improved earnings.

Expansion of Pamour's open pit and bulk mining operations during the second quarter has resulted in increased tonnage treated and in a substantial decrease in the cost per ton treated from the corresponding period last year. Operating earnings have risen from \$49,000 in the first quarter to \$617,000 in the third quarter. Total earnings for the nine months ended September 30, 1986 were \$1,039,000.

Mine site operating costs to September 30, 1986 were \$27.00 per ton milled or \$445.00 per ounce of gold produced, compared to \$31.00 per ton and \$442.00 per ounce in the same period of 1985.

Liquidity

Pamour has had a working capital deficiency ranging between \$16.5 million and \$1.1 million at each year-end since 1980. Included in this deficiency has been the company's indebtedness to Noranda and associated companies through a short term investment pool administered by Noranda. As part of the sale of Noranda's interest in Pamour to Jimberlana Minerals N.L., completed in February, 1986, Pamour liquidated its indebtedness to Noranda by selling its investment portfolio.

At the end of 1985, the working capital deficiency amounted to \$3,936,000. At the end of September 1986, the working capital deficiency was \$16,443,000.

During the first nine months of 1986, cash resources decreased by \$12.9 million. Cash totalling \$1,075,000 was used for operations while \$20,772,000 was used for investing activities, principally the acquisition of Giant and Akaitcho shares. Expenditures on fixed assets totalled \$2,562,000 during this period while deferred exploration and development expenditures totalled \$2,349,000. During this period Pamour raised \$7,800,000 by way of private placement of shares.

Pamour has had a positive cash flow from operations in each of the last five years up to 1985, except 1984. Capital expenditures, which were significant in 1980 and 1981 when the joint venture project with Noranda at Park City, Utah and the Timmins underground mine were under development, have been stringently controlled in recent years. Several major projects, such as the GoMill facility and the development of the No. 3 pit, were undertaken in 1985.

In 1986, underground and open pit developments have drawn heavily on cash flow, and \$4.25 million of a \$5 million operating line of credit had been utilized by the company at September 30, 1986. It is expected that cash flow will improve considerably in 1987 as gold production increases from current development work. Because Pamour sells about 70% of its gold production forward, the impact of recent increases in gold prices will not be substantially reflected in cash flow and earnings until the third quarter of 1987.

Employee Relations

As of September 30, 1986 Pamour employed 147 salaried employees and approximately 600 hourly rated employees. Hourly employees are represented by the United Steelworkers of America. A new collective agreement has been signed effective July 1, 1986 which expires June 30, 1988. Pursuant to the agreement, wages will increase 5% in the first year and 4% in the second year. Only one strike, in 1983, has occurred at Pamour.

All employees with one year of seniority are members of the Pamour Deferred Profit Sharing Plan (the "Plan"). The Plan was established in 1979 to recognize the efforts and cooperation of employees throughout the Pamour organization and to provide employees with an involvement in the profits and risks of the business. Under the Plan, Pamour may contribute an amount each year out of profits which the Board of Directors in its absolute discretion shall determine, provided the contribution is not less than 1% of the profits before tax of the company for that year, subject to contribution limits established by the Income Tax Act (Canada). The assets in the Plan are invested by Trustees of the Plan for the benefit of employees. Pamour has no control over or interest in the Plan.

Company contributions made to the Plan for the last five years are as follows:

1981	\$ 99,000
1982	26,000
1983	21,000
1984	—
1985	121,000

At its meeting of February 18, 1986, the Board of Directors of Pamour reserved 100,000 common shares of the corporation to be allocated by management to employees from time to time as incentive stock options. These options were subsequently approved by the shareholders and securities regulatory authorities. Stock options in respect of an aggregate of 78,000 common shares have been allocated to employees. The options are for a term of three years at an exercise price of \$13 per share.

Government Regulation

The Timmins mining operations are governed by the Ontario Mining Act, Occupational and Health and Safety Act, Environmental Protection Act, Environmental Assessment Act and the Pits and Quarries Act, and all regulations passed thereunder. Failure to comply therewith may result in orders being issued which may require operations to cease or be curtailed or the installation of additional equipment. Pamour may be required to compensate those suffering loss or damage by reason of its mining activities and may be fined if convicted of an offence under any of such statutes. Pamour is complying with the foregoing statutes and regulations where applicable and has not been the recipient of any orders or directives other than in the ordinary course of business.

Price Range of Common Shares

The common shares of Pamour are listed on The Toronto Stock Exchange. The following table sets out the high and low prices of the common shares as reported by The Toronto Stock Exchange for board lots for the periods indicated:

Period	High	Low
1984 Third Quarter	\$11 $\frac{1}{4}$	\$6 $\frac{1}{4}$
Fourth Quarter	9 $\frac{1}{4}$	4 $\frac{3}{4}$
1985 First Quarter	7 $\frac{3}{4}$	4.30
Second Quarter	9 $\frac{5}{8}$	6 $\frac{1}{4}$
Third Quarter	9 $\frac{3}{4}$	7 $\frac{1}{4}$
Fourth Quarter	10 $\frac{3}{4}$	8
1986 First Quarter	11 $\frac{7}{8}$	8 $\frac{1}{2}$
Second Quarter	11 $\frac{1}{2}$	9 $\frac{1}{4}$
Third Quarter	14 $\frac{3}{4}$	9
Fourth Quarter	14 $\frac{1}{4}$	11 $\frac{3}{4}$
1987 January	14 $\frac{7}{8}$	12 $\frac{1}{4}$

On February 5, 1987, the closing price of the common shares as reported by The Toronto Stock Exchange was \$13 per share.

Interests of Management

With respect to the joint venture agreement dated September 12, 1986 between Pamour and ERG providing for the proposed joint development of approximately 132 million tonnes of gold tailings in the Timmins, Ontario area, and the subsequent sale of Pamour's interests thereunder to ERG as announced October 29, 1986, as described below under "Recent Developments Relating to Pamour", the following may be considered to have an interest:

1. D. S. MacLeod – Chairman, President and a director of Pamour is also a director and Chairman of ERG, an officer and director of Lorncor Inc. ("Lorncor") which company has entered into an agreement with ERG to provide technical expertise and consulting services to the joint venture project, and he is also a director of Jimberlana Canada and of Jimberlana Minerals N.L. ("Jimberlana") which, through Jimberlana Canada holds 31.7% of the presently issued shares of Pamour and holds directly 9.9% of the issued shares of ERG.
2. J. M. R. Berardo – a director of Pamour, is also an officer and director of Lorncor, a director of ERG and a director and indirect shareholder of Jimberlana.
3. J. J. Byrne – a director of Pamour, is also a director of Jimerlana Canada and an officer, director and a direct and indirect shareholder of Jimberlana.
4. C. Kyriakou – a director of Pamour, is also a director of Jimberlana Canada and a director and indirect shareholder of Jimberlana.
5. A. C. A. Howe – a director of Pamour, is also an indirect shareholder of ERG and a director and shareholder of Jimberlana.
6. E. F. Merringer – the Secretary and a director of Pamour, is also a director of ERG and a director and officer of Jimberlana Canada.
7. D. C. Deacon – a director of Pamour, is also a director of Jimberlana Canada and holds options to acquire shares of Jimberlana.

In addition, in another transaction related to the transactions with ERG, Pamour has acquired 1,407,988 shares of ERG at a price of \$3.50 per share by way of private transactions from four vendors including D. S. MacLeod and J. M. R. Berardo who sold, directly or indirectly, 295,160 shares and 372,330 shares, respectively. See "Recent Developments Relating to Pamour", below. Also as referred to in "Recent Developments Relating to Pamour", Jimberlana Canada loaned \$5.2 million to Pamour on November 21, 1986. As noted above, certain members of the Pamour Board of Directors have interests in Jimberlana.

R. R. McEwen, who was appointed a director of Pamour on November 18, 1986, is also President and a director and shareholder of CSA Management Limited from which Pamour acquired 50.1% of CNV on November 14, 1986. Mr. McEwen is one of the beneficiaries of a trust which holds all of the shares of Evanachan Limited which, in turn, holds 49.14% of CSA Management Limited. See "Recent Developments Relating to Pamour".

Prior to the acquisition of Noranda Inc.'s interest in Pamour by Jimberlana, Pamour had transactions with Noranda Inc. ("Noranda") and its associated companies on a continuing basis. Transactions related to the processing and sale of mine products were effected at rates set out in contractual agreements, such agreements being similar to those commonly used in the industry. Purchases of operating supplies were at normal market prices. Charges for services were at rates which approximate the actual cost of providing the services. Details of transactions since the beginning of Pamour's financial year ended December 31, 1985, are as follows:

	1985 (in thousands)
<i>Noranda Charges to Pamour</i>	
Smelting and refining tolls	\$1,833
Purchase of operating supplies	718
Management, data processing and research services	705
Purchase of fixed assets	90
<i>Pamour Charges to Noranda</i>	
Engineering, exploration and sundry services	535
Sales of fixed assets	110

Management functions, including head office and general administration services, were performed for Pamour by Noranda for a fee. The fee for these services for 1985 was \$422,000. Pamour also participated with Noranda and other companies associated with Noranda in a short-term investment pool. Pamour's indebtedness through the pool and its investment in shares of Noranda and Kerr Addison Mines Limited were liquidated pursuant to the acquisition agreement between Jimberlana and Noranda respecting the acquisition shares of Pamour.

Recent Developments Relating to Pamour

On August 12, 1986 Pamour completed the acquisition of its 19.16% interest in Giant and its 36.69% interest in Akaitcho. The acquisitions were completed at a total cost of \$16,947,489 and, in connection therewith, bank borrowings aggregating \$18.6 million were made. See "Recent Developments Relating to Giant" for more information relating to the acquisition.

On September 26, 1986, Pamour completed a private placement of 750,000 common shares at a price of \$11 per share, with net proceeds to Pamour of \$7,838,000. Of these funds, \$2.4 million has been expended to reduce the debt incurred by Pamour to acquire its interest in Giant. The balance of the funds have been and will be expended for general corporate purposes, including \$3.1 million expended to acquire a portion of the 1,407,988 shares of ERG referred to below under this heading. On November 21, 1986, an additional \$3.1 million of the debt incurred by Pamour to acquire its interest in Giant was retired and, accordingly, as at that date, a total of \$5.5 million of that debt had been retired.

On September 30, 1986, Pamour completed a private placement of 150 units entitling the holders thereof to earn common shares of Pamour at the rate of one share for each \$18 of funds expended during 1986 and before March 2, 1987 by Pamour as Canadian exploration expenses, as defined in the Income Tax Act (Canada), in the course of mineral exploration. Pamour realized \$2,700,000 from the proceeds of this offering, which will be expended on its exploration properties, and a total of 150,000 common shares will be issued if the funds are fully expended.

By a share purchase agreement dated October 14, 1986, Pamour has acquired 50.1% of CNV (on a fully-diluted basis), a junior natural resource corporation, from CSA Management Limited. This interest will not be transferred to Giant as part of the asset acquisition. The transaction was completed on November 14, 1986. As consideration for the shares acquired, Pamour paid cash consideration of \$2 million and issued 520,386 common shares (valued for the purposes of the transaction at \$14 per share) for total consideration of \$9,285,400. Following the closing R. R. McEwen, a director and the President of CSA Management Limited, was appointed to the Board of Directors of Pamour to fill an existing vacancy.

CNV is listed on the Vancouver Stock Exchange and has a number of property and joint venture interests, including a 50% joint venture interest in the Bell Creek Project near Timmins, Ontario. A production decision in conjunction with the operator, Canamax Resources Inc., respecting Bell Creek is imminent and it is also expected that ore produced at Bell Creek initially will be milled at Pamour's No. 1 Mill. Other interests of CNV include: a 50% joint venture interest with Newmont Mines Limited in the Mikwam Project located in Ontario and in the Casa Berardi area of Quebec; a 50% joint venture interest with Cominco Limited in the Bill joint venture in British Columbia; a 50% joint venture interest with Kewagama Gold Mines (Quebec) Limited in the Granada joint venture near Rouyn, Quebec; and property interests in the Porcupine project in close proximity to Pamour's Timmins operations.

On September 12, 1986, Pamour entered into a joint venture agreement with ERG for the exploitation of gold tailings interests held by both companies in the Timmins area of Ontario. The parties are equal participants in the joint venture. The joint venture interest and Pamour's tailings are assets which are excluded from the asset combination with Giant. The assets of the joint venture are: the right to acquire 132 million tonnes of dormant gold tailings dams together with the right to acquire Pamour's current and future active tailings dams when these become dormant; the preliminary feasibility study on the project carried out by Lorncor Inc. on behalf of ERG at a cost of approximately \$1,244,000; and the technical consulting agreement between ERG and Lorncor Inc. ERG was paid approximately \$622,000 by Pamour, being one-half of the cost of the preliminary feasibility study to that date. Pamour contributed approximately 80 million tonnes of tailings to the joint venture for which it is entitled to receive from the joint venture \$307,805 per year for ten years commencing August 15, 1987. When commercial production commences from each of the Pamour contributed dams, the unpaid amount attributable to that dam becomes payable within six months and Pamour becomes entitled to receive a 4% net smelter royalty. ERG's contribution to the joint venture included its rights in 52 million tonnes of tailings. These rights are subject to option payments to the vendors of the rights of \$200,000 per year for nine years. When commercial production commences, the unpaid option payments become payable within six months and a 4% net smelter return becomes payable.

Subsequently, on October 29, 1986, Pamour and ERG agreed that ERG would acquire Pamour's interest in the joint venture in exchange for 4,516,791 common shares of ERG valued at \$3.50 per share. Pamour will retain a 4% net smelter return royalty on production plus a payment of 3.834 cents per tonne of tailings sold to ERG. The issue of ERG shares to Pamour, taken with the acquisition of ERG shares described below, will result in Pamour holding an aggregate of 7,060,904 common shares of ERG representing 66.5% of ERG on a fully diluted basis. This interest will not be transferred to Giant as part of the asset acquisition.

A final feasibility study has been completed at an additional cost of approximately \$200,000, further confirmatory pilot plan tests have been completed, the operating and capital cost estimates finalized and financing arrangements are being considered. On December 23, 1986 ERG announced that it intends to proceed with the project, subject to completing the acquisition of Pamour's interest in the joint venture.

Detailed engineering design is to commence immediately and on site construction will commence in the spring of 1987. A 1.0 million tonnes per month single stage flotation plant, followed by a conventional 100,000 tonnes per month concentrate regrind and carbon in pulp cyanidation plant, is expected to be commissioned in the second half of 1988. This plant, at a capital cost of approximately \$65 million would operate for eight months per year for an expected lifetime of 20 years, with full production anticipated to be achieved in 1989 with gold production of approximately 100,000 ounces in the first years. In the initial years the grade of tailings treated will vary from between 0.49 and 0.82 gold per tonne with gold recovery ranging from 45% to 55%. A gold price of U.S. \$400 per ounce is expected to give the project a return on investment of 35% with a 2.6 years pay back. The operating breakeven gold price is initially about U.S. \$110 per ounce increasing to about U.S. \$230 per ounce as the tailings grade decreases. On the assumption that the project is financed 50% by equity and 50% by means of a gold loan, it is expected that the net after tax earnings during the first five years of the project will average approximately \$13 million Canadian per year.

In related transactions, ERG will acquire approximately 32 million tonnes of tailings in the Kirkland Lake area of Ontario from Jimberlana Canada in return for up to 556,225 shares of ERG. Pamour has agreed to purchase from Jimberlana Canada the 556,225 shares of ERG, together with an additional 579,900 ERG shares held or to be acquired by Jimberlana Canada, in exchange for up to 300,108 shares of Pamour valued at \$13.25 per share. Pamour shareholders are to consider this purchase at the shareholder meeting scheduled for February 10, 1987 and the transaction is expected to be completed shortly thereafter. Also, as announced on October 24, 1986, Pamour has acquired 1,407,988 shares of ERG at a price of \$3.50 per share by way of private transactions from four vendors including D. S. MacLeod, President and director of both ERG and Pamour, and J. M. R. Berardo, a director of both companies.

On November 21, 1986, Pamour borrowed \$5.2 million from Jimberlana Canada and issued a 12-month convertible promissory note in that amount. The principal amount may be converted during the term of the note into a maximum of 400,000 common shares of Pamour on the basis of \$13 per share. The borrowing bears interest at a rate equal to the rate which is charged by Jimberlana's bankers in Australia on borrowings by Jimberlana. Proceeds of the loan will be applied to the repayment of debt.

Certain of the above transactions are subject to approval by securities authorities and the shareholders of ERG.

At its meeting of December 18, 1986, the Board of Directors of Pamour approved a private placement of 2.6 million common shares of Pamour for proceeds of \$33.8 million, or \$13 per share. All the shares will be purchased by Jimberlana Canada. The proceeds will be used for general working capital purposes. Pamour will pay Jimberlana Canada a commission of 3% on the placement calculated on the total proceeds. The private placement has received the approval of The Toronto Stock Exchange, and is to be considered by the shareholders of Pamour other than Jimberlana Canada on February 10, 1987. The transaction is expected to be completed shortly thereafter.

On February 4, 1987 Pamour announced that its President, D. S. MacLeod, had advised the Board of Directors of his intention to resign as President effective upon the recruitment of his successor. Pamour expects that recruitment of a successor will take approximately two months. Mr. MacLeod will continue as a director of Pamour and as a director and Chairman of the Board of each of Giant and ERG. Mr. MacLeod advised the Board of Pamour that he felt it appropriate that he advise of his plans to step down at this time as the restructuring of Pamour and its associated companies is nearing completion.

Legal Proceedings

Ontario mining tax assessment notices totalling \$1,735,000 have been received by Pamour. These may be revised downward, or cancelled, if similar assessments currently under appeal by other mining organizations are allowed in Court. Pamour has made provision for this tax liability in its September 30, 1986 financial statements.

Montreal River International Silver Mines, Limited instituted an action in 1975 in the Supreme Court of Ontario for an accounting with respect to net profits realized by Pamour in the years 1973 and 1974 from the sale of minerals, ores and metals under a mining lease. In 1981, Montreal River International Silver Mines, Limited also commenced proceedings for an injunction restraining Pamour from continuing operations in breach of the mining lease referred to above, an accounting and damages. Cautions (being notices of the claims of an interest) were filed under the Land Titles Act of Ontario in 1973 by the Bear Island Foundation and certain members of the Teme-agama Anishnabay and Temagami Band of Indians preventing registration of Crown patents and mining leases in 110 townships in northern Ontario which affect 32 mining claims in which Pamour has an interest. Pamour does not believe that the outcome of any of these proceedings will have a material effect on its affairs.

Auditors, Registrar and Transfer Agent

The auditors of Pamour are Coopers & Lybrand, Chartered Accountants, 145 King Street West, Toronto, Ontario M5X 1H4. Coopers & Lybrand or its predecessor firms have been the auditors of Pamour since incorporation. Representatives of Coopers & Lybrand are expected to be present at the Pamour special meeting, will have the opportunity to make a statement if they wish to do so and will be available to respond to appropriate questions.

The Canada Trust Company is the transfer agent and registrar with respect to the common shares of Pamour at its principal office in Toronto.

BACKGROUND ON GIANT YELLOWKNIFE MINES LIMITED

The Company

Giant was incorporated by letters patent under the laws of the Province of Ontario on August 4, 1937 and was reorganized in its present form on June 30, 1960. On August 12, 1986, Pamour acquired from Falconbridge Limited 19.16% of the issued and outstanding common shares of Giant and shortly thereafter D. S. MacLeod, President of Pamour, was appointed Chairman of Giant. In addition four directors of Giant who were nominees of Falconbridge were replaced by nominees of Pamour, including D. S. MacLeod. Giant's registered office is at Suite 1902, Post Office Box 158, Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario M5K 1H1.

Business and Properties

Giant is in the business of mining gold from its mines at Yellowknife and Salmita in the Northwest Territories of Canada. The Yellowknife operation extends to the mining and treatment of ore from two contiguous properties upon behalf of its subsidiaries, Lolor Mines Limited (87.5% owned) and Supercrest Mines Limited (50.01% owned). The Yellowknife mine has been in production continuously since 1948 with production from the adjacent properties and subsidiaries commencing in 1967. Ground under the control of Giant at its operating properties in the Northwest Territories, including Salmita, total about 27,000 acres.

The Salmita mine is located 150 miles northeast of Yellowknife. The decision to proceed to production was made in March 1983. Underground development work and rehabilitation of a nearby plant that had been acquired from Tundra Gold Mines Limited started in April 1983. Treatment plant operations began in early August and the first bullion was poured in September 1983. The property reached production levels in commercial quantities on January 1, 1984.

Giant also undertakes prospecting and exploration outside of its principal properties in search for gold and other metals in various parts of Canada but principally in the Canadian Northwest. Also, through its subsidiary Arctic Precious Metals, Inc., it has undertaken exploration work searching for precious metals in Nevada, Utah and California in the United States.

Production Facilities

Yellowknife Division

The Giant mine at Yellowknife has been in production continuously since 1948 with production from the adjacent properties and subsidiaries commencing in 1967. The total production to the end of September, 1986 has been 12.8 million tons at a grade of 0.55 ounce of gold per ton for a total output of approximately 5.9 million ounces.

Access to the underground workings at the Giant mine is provided through four shafts, two large service raises and five declines, not all of which are presently in operation. The main shaft, or "C" shaft, is the mine's principal operating opening and extends to a depth of 2,124 feet. In recent years small satellite ore bodies have been developed by ramps with ore being trucked to the mill on surface.

The mine obtains about one-third of its production from open pits, the first of which was started in 1974 on a low-grade deposit about 3,000 feet south of "C" shaft. It was completed in 1979 with the extraction of about 500,000 tons. Other smaller pits have since been mined with one in the "C" shaft area presently operating. Ore from the pits is hauled by 35 ton trucks to "C" shaft where it is dumped into a new crusher and conveyer system which was installed in 1986 to handle all surface and satellite ores.

The on-site mill has a capacity to treat approximately 1,200 tons of ore per day. The ore is first crushed down to three-eighths inch size and then conveyed to four 500 ton storage bins in the mill. The crushed ore is ground in two ball mills and the slurry pumped to a flotation circuit which segregates the gold bearing minerals into a concentrate. The concentrate is then pumped to the roasting section of the plant for removal of sulphur, arsenic and antimony, all of which interfere with the recovery of gold. The product of roasting is re-ground and treated with sodium cyanide solution and lime which dissolve the gold.

The resulting gold bearing pregnant solution is further treated with zinc dust to form a gold precipitate, which is treated at Giant's refinery to produce bullion bars of approximately 75% purity. The bars are shipped to the Royal Canadian Mint for further refining. The total recovery of gold in the Giant mill and metallurgical complex is approximately 85%.

Off gases from the roaster are treated to collect gold laden dust and further are filtered through a baghouse to collect arsenic trioxide which is pumped underground for permanent storage in permafrost areas of the mine. Considerable effort has been devoted to the minimization of any adverse effects on the environment as a result of mine operations.

Commencing in 1986, Giant has undertaken to do some custom milling at the rate of about 24,000 tons per year. These ores are handled through the new surface crusher installation and a separate mill circuit without having to go through the roaster process, thereby improving gold recovery.

Selected Operating Data - Yellowknife Division

	Nine months ended Sept. 30 1986	Year ended December 31,		
		1985	1984	1983
Tons of ore milled (000's)	239.6	333.3	325.5	327.4
Average grade of ore milled (oz. of gold per ton)	0.232	0.228	0.229	0.225
Production of gold - ozs.	49,465	65,253	64,066	62,505
Employees at period end	296	290	288	280
Minesite cost per ounce*	\$435	\$404	\$403	\$389

*Excluding depreciation and administration expense.

Salmita Division

The Salmita mine was explored underground by Giant in the mid 1970's and again in the early 1980's. A production decision was made in March of 1983 and the first bullion was poured in September of the same year. The mining operations are accessed by a ramp from surface to the 6th level, and from the 6th level to the 10th level by an internal shaft or winze. Ore is hoisted up the winze to the 6th level and trucked from there by ramp. To the end of September 1986, 183,291 tons of ore had been milled. There is sufficient ore proven above the 10th level to continue milling through to February 1987.

Mining is by conventional shrinkage stoping and ore is trucked to the mill located about ten kilometres by road south of the mine site. During winter, the ore is trucked more directly over lake ice, a distance of six kilometres.

Portable compressors and diesel electric power units service the mine and mill. Milling is done in the old Tundra plant which was purchased from Tundra Gold Mines Limited in 1983 and rehabilitated. The plant had a rated capacity of about 140 tons per day and this was increased to approximately 200 tons per day by adding a third ball mill.

The treatment process is simpler than at Yellowknife requiring only grinding, cyanidation and precipitation. Precipitates produced at Salmita are flown to the Yellowknife operation for refining in the Giant bullion furnaces.

Selected Operating Data – Salmita Division

	Nine months ended Sept. 30 1986	Year ended December 31,	
		1985	1984
Tons of ore milled (000's)	51.4	71.1	60.7
Average grade of ore milled (oz. of gold per ton)	0.713	0.914	0.764
Production of gold – ozs.	36,396	63,697	44,414
Employees at period end	96	90	84
Minesite cost per ounce*	\$373	\$235	\$289

*Excluding depreciation and administration expense.

Ore Reserves

Future production is contingent on available proven and probable ore reserves. An estimation of ore reserves is done at the end of each year using the then prevailing price of gold and anticipated operating costs.

The ore reserves have been broken down into proven and probable categories. Proven ore consists of active stopes and open pits for which continuity has been well established by mine workings and closely spaced diamond drill holes. Probable reserves consist of ore blocks defined essentially by diamond drilling at close intervals but not yet fully developed for production.

Proven and probable ore reserves at the Yellowknife Division as of September 30, 1986, were estimated at 954,000 tons grading 0.25 ounce of gold per ton, compared with 1,063,000 tons at the beginning of the year. Mining developments and diamond drilling have been successful in replacing much of the reserves extracted during the year. In addition, there are 1.5 million tons of other mineralized material not well enough defined to be placed in the proven and probable categories.

As of September 30, 1986, ore reserves at Salmita were 28,000 tons of proven and probable ore grading 0.80 ounce gold per ton, sufficient for milling through to February 1987. Diamond drilling below 10th level and from surface has been carried out in 1986 to test for further reserves. Ore grade drill intersections have recently been obtained below 10th level; however should more reserves be outlined by drilling below that level, there will be a break in production while these reserves are being developed.

Details of ore reserves and mineralized material are set forth in the following table:

	September 30, 1986		December 31, 1985		December 31, 1984		December 31, 1983	
Ore Reserves	Tons (000's)	Grade (Gold) oz/ton	Tons	Grade	Tons	Grade	Tons	Grade
<i>Yellowknife Division</i>								
Proven	364	0.28	458	0.24	672	0.23	776	0.22
Probable	590	0.23	605	0.24	385	0.26	344	0.26
Total	<u>954</u>	<u>0.25</u>	<u>1,063</u>	<u>0.24</u>	<u>1,057</u>	<u>0.24</u>	<u>1,120</u>	<u>0.23</u>
<i>Salmita Division</i>								
Proven	28	0.80	50	1.08	68	0.77	109	0.78
Probable	—	—	14	0.57	20	1.12	7	1.22
Total	<u>28</u>	<u>0.80</u>	<u>64</u>	<u>0.97</u>	<u>88</u>	<u>0.85</u>	<u>116</u>	<u>0.82</u>
Mineralized material	1,481	0.24	1,304	0.24	649	0.23	591	0.23

The ore reserves and mineralized material referred to above pertain to properties held under Crown leases for terms running to or beyond 1990, and renewable thereafter. Giant engages in exploration and development on its existing properties with the objective of sustaining or expanding existing ore reserves or finding new reserves, having regard to metal prices, operating costs and other prevailing factors. In addition, Giant undertakes the exploration and examination of other properties within continental North America.

Capital and Exploration Expenditures

Since the beginning of 1983, Giant has spent \$13.6 million on capital expenditures for production-related equipment and environmental control, construction of tailings dams and initial capital expenditures for the start-up of the Salmita mine.

Over the last three years, exploration expenditures have averaged \$2.0 million for both on-property and off-property exploration. The emphasis in exploration work has been to increase ore reserves at the operating properties. About 80% of the funds are devoted to this purpose. The remaining funds are spent elsewhere in Canada and in the western United States, also in gold exploration. Giant has established an exploration office in Reno, Nevada through its wholly-owned subsidiary Arctic Precious Metals, Inc. The work in the United States is being done in a joint venture with United Keno Hill Mines Inc.

In connection with its outside exploration, Giant has acquired and holds rights and interests in newly staked mining claims or other properties for purposes of examination and exploration. Maintaining the claims in good standing is dependant upon fulfilling specified exploration expenditure levels in accordance with the Canada Mining Regulations and applicable exploration contracts. In addition, Giant also holds unleased claims outside of the Northwest Territories. The above holdings are not considered significant unless and until substantial mineral discoveries are made.

Set out below are details of capital and exploration expenditures of Giant for the periods indicated.

	Nine months ended September 30, 1986	Year ended December 31,		
		1985	1984	1983
		(in thousands)		
Capital expenditures:				
Fixed asset additions	\$1,996	\$2,244	\$2,888	\$6,441
Preproduction and development expenditures	—	—	—	7,502
TOTAL	<u>\$1,996</u>	<u>\$2,244</u>	<u>\$2,888</u>	<u>\$13,943</u>
Exploration expenditures – off property	<u>\$1,503</u>	<u>\$2,136</u>	<u>\$1,787</u>	<u>\$ 1,177</u>

In 1986, about \$3 million has been allocated for exploration work as follows:

Giant Mine and surrounding area	\$ 980,000
Salmita Area	1,000,000
Other Northwest Territories	350,000
Saskatchewan and Ontario	170,000
United States	200,000
Property Acquisition and General	300,000
TOTAL	<u>\$3,000,000</u>

Marketing

All sales of gold have been made within North America to several Canadian chartered banks and several United States precious metals dealers. Sales are usually made on the spot market based upon competitive bidding. Giant enters into some forward sales contracts. During 1985 a total of 45,000 ounces were sold forward.

Description of Share Capital

The authorized capital of Giant consists of 4,500,000 shares without par value. Giant's incorporating documents further provide that the shares shall not be issued for a consideration exceeding in amount or value \$8,000,000 or such greater amount as the Board of Directors of Giant may deem expedient, subject to payment of applicable fees. The holders of Giant shares are entitled to one vote per share at all meetings of shareholders and are entitled to dividends if, when and in such amounts as are declared by the directors. The holders of the Giant shares are also entitled to receive the remaining property of the corporation upon dissolution. The holders of Giant shares have no pre-emptive, redemption or conversion rights. All Giant shares must be issued as fully paid and non-assessable.

If the special resolution to be considered at the Giant special meeting is passed, the limitation of 4,500,000 shares and the limitation on consideration for which shares may be issued will be deleted and Giant will be authorized to issue an unlimited number of shares, such shares to be designated as "common shares".

Selected Financial Information

The following table summarizes the production statistics, revenues and earnings statistics, working capital, total assets, total long term debt, dividends and book value per share for the periods indicated:

	Nine months ended September 30,		Year ended December 31,				
	1986	1985	1985	1984	1983	1982	1981
<i>Consolidated Production Statistics</i>							
Ore milled – tons (000's)	291	304	404	386	327	404	395
Production of gold ounces	85,861	96,211	128,950	108,480	62,505	72,587	58,678
Average price realized for gold – \$ per ounce	502	430	436	461	507	476	524
Total cost to produce gold – \$ per ounce	484	395	394	447	438	461	553
<i>Comparative Consolidated Statement of Income Data</i>							
(in thousands of dollars except per share amounts)							
Net value of production	42,915	41,199	56,074	49,540	32,727	35,214	30,954
Operating income (loss)	5,548	7,575	5,495	1,307	5,235	1,286	(1,729)
Investment and other income	1,413	1,234	1,645	866	1,102	1,025	1,296
Income and mining taxes	947	937	1,578	236	2,168	577	(206)
Minority interest in net income (loss) of subsidiary companies	(271)	(52)	(128)	46	40	59	(28)
Net income (loss)	2,259	3,700	5,690	1,891	4,129	1,675	(199)
Earnings (loss) per share	\$0.52	\$0.86	\$1.32	\$0.44	\$0.96	\$0.39	\$(0.05)
<i>Comparative Consolidated Balance Sheet Data</i>							
(as at end of period)							
(in thousands of dollars except per share amounts)							
Working capital	26,988	22,937	23,791	15,698	9,353	15,657	13,294
Total assets	39,815	37,629	40,545	33,365	31,768	24,406	22,307
Total long term debt	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Retained earnings	25,135	21,962	22,876	18,262	16,371	12,242	10,786
Shareholders' equity	33,472	30,299	31,213	26,599	24,708	20,579	19,123
Dividends per share	Nil	Nil	\$0.25	Nil	Nil	Nil	\$0.25
Book value per share	\$7.78	\$7.04	\$7.25	\$6.18	\$5.74	\$4.78	\$4.39
<i>Financial Information In Accordance With United States Generally Accepted Accounting Principles</i>							
(in thousands of dollars except per share amounts)							
Net income (loss)	2,259	4,050	6,040	1,891	4,209	1,456	(199)
Earnings (loss) per share	0.52	0.94	1.40	0.44	0.98	0.34	(0.05)
Working capital	26,988	22,937	23,791	14,903	8,558	14,991	13,053
Total assets	39,815	37,629	40,545	32,635	31,002	23,740	22,066
Retained earnings	25,135	21,962	22,876	17,912	16,021	11,812	10,356
Shareholders' equity	33,472	30,299	31,213	26,249	24,358	20,149	18,693
Book value per share	\$7.78	\$7.04	\$7.34	\$6.10	\$5.66	\$4.68	\$4.34

Supplementary Financial Information

The following table summarizes revenues, operating earnings and earnings per share for each of the last eleven quarters together with the operating statistics for the same periods:

	Nine months ended September 30, 1986			Year ended December 31, 1985				Year ended December 31, 1984			
	1st	2nd	3rd	1st	2nd	3rd	4th	1st	2nd	3rd	4th
<i>Operating Statistics</i>											
Ore mined – tons	94,907	91,800	104,292	96,188	102,541	105,608	100,091	92,780	92,194	98,983	102,293
Production – gold ounces	27,919	30,197	27,745	31,749	31,298	33,164	32,739	23,947	22,737	28,309	33,487
Average price realized for gold – \$ per ounce	492	462	555	411	434	442	456	478	499	452	429
<i>Financial Information</i> (in thousands except per share amounts)											
Net value of production	13,678	13,880	15,357	13,032	13,531	14,636	14,875	11,592	10,969	12,746	14,233
Operating income (loss)	(215)	53	1,684	193	1,203	1,955	2,144	591	(708)	345	1,079
Net income (loss)											
– Canadian GAAP	270	382	1,607	520	1,445	1,735	1,990	577	(428)	531	1,211
– U.S. GAAP	270	382	1,607	870	1,445	1,735	1,990	577	(428)	531	1,211
Earnings (loss) per share											
– Canadian GAAP	\$0.06	\$0.09	\$0.37	\$0.12	\$0.34	\$0.40	\$0.46	\$0.13	\$(0.10)	\$0.12	\$0.29
– U.S. GAAP	\$0.06	\$0.09	\$0.37	\$0.20	\$0.34	\$0.40	\$0.46	\$0.13	\$(0.10)	\$0.12	\$0.29

Management's Discussion and Analysis of Financial Condition and Operations

Liquidity

Working capital amounted to \$26,988,000 at September 30, 1986, an increase of \$3,197,000 from December 31, 1985. Funds generated from operations amounted to \$5,194,000. Expenditures on property, plant and equipment were \$1,996,000.

Cash and temporary investments increased by \$3,056,000 in the first nine months of 1986 to \$20,199,000. The increase essentially reflects the same factors which influenced the increase in working capital.

Giant, as at September 30, 1986, had no long term debt.

Operating Results

Consolidated earnings for 1983 were \$4,129,000 or \$0.96 per share compared with earnings of \$1,675,000 or \$0.39 per share in 1982. The improved results in 1983 were attributable to, in order of importance, significantly reduced operating costs, a decrease in exploration expenditures, improved gold prices and increased investment income.

Revenue from bullion production in 1983 decreased from 1982 levels by \$2,424,000. Lower gold production, 62,505 ounces in 1983 versus 72,587 ounces in 1982, was the main contributor to the lower revenues. An increase in gold prices received, which averaged \$507 (U.S. \$411) per ounce in 1983 compared with \$476 (U.S. \$386) in 1982, helped cushion the effect of lower production levels. The decrease in production reflected the planned reduction in tonnages (approximately 25 per cent) which was implemented at Yellowknife in the second quarter of 1983 to enable more complete extraction of mineral inventories and improved grade control.

Consolidated operating and administrative costs for 1983 were \$25,025,000 versus \$28,674,000 in 1982. Increased costs in 1983 for energy related consumables, labour, open pit and underground development were more than offset by the cost savings related to reduced production.

Consolidated unit costs in 1983 were \$76 per ton milled or \$400 (U.S. \$325) per ounce of gold produced versus \$71 per ton and \$395 (U.S. \$320) per ounce in 1982.

Depreciation expense decreased by \$342,000 in 1983 to \$1,290,000 from \$1,632,000 in 1982 primarily reflecting the addition of 467,000 tons to 1983 ore reserves.

Income from investments during 1983 was \$973,000 compared with \$600,000 in 1982. This increase was a result of higher average cash balances in 1983 relative to 1982 partially offset by lower interest rates.

Expenditures on exploration decreased from \$3,622,000 in 1982 to \$1,177,000 in 1983. Expenditures in 1983 included \$423,000 on the Salmita gold property while \$3,419,000 was spent on Salmita in 1982.

Consolidated earnings for 1984 were \$1,891,000 or \$0.44 per share compared with earnings of \$4,129,000 or \$0.96 per share in 1983. The decrease in earnings was attributable to a significant drop in gold prices, higher operating costs and increased expenditures on exploration.

During 1984, revenue from bullion production increased by \$16,894,000 to \$49,989,000 versus \$33,095,000 in 1983. The increase was primarily a result of gold sales from the Salmita mine, which officially came into commercial production on January 1, 1984.

Consolidated bullion production amounted to 108,480 ounces of gold, representing an increase of 45,975 ounces over 1983 levels. The Salmita mine contributed 44,414 ounces of gold production in 1984, while production at the Yellowknife Division totalled 64,066 ounces (62,505 ounces in 1983).

The increased gold production was offset somewhat by lower gold prices received. The average gold price received in 1984 was \$461 (U.S. \$356) per ounce, significantly lower than the \$507 (U.S. \$411) received in the previous year.

The addition of Salmita to operations along with increased costs for energy, labour and development resulted in consolidated operating and administrative expenses rising by \$14,329,000 to \$39,354,000 in 1984.

Consolidated unit costs rose to \$102 per ton from \$76 per ton in 1983; however, per ounce costs decreased to \$363 (U.S. \$280) from \$400 (U.S. \$325). Unit operating costs at the Yellowknife Division were \$79 per ton or \$403 (U.S. \$311) per ounce of gold produced compared with \$74 and \$389 (U.S. \$315) respectively in 1983. At Salmita, unit operating costs were \$211 per ton or \$289 (U.S. \$223) per ounce.

In 1984, Giant increased its efforts to locate additional sources of ore. Outside exploration expenditures were \$1,787,000, an increase of \$610,000 over 1983.

Depreciation and amortization expense at the Yellowknife Division in 1984 was \$1,379,000 (\$1,290,000 in 1983) and at Salmita was \$5,713,000 (nil in 1983).

Consolidated earnings for 1985 were \$5,690,000 or \$1.32 per share compared with earnings of \$1,891,000 or \$0.44 per share in 1984. The increase in earnings was attributable to, in order of importance, higher gold production, increased investment income and lower depreciation and amortization charges.

During 1985, revenue from bullion production increased by \$6,630,000 to \$56,619,000 from \$49,989,000 in 1984. The increase was primarily a result of increased gold production from the Salmita Division. Consolidated bullion production amounted to 128,950 ounces of gold, an increase of 20,470 ounces over 1984 levels. The Salmita Division produced 63,697 ounces of gold in 1985 compared with 44,414 ounces in 1984 while the Yellowknife Division's gold production totalled 65,253 ounces versus 64,066 ounces in 1984.

The increased gold production was offset somewhat by lower gold prices. The average price per ounce of gold produced in 1985 was \$436 (U.S. \$319) compared with \$461 (U.S. \$356) in the previous year.

Consolidated operating and administrative costs rose by \$2,796,000 to \$42,150,000 in 1985. Costs incurred for depth development below the 6th level at Salmita and continued escalation in energy and labour costs contributed, in that order, to the rise in operating and administrative costs.

Consolidated unit costs rose marginally to \$104 per ton milled from \$102 per ton in 1984, while per ounce costs decreased significantly to \$327 per ounce (U.S. \$240) from \$363 (U.S. \$280). Unit operating costs at the Yellowknife Division were \$79 per ton or \$404 (U.S. \$296) per ounce of gold produced compared with \$79 and \$403 (U.S. \$311) respectively in 1984. At Salmita, unit operating costs were \$211 per ton and \$235 (U.S. \$172) per ounce compared with \$211 per ton and \$289 (U.S. \$223) per ounce in 1984. The improvement in per ounce costs at Salmita was attributable to treatment of higher grade ores in 1985.

Interest and sundry income, in 1985, at \$1,645,000 was significantly higher than the \$866,000 recorded in 1984. Interest income rose sharply in 1985 due to considerably higher average cash balances than in 1984.

In 1985, Giant continued its efforts to locate additional sources of ore. Outside exploration expenditures were \$2,136,000 versus \$1,787,000 in 1984.

Depreciation and amortization expense in 1985 totalled \$1,553,000 at the Yellowknife Division and \$4,740,000 at the Salmita Division compared with \$1,379,000 and \$5,713,000 respectively in 1984.

Consolidated earnings for the first nine months of 1986 were \$2,259,000 or \$0.52 per share versus \$3,700,000 or \$0.86 per share for the corresponding period of 1985. Earnings were lower relative to 1985 despite improved gold prices due to decreased bullion output at Salmita and increased costs for development at both the Yellowknife and Salmita properties.

The Yellowknife Division recorded operating income, before depreciation, amortization, exploration and administration and corporate expenses, of \$3.2 million in the first nine months of 1986 compared with \$1.0 million for the corresponding period of 1985. Throughput totalled 239,555 tons at a grade of 0.232 ounce gold per ton for an output of 49,465 ounces compared with 250,652 tons at 0.220 for 47,558 ounces in the nine month period of 1985. Unit mine operating costs for the period were \$90 per ton and \$435 (U.S. \$312) per ounce versus \$77 and \$407 (U.S. \$298) respectively in 1985. Costs were up essentially because of increased open pit work and satellite development.

At Salmita, operating profit, before depreciation, amortization, exploration and administrative and corporate expenses, was \$4.6 million for the first three quarters of 1986 compared with \$10.5 million for the corresponding period in 1985. The decrease in profit continues to reflect the treatment of lower grade ores from an open pit on the Red 24 claim and from some of the lower grade stock piles.

Salmita throughput to September 30, 1986 was 51,444 tons at a grade of 0.713 ounce gold per ton for a recovery of 36,396 ounces versus 53,685 tons at 0.926 for 48,653 ounces in the first nine months of 1985. Throughput was affected in the first quarter by adverse weather conditions and a mill shut down of one week to correct a dust problem. Unit costs for the nine month period were \$264 per ton and \$373 (U.S. \$268) per ounce versus \$193 and \$213 (U.S. \$156) respectively in the same period of 1985. The increase is attributable to shaft sinking and depth development, as well as lower tonnage and bullion output.

Employee Relations

As of September 30, 1986 Giant employed 103 salaried employees and 211 hourly rated employees at its Yellowknife operations and 96 salaried employees at the Salmita division. The hourly employees at the Yellowknife Division are members of the Canadian Association of Smelter and Allied Workers. On December 12, 1986, these employees ratified a new collective agreement with Giant which has an effective commencement date of July 1, 1986 and will expire on March 31, 1989. Pursuant to the collective agreement, wages will increase 2.7% in the first year, 2.9% in the second year and 3.1% in the third year. Over the 33 months and taking into account benefits as well as wages, the total cost increase is 8.2% over present wage and benefit costs.

Employees at the Salmita Division are all salaried and not members of a bargaining unit. The Canadian Association of Smelter and Allied Workers attempted to organize the employees without success during the latter part of 1986.

Giant has been affected by only one strike, which occurred in 1980 and was of approximately three months duration.

Government Regulation

Operations in Yellowknife and at Salmita are governed by Federal and Territorial statutes, ordinances and regulations. Under Northwest Territorial jurisdiction are included the Apprentices and Tradesmens Regulations, the Boiler and Pressure Vessel Regulations, Business Licence Fire Regulations, Explosive Use Regulations, Labour Standards Ordinance, the Northwest Territories Mining Safety Act, Workers Compensation Act, Public Health Ordinance, Emergency Measures Act and Environmental Protection Ordinance. Under Federal jurisdiction are the Clean Air Act, the Fisheries Act, Northern Inland Waters Act, Territorial Lands Act, Transportation of Dangerous Goods Act and the Canada Mining Regulations. Failure to comply can result in cease work orders and/or fines. Giant once pleaded guilty to an infraction involving a leakage of effluents from its tailings pond and paid a fine under the Fisheries Act. At present there is a pending prosecution for discharging allegedly unacceptable mine water from the Salmita mine. This prosecution will be contested.

Giant has a valid licence to use water at the Giant mine for seven years commencing October, 1985 and has applied for an extension of its present water licence at Salmita which expires March 31, 1987.

Price Range of Shares

The shares of Giant are listed on the Toronto and American Stock Exchanges, the principal market being the American Stock Exchange. The following table sets out the high and low prices in U.S. dollars of the shares as reported by the American Stock Exchange for board lots for the periods indicated:

<u>Period</u>	<u>High</u>	<u>Low</u>
1984 Third Quarter	U.S. \$17 ⁷ / ₈	U.S. \$10 ⁶ / ₈
Fourth Quarter	14 ¹ / ₈	8 ⁵ / ₈
1985 First Quarter	10 ⁹ / ₈	8
Second Quarter	11 ⁹ / ₈	9
Third Quarter	20	9 ³ / ₈
Fourth Quarter	17 ⁷ / ₈	14
1986 First Quarter	18 ⁷ / ₈	14 ¹ / ₂
Second Quarter	16 ³ / ₈	10 ³ / ₈
Third Quarter	16 ⁷ / ₈	9 ³ / ₈
Fourth Quarter	14 ¹ / ₄	12 ¹ / ₂
1987 January	14 ⁷ / ₈	12 ³ / ₈

On February 5, 1987, the closing price of the common shares as reported by the American Stock Exchange was \$14¹/₂ per share.

Interests of Management

Nesscor Inc., a private Ontario company, provides corporate services to Giant, including corporate secretarial services and treasury, insurance, public relations, regulatory authorities liaison, corporate financing and development and personnel planning services, for a fee of \$31,000 per month. D. S. MacLeod, Chairman and a director of Giant, and C. Kyriakou, a director of Giant, are substantial shareholders, directly or indirectly, in this management company.

Pamour, the largest shareholder of Giant, has a direct interest in the asset combination proposal described elsewhere in this Joint Proxy Circular as the vendor of assets to Giant. Pamour also provides head office facilities and corporate accounting and taxation services to Giant at a fee of \$14,000 per month. Each of D. S. MacLeod, C. Kyriakou and E. F. Merringer are directors of both Pamour and Giant. D. S. MacLeod is President of Pamour and Chairman of Giant and E. F. Merringer is Secretary of both companies.

Falconbridge Limited ("Falconbridge"), which prior to August 12, 1986, was the beneficial holder of 19.16% of the issued shares of Giant, provided certain services to Giant prior to that date and to a limited extent following that date, including office space, technical, secretarial, accounting, tax, general corporate services and the services of Giant's executive officers. In 1985 Giant paid Falconbridge approximately \$569,000 for these services and, in 1986, paid Falconbridge approximately \$483,000.

Recent Developments Relating to Giant

On August 12, 1986, Falconbridge sold its 19.16% interest in Giant to Pamour for \$19.06 per share, or \$15,713,312 in the aggregate. Concurrently with the closing of the purchase or shortly thereafter, four nominees of Falconbridge to the Giant Board of Directors were replaced by nominees of Pamour and certain management and other arrangements with Falconbridge relating to the provision of administrative services, executives and officers, and office space were terminated. As a result of this transaction, Pamour may now be considered to effectively control Giant, on the basis that it holds the largest block of shares in Giant and accordingly may possess the power to direct or cause the direction of management and policies of Giant. The source of funds for the purchase was bank borrowings from Barclays Bank of Canada, ANZ Bank Canada and Mellon Bank Canada. Under the terms of the loan agreement with such banks, the acquired common shares have been pledged to the banks as security for repayment of the loan. Under the terms of the pledge, should Pamour default in repayment of the loan, the banks would be entitled to realize on their security by selling the pledged shares. The loan agreement contains standard default provisions in this regard. Following the completion of the transaction, the registered office of Giant was moved to Suite 1902, Post Office Box 158, Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario, Canada.

Legal Proceedings

By similar actions commenced in the Supreme Court of the Northwest Territories and the Supreme Court of Ontario in October 1983, but not served on Giant until August and September 1984, Giant has been named as a defendant together with certain individuals (who have no relationship to Giant) by Mack Lake Mining Corporation Ltd. ("Mack Lake") as plaintiff. The actions involve the title to the mining leases of Giant comprising its Salmita mine (the "Property") located north of Yellowknife, Northwest Territories, which began production in September, 1983. Mack Lake claims, among other relief, damages and a declaration that certain predecessors in title of the Property held their interests as a trustee for Mack Lake.

Mack Lake was a corporation which was incorporated under the laws of Canada in 1959 and whose charter was cancelled in 1972, two years before Giant acquired the Property. The actions have been commenced pursuant to an order granted by the Supreme Court of Ontario in 1983 to the liquidator appointed for the assets of Mack Lake under the provisions of the Winding-up Act, a statute of the Parliament of Canada, notwithstanding the fact that the charter of Mack Lake has never been reinstated since its cancellation in 1972.

The allegations concern events and individuals at times prior to the acquisition of the Property by Giant, which has no knowledge of such events other than as alleged by the plaintiff in its documents served on Giant in connection with the aforesaid actions.

Giant, based on its present knowledge of the subject matter of the actions, is of the opinion that such actions are without merit as against it.

Auditors, Registrar and Transfer Agent

The auditors of Giant are Thorne Ernst & Whinney, Chartered Accountants, Post Office Box 262, Commercial Union Tower, Toronto-Dominion Centre, Toronto, Ontario M5K 1J9. Thorne Ernst & Whinney or its predecessor firms have been the auditors of Giant and its predecessor company, Giant Yellowknife Gold Mines Limited, since 1937. Representatives of Thorne Ernst & Whinney are expected to be present at the special meeting, will have the opportunity to make a statement if they wish to do so and will be available to respond to appropriate questions.

The Canada Trust Company at its principal office in Toronto and Registrar and Transfer Company at 55 Water Street, New York, N.Y. 10041 and 10 Commerce Drive, Crawford, N.J. 07016, are the transfer agents and registrars with respect to the shares of Giant.

ADDITIONAL MATTERS TO BE ACTED UPON BY PAMOUR SHAREHOLDERS

In addition to approving the sale of assets to Giant, shareholders of Pamour will also be asked to consider the election of Senator Jack Austin as a new director of Pamour and the granting of stock options to three directors. In each case, the directors unanimously recommend that the resolutions be passed.

The following information is provided to Pamour shareholders in connection with the matters referred to above.

1. Election of Additional Director

By resolution passed on November 18, 1986, the Board of Directors of Pamour has increased the size of the Board to 12 members. In accordance with the CBCA, the vacancy arising upon the increase must be filled by the shareholders. The Honourable Jack Austin, P.C., Q.C. has been nominated by management to fill the vacancy. During the past five years, the principal occupation of Senator Austin has been Cabinet Minister of the Government of Canada until June, 1984 and, from June, 1984 to date, a member of the Senate of Canada. Senator Austin holds 1,000 common shares of Pamour. Set out below is additional information relating to Pamour's directors and officers.

Management of Pamour

Set out below are the names of the directors and officers of Pamour, their place of residence, the year in which directors were first elected as directors, the number of common shares of Pamour beneficially owned, or over which control or direction is exercised, by each of them as of February 6, 1987, and their present principal occupations. In the case of R. R. McEwen, who has not been previously elected by shareholders, also included is a description of his principal occupation during the past five years.

<u>Name, Office Held and Principal Occupation</u>	<u>Director Since</u>	<u>Number of Shares Beneficially Owned</u>
J. M. R. Berardo, Director Business executive, Portugal	1986	Nil
J. J. Byrne, Director ⁽²⁾ Mining executive and Chairman and director of Jimberlana Minerals N.L., Australia	1986	Nil
P. R. Clarke, Director ⁽¹⁾⁽²⁾ Company director, Toronto	1983	Nil
C. Kyriakou, Director Mining executive and director of Jimberlana Minerals N.L., Australia	1986	Nil
J. C. Lavigne, Director ⁽¹⁾ President, JCL Corporation (broadcast consultants), Timmins	1978	1,000
D. C. Deacon, Director ⁽²⁾ Stockbroker, Unionville	1986	Nil ⁽³⁾
A. C. A. Howe, Director Mining executive and President of the Howe International Consulting Group, Toronto	1986	Nil
D. S. MacLeod, President and Director ⁽¹⁾⁽²⁾ Mining executive, Toronto	1986	Nil ⁽³⁾
E. F. Merringer, Secretary and Director ⁽²⁾ Partner of Tilley, Carson & Findlay, Barristers & Solicitors, Toronto	1986	Nil

<u>Name, Office Held and Principal Occupation</u>	<u>Director Since</u>	<u>Number of Shares Beneficially Owned</u>
D. E. G. Schmitt, Director Mining engineer and consultant, Toronto	1965	4,512
R. R. McEwen, Director President, CSA Management Limited, a gold investment management company, since July 1, 1986 and, prior thereto, Vice-President of the same company, Toronto	1986	Nil(4)
O. J. Shore, Treasurer Treasurer of Pamour and Giant, Pickering	—	Nil
R. M. Sweetin, Vice-President Mining executive, Oakville	—	Nil
A. H. Ransom, Vice-President, Exploration Geologist, Oakville	—	Nil

(1) Member of Audit Committee

(2) Member of Executive Committee

(3) D. C. Deacon and D. S. MacLeod have subscribed for one unit and four units, respectively, of the 150 units privately placed by Pamour on September 30, 1986 and described under "Recent Developments Relating to Pamour", above. Such units entitle them to receive 1,000 and 4,000 common shares of Pamour, respectively, upon expenditure by Pamour of the subscription funds for exploration.

(4) Although he holds no shares personally, R. R. McEwen is President and a director and shareholder of CSA Management Limited which holds 520,386 common shares of Pamour. Mr. McEwen is one of the beneficiaries of a trust which holds all the shares of Evanchan Limited which, in turn, holds 49.14% of CSA Management Limited.

The information as to shares beneficially owned, not being within the knowledge of Pamour, has been furnished by the respective persons named individually. Messrs. Berardo, Byrne, Kyriakou, Howe and MacLeod are directors and/or officers of Jemberlana, which holds indirectly 31.7% of the common shares of Pamour, and accordingly as a group they may be considered to exercise control or direction over the common shares of Pamour owned by Jemberlana through Jemberlana Canada.

Mr. McEwen was appointed a director on November 18, 1986 to fill the vacancy arising upon the resignation of Murray Pollitt as a director and pursuant to commitments given in connection with the acquisition by Pamour of 50.1% of CNV. See "Recent Developments Relating to Pamour", above.

On February 4, 1987 Pamour announced that its President, D. S. MacLeod, had advised the Board of Directors of his intention to resign as President effective upon the recruitment of his successor. Pamour expects that recruitment of a successor will take approximately two months. Mr. MacLeod will continue as a director of Pamour and as a director and Chairman of the Board of each of Giant and ERG. Mr. MacLeod advised the Board of Pamour that he felt it appropriate that he advise of his plans to step down at this time as the restructuring of Pamour and its associated companies is nearing completion.

Remuneration of Management

There are currently three executive officers of Pamour, D. S. MacLeod, President, R. M. Sweetin, Vice-President and A. H. Ransom, Vice-President, Exploration. During the most recently completed financial year, the year ending December 31, 1986, there were three executive officers who were paid aggregate cash remuneration of \$198,750. In addition, such executive officers received other remuneration in the form of transportation and accommodation benefits aggregating \$16,195.

Remuneration of Directors

Directors' fees consist of a \$3,000 annual fee for each director plus \$1,000 for each Board meeting attended. The following directors who devote a substantial portion of their time to the business and affairs of Pamour receive fees as set out opposite their names in lieu of the said standard directors' fees: D. S. MacLeod - \$120,000; J. M. R. Berardo - \$60,000; J. J. Byrne - \$90,000; and C. Kyriakou - \$90,000.

2. Approval of Options

At a meeting held on June 5, 1986, the Board of Directors authorized the issuance of options to purchase common shares of Pamour to three directors, D. C. Deacon, A. C. A. Howe and D. E. G. Schmitt. Each has been granted options to acquire 15,000 common shares, subject to regulatory and shareholder approval. The options are exercisable for three years at a price of \$13 per share, which terms are consistent with options issued to other directors and approved by shareholders at the annual meeting held June 5, 1986. In order to be effective, the resolution to approve the options must be approved by a majority of the votes cast on the resolution. The text of the resolution is included in this Joint Proxy Circular as Schedule II.

The following table sets out the options currently held by each director. All options expire on June 13, 1989 and have an exercise price of \$13 per share. None of the options have been exercised. Information as to the price per share of Pamour's common shares during the period the options were issued is set out under "Price Range of Common Shares", above.

<u>Holder of Option</u>	<u>Number of Common Shares Under Option</u>
J. M. R. Berardo	75,000
J. J. Byrne	75,000
D. S. MacLeod	75,000
C. Kyriakou	75,000
P. R. Clarke	15,000
J. C. Lavigne	15,000
	<u>330,000</u>

O. J. Shore, Treasurer, holds options on the same terms as those held by the above directors with respect to 2,500 shares of Pamour. In addition, the Board of Directors has authorized the reservation of 100,000 common shares of Pamour to be allocated by management to employees of Pamour from time to time as incentive stock options. To date, stock options in respect of an aggregate of 78,000 common shares (including those allocated to Mr. Shore) have been allocated to employees for three-year periods at an exercise price of \$13 per share.

DIRECTORS' APPROVALS

Information contained or referred to in this Joint Proxy Circular with respect to Pamour and Giant has been furnished by Pamour and Giant respectively.

The contents and the sending of this Joint Proxy Circular have been approved by the directors of Pamour and Giant.

D. S. MACLEOD
President
Pamour Inc.
February 6, 1987

D. J. EMERY
President
Giant Yellowknife Mines Limited
February 6, 1987

PAMOUR INC.

(formerly Pamour Porcupine Mines, Limited)

FINANCIAL STATEMENTS FOR THE THREE YEARS ENDED

DECEMBER 31, 1985

AUDITORS' REPORT TO THE DIRECTORS

We have examined the balance sheets of Pamour Inc. (formerly Pamour Porcupine Mines, Limited) as at December 31, 1985 and 1984 and the statements of earnings and retained earnings and cash flow for each of the years in the three year period ended December 31, 1985. Our examination was made in accordance with auditing standards generally accepted in Canada, 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, 1985 and 1984 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1985 in accordance with accounting principles generally accepted in Canada applied on a consistent basis.

Toronto, Canada
November 7, 1986

COOPERS & LYBRAND
Chartered Accountants

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA - U.S. REPORTING CONFLICT

In the United States, reporting standards for auditors require the expression of a qualified opinion when the financial statements are affected by significant uncertainties such as the uncertainty referred to in note 4 to these financial statements. The above opinion in our report to directors dated November 7, 1986 is not qualified with respect to, and provides no reference to, this uncertainty since such an opinion would not be in accordance with Canadian reporting standards for auditors when the uncertainties are adequately disclosed in the financial statements.

Toronto, Canada
November 7, 1986

COOPERS & LYBRAND
Chartered Accountants

PAMOUR INC.

Balance Sheets as at December 31, 1985 and 1984 (in thousands)

ASSETS

	1985	1984
CURRENT ASSETS		
Accounts and settlements receivable -		
Associated companies	\$ 1,029	\$ 2,361
Other trade	409	279
Bullion and concentrates (note 2)	2,973	3,448
Stores	3,746	3,747
Prepaid expenses and deposits	448	189
	<u>8,605</u>	<u>10,024</u>
INVESTMENTS (note 3)	302	5,061
FIXED ASSETS (note 4)		
Plant, buildings, equipment and townsite - at cost	30,287	27,878
Accumulated depreciation	17,180	16,597
	<u>13,107</u>	<u>11,281</u>
Equipment under capital leases - at cost, less accumulated amortization of \$91,000 (note 5)	630	—
Mine properties - at cost, less accumulated amortization	44	73
	<u>13,781</u>	<u>11,354</u>
OTHER ASSETS (note 4)		
Deferred development - at cost, less accumulated amortization of \$2,188,000 (1984 - \$1,870,000)	5,844	5,995
Deferred exploration	285	168
	<u>6,129</u>	<u>6,163</u>
	<u>\$28,817</u>	<u>\$32,602</u>

LIABILITIES

CURRENT LIABILITIES		
Accounts payable	\$ 9,038	\$10,162
Due to associated companies -		
Secured loan (note 6)	1,515	15,010
Trade accounts	63	790
Income and production taxes	1,784	2,323
Current portion of obligations under capital leases (note 5)	141	—
	<u>12,541</u>	<u>28,285</u>
TAXES PROVIDED NOT CURRENTLY PAYABLE	347	379
OBLIGATIONS UNDER CAPITAL LEASES (note 5)	506	—
PROVISION FOR SEVERANCES	—	1,080
	<u>13,394</u>	<u>29,744</u>
CONTINGENCIES (note 4)		

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized -		
Unlimited number of common shares		
Issued and fully paid -		
7,006,424 common shares	8,492	8,492
RETAINED EARNINGS (DEFICIT)	6,931	(5,634)
	<u>15,423</u>	<u>2,858</u>
	<u>\$28,817</u>	<u>\$32,602</u>

(Signed) D. S. MACLEOD, Director

(Signed) P. R. CLARKE, Director

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

PAMOUR INC.

Statements of Earnings

(in thousands, except per share data)

	Year ended December 31,		
	1985	1984	1983
REVENUE			
Gross revenue from production and custom tolls	\$52,014	\$53,670	\$55,506
Less: Treatment and marketing costs	1,273	2,602	1,998
	<u>50,741</u>	<u>51,068</u>	<u>53,508</u>
EXPENSES			
Cost of production	45,587	53,072	46,884
Royalties	738	1,085	1,718
Administration	584	574	625
Depreciation and amortization	1,501	2,706	2,314
Exploration and development	1,568	3,390	2,727
	<u>49,978</u>	<u>60,827</u>	<u>54,268</u>
EARNINGS (LOSS) FROM OPERATIONS	<u>763</u>	<u>(9,759)</u>	<u>(760)</u>
INVESTMENT AND OTHER INCOME (EXPENSE)			
Dividends from associated companies	341	455	511
Interest	(1,034)	(1,087)	(1,231)
Gain on sale of investments	9,093	—	2,058
Share of loss in associated company	—	(110)	—
Gain on sale of fixed assets	734	—	—
Reversal of provision for severances	1,080	—	—
Gain on sale of mineral rights lease	1,000	—	—
	<u>11,214</u>	<u>(742)</u>	<u>1,338</u>
EARNINGS (LOSS) BEFORE THE FOLLOWING	<u>11,977</u>	<u>(10,501)</u>	<u>578</u>
Taxes (provided) recoverable			
Income (note 7(b))	(2,023)	596	793
Production	571	1,655	445
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEM	<u>10,525</u>	<u>(8,250)</u>	<u>1,816</u>
EXTRAORDINARY ITEM – RECOVERY OF INCOME TAXES	<u>2,040</u>	<u>—</u>	<u>814</u>
NET EARNINGS (LOSS) FOR THE YEAR	<u>\$12,565</u>	<u>\$ (8,250)</u>	<u>\$ 2,630</u>
EARNINGS (LOSS) PER SHARE – BEFORE EXTRAORDINARY ITEM	<u>\$1.50</u>	<u>(\$1.18)</u>	<u>\$0.26</u>
EARNINGS (LOSS) PER SHARE – AFTER EXTRAORDINARY ITEM	<u>\$1.79</u>	<u>(\$1.18)</u>	<u>\$0.38</u>

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

PAMOUR INC.

Statements of Retained Earnings
(in thousands)

	Year ended December 31,		
	1985	1984	1983
BALANCE - BEGINNING OF YEAR			
As previously reported	\$ (3,899)	\$ 4,351	\$ 1,721
Adjustment of prior year's mining taxes (note 11)	(1,735)	(1,735)	(1,735)
As restated	(5,634)	2,616	(14)
Net earnings (loss) for the year	12,565	(8,250)	2,630
BALANCE - END OF YEAR	<u>\$ 6,931</u>	<u>\$ (5,634)</u>	<u>\$ 2,616</u>

Statements of Changes in Financial Position
(in thousands)

	Year ended December 31,		
	1985	1984	1983
OPERATING ACTIVITIES			
Earnings (loss) before extraordinary item	\$10,525	\$ (8,250)	\$ 1,816
Non-cash items -			
Depreciation and amortization	1,501	2,706	2,314
Taxes provided not currently payable	2,008	(1,811)	(345)
Gain on sale of investments, fixed assets and mineral rights lease	(10,827)	—	(2,058)
Reversal of provision for severances	(1,080)	—	—
Share of loss in associated company	—	110	—
Other	52	152	—
	2,179	(7,093)	1,727
Change in working capital items, excluding secured loan	(830)	2,498	2,748
Deferred exploration and development expenditures	(336)	(432)	(200)
Cash provided from (used for) operating activities	<u>1,013</u>	<u>(5,027)</u>	<u>4,275</u>
FINANCING AND INVESTING ACTIVITIES			
Proceeds on sale of investments	13,852	—	6,972
Additions to fixed assets	(3,727)	(1,534)	(541)
Proceeds on sale of fixed assets and mineral rights lease	1,851	291	4
Obligations under capital lease	506	—	—
Cash provided from (used for) financing and investing activities	<u>12,482</u>	<u>(1,243)</u>	<u>6,435</u>
INCREASE (DECREASE) IN CASH	13,495	(6,270)	10,710
SECURED LOAN - BEGINNING OF YEAR	(15,010)	(8,740)	(19,450)
SECURED LOAN - END OF YEAR	<u>\$ (1,515)</u>	<u>\$ (15,010)</u>	<u>\$ (8,740)</u>

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

PAMOUR INC.

Notes to Financial Statements

1. Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada and in all material respects, except as disclosed in note 13, they conform with United States generally accepted accounting principles. The significant accounting principles are as follows:

(a) *Bullion and concentrates*

The company records as revenue the estimated net realizable value of bullion and concentrates awaiting sale.

(b) *Stores inventory*

Stores inventory is valued at the lower of average cost and replacement cost.

(c) *Investments*

Investments in companies in which the company has significant influence are accounted for by the equity method. All other investments are carried at cost.

(d) *Depreciation and amortization*

Depreciation of plant, buildings, equipment and townsite, and amortization of mine properties are provided at rates designed to write-off the capital costs associated with each mine over its estimated productive life. Generally, the unit of production method is used. Development expenditures are written-off as incurred, except where they represent start-up costs on major new projects. These development expenditures are deferred until the properties are brought into production, at which time they are amortized on a unit of production basis, or until the properties are abandoned, at which time they are written-off.

(e) *Assets under capital leases*

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incident to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. Assets under capital leases are amortized at the appropriate rates disclosed in note 1(d) above.

(f) *Exploration*

Exploration expenditures are charged against current earnings unless they relate to properties from which a productive result is reasonably certain or on which work is in process.

(g) *Taxes*

The company provides for income and production taxes by the tax allocation method. Under this method, timing differences between reported and taxable income (related principally to claiming capital cost allowances and deferred development expenditures for tax purposes in excess of amounts written-off in the accounts) result in the provision for taxes which are not currently payable.

Potential tax savings arising from losses incurred are not reflected in earnings in the year they arise unless there is virtual certainty that they will be realized.

2. Bullion and Concentrates

At December 31, 1985, bullion and concentrates includes approximately 7,126 troy ounces of gold (December 31, 1984 - 5,340). The estimated net realizable value of bullion and concentrates has been determined using an average value for gold of Cdn. \$465 per ounce (1984 - Cdn. \$485), less treatment and marketing costs on concentrates.

3. Investments

	December 31,	
	1985	1984
	(in thousands)	
Shares in associated company, Canadian Arrow Mines Limited, accounted for using the equity method	\$302	\$ 302
Shares in associated companies, Noranda Inc. and Kerr Addison Mines Limited, at cost		
(quoted market value: 1984 - \$13,695,000)	—	4,759
	<u>\$302</u>	<u>\$5,061</u>

During 1985, the company sold its 550,091 common shares of Noranda Inc. and 300,000 common shares of Kerr Addison Mines Limited for aggregate proceeds of \$13,852,000.

4. Recovery of Costs

Included in fixed and other assets are buildings, equipment and deferred development costs having a net book value of \$11,292,000 which represent the unrecovered investment in the Timmins Underground Mine. Operations at this mine were suspended during the fourth quarter of 1984 because they were not profitable at prices then prevailing. The mine is being maintained in good condition but the recovery of this investment is dependent upon a sustained improvement in the market price for gold.

5. Obligations Under Capital Leases

The following is a schedule of minimum lease payments under capital leases, together with the balance of the obligations:

	December 31, 1985
	(in thousands)
Years ending December 31, 1986	\$201
1987	201
1988	208
1989	160
1990	53
Total payments	823
Less: Amounts representing interest	176
Balance of obligations	647
Less: Current portion of obligations	141
	<u>\$506</u>

During the year ended December 31, 1985, the company incurred approximately \$28,000 of interest charges on the capital leases, which has been charged to earnings.

6. Related Party Transactions

The company has business transactions with Noranda Inc. and with certain of Noranda's subsidiary and associated companies. Transactions related to the processing and sale of mine products were effected at rates set out in contractual agreements, such agreements being similar to those commonly used in the industry. Purchases of operating supplies were at normal market prices. Purchases and sales of fixed assets were at negotiated prices. Charges for services were at rates which approximated the actual cost of providing the services.

Details of the transactions are as follows:

	Year ended December 31,		
	1985	1984	1983
	(in thousands)		
Noranda charges to Pamour —			
Smelting and refining tolls	\$1,833	\$1,808	\$1,169
Purchases of operating supplies	718	789	591
Management, data processing and research services	705	717	562
Purchases of fixed assets	90	—	—
Pamour charges to Noranda —			
Engineering, exploration and sundry services	535	168	154
Sales of fixed assets	110	—	—
Milling tolls	—	259	53

The balances shown as receivable from and payable to associated companies resulting from the above transactions are current and normal under the terms of the various agreements.

The company participates with Noranda and associated companies in a short-term investment pool. At December 31, 1985, the company was indebted through this pool to associated companies to the extent of \$1,515,000 (1984 - \$15,010,000). Interest is charged or credited at market rates. The loan is evidenced by a demand debenture in favour of Noranda, secured by a floating charge on all of the company's undertaking, property and assets.

7. Income Taxes

(a) Losses available for carry-forward

At December 31, 1985, the company has available for carry-forward operating losses amounting to approximately \$8,000,000 (1984 - \$9,700,000) which may be applied against taxable incomes of the years 1986 to 1991, and capital losses of \$6,700,000 which may be applied against capital gains in any year. The future tax benefits arising from these losses have not been recognized in the financial statements.

(b) *Explanation of variations from the basic income tax rate*

The company's provision for Canadian income taxes is made up as follows:

	Year ended December 31,		
	1985	1984	1983
	(\$ in thousands)		
Expected provision (recovery) based on combined Federal and Ontario rates (1985 - 50.8%; 1984 and 1983 - 50%)	\$6,096	\$(5,250)	\$ 290
Increase (decrease in taxes resulting from:			
Capital gains	(3,327)	—	(1,029)
Resource allowance and earned depletion	(540)	—	(25)
Adjustment to rates to reflect historic rate of accumulation	—	—	331
Losses not tax affected in financial statements	—	4,917	—
Non-taxable dividends	(174)	(227)	(255)
Miscellaneous	(32)	(36)	(105)
Actual income tax provision (recovery)	\$2,023	\$ (596)	\$ (793)
Effective rate on reported pre-tax earnings (loss)	16.9%	5.7%	137.2%
Analysed into the following components:			
Current tax provision	—	—	—
Deferred tax provision (recovery)	\$2,023	\$ (596)	\$ (793)
	\$2,023	\$ (596)	\$ (793)
The deferred tax expense (recovery) results from timing differences in the recognition of revenue and expenses for financial statement purposes and for tax purposes.			
The sources of these differences and the tax effects are as follows:			
Differences between depreciation claimed for financial statement purposes and for tax purposes	\$ (384)	\$ (100)	\$ 169
Bullion recorded at estimated realizable value for financial statement purposes and recorded at cost of production for tax purposes	—	—	(386)
Differences between exploration and development costs claimed for financial statement purposes and for tax purposes	1,937	(441)	(397)
Reversal or severance provision claimed for financial statement purposes but not for tax purposes	410	—	—
Provision for loss on value of investments recorded for financial statement purposes but not for tax purposes	—	(55)	(314)
Other	60	—	135
	\$2,023	\$ (596)	\$ (793)

8. Segmented Information

The company operates in what is considered to be a single industry, principally mining for gold and other metals. Its products are sold mainly in Canada.

9. Commitments and Contingencies

(a) *Capital expenditures*

At December 31, 1985, authorized capital expenditures amounted to approximately \$500,000 (1984 - \$605,000).

(b) *Forward gold sales*

From time to time, the company sells gold for future delivery at set dates and prices. These transactions are reflected in the accounts at the earlier of the delivery date or the date at which a loss on such a contract is determinable. At January 31, 1986, the company had committed to sell 97,000 ounces of gold at prices averaging U.S. \$352 per ounce for delivery up to June 30, 1987.

(c) *Government assistance*

In the first half of 1985, the company completed construction of a custom gold milling facility at a capital cost of \$1,593,000. As at December 31, 1985, the company had applied for an interest-free loan of \$950,000 from the Government of Ontario, forgivable over a five year period. When received, the loan will be used to reduce the capital cost of the facility.

10. Pension Plans

The company maintains two separate non-contributory pension plans for its salaried and hourly paid employees. These plans are subject to an annual actuarial valuation, the last valuation being at December 31, 1984.

The plans provide for past service pension benefits which were fully funded at December 31, 1984, with surplus positions of \$3,038,000 in the salaried plan, and \$434,000 for the hourly plan. As a result of the surpluses in these plans no company contributions have been required in 1985 or in 1984.

During 1985, the company received a refund of \$850,000 from the salaried pension plan which was credited to earnings. An unfunded liability of \$850,000, in other company sponsored benefit plans was paid in the year and charged to earnings.

11. Prior Period Adjustment

At December 31, 1985, the company had received notification of proposed reassessments under the Mining Tax Act of approximately \$1,735,000, including interest, with respect to the years 1979 through 1981. Formal reassessment notices had not been received pending resolution of a similar matter which was before the courts. The company believed that its position was justified and, accordingly, no provision had been made in its financial statements.

Subsequent to December 31, 1985, the court ruled on this matter and the company received formal notices of reassessment and a requirement to pay the tax before April 30, 1987. Accordingly, this amount has been accounted for as a retroactive charge to retained earnings. However, the result of this decision has been appealed and if the appeal is successful, the company has been advised that the notices of reassessment will be amended.

12. Subsequent Events

For a summary of significant events occurring subsequent to December 31, 1985, refer to the unaudited interim financial statements, including the related notes thereto, appearing elsewhere in this joint proxy circular.

13. Differences Between Canadian and United States Generally Accepted Accounting Principles

For the purposes of these financial statements, accounting policies are in conformity, in all material respects, except as described below, with United States generally accepted accounting policies.

Under United States accounting principles, the prior period adjustment referred to in note 11 above, would have been accounted for prospectively as a charge to earnings in the nine month period ended September 30, 1986. Reference is made to the unaudited interim financial statements of Pamour Inc. appearing elsewhere in this joint proxy circular.

Information pertaining to adjustments to balance sheet items reported using United States generally accepted accounting principles is as follows:

	Year ended December 31,		
	1985	1984	1983
	(\$ in thousands)		
A. (Deficit) Retained Earnings –			
(Deficit) Retained Earnings as reported in the financial statements	\$ 6,931	\$ (5,634)	\$ 2,616
Adjustment to conform with United States generally accepted accounting principles – Effect of mining tax reassessment.	1,735	1,735	1,735
(Deficit) Retained Earnings as determined using United States generally accepted accounting principles	<u>\$ 8,666</u>	<u>\$ 3,899</u>	<u>\$4,351</u>
B. Income and Production Taxes Payable –			
Income and production taxes payable as reported in the financial statements	\$ 1,784	\$ 2,323	N/A
Adjustment to conform with United States generally accepted accounting principles – Effect of mining tax reassessment.	(1,735)	(1,735)	N/A
Income and production taxes payable determined using United States generally accepted accounting principles	<u>\$ 49</u>	<u>\$ 588</u>	<u>N/A</u>

Under Canadian accounting principles, the reversal of the provisions for severances of \$1,080,000 in 1985 has been reported under the caption "Investment and Other Income". Under U.S. accounting principles, this item would have been recorded as a reduction of the cost of production. The following table sets out that portion of the statement of earnings that would be amended if the financial statements had been presented under U.S. GAAP.

	Year ended December 31,		
	1985	1984	1983
	(in thousands)		
Cost of production – as reported	\$45,587	\$53,072	\$46,884
Adjustment to reflect reversal of provision for severances	1,080	—	—
Cost of production in accordance with U.S. GAAP	<u>\$44,507</u>	<u>\$53,072</u>	<u>\$46,884</u>
Earnings (loss) from operations – as reported	\$ 763	\$ (9,759)	\$ (760)
Adjustment to reflect reversal of provision for severances	1,080	—	—
Earnings (loss) from operations in accordance with U.S. GAAP	<u>\$ 1,843</u>	<u>\$ (9,759)</u>	<u>\$ (760)</u>

This difference has no effect on reported net earnings for the year.

PAMOUR INC.
(formerly Pamour Porcupine Mines, Limited)
INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1986
(Unaudited)

PAMOUR INC.

Balance Sheet

(in thousands)
(unaudited)

ASSETS

	As at September 30, 1986
CURRENT ASSETS	
Cash and term deposits	\$ 8,448
Cash in trust (note 4(b))	2,700
Accounts and settlements receivable	2,624
Bullion and concentrates	1,835
Stores and prepaids	4,927
	<u>20,534</u>
INVESTMENTS (note 2)	18,618
FIXED ASSETS (notes 6 and 7)	
Plant, buildings, equipment and townsite - at cost	31,740
Accumulated depreciation	17,629
	<u>14,111</u>
Equipment under capital leases - at cost, less accumulated amortization of \$219,000	647
Mine properties - at cost, less accumulated amortization	41
	<u>14,799</u>
OTHER ASSETS	
Deferred development - at cost, less accumulated amortization of \$2,002,000	7,306
Deferred exploration	1,045
	<u>8,351</u>
	<u>\$62,302</u>

LIABILITIES

CURRENT LIABILITIES	
Bank loans	\$22,850
Accounts payable	9,362
Income and production taxes	1,852
Cash in trust (note 4(b))	2,700
Current portion of obligations under capital leases	213
	<u>36,977</u>
TAXES PROVIDED NOT CURRENTLY PAYABLE	347
OBLIGATIONS UNDER CAPITAL LEASES	678
	<u>38,002</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 4)	
Issued and fully paid -	
7,756,424 common shares	16,330
RETAINED EARNINGS	7,970
	<u>24,300</u>
	<u>\$62,302</u>

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

PAMOUR INC.

Statement of Earnings (in thousands, except per share data) (unaudited)

	Nine months ended September 30,	
	1986	1985
REVENUE	\$41,616	\$38,782
EXPENSES		
Cost of production	36,512	33,688
Royalties	748	562
Administration	992	438
Depreciation and amortization	711	1,106
Exploration and development	1,618	1,158
	<u>40,581</u>	<u>36,952</u>
EARNINGS FROM OPERATIONS	<u>1,035</u>	<u>1,830</u>
INVESTMENT AND OTHER INCOME (EXPENSE)		
Dividends from associated companies	—	341
Interest	(195)	(996)
Gain on sale of investments	—	6,289
Share of income (loss) in associated company	(45)	—
Gain on sale of fixed assets	141	465
Other	171	—
	<u>72</u>	<u>6,099</u>
EARNINGS BEFORE THE FOLLOWING	<u>1,107</u>	<u>7,929</u>
Taxes (provided) recoverable		
Income	(294)	(1,851)
Production	(68)	(129)
EARNINGS BEFORE EXTRAORDINARY ITEM	<u>745</u>	<u>5,949</u>
EXTRAORDINARY ITEM — RECOVERY OF INCOME TAXES	<u>294</u>	<u>1,851</u>
NET EARNINGS FOR THE PERIOD	<u>\$ 1,039</u>	<u>\$ 7,800</u>
EARNINGS PER SHARE — BEFORE EXTRAORDINARY ITEM	<u>\$0.11</u>	<u>\$0.85</u>
EARNINGS PER SHARE — AFTER EXTRAORDINARY ITEM	<u>\$0.15</u>	<u>\$1.11</u>
DIVIDENDS PER SHARE	<u>Nil</u>	<u>Nil</u>

Statement of Retained Earnings (in thousands) (unaudited)

	Nine months ended September 30,	
	1986	1985
BALANCE — BEGINNING OF PERIOD		
As previously reported	\$ 8,666	\$ (3,899)
Adjustment of prior year's mining taxes (note 8)	(1,735)	(1,735)
As restated	6,931	(5,634)
Net earnings for the period	1,039	7,800
BALANCE — END OF PERIOD	<u>\$ 7,970</u>	<u>\$ 2,166</u>

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

PAMOUR INC.

Statement of Changes in Financial Position
(in thousands)
(unaudited)

	Nine months ended September 30,	
	1986	1985
OPERATING ACTIVITIES		
Earnings before extraordinary items	\$ 745	\$ 5,949
Charges not affecting cash	909	(3,668)
	<u>1,654</u>	<u>2,281</u>
Change in working capital items, excluding cash equivalents	(380)	(1,497)
Deferred exploration and development expenditures	(2,349)	(93)
Cash provided from (used for) operating activities	<u>(1,075)</u>	<u>691</u>
INVESTING ACTIVITIES		
Purchase of investments	(18,361)	—
Proceeds on sale of investments	—	9,427
Additions to fixed assets	(2,562)	(1,785)
Proceeds on sale of fixed assets and mineral rights lease	151	582
Cash provided from (used for) investing activities	<u>(20,772)</u>	<u>8,224</u>
FINANCING ACTIVITIES		
Issue of common shares	7,838	—
Government assistance	950	—
Obligations under capital lease	172	—
Cash provided from financing activities	<u>8,960</u>	<u>—</u>
INCREASE (DECREASE) IN CASH	(12,887)	8,915
CASH EQUIVALENTS - BEGINNING OF PERIOD	(1,515)	(15,010)
CASH EQUIVALENTS - END OF PERIOD	<u><u>\$ (14,402)</u></u>	<u><u>\$ (6,095)</u></u>
CASH EQUIVALENTS DEFINED:		
Cash and term deposits	\$ 8,448	—
Bank notes	(22,850)	—
Secured loan	—	\$ (6,095)
	<u><u>\$ (14,402)</u></u>	<u><u>\$ (6,095)</u></u>

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

PAMOUR INC.

Notes to Interim Financial Statements (unaudited)

1. Interim Information

These interim financial statements are unaudited. As interim statements, they do not include all disclosures required under generally accepted accounting principles, however, in the opinion of management they do reflect all adjustments, such adjustments being of a normal and recurring nature, necessary for a fair statement of the financial position and results of operations set out therein.

These interim statements should be read in conjunction with the audited financial statements of Pamour Inc. appearing elsewhere in this joint proxy circular.

2. Investments

In August, 1986, the company acquired 824,413 (19.2%) of the outstanding common shares of Giant Yellowknife Mines Limited ("Giant") for cash of \$15,714,000. Additional acquisition costs incurred amounted to \$843,000. The excess of the cost of the net assets acquired over the underlying book values in the accounts of Giant (\$10,270,000) has been allocated to the fixed assets and mining properties of Giant and is being amortized against the company's share of the earnings of Giant on a unit of production basis.

Details of investments held at September 30, 1986 are as follows:

	As at September 30, 1986
	(Unaudited) (in thousands)
Shares in Giant - at cost	\$16,557
Share of loss of Giant determined using the equity method	(45)
	16,512
Shares in Akaitcho Yellowknife Gold Mines Limited - at equity	1,234
Shares in other associated companies using the equity method	302
Long-term deposits - at cost	570
	<u>\$18,618</u>

The shares of Giant and Akaitcho have been pledged as security on certain bank loans in the amount of \$18,600,000 as at September 30, 1986. The quoted market value of the shares of Giant and Akaitcho as at September 30, 1986 were \$15,869,950 and \$1,078,407, respectively.

3. Joint Venture with ERG Resources Inc.

On September 12, 1986, the company entered into a joint venture with ERG Resources Inc. ("ERG"), for the exploitation of gold tailing interests held by both companies. Pamour contributed approximately 80 million tonnes of tailings in 13 dams to the joint venture for which it is entitled to receive from the joint venture up to \$3,078,050 (\$0.03834 per tonne) in 10 equal yearly payments commencing August 15, 1987. These payments will be recognized as revenue when received.

When commercial production commences on each dam, the portion of the \$3,078,050 relating to that dam that is owing will become payable within six months and the company will also be entitled to receive a 4% net smelter return royalty based on production. Beyond these payments, the parties have an equal participation in the joint venture.

4. Capital Stock

- During the nine months ended September 30, 1986, the company issued 750,000 common shares for cash consideration of \$8,250,000. Share issue expenses of \$412,000 have been charged against issued capital.
- On September 30, 1986, the company completed a private placement of 150 units of 1,000 common shares at \$18 per share for a total consideration of \$2,700,000. The proceeds have been placed in trust and have been recorded as a current asset and current liability in these financial statements. As the funds are spent on the company's exploration properties, common shares will be issued to the unit holders and an amount corresponding to the funds spent will be credited as capital stock. The expenditures must be made before March 2, 1987 at which time, if insufficient expenditures have been made, the remaining proceeds are refundable to the unit holders. Under the terms of the placement agreement, the company will transfer the tax benefit of these expenditures to the purchasers of these shares.
- During the nine months ended September 30, 1986, certain directors of the company were granted options to purchase an aggregate of 330,000 common shares, exercisable from June 5, 1986 until June 13, 1989 at an exercise price of \$13 per share. Options to acquire an additional 2,500 shares at the same price and terms were also granted to an officer. No options had been exercised as at September 30, 1986.

In addition, the company has reserved 100,000 common shares to be allocated to employees as incentive stock options at the discretion of management. As at September 30, 1986, stock options in respect of an aggregate of 78,000 common shares have been allocated to employees exercisable over three year periods at an exercise price of \$13 per share.

5. Commitments

At September 30, 1986, the company had committed to sell 97,500 ounces of gold at prices averaging Cdn. \$520 per ounce for delivery up to December 31, 1987.

6. Government Assistance

During the nine months ended September 30, 1986, the company received a forgivable interest free loan of \$950,000 from the government of Ontario towards the capital cost of a custom gold milling facility. This amount has been accounted for as a reduction in the cost of the mill. Under the terms of the agreement, these funds have been placed in an interest bearing term deposit to be withdrawn in equal amounts over five years if the company complies with the terms of the agreement. As at September 30, 1986, \$190,000 of the loan has been forgiven.

7. Change in Basis of Depreciation and Amortization

The company uses the unit of production method of determining depreciation and amortization. Up until December 31, 1985, the company has used only proven and probable reserves for purposes of these calculations. Effective January 1, 1986, the company commenced including possible reserves in its calculations as, in the opinion of management, the inclusion of these reserves more realistically reflects the expected life of the mines and the company's assets.

Because the information with respect to prior years is not reasonably determinable, this change has been accounted for prospectively. The effect of this change during the nine months ended September 30, 1986, is to increase net earnings before taxes by approximately \$1,075,000.

8. Prior Period Adjustment

At December 31, 1985, the company had received notification of proposed reassessments under the Mining Tax Act of approximately \$1,735,000, including interest, with respect to the years 1979 through 1981. Formal reassessment notices had not been received pending resolution of a similar matter which was before the courts. The company believed that its position was justified and, accordingly, no provision had been made in its financial statements.

Subsequent to December 31, 1985, the court ruled on this matter and the company received formal notices of reassessment and a requirement to pay the tax before April 30, 1987. Accordingly, this amount has been accounted for as a retroactive charge to retained earnings. However, the result of this legal action has been appealed and if the appeal is successful, the company has been advised that the notices of reassessment will be amended.

9. Subsequent Events

(a) By an agreement dated October 14, 1986, the company agreed to acquire 50.1% of the issued shares of Consolidated CSA Minerals Inc. in exchange for cash of \$2 million and 520,386 common shares of the company valued at \$14 per share, for a total consideration of \$9,285,400.

(b) On October 29, 1986, the company exchanged its interest in the joint venture with ERG Resources Inc. (ERG) for 4,516,791 common shares of ERG valued at \$3.50 per share. These shares will be carried at the same value as the investment in the joint venture. The company will retain the 4% net smelter return royalty on production and the entitlement to receive \$3,078,050 as discussed in note 3.

In related transactions, the company has agreed to purchase 1,136,125 additional shares of ERG from an associated company and 1,407,988 shares from certain individuals, two of whom are directors, all at \$3.50 per share. As a result of these transactions, Pamour will hold 7,060,904 common shares (66.5%) of ERG. Certain of these transactions are subject to approval by the securities authorities and the shareholders of ERG. To finance the purchase of the additional shares of ERG from the associated company, the company has agreed to issue 300,108 shares from treasury at an issue price of \$13.25 per share to the associated company.

(c) On November 21, 1986, the company borrowed \$5.2 million from an affiliated company and issued a 12-month convertible promissory note in that amount. The principal amount of the note may be converted during the term into a maximum of 400,000 common shares of the company on the basis of \$13 per share. The note bears interest at the rate equal to the cost of borrowing of an affiliated company.

(d) On December 18, 1986, the Board of Directors approved the issuance of 2.6 million common shares to Jimberlana Holdings (Canada) Corporation, an associated company, for total proceeds of \$33.8 million or \$13 per share, less a commission of \$1,014,000. This transaction is subject to the approval of the shareholders of the company, other than Jimberlana Holdings (Canada) Corporation.

10. Differences Between Canadian and United States Generally Accepted Accounting Principles

The following is a summary of the significant differences between Canadian and U.S. generally accepted accounting principles:

(a) In accordance with United States generally accepted accounting principles, losses relating to reassessments of prior years' mining taxes would be included in the determination of current year's earnings. Accordingly, net earnings for the nine months ended September 30, 1986 would have been decreased by \$1,735,000.

(b) In accordance with United States generally accepted accounting principles, only proven and probable reserves may be used for the calculation of depreciation and amortization. Accordingly, net earnings for the nine months ended September 30, 1986 would have been decreased by approximately \$1,075,000. In addition, the company's share of loss of Giant would have increased by \$194,000 to reflect the shorter period of amortization of the excess of the cost of the net assets acquired over their underlying book values.

Summarized selected financial information in accordance with U.S. generally accepted accounting principles is as follows:

	Nine months ended September 30,	
	1986	1985
	(unaudited) (in thousands, except per share data)	
Earnings from operations as reported	\$ 1,035	\$ 1,830
Adjustment to conform to U.S. GAAP reducing reported earnings from operations — Depreciation and amortization	1,075	—
Earnings (loss) from operations in accordance with U.S. GAAP	\$ (40)	\$ 1,830
Earnings before extraordinary items as reported	\$ 745	\$ 5,949
Adjustments to conform to U.S. GAAP having the effect of reducing reported income — Effect of mining tax reassessment	(1,735)	—
Depreciation and amortization	(1,075)	—
Share of loss in associated company	(194)	—
Income tax effect of above differences	294	—
Earnings (loss) before extraordinary items in accordance with U.S. GAAP	\$ (1,965)	\$ 5,949
Earnings (loss) after extraordinary items in accordance with U.S. GAAP	\$ (1,965)	\$ 7,800
Earnings (loss) per share — before extraordinary item	\$ (0.28)	\$ 0.85
Earnings (loss) per share — after extraordinary item	\$ (0.28)	\$ 1.11

11. Related Party Transactions

- (a) During 1985, the company had business transactions with Noranda Inc. and with certain of Noranda's subsidiary and associated companies. Transactions related to the processing and sale of mine products were effected at rates set out in contractual agreements, such agreements being similar to those commonly used in the industry. Purchases of operating supplies were at normal market prices. Purchases and sales of fixed assets were at negotiated prices. Charges for services were at rates which approximated the actual cost of providing the services.

Details of the transactions were as follows:

	Nine months ended September 30, 1985
	(unaudited) (in thousands)
Noranda charges to Pamour	
Smelting and refining tolls	\$ 1,415
Purchases of operating supplies	662
Management, data processing and research services	582
Purchases of fixed assets	90
Pamour charges to Noranda	
Engineering, exploration and sundry services	501

The balances shown as receivable from and payable to associated companies resulting from the above transactions are current and normal under the terms of the various agreements.

Up until 1986, the company participated with Noranda and associated companies in a short-term investment pool. Interest was charged or credited at market rates. The loan was evidenced by a demand debenture in favour of Noranda, secured by a floating charge on all of the company's undertaking, property and assets.

In early 1986, Jimberlana Holdings (Canada) Corporation purchased Noranda's interest in Pamour. Subsequent to that date, Pamour and Noranda dealt with each other at arm's length.

- (b) The company paid a consulting fee of \$170,000 to a company of which Pamour's President is an officer and a director.
- (c) Certain of the directors and officers of the company are directors and officers of ERG. See notes 3 and 9(b) above for details of transactions involving ERG.

12. Other Information

- (a) There have been no material unusual charges or credits to earnings and no change in independent public accountants.
- (b) The Canadian dollar in terms of U.S. funds was valued at U.S. \$0.72 (1985 rate was U.S. \$0.73) for the period ended September 30.

**GIANT YELLOWKNIFE MINES LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
THREE YEARS ENDED DECEMBER 31, 1985**

AUDITORS' REPORT

To the Shareholders of
GIANT YELLOWKNIFE MINES LIMITED

We have examined the consolidated balance sheet of Giant Yellowknife Mines Limited as at December 31, 1985 and 1984 and the consolidated statements of income, retained earnings and cash flow for each of the years in the three year period ended December 31, 1985. Our examination was made in accordance with auditing standards generally accepted in Canada, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1985 and 1984 and the results of its operations and the changes in its cash position for each of the years in the three year period ended December 31, 1985 in accordance with accounting principles generally accepted in Canada applied on a consistent basis.

Toronto, Canada
January 17, 1986

THORNE RIDDELL
Chartered Accountants

GIANT YELLOWKNIFE MINES LIMITED
(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

As at December 31, 1985 and 1984
(\$000 omitted)

ASSETS

	1985	1984
CURRENT ASSETS		
Cash and short term securities	\$17,143	\$ 9,164
Bullion (note 2)	9,285	5,735
Accounts and accrued interest receivable	1,354	1,351
Income and other taxes receivable		154
Supplies	3,672	3,838
Prepaid expenses and deposits	121	79
	<u>31,575</u>	<u>20,321</u>
FIXED ASSETS		
Producing assets		
Property, plant and equipment	35,660	33,546
Less accumulated depreciation	29,258	25,686
	6,402	7,860
Preproduction and development expenditures	1,782	4,313
Mining claims and properties	59	144
	8,243	12,317
Non-producing assets		
Mining claims and properties	580	580
	8,823	12,897
OTHER ASSETS		
Shares in and advances to other mining companies	147	147
	<u>\$40,545</u>	<u>\$33,365</u>

Approved by the Board:

(Signed) D. J. EMERY, Director

(Signed) J. D. KRANE, Director

GIANT YELLOWKNIFE MINES LIMITED

LIABILITIES

	1985	1984
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,650	\$ 4,423
Dividends payable	1,076	—
Income and other taxes payable	1,286	—
Deferred income taxes	772	200
	<u>7,784</u>	<u>4,623</u>
DEFERRED INCOME AND MINING TAXES	1,027	1,494
MINORITY INTEREST	<u>521</u>	<u>649</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized - 4,500,000 shares without par value		
Issued - 4,303,050 shares	5,700	5,700
CONTRIBUTED SURPLUS	2,637	2,637
RETAINED EARNINGS	22,876	18,262
	<u>31,213</u>	<u>26,599</u>
	<u>\$40,545</u>	<u>\$33,365</u>

Contingency (note 6)

GIANT YELLOWKNIFE MINES LIMITED

Consolidated Statement of Income for the Years Ended December 31, 1985, 1984 and 1983

(\$000 omitted, except per share amounts)

	1985	1984	1983
REVENUE			
Bullion production	\$56,619	\$49,989	\$33,095
Deduct marketing expenses	545	449	368
	<u>56,074</u>	<u>49,540</u>	<u>32,727</u>
EXPENSES			
Operating	41,370	38,608	24,296
Administrative and corporate	780	746	729
	<u>42,150</u>	<u>39,354</u>	<u>25,025</u>
Operating income before undernoted items	13,924	10,186	7,702
Yellowknife depreciation	1,553	1,379	1,290
Salmita depreciation and amortization	4,740	5,713	—
Exploration	2,136	1,787	1,177
	<u>8,429</u>	<u>8,879</u>	<u>2,467</u>
Operating income	5,495	1,307	5,235
Investment and other income	1,645	866	1,102
	<u>7,140</u>	<u>2,173</u>	<u>6,337</u>
Income and mining taxes (note 4)			
Current	2,528	131	424
Deferred	(950)	105	1,744
	<u>1,578</u>	<u>236</u>	<u>2,168</u>
	5,562	1,937	4,169
Minority interest in net income (loss) of subsidiary companies	(128)	46	40
NET INCOME	<u>\$ 5,690</u>	<u>\$ 1,891</u>	<u>\$ 4,129</u>
EARNINGS PER SHARE	<u>\$ 1.32</u>	<u>\$ 0.44</u>	<u>\$ 0.96</u>

Consolidated Statement of Retained Earnings for the Years Ended December 31, 1985, 1984 and 1983

(\$000 omitted)

	1985	1984	1983
BALANCE AT BEGINNING OF YEAR			
As previously reported	\$17,912	\$16,021	\$11,812
Adjustment of prior years' income taxes (note 7)	350	350	430
As restated	18,262	16,371	12,242
Net income	5,690	1,891	4,129
	<u>23,952</u>	<u>18,262</u>	<u>16,371</u>
Dividends - \$0.25 per share	1,076	—	—
BALANCE AT END OF YEAR	<u>\$22,876</u>	<u>\$18,262</u>	<u>\$16,371</u>

GIANT YELLOWKNIFE MINES LIMITED

Consolidated Statement of Cash Flow for the Years Ended December 31, 1985, 1984 and 1983

(\$000 omitted)

	1985	1984	1983
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Net income for the year	\$ 5,690	\$ 1,891	\$ 4,129
Items not affecting cash:			
Depreciation and amortization	6,293	7,092	1,290
(Gain) on disposal of fixed assets	(294)	(151)	(55)
Deferred income and mining taxes (recovery) - long term portion	(1,522)	159	2,159
Minority interest in net income (loss) of subsidiary companies	(128)	46	40
Net change in non-cash working capital balance related to operations	(135)	(1,695)	5,395
Cash provided by operating activities	<u>9,904</u>	<u>7,342</u>	<u>12,958</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Investment in property, plant and equipment	(2,244)	(2,888)	(13,943)
Proceeds on disposal of fixed assets	<u>319</u>	<u>196</u>	<u>76</u>
Cash (used in) investing activities	<u>(1,925)</u>	<u>(2,692)</u>	<u>(13,867)</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR	7,979	4,650	(909)
CASH POSITION AT BEGINNING OF YEAR	<u>9,164</u>	<u>4,514</u>	<u>5,423</u>
CASH POSITION AT END OF YEAR	<u>\$17,143</u>	<u>\$ 9,164</u>	<u>\$ 4,514</u>

NOTE: Cash position comprises cash and short term securities.

GIANT YELLOWKNIFE MINES LIMITED

Notes to Consolidated Financial Statements as at December 31, 1985, 1984 and 1983

1. Accounting Policies

The consolidated financial statements of the company have been prepared by management in accordance with accounting principles generally accepted in Canada, consistently applied. For the purposes of these statements accounting policies are in conformity, in all material respects, except as disclosed in note 7, with accounting policies generally accepted in the United States. The significant accounting policies followed by the company are summarized hereunder to facilitate review of the consolidated financial statements.

(a) *Basis of consolidation*

The consolidated financial statements include the accounts of Lolor Mines Limited and Supercrest Mines Limited of which the company holds 87.5% and 50.01% respectively of the outstanding common shares.

(b) *Bullion and concentrates*

The company records as revenue the estimated net realizable value of bullion and concentrates awaiting sale.

(c) *Supplies*

Stores and operating supplies are valued at the lower of average cost and replacement cost.

(d) *Fixed assets*

Fixed assets are accounted for as follows:

(i) plant and equipment is recorded at cost. Investment tax credits related to plant and equipment expenditures are recognized as a reduction of the cost of the related asset when realized or to the extent of available deferred tax liabilities applicable to fixed assets;

(ii) preproduction and development expenditures and producing mining claims and properties are recorded at cost less amounts amortized;

(ii) depreciation and amortization of producing assets are provided on the unit of production basis;

(iv) non-producing mining claims and properties are recorded at cost;

(v) repairs and maintenance expenditures are charged against earnings, major betterments and replacements are capitalized; and

(vi) upon sale or abandonment the cost of the fixed assets and related accumulated depreciation or depletion are removed from the accounts and any gains or losses thereon are included in earnings.

(e) *Other assets*

Shares in and advances to other mining companies are recorded at cost less amounts written off.

(f) *Exploration*

Exploration costs incurred to the date of establishing that a property has reserves which have the potential of being economically recoverable are charged against earnings.

(g) *Retirement plans*

The costs of retirement plans are charged against earnings in the year required fundings are payable and include amounts for current service and amortization of past service costs. Past service costs are generally amortized and funded over periods of up to fifteen years.

(h) *Income and mining taxes*

The company follows the deferral method of applying the tax allocation basis of accounting for income and mining taxes. Under this method timing differences between the period when income or expenses are reported for tax purposes and the period when they are recorded in the accounts result in provisions for deferred taxes.

(i) *Segmented information*

The company operates within one dominant industry segment, gold mining, that is carried out in the Northwest Territories of Canada.

2. Bullion

Bullion includes approximately 20,337 troy ounces of gold (1984, 14,700 troy ounces). The estimated net realizable value of bullion on hand has been determined using an average value for gold of Cdn. \$452 per ounce (1984, Cdn. \$425 per ounce).

3. Retirement Plans

The company maintains retirement plans for its employees. Total pension expense for the year was \$39,000 (1984, \$36,000; 1983, \$40,000) including past service costs of approximately \$4,000 for 1985 (1984 - nil; 1983 - \$3,000). Based on the most recent actuarial evaluation there is an unfunded liability in the plans as at December 31, 1985 of \$730,000 (1984 and 1983, nil).

The unfunded liability has arisen as a result of an improved monthly supplemental benefit and unreduced pension payments resulting from early retirement with certain restrictions.

4. Income and Mining Taxes

The provisions for income and mining tax for the years 1985, 1984 and 1983 are analyzed in the following table to show (i) the taxes that would be payable by applying statutory tax rates to the company's pre-tax earnings, and (ii) the taxes actually provided in the accounts after deducting available resource, depletion and processing allowances (\$000 omitted):

	1985		1984		1983	
	Income tax	Mining tax	Income tax	Mining tax	Income tax	Mining tax
(a) Pre-tax earnings as reported ...	\$7,140	\$ 7,140	\$2,173	\$2,173	\$6,337	\$6,337
less non-mining and exempt mining income	—	9,736	—	2,634	—	1,102
Earnings (loss) subject to tax...	<u>\$7,140</u>	<u>\$(2,596)</u>	<u>\$2,173</u>	<u>\$ (461)</u>	<u>\$6,337</u>	<u>\$5,235</u>
Statutory tax rates	<u>48.6%</u>	<u>Nil</u>	<u>46.0%</u>	<u>3.0%</u>	<u>46.9%</u>	<u>5.8%</u>
Tax at statutory rates	<u>\$3,470</u>	<u>Nil</u>	<u>\$1,000</u>	<u>\$ (14)</u>	<u>\$2,972</u>	<u>\$ 304</u>
Adjust for tax effect of:						
Resource allowance	(1,341)	—	(743)	—	(754)	—
Depletion allowance	(549)	—	(19)	—	(521)	—
Processing allowance	—	—	(23)	—	(61)	—
Non-allowable expenses...	52	—	92	58	224	78
Other	(54)	—	(110)	(5)	(56)	(18)
Tax provided in the accounts ...	<u>\$1,578</u>	<u>Nil</u>	<u>\$ 220</u>	<u>\$ 16</u>	<u>\$1,865</u>	<u>\$ 303</u>
	<u>\$1,578</u>		<u>\$236</u>		<u>\$2,168</u>	
Effective tax rates on reported pre-tax earnings	<u>22.1%</u>	<u>Nil</u>	<u>10.1%</u>	<u>0.7%</u>	<u>29.4%</u>	<u>4.8%</u>
	<u>22.1%</u>		<u>10.8%</u>		<u>34.2%</u>	

- (b) The provision for deferred tax expense results from timing differences between the period when income or expenses are reported for tax purposes and the period when they are recorded in the accounts. The sources and tax effect of these differences are as follows (\$000 omitted):

	1985	1984	1983
	Income tax	Income tax	Income tax
Long term timing differences			
Depreciation claimed for tax purposes in excess of (lower than) depreciation expensed in the accounts	\$ (57)	\$ 1,394	\$ 773
Exploration costs claimed for tax purposes in excess of (lower than) amounts expensed in the accounts	(2,812)	(510)	4,895
Other	(1,010)	(131)	522
Total long term timing differences	<u>\$(3,879)</u>	<u>\$ 753</u>	<u>\$ 6,190</u>
Long term deferred tax expense (reduction) recognized in the accounts ..	<u>\$(1,522)</u>	<u>\$ 159</u>	<u>\$ 2,159</u>
Effective rate of provision	<u>(39.2%)</u>	<u>21.1%</u>	<u>34.9%</u>
Current timing differences			
Bullion recorded in the accounts at net realizable value and recognized for tax purposes at cost of production	\$ 2,070	\$ (193)	\$(1,600)
Current deferred tax expense (reduction) recognized in the accounts	<u>\$ 572</u>	<u>\$ (54)</u>	<u>\$ (415)</u>
Effective rate of provision	<u>27.6%</u>	<u>(28.0%)</u>	<u>(25.9%)</u>
Total deferred tax expense (reduction) recognized in the accounts	<u>\$ (950)</u>	<u>\$ 105</u>	<u>\$ 1,744</u>

At December 31, 1985 deferred taxes on the balance sheet amount to \$1,799,000 (1984, \$1,694,000). This amount will be reflected as a component of current tax expense in subsequent years as timing differences are reversed.

5. Related Party Transactions

Falconbridge Limited (Falconbridge) owns 19.16% of the common shares of the company and consequently many of the companies within the Falconbridge organization are related parties. As part of normal business transactions, the company makes use of Falconbridge's management and technical services. During the year the charges for these services aggregated \$508,000 (1984, \$414,000, 1983, \$374,000).

The company engages in exploration for minerals as a joint venture participant with members of the Falconbridge group, at a cost proportionate to its interest in the various projects.

6. Contingency

The company has been named as a defendant, amongst others, in actions commenced in Ontario and the Northwest Territories relating to the title of the Salmita property. The company considers the actions against it to be without merit and has taken appropriate steps to defend the actions.

7. Prior Period Adjustment

In January 1985, the company received federal income tax reassessments applicable to the years 1978 through 1980 resulting in refunds of taxes previously paid. These refunds and related interest credits have been accounted for as follows (\$000 omitted):

	Income Taxes Receivable	Net Interest Receivable	Increase in Long Term Deferred Taxes	Increase (Decrease) in Retained Earnings
Applicable to retained earnings at January 1, 1983	\$219	\$447	\$(236)	\$430
Applicable to 1983	—	129	(209)	(80)
Net effect to January 1, 1985 and 1984	<u>\$219</u>	<u>\$576</u>	<u>\$(445)</u>	<u>\$350</u>

In accordance with accounting principles generally accepted in the United States, gains relating to reassessments of prior years' income taxes are included in current year's income. The effect on the consolidated statement of income of differences between generally accepted accounting principles in Canada and the United States is outlined below:

	December 31,		
	1985	1984	1983
	(in thousands, except per share amounts)		
Income for the period as reported based on generally accepted accounting principles in Canada	\$5,690	\$1,891	\$4,129
Income and mining tax reassessments	<u>350</u>	<u>—</u>	<u>80</u>
Income for the period based on generally accepted accounting principles in the United States	<u>\$6,040</u>	<u>\$1,891</u>	<u>\$4,209</u>
Earnings per share (United States basis)	<u>\$1.40</u>	<u>\$0.44</u>	<u>\$0.98</u>

GIANT YELLOWKNIFE MINES LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

SEPTEMBER 30, 1986

(Unaudited)

GIANT YELLOWKNIFE MINES LIMITED

Consolidated Balance Sheet

(Unaudited)
(in thousands)

ASSETS

	September 30, 1986
CURRENT ASSETS	
Cash and short term securities	\$20,199
Bullion, at estimated net realizable value	6,840
Accounts and accrued interest receivable	183
Supplies	5,361
Prepaid expenses and deposits	311
	<u>32,894</u>
FIXED ASSETS	
Producing assets	
Property, plant and equipment	37,656
Less accumulated depreciation	32,023
	<u>5,633</u>
Preproduction and development expenditures - net	543
Mining claims and properties - net	18
	<u>6,194</u>
Non-producing assets	
Mining claims and properties	580
	<u>6,774</u>
OTHER ASSETS	
Shares in and advances to other mining companies, at cost less amount written off	147
	<u>\$39,815</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	September 30, 1986
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	\$ 4,255
Income and other taxes payable	879
Deferred income taxes	772
	<u>5,906</u>
DEFERRED INCOME AND MINING TAXES	<u>187</u>
MINORITY INTEREST	<u>250</u>
SHAREHOLDERS' EQUITY	
Capital	
Authorized - 4,500,000 shares without par value	
Issued - 4,303,050 shares	5,700
Contributed surplus	2,637
Retained earnings (note 3)	25,135
	<u>33,472</u>
	<u>\$39,815</u>

See accompanying notes to financial statements.

GIANT YELLOWKNIFE MINES LIMITED

Consolidated Statement of Income

(Unaudited)

(in thousands except per share amounts)

	Nine Months Ended September 30	
	1986	1985
REVENUE		
Bullion production	\$43,273	\$41,607
Deduct marketing expenses	358	408
	<u>42,915</u>	<u>41,199</u>
EXPENSES		
Operating	35,102	29,729
Administrative and corporate	743	544
	<u>35,845</u>	<u>30,273</u>
Operating income before the undernoted items	7,070	10,926
Depreciation and amortization	4,045	5,646
Exploration	1,503	1,929
	<u>5,548</u>	<u>7,575</u>
Operating income	1,522	3,351
Investment and other income	1,413	1,234
	<u>2,935</u>	<u>4,585</u>
Income and mining taxes		
Current	1,787	2,067
Deferred (recovery)	(840)	(1,130)
	<u>1,988</u>	<u>3,648</u>
Minority interest in loss of subsidiary companies	271	52
NET INCOME	<u>\$ 2,259</u>	<u>\$ 3,700</u>
EARNINGS PER SHARE	<u>\$ 0.52</u>	<u>\$ 0.86</u>

Consolidated Statement of Retained Earnings

(Unaudited)

(in thousands)

Balance at beginning of period		
As previously reported	\$22,876	\$17,912
Adjustment for prior years' income tax reassessments (note 3)	—	350
As restated	<u>22,876</u>	<u>18,262</u>
Net income for the period	<u>2,259</u>	<u>3,700</u>
Balance at end of period	<u>\$25,135</u>	<u>\$21,962</u>

See accompanying notes to financial statements.

GIANT YELLOWKNIFE MINES LIMITED

Consolidated Statement of Cash Flow

(Unaudited)

(in thousands)

	Nine Months Ended September 30	
	1986	1985
Cash provided by (used in) operating activities		
Net income for the period	\$ 2,259	\$ 3,700
Charges not affecting cash	<u>2,793</u>	<u>3,807</u>
Cash provided by operating activities	5,052	7,507
Cash (used in) investing activities		
Investment in property, plant, equipment and other assets – net	<u>(1,996)</u>	<u>(660)</u>
Increase in cash during the period	3,056	6,847
Cash position at beginning of period	<u>17,143</u>	<u>9,164</u>
Cash position at end of period	<u>\$20,199</u>	<u>\$16,011</u>

Note: Cash position comprises cash and short term securities.

See accompanying notes to financial statements.

GIANT YELLOWKNIFE MINES LIMITED

Notes to Interim Consolidated Financial Statements

(Unaudited)

1. The financial statements presented are unaudited.
2. Because certain note information in the Company's annual report has been omitted herefrom, the financial statements do not include all disclosures required under generally accepted accounting principles. However, the financial statements reflect all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods and conform with the nature of the business, and with year end reporting. The consolidated financial statements of the company have been prepared by management in accordance with accounting principles generally accepted in Canada, consistently applied. For the purposes of these statements, accounting policies are in conformity, in all material respects, with accounting policies generally accepted in the United States except as disclosed in note 3.
3. During the first quarter of 1985, the registrant received federal income tax reassessments applicable to the years 1978 through 1980 inclusive resulting in refunds of taxes previously paid and related interest credits totalling \$795,000. After deducting \$445,000, representing deferred taxes applicable to the interest, the registrant recorded a prior period adjustment resulting in an upward restatement of retained earnings at January 1, 1985 of \$350,000. In accordance with accounting principles generally accepted in the United States, gains relating to reassessments of prior years income taxes are included in the current period's income. The effect on the interim consolidated statement of income of differences between generally accepted accounting principles in Canada and the United States is outlined below.

	Nine Months ended September 30	
	1986	1985
	(in thousands, except per share amounts)	
Income for the period as reported based on generally accepted accounting principles in Canada	\$2,259	\$3,700
Income and mining tax reassessments	—	350
Income for the period based on generally accepted accounting principles in the United States	<u>\$2,259</u>	<u>\$4,050</u>
Earnings per share (United States basis)	<u>\$ 0.52</u>	<u>\$ 0.94</u>

4. There have been no material unusual charges or credits to income and no change in independent public accountants.
5. There have been no sales of unregistered securities.
6. The Canadian dollar in terms of U.S. funds was valued at U.S. \$0.72 (1985 rate was U.S. \$0.73) for the period ended September 30.
7. Related party transactions:
 - (a) Nesscor Inc., a private Ontario company, provides corporate services to the Company, including corporate secretarial services and treasury, insurance, public relations, regulatory authorities liaison, corporate financing and development and personnel planning services. In 1986, the Company paid Nesscor Inc. \$62,000 for these services. D. S. MacLeod, Chairman and a director of the Company, and C. Kyriakou, a director of the Company, are substantial shareholders, directly or indirectly, in this management company.
 - (b) Pamour Inc., the largest shareholder of the Company, has a direct interest in the asset combination proposal described elsewhere in this Joint Proxy Circular as the vendor of assets to the Company. Pamour also provides head office facilities and corporate accounting and taxation services to the Company. In 1986, the Company paid Pamour Inc. \$28,000 for these services.
 - (c) Falconbridge Limited, which prior to August 12, 1986, was the beneficial holder of 19.16% of the issued shares of the Company, provided certain services to the Company prior to that date and to a limited extent following that date, including office space, technical, secretarial, accounting, tax, general corporate services and the services of the Company's executive officers. In 1986, the Company paid Falconbridge Limited approximately \$483,000 for these services.

GIANT YELLOWKNIFE MINES LIMITED

**PRO FORMA CONDENSED CONSOLIDATED
FINANCIAL INFORMATION AS AT SEPTEMBER 30, 1986
(Unaudited)**

GIANT YELLOWKNIFE MINES LIMITED

(Incorporated under the laws of Ontario)

Unaudited Pro Forma Condensed Consolidated Balance Sheet as at September 30, 1986

	Giant	Pamour	Pro forma adjustments (note 5) (Thousands of dollars)	Pro forma
ASSETS				
Cash and term deposits	\$20,199	\$11,148	\$(17,500)(a) (11,148)(e)	\$ 2,699
Bullion and supplies	12,201	6,076		18,277
Other current assets	494	3,310		3,804
Property, plant and equipment	6,231	14,799	52,883 (c)	73,913
Deferred development and exploration	543	8,351	(5,540)(d) (2,811)(e)	543
Other assets	147	18,618	(16,814)(e)	1,951
	<u>\$39,815</u>	<u>\$62,302</u>		<u>\$101,187</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Bank debt		\$22,850	\$(17,366)(e)	\$ 5,484
Accounts payable and accrued liabilities	\$ 4,255	9,362	(1,776)(e)	11,841
Other current liabilities	1,651	4,765	(3,030)(e)	3,386
Long term liabilities	187	1,025	(347)(e)	865
Minority interest	250			250
	<u>6,343</u>	<u>38,002</u>		<u>21,826</u>
Capital stock (without par value)	5,700	16,330	45,889 (b) (16,330)(e)	51,589
Contributed surplus	2,637			2,637
Retained earnings	25,135	7,970	(7,970)(e)	25,135
	<u>33,472</u>	<u>24,300</u>		<u>79,361</u>
	<u>\$39,815</u>	<u>\$62,302</u>		<u>\$101,187</u>

GIANT YELLOWKNIFE MINES LIMITED

Unaudited Pro Forma Condensed Consolidated Statements of Income

	Nine months ended September 30, 1986				Year ended December 31, 1985			
	Giant Yellowknife Mines Limited	Pamour Inc.	Pro forma adjustments (note 6)	Pro forma	Giant Yellowknife Mines Limited	Pamour Inc.	Pro forma adjustments (note 6)	Pro forma
(Thousands of dollars except per share amounts)								
Revenue	\$42,915	\$41,616		\$84,531	\$56,074	\$50,741		\$106,815
Expenses								
Operations	35,102	37,260		72,362	41,370	46,325		87,695
Administration	743	992	\$ (992)(e)	743	780	584	\$ (584)(e)	780
Depreciation and amortization ..	4,045	711	2,625 (b)	5,977	6,293	1,501	3,500 (b)	9,060
			(1,404)(a)				(2,234)(a)	
Exploration and development ..	1,503	1,618		3,121	2,136	1,568		3,704
	41,393	40,581		82,203	50,579	49,978		101,239
Earnings from operations	1,522	1,035		2,328	5,495	763		5,576
Investment and other			240 (e)				(9,480)(e)	
income	1,413	72	(1,482)(d)	243	1,645	11,214	(2,232)(d)	1,147
Earnings before income taxes and								
minority interest	2,935	1,107		2,571	7,140	11,977		6,723
Income and mining taxes	(947)	(362)	43 (c)	(1,266)	(1,578)	(1,452)	87 (c)	(2,943)
Minority interest in loss of								
subsidiary companies	271	—	(101)(f)	170	128	—	(49)(f)	79
NET INCOME	\$ 2,259	\$ 745		\$ 1,475	\$ 5,690	\$10,525		\$ 3,859
EARNINGS PER SHARE	\$ 0.52	\$ 0.11		\$ 0.21	\$ 1.32	\$ 1.50		\$ 0.55

GIANT YELLOWKNIFE MINES LIMITED

Notes to Unaudited Pro Forma Condensed Consolidated Financial Information

1. Under an agreement dated November 18, 1986, Giant agreed to buy substantially all of the mining operations and certain other assets of Pamour for total consideration of \$78,872,000 consisting of the assumption by Giant of liabilities related to the acquired assets, \$17.5 million in cash and 2,683,567 shares of Giant, at a value of \$17.10 per share, issued from treasury. As a result of the share issue, Pamour will increase its shareholdings in Giant from 19.2% to 50.2%.

The unaudited pro forma condensed financial information has been prepared on the purchase method of accounting with Giant as the purchaser.

2. The unaudited condensed pro forma balance sheet has been prepared from the unaudited balance sheets as at September 30, 1986 of Giant and Pamour. The balance sheet of Giant at September 30, 1986, included elsewhere herein, is unaudited, but in the opinion of Giant includes all adjustments necessary for fair presentation. The unaudited condensed pro forma balance sheet is prepared under the assumption that the mining operations of Pamour were acquired effective September 30, 1986.
3. The unaudited condensed pro forma statement of income for the nine months ended September 30, 1986 has been prepared from Giant's unaudited statement of income for the nine months ended September 30, 1986 and Pamour's unaudited statement of income for the nine months ended September 30, 1986 (included elsewhere herein). The income statements of these companies for the period ended September 30, 1986 are unaudited but in the opinion of Giant include all adjustments necessary for the fair presentation of the results of operations for such period.
4. The unaudited condensed pro forma statement of income for the year ended December 31, 1985 has been prepared from Giant's statement of income for the year ended December 31, 1985 and Pamour's statement of income for the year ended December 31, 1985 (included elsewhere herein).
5. The pro forma adjustments to the unaudited pro forma condensed balance sheet as at September 30, 1986 give effect to the purchase by Giant of substantially all of Pamour's mining operations.

The unaudited pro forma condensed balance sheet as at September 30, 1986 was prepared under the assumption that the acquisition occurred on September 30, 1986, and includes the following pro forma adjustments:

- (a) payment by Giant to Pamour of \$17,500,000;
- (b) issue of 2,683,567 shares of Giant to Pamour for a total value of \$45,889,000;
- (c) increase in property, plant and equipment to record at their fair value, which is mainly attributable to the mining properties purchased. Historical balances of property, plant and equipment consist of: mining claims and properties of \$598,000 in Giant and \$41,000 in Pamour, and plant and equipment of \$5,633,000 in Giant and \$14,758,000 in Pamour;
- (d) reduction of Pamour's deferred development expenditures relating to mining properties sold to Giant and recorded as fixed assets; and
- (e) deletion of assets, liabilities and shareholders' equity from Pamour's historical balance sheet that are not being sold to Giant.

The assets purchased from Pamour have been recorded in the accounting records based on the fair value of consideration given by Giant to Pamour, as described above. For tax purposes, the companies will elect under Section 85 of the Income Tax Act to record the assets acquired at Pamour's tax values. This results in an accounting book value greater than their tax value in the approximate amount of \$37,842,000.

6. The pro forma adjustments to the unaudited condensed pro forma statements of income are based in part on the estimated income statement effect of the pro forma purchase adjustments on the underlying net assets of Pamour. Adjustments to actual statements of income may differ materially because of changes in purchase adjustments and other assumptions on which the pro forma statements of income adjustments are based.

The unaudited pro forma condensed statements of income for the year ended December 31, 1985 and the nine months ended September 30, 1986 were prepared under the assumption that the acquisition was effective January 1, 1985 and January 1, 1986, respectively, and include the following pro forma adjustments:

- (a) change in accounting policy relating to the calculation of depreciation and amortization, see note 7,
- (b) increased depreciation and amortization as a result of purchasing the fixed assets of Pamour at fair value,
- (c) adjustments to income and mining tax expense to reflect the combined operations,
- (d) adjustment to interest income and expense to reflect changes in cash position,
- (e) deletion of non-mining income and expense of Pamour, and
- (f) adjustment to minority interest resulting from the purchase of 36.69% of Akaitcho.

7. Change in Accounting Policy

Effective January 1, 1987 the company intends to change its method of calculating depreciation and amortization to the unit of production method based upon the estimated economic life of the mines.

Previously the company calculated depreciation and amortization on a unit of production method based upon proven and probable ore reserves.

This change will be applied prospectively and accordingly the historical amounts reported in prior years have not been restated.

8. Generally Accepted Accounting Principles in Canada and the United States

The effect on the unaudited pro forma condensed statements of income of differences between generally accepted accounting principles in Canada and the United States is outlined below:

	Nine months ended September 30, 1986	Year ended December 31, 1985
	(Thousands of dollars except per share amount)	
(a) Pro forma income for the period as reported based on generally accepted accounting principles in Canada	\$ 1,475	\$ 3,859
Income and mining tax reassessments (i)	(1,735)	350
Depreciation and amortization (ii)	(12,202)	(14,429)
Pro forma loss for the period based on generally accepted accounting principles in the United States	<u>\$(12,462)</u>	<u>\$(10,220)</u>
Loss per share (United States basis)	<u>\$ (1.78)</u>	<u>\$ (1.46)</u>

(i) Under United States accounting principles gains/losses relating to reassessments of prior years' income taxes are charged to current year's income/loss.

(ii) Under United States accounting principles, depreciation and amortization would be calculated on the unit of production basis on proven and probable reserves.

SCHEDULE I

Special Resolution of Shareholders of Pamour Inc. to Approve of Sale of Assets

RESOLVED as a special resolution that:

1. the Corporation sell substantially all of its operating assets as more particularly described in the asset purchase agreement dated November 18, 1986 between the Corporation and Giant Yellowknife Mines Limited (the "Agreement"), to Giant Yellowknife Mines Limited pursuant to and on the terms and conditions set out in the Agreement;
2. the Agreement and the execution thereof by the Corporation be and is hereby approved;
3. the directors of the Corporation are hereby authorized pursuant to subsection 183(8) of the Canada Business Corporations Act, subject to the rights of third parties, to abandon the said sale without further approval of the shareholders; and
4. the proper officers of the Corporation be and they are hereby authorized and directed to execute and deliver for and on behalf of the Corporation such conveyances, deeds, documents of title, transfers and other documents and instruments and to do such other acts and things as may be considered necessary or desirable to give effect to the said sale and to the Agreement.

SCHEDULE II

Resolution of Shareholders of Pamour Inc. to Approve Stock Options

RESOLVED that the granting of incentive stock options to purchase common shares in the capital of the Corporation at a price of \$13.00 per share for a period of three years to the following directors in the following amounts be approved:

D. C. Deacon	15,000 common shares
A. C. A. Howe	15,000 common shares
D. E. G. Schmitt	15,000 common shares

SCHEDULE III

Special Resolution of Shareholders of Giant Yellowknife Mines Limited to Amend Articles

RESOLVED as a special resolution that:

1. the articles of the Corporation be amended to delete the maximum number of shares that the Corporation is authorized to issue and the maximum consideration for which shares may be issued and to provide that the Corporation is authorized to issue an unlimited number of shares of one class, such shares to be designated as "common shares"; and
2. the proper officers of the Corporation be and they are hereby authorized and directed to sign and deliver for and on behalf of the Corporation articles of amendment and to do such other acts and things as may be considered necessary or desirable to give effect to this special resolution.

SCHEDULE IV

Resolution of Shareholders of Giant Yellowknife Mines Limited Approving Asset Acquisition and Issue of Shares

RESOLVED that:

1. the Corporation acquire substantially all of the operating assets of Pamour Inc. as more particularly described in the asset purchase agreement dated November 18, 1986 between the Corporation and Pamour Inc. (the "Agreement") pursuant to and on the terms and conditions set out in the Agreement;
2. the Agreement be and is hereby approved;
3. the issue of 2,683,567 shares of the Corporation to Pamour Inc. pursuant to the Agreement is hereby approved; and
4. the proper officers of the Corporation be and they are hereby authorized and directed to execute and deliver for and on behalf of the Corporation such documents and to do such other acts and things as may be considered necessary or desirable to give effect to the said acquisition and to the Agreement.

SCHEDULE V

Chartered Accountants

Box 51
Toronto-Dominion Centre
Toronto, Ont. M5K 1G1

(416) 863 1133
Telex 06 524111
Telecopier (416) 365 8215 G3

Price Waterhouse



November 18, 1986

Pamour Inc.
Giant Yellowknife Mines Limited

The Boards of Directors of
Pamour Inc. and
Giant Yellowknife Mines Limited

Dear Sirs:

We understand that Pamour Inc. ("Pamour") and Giant Yellowknife Mines Limited ("Giant Yellowknife") propose to combine their active mining operations generally in accordance with terms set out in the October 15, 1986 Confidential Proposal to the Boards of Directors of Pamour and Giant Yellowknife ("the Proposal"). If approved, the Proposal would result in the transfer of Pamour's active mining and certain other assets and related liabilities to Giant Yellowknife in return for \$17,500,000 and 2,683,567 shares of Giant Yellowknife.

In this regard, you have asked us to provide you with an opinion as to whether the terms of the Proposal are fair and reasonable from a financial point of view to the shareholders of Pamour and Giant Yellowknife.

In arriving at our opinion we have, among other things:

- (a) reviewed the operating and financial performance of Pamour's mining operations in relation to that of Giant Yellowknife
- (b) reviewed and relied on the 1986 studies prepared by Kilbom Limited, Consulting Engineers, summarizing the Pamour and Giant Yellowknife five year suggested operating plans ("the Kilbom Reports")
- (c) reviewed the audited financial statements for Pamour and Giant Yellowknife for the past five years and most recent unaudited interim financial statements
- (d) held discussions with the managements of Pamour and Giant Yellowknife with respect to the current and prospective operations of each company
- (e) held discussions with representatives of Kilbom Limited concerning the conclusions and findings set out in the Kilbom Reports
- (f) reviewed certain published stock market and financial data on other major Canadian gold producers
- (g) visited the Pamour operations in Timmins, Ontario and Giant Yellowknife operations outside Yellowknife, Northwest Territories
- (h) obtained letters of representation addressed to us from each of Pamour and Giant Yellowknife
- (i) reviewed other financial, market and industry information and carried out such other analysis as we considered appropriate in the circumstances

We have assumed the accuracy and completeness of all the financial, tax and other information and material we have reviewed and the representations received from Pamour, Giant Yellowknife and Kilbom Limited and have not attempted to independently verify the accuracy and completeness of such information, material or representations.

Based and relying on the foregoing, we are of the opinion that the terms of the proposal are fair and reasonable from a financial point of view to the shareholders of Pamour Inc. and Giant Yellowknife Mines Limited.

(Signed) PRICE WATERHOUSE

SCHEDULE VI

THIS ASSET PURCHASE AGREEMENT made this 18th day of November, 1986

BY AND BETWEEN:

PAMOUR INC., a body corporate incorporated under the laws of Canada
(hereinafter called "Pamour")

OF THE FIRST PART

— and —

GIANT YELLOWKNIFE MINES LIMITED, a body corporate
incorporated under the laws of Ontario
(hereinafter called "Giant")

OF THE SECOND PART

WHEREAS Pamour owns 824,413 common shares of Giant, representing approximately 19.2% of its outstanding common shares;

AND WHEREAS Pamour and Giant are engaged in the business of exploration for, mining and production of gold;

AND WHEREAS the parties hereto have determined that Giant's acquisition of Pamour's gold mining and production operations is mutually advantageous;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties hereto, the parties hereto hereby covenant and agree as follows:

1. DEFINITIONS:

1.01 In this agreement, the following words shall have the following meanings:

"Agreement" means this Agreement and any instrument supplemental or ancillary hereto, and the expressions "Article", "section" and "subsection" followed by a number means and refers to the specified Article, section or subsection of this Agreement;

"Akaitcho" means Akaitcho Yellowknife Gold Mines Limited;

"Akaitcho Debt" means Pamour's debt of \$1,234,177 incurred in connection with Pamour's purchase of the Akaitcho Shares. Details of the Akaitcho Debt are provided in Schedule A hereto ("Assumed Bank Debt").

"Akaitcho Shares" means 1,198,230 common shares outstanding in the capital stock of Akaitcho owned by Pamour;

"Assumption Agreement" means that assumption and indemnity agreement made by Giant in favour of Pamour in connection with the Assumed Liabilities in the form provided for in Schedule B hereto;

"Assumed Liabilities" means those liabilities of Pamour assumed by Giant hereunder at and after the Effective Date, which liabilities shall include:

- (i) all trade accounts payable by Pamour outstanding at the Effective Date arising in the normal course and relating to the Timmins Mining Operations, but excluding obligations to employees arising out of their employment with Pamour prior to the Effective Date;
- (ii) all obligations and liabilities arising under existing agreements and contracts assigned by Pamour to Giant hereunder, including Material Contracts;
- (iii) the Barclays Debt;
- (iv) the Akaitcho Debt;

- (v) such liabilities of Pamour as may arise pursuant to the Notices of Assessment and Re-Assessment received by Pamour from the Ministry of Revenue (Ontario) under the Mining Tax Act (Ontario) in the approximate amount of \$1.8 million in respect of Pamour's 1979 to 1983 taxation years (plus any applicable penalties and interest), but excluding any other liability of Pamour with respect to taxes or other assessments on its income or earnings; and
- (vi) any outstanding work orders or orders of environmental or other regulatory bodies affecting the Purchased Assets;

"Barclays Debt" means a revolving working capital facility provided by Barclays Bank of Canada to Pamour which will be assumed by Giant. Details of the Barclays Debt are provided in Schedule A hereto ("Assumed Bank Debt").

"Cash Consideration" means \$17,500,000;

"Closing Date" means March 11, 1987 or such other date as the parties may agree;

"Effective Date" means January 1, 1987;

"Excluded Assets" means those assets of Pamour not transferred and sold to Giant hereunder, which more specifically shall include:

- (i) Pamour's shareholding in Giant;
- (ii) Pamour's 1,650,000 common shares of Canadian Arrow Mines Limited;
- (iii) Pamour's 5,462,000 common shares of Consolidated CSA Minerals Inc.;
- (iv) Pamour's common shares of ERG Resources Inc.
- (v) Pamour's 230,000 common shares of Slocan-Rambler Mines (1947) Limited;
- (vi) with respect to those parcels listed on Schedule C-1 hereto, all existing dormant tailings, tailings ponds and tailings dams and the mineral rights in such tailings as are located thereon (but for greater certainty excluding all other mineral rights in such parcels), together with the surface rights for such parcels;
- (vii) with respect to those parcels listed on Schedule C-2 hereto (whereon there are located plant, fixtures, fixed assets and equipment), all existing dormant tailings, tailings ponds and tailings dams and the mineral rights in such tailings (but for greater certainty excluding all other mineral rights in such parcels), together with the surface rights for that part of such parcel where such tailings, tailings ponds and tailings dams are located, all as more particularly determined by an Ontario Land Surveyor;
- (viii) all rights retained by Pamour to future dormant tailings, tailings ponds and tailings dams (including currently active tailings, tailings ponds and tailings dams) and the mineral rights in such tailings;
- (ix) the Exploration Properties;
- (x) cash in hand on the Effective Date;
- (xi) any other asset not directly associated with the Timmins Mining Operations;

"Exploration Properties" means those properties and interests therein listed on Schedule D hereto;

"Financial Statements" means with respect to each of Giant and Pamour, the audited financial statements for their fiscal years ending December 31, 1985, as updated by unaudited financial statements for the period ending September 30, 1986, attached hereto as Schedules "E" (Pamour) and "F" (Giant);

"GO-Mill Grant" means the forgivable interest free loan from the Government of Ontario, details of which are contained in Schedule G hereto;

"Material Contracts" means those contracts to which Pamour is a party listed in Schedule "H" hereto;

"Pamour Loan" means the operating loan to be made by Pamour to Giant under Article 10 hereof;

"Purchased Assets" means the following assets transferred and sold by Pamour to Giant hereunder:

- (i) the Timmins Mining Operations;
- (ii) to the extent assignable, the full benefit and right of Pamour in its existing contracts and agreements relating to the Timmins Mining Operations including without limitation the Material Contracts and all written and unwritten employment contracts and collective bargaining agreements, pension trust accounts and plans, forward sales contracts, the GO-Mill Grant, and any leases, licences and rights of occupation with respect to the Timmins Mining Operations or any interest in real property located contiguous thereto or forming part thereof;

- (iii) to the extent assignable, all inventories, technology and patents, contracts for equipment leases, accounts receivable and prepaid expenses, all financial and other records pertaining to the Timmins Mining Operations;
- (iv) the Akaitcho Shares;

but for greater certainty the Purchased Assets shall not include the Excluded Assets;

“Purchase Price” means the aggregate price payable by Giant to Pamour for the Purchased Assets, as determined under Article 2 hereof;

“Shares” means 2,683,567 fully paid and non-assessable common shares of Giant to be issued to Pamour hereunder;

“Tax Act” means the Income Tax Act (Canada), R.S.C. 1952, c.148, as amended;

“Timmins Mining Operations” means:

- (i) the lands, premises, minerals and mining rights and mining claims of Pamour comprising the following mines, namely: Pamour No. 1, Pamour No. 2, Pamour No. 3, Ross and Schumacher, the latter consisting of the Schumacher underground, the Timmins Surface and Westfield, and all surface rights thereto which do not constitute Excluded Assets. A description of the material real property interests owned by Pamour is set out in Schedule “I” hereto. Such real property interests may be subject to encumbrances, easements, rights of way or other rights or restrictions which do not in the aggregate materially detract from their value or materially impair their use in the business conducted at the Timmins Mining Operations; and
- (ii) the plant, fixtures, fixed assets and equipment owned by Pamour and located on or at the lands, premises and mining claims described in (i) above, including those more particularly described in Schedule “J” hereto;

1.02 Schedules

The following are the Schedules attached hereto which are incorporated in this Agreement by reference and deemed to be part hereof:

- “A” – Assumed Bank Debt
- “B” – Assumption Agreement
- “C-1” – Location of Dormant Tailings Only
- “C-2” – Location of Dormant Tailings and Timmins Mining Operations
- “D” – Exploration Properties
- “E” – Pamour Financial Statements
- “F” – Giant Financial Statements
- “G” – GO-Mill Grant
- “H” – Material Contracts
- “I” – Timmins Mining Operations – Real Property Interests
- “J” – Timmins Mining Operations – Tangible Properties
- “K” – Price Allocation
- “L” – Pamour Legal Opinion
- “M” – Grant Legal Opinion
- “N” – Pamour Litigation Outstanding
- “O” – Giant Litigation Outstanding
- “P” – Form of Promissory Note for the Pamour Loan

1.03 Currency

All dollar amounts referred to in this Agreement are in lawful money of Canada.

2. DETERMINATION OF PURCHASE PRICE AND INCOME TAX ELECTIONS

2.01 Purchase Price

The Purchase Price payable by Giant for the Purchased Assets shall be an amount equal to \$63,388,996 plus the amount of the Assumed Liabilities.

2.02 Price Allocation

The parties agree that the Purchase Price shall be allocated among the Purchased Assets in accordance with Schedule “K” hereto.

2.03 Income Tax Elections

The parties agree that the elected amounts for the purposes of section 85 of the Tax Act in respect of each type of asset shall be:

- (a) for the stores inventories, the lesser of cost and replacement cost as at the Effective Date;
- (b) for inventories of gold bullion and concentrate, their net realizable value;
- (c) for such of the Purchased Assets as constitute Canadian resource properties for the purposes of the Tax Act, such amount as will allow Pamour to utilize its loss carryforwards and tax credits in the most favourable manner;
- (d) for non-depreciable real property, its cost amount to Pamour;
- (e) for all buildings, plant, equipment and other depreciable property, their undepreciated capital cost to Pamour;
- (f) for all goodwill and intangible property, including the rights and benefits of all contracts to which Pamour is a party, the sum of \$1.00;

Pamour and Giant agree to file all necessary election forms required by the Tax Act, including elections under section 22 thereof, within the prescribed times and in the prescribed form. Pamour and Giant agree to file elections in a comparable manner to ensure a tax deferred rollover of the Purchased Assets for the purposes of the Corporations Tax Act (Ontario).

2.04 Order of Disposition

The parties agree, for the purposes of paragraph 85(1)(e.1) of the Tax Act, to structure the order of disposition of depreciable property described in paragraph 2.03 (e) above such that no recapture of capital cost allowance will result from such disposition.

3. AGREEMENT OF PURCHASE AND SALE

3.01 Agreement

Subject to the provisions hereof, Pamour agrees to sell and transfer, and Giant agrees to purchase and pay for, the Purchased Assets as of the Effective Date.

3.02 Payment

Giant shall pay the Purchase Price of the Purchased Assets on the Closing Date by:

- (a) delivering the Assumption Agreement;
- (b) delivering to Pamour a certified cheque or bank draft for the Cash Consideration; and
- (c) delivering to Pamour a share certificate in registered form representing the Shares.

4. ADJUSTMENTS

4.01 The parties acknowledge and agree that the elected amounts initially contemplated under section 2.03 above may require adjustment in light of Pamour's tax calculations. The parties agree that any such adjustments will not affect the amount of the Assumed Liabilities or the Cash Consideration, but will be applied to the paid up capital and the adjusted cost base of the Shares. The parties agree that all such adjustments will be made in a timely fashion and before elections under the Tax Act or corresponding provincial legislation are filed.

5. CLOSING

5.01 Time of the Essence

Time shall be of the essence of this Agreement.

5.02 Closing

The closing of this transaction shall take place at 10:00 a.m. on the Closing Date at the offices of Tilley, Carson & Findlay or at such other place as may be approved in writing by the parties hereto.

5.03 Delivery and Conveyance

On or before the Closing Date, Pamour and Giant shall take or cause to be taken all actions, steps and corporate proceedings necessary or desirable to validly and effectively approve and authorize the completion of the transactions contemplated herein and, upon fulfillment of all the conditions set out in Article 7 hereof which have not been waived in writing as therein provided:

- (a) Pamour shall deliver to Giant, to be effective as of the Effective Date:
 - (i) possession of the Purchased Assets;

- (ii) a general bill of sale conveying the Purchased Assets to Giant;
 - (iii) a certificate dated as of the Closing Date and signed by a senior officer of Pamour after due inquiry to the effect that: (i) during the period from the date hereof to the Closing Date, there has been no material adverse change, financial or otherwise, in the condition of the Purchased Assets or in the operations of the Timmins Mining Operations; and (ii) the representations and warranties set forth in section 8.01 hereof are true and correct; and
 - (iv) subject to section 5.04 thereof, all deeds of conveyance, bills of sale, assurances, transfers, assignments, consents, and other documents to validly and effectively complete the transfer of the Purchased Assets to Giant subject to the Assumed Liabilities.
- (b) Pamour shall deliver to Giant the opinion of its counsel in substantially the form annexed hereto as Schedule "L";
 - (c) Giant shall deliver to Pamour the opinion of its counsel in substantially the form annexed hereto as Schedule "M".

5.04 Planning Act Matters

This agreement is to be effective only if the subdivision control provisions of the Planning Act are complied with. In this regard, Pamour and Giant agree to pursue all land severance consents required to sever the Excluded Assets from the Purchased Assets at Pamour's expense and at Pamour's direction. In particular, but without limitation:

- (a) Giant acknowledges that with respect to all or part of those parcels described in Schedule C-1 hereto (which are Excluded Assets), it may be possible to obtain binding Planning Act consents prior to the Closing Date. If and to the extent binding consents are obtained, Giant acknowledges that the conveyances with respect to such parcels will not include all mineral rights in all tailings, tailings ponds and tailings dams located thereon, together with the surface rights to such parcels.
- (b) Giant acknowledges that it will be necessary to obtain specific land severance consents for those parts of the parcels described in Schedule C-2 hereto which constitute Excluded Assets. The parties acknowledge that such consents may not be obtained or be final and binding until after the Closing Date.
- (c) If binding land severance consents for the severance of any of the parcels listed on Schedules C-1 or C-2 cannot be obtained prior to the Closing Date, Pamour shall deliver conveyances to Giant of all its right, title and interest in and to those parcels on the Closing Date. Giant hereby agrees to convey or reconvey to Pamour or its assignees at no cost to Giant and without further consideration from Pamour that portion of the parcels described in Schedules C-1 and C-2 which constitute Excluded Assets as soon as practicable after binding consents are obtained.
- (d) Giant acknowledges that land severance consents may be required to convey to Pamour the mineral and surface rights in future tailings described in subparagraph (viii) of the definition of Excluded Assets. Giant hereby undertakes and agrees to co-operate with Pamour and its assignees in pursuing and obtaining, and making application for, such consents at Pamour's expense. Giant further undertakes and agrees to convey to Pamour or its assignees such mineral and surface rights when such tailings, tailings ponds and tailings dams become dormant, at no cost to Giant and without further consideration from Pamour.
- (e) Giant hereby agrees to co-operate with Pamour or its assignees in pursuing and obtaining, and making application for, a specific land severance consent for the surface rights in Parcels 3669 SWS and 4194 SWS for the purposes of constructing a tailings recovery plant and ancillary equipment thereon. Giant hereby agrees to convey to Pamour or its assignees that portion of such parcels described in the consents at no cost to Giant and without further consideration from Pamour.
- (f) Giant hereby agrees to grant, for nominal consideration, such conveyances, transfers, irrevocable licence, profit a prendre or other documentation or instrument requested by Pamour or its assignees or its or their solicitors to effect and confirm the right, title and interest of Pamour or its assignees in the present and future tailings, tailings ponds or tailings dams which constitute Excluded Assets.

5.05 Taxes, Duties and Assessments

All land transfer taxes, retail sales taxes and other taxes, duties, levies and assessments related to the purchase and sale of the Purchased Assets shall be paid by Giant.

6. INTERIM PERIOD

6.01 Consultation and Approval

After the date hereof and up to the Closing Date, Pamour and Giant shall consult about and jointly approve all material acts and decisions in respect of the Purchased Assets.

6.02 Preservation of Assets

After the date hereof and up to the Closing Date, Pamour shall maintain the Purchased Assets in good working order and condition, as at present, ordinary wear and tear excepted. Pamour shall use its best efforts to maintain and preserve its business organization intact and to maintain its relationships with suppliers, customers, creditors and others having business relations with it. Pamour shall perform all obligations under agreements relating to the Purchased Assets up to the Closing Date.

6.03 Insurance

After the date hereof and up to the Closing Date, Pamour shall maintain in force all insurance presently in force on the Purchased Assets. Giant acknowledges that Pamour will not be assigning its insurance and that it will be responsible for placing its own insurance in respect of the Purchased Assets on and after the Closing Date.

6.04 Continuity of Operations

Pamour covenants and agrees to continue to carry on the Timmins Mining Operations from the date hereof up to the Closing Date in substantially the same manner as it has heretofore and not to introduce any material new method of management, operation or accounting. Giant shall use its best efforts to maintain and preserve its business organization intact, and to maintain its relationships with suppliers, creditors, customers and others having business relationships with it.

6.05 Extraordinary Actions by Giant

Up to the Closing Date, Giant shall not, without the prior written consent of Pamour:

- (a) declare or pay any dividend or make any distribution in respect of its outstanding capital stock, or purchase, redeem or otherwise acquire or retire for value any of its outstanding capital stock;
- (b) issue or sell, or agree to issue or sell, any shares in its capital stock, or any warrants, bonds, debentures or other securities of itself;
- (c) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures except in the ordinary course of business;
- (d) increase the compensation payable or to become payable to any officer, employee or agent, or make any bonus payment to any such person;
- (e) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any of its assets or properties, whether now owned or hereinafter acquired; or
- (f) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the ordinary course of business.

6.06 Extraordinary Actions by Pamour

Up to the Closing Date, Pamour shall not, without the prior written consent of Giant:

- (a) enter into any contract or commitment or incur or agree to incur any liability relating to any of the Purchased Assets except in the ordinary course of business;
- (b) increase the compensation payable or to become payable to any employee engaged in the Timmins Mining Operations;
- (c) create, assume or permit to exist any mortgage, pledge or other liens or encumbrance, save and except the Assumed Liabilities, upon any of the Purchased Assets.

6.07 After Acquired Property

If Pamour enters into any agreement or acquires any asset in the ordinary course of business after the date hereof, which agreement or asset would otherwise be considered one of the Purchased Assets, such agreement or asset shall, for the purposes of this Agreement, constitute a Purchased Asset. Giant agrees to assume all liabilities connected therewith and to reimburse Pamour for all expenses incurred therewith.

7. CONDITIONS OF CLOSING

7.01 Conditions for Giant's Benefit

Giant shall not be obliged to complete the purchase provided for herein unless, on the Closing Date, each of the following conditions has been satisfied, it being understood that such conditions (except for regulatory, governmental and shareholder approvals, which are for the mutual benefit of the parties) are included for Giant's exclusive benefit and may be waived by it in writing in whole or in part at any time. Pamour shall use its best efforts to ensure that such conditions are fulfilled on or before the Closing Date.

(a) Approvals

The sale by Pamour contemplated herein shall be duly authorized and approved by resolution of the Board of Directors of Pamour and by special resolution passed at a special meeting of its shareholders called for that purpose. A copy of each such resolution, duly certified by Pamour's Secretary, shall be delivered to Giant. All other corporate and legal proceedings and approvals as are considered necessary by Giant's solicitors, including any consents from Investment Canada and securities regulatory bodies, shall be taken or obtained to permit Pamour to complete the transactions contemplated herein.

The purchase by Giant contemplated herein and the issuance of the shares shall have been duly authorized and approved by a resolution of the Board of Directors of Giant and by its shareholders by resolution passed at a special meeting of shareholders called for that purpose, including a special resolution to remove the maximum number of shares Giant can issue and the consideration therefor.

(b) Representations and Warranties

The representations and warranties set forth in section 8.01 shall be true and correct in all material respects on the Closing Date.

(c) Compliance

All of the terms, covenants and agreements set forth in this Agreement to be complied with or performed by Pamour at or before the Closing Date shall have been complied with or performed by Pamour on or before the Closing Date.

(d) Risk of Loss

From the date hereof up to the Closing Date, the Purchased Assets shall be and remain at the risk of Pamour, notwithstanding the Effective Date for other purposes under this Agreement. If, prior to the Closing Date, all or a substantial part of the Purchased Assets are lost, destroyed or stolen, or damaged by fire or any other casualty or shall be appropriated, expropriated or seized by governmental or other lawful authority (collectively the "Loss"), Giant shall have the option, exercisable by notice in writing given within five (5) business days of Giant's receiving notice in writing from Pamour, or obtaining knowledge, of such Loss:

- (i) to reduce the Purchase Price by an amount equal to the cost of repair, or if destroyed, lost, stolen or damaged beyond repair, by an amount equal to the replacement cost of the assets forming part of the Purchased Assets so damaged or destroyed and to complete the purchase; or
- (ii) to complete the purchase without reduction of the Purchase Price, in which event all proceeds of insurance or compensation for expropriation or seizure shall be payable to Giant and all right and claim of Pamour to any such amounts not paid by the Closing Date shall be assigned to Giant; or
- (iii) of cancelling this Agreement and not completing the purchase, in which event all obligations of Giant shall terminate forthwith upon Giant's giving notice as required; or
- (iv) if the transaction has closed before knowledge of the Loss has been obtained by it, Giant shall be compensated by Pamour in the manner set out in subclause (ii), if available, and otherwise shall be paid by Pamour an amount computed in accordance with subclause (i).

(e) Good Title

Pamour shall have good and marketable title to the Purchased Assets, subject to the Assumed Liabilities and the terms of this Agreement. Except as expressly provided herein, the Purchased Assets shall be purchased on an "as is, where is" basis and Pamour makes no representation or warranty as to their merchantability or fitness for use.

(f) Status of Pamour

Pamour shall deliver to Giant reasonable and satisfactory evidence that Pamour is at the Closing Date a resident of Canada within the meaning of the Tax Act.

(g) Bulk Sale Order

The sale of the Purchased Assets to Giant shall be exempted from the application of the Bulk Sales Act (Ontario) by an order of the Court pursuant to such Act.

(h) Shareholders' Rights

No shareholder shall have brought or threatened to bring any action preventing, restricting or restraining Giant from issuing the Shares or completing the purchase and sale contemplated hereunder.

(i) Adverse Change

There shall have been no material adverse change to the Timmins Mining Operations or its business prior to the Closing Date, and Pamour shall not have suffered any material loss or damage to any of the Purchased Assets, which change, loss or damage materially affects or impairs Pamour's ability to carry on its business at the Timmins Mining Operations.

If any of the foregoing conditions have not been fulfilled on or before the Closing Date, Giant may terminate this Agreement by notice in writing to Pamour in which event Giant shall be released from all obligations under this Agreement, and (unless Giant can show that the condition relied upon could reasonably have been performed by Pamour) Pamour shall also be released from all obligations hereunder. Giant shall be entitled to waive compliance with any condition in whole or in part if it shall see fit to do so, without prejudice to its rights of termination in the event of non-fulfillment of any other condition in whole or in part.

7.02 Conditions for Pamour's Benefit

Pamour shall not be obliged to consummate the transactions herein provided for unless, on the Closing Date, each of the following conditions has been satisfied, it being understood that such conditions (except for regulatory, governmental and shareholder approvals, which are for the mutual benefit of the parties) are included for Pamour's exclusive benefit and may be waived by it in writing in whole or in part at any time. Giant shall use its best efforts to ensure that such conditions are fulfilled on or before the Closing Date.

(a) Representations and Warranties

The representations and warranties set forth in section 8.02 hereof (except paragraph 8.02(b), to the extent it deals with Giant's authorized capital) shall be true and correct in all material respects on the Closing Date.

(b) Compliance with Agreement

All of the terms, covenants and agreements set forth in this Agreement to be complied with or performed by Giant at or before the Closing Date shall have been complied with or performed on or before the Closing Date.

(c) Consents

Pamour shall have obtained all necessary consents from Investment Canada and other governmental or regulatory authorities. Giant shall have obtained all necessary consents from The Toronto Stock Exchange, the American Stock Exchange and other regulatory authorities for the issuance and delivery of the Shares.

(d) Approvals

The purchase by Giant contemplated herein shall have been duly authorized and approved by resolution of the Board of Directors of Giant, and a copy of such resolution, duly certified by the Secretary thereof, shall be delivered to Pamour. The issuance of the Shares shall have been duly authorized and approved by the shareholders of Giant by resolution passed at a special shareholders meeting called for that purpose, including a special resolution removing the maximum number of shares Giant can issue and the consideration therefor, and a copy of such resolution duly certified by the Secretary of Giant shall be delivered to Pamour. All other corporate and legal proceedings and approvals as are considered necessary by Pamour's solicitors shall be taken or obtained to permit Giant to complete the transactions contemplated herein.

The sale by Pamour contemplated herein shall be duly authorized and approved by a resolution of the Board of Directors of Pamour and by its shareholders by resolution passed at a special meeting of shareholders called for that purpose.

(f) Release of Existing Liabilities

Pamour shall have been released from any and all obligations under the terms and conditions of the Assumed Liabilities.

(g) Shareholder Rights

No shareholder of either Pamour or Giant shall have brought, or threatened to bring, any action preventing, restricting or restraining either of them from completing the purchase and sale contemplated herein or preventing, restricting or restraining Giant from issuing the Shares. No shareholder of Pamour shall have exercised rights of dissent under section 184 of the Canada Business Corporations Act.

(h) Adverse Change

There shall have been no material adverse change to Giant's operations, financial condition or business prior to the Closing Date, and Giant shall not have suffered any material loss or damage to any of its properties or assets, which change, loss or damage materially affects or impairs Giant's ability to carry on its business or may affect or impair its ability to carry on the Timmins Mining Operations.

(i) Consolidation and Subdivision

Giant shall not have taken any action to consolidate, subdivide, split or otherwise reorganize its capital stock prior to the Closing Date.

If any of the foregoing conditions have not been fulfilled on or before the Closing Date, Pamour may terminate this Agreement by notice in writing to Giant, in which event Pamour shall be released from all obligations under this agreement, and (unless Pamour can show that the condition relied upon could reasonably have been performed by Giant) Giant shall also be released from all obligations hereunder. Pamour shall be entitled to waive compliance with any condition in whole or in part, if it shall see fit to do so, without prejudice to its rights of termination in the event of non-fulfillment of any other condition in whole or in part. The parties acknowledge that the Pamour shareholders resolution approving the proposed sale by Pamour will also authorize the directors of Pamour to abandon the proposed sale without further shareholder approval pursuant to subsection 183(8) of the Canada Business Corporations Act.

8. REPRESENTATIONS AND WARRANTIES

8.01 Representations and Warranties of Pamour

Pamour represents and warrants to Giant as follows:

(a) Good Standing

Pamour is now and on the Closing Date will be a corporation: (i) duly incorporated and organized, validly subsisting and a reporting issuer not in default in any filings required by regulatory authorities; (ii) duly authorized and licensed to own its properties, and to carry on the Timmins Mining Operations, as presently owned and carried on by it; (iii) having the power and authority and right to sell the Purchased Assets in accordance with the terms of this Agreement; and (iv) resident in Canada within the meaning of the Tax Act.

(b) Financial Information Provided

All Financial Statements have been prepared in accordance with generally accepted accounting principles, applied on a consistent basis with regard to Pamour's financial statements for prior fiscal periods and fairly present the financial position of the Timmins Mining Operations and the Assumed Liabilities at the date hereof and will so reflect such financial position as at the Effective Date and the Closing Date respectively, and include and disclose the material liabilities (either actual, accrued or contingent and whether direct or indirect) as of each such date.

(c) Records Complete

All material financial transactions of the Timmins Mining Operations have now and at the Closing Date will have been properly recorded in its books and records.

(d) Title to Assets

Pamour owns the real property interests set out in Schedule "I":

- (i) in the cases of parcels registered under the Land Titles Act, as owner of the mining and surface rights or either, as the case may be, in fee simple with an absolute title;
- (ii) in the cases of licences of occupation, as holder in good standing; and
- (iii) in the cases of Crown mining leases, as lessee in good standing;

subject in all cases to encumbrances, easements, rights of way and other rights and restrictions, and to dispositions, which do not in the aggregate materially detract from the value of such real property interests or materially impair the use thereof in the Timmins Mining Operations.

Pamour now has and at the Closing Date will have a good and marketable title free and clear of any and all claims, liens, encumbrances and security interests whatsoever (save and except the Barclays Debt and the Akaitcho Debt) to the balance of the Purchased Assets, except such properties and assets as are sold in the ordinary course of business.

(e) Akaitcho

Akaitcho is a corporation duly constituted and organized and validly subsisting under the laws of Ontario. Akaitcho is a reporting issuer not in default in any filings required by regulatory authorities.

The authorized capital of Akaitcho consists of 4,000,000 common shares without par value, of which 3,266,112 have been duly issued and are outstanding as fully paid and non-assessable. Pamour beneficially owns 1,198,230 (and no more) of the outstanding common shares.

(f) No Options

No person has any agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement or option for the purchase from Pamour of any of the assets comprising the Purchased Assets, other than Giant pursuant to the provisions of this Agreement.

No person, including employees and holders of securities of Akaitcho, has any agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement or option, including convertible securities, warrants or convertible obligations of any nature, for the purchase, subscription, allotment or issuance of any of the unissued shares in the capital of Akaitcho.

(g) Tax Matters

Pamour is not now and at the Closing Date will not be in arrears or default in respect of the filing of any required federal, provincial or municipal tax or other return, and at each of such times: (i) all taxes, filing fees and other assessments due and payable have or shall have been paid, save and except the mining tax liability included in the Assumed Liabilities; (ii) no claim for additional taxes, filing fees and other amounts and assessments has or will have been made which has not been paid, save and except the aforesaid mining tax liability; and (iii) to the best of Pamour's knowledge, no such return has or will have contained any mis-statement or concealed any statement that should have been included therein. Pamour has withheld and will withhold up to the Closing Date from each payment made to any employee of the Timmins Mining Operations the amount of all taxes (including but not limited to income tax) and other deductions required to be withheld therefrom and has paid or will pay such amounts to the proper tax or other receiving authority.

(h) No Breach Caused by this Agreement

Neither the execution nor delivery of this Agreement nor the fulfillment or compliance with any of the terms hereof will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, the articles and by-laws, as amended, of Pamour or any Material Contract or require any consent or other action by any administrative or governmental body, except as disclosed herein.

(i) Litigation

There are now and at the Closing Date there will be no actions, claims or demands or other proceedings pending or threatened before any court or administrative agency which could materially adversely affect the financial condition or overall operations of the Timmins Mining Operations, and no judgment, order or decree enforceable against the Purchased Assets which involves or may involve, or restricts or may restrict, or requires or may require, the expenditure of money as a condition to or a necessity for, the right or ability of Pamour to conduct the Timmins Mining Operations in the manner in which they have been carried on prior to the date hereof, save and except those listed on Schedule "N" hereto.

8.02 Representations and Warranties of Giant

Giant represents and warrants to Pamour as follows:

(a) Good Standing

Giant is now and on the Closing Date will be a corporation: (i) duly incorporated and organized, validly subsisting and a reporting issuer not in default in any filings required by regulatory authorities; and (ii) having the corporate power and authorities to assume the Assumed Liabilities, pay the Cash Consideration, issue the Shares and own the Purchased Assets and carry on the Timmins Mining Operations as contemplated by this Agreement.

(b) Outstanding Capital Stock

Giant's authorized capital is limited to 4,500,000 shares, of which 4,303,050 are issued and outstanding as of the date hereof.

(c) *Options*

There are no outstanding options, warrants, rights or agreements under the terms of which any person may acquire shares in Giant's capital stock, or require Giant or any affiliate to redeem, acquire or cancel any outstanding shares of Giant's capital stock.

(d) *Financial Information*

All Financial Statements have been prepared in accordance with generally accepted accounting principles, applied on a consistent basis with regard to Giant's financial statements for prior fiscal periods, fairly present Giant's financial position at the date hereof and will so reflect such financial position as at the Effective Date and the Closing Date respectively, and include and disclose all material liabilities (whether actual, accrued or contingent and whether direct or indirect) as of each such date.

(e) *No Breach Caused by this Agreement*

Neither the execution nor delivery of this Agreement nor the fulfillment or compliance with any of the terms hereof will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, the articles and by-laws, as amended, of Giant or any material agreement or instrument to which it is subject, or will require any consent or other action by any administrative or governmental body, except as disclosed herein.

(f) *Litigation*

There are now and at the Closing Date there will be no actions, claims, demands or other proceedings pending or threatened before any court or administrative agency which could materially adversely affect Giant's business or its right to carry on its business, save and except those listed on Schedule "O" hereto.

8.03 Survival of Representations

(a) The representations and warranties of Pamour contained herein shall survive the sale and purchase contemplated herein, and notwithstanding closing shall continue in full force and effect for the benefit of Giant for a period of one year following the Closing Date after which time Pamour shall be released from all obligations and liabilities hereunder in respect of such representations and warranties except with respect to any claims made by Giant in writing prior to the expiration of such period.

(b) The representations and warranties of Giant contained herein shall survive the sale and purchase contemplated herein, and notwithstanding closing, shall continue in full force and effect for the benefit of Pamour for a period of one year following the Closing Date after which time Giant shall be released from all obligations and liabilities hereunder in respect of such representations and warranties except with respect to any claims made by Pamour in writing prior to the expiration of such period.

9. BUSINESS MATTERS

9.01 Contracts

(a) *Assignment of Contracts*

Nothing in this Agreement contained shall be construed as an attempt to assign:

- (i) any contract, engagement or commitment which, as a matter of law, is not assignable without the consent of the other party or parties thereto unless such consent shall have been given; or
- (ii) any claim or demand thereunder as to which all the remedies for the enforcement thereof enjoyed by Pamour would not, as a matter of law, pass to Giant as an incident of the transfers to be made under this Agreement.

In order, however, that the full value of every contract, engagement, commitment, claim and demand of the character described in paragraphs (i) and (ii) above and which constitutes part of the Purchased Assets (collectively in this Article 9 referred to as the "Rights") may be realized for the benefit of Giant, Pamour will, at the request and expense and under the direction of Giant, in its name or otherwise as Giant shall specify, take all such action and do or cause to be done all such things as shall, in Giant's opinion, be necessary or proper to ensure that the value of such Rights shall be preserved and shall enure to the benefit of Giant, and that the collection of any moneys due and payable and to become due and payable to Giant in and under the Rights shall be received by Giant. Pamour will promptly pay over to Giant all monies collected by or paid to it in respect of every such Right arising after the Effective Date. Giant will save Pamour harmless from any claim or liability under or in respect of such Rights arising on or after the Effective Date.

(b) *Consents to Assignments*

Pamour shall use its best efforts to obtain consents (including the provision of such reasonable assurances and guarantees as may be required) of all requisite parties to the Rights. Giant shall pay the cost of soliciting and will cooperate in obtaining such consents.

If any party to one or more of the Rights will not agree or consent to the assignment thereof from Pamour to Giant, Pamour will carry out and comply with the terms and provisions of any such Rights as Giant's agent at Giant's cost and for Giant's benefit.

9.02 Employees

(a) *Offer of Employment*

Giant agrees to offer employment, as of the Effective Date, to all of Pamour's employees engaged in the Timmins Mining Operations on the following terms and conditions:

- (a) for employees who are part of a bargaining unit in respect of which a collective agreement is in force, the terms and conditions of the offer to such employees shall be those provided for in the respective collective agreements (subject to any amendments or alterations to the terms thereof to which the respective bargaining agents consent); and
- (b) otherwise, on the terms and conditions as have been or will be disclosed in writing by Pamour to Giant.

Giant's obligations in this connection shall be solely to make an offer of employment as of the Effective Date to each employee engaged in the Timmins Mining Operations. Giant shall not be obligated to any employee who refuses an offer. Pamour shall render all reasonable assistance to encourage such employees to accept the offers in accordance with their terms.

(b) *Settlement by Pamour*

On or before the Closing Date, Pamour shall settle: (i) with each of the employees who accepts an offer of employment from Giant pursuant to this section 9.02 all salaries, commissions, bonuses and other amounts which have become payable to or receivable by the employees down to the normal wage/salary payment date immediately preceding the Effective Date, except accumulated vacation with pay credits in respect of their employment; and (ii) with each of the remaining employees who do not accept employment all amounts which may become payable to or in respect of or receivable by the departing employees down to the Effective Date, including termination allowances and accumulated vacation with pay credits.

(c) *Notice of Change of Employment*

Giant shall be entitled to give such notice to the employees concerning the change in their employer as it considers reasonable in light of applicable law.

9.03 Indemnity by Giant

Giant agrees to indemnify and save Pamour harmless from all and any costs, damages, expenses, claims and liabilities arising out of events or circumstances occurring on and after the Closing Date in connection with the Timmins Mining Operations and the Purchased Assets. Giant agrees to reimburse Pamour for all salary and wage expenses (including contributions to deferred profit sharing and pension plans, Canada Pension Plan, Unemployment Insurance and the cost of all employment benefits) incurred from and after the Effective Date.

10. PAMOUR LOAN TO GIANT

10.01 Pamour Loan

For a period of one year commencing on the Closing Date, Pamour agrees to advance to Giant, upon Giant's written request, amounts for working capital purposes up to a maximum amount of \$10 million (the "Pamour Loan").

10.02 Loan Interest

The Pamour Loan shall bear interest calculated monthly in arrears on the outstanding balance of the Pamour Loan at the Prime Rate of Pamour's principal bank plus 1% per annum. For the purpose of this section 10.02 and the Promissory Note, Prime Rate shall mean the variable rate of interest expressed as a percentage per annum determined and adjusted by Pamour's principal bank from time to time as a reference rate for commercial loans made in Canada in Canadian dollars.

10.03 Loan Term

The Pamour Loan shall be for a term of up to one year and shall be repayable in full, together with interest accrued thereon, on the first anniversary of the Closing Date without prior demand or other formality.

10.04 Floating Term

Giant agrees to grant Pamour a general security interest and a floating charge over its assets and undertakings as security for the Pamour Loan. Giant shall deliver a promissory note substantially in the form annexed hereto as Schedule "P" as evidence of its indebtedness (the "Promissory Note"). Giant shall deliver such other security documents evidencing Pamour's security interest and Giant's indebtedness as Pamour or its solicitors may reasonably request. Pamour agrees to subordinate its floating charge to any security interest granted by Giant to its bank or banks to secure its operating lines of credit.

11. TAILINGS OPERATIONS

11.01 Rights of Access

Subject to section 11.02, to the extent such rights have not been reserved to Pamour in conveyance documents, Giant hereby grants to Pamour and its successors and assigns the sole, exclusive and immediate right from and after the Closing Date to enter upon any tailings, tailings ponds or tailings dams, and to remove such tailings to treat and recover minerals, metals and concentrates therefrom. Such rights granted by Giant shall include all rights of access to all tailings, tailings ponds and tailings dams. Such rights shall become operative only at such time as a tailings pond or tailings dam becomes dormant and is no longer used in active mining operations.

11.02 Priority of Operations

The parties agree, for themselves and on behalf of their successors and assigns, that mining operations shall have precedence over tailings operations on dormant, active and future tailings, tailings ponds and tailings dams. Pamour hereby grants to Giant such rights of access as Giant may require for the orderly development of the Timmins Mining Operations. Giant hereby covenants to co-operate with Pamour, its successors and assigns to allow an orderly development, reclamation and exploitation of the tailings, tailings ponds and tailings dams. The parties agree that tailings operations shall be conducted in such a fashion as does not impair Giant's ability to carry on its business and the business of the Timmins Mining Operations.

The parties agree to register against title to the Purchased Assets notice of their respective interests hereunder (including without limitation a short form agreement) forthwith after the Closing Date.

12. GENERAL

12.01 Interpretation

The division of this Agreement into Articles, sections and subsections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof.

12.02 Extended Meaning

Words importing the singular number include the plural and vice-versa; words importing the masculine gender include the feminine and neuter genders.

12.03 Expenses

Each party shall be responsible for its own legal and audit fees and other charges incurred in connection with the preparation of this Agreement, all negotiations between the parties and the consummation of the transactions contemplated hereby.

12.04 Further Assurances

Each of the parties hereto will from time to time at the other's request and expense and without further consideration, execute and deliver such other instruments of transfer, conveyance and assignment and take such further action as the other may require to more effectively complete any matter provided for herein.

12.05 Entire Agreement

This Agreement constitutes the entire agreement among the parties and except as herein stated and in the instruments and documents to be executed and delivered pursuant hereto, contains all of the representations and warranties of the respective parties. There are no oral representations or warranties among the parties of any kind. This Agreement may not be amended or modified in any respect except by written instrument signed by both parties.

12.06 Non-Merger

Each party hereby agrees that all provisions of this Agreement shall survive the execution and delivery of this Agreement and any and all documents delivered in connection herewith.

12.07 Applicable Law

This Agreement shall be interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.

12.08 Notices

Any notice required or permitted to be given hereunder shall be in writing and shall be effectively given if; (i) delivered personally; (ii) sent by prepaid courier service or mail; or (iii) sent prepaid by telecopier, telex or other similar means of electronic communications (confirmed on the same or following day by prepaid mail) addressed, in the case of notice to Pamour, as follows:

Pamour Inc.
Suite 1902, Royal Trust Tower,
Toronto Dominion Centre,
Toronto, Ontario,
M5K 1H1

Attention: President
Telecopier: (416) 363-5477

and in the case of notice to Giant, as follows:

Giant Yellowknife Mines Limited
Suite 1902, Royal Trust Tower,
Toronto Dominion Centre,
Toronto, Ontario,
M5K 1H1

Attention: President
Telecopier: (416) 363-5477

Any notice so given shall be deemed conclusively to have been given and received when so personally delivered or sent by telex, telecopier or other electronic communication or on the second day following the sending thereof by private courier or mail. Any party hereto or others mentioned above may change any particulars of its address for notice by notice to the others in the manner aforesaid.

12.09 Successors and Assigns

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto by their duly authorized officers.

PAMOUR INC.

GIANT YELLOWKNIFE MINES LIMITED

By: "D. S. MacLEOD"
President

By: "D. J. EMERY"
President

c/s

c/s

By: "E. F. MERRINGER"
Secretary

By: "O. J. SHORE"
Treasurer

SCHEDULE VII

Section 184 of the Canada Business Corporations Act

- (1) Subject to section 185 and 234, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 185.1(4)(d) that affects the holder or if the corporation resolves to
- (a) amend its articles under section 167 or 168 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;
 - (b) amend its articles under section 167 to add, change or remove any restriction upon the business or businesses that the corporation may carry on;
 - (c) amalgamate with another corporation, otherwise than under section 178;
 - (d) be continued under the laws of another jurisdiction under section 182; or
 - (e) sell, lease or exchange all or substantially all its property under subsection 183(2).
- (2) A holder of shares of any class or series of shares entitled to vote under section 170 may dissent if the corporation resolves to amend its articles in a manner described in that section.
- (3) In addition to any other right he may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which he dissents or an order made under subsection 185.1(4) becomes 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 or the order was made.
- (4) 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.
- (5) 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.
- (6) 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 (5) 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.
- (7) A dissenting shareholder shall, within twenty days after he receives a notice under subsection (6) 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 and class of shares in respect of which he dissents; and
 - (c) a demand for payment of the fair value of such shares.
- (8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which he dissents to the corporation or its transfer agent.
- (9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.
- (10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.
- (11) On sending a notice under subsection (7), 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 (12),
 - (b) the corporation fails to make an offer in accordance with subsection (12) and the dissenting shareholder withdraws his notice, or
 - (c) the directors revoke a resolution to amend the articles under subsection 167(2) or 168(4), terminate an amalgamation agreement under subsection 177(6) or an application for continuance under subsection 182(6), or abandon a sale, lease or exchange under subsection 183(8),
- in which case his rights as a shareholder are reinstated as of the date he sent the notice referred to in subsection (7).

GIANT YELLOWKNIFE MINES LIMITED

P.O. Box 158
Royal Trust Tower
Toronto-Dominion Centre
Toronto, Ontario, Canada M5K 1H1

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Notice is hereby given that a special meeting of shareholders of Giant Yellowknife Mines Limited ("Giant") will be held on March 10, 1987 at the King Edward Hotel, Vanity Fair Ballroom, 37 King Street East, Toronto, Canada, commencing at 2:00 p.m., Toronto time, for the following purposes:

- (a) to consider and, if thought advisable, pass a special resolution to amend the articles of Giant to delete the maximum number of shares that Giant is authorized to issue and the maximum consideration for which shares may be issued; and
- (b) to consider and, if thought advisable, pass a resolution approving of the purchase by Giant of substantially all the operating assets of Pamour Inc. ("Pamour") pursuant to an asset purchase agreement between Giant and Pamour dated November 18, 1986 and, in connection therewith, of the issue of 2,683,567 common shares of Giant to Pamour.

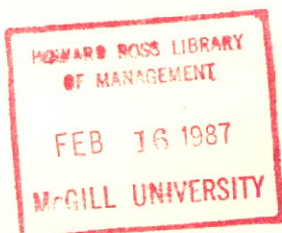
The text of the above-mentioned resolutions and detailed information regarding the terms of the asset purchase are included in the accompanying Joint Proxy Circular which forms part of this notice.

The Board of Directors of Giant has specified that proxies to be used at the special meeting must be deposited at Toronto, Canada with Giant or The Canada Trust Company as agent for Giant by 5:00 p.m., Toronto time, Friday, March 6, 1987 or 36 hours, excluding Saturdays and holidays, preceding any adjournment of the meeting.

By Order of the Board,

E. F. MERRINGER, Secretary
Toronto, February 6, 1987

If you are unable to attend the meeting in person, please complete and return the enclosed form of proxy in the envelope provided.



February 6, 1987

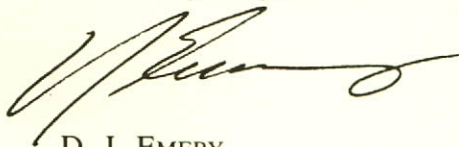
Dear Giant Shareholder:

A special meeting of shareholders has been called for March 10, 1987 at 2:00 p.m. at the King Edward Hotel, Vanity Fair Ballroom, 37 King Street East, Toronto, Ontario, Canada. The meeting is to consider and vote upon an asset acquisition from Pamour Inc. and the issue of shares to Pamour in connection therewith. The meeting will also consider an amendment to Giant's authorized capital in order to permit the share issue. As a result of the asset acquisition, all of the mining operations of Pamour and Giant will be combined in and operated by Giant and Giant will become a subsidiary of Pamour.

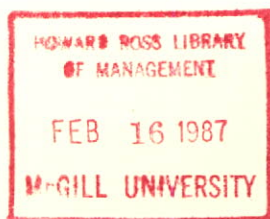
The proposal has been carefully considered by your Board of Directors. In addition, Price Waterhouse, independent financial advisors to the two companies, are of the opinion that the terms of the transaction are fair and reasonable from a financial point of view to the shareholders of both companies. The Board has concluded that the asset acquisition is in the best interests of Giant and its shareholders and unanimously recommends that you vote for its approval.

Details of the asset acquisition are set out in the accompanying Joint Proxy Circular. If you are unable to attend the meeting, please complete and return the enclosed form of proxy in the accompanying envelope at your earliest convenience.

Yours very truly,



D. J. EMERY
President



(12) 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 (7), 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 (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) 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.

(15) Where a corporation fails to make an offer under subsection (12), 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 a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

(19) Upon an application under subsection (15) or (16),

- (a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and
- (b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of his right to appear and be heard in person or by counsel.

(20) Upon an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

(21) A 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.

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of his shares as fixed by the court.

(23) A 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.

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(25) If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), 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.

(26) 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 would after the payment 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.

