

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

## PROSPECTUS

New Issue

June 1, 2001

# TAN RANGE EXPLORATION CORPORATION

**Cdn.\$2,350,000**

**5,875,000 Common Shares and 2,937,500 Warrants  
Issuable Upon the Exercise of 5,875,000 Special Warrants**

**and**

**46,266 Common Shares Issuable to the Agents**

This prospectus qualifies for distribution 5,875,000 common shares ("Common Shares") and 2,937,500 warrants ("Warrants") of Tan Range Exploration Corporation (the "Company") issuable upon the exercise of 5,875,000 outstanding special warrants of the Company (the "Special Warrants"). The Company issued the Special Warrants on March 6, 2001 at a price of \$0.40 per Special Warrant pursuant to a special warrant indenture (the "Special Warrant Indenture") dated as of March 6, 2001 between the Company and Montreal Trust Company of Canada ("Montreal Trust"). The Special Warrants were issued to investors pursuant to prospectus exemptions under applicable securities legislation in accordance with an agency agreement dated March 6, 2001 (the "Agency Agreement") among First Associates Investments Inc. ("FAI") and Haywood Securities Inc. ("HSI") (together the "Agents") and the Company. The issue price of \$0.40 per Special Warrant was determined by negotiation between the Company and the Agents. See "Plan of Distribution".

Each Special Warrant entitles the holder thereof to acquire one Common Share and one-half of one Warrant, subject to adjustment in certain events, at no additional cost, at any time until 5:00 p.m. (Toronto time) (the "Expiry Time") on the earlier of (a) the fifth business day following the date (the "Qualification Date") upon which a final receipt for this prospectus is issued by the last of the securities regulatory authorities in the Provinces of Ontario, Alberta and British Columbia, and (b) March 6, 2002. Any Special Warrants not exercised prior to the Expiry Time shall be exercised by Montreal Trust on behalf of the holder at such time without any further action on the part of the holder. Each whole Warrant entitles the holder to purchase one Common Share at a price of \$0.60 until September 5, 2002. If the Qualification Date has not occurred by 5:00 p.m. (Toronto time) on June 4, 2001, each holder of Special Warrants shall subsequently be entitled to receive upon the exercise of the Special Warrants held by such holder 1.1 Common Shares and one-half of one Warrant, in lieu of one Common Share and one-half of one Warrant, for each Special Warrant exercised, without payment of additional consideration. See "Plan of Distribution".

The outstanding Common Shares are listed on The Canadian Venture Exchange (the "CDNX"). On February 2, 2001, the business day immediately prior to the date on which the offering of the Special Warrants was first announced by the Company, the closing price of the Common Shares on the CDNX (as reported by such exchange) was \$0.37 per share. On May 31, 2001, the closing price of the Common Shares on the CDNX (as reported by such exchange) was \$0.51 per share. See "Price Range and Trading Volume of the Common Shares".

<i>(in Canadian dollars)</i>	<u>Price to Investor</u>	<u>Agents' Fee</u> <sup>(1)(2)</sup>	<u>Net Proceeds to the Company</u> <sup>(3)</sup>
Per Special Warrant	\$0.40	\$0.028	\$0.372
Total	\$2,350,000	\$164,500	\$2,185,500

- (1) Pursuant to the Agency Agreement, the Company paid a commission to the Agents equal to 7.0% of the gross proceeds realized by the Company from the sale of the Special Warrants, with 60% of the commission allotted to FAI and the remaining 40% to HSI. Such fee was paid to the Agents from proceeds at the closing of the sale of the Special Warrants. No additional fee will be payable to the Agents in connection with the distribution of the Common Shares and Warrants upon the exercise of the Special Warrants.
- (2) As additional compensation, the Company shall issue to the Agents, without payment of any additional consideration, 46,266 Common Shares of the Company (the "Compensation Shares"), 60% of which shall be issued to FAI and the remaining 40% of which shall be issued to HSI. This prospectus qualifies the distribution of the Compensation Shares.
- (3) Before deducting expenses of this offering estimated at \$300,000 to be paid by the Company.

**There is no market through which the Warrants issuable upon exercise of the Special Warrants may be sold and no such market is expected to develop. Investors should consider an investment in securities of the Company speculative due to the nature of the Company's involvement in the exploration of gold mining properties. See "Risk Factors".** Certificates for Common Shares and Warrants will be available for delivery upon the exercise of the Special Warrants. Certain legal matters in connection with the issue of the Special Warrants and the distribution of the Common Shares and Warrants issuable upon exercise thereof have been passed upon on behalf of the Company by Macleod Dixon LLP, Toronto and on behalf of the Agents by Gowling Lafleur Henderson LLP, Toronto.

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## **GLOSSARY - GENERAL**

In this prospectus, the following terms have the meanings set forth below:

**Agents** means First Associates Investments Inc. and Haywood Securities Inc., both of Toronto, Ontario.

**Ashanti** means Ashanti Goldfields Company Limited.

**Barrick** means Barrick Gold Corporation.

**Barrick Venture Agreement** means that subscription, option and joint venture agreement in respect of the Itetemia Property entered into by the Company and Barrick, dated for reference the 31<sup>st</sup> day of May, 1999, as amended by further agreement dated April 24, 2001.

**Bulyanhulu Mine** means that gold mine operated by Barrick that is located on a mineral property coterminous to the Itetemia Property.

**CDNX** means The Canadian Venture Exchange.

**CIM** means Canadian Institute of Mining, Metallurgy and Petroleum.

**Common Shares** means common shares in the capital of the Company.

**Company** or **Tan Range** means Tan Range Exploration Corporation, an Alberta company, and, unless the context otherwise requires, includes its subsidiaries.

**Compensation Shares** means the 46,266 Common Shares to be issued to the Agents as compensation pursuant to the Agency Agreement.

**Dia Consult** means Dia Consult Limited, a Tanzanian company in which the Company holds 100% of the ordinary shares.

**EIS** means environmental impact statement.

**EMP** means environmental management plan.

**First Widescope Option Agreement** means that agreement, dated May 3, 2000, between Widescope and Tancan pursuant to which Tancan may acquire a 100% interest in the Ngobo prospecting licence in consideration of a series of payments and a 2% NSR Royalty.

**Geodass** means a South African airborne geophysical contractor.

**GR Royalty** means a royalty based on the annual gross revenue generated from a property subsequent to the commencement of commercial production.

**IME** means International Metallurgical and Environmental Inc.

**ISO** means the International Organization for Standardization.

**Itetemia Mining Co.** means Itetemia Mining Company Limited, a Tanzanian company in which the Company indirectly holds 90% of the ordinary shares.

**Itetemia Property** means that property subject to the Barrick Venture Agreement (and, in part, the Stamico Venture Agreement and the RSR Royalty Agreement) and includes the Itetemia, Itetemia North, Itetemia East, Ngula, Mwingillo and Itetemia Village prospecting licences.

**Kabahelele Mining Co.** means Kabahelele Mining Company Limited, a Tanzanian company in which the Company holds 80% of the ordinary shares.

**Luhala Property** means the Luhala, Ngobo and Sima prospecting licences.

**Minestart** means Minestart Management Inc.

**Minister** means the Minister of Energy and Minerals, Tanzania.

**Newmont** means Newmont Overseas Exploration Corporation.

**NSR Royalty** means a royalty based on the proceeds received from a smelter or other treatment facility (or the value of refined metal production), less certain costs such as transportation.

**Pangea** means Pangea Goldfields Inc. or one of its subsidiaries.

**RSR** means RSR (Tanzania) Limited, a company carrying on business in Tanzania with which Tancan has entered into contractual relations in relation to the Itetemia North prospecting licence.

**RSR Royalty Agreement** means that agreement, dated April 20, 1995, between RSR and Tancan pursuant to which RSR is entitled to the 2% NSR Royalty in respect of the Itetemia North prospecting licence.

**Second Widescope Option Agreement** means that agreement, dated June 20, 2000, between Widescope and Tancan pursuant to which Tancan may acquire a 100% interest in the Sima prospecting licence in consideration of a series of payments and a 2% NSR Royalty.

**Special Warrants** means the special warrants issued by the Company to various investors on March 6, 2001 at a price of \$0.40 per special warrant, each such special warrant entitling the holder to acquire, for no additional consideration, one Common Share and one-half of one Warrant.

**SRK** means Steffen, Robertson and Kirsten Consulting (Canada) Inc., a technical consulting firm with an office in Toronto, Ontario.

**Stamico** means State Mining Corporation, a company controlled by the State of Tanzania with which Tancan has entered into contractual relations in relation to the Itetemia prospecting licence.

**Stamico Venture Agreement** means that agreement in respect of the Itetemia prospecting licence entered into by Tancan and Stamico, dated as of July 12, 1994.

**Tancan** means Tancan Mining Company Limited, a Tanzanian company in which the Company holds 100% of the ordinary shares.

**Tanzanian Properties** means the Itetemia Property and the Luhala Property.

**TS** means Tanzanian Shillings.

**Warrants** means the warrants of the Company issuable upon exercise of the Special Warrants, each whole warrant entitling the holder to purchase one Common Share at a price of \$0.60 until September 5, 2002.

**Widescope** means Widescope Promotion Ltd., a company carrying on business in Tanzania with which Tancan has entered into contractual relations in relation to the Ngobo and Sima prospecting licences.

## **GLOSSARY – GEOLOGICAL TERMS**

**adit** – a horizontal or nearly horizontal passage driven from the surface, usually from the side of a hill or mountain, to provide underground access.

**albitization** – the process in which albite replaces the more calcic plagioclase feldspar of an igneous rock.

**alteration** – chemical and mineralogical changes in a rock mass resulting from the passage of fluids or increases in pressure and temperature.

**andesite** – a volcanic rock composed essentially of andesine and one or more mafic constituents.

**anomaly** – a deviation from uniformity. In the search for minerals, it is an area in which economic concentrations of minerals may be found.

**archean** - synonymous with Precambrian. Occasionally used to refer to older Precambrian rocks.

**argillite** – a rock derived either from siltstone, claystone or shale that has undergone a somewhat higher degree of induration than exists in those rocks.

**assay** - an analysis of the contents of metals in mineralized rocks.

**Au** – gold.

**background** - the average concentration of an element or typical geophysical response in an area.

**basalt** – an extrusive rock composed primarily of calcic plagioclase, pyroxene, with or without olivine.

**BIF** – means banded iron formation.

**biotite** - a magnesium-iron mica widely distributed in igneous rocks.

**bleb** – a small, usually rounded inclusion of one mineral in another.

**breccia** - a fragmental rock whose components are angular and not water-worn.

**chalcedony** – broadly, a mixture of cryptocrystalline and hydrated silica, often with radiating fibrous or botryoidal structure.

**chalcopyrite** - copper sulfide mineral.

**chert** – cryptocrystalline silica, distinguished from flint by flat fracture, as opposed to conchoidal.

**chlorite** – in geology, the general term for hydrated silicates of aluminum, iron and magnesium.

**collar** – in a mine shaft, the first wood frame of the shaft; sometimes used in reference to the mouth or portal of the tunnel; also used to refer to the top of a drill hole.

**colluvium** - applied to loose and incoherent deposits, usually at the foot of a slope or cliff and brought there chiefly by gravity. Talus and cliff debris are included in such deposits.

**cross-cut** - a mining tunnel driven perpendicular to the dominant trend of a vein or ore bearing structure.

**cross section** – a diagram or drawing that shows features transected by a vertical plane drawn at right angles to the longer of the axis of a geologic feature.

**Cu** – copper.

**cut-off grade** - the lowest grade of mineralised material considered economic to mine and process - used in the calculation of mineral reserves.

**dacite** – the extrusive equivalent of quartz diorite (tonalite).

**deposit** - a mineralized body which has been physically delineated by drilling, trenching and/or underground work and may contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures. Such a deposit does not qualify as a commercially mineable orebody until final technical, legal and economic factors have been resolved.

**diamond drill holes** - a drilling method whereby rock is drilled with a diamond impregnated, hollow drilling bit which produces a continuous, in-situ record of the rock mass intersected in the form of solid cylinders of rock which are referred to as core.

**disseminated** - a mineral deposit in which minerals occur as scattered particles in the rock.

**drive** - a mining tunnel driven parallel to the dominant trend of a vein or ore bearing structure.

**duricrust** – the case-hardened crust of soil formed in semiarid climates by the precipitation of salts at the surface of the ground as the groundwater evaporates. Contains aluminous, ferruginous, siliceous or calcareous material.

**dyke or dike** - a tabular body of igneous rock that cuts across the layering or fabric of the host rock.

**epidotization** – metamorphism in which epidote is formed from other minerals.

**euhedral** – in petrology, bounded by its own crystal faces; automorphic; said of some minerals in a crystalline rock and contrasted with subhedral and anhedral.

**fabric** – the special arrangement and orientation of rock components, whether crystals or sedimentary particles, as determined by their sizes, shapes, etc.

**facies** – the aspect belonging to a geologic unit of sedimentation, including mineral composition, type of bedding, fossil content, etc. Sedimentary facies are usually segregated parts of differing nature belonging to any genetically related body of sedimentary deposit.

**fault** - a fracture in a rock across which there has been displacement.

**feasibility study** - a definitive engineering estimate of all costs, revenues, equipment requirements and production levels likely to be achieved if a mine is developed. The study is used to define the economic viability of a project and to support the search for project financing.

**feldspar** – one of a group of rock-forming minerals which includes microcline, orthoclase, plagioclase and anorthoclase.

**felsic** - light-coloured silicate minerals such as quartz, feldspar and feldspathoids.

**fire assay** – the assaying metallic ores, usually gold and silver, by methods requiring a furnace heat. It commonly involves the process of scorification, cupellation, etc.

**float** – the term float or float rock means bunches, blotches, pieces or boulders of quartz or rock lying detached from, or resting upon, the earth's surface without any walls.

**foliation** – the banding or the lamination of metamorphic rocks as distinguished from the stratification of sedimentary rocks.

**gabbro** – a fine to coarse, dark-coloured crystalline igneous rock composed mainly of calcic plagioclase (labradorite or anorthite), clinopyroxene, and sometimes olivine.

**goethite** – an orthorhombic hydrated oxide of iron,  $\text{FeO}(\text{OH})$ , externally resembling limonite. One of the commonest minerals, typically formed as a weathering product of iron-bearing minerals.

**gossan** – a ferruginous deposit filling the upper parts of mineral veins or forming a superficial cover on masses of pyrite. It consists principally of hydrated oxide of iron and has resulted from the oxidation and removal of the sulphur, as well as the copper, etc.

**grab sample** - a sample of selected rock chips from within an area of interest.

**grade** - the amount of valuable mineral in each tonne of ore, expressed as ounces per ton or grams per tonne for precious metal and as a percentage by weight for other metals.

**granodiorite** - a plutonic rock consisting of quartz, calcic oligoclase or andesine, and orthoclase, with biotite, hornblende or pyroxene as mafic constituents. Granodiorite is intermediate between quartz monzonite and quartz diorite, and contains at least twice as much plagioclase as orthoclase.

**greenstone** – an old field name for those compact, igneous rocks that have developed enough chlorite in alternation to give them a green cast. They are mostly diabases and diorites.

**greenschist** – a metamorphosed basic igneous rock which owes its colour and schistosity to abundant chlorite.

**greenstone belt** - a common host for gold deposits often comprising green coloured rocks derived from lavas and sediments which have been heated and altered through deep burial.

**g/t** - grams per metric tonne.

**hematite** – one of the most common ores of iron,  $\text{Fe}_2\text{O}_3$ , which when pure contains about 70 percent metallic iron and 30 percent oxygen.

**HLEM** - horizontal loop electromagnetic.

**host rock** - a volume of rock within which mineralization or an orebody occurs.

**hydrothermal** – applied to magmatic emanations high in water content; the processes in which they are concerned; and the rocks or ore deposits, alteration products, and springs produced by them.

**igneous/igneous rocks** - one of three main groups of rocks, often regarded as the primary source of material comprising the earth's surface.

**indicated mineral resource** – that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

**inferred mineral resources** – that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

**in-situ-resources** - a tonnage of mineralised rock of intrinsic economic interest, the grades and limits of which are known with a specified degree of knowledge, expressed in terms of the material as it exists in the ground prior to mining.

**IP (induced polarisation)** - a geophysical technique for detecting buried disseminated sulphides through the application to the ground of electrical currents.

**kaolin** – a clay, mainly hydrous aluminum silicate, from which porcelain may be made.

**kaolinization** – formation of kaolin by the weathering of aluminum silicate minerals or the alteration of other clays.

**kriging** – a statistical method of calculating mineral resources and reserves.

**lamination** – stratification on a fine scale, each thin stratum, or lamina, being a small fraction of an inch in thickness.

**laterite** – red residual soil developed in humid, tropical and subtropical regions of good drainage. It is leached of silica and contains concentrations particularly of iron oxides and hydroxides and aluminum hydroxides. It may be an ore of iron, aluminum, manganese or nickel.

**lineament** - a linear feature in the earth's crust generally coincident with a geological fault.

**lode** - a tabular or vein-like deposit of valuable minerals between well defined walls of rock.

**mafic** - a general term used to describe ferromagnesian minerals.

**matrix** – the rock containing a mineral or metallic ore; the gangue. Sometime called the groundmass.

**measured mineral resource** – that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

**metamorphosed** - a term used to describe a rock mass which has been subjected to metamorphism. Metamorphism is a geological process where the original mineral composition of a rock is changed or metamorphosed in response to local or regional scale changes in temperature, pressure and the action of chemically active fluids.

**metasediments** - sedimentary rocks, which are rocks formed out of the consolidation of sediment settled out of water, ice or air, which have been metamorphosed – see metamorphosed.

**mineral reserve** – the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting minerals and allowances for losses that may occur when the material is mined.

**mineral resource** – a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.

**mineralization** - mineral bearing rock. Mineralization generally refers to the presence of gold and silver established by widely spaced drilling.

**MMI** - mobile metal ion – an analytical technique used in geochemical analysis.

**ore** - rock that contains one or more minerals or metals, at least one of which has commercial value and which can be recovered at a profit.

**orebody** - a continuous volume of mineralised material which may be economic and feasible to mine.

**outcrop** - an exposure of rock at the earth's surface.

**overburden** - any material covering or obscuring rocks from view.

**paragenesis** – a general term for the order of formation of associated minerals in time succession, one after another. To study the paragenesis is to trace out in a rock or vein the succession in which the minerals have developed.

**phyllites** - finely banded, often greasy looking metasediment formed by the deep burial and heating of clay rich rocks.

**placer mining** - the extraction of gold from loosely consolidated material, often a river bed.

**porphyritic** – a textural term for those rocks which have larger crystals (Phenocrysts) set in a finer groundmass, which may be crystalline, glassy, or both.

**preliminary feasibility study** – a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established, and where an effective method of mineral processing has been determined. This study must include a financial analysis based on reasonable assumptions of technical, engineering, operating and economic factors and evaluation of other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve.

**probable mineral reserve** – is the economically mineable part of an indicated, and in some circumstances, a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

**proven mineral reserve** – is the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

**Proterozoic** - the second oldest geological period after Archaean and the typical age of gold deposits in West Africa, Brazil and Venezuela.

**pyrite** - a common iron sulphide mineral commonly found in hydrothermal veins and systems and commonly associated with gold mineralization.

**QFP** - quartz feldspar porphyry.

**Qualified Person** – an individual who is an engineer or geoscientist with at least five years experience in mineral exploration, mine development, production activities and project assessment, or any combination thereof, including experience relevant to the subject matter of the project or report and is a member in good standing of an approved self-regulating organization.

**quartz** - a common rock-forming mineral (SiO<sub>2</sub>).

**RAB** - rotary air blast, a drilling technique used in mineral exploration.

**RC** - reverse circulation, a drilling technique used in mineral exploration.

**reef** - a lode or vein.

**reverse circulation drilling** - a type of rotary drilling that uses a double-walled drill pipe. Compressed air, water or other drilling medium is forced down the space between the two pipes to the drill bit and the drilled chips are flushed back up to the surface through the centre tube of the drill pipe.

**reverse circulation holes** - a drilling method employing dual walled drill rods fitted with either a hammer or rotary drilling bit. The pressurised drilling fluid (air or water) travels down the outer annulus and the return fluid travels up the centre of the drill rod carrying the sample of rock chips and dust sized particles to the surface.

**rhyolite** - the general name for fine-grained igneous rocks having a similar chemical composition to granite, commonly occurring as lava flows, though occasionally as minor intrusions, and generally containing small phenocrysts of quartz and alkali feldspar set in a glassy or cryptocrystalline groundmass; sometimes called liparite.

**saprolite** – disintegrated somewhat decomposed rock that lies in its original place.

**schist** - a metamorphic rock characterised by a well developed parallel orientation of more than 50% of the minerals present.

**sedimentary** - formed by the deposition of solid fragmented material that originates from weathering of rocks and is transported from a source to a site of deposition.

**sericitic** - a rock containing fine grained white mica – usually occurring in flecks.

**shear zones** - linear areas of weakness along which a failure occurred whereby the portion of mass on one side of the area slides past the portion on the opposite side and which often form conduits for mineralising fluids.

**silica** – dioxide of silicon, SiO<sub>2</sub>, which occurs in the crystalline forms as quartz, cristobalite, tridymite; as cryptocrystalline chalcedony; as amorphous opal; and as an essential constituent of the silicate groups of minerals.

**silicification** - the process of introducing silica into a non-siliceous rock, either by filling pre spaces or as a replacement.

**stockwork** - a mineral deposit in the form of a branching or interlocking network of veinlets.

**stockwork of quartz veins** - a crosscutting network of fractures filled with quartz.

**stratigraphy** – that part of the descriptive geology of an area or district which pertains to the discrimination, character, thickness, sequence, age and correlation of the rocks of the district.

**strike** – geological measurement of the direction of a horizontal line on the surface of the bed.

**stripping ratio**- ratio of waste to ore.

**supergene** – applied to ores or ore minerals that have been formed by generally descending water. Ores or minerals formed by downward enrichment.

**syncline** – a fold in rocks in which the strata dip inward from both sides toward the axis.

**talus** – a heap of coarse rock waste at the foot of a cliff, or a sheet of waste covering a slope below a cliff.

**tectonised** - a rock mass that has been severally modified by folding and/or faulting.

**troy ounce** - unit of weight measurement used for all precious metals.

**tuff** – a rock formed of compacted volcanic fragments, generally smaller than 4 millimeters in diameter.

**vein** - sheet-like body of minerals formed by fracture-filling or replacement of the host rock.

**volcanic** - formed by volcanic activity.

**vug** – a small cavity in a rock, usually lined with a crystalline mineral incrustation.

## CURRENCY

In this prospectus, all references to "\$" are to Canadian dollars and all references to "US\$" are to United States dollars. On May 31, 2001, the noon spot rate quoted by the Bank of Canada was \$1.5457 = US\$1.00. All references to "TS" are to Tanzanian Shillings. On May 31, 2001, the mean exchange rate quoted by the Bank of Tanzania was TS88920.00= US\$1.00.

## CONVERSION

The following table sets forth certain standard conversions from Standard Imperial units to the International System of Units (or metric units).

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471
Grams	Ounces (troy)	0.032
Ounces (troy)	Grams	31.103
Tonnes	Short tons	1.102
Short tons	Tonnes	0.907
Grams per tonne	Ounces (troy) per ton	0.029
Ounces (troy) per ton	Grams per tonne	34.438

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Capitalized terms used in this summary and not otherwise defined are defined in the Glossary - General.*

### **The Company**

Tan Range Exploration Corporation (the "Company") is a natural resource company engaged primarily in the acquisition and exploration of mineral resource properties, with a primary focus on the exploration of gold properties in Tanzania. The Company is actively exploring two mineral properties in Tanzania. The most advanced property is the Itetemia Property, which is currently under option to Barrick Gold Corporation. Extensive diamond drilling has been completed at Itetemia and an initial inferred mineral resource of 511,000 tonnes at a grade of 7.09 g/t gold containing 3,622,990 grams of gold, or approximately 116,000 ounces of gold has been estimated for the property. The Company's Luhala Property has also been the subject of extensive exploration and is now being prepared for an extensive diamond drilling program. An initial inferred mineral resource of 9,390,000 tonnes at a grade of 1.0 g/t gold containing 9,390,000 grams of gold, or approximately 300,000 ounces of gold has been estimated for the Luhala Property based on results of a previous 250 RAB hole drilling program. See "Business of the Company" and "Description of Properties". The Company's outstanding Common Shares are quoted on the CDNX under the symbol "TNX".

### **The Offering**

On March 6, 2001, the Company completed the issue and sale of an aggregate of 5,875,000 Special Warrants at a price of \$0.40 per Special Warrant (or \$2,350,000 in the aggregate) in accordance with an agency agreement dated March 6, 2001 between First Associates Investments Inc. and Haywood Securities Inc. (together the "Agents") and the Company. The Special Warrants were issued pursuant to the terms of a special warrant indenture (the "Special Warrant Indenture") dated as of March 6, 2001 between the Company and Montreal Trust Company of Canada ("Montreal Trust"). Since the date of issuance, no Special Warrants have been exercised. Each Special Warrant entitles the holder thereof to acquire, at no additional cost to the holder, one Common Share and one-half of one Warrant at any time until 5:00 p.m. (Toronto time) (the "Expiry Time") on the earlier of: (i) the fifth business day following the date (the "Qualification Date") upon which a final receipt for this prospectus is issued by the last of the securities regulatory authorities in Ontario, Alberta and British Columbia; and (ii) March 6, 2002. Any Special Warrants not exercised prior to the Expiry Time shall be exercised by Montreal Trust on behalf of the holder at such time without any further action on the part of the holder. Each whole Warrant entitles the holder to purchase one Common Share at a price of \$0.60 until September 5, 2002. If the Qualification Date has not occurred by 5:00 p.m. (Toronto time) on June 4, 2001, each holder of Special Warrants shall subsequently be entitled to receive upon the exercise of the Special Warrants held by such holder 1.1 Common Shares and one-half of one Warrant, in lieu of one Common Share and one-half of one Warrant, for each Special Warrant exercised, without payment of additional consideration.

See "Plan of Distribution".

### **Use of Proceeds**

The net proceeds from the sale of the Special Warrants are estimated to be \$2,185,500, after deducting the Agents' commission of \$164,500, but before deducting the expenses of the offering estimated at \$300,000. It is anticipated that approximately \$1,200,000 of such proceeds will be used by the Company for further exploration and development of the Luhala Property, while the balance of \$685,500 will be used for general working capital requirements. See "Use of Proceeds".

**Risk Factors**

An investment in the securities offered hereunder should be considered speculative due to the nature of the Company's involvement in the exploration of mineral resource properties. Prospective investors should carefully consider, in particular, the following risks in addition to the other information set forth in this prospectus: risks relating to fluctuations in the price of gold; exploration for gold is speculative in nature, involves many risks and is frequently unsuccessful; there is a degree of uncertainty attributable to the calculation of mineral resources and corresponding grades; the Company's current operations do not generate any positive cash flow and it is not anticipated that any positive cash flow will be generated for some time; risks relating to title to the Company's properties; there is no assurance that future political and economic conditions in Tanzania will not result in the government adopting different policies respecting foreign development and ownership of mineral resources, taxation, rates of exchange, environmental protection, labour relations, repatriation of income or return of capital; there is no assurance that the recent political unrest in Zanzibar will not result in political instability on the Tanzanian mainland that could affect the activities of the Company; the Company is dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on the Company; currency fluctuations; amendments to current taxation laws and regulations which alter tax rates and/or capital allowances could have a material adverse impact on the Company; and risks relating to environmental regulation. See "Risk Factors".

**Financial Information**

The Company is a natural resource company, which since its inception has engaged in the acquisition of interests in, and the exploration of, natural resource properties. The Company commits its own resources to the initial evaluation of mineral properties and, if and when warranted, the Company will enter into joint venture agreements with other corporations to further the development of such properties. At present, the Company's natural resource activities do not generate any income from production. The Company has no sales revenues. Revenues from property option payments are netted against property exploration costs. See "Financial Statements" and "Management Discussions and Analysis".

## **THE COMPANY**

### **Name and Incorporation**

Tan Range Exploration Corporation (the "Company") was incorporated as 4245547 Alberta Ltd. on July 5, 1990 under the provisions of the *Business Corporations Act* (Alberta). On August 31, 1991, the Company amended its articles to change its name to Tan Range Exploration Corporation and to remove the share transfer restrictions. On August 5, 1994, the Company was registered as an extraprovincial company in British Columbia under the Company Act. On February 15, 1996 the Company amended its articles to remove authority to issue different series and classes of shares and to designate all of the authorized share capital of the Company as common shares. The Company's head and registered office is located at Suite 1730, 355 Burrard Street, Vancouver, British Columbia, V6C 2G8. The Company's outstanding Common Shares are listed on the CDNX under the symbol "TNX".

### **Subsidiaries**

The Company currently has four subsidiaries, all of which are incorporated pursuant to the laws of the Republic of Tanzania: Dia Consult Limited ("Dia Consult"), Itetemia Mining Company Limited ("Itetemia Mining Co."), Kabahеле Mining Company Limited ("Kabahеле Mining Co."), and Tancan Mining Company Limited ("Tancan"), incorporated pursuant to the laws of the Republic of Tanzania. The Company owns directly 100% of the voting securities of Dia Consult and Tancan, owns indirectly 90% of the voting securities of Itetemia, and owns directly 80% of the voting securities of Kabahеле Mining Co.

## **BUSINESS OF THE COMPANY**

### **General**

The Company is a natural resource company, which, since its incorporation, has engaged in the acquisition of interests in, and the exploration of, natural resource properties. The Company commits its own resources to the initial evaluation of mineral properties. In select situations, if and when warranted, the Company will enter into joint venture agreements with other corporations to further the development of such properties. At present, the Company's natural resource activities do not generate any income.

### **Narrative Description of the Business**

The Company's primary business objective is to acquire the rights to prospective mineral concessions, primarily for gold, within East Africa. Once such property rights have been acquired, the Company utilizes its own resources to explore such properties so that their value may be increased. Often, and when merited, the Company will sell or "option" some or all of its rights in these mineral properties to other, larger companies. By doing so, the Company may be able to secure cash payments for its own use, as well as benefit from investment into its properties by others.

Prior to 1998, the Company was active in various regions of East Africa. The Company has explored gold properties in Ethiopia, Tanzania, Zambia, Swaziland and South Africa. Due to the relatively low price of gold and a restrictive environment for junior equities over the last few years, the Company has now restricted its focus to concentrate on its key Tanzanian gold properties located in the Lake Victoria greenstone region. At the present time, through its 100% subsidiary Tancan, the Company is actively exploring two gold properties in the Lake Victoria goldfields region of Tanzania. Major corporations, including Barrick Gold Corporation ("Barrick") in respect of the Company's Itetemia Property, Ashanti Goldfields Company Limited ("Ashanti") in respect of the Company's Geita East property and Newmont Overseas Exploration Corporation ("Newmont") in respect of the Company's Luhala, Kabahеле, Mnekezi and Mulehe properties, have funded most of the work on the Company's properties in this area since 1999 under option arrangements. During the year ended August 31, 2000, Ashanti terminated its option on the Geita East property and the property was written off by the Company. During the year

ended August 31, 2000, Newmont terminated its option, retaining no rights or interests in any of the Luhala, Kabahелеle, Mnekezi and Mulehe properties. The Kabahелеle property was written off by the Company.

The Company's Itetemia Property is its most advanced property. This property, located adjacent to Barrick's Bulyanhulu Mine, contains an initial estimated inferred mineral resource of 511,000 tonnes at a grade of 7.09 g/t gold containing 3,622,990 grams of gold, or approximately 116,000 ounces of gold. Ongoing drilling continues and it is hoped that additional mineral resources will be delineated. On November 15, 1999, the Company entered into an agreement with Barrick (the "Barrick Venture Agreement") granting it an exclusive option to earn an undivided 60% interest in the Itetemia Property. As consideration for the option, Barrick was required to complete four investments by way of private placements and a warrant exercise for Common Shares of the Company aggregating \$4.0 million. Of these placements, 80% of the funds must be spent on the exploration of the Itetemia Property, while the remaining 20% can be used for general corporate purposes of the Company. To date, Barrick has invested a total of \$3.0 million. To date the Company has spent 70% of total funds received from the Barrick payments. The Company continues to spend these funds on the exploration of the Itetemia Property and intends to satisfy its 80% requirement in due course.

To exercise its option on the Itetemia Property, Barrick must invest a further \$1.0 million in return for Common Shares of Tan Range on or before June 14, 2001 and make a positive production decision with respect to the property within four years of April 30, 2001. In addition, Barrick must finance the development of a mine, with the Company to repay its portion of the costs from its share of the net proceeds of production. Should the property not be brought into production on a stand-alone basis within 18 months, or within 12 months on a custom milling basis, Barrick will be required to make penalty payments.

The Company's Luhala Property, also located in Tanzania, was previously the focus of an exploration program under a multiple property option agreement with Newmont dated effective April 25, 1999. During the term of its option, Newmont spent approximately US\$363,000 on the property. This work resulted in the delineation of an initial estimated inferred mineral resource of 9,390,000 tonnes at a grade of 1.0 g/t gold containing 9,390,000 grams of gold, or approximately 300,000 ounces of gold. Newmont terminated its option on July 26, 2000. The Company has recently increased its land holdings around Luhala to cover a total of 126 km<sup>2</sup>. The Luhala Property exhibits a favourable geological setting for the discovery of additional gold mineral resources and has become a prime focus for the Company.

## **DESCRIPTION OF PROPERTIES**

### **Doing Business in Tanzania**

#### **General Background**

The United Republic of Tanzania, the largest country in East Africa, was formed in April, 1964 from the union of Tanganyika and Zanzibar, which were granted independence in 1961 and 1963, respectively. The country has an area of over 945,000 km<sup>2</sup> and a 1998 population of approximately 32.3 million, drawn from a wide diversity of tribal groups. Agriculture, together with forestry and fishing, is the most important sector of the economy, accounting for a Gross Domestic Product ("GDP") of more than 55% in 1996. Agriculture accounts for 85% of employment. Coffee, cotton and tea are the principal exports. Tourism and mining are increasingly playing an important role in the economy. Development of the energy sources is expected following the January 2000 government announcement of the liberalization of the domestic fuel market. Liberalization of the electricity market is expected to follow within three years.

Historically over the last 30 years, Tanzania has enjoyed political stability, avoiding the turmoil experienced by many African countries following the transition from colony to independent state. In 1965, the constitution established Tanzania as a one party state under President Julius Nyerere and, from 1985, under President Ali Hassan Mwinyi. In 1991, the framework for the transition of Tanzania to a multi-party state was established and the Constitution was amended in 1992. The first elections under the new system took place in the second half of 1995. The governing party was re-elected with Benjamin Mpaka elected as President. On October

29, 2000 the governing party was again re-elected with Benjamin Mpaka elected as President. The islands of Zanzibar are integrated into the Tanzanian governmental and party structure. Nonetheless, the Zanzibar government, which has its own president and parliament, exercises considerable autonomy. Recently there has been an increase in political unrest with the harassment of opposition party officials on both the mainland and in Zanzibar.

In the late 1980's, in order to establish a favourable investment climate and to arrest decline from the growth of the 1960's and 1970's, the Government of Tanzania adopted fundamental changes in economic management and policy. Reforms included liberalization of agricultural policy, the privatization of state-owned enterprises, and the rescheduling of foreign debt payments. The programs leading to exchange and trade liberalization, interest rate and price deregulation, and the reform of the country's financial systems, have assisted in achieving annual GDP growth and a decrease in inflation from an annual average of 30% in the 1980's to 7.9% in 1999. Recently, the World Bank announced measures to support private-sector development.

From the late 1960's until fairly recently, there had been little investment in the mining industry. However, exploration for and the development of petroleum and mining resources have been declared high priority sectors by the Government of Tanzania. This, and the recent introduction of a new mining policy, has encouraged an upsurge of exploration activity in Tanzania, which has involved a number of overseas companies. Gold production leads the mining sector; output more than doubled to 11.1 tonnes in 1999 from 5.5 tonnes in the previous year. During the same period, the output of other minerals, such as diamonds, fell.

### Taxation

In 1992, restrictive exchange control provisions were repealed and replaced with a more liberal foreign exchange regime. In July 1996, Tanzania accepted obligations of the International Monetary Fund removing all restrictions on current account transactions. There is currently a full sales tax exemption for the purchase of inputs and supplies, where product is to be exported, and there is no export duty. There is no custom duty payable on imports of mining equipment and supplies until the first anniversary of commercial production and thereafter a 5% import duty will apply. There is a VAT at the rate of 20% chargeable on domestic sale of goods and services and 0% on exports. There is a provision for relief from VAT in respect of services for exclusive use in mining activities in order to minimize cash flow cost and foreign currency exposure, which may result from delay in VAT refunds. A mining company may irrevocably opt to maintain its accounts in United States Dollars and its tax liability will be assessed and calculated in that currency.

Capital gains taxes have been abolished. The corporate income tax rate applicable to mining companies is 30%. Capital expenditures are fully deductible in the year of expenditure. Capital expenditures on mine development are supplemented annually by a 15% additional allowance of "unredeemed development capital expenditure." "Unredeemed development capital expenditure" includes the 15% additional allowance unused from previous years. A special tax regime was introduced by an Act of Parliament called the Financial Laws (Miscellaneous Amendments) Act No. 27 of 1997. Notable attributes of the special tax regime for the mining sector include the 30% corporate tax rate and 100% depreciation allowance for capital expenditure referred to above. Losses may be carried forward indefinitely, but may not be carried back.

There is a withholding tax rate of 10% on dividends paid to a foreign company by a Tanzanian mining subsidiary. There is no withholding tax on foreign currency loans from arm's length parties, but a 15% rate is generally applicable to other payments of interest, including payments to related persons. The withholding tax on technical services is capped at 3% where the management fee does not exceed 2% of the amount claimed as a deduction from income in respect of operating expenses incurred in mining operations, and at 20% for any excess amount. Tanzania has a double taxation agreement with Canada that arguably provides an exemption from such withholding taxes on payments for technical or management services to a resident of Canada to the extent that the services are provided outside Tanzania.

The holder of a mining licence is liable to pay royalties in accordance with its licence and the terms of a mining licence may be negotiated on an individual basis. Moreover, mining companies may, in terms of the Mining

Act, 1998, enter into an agreement with the Government of Tanzania "which guarantees the fiscal stability of a long term mining project, by reference to the law in force at the effective date of the agreement, with respect to the range and applicable rates, of royalties, taxes, duties, fees and other fiscal imposts...". In the absence of an agreement to the contrary, NSR royalties are payable under the Mining Act, 1998 of 5% on diamonds and 3% on any other mineral.

## **Mining in Tanzania**

### **General**

Minerals in any land in Tanzania are vested in the United Republic of Tanzania. In response to the demands of an increasingly competitive international mining industry, the Government of Tanzania formulated a new mineral sector policy in 1997. The new mining law is embodied in the Mining Act, 1998, which came into force on July 1, 1999. The new legal and regulatory framework streamlined the licensing procedures and introduced improved safe mining and environmental management practices. New guarantees included security of tenure; freedom of commercial operation; environmental management regulations; rights to trade in mineral rights; and access to foreign exchange markets.

Foreign companies are entitled to fully participate in the mining industry. Tanzania issues three broad categories of licences: (i) prospecting licences and retention licences; (ii) special mining, mining and gemstone licences; and (iii) primary prospecting and mining licences. Activities related to mining which require special licences include the right to divert water, the right to generate power and the right of way for purposes of water way, or water pipe or power line. Such licences should normally be granted, but their processes are fraught with bureaucratic delays. Ownership of the land falls under a separate regime from the mining regime. Annual rental fees are payable for all mineral rights, except for the primary mining licence, which is granted exclusively to Tanzanian citizens.

### **Mineral Rights**

#### ***Prospecting Licences***

Prospecting licences are required for all minerals, including gemstones and building materials. Prospecting licences are required to conduct reconnaissance operations, as well as work involving material disturbances of the earth, such as trenching and drilling, and work leading to the removal of such samples as may be necessary to test the mineral bearing qualities of land. A prospecting licence for preliminary reconnaissance may be granted for a term not exceeding two years. Thereafter, prospecting licences will be granted for an initial period of three years and for two successive periods of renewal, neither of which may exceed two years and both of which entail a 50% "shedding" reduction in the licence area. If more time is required to complete a feasibility study at the end of the second renewal period, the Minister Energy and Minerals may further renew the licence until the study is complete.

Prospecting licence holders must commence prospecting operations within three months of the date of the issuance of the licence. The maximum area for a prospecting licence during preliminary reconnaissance is 5,000 km<sup>2</sup>. During the initial prospecting period, the maximum area for all prospecting licences for minerals other than building materials and gemstones is 200 km<sup>2</sup>; for gemstones, it is 10 km<sup>2</sup>; and, for building materials, it is 1 km<sup>2</sup>. A prospecting licence holder is required to give notice to the Minister of the discovery of any mineral to which the licence relates and of any deposit of minerals of "potential commercial value." Prospecting licence holders are not permitted to remove any minerals from the prospecting area (except for samples) without the permission of the Commissioner of Minerals.

The current regulations to the Mining Act, 1998 require that a prospecting licence holder make minimum annual expenditures. In the case of a prospecting licence for a preliminary reconnaissance period, the licence holder must spend US\$100,000 per annum plus US\$100 per km<sup>2</sup> for each km<sup>2</sup> in excess of 1,000 km<sup>2</sup>. For all other prospecting licences, the minimum expenditure obligation is US\$300 per km<sup>2</sup> during the initial prospecting period; for the first renewal period, the amount is US\$1,000 per km<sup>2</sup>; and, for the second renewal period, the amount is

US\$3,000 per km<sup>2</sup>. The regulations also prescribe amounts for prospecting licences for building materials and for gemstones. The annual rents payable for all prospecting licences is US\$20 per km<sup>2</sup>, except for prospecting licences for the initial reconnaissance period which costs US\$10 per km<sup>2</sup>.

### ***Retention Licences***

Prospecting licence holders (other than the holders of prospecting licences for building materials or gemstones) may apply for retention licences where mineral deposits of potential commercial significance have been identified but cannot be immediately developed. The Minister may grant retention licences for a period not exceeding five years. On application, the Minister may renew a retention licence for a single period of five years, but may require the licence holder to provide updated assessments of the prospects of developing the mineral deposit. The annual rent for a retention licence is US\$300 per sq. km.

### ***Special Mining Licences and Mining Licences***

Special mining licences are granted to the holders of prospecting licences or retention licences for the mining of minerals other than building materials. Applications, which are made to the Mining Advisory Committee, shall include an environmental impact assessment. Conditions to obtaining a special mining licence include developing and carrying on a programme of mining operations, an environmental management plan, and a programme for the employment and training of Tanzanian citizens. Where required by the Minister, the licence holder also may be required to post a rehabilitation bond. The duration of a special mining licence shall not exceed 25 years. At any time not later than one year before the expiry of the licence, the licence holder may apply for a renewal for a maximum period of 25 years. Upon renewal, the Minister may amend the conditions of the licence. The annual rent for a special mining licence is US\$1,500 per km<sup>2</sup>.

A mining licence grants the holder the exclusive right to prospect and mine minerals, other than gemstones within the area covered by the licence. Mining licences may only be granted to the holders of prospecting licences or retention licences. The maximum area for a mining licence for all minerals other than building materials is 10 km<sup>2</sup> and for building materials is 0.5 km<sup>2</sup>. Mining licences are initially granted for a period of ten years. They may be renewed for a period not exceeding ten years, unless the applicant is in default, the development has not proceeded with reasonable diligence, minerals in reasonable quantities do not remain to be produced or the mining operations fail to comply with safety and environmental management regulations. The Minister may require that the renewal application include an environmental management plan respecting operations proposed for the renewal period. The annual rent is US\$1,000 per km<sup>2</sup> for mining licences for minerals other than building materials and is US\$500 for mining licences for building materials.

### ***Provisional Licences***

The Mining Act, 1998 provides for the conversion of licences initially granted under the Mining Act, 1979. All of the licences issued to the Company under the Mining Act, 1979, for example, have now been converted.

### ***Transfers and Mining Agreements***

No special mining licence or mining licence may be assigned without the written consent of the licensing authority, unless the assignment is to an affiliate, to a bank by way of a mortgage or loan, or, where the licence is held by more than one person, to another registered owner of the special mining licence or mining licence. The holders of other mineral rights are entitled to assign the whole of its interest or an undivided proportionate part. A central register of all mineral rights is maintained by the Commissioner for Minerals.

### ***Surface Rights***

A mining licence and special mining licence confers on the holder thereof the right to use the surface rights related thereto for mining operations. Nevertheless, where there is a lawful occupier of the land (which includes a person in actual occupation of land), such right of entry may not be exercised in certain circumstances until consent

is obtained from the occupier. The Minister may waive such consent where he or she believes it has been unreasonably withheld. Any damage to surface rights by the licence holder may be recovered upon application to the Commissioner for Minerals.

### Environmental Management

In July 1999, environmental management and protection regulations under the Mining Act, 1998 came into force. An environmental impact statement and an environmental management plan must accompany special mining licence, mining licence and gemstone mining licence applications for mineral rights. In addition to the establishment of environmental regulations, the Tanzanian Government has improved management procedures for effective monitoring and enforcement of these regulations by strengthening the institutional capacity, especially in the field offices. The Government has provided rules for the creation of reclamation funds to reinstate land to alternative uses after mining and it has developed guidelines for mining in restricted areas, such as forest reserves, national parks, sources of water and other designated areas.

### The Company's Tanzanian Mineral Properties

The Company's two primary Tanzanian Properties are the Luhala Property and the Itetemia Property, both located in the northern Lake Victoria region of the Tanzanian mainland. See figure 1: Property Location Map, on the following page.

### Consulting Geologist Reports

Certain of the following information relating to the Tanzanian Properties is derived from two reports dated May 2, 2001 (the "SRK Reports") prepared for the Company by Steffen, Robertson and Kirsten Consulting (Canada) Inc. ("SRK"). Such information has been included herein with the consent and prior review of SRK. The SRK Reports have been filed with this prospectus and are available for inspection in Toronto at the offices of Macleod Dixon LLP (counsel to the Company) at BCE Place, Suite 3900, Canada Trust Tower, 161 Bay Street, Toronto, Ontario M5J 2S1, during normal business hours while the securities offered by this prospectus are in the course of distribution and for a period of 30 days thereafter. SRK's address in Toronto is Suite 850, 121 King Street West, M5H 3T9. The SRK Reports are also available for inspection in Vancouver at the Company's offices at Suite 1730, 355 Burrard Street, Vancouver, British Columbia, V6C 2G8, during normal business hours while the securities offered under this prospectus are in the course of distribution and for a period of 30 days thereafter.

### Luhala Property

#### *Nature, Size, Location and Access*

The Luhala Property consists of three prospecting licences covering approximately 126 km<sup>2</sup>. (See figure 2: "Luhala Prospecting Licences", reproduced below). The three prospecting licences comprising the Luhala Property are held in the names of the following companies and expire as indicated:

<b>PROSPECTING LICENCE</b>	<b>NAME OF HOLDER</b>	<b>DATE GRANTED</b>	<b>LAST RENEWAL</b>	<b>EXPIRY DATE</b>
Luhala (PL 1451/00)	Tancan	March 10, 2000	n/a	March 9, 2003
Ngobo (PL 1559/00)	Widescope	July 11, 2000	n/a	July 10, 2003
Sima (PL 1560/00)	Widescope	July 11, 2000	n/a	July 10, 2003

Each of the licences may be renewed twice, each time for a period of two years. The mandatory rental payments and minerals permitted to be pursued under such licences are summarized below:

<b>PROSPECTING LICENCE</b>	<b>RENTALS</b>	<b>MINERALS COVERED</b>
Luhala (PL 1451/00)	US\$1314.60	All except building materials and gems
Ngobo (PL 1559/00)	US\$406	All except building materials and gems
Sima (PL 1560/00)	US\$940	All except building materials and gems

# AFRICAN PROPERTY MAP

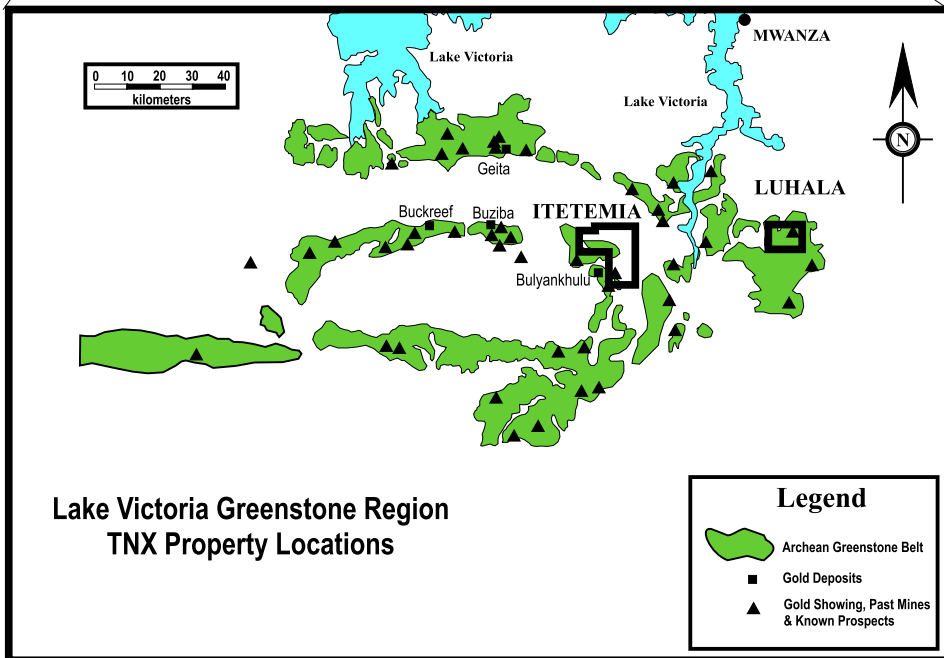
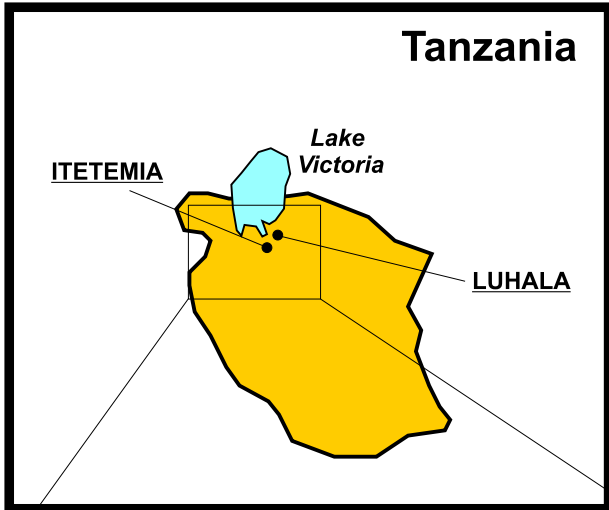
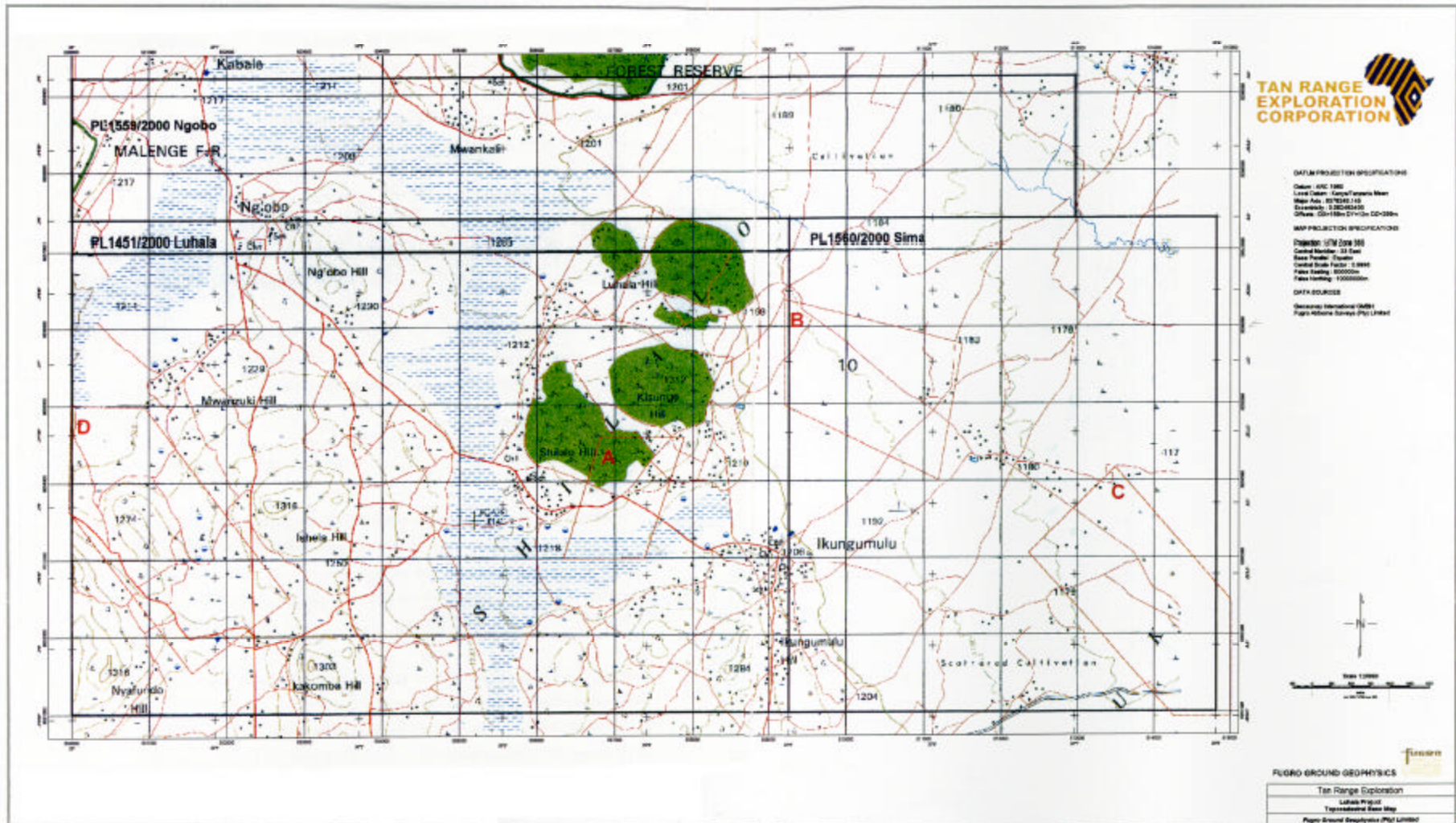


Figure 2: Luhala Prospecting Licences



**DATUM PROJECTION SPECIFICATIONS**

Datum: ARC 1960  
 Local Datum: Kenya/Tanzania Mean  
 Major Axia: 6378249.145  
 Eccentricity: 0.082483400  
 Offsets: DX=158m DY=12m DZ=299m  
 False Northing: 10000000m

**MAP PROJECTION SPECIFICATIONS**

Projection: UTM Zone 36S  
 Central Meridian: 33 East  
 Base Parallel: Equator  
 Central Scale Factor: 0.9996  
 False Easting: 500000m

**DATA SOURCES**

Geosurvey International (GMBH)  
 Fugro Airborne Surveys (Pty) Limited

In addition, all licences typically require the holder to expend funds in the employment and training of Tanzanian personnel, which expenditures typically amount to US\$5,000 per year, and in exploration expenditures, which are set out in the Mining Act, 1998. (See "Mining in Tanzania – Mineral Rights.")

The Luhala Property is located about 70 km south of Mwanza, the major town in the region, which is situated on the southern banks of Lake Victoria. The all weather paved Mwanza-Shinyanga road provides ready access to the Manawa village, some 45 km south of Mwanza. From Manawa, a dirt road trends southwesterly to the Misasi village and then 10 km further to the Luhala Property. Generally, access to the property is very good; however, during the peak rainy season crossing the mbuga flats can be difficult. Mwanza, located at the south end of Lake Victoria, can, and has, provided limited supplies for mining and exploration operations in the area. However, dwellers in the area of the Luhala Property are traditionally farmers and ranchers, and have limited mining experience. Water for the purpose of mining and processing is not readily available in the region; however, a pipeline from Lake Victoria may provide an adequate supply of water. The large, relatively flat terrain surrounding the known gold mineralization may be suitable for potential tailings and waste rock storage and for heap leach pads and a potential processing plant. Electric power is available via the national grid within 15 km; due to the unreliability of such power, alternative forms of residual or back-up power would be necessary for mining or processing operations, such as diesel power generation used by Barrick at its Bulyanhulu mine.

The local topography consists of large flat-lying areas surrounded by numerous small hills. The hills have elevations of up to 100 m. above the local terrain. The area of most interest and exploration activity is located in the northeastern corner of the Luhala prospecting licence. It consists of two groups of hills forming an oval island of elevated terrain surrounded by the mbuga flats. Almost all exploration activities have been focused around the southern group of three hills forming a triangle with a central depression between them. The northern hill has a wide ridge striking east-west and is named Kisunge Hill. The western hill has a prominent ridge-dike striking north-south and is called Shilalo. The third most southern hill, which has a prominent ridge-dike, strikes southeast-northwest and has no name on the topographic map. For the purpose of the present exploration activity the three hills have been called Shilalo West, Shilalo South and Kisunge.

Outcrop exists along the ridges of the hills; however, thick, thorny vegetation makes access to most of them difficult. Kisunge Hill, where most of the RAB drilling was concentrated, is oriented east-west, and is 1 km long. The highest point occurs in the middle of the hill and has an elevation of 1,312 m above sea level, but less than 100 m. above the surrounding flats. The northern slope of the hill is steep and difficult to access. The southern slope is predominantly gentle and provides drill access to the wide, flat top of the hill. The climate is similar to the rest of the region. The rainy season starts in November and finishes in the middle of April, but precipitation is irregular from one season to the next. The dry season is usually hot.

## ***Ownership***

### Prior Ownership

Two of the prospecting licences comprising the Luhala Property, namely, Ngobo and Sima, are currently held by Widescope. In this regard, the Company has an option to acquire a 100% ownership interest in the Ngobo and Sima prospecting licences pursuant to the First Widescope Option Agreement, dated May 3, 2000, and Second Widescope Option Agreement, dated June 20, 2000, respectively. The First Widescope Option Agreement permits Tancan to acquire a 100% ownership interest in the Ngobo prospecting licence by making payments aggregating US\$120,000 over a period of 6 years. The Second Widescope Option Agreement permits Tancan to acquire a 100% ownership interest in the Sima prospecting licence by making payments aggregating US\$84,000 over a period of 6 years.

### Tan Range Interest

Tancan has a 100% ownership interest in the Luhala prospecting licence and no third party has any right, title or interest therein. With respect to the Ngobo and Sima prospecting licences, Tancan has an option to acquire a 100% interest therein, subject to the making of a series of payments to the licence holder, Widescope, over a period

of 6 years. In the case of the Ngobo licence, such payments aggregate US\$120,000; in the case of the Sima licence, such payments aggregate US\$84,000. Should Tancan exercise the options it holds from Widescope:

1. Tancan shall remain obligated to pay a 2% NSR Royalty to Widescope in respect of production from the applicable licence.
2. Tancan may acquire 50% of the 2% NSR Royalty for the sum of US\$1,000,000, at its option, within 2 years of the commencement of commercial production.
3. Tancan must make a payment of US\$75,000 should it fail to make a production decision within 12 months of the completion of a bankable feasibility study.
4. Tancan must make additional annual payments of US\$100,000 for the three years subsequent to the US\$75,000 payment in (3) should it continue to fail to make a production decision in each of those years.

To date, Tancan has paid Widescope the sum of US\$21,000 and US\$6,000 in respect of the Ngobo and Sima prospecting licences, respectively.

### ***Exploration (including Drilling)***

#### Exploration by Previous Owners

In 1947, the Geological Survey of Tanganyika recorded evidence of the first work on the Luhala Property which consisted of trenching and the driving of an adit into Shilalo West Hill. Records show that the adit passes into a strongly kaolinized volcanic. Gold is associated with thin stockwork-type quartz veins within the kaolinized volcanic. The extent of exploration work, if any, carried out on the Luhala Property during the period from 1947 to 1994 (when Tan Range was granted their Luhala prospecting licence) is unknown.

#### Exploration Results to Date

##### *Pre-2000 Program*

Tancan began exploration of the Luhala prospecting licence in 1994 with a limited grab sampling and panning program. The Luhala hills were subsequently identified as a primary gold target. A soil geochemical program was completed over the Luhala hills and it indicated a strong gold anomaly with values reaching 150 ppb in the vicinity of some old trenches and workings. The old trenches were refurbished, re-sampled and mapped. Grab samples taken from altered volcanics returned assays as high as 22.1 g/t Au. In October 1996, Tancan contracted Geodass of South Africa to carry out a helicopter-borne magnetometer survey over the Property. The line direction was southeasterly (130°) which parallels the strike of the greenstones. The poor coupling between the flight line direction and the strike of the greenstones reduced the effectiveness of the survey. Several northeast trending dikes, probably of Proterozoic age, were identified. The regionally stratigraphic trend appears to be north-northwest and the BIF is characterized by magnetic anomalies. A subtle north-south trending fabric is present which may reflect a younger set of structures related to the Smith Sound trend.

Towards the end of 1996, a short diamond drilling program was initiated to test the depth extensions to the mineralization intersected in the trenches. Two holes were drilled for a total of 505 m. Ground conditions proved to be difficult and core recovery was poor. Holes LU-1 and LU-2 were prematurely abandoned, and LU-2 had to be re-drilled as LU-2A. Hole LU-1 remained in the oxide zone to a depth of 109.9 m and intersected gold values ranging from 0.18 g/t Au over 0.28 m to 1.2 g/t Au over 2.62 m which occurred in areas reporting between 5% and 60% core recovery. Hole LU-2A remained in the oxide zone for 72 m before being abandoned. No depth extensions were found to the surface kaolinization and mineralization reported in the trenches.

During 1997, a regional mobile metal ion ("MMI") soil sampling program was completed over the Luhala prospecting licence. Grid lines were established at 200 m intervals with sampling stations identified every 50 m. A total of 5,700 samples were collected. Results show that the Luhala prospecting licence area can be subdivided into two domains, a western gold-poor domain and an eastern gold-rich domain. There is a sharp northwest trending

divide between the two domains that may reflect a mbuga/laterite contact in this area. Within the gold-rich domain the Luhala hills prospect area is characterized by strong north-south trending gold anomalies covering an area of approximately 4 km<sup>2</sup>.

A geological mapping and sampling program was also carried out in 1997. A total of 243 grab samples were collected over the greater Luhala hills area and assayed for gold, copper and silver. The grab sample results were encouraging, with 36 samples returning values from 0.7 g/t Au and 10.4 g/t Au. The gold is commonly associated with angular quartz breccias. The origin of these breccias is controversial, as outcrops display both hydrothermal and sedimentary characteristics. The matrix of the breccias can be either iron-rich (goethite and hematite) or siliceous. Of interest is the close Au/Cu relationship in the grab sample. This would tend to favour a hydrothermal model for the mineralization, rather than a paleo-placer model.

In March 1997, Spectral Geophysics, located in Botswana, completed a magnetometer and gradient array I.P. survey over the Luhala prospecting licence and identified three chargeability zones and two isolated chargeability anomalies on the licence. In July 1997, five holes were drilled for a total of 549 m to test the chargeability anomaly on the western portion of the licence. Of interest, Hole LU-5A, the discovery hole, was drilled to test the main chargeability anomaly. This hole intersected a gold-rich oxidized breccia which returned 1.63 g/t over 26.4 m. Included in this interval were intersections assaying 3.1 g/t Au over 6.2m, 1.92 g/t Au over 7.5m, 1.14 g/t Au over 2m, 2.68 g/t Au over 1.1m and 1.11 g/t Au over 1.2m. The hole also intersected a kaolinized tuff which reportedly hosts the gold reported in the trenches; however, this intersection returned no gold values.

Very little exploration work has been carried out on the Ngobo and Sima prospecting licences. To date, the Company has collected 430 samples on the Ngobo licence for analysis.

#### *2000 Program*

During 1999, soil samples were collected at 50 m stations at an average depth of 0.5 m along the 5 RAB fences. The soil sampling program was carried out to compare conventional soil analyses (fire assay) with the MMI values and to plan for the RAB drilling. The correlation coefficient for these two sets of data is high. Generally, conventional samples sieved to minus 80 mesh have a similar gold value to soils assayed in RAB assays. This suggests the majority of the gold is fine grained.

Phase I, of a two phased, RAB drilling program, consisted of 106 holes drilled on north-south line and totalling 5,252 m. Phase I was carried out in January, 2000 to test the gold occurrence on the Kisunge, Shilalo West and Shilalo South Hills. Line 8800E (Hole LRB-1 to Hole LRB-9) was drilled to test a low order MMI anomaly located on the eastern side of a small hill in the southeastern sector of the Luhala prospecting licence. Nine holes were drilled spaced between 50 m and 100 m apart. The rocks comprise BIF, volcanoclastics, gabbro, intermediate and mafic volcanics. The iron formation comprises breccias with quartz vein fragments. The northern holes (LRB-7 to LRB-9) intersected granite sands with quartz veining.

Line 6400E (Hole LRB-10 to Hole LRB-22 and Hole LRB-51 to Hole LRB-57) traverses the western side of the Shilalo West Hill. The hill has a north trending structure interpreted as a fault that forms the central ridge of the hill. The structure is gold-bearing with diamond drill hole LU-5A intersecting 1.63g/t over 26.40m. The aim of the RAB fence was to drill a stratigraphic section across strike of the Nyanzian rock types and to drill a few holes, aimed to the east, into the core of the hill to test the gold potential of the structure. The RAB fence (stage 1) intersected a variety of rock types including schist, graphite schist, phyllite, felsic tuff, volcanoclastics, and mafics. The structure is interpreted to be a fault. The rocks are all breccias of various forms. The common breccia has quartz vein material forming the clasts, and goethite/hematite/silica forming the matrix.

Line 6800E (Hole LRB-23 to Hole LRB-50) was drilled from 5100N to 2600N in low ground through the gap between the Shilalo West Hill and the Shilalo South Hill. In total, 28 holes were drilled. The northern portion of the line consists predominantly of felsic volcanics that have been identified as volcanoclastics similar to those found on line 6400E. In the southern portion of the line, on the western side of the Shilalo South Hill, a thin felsic zone with minor BIF was intersected.

Line 7400E (Hole LRB-58 to Hole LRB-87) was drilled from 5200N to 3100N totalling 30 holes. The northern hole, LRB-80, intersected an alternating BIF and (felsic) saprolite unit. The next hole, LRB-81, intersected a thick BIF unit. South of the BIF, the units are predominantly andesitic up to the base of the Kisunge Hill. The entire Kisunge Hill is intensely altered and units are difficult to identify. The logs suggest that the hill consists predominantly of felsic saprolite with occasional intermediate rock types. These felsic units prevail southwards to the Shilalo West Hill where intensely altered gabbro was intersected at the bottom of LRB-76. South of the gabbro, felsic volcanics interbedded with BIF form a thin (<100m) zone. South of these felsics andesite dominates.

Line 8000E (Hole LRB-88 to Hole LRB-106) was drilled with 19 holes from 5000N to 4000N. The northern holes intersected granite, and south of the granite felsic volcanics predominate with minor mafic zones. The entire Kisunge Hill is kaolinized and full of vein quartz, goethite and hematite.

The significant gold value intersected during the Phase I RAB drilling program are summarized below:

PROSPECT	LINE No.	HOLE NO	FROM (m)	TO (m)	INTERVAL (m)	GOLD (ppm)		
Shilalo West	6400E	LRB-19	95	104	15	1.120		
		LRB-21	35	78	43	0.721		
	7400	LRB-62	0	8	8	1.490		
			11	18	7	1.160		
			23	34	11	2.240		
		LRB-63	10	34	24	1.200		
			LRB-65	35	51	16	0.465	
			LRB-67	0	15	15	0.796	
		LRB-68	17	23	6	0.796		
			15	26	11	0.818		
			55	62	7	0.818		
			LRB-81	16	22	6	0.770	
			LRB-87	6	11	5	0.480	
			8000E	LRB-91	29	35	6	0.540
				LRB-92	56	69	13	0.640
		LRB-96		5	18	14	0.631	
		LRB-97		2	30	28	1.950	
		LRB-98		11	30	19	1.920	
		LRB-99		5	11	6	1.670	
		LRB-100		18	21	3	2.210	
LRB-103	9	13		4	1.170			
LRB-105	30	45	15	2.170				

The Phase II RAB drilling program was completed for the most part on the Kisunge Hill using a track-mounted drill rig. The program was designed to confirm and extend the continuity of the gold mineralization discovered during the initial drilling at the beginning of the year 2000. A total of 137 holes were drilled at 50 m and 25 m intervals, for a total of 6,020 metres. The average depth of the holes was 44.59 m, with the depth varying between 10 m and 83 m.

Line 7000 E (Hole LRB-107 to Hole LRB-123) traverses the flats on the western side of the Kisunge Hill. A total of 17 holes were collared on the line at 50 m intervals. A total of 529 m was drilled and the holes varied in depth from 15 m to 48 m. All but three holes were stopped in andesite that has undergone weak greenschist-facies metamorphism. No significant assays were reported.

Line 7200E (Hole LRB-124 to Hole LRB-139 and Hole LRB-237 to Hole LRB-242) starts on the flats of the central bowl and traverses the western flank of the Kisunge Hill, terminating on the flats between the Kisunge and Luhala West and South hills. Twenty-two holes, totalling 801 m were drilled on this line; in two stages. Sixteen were collared on the northern base and slope of the hill starting from the north. Holes LRB-124 to LRB-129 located on the flats were spaced every 50 m; however, the holes drilled on the slope (LRB-129 to LRB-139) were collared

every 25 m. All these holes were inclined at minus 60 degrees to the south. During the second stage, 6 additional holes inclined at minus 60 degrees to the north were drilled with a collar spacing of 50 m. Due to the steep slope of the hill, two locations at 4200N and 4250N were abandoned. Unfortunately, this area is within the most interesting gold zone. Hole LRB-237 intersected 9 m of gossan or ferruginized rock with gold value grading 0.502 ppm Au. The highest gold values intersected are 0.69 ppm over 3 m and 0.282 ppm Au over 9 m (including 0.536 ppm Au over 3 m). Hole LRB-139, drilled from the opposite direction, returned assays as high as 1.01 ppm Au with an average of 0.56 ppm Au over 13 m. Between these two holes at least 50 m of the zone could not be drilled due to topographic constraints.

The results from this drilling are consistent with the wide MMI gold in soil anomaly which blankets this area. Several holes drilled through the overburden were stopped in andesite that has undergone weak regional metamorphism and significant hydrothermal/ pneumatolytic alteration. The northern most holes on this line were stopped in granitic sand, containing fragments of strongly altered granodiorite. Most of the overburden consists of soil-laterite followed by mixed saprolite and saprolitic rock. Holes LRB-137 to LRB-139 intersected intense quartz veining. The quartz veins are dominantly hosted by saprolitic rock, ferruginized rock-gossan, as well as andesite or basalt. These veins of different thickness and spatial orientation seem to strike generally to the northwest. In hole LRB-138, adjacent to the bedrock, some 9 m of kaolinite rock was intersected.

Three in-fill holes were collared on Line 7400E (Hole LRB-233 to Hole LRB-235) to better evaluate the significant gold mineralization encountered during the Phase I RAB drilling program. Hole LRB-233 intersected 1.82 ppm Au over 17 m. Hole LRB-234 intersected 2.03 ppm Au over 32 m. Hole LRB-235 intersected 1.60 ppm over 36 m and 1.98 ppm Au over 7 m. The gold mineralization is associated with intense quartz veining hosted within ferruginized rock-gossan and saprolitic rock / saprolite. The second phase drilling on this traverse has proved the existence of economic gold concentrations distributed continuously over a horizontal distance of 150 m.

Line 7600E (Holes LRB-140 to LRB-149, LRB-208 to LRB-224, and LRB-229 to LRB-232) traverses the center of the Kisunge hill. Thirty-one holes were collared totalling 1,462 m. The holes ranged from 10 m to 80 m deep. Several holes were abandoned because of hard ground and strongly fractured siliceous zones. The geology at the bottom of the hole on the northern slope consists of altered andesite locally showing significant pyrite/pyrrhotite mineralization, similar to that intersected on Line 7200E. Because the same rock was encountered at 69 m in hole LRB-210 on the southern slope of the hill, it strongly suggests that the deep geology of Kisunge hill consists of greenstone. However, holes located on the top have intersected typical auriferous rock packages. Massive quartz veins, silicified dikes and ferruginized rock mixed with gossan host significant gold mineralization within the core of the hill. Hole LRB-220 intersected 0.84 ppm Au over 28 m, including 3.52 ppm Au over 1 m. Hole LRB-221 intersected 1.46 ppm Au over 17 m, including 1.91 ppm Au over 10 m. Hole LRB-222 intersected 0.83 ppm Au over 21 m. All holes collared on the top of the hill were prematurely abandoned due to technical difficulties or awkward terrain configurations. Consequently, one third of the 250 m-wide zone remains untested.

Line 7800E (Holes LRB-150 to LRB-156 and LRB-189 to LRB-205) crosses Kisunge Hill where its ridge abruptly starts descending to the south. Twenty-five holes spaced at 50 m centers were drilled for an aggregate total of 1,200 m. A total of 1,142 m were drilled with an average depth of 45.8 m per hole. The hole depths varied between 10 m and 62 m. Six holes were prematurely abandoned because the RAB drill could not penetrate the fractured talus overburden. Hole LRB-198 returned 1.04 ppm Au over 16 m, including 3.06 ppm Au over 4 m. This hole was abandoned due to technical problems. The presence of a thick (>20 metres) talus overburden characterizes the geology of the southern slope of the Kisunge Hill. The talus consists mainly of fragments of greenstones, ironstone and quartz veins usually sealed with a laterite duricrust matrix. All the holes collared on this rock failed to penetrate. Three deep holes drilled on the northern slopes reached bedrock and were terminated in a metamorphic rock of andesite/basalt origin similar to that intersected in RAB holes drilled west of the line.

Two in-fill holes were drilled on Line 8000E (Holes LRB-187 and LRB-188) to find continuity of the significant gold mineralization intersected in hole LRB-105 during the first phase of RAB drilling. Hole LRB-188 returned the highest gold in rocks values so far encountered on the Luhala prospecting licence reporting 3.4 ppm Au over 11 m, including 10.7 ppm over 1m. The gold mineralization is hosted in a quartz stockwork and associated gossan-ferruginized rock.

Line 8200E (Holes LRB-157 to LRB-175) is situated on the base of the eastern flank of Kisunge Hill. Nineteen drill holes were drilled for a total of 1,054 m with the depths varying between 29 and 89 m. All holes were inclined at minus 60 degrees to the south and most of them were drilled at 50 m intervals. Between stations 4200N and 4300N where intense quartz veining was observed on the surface, five holes were collared at 25 m intervals. Despite abundant quartz veining observed in outcrop over a 150 m wide area, only Hole LRB-172 reported elevated gold values which returned 0.279 ppm Au over 2 m. The highest value of 0.126 ppm Au was intersected at the top of hole LRB-161. None of these RAB holes reached bedrock.

Eleven fill-in holes were drilled on line 8400E (Holes LRB-176 to LRB-186). A total of 516 m were drilled with the depth varying between 26 m and 56 m, and averaging 46.9 m. The highest gold value was intersected in hole LRB-183 and returned 0.084 ppm Au over 3 m. Hole LRB-184 intersected 11 m of massive quartz veining hosted within ferruginized rock; however, the assays from only the upper section of this interval were elevated reaching a maximum of 50 ppb Au. There was no bedrock intersected on this line and saprolite, clay and saprolitic rock represented most of drilled overburden with the soil on a surface.

An additional 6 holes were drilled along the flat, wide ridge of Kisunge Hill where the baseline 4200N (Holes LRB-207, LRB-227, LRB-228 and LRB-236) and (Holes LRB-225 and LRB-226) was cut between lines 7200E and 8200E. The purpose of drilling these holes was to check the continuity of the already intersected quartz vein zone and associated gold mineralization. LRB-207 was drilled at station 4200N/7900N down to a depth of 65 m and reached altered andesite. No anomalous gold zones were indicated. Holes LRB-225 to LRB-227 were collared between lines 7600E and 7800E. LRB-225 and LRB-226 were inclined at minus 60 degrees to the north, and LRB-227 was vertical. Hole LRB-225 was abandoned at a depth of 10 m because the drill could not penetrate a massive quartz vein. The last 5 m returned an average gold value of 1.52 ppm Au, with a high of 2.80 ppm Au over 1 m. Hole LRB-226 was also prematurely abandoned at a depth of 26 m within a dike of silicified tuff. The best gold intersection was 0.188 ppm Au over 1 m. Hole LRB-227 was drilled vertically to penetrate the gossanous zone and reach bedrock; however, it too was abandoned prematurely because of ground conditions at a depth of 56 m. It intersected several anomalous gold zones, but the best value of 0.274 ppm Au over the very first metre of the hole within the soil-colluvium layer. Hole LRB-228 intersected 7 m of a multiple dike-vein system composed of quartz-silicified tuff-ironstone, which returned an average of 0.253 ppm Au. Hole LRB-226 was drilled to a depth of 41 m where it too had to be abandoned. It also intersected 18 m of typical auriferous quartz-silicified tuff-ironstone packages with an average of 0.49 ppm Au, including a high of 1.89 ppm Au over 1 m.

All of the RAB drill holes drilled on the Kisunge Hill intersected geochemically anomalous gold values. Significant intersections are summarized below:

<b>LINE No.</b>	<b>HOLE No.</b>	<b>FROM (m)</b>	<b>TO (m)</b>	<b>INTERVAL (m)</b>	<b>GOLD (ppm)</b>
7200E	LRB-237	33	39	6	0.60
7300E	LRB-236	11	27	16	0.31
7400E	LRB-233	9	52	43	0.81
	LRB-234	5	52	47	1.14
	LRB-235	0	45	45	1.18
7500E	LRB-228	14	21	7	0.27
7600E	LRB-219	23	32	9	0.49
	LRB-220	24	29	5	0.92
	LRB-221	0	17	17	1.30
	LRB-222	13	21	8	0.65
	LRB-223	0	22	22	0.64
	LRB-224	0	6	6	1.33
7650E	LRB-225	5	10	5	1.52
7700E	LRB-226	7	13	6	1.18

A complete drill fence crossing the gold bearing zone was executed on line 7400E. However, none of the holes have penetrated through the oxidation zone reaching the primary zone. Between positions 4100N and 4300N,

6 vertical or sub-vertical gold zones with values of gold equal or higher than 0.5 ppm have been outlined. The estimated width of these zones varies from 2m to 3m to almost 40m, but the accurate thickness will only be obtained from deep diamond drilling.

#### 2001 Program

In May 2001, the Company reported that a total of four NQ core holes were drilled totaling approximately 300 meters. Two holes were drilled on Kisunge Hill and two holes were drilled on Shilalo South Hill. The results of the drill program are summarized in the following table:

#### SHILALO SOUTH

<i>Drill Hole# Grid Location</i>	<i>GradeAu gm/t</i>	<i>Width (m)</i>	<i>Interval (m)</i>
<b>LSSDD-01</b> 6930E/3060N	29.50	1.0	20.00 - 21.00
<b>LSSDD-02</b> 6900E/3040N	2.75	2.0	20.00 - 22.00

#### KISUNGE HILL

<i>Drill Hole# Grid Location</i>	<i>GradeAu gm/t</i>	<i>Width (m)</i>	<i>Interval (m)</i>
<b>LKDD-01</b> 7392E/4225N	1.10	1.50	18.10 - 19.60
	5.70	14.40	30.10 - 44.50
	including: 12.98	4.70	39.80 - 44.50
	1.41	6.50	55.50 - 62.00
<b>LKDD-02</b> 7400E/4150N	2.68	2.0	15.70 - 17.70

The gold mineralization on both hills is associated with a massive felsic siliceous horizon, which is variously interpreted as chert or rhyolite. The width of this siliceous horizon is variable and averages 10 - 15 meters. The drill results at Shilalo South Hill indicate that the dip of the mineralized horizon is 60 degrees to the south, and not to the north as previously thought. As such, the Company is currently redesigning their drill program to best define and delineate the gold mineralization.

SRK is of the opinion that the drill results correlate well with the geology and gold mineralization identified by previous surface geologic mapping and trenching. Additional drilling is required in order to provide adequate information for updating the current resource estimate.

#### Exploration Standards

##### *Soil Sample Preparation, Analyses and Security*

All of the sampling was carried out by a geologist or qualified technician under the direct supervision of the project geologist. The soil geochemical samples were collected along established grid lines or RAB drilling fence lines at the desired sample interval. The typical sample consists of 0.5 kg to 1 kg of soil collected at the bottom of a 0.5 m deep hole. All of the samples are sent to the SGS Laboratory, an ISO approved facility in Mwanza for sample preparation and analysis. The soil geochemical samples were dried, pulverized to minus 200 mesh and fire assayed, having a 5 ppb gold detection limit at the SGS Laboratory. The pulps and the rejects are held by the laboratory.

### *RAB and Diamond Drilling Sampling*

Bulk samples of approximately 3-5 kg each were collected at the cyclone over one metre intervals, but only selected intervals were sampled for analysis. Three metre intervals were usually adopted for composite sampling; however, interesting sections were sampled every metre. The collected samples were delivered to the SGS Laboratory, an ISO approved facility, in Mwanza for sample preparation and analysis. The RAB drilling samples are dried, pulverized to minus 200 mesh and then fire assayed, having a 5 ppb gold detection limit. For the laboratory control, Newmont standards were submitted at approximately one standard per twenty samples. The remaining portion of the samples are stored on site, and the pulps are stored at SGS Laboratory. The chips from each sampled interval have been collected in plastic chip trays and are stored at the Mwanza office. SRK believes the quality of the data is good and that the sample methodology is appropriate and is carried out in accordance with best industry standards.

### *Data Verification*

SRK took 13 1-m chip samples from trenches and 5 reject samples from RAB drill holes. The assays generally correlate well with the Company's sampling from the same sites.

### Exploration and Development Cost Analysis

In the six-month period ended February 28, 2001 the Company incurred net costs of \$162,261 on the Luhala Property. In the year ended August 31, 2000, the Company incurred net costs of \$161,881. An analysis of these costs is set out in the following table:

	<b>Luhala 6 months Feb. 28/01</b>	<b>Luhala Year Ended Aug. 31/00</b>
Camp, field supplies and travel	16,653	85,690
Exploration and field overhead	19,999	11,444
Geological consulting and field wages	87,618	172,278
Geological and Geochemical	13,244	75,404
Parts and equipment		3,692
Property acquisition costs	22,800	5,890
Trenching and drilling	1,947	170,852
Recoveries		(363,369)
	162,261	161,881

### ***Geology***

#### Regional

The Lake Victoria Region is underlain by the dominantly granitic Tanzanian shield which contains twelve Archean Nyanzian greenstone belts. The Nyanzian greenstone belts consist of sequences of basic and acid volcanic rocks, BIFs and associated sediments that accumulated within narrow zones of weakness within the Tanzanian shield. They represent synclinal keels of volcano-sedimentary successions deposited in major fracture zones or lineaments within the primitive crust generally and typically have east to southeast trends. The Nyanzian rocks have undergone lower greenschist facies metamorphism as indicated by the presence of chlorite and the notable absence of biotite.

The property is situated on the eastern flank of the Buhungukira Greenstone Belt in an area of scattered greenstones referred to as the Mabale Greenstone Belt. This belt joins up with Geita Belt to the west forming the northern part of the upper Nyanzian Greenstone System characterized by the presence of BIFs that are associated with structures cross-cutting iron formation and high grade shoots occur in the folded noses of iron formation. Between 1936 and 1966, the Geita area produced, at a 1.0 g/t Au cutoff grade, an estimated 5.5 million ounces of gold at an average grade of 5.3 g/t. Of this, mineral reserves (based on \$325 gold) total 43 million tonnes grading

3.16 g/t Au. In the Luhala hills area, a poorly developed regional S1 fabric is observed on the BIF units, and it is parallel to the region strike of the greenstone belt (320°). The regional strike forms a lineament referred to as the Kitongo-Nyanzaga lineament. This lineament is regarded as an important control of gold mineralization in the region, and may represent a shear. Additional structures include a northeast (060°) trend representing Paleozoic (Karoo) magnetic dolerite dykes, a northeast (045°) trend representing rift-age faulting and fracturing, and a north-south trend that parallels Smith Sound.

### Property

The effects of Cenozoic and Quaternary erosive cycles have led to the development of various types and ages of laterite formation. The low-lying areas are dominated by mbuga flood plains that are believed to be thick. Recent diamond drilling suggests oxidation up to 80 m below the present surface level.

### Lithology

The flat lying areas and hills on the Luhala prospecting licence show evidence of various forms of *laterite* development. On the eastern side of Shilalo West at least three laterite "benches" are reported. The laterite on the hills typically has medium to large angular to sub-angular fragments of highly ferruginized volcanics and quartz vein fragments. These are talus breccias, representing localized zones of strong erosion. These high-energy talus breccias grade into a thin (<10m) rubble zone towards the base of the hills. The rubble zone extends as far as 500 m from the base of the hills, where it eventually forms a very thin (<1 m) basal breccia zone overlying saprolite and clay. The contact between the basal breccia and saprolite is sharp, suggesting an erosive unconformity. Above the rubble zone / breccia in the flat land, nodular and pisolitic laterite is often developed up to a thickness of a few metres.

At least three different types of laterite were encountered on the flats surrounding the Kisunge Hill and on the slopes of the hill itself. At the base of the hill, the laterite layer is covered with a 0.1 m to 2 m thick soil layer. RAB drilling intersections typically returned a sample of mixed soil and lateritic colluvium. The laterite is dominantly nodular containing lithic fragments. This is usually underlain by 1 m to 5 m of lateritic duricrust. On the slopes and the flat top of the hill, especially where the vegetation is scarce, a lateritic duricrust has developed on surface. The large area on the southern slopes of Kisunge Hill is covered with a considerably thick (>20 m) talus that consists of fragments of all rock types that make up the geology of the hill. These angular fragments consist of greenstones, ironstone, quartz and silicified tuff. The fragments are typically 10 cm in diameter and are cemented with iron oxides forming a hard mass of ferricrete. Close to the mineralized zone, lateritic duricrust very often is accreted with gossan or/and ferruginized rock (ironstone). Only after careful observation can one distinguish these genetically different rocks.

In the flat lying areas on the Luhala prospecting licence the *saprolite/saprolitic rock* profiles are typical of those found in the Lake Victoria region. Saprolite forms directly underneath the laterite with no development of a plasmic zone (thin layer of top clay) or mottled zone. Only a few rotary air blast holes intersected the plasmic zone. The saprolite is generally 10 to 60 m thick and then grades into saprolitic rock. The thickness of the saprolite is directly related to its original rock type. In general, as lithologies grade from mafic to felsic, the saprolite overburden deepens. In areas of banded iron development, no breakdown of the BIF has taken place to form saprolite. The massive BIF commonly forms hills, and where it is interbedded with tuff, saprolite profiles are shallow. The colour, as well as the consistence and mineral composition, varies and depends mainly of the original rock assuming that the same weathering processes played a role in the decomposition of the bedrock. Usually grey-yellow, green or red-brown often changed to pink, violet or purple. The purple indicates quartz veining with accompanying mineralization that is completely weathered. Ferruginized saprolite/saprolitic rock is invariably intersected in close proximity to the auriferous zones. This suggests a wide halo of primarily iron sulfide and/or oxide mineralization in the rocks, which host the gold-bearing quartz veins.

*Felsic tuff* commonly outcrops on the eastern side of West Shilalo Hill and hosts the ridge dike. Felsic tuff also outcrops on the northern slopes of South Shilalo Hill. It also covers a large area of the Kisunge Hill between lines 7800E and 8000E where this unit disrupts the continuity of the quartz vein bearing horizon. The felsic tuff comprises very fine-grained quartz, kaolinite and hematite. Poorly crystallized kaolinite was detected using X-ray analysis, which indicates its supergene origin. It is probably an alteration product of feldspar. Very fine, poorly

crystallized hematite gives the rock its prominent red colour, which is used by the local people as a pigment for construction purposes. In some places kaolinite prevails in the rock composition and the felsic tuff change to pink, violet and even cream usually forming irregular patches on the red background. In outcrops and test pits this unit is characterized by distinct multi-directional cleavages.

*Silicified tuff* has been named and classified differently by each author working on this area. The most recent idea is that it represents a kind of siliceous, chert-like cap covering the top of the hills. Field observations and an air photo interpretation, suggest that this extremely hard, silicified rock forms a ridge-dike or in some areas a wall-dike along all three hills on the Luhala prospecting licence. However, this geological formation is not a dike or a sill *sensu stricto*, i.e. a tabular body of igneous rock that cuts the structure of adjacent rocks. It should be rather considered as a siliceous alteration envelope of the inner primary quartz veining. These pseudo dikes can be seen from a distance forming prominent cliffs up to 20 m high on the southern side of the South Shilalo Hill and on the northern flanks of the West Shilalo Hill.

A preliminary X-ray investigation confirms that this rock consists mainly of quartz with accessory calcite, feldspar and hematite. This mineral composition can be considered as secondary, and only a detailed microscopic observation can possibly determine the mineral paragenesis of the original rock. This rock is strongly quartz rich. The so-called ironstone development and quartz veining usually accompany this process. All these assemblages are invariably enveloped by a wide halo of silicified tuff or greenstone. The typical surface appearance of the quartz rich tuff wall dike, with an inner ironstone-quartz vein assemblage, can be observed on the ridge of the South Shilalo Hill.

*Andesite* is observed only in drill holes, and always underlies the saprolite/saprolitic rock overburden. It is called andesite because of its porphyritic texture. However, mineral compositions indicate that all packages forming the base of the Kisunge Hill have undergone weak regional, greenschist facies metamorphism. Generally, these rocks consist of quartz, Na-feldspar, chlorite-smectite, muscovite-illite with accessory siderite, calcite and pyroxene. One sample from the bottom of hole LRB-129 is composed mainly of a stilpnomelane and chlorite groundmass with pyroxene phenocrysts and abundant quartz and calcite veinlets. Stilpnomelane is a Fe-rich phyllosilicate mineral and is characteristic for greenschist facies metamorphism.

In several holes drilled on the both sides of the Kisunge Hill, the rock described above contains significant to strong disseminated pyrite and pyrrhotite mineralization. Between lines 7400E and 7600E, on top of Kisunge Hill and on its southern slope, abundant greenstone floats occur. This green, very fine-grained rock has a strong, irregular foliation which can indicate that some of the greenstones have also undergone dynamic metamorphism.

*Ironstone* is a quartz-iron rich rock and is always spatially associated with the silicified tuff ridge dike and is often accompanied with intense quartz veining. It varies from dark blue to almost black, depending on the amount of hematite dispersed in the almost entirely quartzite groundmass. The quartz completely replaces the original mineral components and occasionally the shape of replaced phenocrysts can suggest the presence of primarily feldspar. Quartz also forms veinlets and crystals lining abundant vugs. Its optical characteristic, especially in the veinlets, suggests tectonic engagement. This is supported by field investigations by SRK where strongly fractured quartz veins are common within the quartz-iron rock. The accessory mineral of the rock is calcite, which is also probably secondary. It is not fully understood, if hematite is of hypo or supergene origin; however, its discrete intergrowths with quartz could suggest that both minerals precipitated simultaneously from the same hydrothermal solutions.

*Gossan* is a typical iron cap, developed over the mineralized zones, mainly on the top of Kisunge Hill. It is spatially associated with ironstone and lateritic ferricrete. The gossan was formed mainly on the greenstones, which at first, hosted disseminated iron sulfides (pyrite, pyrrhotite) and gradually passed through the ferruginized saprolite zone to the regular saprolite or saprolitic rock layers.

*Quartz Veins* play a key role in the geology of the area from the point of view of possible economic gold concentrations. Quartz veins and veinlets are common on the Luhala prospecting licence. The strongest concentrations are found on the top of the Kisunge Hill, where they outcrop and were intersected in drill holes. Unfortunately, most of drilling performed within the quartz veins had to be abandoned due to hardness of the rock. Outcrops are usually associated with a broad halo of quartz float. Quartz vary from thin veinlets, hosted mainly in

so-called ironstone, to thick (up to 16 m) veins composed of massive homogenous material. All quartz veins, veinlets and stringers are extremely fractured. This is characteristic of brittle zone deformation; however, in some samples brittle-ductile shear structures can be observed. The spatial orientation of the veins differs significantly from one vein to another. In areas of intense veining, they form a stockwork invariably hosted by ironstone, i.e. metasomatically altered greenstones or the silicified tuff pseudodyke. In many places, the wall rocks are so strongly silicified that only careful examination can distinguish them from the actual veins. Silicified or rather quartzified envelopes are characterized by the abundance of vugs that are absent in veins. They are usually lined with quartz and/or chalcedony and iron oxides.

Several intersected intervals returned chips of saprolitic rock, which can suggest that these greenstone packages contain dikes of felsic composition. The most northern drill holes on the line 7200E have intersected sand of granitic composition and were stopped within saprolitic rock of granodioritic origin.

### Structure

The tectonic framework of the Luhala hills area is still being developed. The dike of quartzified tuff built the cores of the Luhala hills, forming long rigid axial crests. On the Shilalo Hills, the dikes are accompanied with adjacent parallel faults; on the Shilalo West Hill the faults strike north-south and on the Shilalo South Hill, the faults strike southwest-northeast. These faults, together with the erosion of the softer host rocks, mainly felsic tuff, exposed both ridges as wall dikes. The dikes form cliffs more than 20 m high that are visible for a long distance. The width of these cliff dikes varies for several to twenty metres, but they are usually enveloped by a tens of metres wide zone of silicified wall rock. Also, they contain inner, concordant veins of quartz-calcite-iron composition with final quartz vein sealing. These veins are strongly brecciated due to the parallel tectonic movements.

On the Kisunge Hill, the dike of quartzified tuff is associated with intense quartz and quartz-calcite-hematite veining which together with the greenstone packages comprise the inner core of the hill, outcrop occurs as a broad east-west elongated summit. However, several small-scale faults generally striking north-northeasterly complicate the continuity of this unit, and towards the western flanks of the hill these units are gradually displaced to the north. On line 7400E the dike outcrops and was also found in drill holes between 4150N and 4200N. On line 7800E the main dike outcrops at 4300N.

Between lines 7800N and 8000N the continuity of the intense quartz veining and associated gold mineralization is disrupted and on top of the Kisunge Hill a felsic tuff, the same rock found on the Shilalo Hills, broadly outcrops. A detailed field investigation discovered two faults, one close to line 7800E striking 215 degrees and another at station 8000E/4200N striking 220 degrees. It is possible that these faults are responsible for the major displacement of the broad part of the quartz stockwork to the northwest.

Several major deformation events have played a role in the formation of the present tectonic framework of the Luhala area. These included:

- (a) Crustal shortening and the development of the greenstone belts;
- (b) The quartz vein and quartzified envelope (silicified tuff pseudo-dike system formation associated with hydrotherma mineralization); and
- (c) Finally, a long history of multiple tectonic deformations on a regional as well as very local scale.

This final tectonic activity seems to be the most important from the point of view of determining the possible shape of the gold bearing bodies under the Kisunge, Shilalo West and Shilalo South Hills.

### Metamorphism and Alteration

The rocks underlying the Luhala hills represent typical units present in all the greenstone belts forming the Upper Nyanzian System. The present work confirmed the presence of a mineral assemblage typical for lower greenstone facies metamorphism (stilpnomelane-chlorite-quartz-calcite). Three dominant forms of alteration have been identified on the Luhala prospecting licence: kaolinization, iron enrichment, and quartz vein development ±

silicification. These three alteration types are spatially related to each other, and it must be assumed that the same "plumbing systems" and probable fluids were responsible for them. In simplistic terms, the area of the Shilalo and Kisunge hills defines an alteration domain that is represented by these three types. It is assumed that the alteration is sub-vertical. Sulphidization and carbonatization is less pronounced; however, this may be due to the lack of fresh rock in the oxide zone.

*Kaolinization* varies from trace (<5%) to intense (100%) near the quartz veining. In its intense form the host rock texture and minerals have been totally altered to kaolin, resulting in a cream colored clay. Kaolinization has been recorded at depths of >100m in the RAB drilling. *Iron enrichment* also varies in intensity from trace (<5%) to intense (75-100%). The two common minerals are hematite and goethite. The iron enrichment has only been recorded in the oxide facies, possibly due to the shallow nature of the drilling (<100 m). In its trace form, the iron forms small little purple spots within the host saprolite. It is not known whether this is a replacement or an alteration texture. In its most intense form hematite and/or goethite forms 100% of the host rock. These intense iron zones are generally thin (<20m), but on the Kisunge Hill iron accounts for up to 30% of the float boulders. The iron forming fluids were destructive causing brecciation under pressure. The clasts consist of 95% quartz vein material and are angular in shape. These breccia zones, unlike the surface talus, are hydraulic breccias.

*Quartz veining/silicification* was intersected in a large number of the holes drilled during this program. The quartz veins are generally small (<0.5m thick) and occur in "swarms" that have been brecciated by later iron-rich fluids. The zones of quartz veining are as thick as 50 m on the Kisunge Hill. In rare occasions where the RAB drilling has intersected fresh bedrock, pyrite mineralization is commonly observed. The pyrite takes on three forms: primary disseminated pyrite within the host rock-type, medium grained euhedral secondary pyrite disseminated in the host rock, and thin hairline pyrite stringers. Minor pyrrhotite (<1%) is associated with the pyrite. Thin hairline calcite veining is rarely observed and has a spatial relationship with the pyrite veinlets.

### ***Mineralization***

There are no gold mines in the Mabale Greenstone Belt. In 1947, the Geological Survey of Tanganyika recorded evidence of the first work on the Luhala prospecting licence which consisted of trenching and the driving of an adit into Shilalo West Hill. Records show that the adit passes into a strongly kaolinized volcanic. Gold is associated with thin stockwork-type quartz veins within the kaolinized volcanic. Gold has never been seen in the rocks; however, some samples returned assays as high as 10.7 ppm Au. Its presence on the property was indicated by the MMI soil geochemistry, which was confirmed by the results of the RAB programs.

*Iron oxides*, namely, hematite, is the most common metallic mineral hosted by the rocks of the Shilalo, Shilalo South and Kisunge Hills. In the field, it is difficult to distinguish hydrothermal hematite from the weathering product. Generally, hematite occurs in the so-called ironstone, where it appears as discrete intergrowths with quartz crystals. This form of hematite can be considered a product of hydrothermal-pneumatolitic processes. *Pyrite* was found in several drill holes within the fresh greenstones. The pyrite appears mainly as disseminated submicroscopic grains, but cubic crystals are also often found. Additionally, pyrite is present in veinlets with calcite and quartz as gangue minerals and varies from traces to 20-30% in some samples. Probably the pyrite is a product of propylitization of the andesite that hosts quartz veins. *Pyrrhotite* was also encountered in the fresh greenstones, usually as an alternative to pyrite. These two minerals were rarely seen together. Pyrrhotite forms fine grains, disseminated within the groundmass, but can also appear in veinlets. It is less common than pyrite. The pyrrhotite is also a product of hydrothermal alteration.

### ***Mineral Resource Estimation***

On May 1, 2000, Giroux Consultants Ltd. ("Giroux") was retained by Tan Range to prepare a mineral resource estimation for the Luhala prospecting licence. The mineral resource was calculated based on the results of the RAB drilling programs completed on the licence. The drilling program was carried out in two phases on a north-south section line established at 200 m intervals along an east-west baseline extending from 6400E to 8800E that effectively covers the Kisunge, Shilalo West and Shilalo South gold occurrences. A total of 243 holes were drilled, totalling 11,272 m. The deepest hole is 132 m; however, the average depth is approximately 50 m. The holes were collared along the section lines with an average spacing of 50 m. Over the more interesting portions along the sections the spacing was reduced to 25 m. Kriging was used to estimate the mineral resource on the Kisunge Hill

gold zone. The estimate of the mineral resource is classified as inferred and at a 0.5 g/t Au cut-off the inferred mineral resource is 9,390,000 tonnes averaging 1.0 g/t Au for a total of approximately 300,000 ounces.

SRK has reviewed the mineral resource estimation and believe that RAB drilling is a very rapid and cost effective means of testing exploration targets and establishing the mineral resource potential of a prospect. Unfortunately, along with the advantages are disadvantages. A concern with RAB drilling is that the chips under air pressure are pushed up the hole between the drill steel and the hole resulting in potential contamination and poor recovery. At this stage, it is impossible to determine the extent of the contamination until a future drill hole twinning with core or RC drilling can be completed. Additionally, the bulk density is used, which in this environment with weathering, iron rich rocks and volcanics will vary considerably and may be needed to weight assays during compositing and estimating bulk tonnage of the mineralized and unmineralized zones. SRK concurs with the mineral resource estimation and agrees that this mineral resource is an inferred mineral resource based on the CIM standards.

The RAB drilling program has approximately outlined the zone of intense quartz veining and associated gold mineralization. It covers an area, striking east-west, of over 1 km between lines 7100E and 8300E. The width of the zone probably does not exceed 200 m and mostly covers the wide ridge of Kisunge hill. Follow-up diamond drilling, followed with alternative RC holes, can resolve the complicated tectonic framework of the mineralized body hidden within Kisunge hill. This will provide all the data necessary (including technical data) to properly evaluate the deposit.

***Planned Exploration Program***

Based on the encouraging results of the exploration on the Luhala prospecting licence including the further definition of the Shilalo West and Shilalo South gold zones and the identification of an inferred resource at Kisunge, completed by Tancan, it is recommended that further work be carried out to further define the resource potential of the Property. SRK and the Company have worked together to establish a realistic exploration program consisting of 9,000 m of RAB drilling and 2,000 m of diamond drilling. The total cost of the program, including support services, is estimated to be \$1,199,550 which includes \$630,000 for diamond drilling and \$126,000 for RAB drilling programs.

**EXPLORATION BUDGET**

<b>Cost Center</b>	<b>Cost (\$)</b>
i) Wages-expatriate geologist	124,500
ii) Wages-local	62,000
iii) Travel and accommodations	46,000
iv) Telecommunications and freight	25,000
v) Camp costs	60,000
vi) RAB drilling: 9,000 m at \$14/m (includes sampling and assaying costs)	126,000
vii) Diamond drilling: 2,000 m at \$315/m	630,000
viii) Database/Reporting	<u>17,000</u>
Sub Total	1,090,500
Contingency 10%	<u>109,050</u>
TOTAL	1,199,550

## Itetemia Property

### *Nature, Size, Location and Access*

The Itetemia Property consists of seven contiguous prospecting licences covering approximately 180 km<sup>2</sup>. (See figure 3: "Itetemia Prospecting Licences", reproduced below, delineating six of the prospecting licences, excluding the Itetemia Far East licence). The seven prospecting licences comprising the Itetemia Property are held in the names of the following companies and expire (or expired) as indicated:

<b>PROSPECTING LICENCE</b>	<b>NAME OF HOLDER</b>	<b>DATE GRANTED</b>	<b>LAST RENEWAL</b>	<b>EXPIRY DATE</b>
Itetemia Far East (PL 1713/2001)	Tancan	March 26, 2001	n/a	March 25, 2004
Itetemia East (PL 1115/98)	Dia Consult	April 12, 2000	August 28, 2000	August 11, 2002
Itetemia (PL 1450/2000)	Itetemia Mining Co.	March 10, 2000	n/a	March 9, 2003
Ngula (PL 1612/2000)	Tancan	August 29, 2000	n/a	August 28, 2003
Mwingilo (PL 241/94)	Tancan	April 12, 2000	n/a	Sept. 11, 2000*
Itetemia Village (509/96)	Dia Consult	Dec. 10, 1996	Dec. 10, 1998	Dec. 9, 2000*
Itetemia North (268/95)	RSR	March 16, 1995	March 16, 1999	March 15, 2001*

- While the licence has expired, the Company has applied for a renewal and has no reason to believe that such renewal will not be granted in the ordinary course. None of these licences are presently the focus of exploration work by the Company. See "Risk Factors – Title Matters".

The Itetemia and Ngula prospecting licences may be renewed twice, each time for a period of two years. The Company has one right of renewal with regard to the Itetemia East prospecting licence for a further period of two years and must thereafter apply for a mining licence or retention licence in order to preserve any rights therein. See "Risk Factors – Title Matters". The rental payments and minerals permitted to be pursued under such licences are summarized below:

<b>PROSPECTING LICENCE</b>	<b>RENTALS</b>	<b>MINERALS COVERED</b>
Itetemia Far East (PL 1713/2001)	US\$542.80	All except building materials and gems
Itetemia East (PL 1115/98)	US\$541.50	All except building materials and gems
Itetemia (PL 1450/2000)	US\$943.00	All except building materials and gems
Ngula (PL 1612/2000)	US\$432.80	All except building materials and gems
Mwingilo (PL 241/94)	n/a*	All except building materials and gems
Itetemia Village (509/96)	n/a*	Gold
Itetemia North (268/95)	n/a*	Gold

- These requirements are unknown at this time because application has been made for the renewal of the relevant licence, which renewal is pending at this time.

In addition, all licences typically require the holder to expend funds in the employment and training of Tanzanian personnel, which expenditures typically amount to US\$5,000 per year, and in exploration expenditures, which are set out in the Mining Act, 1998. (See "Mining in Tanzania: Mineral Rights.").

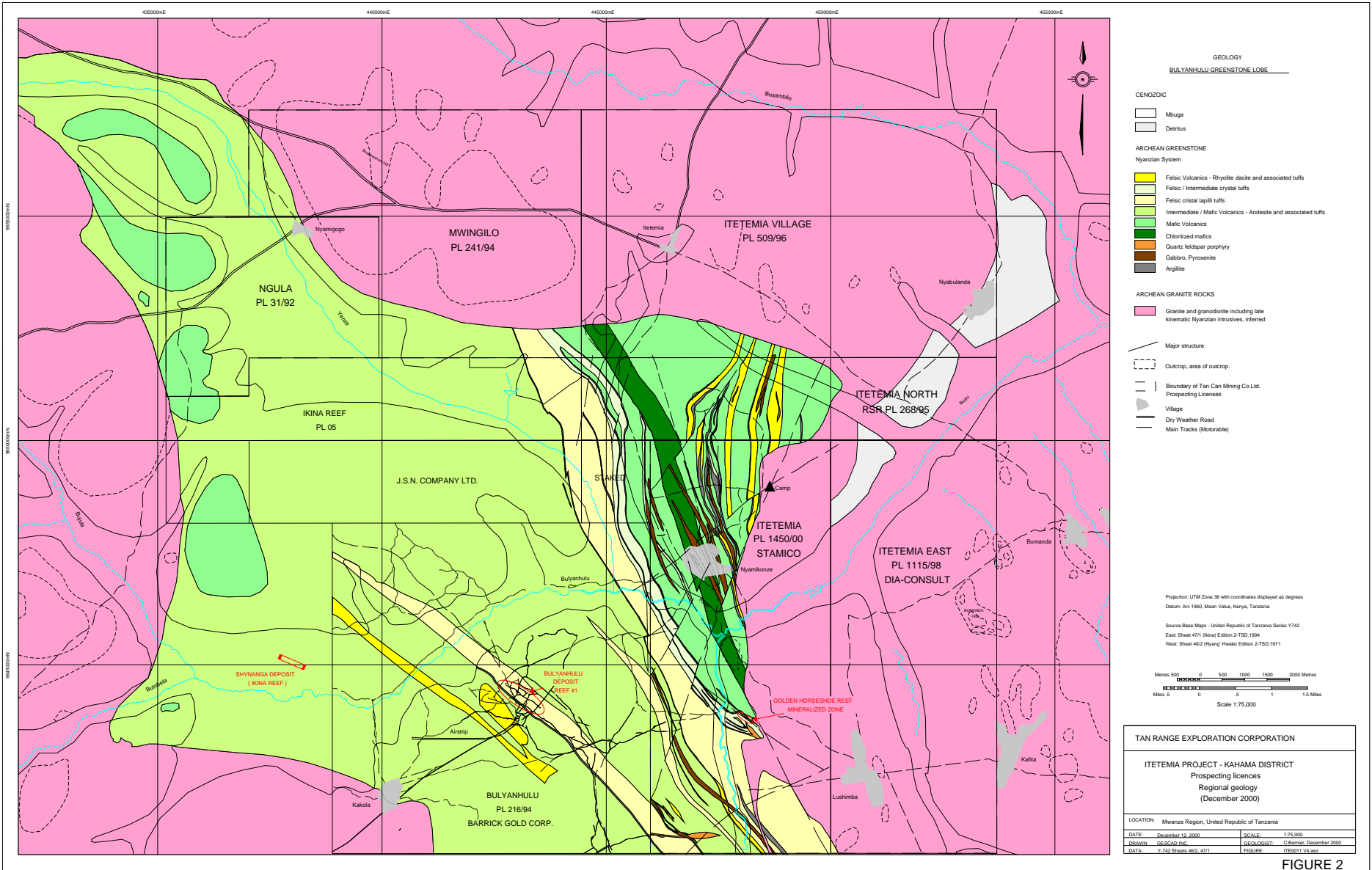


FIGURE 2

The Itetemia Property is located in the Mwanza Region of the Lake Victoria Greenstone Region, Tanzania, approximately 90 kilometres by air southwest of Mwanza, situated on the south shore of Lake. The property is accessed via local roads from Geita or by plane from Mwanza to an airstrip accommodating the neighbouring Bulyanhulu Mine, owned by Barrick. The Barrick airstrip is 3.75 km west of the western boundary of the Itetemia prospecting licence and 9 km southwest of Tancan's permanent exploration camp established on the Itetemia prospecting licence, approximately 4 km northeast of the Nyamykonze village. Local resources are available at Geita, located on the southern shore of Lake Victoria. The topography in the region and on the property consists of large flat-lying areas surrounded by numerous small hills. The hills have elevations of up to 100 m above local terrain. The hills are thickly vegetated and access is only possible along cut lines. Little outcrop exists on the property. The climate is similar to the rest of the region. The rainy season starts in November and lasts to the middle of April, but precipitation is irregular from one season to another. The dry seasons are usually hot. Geita, located along the southern shore of Lake Victoria, can, and has, provided limited supplies for mining and exploration operations in the area. Dwellers in the area of the Itetemia Project, such as the neighbouring Nyamykonze village, are traditionally farmers and ranchers, and have limited mining experience from the Bulyanhulu operation. Water for the purpose of mining and processing is not readily available in the region; however, a pipeline from Lake Victoria may provide an adequate supply. The large, relatively flat terrain surrounding the known gold mineralization may be suitable for potential tailings and waste rock storage and for heap leach pads and a potential processing plant. Electric power is available via the national grid within 5 km; due to the unreliability of such power, alternative forms of residual or back-up power would be necessary for mining or processing operations, such as diesel power generation used by Barrick at its Bulyanhulu mine.

### ***Ownership***

#### Prior Ownership

Only two of the prospecting licences comprising the Itetemia Property, namely, Itetemia and Itetemia North, were previously held by third parties. With respect to the Itetemia prospecting licence, the interest of the Company was acquired from Stamico pursuant to the Stamico Venture Agreement. The Stamico Venture Agreement obligated the Company to make two initial payments of TS1,000,000 and US\$7,200, both of which were satisfied. With respect to the Itetemia North prospecting licence, the interest of the Company was acquired from RSR by agreement dated April 20, 1995. The agreement obligated the Company to pay a sum of US\$35,000, which payment was made.

#### Tan Range Interest

Prior to the Barrick Venture Agreement, four of the prospecting licences comprising the Itetemia Property, namely, Itetemia Village, Mwingilo, Ngula and Itetemia East, were indirectly 100% held by the Company; the Itetemia Far East licence was recently granted and the Company has an indirect 100% interest therein; in the case of the Itetemia North prospecting licence, Tan Range held an indirect 100% interest therein, subject only to the 2% NSR Royalty payable pursuant to the RSR Royalty Agreement. In the case of the Itetemia prospecting licence, Tancan acquired its interest pursuant to the Stamico Venture Agreement, which provides, among other things, that:

1. Tancan had to pay Stamico, on execution of the Stamico Venture Agreement, the sum of US\$7,200 (as an advance against the 2% GR Royalty referred to below) and TS1,000,000.
2. Tancan and Stamico were to form a joint venture company for the purpose of holding the prospecting licence that shall be held 10% by Stamico (with no obligation to contribute) and 90% by Tancan, which was effected through the formation of Itetemia Mining Co.
3. Stamico is entitled to acquire an additional 20% interest in the joint venture company by paying a sum equal to 20% of the cost of placing the property into commercial production based on the feasibility study submitted to the Government of Tanzania for such purpose.
4. Tancan shall assist Stamico in raising the required capital to exercise the right referred to in (3) above.

5. Tancan was to expend the sum of US\$25,000 in the first year and US\$50,000 annually thereafter in relation to the training of Tanzanian personnel.
6. Upon commencement of commercial production, Stamico shall receive a 2% GR Royalty, which shall be increased to a 2.5% GR Royalty should a mine on the Itetemia prospecting licence produce recoverable gold in excess of 12 grams per tonne.
7. Tancan shall pay to Stamico, as an advance against the 2% GR Royalty, the sum of US\$7,200 on or before every anniversary of the Stamico Venture Agreement up until the development phase, upon and after which the annual sum of US\$10,000 shall be paid as an advance against such royalty.
8. Tancan shall show preference to Stamico for the provision of local materials and services during the period of mining operations.
9. Tancan shall carry out work programmes designed to bring the property into production within a schedule of 2.5 years for exploration, 2.5 years for a feasibility study and 2.5 years for development ("Development Schedule"), excluding time related to the approval of various permits and licences.
10. Tancan may assign its rights under the agreement, subject to the prior written consent of Stamico.

Based on the Development Schedule, Tancan should no longer be in the exploration stage of development. Efforts are ongoing to obtain the consent of Stamico to an extension of the Development Schedule. The Company believes that Stamico will agree to an extension on terms that are commercially reasonable, however, failure to secure such extension could lead to a termination of the Stamico Venture Agreement with a consequential loss of title. The Company's exploration efforts are focused on the area covered by the Stamico Venture Agreement and all of the mineral resources that have been identified to date fall within such area. See "Risk Factors – Title Matters".

Pursuant to the terms of the Barrick Venture Agreement, Barrick agreed to provide funding to Tan Range totalling \$4.0 million in the form and amounts, and on or before the dates, set out as follows:

<b>AMOUNT</b>	<b>EXERCISE DATE</b>	<b>FORM</b>	<b>NO. SHARES</b>	<b>PRICE PAID / SHARE</b>
\$1,000,000	Upon Regulatory Approval	Share Subscription	1,428,571	\$0.70
\$1,000,000	April 30, 2000	Share Subscription	1,176,471	\$0.85
\$1,000,000	October 31, 2000	Share Subscription	1,000,000	\$1.00
\$1,000,000	June 14, 2001	Warrant	740,741	\$1.35

Barrick has made the first three payments to Tan Range and recently requested an extension of the date to exercise the warrants from April 30, 2001 to June 14, 2001. Pursuant to the terms of the Barrick Venture Agreement, Tan Range is required to use 80% of the Barrick payments to advance the exploration and development of the Itetemia Property. To date, the Company has expended 70% of the total funds received from the Barrick payments. The Company is continuing to spend these funds on the exploration of the Itetemia Property and intends to meet its 80% requirement in due course. Barrick retains the right to participate in any sale or issue of further securities by Tan Range, provided it holds at least 10% of the outstanding Common Shares, subject to certain exceptions. At present, Barrick does not hold 10% of the Common Shares, nor will it acquire such a position by virtue only of the exercise of the warrants.

Should Barrick exercise the warrants and until the decision by Barrick to place the property into commercial production, Barrick is required to advance funds for the purpose of furthering exploration and development activities in respect of the Itetemia Property. On or before the fourth anniversary of April 30, 2001, Barrick may deliver a production notice and feasibility report; in such event:

1. Barrick shall acquire an undivided 60% interest in the Itetemia Property; and

2. Barrick must commence commercial production within 12 months of such notice at a rate of 100,000 ounces of gold production per annum (18 months where it chooses to process the ore on site) or make payments to Tan Range equal to:
  - (a) US\$500,000 on or before the first anniversary of such 12 (or 18) month deadline;
  - (b) US\$750,000 on or before the second anniversary thereof;
  - (c) US\$1,000,000 on or before the third anniversary thereof;
  - (d) US\$1,200,000 on or before the fourth anniversary thereof; and
  - (e) US\$1,200,000 on or before the fifth anniversary thereof;

and a further sum of US\$1,200,000, after adjusting for inflation, every anniversary thereafter. Barrick may acquire the 10% interest held by Stamico and cause the Stamico Venture Agreement to be terminated, in which event it shall obtain a 70%, in lieu of a 60%, undivided interest in the Itetemia Property; otherwise, Tan Range is required to assume responsibility for the Stamico 10% interest.

Upon a production notice, Barrick is obligated to arrange financing to bring the Itetemia Property into production, which it may arrange through the use of internal funds or external funds, with the Company to repay its portion of the costs from its share of the net proceeds of production. The costs of arranging the financing are required to be paid by Tan Range in proportion to its interest in the Itetemia Property. In addition, should Barrick provide a completion guarantee to a third party lender, then Tan Range is obligated to pay to Barrick, on a monthly basis, 1/12 of 1% of the amount attributable to Tan Range that is contingently liable under the guarantee. Neither Barrick nor Tan Range may assign any interest in the Barrick Venture Agreement without the prior consent of the other. Tan Range obtained the written consent of Stamico to its execution of the Barrick Venture Agreement on November 17, 1999.

### ***Exploration (including Drilling)***

#### Exploration by Previous Owners

The Lake Victoria Greenstone Belt has been exploited for gold by local artisans and interested companies for over a century; however, very little modern exploration was carried out prior to the 1980's. During the period from 1988 to 1992, BRG, a Tanzanian-German Corporation, carried out the first modern exploration for gold in the region and identified several targets for detailed mapping, including the Itetemia area where a north-south trending gossan was discovered. This work consisted of geological mapping, ground geophysics, including magnetometer, HLEM, Pulse EM and IP surveys, trenching and sampling.

In 1993, Stamico was granted the Itetemia prospecting licence. Stamico compiled all of BRG's work and completed an air photo interpretation of the region resulting in the identification of a northerly trending gold bearing structure on the licence. In 1994, Stamico completed regional geological mapping on a scale of 1:50,000 and geochemical soil sampling in the northern and southwestern portions of the Itetemia licence area where appropriate soils and more abundant outcrop exists. In the northern portion of the Itetemia prospecting licence, the survey grid was oriented east-west with grid lines established at 1,000 m intervals and stations identified at 50 m intervals. Fill-in grid lines were established over gold soil anomalies ranging from 0.4 g/t Au to 5.7 g/t Au and where selected grab samples of quartz/breccia returned 5.4 g/t Au to 3.6 g/t Au. In the southwestern portion of the licence, the survey grid was oriented northeast-southwest. Grid lines were established at 500 m intervals and survey stations established at 50 m intervals on all grid lines.

## Exploration Results to Date

### *Pre-2000 Program*

Following the Stamico surveys completed in 1994, Tancan carried out detailed soil sampling in several small areas on the Itetemia and Itetemia North prospecting licences at 25 m to 50 m intervals. A total of 2,900 samples were analyzed for gold using the fire assay method. Strong gold anomalies were identified which confirmed the northwest trend. A 100 m long trench, trending northwesterly, was dug to test a 4 to 46 ppb gold anomaly detected east of the Golden Horseshoe Reef over granite. Sixteen samples were collected and analyzed for gold by MMI assay. One sample returned 8.8 ppb Au, three samples ranged from 1.3 to 1.5 ppb Au and the remaining samples reported grades ranging from 0.33 to 0.97 ppb Au.

In 1996, Geodass of South Africa was contracted by the owner of the Bulyanhulu Mine and Tancan to complete an airborne magnetic and radiometric surveys over the Bulyanhulu, Itetemia, Itetemia North and Ngula prospecting licences. Over the Tancan licences the flight line direction was northeasterly and the flight line spacing was 200 m. The magnetic survey confirmed the northerly trending structure. The radiometric survey highlighted the south-southeasterly trending linear structures and two separate granite intrusions. A HLEM survey was completed over the established grids on the licence areas. Several northwesterly trending conductors were identified. A magnetic survey was conducted over the established grid on the Golden Horseshoe Reef. The magnetics further defined the reef and extended the reef for more than one kilometre. The reef appears to be folded and faulted. Twenty five kilometres of IP were completed over the Golden Horseshoe Reef, which further defined the reef. Selected IP profiles were also completed in the southwestern portion of the Itetemia licence covered by conductive overburden.

In January 1995, Pangea was mistakenly granted a prospecting licence partially overlapping the southwest corner of Itetemia prospecting licence. During the time it took to rectify the error Pangea drilled six RC holes (BR-1 to BR-6), totalling 375 m, over gold soil anomalies in the southwest corner of the Itetemia licence to test the southeast extension of the Bulyanhulu deposit. Gold mineralization grading up to 3.3 g/t Au was obtained. The first RC drilling program carried out by Tancan also began in 1995. A fence of four holes (TR-1 to TR-4), totalling 374 m, was completed in the southwest corner of the Itetemia licence in the area previously tested by Pangea. Subeconomic intersections were intersected with a maximum of 0.31 g/t Au over 0.5 m being intersected in hole TR-3.

The next phase of RC drilling continued with 39 holes, totalling 3,596 m, drilled between October 1995 and July 1996 (ITRC-1 to 39) covering the main HLEM anomalies. Most of the conductors were explained by the presence of argillite horizons containing 1-50% sulphides (pyrrhotite  $\pm$  pyrite and chalcopyrite). Anomalous gold values are directly associated with these horizons. Massive to semi-massive sulphides, mostly composed of pyrrhotite were intersected in hole ITDD-06. The best gold intersection was cut in hole RC-18 which returned 0.9 g/t Au over 3.0 m, including 2.1 g/t Au over 1.0 m associated with semi-massive sulphides containing 10-40% pyrrhotite logged at the contact with dacite. Hole RC-26 intersected anomalous copper (2,080 ppm), arsenic (3,950 ppm) and silver (8.5 g/t) over one metre in three separated samples.

During the same period, a fence of 66 RC holes, totalling 2,188 m, were drilled to test several geochemical gold anomalies on line 20+00S in the southern portion of the Itetemia prospecting licence. The best gold value was intersected in hole GA-57 and returned 1.28 g/t Au over the first metre of laterite. This grade may be related to the contamination due to archival crushing activities in this area. The gold soil anomalies in this area may also be due in part to these activities. From August to November 1998, two additional RC drilling campaigns were completed. Fourteen holes RC-40 to RC-54, totalling 1,350 m, were drilled in the southwest corner of the Itetemia prospecting licence to test several I.P. anomalies. Tancan believes one of the anomalies could be a reflection of the southeastern extension of the Bulyanhulu Reef 2. The best results were intersected in holes RC-43 and RC-45, returning 0.65 g/t Au over 9.0 m and 1.1 g/t Au over 8.0 m, respectively. The second phase of drilling was conducted in the area of the Golden Horseshoe Reef. Fourteen holes, RC-55 to 68, totalling 831 m, were drilled to test I.P. anomalies and the southeastern extension of the reef near the granite contact. The holes RC-61 and RC-62 intersected the reef and holes RC-65 and RC-66 intersected 0.7g/t Au over 3.0 m and 0.5g/t Au over 5.0 m respectively, west of the reef. Strong silicification was noted during the logging of the chips recovered from holes north of the Golden Horseshoe Reef.

The two first phases of diamond drilling were completed from May to June and from September to October 1996. Twelve holes, totalling 3,584 m, were drilled to test strong and weak HLEM conductors, the Pangea gold anomalies, the southeastern extensions of the Reefs 1 and 2 of Bulyanhulu and the Cycle 2 rhyolite. The holes drilled in the southwest corner of the Itetemia licence, along the Cycle 2 rhyolite, intersected thick sequences on felsic crystal lapilli tuff. The other holes intersected numerous argillite horizons, in contact with felsic and mafic volcanic rocks, which explains most of the conductors. Hole DD-06 intersected massive to semi-massive sulphides composed of 30-80% pyrrhotite, less than 5% pyrite, chalcopyrite and sphalerite, and what appears to be a felsic/quartz breccia material with sulphide breccia fillings. Weak copper, arsenic and silver anomalies were associated with these sulphides and/or argillite exhibiting low gold content.

The next phases of diamond drilling focused on the Golden Horseshoe Reef. From August 1997 to May 1998, 21 holes, totalling 2,032 m, were drilled to test the gold showing at a vertical depth of 50 m (ITDD-12 to 21, 23, 24, 27, 29, 30) and the depth extension at -100 m (ITDD-22, 28, 31 to 34). The holes were drilled at a spacing ranging from 15 m to 50 m over a distance of 500 m. Within the mineralized zone, good intersections were obtained. The Golden Horseshoe Reef appears to be terminated to the southeast by an intrusion and seems to be pinching to the northwest. The reef appears to be open at depth. Two additional holes, ITDD-25 and 26, totalling 282 m, were drilled in the southwest corner of the Itetemia licence during this period. Both holes were collared to test the gold anomalies intersected in RC-43 and RC-45. Results were disappointing but a strong carbonatization was noted in hole ITDD-26.

In February-March 1999, Tancan completed a RAB drilling program of 151 holes, totalling 6,660 m, in seven fences. One fence was located south of the Golden Horseshoe Reef. Three fences, spaced 350 to 400 m apart, were completed in the northwest portion of the licence. Three other fences were drilled west of the Golden Horseshoe Reef, along what is called the Cycle 2 rhyolite. The two areas drilled represent different felsic to intermediate packages. The northwestern extension of the Golden Horseshoe Reef has been intersected on line 14+00 E with an intersection of 0.28 g/t Au over 33 m.

During the period from 1992 to 2000, Tancan carried out exploration of the Ngula prospecting licence. This work included prospecting and mapping, ground magnetometer and HLEM surveys, soil geochemical surveys and RC drilling. The initial phase of exploration was encouraging and Tancan initiated an RC drilling program consisting of 12 RC holes (NRC-01 to NRC-12), totalling 837 m, to test the best geophysical anomalies typically associated with gold soil anomalies. No economic mineralization and/or veins were intersected. The best results were intersected in hole NRC-10 which returned 0.85 g/t Au and 0.25 g/t Au over 1.0 m and hole NRC-01B which intersected 0.15 g/t Au and 0.12 g/t Au over 1.0 m. The conductors were explained by a northerly trending and northwesterly dipping (20-30°) argillite horizon. At present, no work is ongoing on the Ngula prospecting licence.

Very little exploration work has been carried out on the Itetemia East, Itetemia Village and Mwingilo prospecting licences. Only limited mapping and soil sampling have been carried out. A total of 853 samples have been collected for analysis.

#### *2000 Program*

During 2000, the Company carried out, on behalf of Barrick, the following program. Barrick provided the funds for the 2000 program to the Company through share subscriptions, as provided in the Barrick Venture Agreement. Pursuant to the Barrick Venture Agreement, 80% of the funds subscribed for are required to be incurred in respect of the Itetemia Property. The total cost of the 2000, including support services, program was \$809,148.

A total of 211 geochemical soil samples were collected on 21 line segments utilizing a 50 m sample interval. Twenty-eight samples came from Itetemia, 90 from Itetemia North, 9 from Itetemia Village and 84 from Mwingilo. This soil survey confirmed most of the main anomalies, and some secondary and isolated anomalies interpreted from the earlier survey. Some of the confirmed anomalies are large and have locally high gold values. Others are extensions of soil anomalies detected during earlier surveys. Some of the anomalies can be correlated to HLEM conductors.

A RAB drilling program, comprising 448 holes and totalling 9,862 m was undertaken on the Itetemia and Ngula licences during the period from May 23 to June 19, 2000. The main targets of this drilling were gold soil anomalies, HLEM conductors, I.P. anomalies and mafic/felsic contacts. With respect to the Ngula prospecting licence, two fences, NA and NB, were drilled to test HLEM conductors located in the central part of the licence. These conductors are thought to reflect a north-northwest shear zone. The fences intersected the shear zone, but did not encounter any significant gold mineralization. On the Itetemia prospecting licence, three areas were designated for RAB drilling during the 2000 program, namely, (i) the Golden Horseshoe Reef area, (ii) the southwest corner area and (iii) the southeast corner area. In total, 440 holes were drilled for an aggregate total of 9,286 m.

Five main trends and isolated gold anomalies were targeted by 5 fences of various lengths ranging from 0.2 km to 1.2 km. Two fences 1A and 1B reported holes with anomalous gold values. Fence 1A tested an isolated gold anomaly on Line 22500E. Holes ITRB-154 and ITRB-155 returned 0.54 g/t Au over 10 m and returned 0.47 g/t over 9 m, respectively. Fence 1B tested two trends on Line 23000E. Four holes ITRB-222, 227, 229, and 230 returned anomalous gold values ranging from 0.34 g/t Au over 6 m in Hole ITRB-222 to 0.46 g/t Au over 13 m intersected in hole ITRB-227. The gold anomalies intersected in the RAB drilling confirmed that most of the gold soil anomalies can be correlated to structures and/or contacts.

Four fences 1E, 1F, 1G and 1H, being 250 to 400 m long, were drilled on the Golden Horseshoe Reef grid. Fences 1E and 1F tested the northwest extension of the Reef on lines 660E and 1000E and 1H tested the southeast extension of the reef in the granite on line 31000E. Fences 1E and 1F targeted the felsic volcanic/basaltic contact correlated to the reef where discordant north-northeast to northeast structures were interpreted. Hole ITRB-445 on fence 1E returned 0.74 g/t Au over 14 m, including 2.2 g/t Au over 3 m in a feldspar crystal tuff possibly the Golden Horseshoe Reef structure. Hole ITRB-460 on fence 1F also returned very encouraging results being 2.97 g/t Au over 8 m, including 6.63 g/t Au over 3 m in saprolite (quartz crystal tuff). Holes on fence 1G and 1H returned geochemically anomalous gold values.

Three fences 1I, 1J and 1L, being 150 to 400 m long, were drilled in the southwest corner of the Property. Several of the holes drilled on these fences returned anomalous gold values. All of the holes encountered essentially the same sequence of carbonatized mafic volcanics. The felsic volcanic horizon initially interpreted in the area are absent or thinner than expected. In addition, one fence, 1K, being 200 m. long, was drilled in the southeast corner of the property. This area of the property is essentially unexplored. The fence unexpectedly intersected a thick argillite horizon and felsic crystal tuff similar to those intersected northwest along strike.

A multi-purpose drilling program, consisting of a combination of RC and diamond drilling in the same hole, was carried out during the period from June 28 to August 5, 2000 on the Itetemia prospecting licence. Four holes were drilled for an aggregate total of 1,558.2 m comprising 526.0 m of RC drilling and 1,032.2 m of diamond drilling. Two holes ITDD-69 and 70 tested the "QFP/Reef 2" located in the southwest corner of the licence, targeting the lateral and depth extensions of the QFP intersected in diamond drill hole ITDD-37, grading 0.40 g/t Au over 40.1 m. Holes ITRC-71 and 72 holes tested the northwest extension of the Golden Horseshoe Reef. A subsequent diamond drilling program was carried out during the period from August 17 to October 20, 2000 and consisted of 12 holes totalling 2,376.8 m. The objective of this program was to test the Golden Horseshoe Reef at depth and along strike to the west, the southwest corner area and 7 anomalies identified during the 1999 soil sampling program. The significant assays greater than 0.1 g/t Au and greater than 1,000 ppm CuZnPb are summarized in the table below:

#### 2000 MULTIPURPOSE AND DIAMOND DRILLING PROGRAM

(significant assays >0.19 g/t Au and >1,000ppm Cu+Zn+Pb)

HOLE	FROM (m)	TO (m)	INTERVAL (m)	Au g/t	Cu (ppm)	Zn (ppm)	Pb (ppm)
ITRC-69	248.8	252.0	3.2	0.217	n/a	n/a	n/a
ITRC-71	453.5	467.5	14.0	0.140	390	7,140	3.850
ITRC-72	370.3	377.0	6.7	0.106	170	1,330	40
ITDD-40	335.9	366.5	30.6	3.65	365	639	n/a

**2000 MULTIPURPOSE AND DIAMOND DRILLING PROGRAM**

(significant assays >0.19 g/t Au and >1,000ppm Cu+Zn+Pb)

<b>HOLE</b>	<b>FROM (m)</b>	<b>TO (m)</b>	<b>INTERVAL (m)</b>	<b>Au g/t</b>	<b>Cu (ppm)</b>	<b>Zn (ppm)</b>	<b>Pb (ppm)</b>
including	337.8	343.8	6.0	7.75	867	1,359	n/a
including	337.8	342.2	4.4	9.80	1,109	1,290	n/a
including	351.0	359.0	8.0	5.49	449	806	n/a
including	351.0	354.4	3.4	8.84	496	1,158	n/a
ITDD-41	309.0	330.4	21.4	1.55	86	481	n/a
including	311.9	316.6	4.7	2.63	166	1,512	n/a
ITDD-42	115.5	118.1	2.6	1.07	534	837	n/a
ITDD-43	134.0	135.5	1.5	1.22	n/a	n/a	n/a
ITDD-44	128.0	131.2	3.2	2.50	n/a	n/a	n/a
ITDD-46	117.9	120.9	3.0	0.98	n/a	n/a	n/a

*2001 Program*

During 2001, the Company carried out, on behalf of Barrick, the following program to date. Barrick provided the funds for the 2001 program to the Company through share subscriptions, as provided in the Barrick Venture Agreement. Pursuant to the Barrick Venture Agreement, 80% of the funds subscribed for are required to be incurred in respect of the Itetemia Property. The total cost of the 2001 program, including support services, to date is \$554,046.

In May 2001, the Company reported that two NQ core holes, totaling approximately 1,100 meters, were drilled to evaluate the down dip potential of gold mineralization in the Golden Horseshoe Reef deposit. The results of this drilling are summarized in the following table:

<b>MINERALIZED INTERVAL</b>				
<b>DDH#</b>	<b>Grade (g Au/T)</b>	<b>Width (m)</b>	<b>Interval (m)</b>	<b>Zone</b>
<b>GHDD-25</b>	2.10	27.20	479.40-506.60	Mineralized Envelope
2450E; 100S				
Location Includes:	3.14	16.45	483.45-499.90	
Contains:	4.58	6.50	484.35-490.85	South Zone
	6.73	1.40	498.00-499.90	North Zone
	11.0	1.00	518.50-519.50	Quartz Feldspar Poryphyry
<b>GHDD-25W</b>	2.15	49.8	464.50-514.30	Mineralized Envelope
2450E; 100S				
Contains:	4.42	2.9	470.50-473.40	South Zone
	5.59	2.2	476.10-478.30	North Zone

The recent deep core drilling of the Golden Horseshoe has confirmed that gold mineralization over widths of approximately 50 meters has been traced from surface to a vertical depth of 440 meters. The gold mineralization occurs primarily within two discrete gold zones, the South and North zones, and appears to plunge 55° to the northwest. Gold mineralization intersected in Hole GHDD-26 indicates that the geologic structure hosting the gold mineralization of the Golden Horseshoe Reef deposit may transect the felsic package of rocks. This suggests that the gold mineralization may extend further to the west, beyond the basaltic rocks that were previously thought to represent the western limit of the gold mineralization.

SRK is of the opinion that the drill results correlate well with the geology and gold mineralization identified by previous surface trenching and shallow core drilling. Additional drilling is required to provide adequate information of the continuity of the geometry and grade of the gold mineralization for updating the current resource estimate.

#### Exploration Standards

##### *Soil Sample Preparation, Analyses and Security*

A typical soil geochemical sample consists of 0.5 to 1 kg of soil collected at the bottom of a 0.5 m deep hole. The samples are bagged and analyzed for gold using either MMI or fire assay techniques. The MMI method is a geochemical analysis based on soluble element concentrations in the sample. This method provides a very fast and cost effective way to analyse a large number of reconnaissance soil samples. Samples selected for fire assay are analysed by the SGS Laboratory, an ISO approved facility in Mwanza. The soil sampling was carried out by a technician under the supervision of the project manager to ensure quality control.

##### *RAB and Diamond Drilling Sampling*

Sampling of RAB and diamond drill core was completed by Company personnel under the supervision of the project manager to ensure quality control. Samples are sent to the SGS Laboratory, an ISO approved laboratory in Mwanza, for fire assay. Every 10 to 15 samples, SGS Laboratory took a second split from the pulp for a check assay. Tancan has traditionally taken the second assay value (second split) and averaged this value with the first assay value. The assay data was compared against the original drill logs to ensure that any anomalous values could be explained based on the reported geology. SRK believes the quality of the data is good and that the sample preparation, analysis and security was carried out in accordance with best industry standards. Nevertheless, SRK suggests that averaging the sample assays is inappropriate because an averaging approach leads to a larger sample size for assay and, therefore, a different grade distribution (i.e., larger samples have less volatility in grade values).

##### *Data Verification*

SRK examined the split core from several drill holes on the Itetemia Property and identified 11 sections of core to be re-split for independent analysis. At all times, the samples were under the care and control of SRK, until they were submitted for analysis to SGS Laboratories, an ISO approved laboratory in Mwanza. Although only a limited number of samples were taken, the assays results correlate well with the typical grades and metal ratios reported by Tancan.

#### Exploration and Development Cost Analysis

In the six-month period ended February 28, 2001 the Company incurred net costs of \$632,483 on the Itetemia Property. In the year ended August 31, 2000, the Company incurred net costs of \$1,191,441. An analysis of these costs is set out in the following table:

	<b>Itetemia 6 months Feb. 28/01</b>	<b>Itetemia Year Ended Aug. 31/00</b>
Camp, field supplies and travel	53,566	113,217
Exploration and field overhead	42,501	46,152
Geological consulting and field wages	114,536	238,538
Geological and Geochemical	35,936	316,447
Parts and equipment		5,894
Property acquisition costs		19,694
Trenching and drilling	385,944	451,499
Recoveries		
	<b>632,483</b>	<b>1,191,441</b>

## ***Geology***

### **Regional**

The Lake Victoria area contains 12 Archean Nyanzian greenstone belts which are surrounded by and have been interrupted by numerous granitic intrusions. The Nyanzian belts comprise a volcano-sedimentary sequence composed of mafic to felsic volcanics (lavas and tuffs), BIF and shales. The greenstone belts have been grouped into locally distinct geographic regions. One of these regions is the Southwest Mwanza Region which includes a large area south of town of Mwanza, located on the south shore of Lake Victoria. There are five greenstone belts in the Southwest Mwanza Region, one of which is the Ushirombo belt. The Ushirombo belt is an east-west trending belt, the eastern end of which is located approximately 25 km west of the southern end of Smith Sound on Lake Victoria. The eastern end of the belt is arcuate in shape and trends northerly tangential to the northwestern flank of the Siga Hills. The Bulyanhulu Mine and the Itetemia Property are located on the northern trending portion of the Ushirombo greenstone belt. Approximately 25 km west of the northern tip of the Ushirombo greenstone belt is the Sarama-Rwamagaza belt which hosts numerous gold occurrences including the Buck Reef deposit.

The Bulyanhulu Mine is owned by Barrick and is being developed as an underground mine. Construction of the \$US 280 million mine began in the 3<sup>rd</sup> quarter of 1999. The mine is scheduled to enter production in the 2<sup>nd</sup> quarter of 2001 and is expected to produce 260,000 oz of gold in 2001, increasing to 400,000 oz in 2005. Total cash cost is expected to average US\$169 per oz in the initial years, declining to US\$100 per oz once the mine is at full capacity in 2005. As at December 31, 2000, total proven and probable reserves are 23,373,000 tons averaging 0.428 oz per ton Au, for 10,015,000 contained ounces of gold. Total mineralized material is 7,383,000 tons averaging 0.618 oz per ton Au for 4,566,000 contained ounces of gold.

### **Property**

The Itetemia Property is underlain by the northerly trending eastern portion of the Ushirombo Nyanzian greenstone belt. Granite underlies the eastern and northern portions of the property. The greenstone/granite contact trends northerly through the east-central portion of the Itetemia prospecting licence and through the central portion of the Itetemia East prospecting licence onto the Itetemia Village licence; at which point, the contract tends westerly through the Mwingilo licence cutting the northeast corner of the Ngula licence. Sixty percent of the Itetemia, Itetemia North and Ngula licences are underlain by the Nyanzian greenstone belt. The remaining 40% is underlain by granite. Granite variably underlies 90 to 100% of the Itetemia East, Itetemia Village and Mwingilo prospecting licences. The mbuga soil covers 10 to 40% of the property.

### **Lithology**

The lithologies encountered on the Itetemia and Itetemia North prospecting licences can be divided into three volcano-sedimentary domains: (i) Northeast Domain, (ii) Central Domain and (iii) Southwest Domain. The granite truncates these domains to the east. The Northeast Domain is composed of basalt, felsic flows, thick to thin sequences of argillite and dykes/sill of gabbro. The domain is up to 3 km thick, exhibits a north to north-northeasterly trend and has numerous extensive HLEM conductors. The conductors are related to argillite dominantly located in one horizon at the top of the sequence. A massive sulphide unit/zone is situated at the bottom of this horizon marking change in the volcanism.

West of the Northeast Domain, the Central Domain is dominantly composed of a thick sequence of basalt. Based on the previous RC drilling, three mafic cycles can be defined in this domain. The middle cycle, characterized by higher contents in chlorite reflecting probably a magnesium composition, separates the two cycles. However, it is not clear if the MgO increase is an alteration product or a primary composition. North-northwest to north trending conductors are associated with and define the trend of this domain. Dykes/sills of gabbro/diabase/pyroxenite are also interpreted in this sequence.

The main characteristic of the Southwest Domain is the presence of felsic crystal tuffs and felsic crystal lapilli tuff. Four horizons (cycles) have been identified which are usually separated by mafic to intermediate flows and or the argillite beds. These units exhibit a well defined northwest to north-northwest trend. The first basal cycle,

crystal tuff (tops to the west) is dacitic in composition exhibiting feldspar crystals and thin interbeds of dacite and argillite. The base of this unit defines the boundary with the Central Domain. The Golden Horseshoe Reef is hosted by a dacitic unit within the first crystal tuff near the contact with the granite. The second cycle, commences with a felsic crystal tuff exhibiting quartz crystals. This unit is reported to be more felsic in composition than the first cycle crystal tuff. The third cycle, felsic crystal tuff is separated from the second cycle by an andesite/basalt sequence. The fourth cycle, felsic tuff is a crystal lapilli tuff and is separated from the third by a carbonatized basaltic sequence; the matrix, appears to have the same composition as the second and third quartz crystal tuff. This cycle corresponds to the stratigraphic sequence reported in the footwall of the Reefs 1 and 2 at Bulyanhulu. The Bulyanhulu Reef 1 is hosted by an argillite horizon at the top of the sequence.

### Alteration

At the property scale, the main alterations observed are sericitization, carbonatization, silicification and hematization. A weak to strong sericitization affects the felsic volcanic rocks intersected in the holes drilled in the southwest corner of the Itetemia prospecting licence. These units are white cream to yellowish in color. The carbonatization, mostly observed in the basalt and andesite, has also been observed in certain intermediate/felsic tuffs. The rock appears lighter in colour and has a reaction to the 10% hydrochloric acid. The strongest carbonatization is observed in the southwest corner. The silicification and hematization are sporadic and appear in the vicinity of the granite contact. A moderate to strong silicification is observed in mafic units and the hematization appears in the QFP and the granite. Finally the epidotization is locally noted in the pillowed mafic flows.

On the Golden Horseshoe Reef, the albitization and the silicification are the most important alterations. The yellowish to brownish color alteration and a strong hardness suggests albitization. The lithochemical analysis should confirm this type of alteration. Albitization appears in the felsic crystal tuffs and dacite at different intensity. The silicification may be related to the albitization, but is difficult to identify when this alteration is too strong. Otherwise the silicification appears along crosscutting fractures in both felsic units. The silicification has also been identified in the basalt located to the North of the Golden Horseshoe Reef. The basalt is dark green and has a very strong hardness. Other types of alteration like epidotization, chloritization and ankeritization are observed but they are limited and/or weak to very weak. The epidotization is associated with pillowed mafic flows, the chloritization affects some basalt and felsic/intermediate tuffs, and the ankeritization is noted in felsic crystal tuffs located in the southwest corner of the Itetemia licence.

A sericitic hydrothermal alteration is characterized by a sodium depletion (<1%) and a gain in potassium corresponding to <0.1% Na<sub>2</sub>O and >2.5% K<sub>2</sub>O in felsic volcanic rock (>60% SiO<sub>2</sub>). It could be outlined by the Sericitic Index being  $(K_2O / (K_2O + Na_2O)) \times 100$ . Sericitic index greater than 70% is considered anomalous for felsic rock. The sericitic alteration visually observed in the felsic rocks of the holes ITDD-01 and 11 is not confirmed by the lithochemistry. The Sericitic index is generally less than 40% with four samples ranging 52-61%. However, the carbonatization is confirmed in the mafic units. Additionally, high contents in CaO (9-12%) and high loss on ignition (8 to 16%) were noted.

### Structure

The volcanic and sedimentary rocks have a northwest to north-northwest trend and typically dip 85 to 90° to the northeast. The known polarity was to the southwest for all the units but a northeast polarity for the area of the Golden Horseshoe Reef is possible. This change in the polarity may be explained by folding. Evidence of folding has been observed in the field and in the diamond drill holes. Some outcrops showed "S" folds in argillite horizons with axial plan parallel to the main schistosity which follows the NW-NNE trend. Also, numerous argillite horizons intersected in the diamond drill holes, exhibit micro folding. Two phases of deformation can be identified. On outcrop CB99-05, the first phase (S1) is very well developed oriented at around 300°/70-90°. The second phase schistosity (S2) less developed characterized by crenulations (kink bands) at 320°/40°. Generally the schistosity S1 is weakly to moderately developed in all the volcanic and sedimentary units. Locally, S1 appears more developed when related to shearing.

## ***Mineralization***

The sulphide mineralization encountered on the Itetemia Property comprise massive to semi-massive, stringers, veins and veinlets, disseminated and nodular mineralization. The types of mineralization are (i) sulphides associated with volcanism activity; (ii) remobilized sulphides associated with deformation (shear hosted); and (iii) sulphides associated with sedimentation. The gold and metallic contents associated with this mineralization are variable and the relation between the grades and the mineralized type is not well known at this stage.

The massive to semi-massive sulphide mineralization seems to be related to volcanism. It occurs in two areas on the Property. One area is located in the northern part of the licences and has been intersected by the hole ITDD-06. More than 30 m. of sulphides were intersected at the contact between a QFP and an argillite horizon separating two pillowed basalts. The sulphide content ranges from 10 to 90% pyrrhotite, 2 to 5% pyrite, trace to 5% sphalerite, trace to 1% copper. Five to twenty percent of felsic material (ash tuff/quartz) and less than 3% argillite are associated with and brecciated by the sulphides. The pyrite-sphalerite-chalcopyrite appears in stringers and/or blebs in the pyrrhotite and ash tuff. The massive sulphides have also been intersected by RC holes, but the relation with the other units is less evident. Massive to semi-massive sulphides were also mapped in the Golden Horseshoe Reef where a 1 to 4m thick sulphide zone, containing 20 to 80% pyrite-pyrrhotite, was intersected in a number of holes. Most of these zones are located close to or at the northeastern contact. Furthermore, hole ITDD-33 intersected a sulphide zone having 15 to 30% pyrite from 204.7 to 205.15 m. These sulphides, presenting laminations that suggest a possible exhalite environment, are also located to the northeastern contact. Along the southwest contact, argillite, brecciated by stringers of sulphides, has been intersected by drilling.

The stringer, vein and veinlet sulphides may be related to the volcanism and to remobilization. They appear in quantities ranging generally from trace amounts to 5% and can reach 10-20%. The pyrite and the pyrrhotite are the most usual sulphides. Chalcopyrite-sphalerite-arsenopyrite and rare galena are present in weak quantities, generally less than 1%. This type of mineralization can be found in the felsic volcanic rocks and in argillite. The Golden Horseshoe Reef mineralization occurs as massive sulphide veins locally ranging from 15-30 cm wide. Sulphides dominantly appear in veins/veinlets less than 5 cm wide in felsic volcanic rocks. Five to thirty percent pyrite-pyrrhotite is common over sections of 1 to 15 m along the holes. They are sub-concordant and parallel to the schistosity. The strong shearing at the Golden Horseshoe Reef probably represents a remobilization of the sulphides. Those parallel to the schistosity may represent, in part, that type of mineralization. Argillite units are generally affected by a strong deformation associated with at least two folding phases, S1 and S2. The sulphides (pyrite-pyrrhotite) along the schistosity, S1, may represent remobilized and/or primary sulphides affected by a second deformation. Massive to semi-massive veins (mm to cm) are also reported in the argillite. They appear parallel to sub-parallel to the schistosity and are probably related to the volcanism since, as the stringers observed, they give a breccia aspect to the hosted rock.

Disseminated sulphides, fine grained, coarse grained or in blebs of less than 1 cm can be related to the three types of mineralization. They appear in all lithologies, including mafic dykes and granite. The main sulphide encountered is pyrite. It is common to see trace to 1% disseminated pyrite in altered and unaltered units. At the Golden Horseshoe Reef, 5% to 15% disseminated sulphides are reported. They are composed of pyrite and pyrrhotite and are associated with the other sulphides. The nodular sulphides are related with a sedimentation period indicated by argillite horizons. Up to 5% of the sulphides in the argillites appear nodular. It corresponds to less than 3% of the total sulphide content in rock. Mostly composed of pyrite, the sulphides exhibit a nodular shape, generally less than 1 cm, and elongated along the schistosity. The nodular sulphides are associated with quartz-carbonate material, which fills the cavities around the nodules.

Gold discovered on the Property is very fine grained and appears to be contained in the silicate minerals. Geochemically anomalous gold value have been reported in most of the RAB, multipurpose, and diamond drill hose completed on the Property. Of potential economic interest is the gold associated with the Golden Horseshoe Reef on the Itetemia licence. The following table summarizes the significant gold values intersected in drilling on the Golden Horseshoe Reef:

**GOLDEN HORSESHOE REEF**  
**Best Assay Results**

Section	Hole Number	From (m)	To (m)	Width (m)	Au (g/t)	Au (cut At g/t)	10	Vertical Depth (m)	True Width	Grade x Thick-ness	Grade x Thickness (cut 10 g/t)	Remark
2900E	RC-63	32.0	32.0					25.0				Granite
	RC-64	9.0	9.0					5.0				Granite
2850E	ITDD-30	43.0	60.8	17.8	1.2	1.2		40.0	12.0	21.4	21.4	
		49.7	54.5	4.8	3.5	3.4		40.0	3.0	16.8	16.4	
2825E	ITDD-19	38.3	61.0	22.7	1.2	1.1		35.0	14.5	26.1	25.4	
		47.0	54.0	7.0	3.1	3.4		36.0	2.5	21.7	23.8	
2800E	ITDD-27	54.7	76.0	21.3	2.1	-		47.5	16.0	44.7		
		58.1	60.6	2.6	4.9	-		42.0	1.0	12.5		
		69.0	71.3	2.3	5.1	-		51.0	1.0	11.5		
	ITDD-28	121.5	139.5	18.0	2.1	-		90.0	15.0	36.9		
		125.5	132.2	6.8	4.4	-		90.0	5.5	29.8		
	RC-61	30.0	42.0	12.0	3.3	2.8		29.0	7.0	39.6	33.6	Stopped in the mineralized zone
		33.0	38.0	5.0	7.0	5.7		28.0	3.5	35.0	28.5	
	RC-62	15.0	32.0	17.0	3.3	3.1		18.0	12.0	56.1	52.7	
		18.0	26.0	8.0	5.7	5.3		17.0	5.5	45.6	42.4	
2750E	ITDD-24	45.0	75.7	30.7	4.8	4.0		47.0	23.0	148.3	122.8	
		18.0	26.0	8.0	5.7	-		36.0	3.5	45.6		
		61.0	74.4	13.4	8.9	6.3		51.0	7.8	119.3	84.2	
	ITDD-31	109.8	121.1	11.3	2.8	-		91.0	8.5	31.4		
		111.5	116.6	5.0	4.4	-		90.0	3.5	22.2		
2700E	ITDD-23	46.3	66.7	16.4	8.3	4.3		45.0	11.5	153.5	78.2	
		56.0	64.0	8.0	16.0	6.5		47.0	6.0	127.6	52.0	
2680E	ITDD-18	32.0	54.2	22.2	3.3	-		32.5	15.0	73.1		
		35.0	40.0	5.0	5.0	-		28.0	3.5	25.0		
		45.6	51.8	6.2	4.9	-		37.5	4.0	30.0		
2650E	ITDD-14	28.5	51.4	22.9	5.0	3.7		32.5	14.0	115.4	85.3	
		33.0	43.0	10.0	10.1	7.1		30.0	4.0	100.7	70.6	
	ITDD-15	33.8	53.9	20.1	1.4	1.4		35.0	12.5	29.1	28.5	
		34.8	39.0	4.2	2.4	2.2		29.0	3.0	9.9	9.4	
2600E	ITDD-12	34.0	47.2	13.2	7.2	5.4		30.0	8.0	95.4	72.0	
		35.7	44.0	8.4	9.9	7.1		30.0	5.0	82.5	59.0	
	ITDD-13	35.6	48.7	13.2	3.9	-		29.0	8.0	51.9		
		40.0	47.6	7.6	5.9	-		29.0	5.5	44.8		
	ITDD-22	128.0	142.7	14.7	3.4	2.8		107.0	7.5	50.1	40.7	
		128.8	132.3	3.5	11.8	9.2		105.0	2.0	41.2	31.9	
		140.5	142.7	2.2	2.5	-		110.0	1.5	5.4		
	ITDD-16	23.4	56.7	33.3	2.7	2.3		32.5	20.0	90.9	77.6	
		37.0	42.0	5.0	4.5	3.3		30.0	3.0	22.6	16.7	
		47.0	55.5	8.5	5.2	4.3		40.0	5.5	44.1	36.5	
2550E	ITDD-17	25.0	60.0	35.0	0.5	-		33.0	21.0	16.7		
		48.0	57.9	9.9	1.0	-		41.0	5.0	9.5		
	ITDD-21	40.8	69.0	28.2	1.0	-		43.0	17.0	29.6		
		51.5	56.0	4.5	3.8	-		42.0	3.5	17.1		
2500E	ITDD-19	38.3	61.0	22.7	1.1	1.1		39.0	17.0	26.1	25.4	
		48.0	54.0	6.0	3.4	3.3		49.0	5.0	20.3	19.7	
	ITDD-32	131.6	156.1	24.5	0.3	-		100.0	16.0	8.3		
		140.7	147.8	7.2	0.6	-		100.0	4.0	4.6		
2450E	ITDD-20	57.3	60.7	3.4	0.6	-		47.0	2.0	1.9		
		57.3	58.7	1.5	1.8	-		46.5	1.3	2.7		

Section	Hole Number	From (m)	To (m)	Width (m)	Au (g/t)	Au (cut At 10 g/t)	Vertical Depth (m)	True Width	Grade x Thick-ness	Grade x Thickness (cut 10 g/t)	Remark
	ITDD-34	44.6	48.0	3.4	0.2	-	35.0	3.0	0.7		B Zone
		145.3	170.0	24.6	0.3	-	116.0	16.0	6.9		
		153.1	159.6	6.5	0.6	-	114.5	4.5	3.6		
2400E	ITDD-33	74.0	83.0	9.0	0.2	-	60.0	6.0	1.9		B Zone
		197.0	202.3	5.3	0.1	-	155.0	4.0			
2150E	RAB-34						5.0				Basalt silicified
1800E	RAB-74						20.0				Basalt silicified
1400E	RAB-89	36.0	69.0	33.0	0.3	-	50.0	20.0	9.2		Stopped in the mineralized zone

### ***Mineral Processing and Metallurgical Testing***

Preliminary mineral processing and metallurgical test work has been completed by International Metallurgical and Environmental Inc. ("IME") under the direction of Minestart Management Inc. ("Minestart"). The metallurgical samples were prepared by IME from assay laboratory rejects. The samples tested ranged in grade from 0.87 g/t Au to over 4.0 g/t Au; however, most of the samples ranged from 3 to 4 g/t Au. A majority of the test work focused on determining the gold extraction from coarsely crushed material. The leach tests of crushed material resulted in low gold extractions, due to non-liberation of the contained gold, as a result of poor exposure to the leach solution. The gold recovery in these tests ranged from 25% to 47%. The particle size distribution was shown to be very significant in determining the overall gold extraction from the mineralized material. A standard bottle roll test was also carried out on this material. A composite sample, grading 3.67 g/t Au, was crushed and finely ground as feed for the test. Following the test, the residue assayed 0.06 g/t Au, which yields an overall gold recovery of 98%.

The material was shown to contain fresh sulphide mineralization and consideration was given to pre-concentrating the gold, through a bulk sulphide flotation stage. Using an industry standard bulk sulphide flotation process in a laboratory flotation test, the sulphur recovery was very good, in excess of 94% of the available sulphur. Gold recovery, however, was shown to be much less than the sulphur recovery, indicating that the gold appears to be contained in silicate minerals. The results of the metallurgical work indicate that grinding and agitated tank cyanide leaching of the material will be required to maximize gold recovery. Additional test work will be required as the deposit is further explored and defined.

### ***Mineral Resource Estimation***

In 1998, Minestart was retained by Tancan to prepare a mineral resource estimation for the Golden Horseshoe Reef. The mineral resource was calculated based on 13 diamond drill holes which were drilled at 25 m. intervals along strike for approximately 300 m. and to a depth of approximately 50 m. The mineral resource was calculated using polygons on cross-sections incorporating a 2.0 g/t gold cutoff and a constant bulk density of 2.7 tonnes/cubic meter. Minestart estimated the mineral resource for the Golden Horseshoe Reef to be 511,000 tonnes grading 7.09 g/t gold. As an integral part of its review, SRK reviewed the mineral resource estimate prepared by Minestart and provides the following observations:

- SRK believes there is a need for more near-surface and down-dip information in order to better define the controls on the mineralization and the geometry of the mineralized horizon. With respect to the density, SRK notes that the bulk density was used for estimating the bulk tonnage. Given the climate and the weathering environment, the density of sulfide rich rocks and volcanics could vary considerably and based on our experience it may be required to weigh the assays during compositing and estimating the bulk tonnage of the mineralized and unmineralized zones.

- With respect to the 2.0 g/t cutoff grade used in the estimation, SRK believes that initially, it might be possible to mine the reef by way of a very narrow and shallow open pit. However, it is more likely that given the higher grade mineralization, narrow widths and current limited strike length the Golden Horseshoe Reef would be more amenable to underground mining methods. As such, the cutoff grade of 2.0 g/t gold initially used to estimate the mineral resource may be too low.
- With respect to the diamond drilling core recovery, SRK considers the NQ size to be appropriate and that it has been appropriately split using a diamond saw. The split core remains in good condition and is stored on-site in a proper facility. The rock quality is very good. The core recovery is excellent.

SRK believes the mineral resource estimation prepared by Minestart to be an inferred mineral resource as defined by CIM standards.

### ***Planned Exploration Programmes***

A program has just been completed on the Itetemia prospecting licence consisting of diamond drilling, the results of which are currently being assessed by the Company. Subsequent to the completion of this program and the reporting of the results, Barrick is expected to make its decision as to whether or not to provide an additional US\$1,000,000 in funds due under the Barrick Venture Agreement on or before June 14, 2001. A subsequent exploration program will be considered at this time.

### **SELECTED CONSOLIDATED FINANCIAL INFORMATION**

<b>Annual Information</b>	<b>Six months ended Feb. 28, 2001 (Unaudited)</b>	<b>Six months ended Feb. 28, 2000 (Unaudited)</b>	<b>Year ended Aug. 31, 2000 (Audited)</b>	<b>Year ended Aug. 31, 1999 (Audited)</b>	<b>Year ended Aug. 31, 1998 (Audited)</b>
Total revenues	-	-	-	-	-
Net loss	\$302,094	\$330,637	\$3.41 million	\$2.34 million	\$1.22 million
Net loss per share	\$0.01	\$0.01	\$0.09	\$0.06	\$0.03
Total assets	\$9.77 million	\$9.90 million	\$9.04 million	\$8.74 million	\$10.77 million

### **Quarterly Results**

<b>Quarter Ending</b>	<b>Net Revenues</b>	<b>Net Earnings (loss)</b>	<b>Net Loss per Equity Share</b>
February 28, 2001	Nil	(190,080)	(0.005)
November 30, 2000	Nil	(112,014)	(0.003)
August 31, 2000	Nil	(2,958,903)	(0.078)
May 31, 2000	Nil	(122,062)	(0.003)
February 29, 2000	Nil	(181,308)	(0.005)
November 30, 1999	Nil	(149,329)	(0.004)
August 31, 1999	Nil	(1,780,605)	(0.049)
May 31, 1999	Nil	(157,664)	(0.004)
February 28, 1999	Nil	(274,847)	(0.008)
November 30, 1998	Nil	(123,471)	(0.003)

The Company has no long-term debt. The Company has no sales revenue. There have been no extraordinary items in the last three-year period. Small, miscellaneous revenues in 2001, 2000, 1999, and 1998 have been netted to operations. Revenues from property option payments and partner contributions are netted against property exploration costs. The Company defers all costs associated with the acquisition, maintenance, exploration and development of its mineral properties in the period in which they occur. If a mineral property is subsequently

determined to be uneconomic, or is abandoned for any reason, all costs associated with that property are immediately written off to earnings. Simple net loss per share is based on the number of common shares outstanding at each quarter or year-end.

### **Dividend Record and Policy**

The Company has not paid any dividends on its outstanding Common Shares and management of the Company does not anticipate that the Company will pay dividends on its shares in the foreseeable future. The Company's board of directors, from time to time, and on the basis of any earnings and the Company's financial requirements or any other relevant factor, will determine the future dividend policy of the Company with respect to its Common Shares.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS**

### **Overview**

The Company is a mineral exploration company with active properties held directly, or through joint ventures or options, in Tanzania and Zambia. None of the Company's properties are currently in production. The projects range from grassroots level projects to mineral resource delineation level properties. The primary objective of the Company's exploration activities is the discovery and delineation of economic gold deposits. The Company has successfully optioned several of its properties to major mining companies in the past. At present, Barrick is exploring the Company's Itetemia Property. Recent past partners include Ashanti, Newmont and JCI Limited. Acquisition costs and exploration and development costs relating to mineral properties 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 or sold or management determines that the mineral property is not economically viable, at which time the deferred costs are written off. Costs funded by partners directly are credited against deferred exploration and development costs and appear as recoveries in the Company's financial statements.

### **Results of Operation**

#### **Six-month period ended February 28, 2001 compared to the six-month period ended February 28, 2000**

The Company incurred a net loss of \$302,094 for the six months ended February 28, 2001, similar in comparison to a loss of \$330,637 for same period in 2000. Revenues comprised of interest and foreign exchange gains/losses for the period totalled \$41,256 in 2001 versus an expense of \$9,584 in 2000. The difference arises from the fact that the Company generated more interest income from a higher average cash balance during the first six months of fiscal 2001 than it did during the same period in 2000. In addition, currency exchange rate fluctuations negatively impacted the Company during all of fiscal 2000. Although mineral property write offs did occur in late fiscal 2000, there were no mineral property write offs in either six-month period ended February 28, 2000 or 2001. General and administrative expenses were comparable for the periods at \$343,350 for 2001 versus \$321,053 in 2000. Property acquisition and exploration costs expended and then deferred during the period totalled \$801,660 in 2001 versus \$908,179 in 2000. Investment in common shares of the Company under the terms of the Barrick Venture Agreement, which was executed in November of 1999, provides the Company with its funding for the completion of exploration work on the Company's Itetemia Property. Work at Itetemia totalled \$632,483 in the six months ended February 28, 2001. Importantly, the Company must now directly fund exploration on its Luhala Property itself. Such expenditures totalled \$162,261 in the six months ended February 28, 2001. See "Description of Properties". The Company conducted, but was reimbursed for, exploration on five mineral properties in Tanzania during the first six months of 2000. Newmont and Ashanti paid for the work directly. During the first six months of fiscal 2001 only limited contribution was provided from these sources and both the Newmont and Ashanti option agreements have been terminated.

### **Year ended August 31, 2000 compared to year ended August 31, 1999**

The Company incurred a net loss of \$3,411,602 for the year ended August 31, 2000, higher in comparison to a loss of \$2,336,587 for the year ended August 31, 1999. Revenues comprised of interest and gains on capital asset sales totalled \$54,318 in 2000 and \$40,035 in 1999. During 1999 and 2000 the single largest expense item was the write off of mineral properties. Write off of mineral properties amounted to \$2,752,432 in 2000 versus \$1,517,959 in 1999. During 1999 and 2000 the Company wrote off all of its properties in Eritrea, Ethiopia and Zambia and wrote off three properties in Tanzania. In doing so the Company has now focused on its core properties in Tanzania. General and administrative expenses were \$689,544 in 2000, as opposed to \$852,083 in 1999. During the last two fiscal years the Company actively undertook to reduce such costs. Property acquisition and exploration costs incurred totalled \$1,498,249 in 2000 versus \$485,023 in 1999. This significant increase in expenditures in 2000 related primarily to the Itetemia Property, funded by Barrick under the terms of the Barrick Venture Agreement. See "Description of Properties". By August 31, 2000 Barrick had funded \$2,000,000 and 80% of those funds were to be spent on exploration work on the Itetemia Property. The Company also conducted, but was reimbursed for, exploration of mineral properties in Tanzania totalling \$799,028 in 2000 and \$445,917 in 1999. This work was funded directly by Newmont and Ashanti and the completion of the work by Tan Range helped to reduce operational costs for the Company during those periods

### **Year ended August 31, 1999 compared to year ended August 31, 1998**

The Company incurred a net loss of \$2,336,587 for the year ended August 31, 1999, higher in comparison to a loss of \$1,222,232 for the year ended August 31, 1998. Revenues comprised of interest, foreign exchange gains/losses and gains on capital asset sales totalled \$33,455 in 1999 and \$179,298 in 1998. During 1999 the single largest expense item was the write off of mineral properties, totalling \$1,517,959. In 1998 write off of mineral properties totalled only \$131,232. General and administrative expense were higher in 1998, \$1,270,298 as opposed to \$852,083 in 1999. This was due mostly to higher administrative, printing, mailing, promotion and investor relation expenses in 1998. During 1999 the Company actively undertook to reduce such costs. Property acquisition and exploration costs incurred totalled \$485,023 in 1999 versus \$1,844,269 in 1998. During 1999 the Company placed several of its properties on care and maintenance and abandoned several properties, thus reducing its exploration costs and deferrals significantly. Work funded by Newmont and Ashanti on several of the Company's properties in Tanzania totalled \$445,917 in 1999 and nil in 1998.

### **Liquidity and Capital Resources**

As the Company has not begun production on any of its properties, the Company does not have any cash flow from operations. During the first six-months of fiscal 2001 the Company received proceeds of \$1,015,000 from the issuance of shares. During the year ended August 31, 2000 the Company received proceeds of \$3,479,968 from the issuance of shares. Of the financings described above \$3,000,000 has been funded since November 30, 1999 by Barrick, pursuant to the Barrick Venture Agreement. See "Description of Properties". As at February 28, 2001 the Company had cash on hand of \$1,824,935, approximately \$700,000 of which must be spent on the Itetemia Property and has been classified as restricted cash. This compares to \$809,674 at February 28, 2000. Subsequent to February 28, 2001 the Company received net proceeds of \$2,185,500 from the sale of the Special Warrants. Receivables and other current assets totalled \$206,659 at February 28, 2001 versus \$127,701 at February 28, 2000. Accounts payable at February 28, 2001 totalled \$509,123 versus \$688,378 at February 28, 2000. The Company had no other current payables at either February 28, 2001 or 2000. The Company has no long-term debt. The Company has no financial commitments or obligations beyond that to fund costs related to the care and maintenance of some of its mineral property titles. There are no contingent liabilities of which the Company is aware at this time.

### **Future Prospects**

The Company will continue to focus its efforts on the development of its Tanzanian gold properties, primarily its Luhala Property, while also working closely with Barrick to develop its Itetemia Property. The Company will use its current resources, as well as the net proceeds of this issue, to achieve these goals. See "Use of Proceeds". Pursuant to the terms of the Barrick Venture Agreement, Barrick is required to exercise common share

purchase warrants for 740,741 Common Shares of the Company at a price of \$1.35 per share for total proceeds of \$1,000,000. See "Description of Properties". The exercise date of this warrant was originally April 30, 2001, but has been extended by the Company to June 14, 2001. If exercised by Barrick, 80% of the proceeds will be used by the Company for further exploration and development of the Itetemia Property, while 20% will be used for general corporate purposes. The ability of the Company to continue operations beyond 2001 will be dependent upon the results of its exploration programs, the decisions taken by Barrick with regard to the Company's Itetemia Property and the Company's ability to obtain the necessary financing to further explore and develop its Tanzanian gold properties.

## **PLAN OF DISTRIBUTION**

On March 6, 2001, the Company completed the issue and sale of an aggregate of 5,875,000 special warrants of the Company (the "Special Warrants") at a price of \$0.40 per Special Warrant (or \$2,350,000 in the aggregate) in accordance with an agreement dated March 6, 2001 (the "Agency Agreement") between First Associates Investments Inc. ("FAI") and Haywood Securities Inc. ("HSI") (together the "Agents") and the Company. The Special Warrants were sold to investors arranged by the Agents on a private placement basis pursuant to exemptions from prospectus requirements of applicable securities legislation. The issue price of \$0.40 per Special Warrant was determined by negotiation between the Company and the Agents. This prospectus is being filed with the Ontario Securities Commission, the Alberta Securities Commission and the British Columbia Securities Commission to qualify the distribution of the Common Shares and Warrants to be issued upon exercise of the Special Warrants.

In consideration of the Agents' services, the Company (a) paid a commission to the Agents in the amount of \$164,500, which equals 7% of the gross proceeds realized by the Company from the sale of the Special Warrants, with FAI receiving 60% and HSI receiving 40% and (b) agreed to issue to the Agents, as additional compensation, 46,266 Common Shares (the "Compensation Shares"), with FAI entitled to receive 60% and HSI entitled to receive the remaining 40%. This prospectus also qualifies the distribution of the Compensation Shares. The Agents' fee was paid to the Agents by the Company from the proceeds of the sale of the Special Warrants at the closing of such sale. No additional fee will be payable to the Agents in connection with the distribution of the Common Shares and Warrants upon the exercise of the Special Warrants. The remaining expenses estimated at \$300,000 relating to the offering of the Special Warrants will be paid by the Company.

The Special Warrants were issued pursuant to a special warrant indenture (the "Special Warrant Indenture") dated as of March 6, 2001 between the Company and Montreal Trust Company of Canada ("Montreal Trust"). Since the date of issuance, no Special Warrants have been exercised. Each Special Warrant entitles the holder thereof to acquire, at no additional cost to the holder, one Common Share and one-half of one Warrant at any time until 5:00 p.m. (Toronto time) (the "Expiry Time") on the earlier of: (i) the fifth business day following the date (the "Qualification Date") upon which a final receipt for this prospectus is issued by the last of the securities regulatory authorities in the Provinces of Ontario, Alberta and British Columbia; and (ii) March 6, 2002. If the Qualification Date has not occurred by 5:00 p.m. (Toronto time) on June 4, 2001, each holder of Special Warrants shall subsequently be entitled to receive upon the exercise of the Special Warrants held by such holder 1.1 Common Shares and one-half of one Warrant, in lieu of one Common Share and one-half of one Warrant, for each Special Warrant exercised, without payment of additional consideration.

Any Special Warrants not exercised prior to the Expiry Time shall be exercised by Montreal Trust on behalf of the holder at such time without any further action on the part of the holder. Each whole Warrant entitles the holder to purchase one Common Share at a price of \$0.60 until September 5, 2002. The Company and Montreal Trust have entered into a warrant indenture dated as of March 6, 2001 (the "Warrant Indenture") which will provide for the issuance of the Warrants issuable upon exercise of the Special Warrants. Common Shares and Warrants obtained on the exercise of Special Warrants prior to the issuance of a receipt for this prospectus are subject to hold periods under applicable securities legislation.

## **USE OF PROCEEDS**

The net proceeds from the sale of the Special Warrants are estimated to be \$2,185,000, after deducting the Agents' commission of \$164,500, but before deducting the expenses of the offering estimated at \$300,000. It is anticipated that approximately \$1,200,000 of such proceeds will be used by the Company for further exploration of the Luhala Property (see "Description of Properties – Luhala Property"), while the balance of \$685,000 will be used for general corporate purposes. The Company has not yet spent any of the net proceeds.

In addition to the net proceeds of this offering, at the date hereof the Company has approximately \$1.0 million in free working capital available to fund its working capital and other activities. The Company also expects that Barrick should exercise its warrants to purchase 740,741 Common Shares at a price of \$1.35 per share on or before June 14, 2001. The Company's working capital would be increased by a further \$1.0 million, of which \$800,000 would be dedicated to further exploration on the Iteitemia Property. Other warrant and option exercises resulting in proceeds to the Company are possible at any time, although such exercises are not expected to be significant at this time.

While the Company intends to spend the funds available to it as stated in this prospectus, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary or desirable.

## **DESCRIPTION OF SHARE CAPITAL**

The authorized share capital of the Company consists of an unlimited number of Common Shares of which 43,887,971 Common Shares are issued and outstanding as at the date hereof. The holders of the Common Shares are entitled to receive notice of and to attend all meetings of the shareholders of the Company and shall have one vote for each Common Share held at all meetings of the shareholders of the Company. The holders of Common Shares are entitled to (a) receive any dividends as and when declared by the board of directors, out of the assets of the Company properly applicable to the payment of dividends, in such amount and in such form as the board of directors may from time to time determine, and (b) receive the remaining property of the Company (after payment of all outstanding debts) in the event of any liquidation, dissolution or winding-up of the Company. The holders of the Common Shares have no pre-emptive, redemption or conversion rights.

Since August 31, 2000, the Company has issued an aggregate of 3,861,000 Common Shares for an aggregate consideration of \$1,039,367 as set out below under "Prior Sales". On May 23, 2001, the Company announced the proposed private placement of 162,000 units at a price of \$0.55 per unit. Each unit will be comprised of, subject to regulatory approval, one Common Share and one share purchase warrant, exercisable at a price of \$0.60, for two years from closing. See "Executive Compensation".

## **STOCK OPTION PLAN**

The Company established a stock option plan in 1994 (the "Old Plan") the principal purpose of which is to assist the Company in attracting, retaining and motivating directors, officers and employees of the Company, its subsidiaries and their affiliates or individuals providing services to the Company and to closely align the personal interests of such directors, officers and employees and individuals with those of the shareholders by providing them with the opportunity, through options, to acquire Common Shares of the Company. The Old Plan provides that the number of Common Shares that may be reserved, set aside and available for issue under the Old Plan ("Options") shall not exceed 10% of the number of Common Shares issued and outstanding at any time. The Old Plan authorizes the Board to grant Options from time to time to officers, directors, employees and consultants of the Company and its affiliates. Options must not expire later than five (5) years from the date such options are granted, and are non-assignable.

The exercise price of an Option may not be lower than the closing price of the Common Shares on each stock exchange on which the Common Shares are listed at the time of the grant, less the maximum discount

permitted by such stock exchanges, or such other price as may be agreed by the Company and approved by such stock exchange. If an optionee ceases to be an officer, director or employee of the Company other than by reason of the death of such optionee or termination for cause, any outstanding Option held by such optionee will expire 30 days after the date of termination of service. In the event of the death of an optionee, any outstanding Option held by the optionee will be exercisable by such optionee's representatives for a period of 90 days after such death. Upon termination for cause, the options expire immediately. Outstanding Options may be adjusted by the Board in certain events, as to exercise price and number of Common Shares, to prevent dilution or enlargement.

At a meeting of the shareholders of the Company on May 24, 2001, the shareholders approved a new stock option plan (the "New Plan"), to be adopted at the discretion of the board of directors of the Company. At a meeting of the board of directors on May 24, 2001, the directors adopted the New Plan and cancelled the Old Plan, subject to the approval of the New Plan by CDNX.

Under the New Plan, the number of Common Shares that may be reserved for issuance thereunder has been set at a maximum of 8,144,132, or such greater number of Common Shares as may be determined by the board of directors, with shareholder and regulatory approval as required. The maximum term of an Option granted under the New Plan has been extended to 10 years from the date of the grant. In no circumstances under the New Plan may the exercise price of any Option be lower than the market price on the date of grant. The New Plan authorized the directors of the Company to grant options and set the terms at their discretion, except that no one optionee may have Common Shares issuable to him or her in excess of 5% of the issued and outstanding Common Shares. Further, no Options shall be granted if such grant could result in: (i) the number of Common Shares reserved for issuance to Insiders (within the meaning of the securities legislation) exceeding 10% of the issued and outstanding Common Shares; (ii) the issuance to Insiders, within a one-year period, of a number of Common Shares in excess of 10% of the issued and outstanding Common Shares; or (iii) the issuance to any one Insider and such Insider's associates, within a one-year period, of a number of Common Shares in excess of 5% of the issued and outstanding Common Shares.

If an optionee retires, any outstanding Options held by such optionee will expire on the earlier of the expiry date of the Options, and six months from the date of retirement. If the optionee ceases to be an officer, director or employee of the Company for cause, all outstanding Options terminate immediately. If the optionee ceases to be an officer, director or employee for any reason other than for cause, all outstanding Options of the optionee expire on the earlier of the expiry date and ninety days from the date of termination. In the event of the death of an optionee, any outstanding Option held by the optionee will be exercisable by such optionee's representatives for a period equal to the lesser of: (i) the expiry date; (ii) 3 months after the date of grant of probate of the will or letters of administration of the estate; and (iii) the first anniversary of such death. Outstanding Options may be adjusted by the Board in certain events, as to exercise price and number of Common Shares, to prevent dilution or enlargement.

As of May 31, 2001, there are outstanding Options (the "Outstanding Options") to purchase an aggregate of 4,257,000 Common Shares of the Company. All of the Outstanding Options have been granted under the Old Plan. The following table sets forth certain information relating to the Outstanding Options.

<b>Group (number of persons)</b>	<b>Date of Grant</b>	<b>Number of Common Shares</b>	<b>Exercise Price Per Common Share (\$)</b>	<b>Expiry Date</b>	<b>Market Value at Time of Grant<sup>(2)</sup> (\$)</b>
Past and Present	Feb. 10, 1997	500,000	\$0.82	Feb. 10, 2002	\$0.82
Directors of Tan	July 20, 1997	100,000	\$0.91	Jul. 20, 2002	\$0.85
Range <sup>(1)</sup>	Jan. 15, 1998	340,000	\$0.92	Jan. 14, 2003	\$0.93
(10 persons)	Mar. 1, 1999	1,050,000	\$0.50	Mar. 1, 2004	\$0.45
	Nov. 4, 1999	175,000	\$0.40	Nov. 4, 2004	\$0.33
	Nov. 8, 2000	320,000	\$0.40	Nov. 8, 2005	\$0.41
	Jan. 16, 2001	495,000	\$0.33	Jan. 16, 2006	\$0.33

<b>Group (number of persons)</b>	<b>Date of Grant</b>	<b>Number of Common Shares</b>	<b>Exercise Price Per Common Share (\$)</b>	<b>Expiry Date</b>	<b>Market Value at Time of Grant<sup>(2)</sup> (\$)</b>
Past and Present Officers of Tan Range (1 person)	Jan. 7, 2000	110,000	\$0.45	Jan. 7, 2005	\$0.44
Past and Present Employees of Subsidiaries (3 persons)	Jan. 4, 2000 Jan. 7, 2000 Nov. 8, 2000	312,000 39,000 50,000	\$0.45 \$0.45 \$0.40	Jan. 4, 2005 Jan. 7, 2005 Nov. 8, 2005	\$0.41 \$0.44 \$0.41
Past and Present Employees of Tan Range (4 persons)	Nov. 13, 1998 Dec. 14, 1999 Jan. 4, 2000 Nov. 8, 2000 Feb. 6, 2001	15,000 155,500 151,000 55,000 99,500	\$0.40 \$0.35 \$0.45 \$0.40 \$0.40	Nov. 13, 2001 Dec. 8, 2004 Jan. 4., 2005 Nov. 8, 2005 Feb. 6, 2005	- \$0.41 \$0.41 \$0.41 \$0.40
Consultants (4 persons)	Jan. 19, 2000 Mar. 2, 2000 Nov. 8, 2000	50,000 10,000 230,000	\$0.50 \$0.55 \$0.40	Jan. 19, 2005 Mar. 2, 2005 Nov. 8, 2005	\$0.49 \$0.50 \$0.41

**Total: 4,257,000**

- (1) Three of the directors and officers of Tan Range are also directors and officers of subsidiaries.
- (2) Represents the closing sale price per share of the Common Shares (the "Closing Price") on the business day immediately preceding the date Options in question were granted as reported by the CDNX website in the Company's daily trading summary page.
- (3) The closing sale price per share of the Common Shares of the Company on May 31, 2001, as reported by the CDNX website in the Company's daily trading summary page, was \$0.51.

### **OUTSTANDING WARRANTS**

As at May 31, 2001, the Company has issued warrants to purchase an aggregate of 3,336,741 Common Shares of the Company. The following table sets out certain information relating to the outstanding warrants:

<b>Date of Grant</b>	<b>Number of Common Shares</b>	<b>Exercise Price per Common Share</b>	<b>Expiry Date</b>
May 11, 2000	740,741	\$1.35	June 14, 2001
Sept. 12, 2000	400,000	\$0.45	February 8, 2002
Sept. 12, 2000	1,996,000	\$0.70	March 28 or March 31, 2002
Sept. 12, 2000	200,000	\$0.70	May 9, 2002
	<b>Total: <u>3,336,747</u></b>		

## PRIOR SALES

During the past twelve months, the Company has issued the following Common Shares:

<u>Date</u>	<u>No. of Common Shares Issued</u>	<u>Price Per Common Share (\$)</u>	<u>Type of Transaction</u>
Sept. 12, 2000	400,000	\$0.41	Private Placement, exercise of special warrants
Sept. 12, 2000	1,996,000	\$0.50	Private Placement, exercise of special warrants
Sept. 12, 2000	200,000	\$0.50	Private Placement, exercise of special warrants
Oct. 23, 2000	1,000,000	\$1.00	Private Placement
Oct. 23, 2000	30,000	\$0.50	Options exercised
Dec. 14, 2000	60,000	\$0.41	Executive Compensation
May 9, 2001	125,000	\$0.45	Settlement of Debt
May 11, 2001	5,000	\$0.40	Options exercised
May 16, 2001	20,000	\$0.40	Options exercised
May 18, 2001	25,000	\$0.45	Options exercised

## PRICE RANGE AND TRADING VOLUME OF THE COMMON SHARES

The Common Shares are listed and posted for trading on CDNX under the symbol "TNX". The following table sets forth the high and low sale prices and the volume of trading of the Common Shares as reported by CDNX for the calendar periods indicated. All dollar figures are expressed in Canadian dollars.

	<u>Price Range per share</u>		<u>Trading Volume (Shares)</u>
	<u>High (\$)</u>	<u>Low (\$)</u>	
May, 2001	\$0.60	\$0.34	1,659,851
April 2001	0.40	0.30	219,225
March 2001	0.43	0.37	431,400
February 2001	0.52	0.37	2,032,750
January 2001	0.54	0.30	464,100
December 2000	0.43	0.32	273,929
1 <sup>st</sup> quarter 2001 (ended Nov. 30, 2000)	0.46	0.30	967,255
4 <sup>th</sup> quarter 2000 (ended Aug. 31, 2000)	0.46	0.30	1,106,692
3 <sup>rd</sup> quarter 2000 (ended May 31, 2000)	0.56	0.35	2,011,361
2 <sup>nd</sup> quarter 2000 (ended Feb. 29, 2000)	0.62	0.30	4,415,557
1 <sup>st</sup> quarter 2000 (ended Nov. 30, 1999)	0.55	0.28	3,246,419
4 <sup>th</sup> quarter 1999 (ended Aug. 31, 1999)	0.55	0.21	1,653,694
3 <sup>rd</sup> quarter 1999 (ended May 31, 1999)	0.64	0.30	2,472,167

The closing price of the Common Shares on CDNX on May 31, 2001, as reported by CDNX, was \$0.51 per share.

## PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and senior officers of the Company, no person or corporation beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding Common Shares as at the date hereof, other than as follows:

<b><u>Name and Municipality Of Residence</u></b>	<b><u>Designation of Class</u></b>	<b><u>Type of Ownership</u></b>	<b><u>Number of Common Shares Owned</u></b>	<b><u>Percentage Before Giving Effect to this Offering</u></b>	<b><u>Percentage After Giving Effect to this Offering</u></b>
JCI East African Exploration Company Limited Kreston House Goldie Terrace Douglas, Isle of Man British Isles	Common Shares	Direct	4,892,600	11.15%	9.83%

The directors and officers of the Company, as a group, beneficially own, directly or indirectly, 1,130,536 Common Shares, representing 2.58% of the presently issued and outstanding Common Shares and will beneficially own, directly or indirectly, 1,756,536 Common Shares, representing 3.53% of the issued and outstanding Common Shares after giving effect to this offering.

## DIRECTORS AND OFFICERS

The board of directors is currently comprised of 6 persons. Each director is elected to serve until the next annual meeting of shareholders or until a successor is elected or appointed. The board of directors has established two committees: the Audit Committee and the Executive Compensation Committee.

The following table sets out the name, birth date, municipality of residence, present position(s) held with the Company and principal occupations during the last five years (unless otherwise indicated) of each director and officer of the Company:

<b><u>Name, Birth date and Municipality Of Residence</u></b>	<b><u>Position(s) Held with the Company</u></b>	<b><u>Term as a Director</u></b>	<b><u>Principal Occupations During the Past Five Years</u></b>	<b><u>Beneficial Ownership of Common Shares of Tan Range</u></b>
Norman D. A. Hardie <sup>(1)</sup> 25/07/37 Toronto, Ontario	Chairman of the Board, Chief Executive Officer and Director	Since Jan. 12, 2001	1996 – 1997: Regional General Manager, Normandy Mining Limited 1998 – present: Private Consultant, Moydow Mines International	Nil
Marek J. Kreczmer <sup>(1) (2)</sup> 19/04/51 Vancouver, B.C.	President and Director	Since July 24, 1991	1991 - present: President, Tan Range Exploration Corporation.	775,786
Albert C. Gourley <sup>(1)</sup> 11/08/65 Toronto, Ontario	Director	Since Jan. 12, 2001	1996 – present: Partner, Macleod Dixon LLP, a law firm.	Nil

<b>Name, Birth date and Municipality Of Residence</b>	<b>Position(s) Held with the Company</b>	<b>Term as a Director</b>	<b>Principal Occupations During the Past Five Years</b>	<b>Beneficial Ownership of Common Shares of Tan Range</b>
Anton Esterhuizen 20/01/51 Johannesburg, South Africa	Director	Since Jan. 12, 2001	1992 - 2000: Manager, Pangea Goldfields Inc., 2000 – present: Managing Director, Pangea Exploration (Pty)	Nil
Oliver Lennox-King <sup>(2)</sup> 17/02/49 Toronto, Ontario	Director	Since Jan. 12, 2001	1997 – present: Chairman, Southern Cross Resources Inc. 1992 – 1997: President, Tiomin Resources Inc.	Nil
Wayne G. Beach <sup>(2)</sup> 25/04/47 Toronto, Ontario	Director	Nov. 4, 1999 to Jan. 12, 2001 and, Since March 15, 2001	1995 - Present: Lawyer with private practice	205,000 Common Shares 100,000 Warrants 625,000 Special Warrants
Frank R. Hallam 07/02/60 Vancouver, B.C.	Secretary-Treasurer and Chief Financial Officer	Nov. 4, 1999 to Jan. 12, 2001 And Since May 24, 2001	May 1994 – present: Secretary-Treasurer and Chief Financial Officer, Tan Range Exploration Corporation 1983 – Present: President, Director, New Millenium Metals Corp. 1998 – Present: Chief Financial Officer, Director, Derek Resources Corporation	Nil
Florian Ngunangwa 26/07/38 Dar es Salaam, Tanzania	Vice-President, East Africa		1993-Present: Vice President East Africa, Tan Range Exploration Corporation	149,750

<sup>(1)</sup> Member of Audit Committee. The Audit Committee's mandate is to oversee the Company's financial reporting process.

<sup>(2)</sup> Member of Executive Compensation Committee. The mandate of the Executive Compensation Committee is to set and oversee the Company's compensation, appraisal and reward policies for management.

**Mr. Marek Kreczmer** graduated from the University of Ottawa in 1974 with a B.Sc. (Geol.) and in 1977, Mr. Kreczmer received an M.Sc. (Geol.) from the University of Toronto. Mr. Kreczmer has been the President of the Company since its inception in 1991. He has been successful in raising more than \$10 million for exploration and development of mineral properties for Tan Range in eastern and southern Africa. He established the Company's operating subsidiary in Tanzania, Tancan, and several other holding subsidiaries. Mr. Kreczmer is also a director of Harambee Mining Company. Prior to creating Tan Range, Mr. Kreczmer was the Exploration Manager for Granges Exploration Corporation.

**Mr. Oliver Lennox-King** was formerly the Chairman of Pangea Goldfields Inc. from 1992 to 1997. He has a wide range of experience in corporate finance, mining research and metal marketing. He is currently the Chairman of Southern Cross Resources Inc. and was instrumental in its formation. His current directorships also include Dumont Nickel Inc., Tiomin Resources Inc., Metallica Resources Inc. and CGX Energy Inc. Mr. Lennox-King began his

career in the mining industry with metal marketing and administrative positions at Noranda Inc. and Sherritt Gordon Ltd. He then became a mining analyst in the Canadian investment industry; specializing in resources and precious metals for the period 1980 to 1992. Mr. Lennox-King received his B.Comm from Auckland University in 1972.

**Mr. Albert Gourley** is a partner of Macleod Dixon LLP, a law firm with a strong resource focus and several international offices. Mr. Gourley is well known in the mining community, has written extensively in the area of mining law, serves on the Ontario Minister's Mining Act Advisory Committee and served as the Chair of Macleod Dixon's Resource Law Group in 1998-1999. Prior to joining Macleod Dixon LLP, Al was Senior Counsel to Noranda Mining & Exploration Inc. and Noranda Metallurgy Inc. Mr. Gourley has a significant mining law practice advising many TSE, CDNX and foreign mining companies on financings, joint ventures and other legal matters. Mr. Gourley obtained a B.B.A. from York University in 1987 and his LL.B. from the University of Ottawa in 1990.

**Mr. Anton Esterhuizen** is based in Johannesburg, South Africa and was instrumental in advancing exploration and development activities in the gold mining industry in Tanzania. Mr. Esterhuizen was a key explorationist in the discovery of the high grade Tulawaka gold deposit. He successfully managed Pangea's gold and mineral sands exploration in East Africa until July 2000 when the company was sold to Barrick. Anton is currently the Managing Director of Pangea Exploration (Pty), a company based in Johannesburg with exploration interests in Africa and South America and not related to Pangea.

**Mr. Norman Hardie** is a senior mining executive who has international experience in the resource sector. He was the Group General Manager for Normandy Mining Limited, responsible for North America. Mr. Hardie was a Vice President of Inmet Mining Corporation (formerly Metall Mining Corporation) where his duties included marketing the group's base metal concentrate production; Director of Ok Tedi Mining Corporation; Director of Copper Range Mining Company and Member of the Management Committee for various mining projects within Inmet. Norman has been a Director of various other mining companies, including SouthernEra Resources Inc., Moydow Mine International Inc. and Pangea Goldfields Inc. Mr. Hardie also has had extensive experience in Africa due in part from his involvement as Resident Director of Ambot, a wholly owned subsidiary of the Anglo American Corp. of South Africa Ltd. which administers and manages the interests of DeBeers Consolidated Mines Ltd. diamond interests in Botswana. He was the Chairman of the Project Committee responsible for the development of the Jwaneng diamond mine, a \$US 300 million project. Mr. Hardie received his B.Sc., Mining Eng. from Witwatersrand University in 1959. He received a B.A. Honours Econ. from Cambridge University in 1963 and an M.A. from the same university in 1987.

**Mr. Wayne Beach** is a lawyer in private practice in Toronto, Ontario. He was previously a partner in Beach, Hepburn, a law firm specializing in taxation and securities with a primary focus on the mining, as well as oil and gas business. Mr. Beach has been involved as a founder in a number of successful public companies, primarily listed on The Toronto Stock Exchange. He has extensive experience in mergers, acquisitions and buy-outs and has been involved in the development of a number of shareholder rights plans for mining companies. Mr. Beach received his LL.B. from Queen's University in 1971 and a DEA from the University of Nice in 1972.

**Mr. Frank Hallam** is a chartered accountant who received a B.B.A. with an accounting major from Simon Fraser University, British Columbia, in 1990. Mr. Hallam is currently the president of a public mineral resource company, New Millennium Metals Corporation. From 1990 to 1994, Mr. Hallam was an auditor with PriceWaterhouseCoopers (formerly Coopers & Lybrand) in Vancouver, specializing in exploration and production stage public mining companies. Mr. Hallam is also a director of Derek Resources Corporation.

**Mr. Florian Ngunangwa** is a geologist who received his B.Sc. in geology from the University of Zagreb, Yugoslavia in 1967 and obtained a certificate of proficiency in mineral economics from McGill University in 1976. From 1980 to 1990, Mr. Ngunangwa was director of exploration with the Eastern and Southern African Mineral Resources Development Centre, a United Nations organization, and since 1990 has been general manager of Tancan Mining Company Limited.

Some directors and officers of the Company hold offices, sit on boards or provide advisory or consulting services to other junior resource issues that may have property interests in Tanzania.

## EXECUTIVE COMPENSATION

The following sets forth all annual and long term compensation for services in respect of Marek Kreczmer, who was Chief Executive Officer as at August 31, 2000. The Company does not have any executive officers as at August 31, 2000 whose individual total compensation for the most recently completed financial year exceeded \$100,000 or any individual who would have satisfied these criteria but for the fact that individual was not serving as such an officer at the end of the most recently completed financial year.

### Summary Compensation Table

The following table sets forth certain information with respect to the compensation of Marek Kreczmer for the financial years of the Company ended August 31, 2000, August 31, 1999 and August 31, 1998.

Name and Principal Position	Financial Year-End August 31	Annual Compensation			Long Term Compensation <sup>(1)</sup>			All Other Comp. (\$)
		Salary (\$)	Bonus (\$)	Other Annual Comp. (\$)	Award \$		Payouts	
					Securities under Options / SARS (#)	Restricted Shares or Units (#)	LTIP Payouts (\$)	
Marek J. Kreczmer <sup>(2)</sup> President	2000	132,462 <sup>(3)</sup>	-	-	-	-	-	-
	1999	133,286 <sup>(3)</sup>	-	-	475,000	-	-	-
	1998	157,127 <sup>(3)</sup>	-	-	150,000	-	-	-

- (1) The Company has no LTIP plans or restricted shares.  
(2) Marek Kreczmer was President and Chief Executive Officer until January 16, 2001, whereupon he became the President only.  
(3) Includes amounts paid in Common Shares (but not including Stock Options).

In May, 2001 the board of directors of the Company authorized aggregate bonus payments of \$89,100 to Mr. Kreczmer and Frank R. Hallam, the Secretary-Treasurer and Chief Financial Officer of the Company. Messrs. Kreczmer and Hallam have agreed to use the proceeds of such payments to purchase an aggregate of 162,000 units of the Company at a price of \$0.55 per unit, each unit consisting of one Common Share and one Common Share purchase warrant exercisable at \$0.60 for a period of two years. The issuance of such units is subject to regulatory approval. See "Description of Share Capital".

### Stock Options

There were no stock options of the Company granted to Marek Kreczmer during the financial year ended August 31, 2000. Marek Kreczmer did not exercise any stock options of the Company during the financial year ended August 31, 2000. The following table sets forth the number of unexercised stock options of the Company held by Marek Kreczmer as at August 31, 2000, none of which have expired.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at August 31, 2000	Value of Unexercised in-the-Money Options at August 31, 2000
Marek J. Kreczmer	-	-	875,000	-

### Employment Contracts

Pursuant to an amended and restated consulting agreement made the 13<sup>th</sup> day of November, 1998 between the Company, Marek J. Kreczmer and Kreczmer Consulting Services Limited (the "Kreczmer Consulting Agreement") for the managerial and administrative services of Marek J. Kreczmer, Mr. Kreczmer devotes time and

attention to the business of the Company as President and a director. Upon termination without cause, Mr. Kreczmer is entitled to receive four times his regular annual compensation. Upon termination resulting from a change of control, Mr. Kreczmer is entitled to receive a lump sum equal to four times his annual base salary and four times his average bonus over the last three years, 160,000 Common Shares of the Company and other benefits.

Pursuant to an amended and restated employment agreement made the 13<sup>th</sup> day of November, 1998 with Frank R. Hallam (the "Hallam Employment Agreement") for the services of Frank R. Hallam, Mr. Hallam devotes time and attention to the business of the Company as Secretary-Treasurer and Chief Financial Officer. Upon termination without cause Mr. Hallam is entitled to receive 24 months salary. Upon termination resulting from a change of control, Mr. Hallam is entitled to receive a lump sum equal to four times his annual salary and four times his average bonus over the last three years, and other benefits. Pursuant to a consulting agreement made the 1<sup>st</sup> day of June, 1997 between the Company and Florian E. Ngunangwa (the "Ngunangwa Consulting Agreement") for the services of Florian E. Ngunangwa, Mr. Ngunangwa devotes substantial time and attention to the business of the Company and its subsidiaries as Vice-President, East Africa of the Company and as a director and officer of the subsidiaries.

### **Compensation of Directors**

During the financial year ended August 31, 2000, no director of the Company was compensated by the Company for his services in his capacity as a director other than stock options entitling the holders thereof to purchase an aggregate of 175,000 Common Shares.

## **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

No director or officer of the Company or associate of any such director or officer is, or at any time since the beginning of the Company's financial year ended August 31, 2000 has been, indebted to the Company or any of its subsidiaries except for expense advances in the normal course of business.

## **RISK FACTORS**

An investment in the securities offered hereunder should be considered speculative due to the nature of the Company's involvement in the exploration of gold metal properties. Prospective investors should carefully consider, in particular, the following risks in addition to the other information set forth in this prospectus:

### **Gold Prices**

The ability of the Company to obtain equity financing, secure joint venture financing or debt financing for the further exploration or development of any of its projects, and the profitability of any gold mining operations in which the Company has an interest, will be significantly affected by changes in the market price of gold. Gold prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The level of interest rates, the rate of inflation, central bank sales, world supply and demand for gold and stability of exchange rates, among other factors, can cause significant fluctuations in gold prices. Such external factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of gold has historically fluctuated widely.

### **Exploration Risks**

Exploration for gold is speculative in nature, involves many risks and is frequently unsuccessful. All of the resource properties in which the Company has an interest or right are in the exploration stage only and are without mineral reserves. There can be no assurance that current, proposed or future exploration and development programmes on properties in which the Company has an interest will result in the discovery of gold mineralization or a profitable commercial mining operation. The commercial viability of a mineral deposit is dependent on a

number of factors including the price of gold, exchange rates, the particular attributes of the deposit, such as its size, grade and proximity to infrastructure, as well as other factors including financing costs, taxation, royalties, land tenure, land use, water use, power use, importing and exporting gold and environmental protection.

### **Calculation of Resources, Conversion to Reserves and Metal Recovery**

There is a degree of uncertainty attributable to the calculation of mineral resources and the degree to which mineral resources may ultimately prove to be convertible to mineral reserves, if at all. Until mineral resources are converted to mineral reserves and actually mined and processed, the quantity of mineral reserves and grades must be considered as estimates only. In addition, the quantity of mineral reserves and resources usually varies depending on metal prices. In addition, there can be no assurance that mineral recoveries in small-scale laboratory tests will be duplicated in large tests under on-site conditions or during production.

### **Lack of Cash Flow and Requirements for New Capital**

The Company's current operations do not generate any positive cash flow and it is not anticipated that any positive cash flow will be generated for some time. The Company has limited financial resources and licences which the Company holds and agreements to which the Company is a party impose financial obligations on the Company. There can be no assurance that additional funding will be available to allow the Company to fulfil such obligations. Further exploration and development of the various mineral properties in which the Company holds interests depends upon the Company's ability to obtain financing through the joint venturing of projects, debt financing, equity financing or other means. The location of the mineral properties in which the Company holds interests in developing countries may make it more difficult, or impossible, for the Company to obtain debt financing from senior lenders. Failure to obtain additional financing on a timely basis could cause the Company to forfeit all or parts of its interests in some or all of its properties or joint ventures and reduce or terminate its operations.

### **Title Matters**

The Company has investigated its rights to explore its various resources properties in Tanzania and, to the best of its knowledge, those rights are in good standing, except as disclosed herein. Certain of the prospecting licences comprising the Itetemia Property have expired. While renewal of such licences has been sought, no assurance can be given that renewal will be given or, if given, land will not be required to be "shed" in accordance with the Mining Act, 1998. Further, the Company has not complied with the terms of the Stamico Venture Agreement, which could lead to a termination of the Company's rights in the Itetemia prospecting licence, an important licence to the Company. As well, no assurance can be given that any government will not significantly alter the conditions of or revoke the applicable exploration or mining authorizations or that such exploration or mining authorizations will not be challenged or impugned by third parties. In addition, there can be no assurance that the properties in which the Company has an interest are not subject to prior unregistered agreements, transfers or claims and title may be affected by undetected defects.

### **Political Regulatory Risks**

The Company is conducting exploration and development activities in Tanzania. The Company believes that the government of Tanzania supports the development of its natural resources by foreign companies. Nevertheless, there is no assurance that future political and economic conditions in Tanzania will not result in the government adopting different policies respecting foreign development and ownership of mineral resources, taxation, rate of exchange, environmental protection, labour relations, repatriation of income or return of capital. This may affect the Company's ability to undertake exploration and development activities in respect of present and future properties, as well as its ability to raise funds to further such exploration and development activities. The possibility that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

## **Tanzanian Political Unrest Risks**

The political unrest in Tanzania has had a bipolar character stemming largely from the history and nature of the political union between Tanganyika and Zanzibar. Following elections in October 2000, political unrest arose as a result of numerous irregularities. Initially, the opposition parties refused to recognize the elected party. Western governments and donor agencies, however, declared that the process had met their basic criterion of fairness. In Zanzibar, where the opposition party – the Civic Union Front ("CUF") – had wide support, the polling was marred by problems so obviously serious and pervasive that a fresh election had to be held. Not convinced that the new round would be free from fraud, the opposition boycotted it, giving a victory by default to the ruling party. This had led to continued political difficulties in Zanzibar.

Since the elections, several bombs have been reported in Zanzibar and tourists have avoided the islands. In January, 2001, the CUF began a nation-wide campaign of peaceful protest, which led to rallies and a number of reported deaths. Nevertheless, as mentioned, most of these activities have taken place in Zanzibar on the islands of Zanzibar and Pemba and the Company's operations on the mainland have been unaffected. The mainland of Tanzania continues to enjoy a level of stability that exceeds most African countries and that stability has existed for over 30 years. Nevertheless, no assurance can be given that political instability will not arise on the mainland of Tanzania and affect the Company's operations.

## **Dependence on Key Personnel**

The Company is dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on the Company. In addition, while certain of the Company's officers and directors have experience in the exploration and operation of gold producing properties, the Company will remain highly dependent upon contractors and third parties in the performance of its exploration and development activities. As such there can be no guarantee that such contractors and third parties will be available to carry out such activities on behalf of the Company or be available upon commercially acceptable terms.

## **Fiscal**

Currency fluctuations may affect the cash flow that the Company may realize from its operations, since gold is sold in a world market in U.S. dollars. The Company's costs are incurred in Canadian dollars, U.S. dollars as well as the currency of Tanzania and may be incurred in other currencies. The currency of Tanzania is currently convertible directly and indirectly into Canadian and U.S. dollars, however, there is no guarantee that it will continue to be so convertible. Currently there are no significant restrictions on the repatriation of capital and distribution of earnings from Tanzania to foreign entities. There can be no assurance, however, that restrictions on repatriation of capital or distributions of earnings from Tanzania will not be imposed in the future. Amendments to current taxation laws and regulations which alter tax rates and/or capital allowances could have a material adverse impact on the Company. The Company has subsidiaries that operate in different tax jurisdictions.

## **Competition**

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and the acquisition of attractive mineral properties. The Company's ability to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for mineral exploration. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects.

## **Environmental Risks**

Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There can be

no assurance that future changes to environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests that have been caused by previous or existing owners or operators. Furthermore, compliance with environmental reclamation, closure and other requirements may involve significant costs and other liabilities.

### **LEGAL PROCEEDINGS**

There are no legal proceedings to which the Company or any of its subsidiaries is a party or of which any of their property is the subject, and no such proceedings are known by the Company to be contemplated.

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

Management of the Company is not aware of any material interest, direct or indirect, of any director or senior officer of the Company, any person or company beneficially owning, directly or indirectly, more than 10% of the Common Shares, or any associate or affiliate of any of them in any transaction within the last three years or in any proposed transaction which in either case has materially affected or will materially affect the Company or any of its subsidiaries.

### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of the Company are PricewaterhouseCoopers LLP, Chartered Accountants, 601 West Hastings Street, Suite 1400, Vancouver, British Columbia, V6B 5A5, who have been the auditors of the Company since October 12, 1994. Montreal Trust Company of Canada (also known as Computer Share Investor Services) at its principal office in Vancouver, British Columbia is the transfer agent and registrar for the Common Shares, and is the registrar for the Special Warrants and the Warrants.

### **MATERIAL CONTRACTS**

Except for contracts entered into in the ordinary course of business, the only contracts entered into by the Company in the two years immediately prior to the date hereof which can reasonably be regarded as presently material to an investor in respect of the securities being offered hereunder are the following:

1. Agency Agreement dated March 6, 2001 between the Company and First Associates Investments Inc. and Haywood Securities Inc. in respect of the private placement of special warrants (see "Plan of Distribution").
2. The Special Warrant Indenture and Warrant Indenture each made the 6<sup>th</sup> day of March, 2001 between the Company and Montreal Trust Company of Canada (see "Plan of Distribution").

Copies of these agreements will be available for inspection at the head office of the Company at Suite 1730, 355 Burrard Street, Vancouver, British Columbia, V6C 2G8, and at the offices of Macleod Dixon LLP, Barristers and Solicitors, Suite 3900, Canada Trust Tower, BCE Place, 161 Bay Street, P.O. Box 505, Toronto, ON M5J 2S1, during normal business hours while the securities offered by this prospectus are in the course of distribution and for a period of 30 days thereafter.

### **OTHER MATERIAL FACTS**

The Company entered into a Shareholder Rights Plan Agreement (the "Plan") with Montreal Trust Company of Canada dated effective April 19, 2000 and in effect for a term of five years. On the effective date of the Plan, one right (a "Right") was issued and attached to each of the Company's outstanding Common Shares and will attach to each Common Share of the Company that is subsequently issued. The Rights will separate from the

Common Shares of the Company and will be exercisable ten trading days after a person (an "Acquiring Person") has acquired, or commences a takeover bid to acquire, 20% or more of the Company's Common Shares, other than by an acquisition pursuant to a takeover bid permitted by the Plan (a "Flip-In Event"). Any Rights held by an Acquiring Person will become void upon the occurrence of a Flip-In Event. Each Right (other than those held by the Acquiring Person), will permit the purchase of that number of shares having an aggregate market price equal to twice the Exercise Price for an amount in cash equal to the Exercise price (which the Rights plan currently sets at \$10.00).

## **LEGAL MATTERS**

Certain legal matters relating to this offering have been passed upon on behalf of the Company by Macleod Dixon LLP, Toronto, Ontario and on behalf of the Agents by Gowling Lafleur Henderson LLP, Toronto, Ontario.

## **EXPERTS**

The technical reports, both dated May 2, 2001 (the "SRK Reports"), were prepared for the Company by Steffen, Robertson and Kirsten Consulting (Canada) Inc. ("SRK"). Partners and associates of SRK beneficially own less than 1% of the issued and outstanding Common Shares.

## **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment thereof. In several of the provinces and territories of Canada, securities legislation provides a purchaser with remedies for rescission or, in some jurisdictions, damages where this prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser within the time limit prescribed by the securities legislation of his or her province or territory. The purchaser should refer to any applicable provisions of the securities legislation of his or her province or territory for the particulars of these rights or consult with a legal adviser.

## **CONTRACTUAL RIGHT OF ACTION FOR RESCISSION**

In the event that a holder of Special Warrants who acquires Common Shares and Warrants upon the exercise of Special Warrants as provided for in this prospectus is or becomes entitled under applicable securities legislation to the remedy of rescission by reason of this prospectus or any amendment containing a misrepresentation, such holder shall be entitled to rescission not only of the holder's exercise of its Special Warrants but also of the private placement transaction pursuant to which the Special Warrants were initially acquired and shall be entitled in connection with such rescission to a full refund of all consideration paid to the Company on the acquisition of the Special Warrants. In the event such holder is a permitted assignee of the interest of the original Special Warrant subscriber, such permitted assignee shall be entitled to exercise the rights of rescission and refund granted to the original Special Warrant subscriber as if such permitted assignee was such original subscriber. The foregoing is a direct contractual right extended by the Company alone (but specifically not by the Agents, directors, officers or other agents of the Company) to holders of special warrants, permitted assignees of such holders and holders of units acquired by such holders on exercise of special warrants and are in addition to any other right or remedy available to a holder of special warrants under section 168 of the *Securities Act* (Alberta), section 131 of the *Securities Act* (British Columbia), section 130 of the *Securities Act* (Ontario), the securities legislation of the holder's province or otherwise at law. The holder should refer to any applicable provisions of the securities legislation of its province for the particulars of these rights or consult with a legal adviser. No action may be commenced to enforce rights of action for rescission more than 180 days after the date of original issuance of the special warrants.

# **Tan Range Exploration Corporation**

Consolidated Financial Statements

**Six months ended February 28, 2001**

**and 2000 (Unaudited) and**

**Years ended August 31, 2000, 1999 and 1998**

November 30, 2000  
(except for note 10, which is as at June 4, 2001)

## **Auditors' Report**

### **To the Directors of Tan Range Exploration Corporation**

We have audited the consolidated balance sheets of **Tan Range Exploration Corporation** as at August 31, 2000 and 1999 and the consolidated statements of operations and deficit, mineral properties and deferred exploration and development costs and cash flows for the years ended August 31, 2000, 1999 and 1998. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at August 31, 2000 and 1999 and the results of its operations and its cash flows for the years ended August 31, 2000, 1999 and 1998 in accordance with Canadian generally accepted accounting principles.

"PricewaterhouseCoopers LLP"

**Chartered Accountants**

# Tan Range Exploration Corporation

## Consolidated Balance Sheets

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	February 28, 2001 \$ (Unaudited)	2000 \$	August 31, 1999 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	1,124,935	1,444,730	314,201
Accounts and other receivables (note 8)	184,803	72,695	186,234
Prepaid expenses	21,856	19,872	11,418
	<hr/> 1,331,594	<hr/> 1,537,297	<hr/> 511,853
<b>Restricted cash</b> (note 4(c))	700,000	540,000	-
<b>Mineral properties and deferred exploration and development costs</b> (note 4)	7,655,617	6,853,957	8,108,140
<b>Capital assets</b> (note 5)	86,327	104,627	119,945
	<hr/> 9,773,538	<hr/> 9,035,881	<hr/> 8,739,938
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	507,823	490,839	279,995
Due to related parties (note 6)	1,300	17,900	23,667
	<hr/> 509,123	<hr/> 508,739	<hr/> 303,662
<b>Shareholders' Equity</b>			
<b>Share capital and special warrants</b> (notes 4(c), 7 and 10)	23,645,971	22,606,604	19,104,136
<b>Deficit</b>	<hr/> (14,381,556)	<hr/> (14,079,462)	<hr/> (10,667,860)
	<hr/> 9,264,415	<hr/> 8,527,142	<hr/> 8,436,276
	<hr/> 9,773,538	<hr/> 9,035,881	<hr/> 8,739,938

**Nature of operations** (note 1)

**Subsequent events** (note 10)

**Approved by the Board of Directors**

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"Frank R. Hallam" Director

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"Marek J. Kreczmer" Director

# Tan Range Exploration Corporation

## Consolidated Statements of Operations and Deficit

	Six months ended February 28,		Years ended August 31,		
	2001 \$ (Unaudited)	2000 \$ (Unaudited)	2000 \$	1999 \$	1998 \$
<b>Expenses</b>					
Amortization	18,000	15,000	30,604	37,807	40,063
Annual general meeting	12,495	-	21,074	11,631	6,728
Consulting and management fees	57,818	43,813	42,786	65,248	94,702
Insurance	6,021	5,789	24,971	22,429	26,032
Memberships, courses and publications	4,518	5,484	10,431	12,048	-
New property investigation costs	5,102	-	-	133,816	208,605
Office and administration	14,693	20,592	47,554	31,323	51,595
Office rentals	20,437	33,668	48,143	50,574	33,253
Other and miscellaneous	-	-	-	-	8,524
Press releases	23,541	13,115	20,207	22,290	36,247
Printing and mailout	-	2,699	4,188	20,603	166,231
Professional fees	19,085	10,996	54,114	40,073	57,283
Promotions and shareholder relations	20,088	8,848	29,973	33,869	166,531
Salaries and benefits	107,395	120,374	336,288	297,598	304,944
Telephone and fax	8,460	8,675	21,284	24,724	44,011
Transfer agent and listing	10,329	14,219	32,665	18,973	16,491
Travel and accommodation	15,368	17,781	33,879	29,077	65,723
	343,350	321,053	758,161	852,083	1,326,963
Less: Expense recoveries	-	-	68,617	-	56,665
	343,350	321,053	689,544	852,083	1,270,298
<b>Other expenses (income)</b>					
Foreign exchange	(22,264)	14,267	23,944	6,580	(74,357)
Interest - net of expense	(18,992)	(4,683)	(53,731)	(27,801)	(54,862)
Gain on sale of capital assets	-	-	(587)	(12,234)	(50,079)
Write-off of mineral properties and deferred exploration and development costs (note 4)	-	-	2,752,432	1,517,959	131,232
	(41,256)	9,584	2,722,058	1,484,504	(48,066)
<b>Loss for the period</b>	302,094	330,637	3,411,602	2,336,587	1,222,232
<b>Deficit - Beginning of period</b>	14,079,462	10,667,860	10,667,860	8,331,273	7,109,041
<b>Deficit - End of period</b>	14,381,556	10,998,497	14,079,462	10,667,860	8,331,273
<b>Basic and diluted loss per share</b>	0.01	0.01	0.09	0.06	0.03

# Tan Range Exploration Corporation

## Consolidated Statements of Mineral Properties and Deferred Exploration and Development Costs

	Six months ended February 28, 2001 \$ (Unaudited)	Years ended August 31,		
		2000 \$	1999 \$	1998 \$
<b>Mineral properties and deferred exploration and development costs expended for the period, less recoveries</b>				
Camp, field supplies and travel	72,231	217,403	126,913	227,107
Exploration and field overhead	56,157	83,211	88,434	183,702
Geological consulting and field wages	198,008	542,172	404,951	599,390
Geophysical and geochemical	56,662	436,999	93,677	223,553
Parts and equipment	-	70,575	35,148	48,880
Property acquisition costs	29,716	16,859	11,333	13,247
Trenching and drilling	388,886	930,058	170,484	548,390
Recoveries	-	(799,028)	(445,917)	-
	801,660	1,498,249	485,023	1,844,269
<b>Total mineral properties and deferred exploration and development costs - Beginning of period</b>	6,853,957	8,108,140	9,141,076	7,428,039
<b>Mineral properties and deferred exploration and development costs written off during the period</b>	-	(2,752,432)	(1,517,959)	(131,232)
<b>Total mineral properties and deferred exploration and development costs - End of period</b>	7,655,617	6,853,957	8,108,140	9,141,076

# Tan Range Exploration Corporation

## Consolidated Statements of Cash Flows

	Six months ended February 28,		Years ended August 31,		
	2001 \$ (Unaudited)	2000 \$ (Unaudited)	2000 \$	1999 \$	1998 \$
<b>Cash flows from operating activities</b>					
Loss for the period	(302,094)	(330,637)	(3,411,602)	(2,336,587)	(1,222,232)
Items not affecting cash					
Amortization	18,000	15,000	30,604	37,807	40,063
Write-off of mineral properties and deferred exploration and development costs	-	-	2,752,432	1,517,959	131,232
Gain on sale of capital assets	-	-	(587)	(12,234)	(50,079)
	(284,094)	(315,637)	(629,153)	(793,055)	(1,101,016)
Net change in non-cash working capital items (note 3)	(72,741)	440,596	338,429	160,114	(170,676)
	(356,835)	124,959	(290,724)	(632,941)	(1,271,692)
<b>Cash flows from investing activities</b>					
Mineral properties and deferred exploration and development costs - net of recoveries	(801,660)	(912,179)	(1,498,249)	(485,023)	(1,844,269)
Capital asset additions (disposals) - net	300	(2,764)	(14,699)	13,737	79,617
	(801,360)	(914,943)	(1,512,948)	(471,286)	(1,764,652)
<b>Cash flows from financing activities</b>					
Share capital issued - net of issuance costs (notes 3 and 7(b))	1,015,000	1,276,858	3,479,968	66,248	1,768,573
Restricted cash	(160,000)	-	(540,000)	-	-
Due to related parties	(16,600)	8,599	(5,767)	9,001	14,666
	838,400	1,285,457	2,934,201	75,249	1,783,239
<b>Increase (decrease) in cash and cash equivalents</b>	(319,795)	495,473	1,130,529	(1,028,978)	(1,253,105)
<b>Cash and cash equivalents - Beginning of period</b>	1,444,730	314,201	314,201	1,343,179	2,596,284
<b>Cash and cash equivalents - End of period</b>	1,124,935	809,674	1,444,730	314,201	1,343,179
<b>Cash and cash equivalents consist of</b>					
Cash on deposit with banks	501,915	359,674	684,991	314,201	894,879
Short-term investments	623,020	450,000	759,739	-	448,300
	1,124,935	809,674	1,444,730	314,201	1,343,179

# Tan Range Exploration Corporation

Notes to Consolidated Financial Statements

February 28, 2001 and 2000 (Unaudited) and

August 31, 2000, 1999 and 1998

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## 1 Nature of operations

The company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral deposits that are economically recoverable. Accordingly, the company is considered to be in the development stage. The continued operations of the company and the recoverability of the amounts shown for mineral properties and related deferred costs are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the company to obtain necessary financing for exploration and development, and upon future profitable production or proceeds from disposition of the mineral properties. The amounts shown as mineral properties and deferred exploration and development costs represent net costs to date, less amounts amortized and/or written off, and do not necessarily represent present or future values.

## 2 Significant accounting policies

### Interim financial statements

The interim financial statements as at and for the periods ended February 28, 2001 and 2000 are unaudited. These interim financial statements follow the same accounting policies and methods of application as the audited annual financial statements for the years ended August 31, 2000 and 1999.

### Principles of consolidation

These consolidated financial statements include the accounts of Tan Range Exploration Corporation and its subsidiaries:

	<b>Percentage ownership</b>
Dia Consult Limited (a Tanzanian company)	100%
Itetemia Mining Company (a Tanzanian holding company)	90%
Kabahelele Mining Company Limited (a Tanzanian holding company)	80%
Tancan Mining Company Limited (a Tanzanian company)	100%
Zanj Holdings Ltd. (a Canadian company) - dissolved in 2000	100%

### Translation of foreign currencies

The company's subsidiaries are considered integrated foreign subsidiaries and their accounts are translated using the temporal method. Under this method, monetary assets and liabilities are translated at the prevailing year-end exchange rates. Non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expense items are translated at the average rate of exchange for the year. Translation gains and losses are included in the statement of operations and deficit.

# Tan Range Exploration Corporation

Notes to Consolidated Financial Statements  
February 28, 2001 and 2000 (Unaudited) and  
August 31, 2000, 1999 and 1998

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## Capital assets

Capital assets are recorded at cost and amortization is provided for on a declining balance basis using the following rates:

Machinery and equipment	20% to 30%
Automotive	30%
Computer equipment	30%
Leasehold improvements	20%

## Mineral properties and deferred exploration and development costs

Acquisition costs and exploration and development costs relating to mineral properties 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 or sold or management determines that there has been an impairment in the carrying amount of the mineral property, at which time the deferred costs are written off, or written down.

Amounts recovered from third parties to earn an interest in the company's mineral properties are applied as a reduction of the deferred exploration and development costs.

Overhead costs directly attributable to exploration and development activities are allocated to the mineral properties explored during the year and are deferred and amortized using the same method applied to property-specific exploration and development costs. All other overhead and administration costs are expensed in the year they are incurred.

## Mineral property option payments

Options are exercisable at the discretion of the payer and, accordingly, are only recognized as paid.

## Stock options

No expense is recognized when stock options are issued. Any consideration paid by option holders on exercise of stock options is credited to share capital.

## Loss per share

Outstanding stock options and warrants that could potentially dilute basic earnings per share in the future have not been included in the computation of diluted earnings per share because to do so would have been anti-dilutive.

## Financial instruments

The company's financial assets and liabilities consist of non-interest bearing accounts and other receivables, accounts payable and accrued liabilities, and cash and cash equivalents. The fair value of the company's financial assets and liabilities is estimated to approximate their carrying value.

# Tan Range Exploration Corporation

Notes to Consolidated Financial Statements  
**February 28, 2001 and 2000 (Unaudited) and  
 August 31, 2000, 1999 and 1998**

## Cash and cash equivalents

Cash and cash equivalents are held with large Canadian and U.S. financial institutions and consist of cash on deposit with banks or highly liquid short-term interest-bearing securities with maturities at purchase dates of three months or less, and are subject to standard deposit insurance limits.

## 3 Non-cash operating and financing activities

During the six months ended February 28, 2001 (unaudited), 60,000 (years ended August 31, 2000 - 50,000; 1999 - 45,778; 1998 - nil) common shares in the amount of \$24,367 (years ended August 31, 2000 - \$22,500; 1999 - \$20,600; 1998 - \$nil) issued to settle certain outstanding accounts payable and have been excluded from the statement of cash flows.

## 4 Mineral properties and deferred exploration and development costs

The company acquires gold or other precious metal concessions through its own efforts or through the efforts of its subsidiaries. The majority of the company's concessions are located in Tanzania.

For each concession granted in Tanzania under a prospecting licence, the company is required to carry out a minimum amount of exploration work before a mining licence can be granted for further development. Prospecting licences are granted for a two-year term and may be renewed for a second two-year term followed by a third one-year term.

All mining licences are granted subject to an annual rental fee of not more than U.S. \$20 per square kilometre payable to the government of Tanzania. In addition, the government of Tanzania imposes a royalty on the gross value of all production at the rate of 3% of all gold produced.

	August 31, 1999			August 31, 2000		February 28, 2001			
	Total costs to 1998 \$	Net costs incurred during the year \$	Written off during the year \$	Total costs to August 31, 1999 \$	Net costs incurred (recovered) during the year \$	Written off during the year \$	Total costs to August 31, 2000 \$	Net costs incurred during the period \$	Total costs to February 28, 2001 \$
								(Unaudited)	(Unaudited)
Tanzania -									
Bukwimba	41,466	146	-	41,612	1,147	-	42,759	-	42,759
Geita East	612,749	8,242	-	620,991	44,061	(665,052)	-	-	-
Itetemia	4,075,981	252,322	-	4,328,303	1,191,441	-	5,519,744	632,483	6,152,227
Kabahelele	1,337,287	96,834	-	1,434,121	(3,038)	(1,431,083)	-	-	-
Luhala	786,156	29,898	-	816,054	161,881	-	977,935	162,261	1,140,196
Mnekezi	191,352	13,052	-	204,404	107,052	-	311,456	4,152	315,608
Mulehe	-	6,358	-	6,358	(4,295)	-	2,063	2,764	4,827
Ethiopia	1,417,494	78,171	(1,495,665)	-	-	-	-	-	-
Eritrea	14,421	-	(14,421)	-	-	-	-	-	-
Zambia	656,297	-	-	656,297	-	(656,297)	-	-	-
Other	7,873	-	(7,873)	-	-	-	-	-	-
	9,141,076	485,023	(1,517,959)	8,108,140	1,498,249	(2,752,432)	6,853,957	801,660	7,655,617

# Tan Range Exploration Corporation

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The company continually assesses the carrying value of mineral properties and deferred exploration and development costs. During the year ended August 31, 2000, given increased uncertainty over the ability of the company to recover the costs deferred against Kabahелеle, Geita East and Zambia, these properties were written off. The company will retain title to these properties.

## a) Geita East

Pursuant to an agreement dated June 9, 1997 with M-B Mining Tanzania Limited, which replaced a prior agreement dated February 26, 1996, the company has an undivided 90% interest in, and is manager of, the Geita East concession. M-B Mining Tanzania Limited has a 10% free carried interest that the company may elect to purchase at fair market value within 60 days after a production decision has been made. The company is required to fund all costs of the project.

In January 1999, Ashanti Goldfields Company Limited (Ashanti) entered into an agreement with the company whereby Ashanti was granted the exclusive option to acquire an undivided 60% interest (two-thirds of the company's 90% interest) in the Geita East concession. Subsequent to the year ended August 31, 2000, Ashanti terminated its option.

During the year ended August 31, 1999, the company recovered costs of \$98,625 on this property.

During the year ended August 31, 2000, the property was written off.

## b) Itetemia

By an agreement with the State Mining Corporation of Tanzania (Stamico) dated July 18, 1994, the company acquired a 90% interest in the Itetemia gold concession in exchange for U.S. \$57,400 in option payments over seven years and a requirement to spend at least U.S. \$300,000. Those requirements have been met.

Stamico retains a 2% royalty interest as well as a right to earn back an additional 20% interest in the property by meeting 20% of the costs required to place the property into production. The company retains the right to purchase one-half of Stamico's 2% royalty interest in exchange for U.S. \$1,000,000.

See also note 4(c).

## c) Itetemia North, Itetemia Village, Mwingilo and Ngula

All of these concessions are contiguous with the company's Itetemia concession (see note 4(b)). The resulting group of five concessions is collectively referred to as the Itetemia Project by the company.

The Itetemia North concession was acquired in exchange for U.S. \$35,000 and a 3% net smelter royalty. The Itetemia Village, Mwingilo and Ngula concessions were acquired by staking, and minimum work requirements have been completed.

# Tan Range Exploration Corporation

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On November 15, 1999, Barrick Gold Corporation (Barrick) entered into an agreement with the company granting Barrick the exclusive option, exercisable within four years of the signing of a formal agreement (the closing date), to earn an undivided 60% interest in the Itetemia Project. In exchange for this option, Barrick was required to make three placements within 12 months of the closing date of \$1,000,000 each for shares of the company at prices of \$0.70, \$0.85 and \$1.00 respectively. All three placements were completed by Barrick prior to November 15, 2000 (note 7(b)). In addition, Barrick was granted a warrant to purchase 740,741 additional shares at a price of \$1.35 within 18 months of the closing date (see note 10(b)). Barrick will have the right to maintain its interest in the company from time to time by way of additional private placements. The company has agreed that 80% of all proceeds from the above placements will be expended upon the exploration and development of the Itetemia Project. As at February 28, 2001 (unaudited), the company had \$700,000 (August 31, 2000 - \$540,000) committed to such expenditures, which is included in restricted cash.

To exercise its option, Barrick must make a positive production decision with respect to the Itetemia Project which contemplates a rate of production of not less than 100,000 ounces of gold per annum. In addition, Barrick must finance the entire project, with the company to repay its portion of the costs from its share of the net proceeds of production. Once a production decision is taken by Barrick, if the property is not in production on a stand-alone basis within 18 months, or within 12 months on a custom-milling basis, Barrick must make penalty payments to the company as follows:

	U.S. \$
Year one	500,000
Year two	750,000
Year three	1,000,000
Year four and subsequent years	1,200,000

Payments due after year five will be adjusted for inflation based on the Canadian Consumer Price Index.

In addition to the above, upon exercise of its option, Barrick will assume the company's right to purchase Stamico's 10% interest in the Itetemia concession (note 4(b)). Should this occur, Barrick has agreed to pay the company's portion of all production royalties payable from the Itetemia concession to the Tanzanian government.

## **d) Kabahелеle, Luhala, Mnekezi and Mulehe**

During 1993, the company acquired an 80% interest in the Kabahелеle gold concession. Minimum work requirements of U.S. \$300,000 have been completed. The company acquired 100% interests in the Mnekezi and Mulehe concessions by way of staking in 1994.

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The company was granted the Luhala gold concession on July 2, 1992. To maintain this concession, the company was required to conduct exploration work of at least U.S. \$250,000 before October 25, 1997. This work commitment was met during the year ended August 31, 1997. During the year ended August 31, 2000, the company entered into option agreements to acquire 100% of two additional prospecting licences comprising the Luhala Property, Ngobo and Sima. To earn its interest, the company must make payments totalling U.S. \$204,000 over a six-year period, U.S. \$27,000 of which was paid during 2000. The Ngobo and Sima properties are subject to a 2% NSR royalty.

Effective April 25, 1999, Newmont Overseas Exploration Limited (Newmont) entered into a formal agreement with the company granting Newmont the right to earn up to 70% of the company's interests in the Kabahелеle, Luhala, Mnekezi and Mulehe concessions in exchange for certain option payments and exploration expenditures. During the year ended August 31, 2000, Newmont terminated its option and retains no rights or interests in any of the properties.

During the year ended August 31, 2000, the company recovered costs by way of option payments and exploration expense reimbursements from Newmont of \$168,575 (1999 - \$72,451) on the Kabahелеle property, \$363,369 (1999 - \$nil) on the Luhala property, \$231,538 (1999 - \$274,841) on the Mnekezi property and \$42,319 (1999 - \$nil) on the Mulehe property.

During the year ended August 31, 2000, the Kabahелеle Property was written off.

## e) **Ethiopia and Eritrea**

In February 1996, the government of Ethiopia granted the company licences for the Hagere Mariam, Blue Nile and Tulu Kapi properties. Since that time, the company incurred \$1,495,665 in costs related to the exploration and development of these properties. Despite favourable geological findings, during the year ended December 31, 1999, the company decided to abandon these projects, and accordingly, the company has written off all costs associated with these projects.

## f) **Zambia**

In October 1994, the company was granted two-year term renewable prospecting licences for the Chetina, Msidza and Senga Hills properties. All three prospecting licences were renewed for an additional two-year term on July 13, 1999. To maintain these licences, the company must actively explore and develop the properties and pay annual licence fees.

During the year ended August 31, 2000, the property was written off.

# Tan Range Exploration Corporation

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## 5 Capital assets

	February 28, 2001 (Unaudited)		
	Cost \$	Accumulated amortization \$	Net \$
Machinery and equipment	230,819	183,093	47,726
Automotive	147,144	129,433	17,711
Computer equipment	65,712	45,749	19,963
Leasehold improvements	17,279	16,352	927
	<hr/> 460,954	<hr/> 374,627	<hr/> 86,327
	August 31, 2000		
	Cost \$	Accumulated amortization \$	Net \$
Machinery and equipment	234,185	175,093	59,092
Automotive	147,144	126,933	20,211
Computer equipment	62,646	39,749	22,897
Leasehold improvements	17,279	14,852	2,427
	<hr/> 461,254	<hr/> 356,627	<hr/> 104,627
	August 31, 1999		
	Cost \$	Accumulated amortization \$	Net \$
Machinery and equipment	230,591	156,775	73,816
Automotive	147,144	118,273	28,871
Computer equipment	43,728	29,937	13,791
Leasehold improvements	17,279	13,812	3,467
	<hr/> 438,742	<hr/> 318,797	<hr/> 119,945

# Tan Range Exploration Corporation

Notes to Consolidated Financial Statements  
**February 28, 2001 and 2000 (Unaudited) and  
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## 6 Due to related parties

The amounts due to related parties are without interest, unsecured, and payable in shares, as follows:

	<b>February 28, 2001 \$ (Unaudited)</b>	<b>2000 \$</b>	<b>August 31, 1999 \$</b>
Due to directors, shareholders and employees for services	1,300	17,900	23,667

## 7 Share capital and special warrants

### a) Authorized

An unlimited number of common voting shares

### b) Issued common shares and special warrants

	<b>Number of shares</b>	<b>Amount \$</b>
Balance - August 31, 1998	36,451,086	19,017,288
Stock options exercised	105,000	34,350
Shares for debt	45,778	20,600
Issued for director services	80,065	31,898
Balance - August 31, 1999	36,681,929	19,104,136
Stock options exercised	690,000	274,225
Issued for cash	2,605,042	2,000,000
Issued for director services	50,000	22,500
Special warrants - net of issue costs	-	1,205,743
Balance - August 31, 2000	40,026,971	22,606,604
Stock options exercised	30,000	15,000
Issued for cash	1,000,000	1,000,000
Issued for director services	60,000	24,367
Special warrants	2,596,000	-
Balance - February 28, 2001 (Unaudited)	43,712,971	23,645,971

Under the terms of a property acquisition agreement dated November 15, 1999 (see note 4(c)), on November 30, 1999, Barrick purchased 1,428,571 shares at a price of \$0.70 each for total proceeds of \$1,000,000. On May 11, 2000, Barrick purchased a further 1,176,471 shares at a price of \$0.85 each for total proceeds of \$1,000,000. On October 23, 2000, Barrick purchased a third placement of 1,000,000 shares at \$1.00 each for total proceeds of \$1,000,000.

# Tan Range Exploration Corporation

Notes to Consolidated Financial Statements

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On February 8, 2000, the company completed a private placement for the issuance of 400,000 special warrants at a price of \$0.41 per special warrant. These special warrants are exchangeable into one common share and one non-transferable share purchase warrant for a further 400,000 common shares exercisable at a price of \$0.45 until February 8, 2002.

On March 31, 2000, the company completed a private placement for the issuance of 1,996,000 special warrants at a price of \$0.50 per special warrant. These special warrants are exchangeable into one common share and one non-transferable share purchase warrant for a further 1,996,000 common shares exercisable at a price of \$0.60 until March 31, 2001 and \$0.70 until March 31, 2002. A commission of \$104,300 was paid in association with this placement in the form of 96,000 special warrants and \$56,300 cash.

On May 9, 2000, the company completed a private placement for the issuance of 200,000 special warrants at a price of \$0.50 per special warrant. These special warrants are exchangeable into one common share and one non-transferable share purchase warrant for a further 200,000 common shares exercisable at a price of \$0.60 until May 9, 2001 and \$0.70 until May 9, 2002.

On September 12, 2000, the 2,596,000 special warrants were exchanged for common shares and warrants of the company.

As at February 28, 2001 (unaudited), the following share purchase warrants were outstanding:

<b>Number of common shares</b>	<b>Exercise price \$</b>	<b>Expiry date</b>
740,741	1.35	June 14, 2001 (note 10(b))
400,000	0.45	February 8, 2002
1,996,000	0.60 (0.70)	March 31, 2001 (2002)
200,000	0.60 (0.70)	May 9, 2001 (2002)

# Tan Range Exploration Corporation

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## c) Stock options

Stock options are granted at the discretion of the board of directors and in accordance with the rules and regulations of the CDNX. Stock options vest immediately, once granted and approved, and cannot exceed 10% of issued and outstanding share capital. Stock option activity for the period was as follows:

	<b>Number of shares</b>	<b>Weighted average price \$</b>
Outstanding - August 31, 1999	3,409,500	0.61
Granted	1,077,500	0.43
Exercised	(690,000)	0.40
Cancelled	(235,000)	0.42
	<hr/>	
Outstanding - August 31, 2000	3,562,000	0.61
Granted	1,269,500	0.37
Exercised	(30,000)	0.50
Cancelled	(494,500)	0.77
	<hr/>	
Outstanding - February 28, 2001 (Unaudited)	<u>4,307,000</u>	<u>0.53</u>

At February 28, 2001 (unaudited), the following director and employee stock options were outstanding:

<b>Number of common shares</b>	<b>Exercise price \$</b>	<b>Expiry date</b>
20,000	0.40	November 13, 2001
500,000	0.82	February 10, 2002
100,000	0.91	July 20, 2002
340,000	0.92	January 14, 2003
1,050,000	0.50	March 1, 2004
175,000	0.40	November 4, 2004
155,500	0.35	December 8, 2004
463,000	0.45	January 4, 2005
174,000	0.45	January 7, 2005
50,000	0.50	January 19, 2005
10,000	0.55	March 2, 2005
675,000	0.40	November 8, 2005
99,500	0.40	February 1, 2006
<u>495,000</u>	<u>0.33</u>	January 16, 2006
<hr/>		
<u>4,307,000</u>		

# Tan Range Exploration Corporation

Notes to Consolidated Financial Statements  
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## 8 Related party transactions

During the six months ended February 28, 2001 (unaudited), \$81,782 (years ended August 31, 2000 - \$154,962; 1999 - \$161,228) was paid or payable by the company to two directors and one former director (1999 - two directors) for consulting fees.

As at February 28, 2001 (unaudited), accounts receivable include advances to related parties of \$64,660 (August 31, 2000 - \$61,464; 1999 - \$56,259), which consist of funds advanced for exploration and corporate activities conducted in the normal course of business, and \$102,750 (August 31, 2000 - \$544; 1999 - \$66,210) due in the normal course of business from two tenant companies sharing administration costs with the company and related by way of common directors and officers.

Other related party transactions are disclosed elsewhere in these consolidated financial statements.

## 9 Income taxes

During the year ended August 31, 2000, the company adopted CICA - 3465 Corporate Income Taxes on a retroactive basis. Adoption of the new standard resulted in no adjustments to the company's financial statements.

As at August 31, 2000, the company has estimated loss carryforwards and certain resource-related deductions aggregating \$13,700,000 (1999 - \$12,300,000), which are available to be offset against future taxable income. The future income tax benefit of these losses and deductions, amounting to \$6,165,000, has been offset by a valuation allowance and, accordingly is not reflected in these financial statements as, at this stage in the company's development, it is not more likely than not that the losses will be realized.

## 10 Subsequent events

- a) On March 6, 2001, the company closed an issue of 5,875,000 special warrants priced at \$0.40 per special warrant. Each special warrant is exchangeable into one unit of the company, comprising one common share in the capital of the company and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder to purchase an additional common share at a price of \$0.60 for a period of 18 months. If the qualification date has not occurred by June 4, 2001, each holder of special warrants will be entitled to receive units comprising 1.1 common shares of the company and one half of one share purchase warrant. A prospectus dated June 1, 2001 was filed to qualify these special warrants.

The gross proceeds of \$2,350,000 were reduced by an agent's commission of \$164,500. The agents are also entitled to 46,266 common shares upon clearance of a qualifying prospectus. Additional expenses relating to the offering of the special warrants are estimated to be \$300,000.

# **Tan Range Exploration Corporation**

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- b) On April 26, 2001, the company announced that it granted an extension of the expiry date of 740,741 warrants granted to Barrick on November 30, 1999 (note 4(c)). The original expiry date of April 30, 2001 has been extended to June 14, 2001.
- c) On May 9, 2001, the company issued 125,000 common shares at \$0.45 per share for settlement of certain accounts payable.
- d) On May 26, 2001, the company announced a private placement of 162,000 units at \$0.55 per unit. Each unit consists of one common share and one common share purchase warrant exercisable at a price of \$0.62 for two years. The private placement is subject to regulatory approval.

**CERTIFICATE OF THE COMPANY**

Dated: June 1, 2001

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 8 of the *Securities Act* (Alberta) and Part XV of the *Securities Act* (Ontario) and the rules and regulations thereunder.

*"Norman Hardie"*

(signed) Norman D. A. Hardie  
Chairman and Chief Executive Officer

*"Frank Hallam"*

(signed) Frank R. Hallam  
Secretary-Treasurer and Chief Financial  
Officer

On behalf of the Board of Directors

*"Marek Kreczmer"*

(signed) Marek J. Kreczmer  
Director

*"Wayne Beach"*

(signed) Wayne G. Beach  
Director

**CERTIFICATE OF THE AGENTS**

Dated: June 1, 2001

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 8 of the *Securities Act* (Alberta) and Part XV of the *Securities Act* (Ontario) and the rules and regulations thereunder.

FIRST ASSOCIATES INVESTMENTS INC.

HAYWOOD SECURITIES INC.

*"Rodger Gray"*

By: (signed) Rodger Gray

*"John Willett"*

By: (signed) John D. Willett