

AMENDED PRELIMINARY PROSPECTUS DATED MARCH 23, 1998

This amended preliminary prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. The securities offered herein have not been and will not be registered under the United States Securities Act of 1933, as amended, and, accordingly, may not be offered or sold within the United States of America. See "Plan of Distribution".

Initial Public Offering

HALKAT INDUSTRIES INCOME TRUST

\$

Trust Units

(Represented by Instalment Receipts)

This prospectus qualifies the distribution of trust units ("Trust Units") to be issued by Halkat Industries Income Trust (the "Trust"). Each Trust Unit represents an equal fractional beneficial interest in the Trust. The Trust has been created to acquire all of the outstanding shares ("Shares") and subordinated notes ("Subordinated Notes") of Halkat Industries Inc. (the "Company") from Goldcorp Inc. ("Goldcorp"). See "Halkat Industries Income Trust — The Acquisition and Related Matters" and "Use of Proceeds". The Trust will distribute to holders of Trust Units cash received from the Company in respect of such Shares and Subordinated Notes to the maximum extent possible.

The Trust Units are offered hereby at a price of \$10.00 per Trust Unit, payable on an instalment basis. An initial instalment of \$6.00 per Trust Unit is payable on the closing of the Offering and the final instalment of \$4.00 per Trust Unit is payable on or before , 1999 (the "Final Instalment Date"). The Trust Units will be pledged to the Trust to secure the obligation to pay the final instalment of the purchase price for the Trust Units. Until the final instalment is paid, beneficial ownership of the Trust Units will be represented by instalment receipts ("Instalment Receipts"). **If a holder of an Instalment Receipt does not pay the final instalment on or before the Final Instalment Date, the Trust or its assignees may, upon compliance with applicable law, acquire the Trust Units represented by that holder's Instalment Receipt, in full satisfaction of the obligation to pay the final instalment, or the Trust or its assignees may cause those Trust Units to be sold, in which case the holder will remain liable for any deficiency if the proceeds realized by the Trust or its assignees are insufficient to cover the amount of the final instalment and any costs of sale. See "Details of the Offering".**

There is currently no market through which the Trust Units or the Instalment Receipts may be sold. No independent valuation has been obtained in respect of the Shares or the Subordinated Notes, and no comparison of the net book value of the Company to the acquisition price of the Shares or the Subordinated Notes is provided herein as the net book value of the Company is not an accurate reflection of its fair value. **An investment in Trust Units is subject to certain risks that should be considered by prospective purchasers, such as the market prices of Trust Units and Instalment Receipts may decline as a result of, among other things, a rise in interest rates. See "Risk Factors".**

The Trust anticipates distributing Distributable Cash (as defined herein) in respect of the calendar quarters ending March, June, September and December in each year to holders of Trust Units ("Unitholders") of record on the last day of each such quarter. Payments will be made on or about the 15th day after each record date. The distribution due and payable in respect of the initial period ending , 1998 is expected to be paid on or about 15, 1998 to Unitholders of record on , 1998.

In the opinion of counsel, the Trust Units represented by the Instalment Receipts, at the date of closing, will be eligible for investment under certain statutes as set forth under "Eligibility for Investment". In addition, so long as the Trust qualifies as a "mutual fund trust", the Trust Units, at the date of closing, will be qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds or deferred profit sharing plans.

The Trust is not a trust company and does not carry on business as a trust company and, accordingly, the Trust is not registered under the trust company legislation of any jurisdiction. Trust Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation.

Price: \$10.00 per Trust Unit, of which \$6.00 is payable on closing

	Price (1)	Underwriters' Fee	Net Proceeds to the Trust (2)
Per Trust Unit			
Initial Instalment	\$ 6.00	\$	\$
Final Instalment	4.00	—	4.00
Total per Trust Unit	<u>\$10.00</u>	<u>\$</u>	<u>\$</u>
Total Offering	<u>\$</u>	<u>\$</u>	<u>\$</u>

Notes:

(1) The price of the Trust Units was determined by negotiation between Goldcorp, the Trust and the Underwriters.

(2) Before deducting the expenses of the Offering estimated at \$ which, together with the Underwriters' fee, will be paid by the Trust out of the proceeds of the Offering.

CIBC Wood Gundy Securities Inc., RBC Dominion Securities Inc., First Marathon Securities Limited, Griffiths McBurney & Partners, Midland Walwyn Capital Inc., Nesbitt Burns Inc. and TD Securities Inc. (collectively, the "Underwriters"), as principals, conditionally offer the Trust Units, subject to prior sale, if, as and when issued, sold and delivered by the Trust and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Trust and Goldcorp by Bennett Jones Verchere, Toronto, and on behalf of the Underwriters by McCarthy Tétrault, Toronto.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Book-entry only certificates representing the Instalment Receipts and the Trust Units will be issued in registered form to The Canadian Depository for Securities Limited ("CDS") or its nominee and will be deposited with CDS on the date of closing which is expected to occur on or about , 1998, or such later date as Goldcorp and the Underwriters may agree, but in any event not later than , 1998. A purchaser of Trust Units pursuant to the Offering will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Trust Units are purchased.

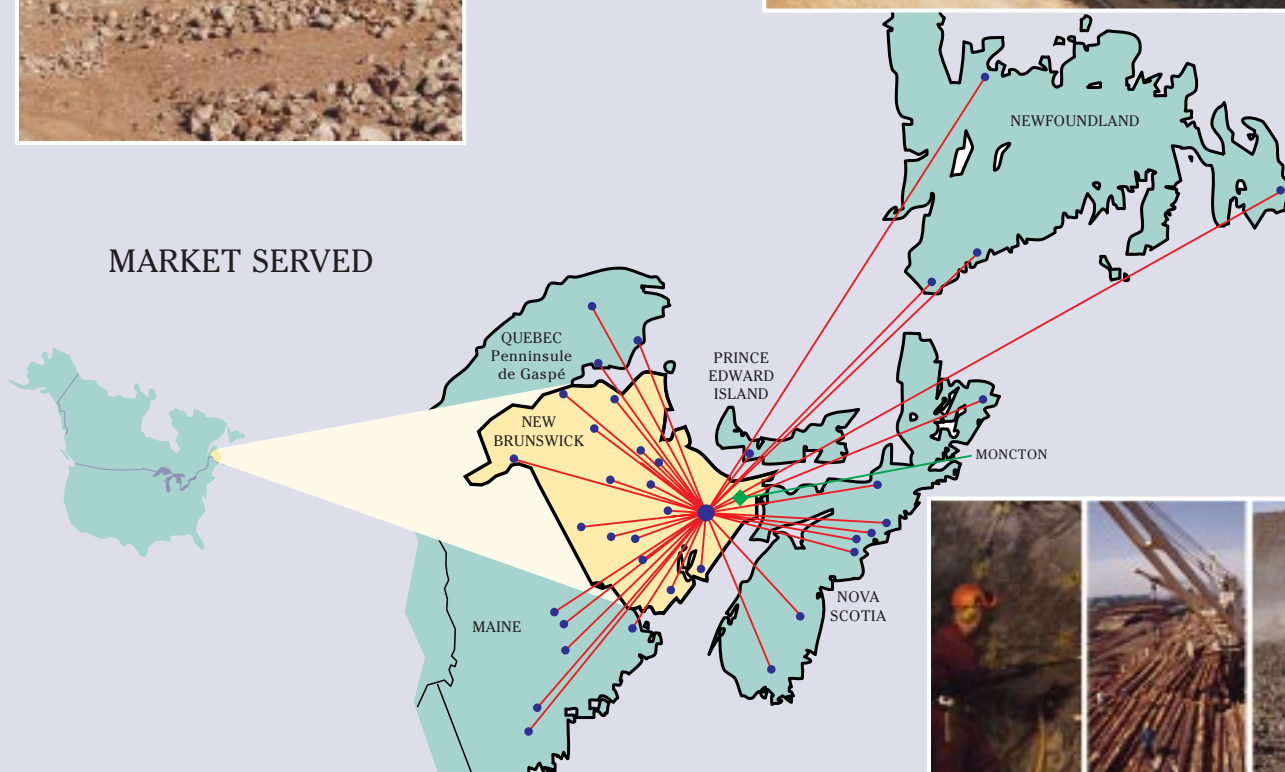
This is an amended preliminary prospectus relating to these securities, a copy of which has been filed with the securities commission or similar regulatory authority in the provinces of Canada but which has not yet become final for the purpose of a distribution to the public. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted from residents of any such province prior to the time a receipt for the final prospectus is obtained from the securities commission in such province.

Havelock Lime is a major producer of processed lime and limestone products with reserves of approximately 35 years at the current rate of production.

Havelock's lime and limestone quarry and processing operations, located about 40 kilometres northwest of Moncton, New Brunswick, have been producing for nearly 60 years.



MARKET SERVED



Havelock Lime maintains a transportation fleet that serves Canada's four Atlantic Provinces as well as the State of Maine.



Havelock Lime serves the pulp and paper, agricultural, environmental, mining and smelting, chemical and steel industries. Lime products are also used for making concrete utilized in the construction industry and asphalt used in road construction.





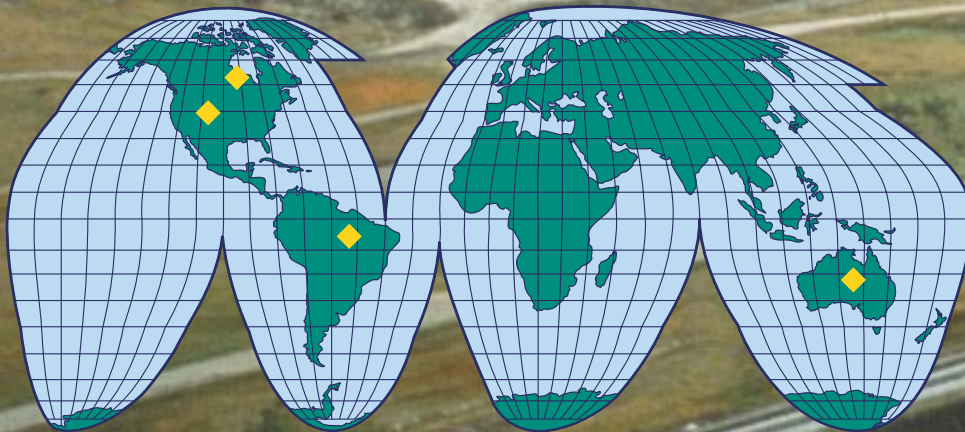
The Chaplin facility is located about 283 kilometres from Ingebrigt. The two operations currently serve North American as well as Australian, New Zealand and South American markets.

The primary market for sodium sulphate is North America's powdered detergent industry. Saskatchewan Minerals also serves customers who produce pulp and paper, glass and textiles.



Chaplin's salt laden...
committed to aiding

Saskatchewan Minerals has been in continuous operation since 1947 and has estimated recoverable reserves of over 30 years based on the current production rate.



**Saskatchewan
Minerals**



Shallow lakes are a natural nesting habitat for the rare piping plover. Employees at the Chaplin facility are working in the protection of this North American shore bird, and to enhancing the environment.



Sodium sulphate at the Ingebrigt facility is recovered from the salt deposit located under a 700 acre lake, by use of a floating dredge, equipped with a cutting head.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
SUMMARY	3	THE MANAGER	46
The Trust	3	Management Agreement	46
The Operations	3	DETAILS OF THE OFFERING	47
The Offering	5	Instalment Receipts	48
Summary of Selected Financial Forecast		Rights and Privileges	49
Information	8	Transfer of Instalment Receipts	50
Summary of Selected Financial and Operating		Liability of Instalment Receipt Holders	50
Information for the Operations	9	General Information Regarding the Instalment	
Summary of Selected Pro Forma Financial		Receipts	50
Information	10	TRUST UNIT OPTION PLAN	51
GLOSSARY	11	PLAN OF DISTRIBUTION	51
AMENDED PRELIMINARY PROSPECTUS	12	USE OF PROCEEDS	52
HALKAT INDUSTRIES INCOME TRUST	13	CONSOLIDATED CAPITALIZATION OF THE	
The Acquisition and Related Matters	13	TRUST	52
Structure of the Trust	14	RISK FACTORS	52
BUSINESS OF THE OPERATIONS	14	Dependence upon the Company	52
Saskatchewan Minerals	15	Additional Capital	53
Summary	21	Sodium Sulphate and Lime and Limestone	53
Havelock Lime	22	Transportation	53
MANAGEMENT'S DISCUSSION AND		Exchange Rates	53
ANALYSIS OF FINANCIAL CONDITION		Employee Relations	53
AND RESULTS OF OPERATIONS	27	Reliance on Manager	53
Industrial Minerals Division of Goldcorp Inc. ..	27	Customer Contracts	53
FINANCIAL FORECAST	30	Mining Risks and Insurance	54
AUDITOR'S REPORT ON FINANCIAL		Government Regulation of the Mining Industry	54
FORECAST	31	Changes in Legislation	54
DESCRIPTION OF THE TRUST	36	Reserves and Resources	54
General	36	Absence of Prior Public Market	54
Trust Units	36	Redemption Right	55
Issuance of Trust Units	36	Distribution of Shares and Subordinated Notes	
Trustee	36	on Termination of the Trust	55
Cash Distributions	37	Nature of Trust Units	55
Redemption Right	37	Potential Liability of Unitholders	55
Meetings of Unitholders	39	Price Fluctuation	55
Amendments to the Trust Indenture	39	ELIGIBILITY FOR INVESTMENT	56
Term and Termination of the Trust	39	CANADIAN FEDERAL INCOME TAX	
Take-over Bids	39	CONSIDERATIONS	56
Exercise of Voting Rights Attached to the		Status of the Trust and Trust Units	56
Shares	40	Taxation of the Trust	57
Information and Reports	40	Taxation of Unitholders	58
Administration of the Trust	40	PROMOTER	59
Limitation on Non-Resident Ownership	40	INTEREST OF MANAGEMENT AND OTHERS	
HALKAT INDUSTRIES INC.	41	IN MATERIAL TRANSACTIONS	59
Directors and Officers	41	MATERIAL CONTRACTS	59
Description of the Shares	43	LEGAL MATTERS	60
Distribution Policy	44	LEGAL PROCEEDINGS	60
Description of the Subordinated Notes	44	AUDITOR, TRANSFER AGENT AND	
Term Loan	45	REGISTRAR	60
SHAREHOLDER'S AGREEMENT	45	PURCHASERS' STATUTORY RIGHTS	60
Directors of the Company	45	FINANCIAL STATEMENTS INDEX	F-1
Distribution Policy	46	CERTIFICATE OF THE TRUST AND THE	
Replacement of the Directors	46	PROMOTER	C-1
Other Matters	46	CERTIFICATE OF THE UNDERWRITERS	C-2
Restrictions on Sale of Substantially all Assets ...	46		

SUMMARY

The following summary is qualified by the more detailed information appearing elsewhere in this prospectus. Reference is made to the "Glossary" for the meanings of certain defined terms.

The Trust

The Trust has been created to acquire all of the outstanding Shares and Subordinated Notes of the Company from Goldcorp. On or prior to the closing of the Offering, the Company will acquire the assets and undertaking of the Operations from Goldcorp.

The Operations

The Operations are a division of Goldcorp comprised of: (i) the two sodium sulphate operations of Saskatchewan Minerals located in Saskatchewan, Canada; and (ii) the lime and limestone products operations of Havelock Lime located in New Brunswick, Canada. These operations have been in business for over 50 years. The Operations generated revenue of \$58,710,000 for the year ended December 31, 1997 and \$56,803,000 for the year ended December 31, 1996. Forecasted revenues and distributable cash for the Trust for the nine months ending December 31, 1998 are \$45,814,000 and \$10,002,000, respectively. See "Financial Forecast".

Saskatchewan Minerals

Saskatchewan Minerals is one of the world's leading producers of natural high-quality sodium sulphate from its two operations in Saskatchewan. Development of its resources began in 1947.

Saskatchewan Minerals' proven sodium sulphate reserves total 12.2 million tons, as at January 1, 1998, with 9.6 million tons of these reserves estimated to be recoverable. These recoverable reserves are sufficient to accommodate the current production rate for over 30 years.

The four main markets world-wide for sodium sulphate are for use in detergent, pulp and paper, glass and textiles. Saskatchewan Minerals' primary market, accounting for approximately 85% of its 1997 sales, is the powdered detergent industry. Saskatchewan Minerals supplies sodium sulphate to manufacturers of: laundry detergents such as Tide, Cheer, Sunlight, ABC, Surf and President's Choice; dishwasher detergents such as All, Cascade, Sunlight and Electrosol; and carpet deodorizers such as Glade, Love My Carpet and Carpet Fresh.

The main geographic markets for Saskatchewan Minerals' products are Canada and the United States, which account for approximately 90% of annual sales. Saskatchewan Minerals supplied 245,000 tons of sodium sulphate to these markets in 1996, and captured an estimated 30% share of the total market. Saskatchewan Minerals' strategy is to increase production capacity to take advantage of the increasing demand by the detergent industry in North America, Latin America and in nations around the Pacific Rim.

Saskatchewan Minerals' long operating history, commitment to high-quality products and ability to fulfill customer specifications on a timely basis has enabled it to develop a long-standing, diversified customer base that includes many major industrial companies in Canada and the United States. Saskatchewan Minerals has over 80 customers, the majority of which are in the detergent business. The single largest customer of Saskatchewan Minerals accounts for approximately 17% of its sales and its 10 largest customers for approximately 75% of its sales.

In 1997, Saskatchewan Minerals sold 264,000 tons of sodium sulphate products for gross revenues of \$43,723,000. In 1996, Saskatchewan Minerals sold 272,000 tons of sodium sulphate products for gross revenues of \$42,384,000.

A \$5,400,000 capital expenditure program in respect of Saskatchewan Minerals is planned for 1998 to 2000 in order to increase the efficiency of both the Chaplin and Ingebrigt plants. This program is expected to be funded through the Capital Spending Fund. See "Halkat Industries Inc. — Distribution Policy" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Outlook".

Havelock Lime

Havelock Lime is the leading producer of processed lime and limestone products serving the pulp and paper, steel, mining, smelting, agricultural and environmental industries in Canada's Atlantic provinces and in the State of Maine. Havelock Lime has been continuously operating for over 60 years. A predecessor to Goldcorp first acquired an interest in Havelock Lime in 1984.

The proven and probable limestone reserves on properties owned by Havelock Lime, as at January 1, 1998, are estimated to include a total of approximately 8.8 million tons of high calcium limestone suitable for its operations, of which approximately 1.5 million tons have been classified as proven reserves and approximately 7.3 million tons have been classified as probable reserves. In addition, Havelock Lime has a lease with a third party which expires December 31, 2006 which entitles it to exploit up to 4.0 million tons of high-calcium limestone during the term of the lease. Havelock Lime has produced an estimated 15 million tons of processed lime and limestone products since the commencement of operations and is estimated to have sufficient proven and probable reserves within its own and leased properties to accommodate current production rates for over 35 years.

Havelock Lime's long operating history, commitment to quality and ability to fulfill customer specifications has enabled it to develop a long-standing, diversified customer base that includes many of the major industrial companies operating in the Atlantic region and in the State of Maine. The largest customer of Havelock Lime accounts for approximately 10% of its sales and its 10 largest customers account for approximately 40% of its sales. Havelock Lime's reputation in its market for supplying quality lime and limestone products has been further enhanced by its qualification for the internationally recognized ISO 9002 quality assurance accreditation.

Havelock Lime sells products derived from limestone in the following forms: calcined lime; hydrated lime; agricultural limestone; industrial limestone; classified limestone; and assorted limestone rock. These products are derived from basically the same raw material (limestone) but are made by different processes. Calcined and hydrated lime, which are made from higher-grade limestone and by more extensive processing, are sold at higher margins than Havelock Lime's other products, and account for approximately 80% of its revenues but only 50% of its sales by volume.

Since lime and limestone products are bulky, transportation costs represent a significant competitive factor in a given market area and can account for up to 50% of the delivered cost to the customer. As a result, most lime and limestone products are sold within local markets. Havelock Lime's main market area extends from Québec's Gaspé Peninsula throughout all the Atlantic Provinces of Canada and the State of Maine and other markets in the eastern seaboard of the United States.

Havelock Lime controls one of the few limestone deposits in the Atlantic Provinces capable of producing high-quality calcined and hydrated lime products and is the only operator of a calcined and hydrated lime processing facility in the region. Management estimates that Havelock Lime serves in excess of 90% of the calcined and hydrated lime market in the Atlantic Provinces and in excess of 75% of the calcined and hydrated lime market in the State of Maine.

In 1997, Havelock Lime sold 249,000 tons of processed lime and limestone products for gross revenues of \$14,987,000. In 1996, Havelock Lime sold 236,000 tons of processed lime and limestone products for gross revenues of \$14,419,000.

A \$2,600,000 capital expenditure program in respect of Havelock Lime is planned for 1998 to 2000 in order to upgrade the efficiency of the facilities. This program is expected to be funded through the Capital Spending Fund. See "Halkat Industries Inc. — Distribution Policy" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Outlook".

The Offering

Offering:	● Trust Units represented by Instalment Receipts.
Amount:	\$ ● million.
Price:	\$10.00 per Trust Unit, of which \$6.00 is payable on the closing of the Offering and the final instalment of \$4.00 is payable on or before ●, 1999.
Trust:	The Trust is an open ended, single purpose trust created pursuant to the Trust Indenture and governed by the laws of the Province of Ontario. The Trust has been created to acquire and hold the Shares and the Subordinated Notes. See "Description of the Trust".
Use of Proceeds:	The net proceeds of approximately \$ ● from the initial instalments on the Trust Units, after deducting the estimated expenses of the Offering and the Underwriters' fee, together with indebtedness of the Trust in the principal amount of \$ ●, will be used by the Trust to acquire all of the outstanding Shares and Subordinated Notes from Goldcorp. The net proceeds of \$ ● from the final instalments on the Trust Units will be paid by the Trust to Goldcorp pursuant to the Purchase and Sale Agreement in satisfaction of the balance of the purchase price of the Shares and Subordinated Notes. No independent valuation has been obtained in respect of the Shares or the Subordinated Notes, and no comparison of the net book value of the Company to the acquisition price of the Shares or the Subordinated Notes is provided herein as the net book value of the Company is not an accurate reflection of its fair value. See "Use of Proceeds".
Trust Units:	Each Trust Unit represents an equal fractional beneficial interest in the net assets of the Trust. Each Trust Unit is transferable, and entitles the holder thereof to participate equally in distributions of the Trust and to one vote at all meetings of Unitholders. Trust Units are not subject to future calls or assessments (other than the final instalment due under the Instalment Receipts referred to below). See "Description of the Trust — Trust Units".
Instalment Payment Arrangements:	The purchase price for the Trust Units is payable on an instalment basis. Prior to payment of the final instalment, beneficial ownership of the Trust Units will be represented by the Instalment Receipts. The initial instalment of \$6.00 per Trust Unit is payable on the closing of the Offering and the final instalment of \$4.00 per Trust Unit is payable on or before the Final Instalment Date (not later than 5:00 p.m. (local time) at the place of payment on such date). If a holder of an Instalment Receipt does not pay the final instalment on or before the Final Instalment Date, the Trust or its assignees may, upon compliance with applicable law, acquire the Trust Units represented by that holder's Instalment Receipt, in full satisfaction of the obligation to pay the final instalment, or the Trust or its assignees may cause those Trust Units to be sold, in which case the holder will remain liable for any deficiency if the proceeds realized by the Trust are insufficient to cover the amount of the final instalment and any costs of sale. See "Details of the Offering — Liability of Instalment Receipt Holders".
Rights of Instalment Receipt Holders:	Holders of Instalment Receipts will be entitled, in the manner set forth in the Instalment Receipt Agreement, to fully participate in all payments and other distributions by the Trust, to exercise the votes attached to the Trust Units represented by such Instalment Receipts and to receive periodic reports and other materials in like manner as if they were holders of the Trust Units, unless they have defaulted on their obligations under the Instalment Receipts. See "Details of the Offering — Rights and Privileges".
Distribution Policy of the Trust:	The Trust will make quarterly distributions of its Distributable Cash to Unitholders of record on the last business day of each calendar quarter and such payments are to be made on or about the 15th day of January, April, July and October in each year. The amount of Distributable Cash to be

distributed annually per Trust Unit shall be equal to a *pro rata* share of dividends and repayments of capital received on the Shares and interest and repayments of principal received on the Subordinated Notes, less expenses of the Trust and cash redemptions of Trust Units. Any income of the Trust which is unavailable for cash distribution will be distributed to Unitholders in the form of additional Trust Units. See “Description of the Trust — Cash Distributions”. It is anticipated that the initial cash distribution for the period from the closing of the Offering to ●, 1998 to Unitholders of record on ●, 1998 will be approximately \$ ● per 100 Trust Units and is expected to be paid on or about ●, 1998, of which approximately \$ ● will be considered income of Unitholders for Canadian tax purposes with any non-taxable distributions applied to reduce the adjusted cost base of the Trust Units. See “Canadian Federal Income Tax Considerations”.

Distribution Policy of the Company:

The Company’s Directors will adopt a policy to distribute all of its available cash, subject to applicable law, by way of quarterly redemptions of its Preferred Shares outstanding from time to time and/or by way of quarterly dividends on its Common Shares, in each case after satisfaction of its bank financing and other debt service obligations, if any, satisfaction of its interest obligations (including interest on the Subordinated Notes) and any other expense obligations, including any principal payments in respect of the Subordinated Notes considered advisable by the Company’s Directors and subject to the Company retaining such reasonable working capital reserves as may be considered appropriate by the Company’s Directors. It is anticipated that ongoing development and sustaining capital expenditures will be funded from available cash or capital leasing arrangements while acquisitions and new development and expansions will be funded by external financing or the issuance of additional Trust Units. In 1998 to 2000, \$8,000,000 is planned to be spent on one-time and efficiency enhancing capital expenditures. Normalized sustaining capital expenditures are forecasted to be \$0.6 million per year. In order to help fund the one-time and efficiency enhancing capital expenditures, a Capital Spending Fund, representing cash to be obtained on the realization of the net working capital of the Operations to be acquired in the Acquisition, will be established. As at December 31, 1997, net working capital was \$6,778,000, including inventories recorded at cost which, when realized as sales, will result in a higher amount. Management believes that the cash to be obtained from the realization of the net working capital will be sufficient to fully fund the planned capital expenditure program. The unspent balance of the Capital Spending Fund at any time will be invested in interest-bearing deposits. See “Halkat Industries Inc. — Distribution Policy” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Outlook”.

Corporate Governance:

Three of the six directors of the Company, who must be Independent Directors, will be nominated by the Trust. Pursuant to the Shareholder’s Agreement, the Manager will be entitled to nominate the other three of the Company’s Directors. See “Shareholder’s Agreement — Directors of the Company”.

Management Agreement:

The Manager is a wholly-owned subsidiary of Goldcorp. Pursuant to the Management Agreement, the Manager will provide certain management services to the Company. For the services to be provided under the Management Agreement, the Manager will receive an annual fee of \$250,000, which will be payable monthly. As an incentive to the Manager to enhance the profitability of the Company and the cash distributions to be paid by the Trust to Trust Unitholders, the Manager will be entitled to receive incentive fees which will be payable annually when the Distributable Cash exceeds a certain defined level. The Management Agreement will provide for the full recovery of

all direct expenses, including general and administrative expenses of the Manager attributable to the management of the Company.

The initial term of the Management Agreement will be five years. Thereafter, the Management Agreement will be automatically renewed for successive five-year periods unless there is a positive vote of 66⅔% of the Unitholders to terminate the Management Agreement at the expiry of the then current term thereof. See “The Manager — Management Agreement”.

Administration Agreement:

Under the Administration Agreement, the Manager will be the administrator of certain matters relating to the Trust, including: (i) arranging for the distribution of Distributable Cash; (ii) providing Unitholders with the Trust’s audited annual and unaudited quarterly financial statements; (iii) providing Unitholders with relevant tax information; and (iv) ensuring compliance by the Trust with all applicable securities legislation. For its services under the Administration Agreement, the Manager will receive an annual fee of \$20,000 and will be entitled to recover all direct expenses. See “Description of the Trust — Administration of the Trust”.

Eligibility for Investment:

In the opinion of counsel, the Trust Units represented by the Instalment Receipts, at the date of closing, will be eligible for investment under certain statutes as set forth under “Eligibility for Investment”. In addition, in the opinion of counsel, subject to the provisions of any particular plan and satisfaction of certain other requirements as to the number of Unitholders and the dispersal of ownership of the Trust Units, the Trust Units represented by the Instalment Receipts will, at the date of closing, be qualified investments under the ITA and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds or deferred profit sharing plans and will, at the date of closing, not be foreign property for such plans. See “Canadian Federal Income Tax Considerations”.

Risk Factors:

Investment in the Trust Units is subject to a number of risks, including: (i) the Trust’s dependence on the Company’s ability to pay its interest obligations under the Subordinated Notes and to declare and pay dividends or repayments of capital in respect of the Shares; (ii) the Trust’s ability to raise new capital for any future capital expenditures; (iii) volatility in the prices of and/or demand for sodium sulphate products and for lime and limestone products; (iv) the availability and cost of transportation; (v) fluctuations in exchange rates; (vi) the reliance of the Trust on the Manager; (vii) the generally short terms of the customer contracts, although both Saskatchewan Minerals and Havelock Lime have long-standing diversified customer bases established over their long operating histories; (viii) lost productivity due to labour strikes or lockouts; (ix) operating conditions and the availability of insurance for such conditions; (x) increased or changed government regulation of the mining industry; (xi) changes in legislation relating to the Trust’s status as a “mutual fund trust”; (xii) recovery levels of sodium sulphate and/or lime and limestone being less than calculated reserves and/or resources; (xiii) the absence of a prior market for the Trust Units and Instalment Receipts; (xiv) the redemption right will not be the primary mechanism for Unitholders to liquidate their investment; (xv) restrictions on the eligibility for investment of securities distributed on termination of the Trust; (xvi) Unitholders not having the same rights as holders of shares in a corporation; (xvii) potential liability of Unitholders; and (xviii) fluctuations in Trust Unit and Instalment Receipt market prices due to, among other things, changes in interest rates. See “Risk Factors”.

Summary of Selected Financial Forecast Information

The following sets forth a summary of selected financial forecast information from the financial forecast of the Trust contained herein for the periods indicated, and should be read in conjunction with the financial forecast and notes thereto.

The financial forecast has been prepared by Goldcorp on the basis of assumptions made by the management of Goldcorp. These assumptions are based on management's judgement of the most likely set of conditions and Goldcorp's and the Trust's most likely courses of action, based on information existing at the date this financial forecast was prepared. The assumptions used in the preparation of this financial forecast, although considered reasonable by Goldcorp at the time of preparation, may prove to be incorrect.

Actual results for the forecast period will vary from the forecast results and variations may be material. There is no representation by Goldcorp that actual results achieved during the forecast period will be the same, in whole or in part, as those forecast herein.

Selected Forecast Information

(in thousands of dollars)

	<u>Nine months ending December 31, 1998</u>
Revenue	\$45,814
Operating costs	16,336
Freight and transportation expenses	15,330
General and administrative expenses	3,494
Earnings before depreciation, depletion and income taxes	10,494
Depreciation and depletion	●
Net earnings before income taxes	●
Capital expenditures, net of dispositions	(3,048)
Drawdown of Capital Spending Fund	2,616
Distributable cash before income taxes	10,047
Income taxes	45
Distributable cash	10,002
Distributable cash per Trust Unit	●

Selected Operating Information

(in tons)

	<u>Nine months ending December 31, 1998</u>
Saskatchewan Minerals —	
sodium sulphate sales	196,300
Havelock Lime —	
lime and limestone sales	203,000

Summary of Selected Financial and Operating Information for the Operations

The following sets forth a summary of selected financial information from the combined financial statements contained herein for the Operations for the periods indicated, as well as selected operating information for the Operations. The selected financial information should be read in conjunction with the combined financial statements and the notes thereto.

Selected Financial Information

(in thousands of dollars)

	Years ended December 31,				
	1997	1996	1995	1994	1993
Revenue	\$58,710	\$56,803	\$52,451	\$50,013	\$45,268
Operating costs	20,838	17,967	18,238	16,885	14,699
Freight and transportation expenses	20,607	20,306	21,544	20,507	17,510
General and administrative expenses	5,683	4,992	4,575	4,412	4,396
Earnings before depreciation, depletion and income taxes	11,634	13,610	8,172	8,165	8,732
Depreciation and depletion	1,897	1,885	2,001	2,105	1,962
Net earnings before income taxes	9,737	11,725	6,171	6,060	6,770
Net cash provided by operating activities	11,397	12,718	8,348	6,602	8,936
Capital expenditures, net of dispositions	(1,200)	(1,139)	(886)	(522)	(640)

Selected Balance Sheet Information

(in thousands of dollars)

	December 31,	
	1997	1996
Working capital	\$ 6,778	\$ 6,730
Mining interests, net	20,376	21,072
Long-term debt, including current portion	20	38
Division equity	27,154	27,782

Selected Operating Information

(in tons)

	Years ended December 31,				
	1997	1996	1995	1994	1993
Saskatchewan Minerals —					
sodium sulphate sales	263,754	272,478	260,579	258,105	235,789
Havelock Lime —					
lime and limestone sales	248,832	236,163	227,607	208,569	226,044

Summary of Selected Pro Forma Financial Information

The following sets forth a summary of selected pro forma financial information from the pro forma consolidated financial statements contained herein for the Trust for the periods indicated, and should be read in conjunction with the pro forma consolidated financial statements and the notes thereto.

The pro forma consolidated statements of earnings and distributable cash information has been prepared as if the transactions contemplated in this prospectus had been completed as at the beginning of the respective periods presented, and the pro forma consolidated balance sheet information has been prepared as if the transactions contemplated in this prospectus had been completed as at the balance sheet date.

The pro forma consolidated financial statements may not be indicative of the financial position and results of operations that would have occurred if the proposed Acquisition and related transactions had occurred on the dates indicated or of the financial position or operating results which may be obtained in the future.

	Year ended December 31, 1997	Year ended December 31, 1996
	(unaudited)	(unaudited)
	<i>(in thousands of dollars)</i>	
Revenue	\$58,710	\$56,803
Operating costs	20,838	17,967
Freight and transportation expenses	20,607	20,306
General and administrative expenses	5,684	4,993
Earnings before depreciation, depletion and income taxes	11,489	13,442
Depreciation and depletion	●	●
Earnings before income taxes	●	●
Capital expenditures, net of dispositions	(1,200)	(1,139)
Drawdown of Capital Spending Fund	625	564
Distributable cash before income taxes	10,876	12,756
Income taxes	55	55
Distributable cash	10,821	12,701

GLOSSARY

Terms used in this prospectus but not otherwise defined have the meanings set forth below:

“Acquisition” means the acquisition of the Operations by the Company from Goldcorp pursuant to the Acquisition Agreement.

“Acquisition Agreement” means the purchase and sale agreement to be entered into on or before the date of the closing of the Offering by Goldcorp and the Company pursuant to which the Company will acquire the Operations.

“Administration Agreement” means the administration agreement dated December 19, 1997 between the Manager and the Trust pursuant to which the Manager will provide certain administrative services to the Trust.

“Capital Spending Fund” means the cash to be set aside by the Company to fund certain planned capital expenditures as more fully described under “Halkat Industries Inc. — Distribution Policy”.

“Cash Redemption Price” means the redemption price per Trust Unit or more particularly described under “Description of the Trust — Redemption Right”.

“CDS” means the Canadian Depository for Securities Limited.

“Common Shares” means common shares in the capital of the Company.

“Company” means Halkat Industries Inc., the corporate entity formed to acquire the Operations pursuant to the Acquisition Agreement.

“Company’s Directors” means the board of directors of the Company.

“Custodian” means Montreal Trust Company of Canada.

“Distributable Cash” means the cash to be distributed to Unitholders in respect of each calendar quarter, as more fully described under “Description of the Trust — Cash Distributions”.

“dollars” or **“\$”** means Canadian dollars, unless otherwise specified.

“Final Instalment Date” means ● , 1999.

“Goldcorp” means, unless the context requires otherwise, Goldcorp Inc. and its subsidiaries and predecessors.

“Havelock Lime” means the lime and limestone products operations located in New Brunswick, Canada comprising part of the Operations.

“Independent Directors” means directors who are not officers or employees of the Company, the Manager or any of their respective affiliates or associates.

“Instalment Receipt Agreement” means the instalment receipt and pledge agreement to be entered into on or before the date of the closing of the Offering by the Trust, the Underwriter, the Custodian and the Security Agent.

“Instalment Receipts” means instalment receipts to be issued under the Instalment Receipt Agreement which will represent Trust Units prior to payment of the final instalment.

“ITA” means the *Income Tax Act* (Canada) and the regulations thereunder.

“Management Agreement” means the management agreement to be entered into on or before the date of the closing of the Offering by the Company and the Manager pursuant to which the Manager will provide certain management services to the Company.

“Manager” means Goldcorp Management Services Inc., a wholly-owned subsidiary of Goldcorp.

“Note Indenture” means the indenture to be entered into on or before the date of the closing of the Offering by the Company and the Note Trustee which will govern the terms of the Subordinated Notes.

“Note Trustee” means Montreal Trust Company of Canada.

“Offering” means the offering of Trust Units pursuant to this prospectus.

“Operations” means the Industrial Minerals Division of Goldcorp, consisting of Saskatchewan Minerals and Havelock Lime, to be acquired by the Company pursuant to the Acquisition Agreement.

“Option Plan” means the Trust Unit option plan as more particularly described under “Trust Unit Option Plan”.

“Ordinary Resolution” means a resolution passed by a majority of more than 50% of the votes cast, either in person or proxy, at a meeting of Unitholders called for the purpose of approving such resolution, or approved in writing by the holders of more than 50% of the Trust Units entitled to vote on such resolution.

“Pledge Assignment and Security Agreement” means the pledge assignment and security agreement to be entered into on or before the date of the closing of the Offering by the Trust, Goldcorp, the Custodian and the Security Agent whereby the Trust assigns its rights and entitlements under the Instalment Receipt Agreement to Goldcorp.

“Preferred Shares” means the Series A preferred shares in the capital of the Company.

“Purchase and Sale Agreement” means the purchase and sale agreement to be entered into between the Trust and Goldcorp providing for the acquisition by the Trust of the Shares and the Subordinated Notes.

“Saskatchewan Minerals” means the two sodium sulphate operations located in Saskatchewan, Canada comprising part of the Operations.

“Security Agent” means MTCC Security Agent Corporation.

“Shareholder’s Agreement” means the sole shareholder’s agreement to be entered into on or before the date of the closing of the Offering by the Trust, the Company and the Manager relating to the management of the Company.

“Shares” means, collectively, the Common Shares and the Preferred Shares.

“Special Resolution” means a resolution passed by a majority of not less than 66⅔% of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of approving such resolution, or approved in writing by the holders of not less than 66⅔% of the Trust Units entitled to vote on such resolution.

“Subordinated Notes” means the ● % unsecured subordinated notes of the Company in the aggregate principal amount of \$ ● to be issued pursuant to the Note Indenture.

“sustaining capital expenditures” means capital expenditures to sustain the ongoing production capacity of the mining operations.

“Trust” means Halkat Industries Income Trust (formerly named “Canadian Industrial Minerals Income Trust”), an unincorporated trust established under the laws of the Province of Ontario.

“Trust Indenture” means the trust indenture dated December 19, 1997, as amended March 23, 1998, between the Trustee, the Manager and the initial Unitholder pursuant to which the Trust was formed.

“Trust Units” means the units of the Trust, each unit representing an equal undivided beneficial interest in the Trust.

“Trustee” means Montreal Trust Company of Canada, or its successor as trustee of the Trust.

“Underwriters” means, collectively, CIBC Wood Gundy Securities Inc., RBC Dominion Securities Inc., First Marathon Securities Limited, Griffiths McBurney & Partners, Midland Walwyn Capital Inc., Nesbitt Burns Inc. and TD Securities Inc.

“Underwriting Agreement” means the underwriting agreement dated ●, 1998 among the Trust, the Company, Goldcorp and the Underwriters, as more particularly described under “Plan of Distribution”.

“Unitholders” means the holders from time to time of one or more Trust Units.

AMENDED PRELIMINARY PROSPECTUS

This amended preliminary prospectus amends and restates in its entirety the preliminary prospectus dated December 19, 1997 of the Trust.

HALKAT INDUSTRIES INCOME TRUST

The Trust is an open ended, single purpose trust established under the laws of the Province of Ontario pursuant to the Trust Indenture. The head office of the Trust is located at Suite 2700, 145 King Street West, Toronto, Ontario M5H 1J8.

The Trust will acquire and hold all the issued and outstanding Shares and Subordinated Notes. To the maximum extent possible, the Trust will make cash distributions to Unitholders of dividends and repayments of capital received on the Shares and interest and repayments of principal received on the Subordinated Notes, after deduction of administrative and certain other expenses of the Trust and any cash redemptions of Trust Units. See "Description of the Trust".

The Acquisition and Related Matters

On or prior to the closing of the Offering:

- Goldcorp will transfer, pursuant to the Acquisition Agreement, the assets and undertaking of the Operations to the Company, a wholly-owned subsidiary of Goldcorp, in exchange for the issuance by the Company of \$ 100 principal amount of Subordinated Notes, 100 Preferred Shares and 999 Common Shares.

Immediately following the closing of the Offering:

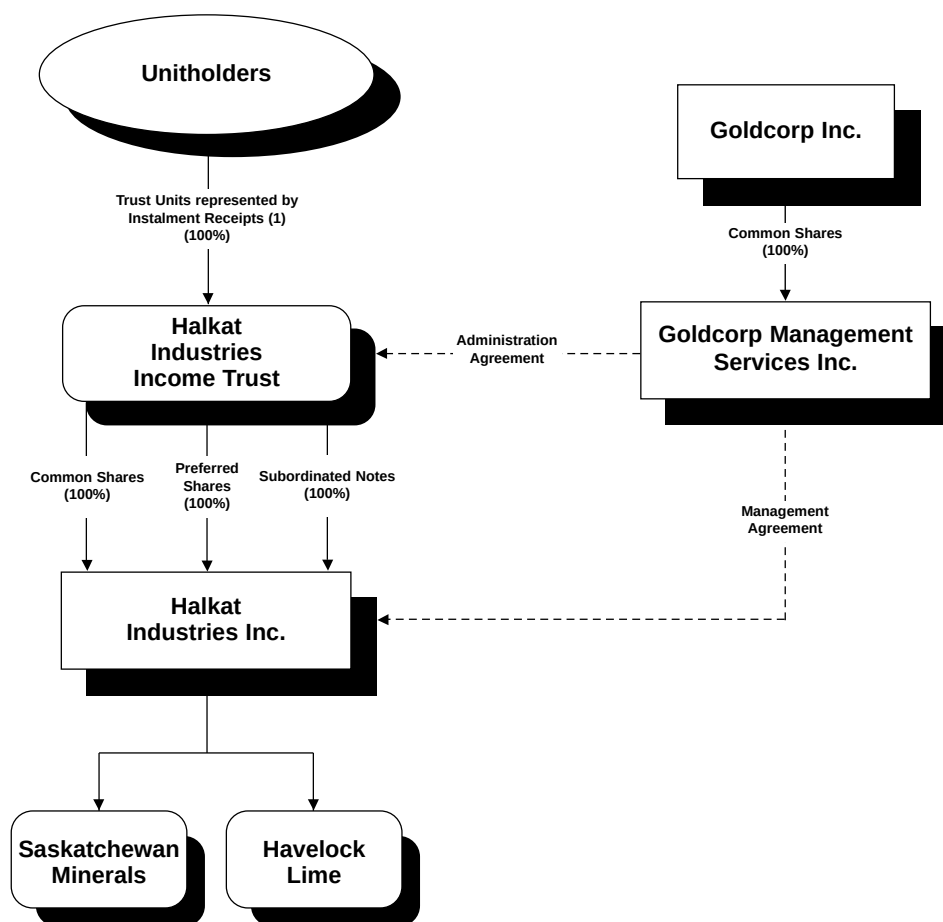
- The Trust will use the net proceeds of the initial instalments payable on the Trust Units, estimated at approximately \$ 100 , together with indebtedness of the Trust in the principal amount of \$ 100 , to purchase from Goldcorp, pursuant to the Purchase and Sale Agreement, \$ 100 principal amount of Subordinated Notes, 100 Preferred Shares and 1,000 Common Shares.
- The Trust will secure its obligation to pay the outstanding purchase price for such Shares and Subordinated Notes, which will be payable on 12/31/1999, by the assignment to Goldcorp of its entitlement to the final instalments under the Instalment Receipts and its rights and entitlements under the pledge of Trust Units pursuant to the Pledge Assignment and Security Agreement.

The purchase price of the Shares and Subordinated Notes was determined through arms' length negotiations between Goldcorp and the Underwriters. No independent valuation has been obtained in respect of the Shares or the Subordinated Notes, and no comparison of the net book value of the Company to the acquisition price of the Shares or Subordinated Notes is provided herein as the net book value of the Company is not an accurate reflection of its fair value.

In connection with the Acquisition, the Company will grant a right to Goldcorp to acquire and remove at its own liability and expense up to 25 million tons of caprock at Havelock Lime for \$0.10 per ton for use in connection with a contract under negotiation at the date hereof. Caprock is a layer of waste rock between the overburden and limestone ore that must be stripped in order to quarry the limestone. Caprock may be used as aggregate in the construction of road beds.

Structure of the Trust

The following chart illustrates the primary structural and contractual relationships between the Unitholders, the Trust, the Company and the Manager upon the closing of the Offering, the Acquisition and the acquisition by the Trust of the Shares and the Subordinated Notes from Goldcorp.



Note:

- (1) On the closing of the Offering, subscribers for Trust Units will own 100% of the Trust, subject to the obligation to pay the final instalments under the Instalment Receipt Agreement on or before the Final Instalment Date.

BUSINESS OF THE OPERATIONS

The Operations are one of the world's leading producers of natural high-quality sodium sulphate and are a major producer of processed lime and limestone products serving Canada's Atlantic Provinces and the State of Maine.

Sodium sulphate (Na_2SO_4) is a salt extracted from minerals in sub-surface deposits or natural brines and is used, following processing, in powdered laundry and dishwasher detergent, carpet deodorizer, modified corn starches, textile dyeing, glass-making, kraft paper and mineral feed for livestock. Limestone is a mineral extracted from surface or sub-surface deposits and is used, following processing, in products serving primarily the pulp and paper, steel, mining, smelting and agricultural industries and in environmental remediation.

Statistical information contained in this section and which has not been attributed to a particular source is based on industry and governmental sources and surveys which are generally available to the public.

Sodium sulphate and limestone statistics are reported herein in short tons (2,000 pounds).

Saskatchewan Minerals

From its operations in Chaplin and Ingebrigt, Saskatchewan, Saskatchewan Minerals is the largest producer of natural high-quality sodium sulphate in Canada and the United States. Management believes that Saskatchewan Minerals' harvest capacity of 285,000 tons per year of sodium sulphate ranks it among the top four world-wide producers of natural sodium sulphate. Saskatchewan Minerals was formerly owned by a Crown corporation of the Province of Saskatchewan established in 1945 for the production of industrial minerals in Saskatchewan. A predecessor to Goldcorp acquired Saskatchewan Minerals in 1988.

Product Markets

The four main markets for sodium sulphate are for use in detergent, pulp and paper, glass and textiles. Detergent uses sodium sulphate as an inert filler. Pulp and paper uses sodium sulphate in the kraft pulp process. Glass manufacturers use sodium sulphate as a flow agent. The textile industry uses sodium sulphate for the standardization of concentrated dyes. An estimated 42% of the sodium sulphate consumed in the United States is for use as filler in laundry and automatic dishwasher detergent, 15% in textiles, 12% in pulp and paper, 11% in glass and the remainder for miscellaneous purposes.

Detergent makers require substantial, steady supplies and tend to contract with the large sodium sulphate producers that have the capability of fulfilling these requirements. Accordingly, detergent represents the primary market for Saskatchewan Minerals' sodium sulphate, accounting for approximately 90% of its 1996 worldwide sales.

The following table sets forth, for the periods indicated, Saskatchewan Minerals' world-wide sodium sulphate sales for each market and Saskatchewan Minerals' gross revenues from sodium sulphate sales.

Saskatchewan Minerals' World-Wide Sodium Sulphate Sales
(in thousands of tons)

<u>Year</u>	<u>Detergent</u>	<u>Pulp & Paper</u>	<u>Textile</u>	<u>Glass & Miscellaneous</u>	<u>Total Sales</u>	<u>Gross Revenue</u> (\$000)
1992.....	165	24	17	9	215	28,245
1993.....	179	33	14	10	236	32,611
1994.....	225	20	—	13	258	37,283
1995.....	226	20	2	12	261	38,561
1996.....	244	23	3	2	272	42,384
1997.....	224	26	4	10	264	43,723

Saskatchewan Minerals supplies sodium sulphate to manufacturers of: laundry detergents such as Tide, Cheer, Sunlight, ABC, Surf and President's Choice; dishwasher detergents such as All, Cascade, Sunlight and Electrosol; and carpet deodorizers such as Glade, Love My Carpet and Carpet Fresh.

The introduction in the early 1990s of concentrated powdered laundry detergent, which uses less sodium sulphate and other additives than the traditional formulation, initially caused concerns in the sodium sulphate industry given the relative significance of this end-use product. Concentrated products have captured a market share that appears to have leveled off at 50% of the Canadian and United States markets. Certain competitors have diverted products normally dedicated for the U.S. market to furnish increasing demand in developing countries in South America and Asia. This has allowed Saskatchewan Minerals to fill some of the resulting demand in the U.S. market. Additionally, many areas in the United States have adopted bans or limitations on phosphatic detergents which have resulted in reformulations that use more sodium sulphate as filler in place of other additives. Management believes that it is for those reasons that Saskatchewan Minerals' sales to detergent makers in Canada and the United States have increased since the early 1990s.

Geographic Markets

The main geographic markets for Saskatchewan Minerals' product has historically been Canada and the United States. Saskatchewan Minerals supplied 245,000 tons of sodium sulphate to the Canadian and U.S. markets in 1996, representing an estimated 30% share of the estimated 824,000 ton market.

The following table sets forth, for the periods indicated, sales volumes for the Canadian and U.S. sodium sulphate markets and Saskatchewan Minerals' share of those markets.

Canadian and U.S. Sodium Sulphate Consumption
(in thousands of tons)

<u>Year</u>	<u>Canada (1)</u>	<u>United States (2)</u>	<u>Total</u>	<u>Saskatchewan Minerals' Sales</u>	<u>Saskatchewan Minerals' Market Share (%)</u>
1992	138	599	737	201	27
1993	139	679	818	221	27
1994	135	673	808	247	30
1995	138	671	809	249	30
1996	168	656	824	245	30

Notes:

(1) Source: Estimated by Saskatchewan Minerals.

(2) Source: U.S. Department of the Interior: *U.S. Geological Survey — Sodium Sulphate* (August 1997). Saskatchewan Minerals believes that U.S. consumption is higher than the figures reported in the U.S. Geological Survey. Saskatchewan Minerals' U.S. consumption estimates (in thousands of tons) are: 664 (1992); 660 (1993); 821 (1994); 815 (1995); 804 (1996).

The Canadian and U.S. markets are mature, stable markets and, although they are expected to remain Saskatchewan Minerals' primary markets, exports are anticipated to account for an increasing percentage of future sales. Traditionally, consumers in developing nations used bar soap for laundry purposes, however, in recent years, detergent companies have been successfully introducing powdered detergents to these markets. Saskatchewan Minerals' sodium sulphate exports to non-North American destinations were 27,414 tons (10% of total sales) in 1996 and 40,860 tons (16% of total sales) in 1997. Its strategy is to increase production capacity to take advantage of the increasing demand for powdered laundry detergent in developing nations, particularly in South America.

Competition

Canadian and U.S. sodium sulphate producers include five companies that extract naturally occurring sodium sulphate from six locations in Saskatchewan, Alberta, California and Texas and 21 companies that produce synthetic sodium sulphate at various locations, primarily as a by-product of other processes, such as the production of pulp, flue gas desulphurization, hydrochloric acid, rayon, cellulose casing, amino acid, ascorbic acid, silica pigment and as a by-product of lead recovery (for example, in battery recycling). Naturally occurring sodium sulphate accounts for approximately 81% of the Canadian and U.S. production.

Management believes that Saskatchewan Minerals' main competitive advantages are in the size and quality of its deposits, its efficient delivery system and the high quality of its service.

As the largest and one of the lowest cost producers of natural sodium sulphate in Canada and the United States, Saskatchewan Minerals has assumed the role of price leader.

Saskatchewan Minerals has a cost advantage over its North American natural sodium sulphate competitors. As the competition is located in warm climates, those operations are required to refrigerate their brine reservoirs in order to cause the sodium sulphate product to crystallize. Saskatchewan's warm summer and cool winter climate, on the other hand, facilitates this process naturally. Saskatchewan Minerals is also closer than its natural sodium sulphate competitors to the major midwest industrial centres, where many of the end-users are located, thereby reducing transportation costs.

Saskatchewan Minerals' competitive advantage over by-product sodium sulphate producers relates primarily to the size of Saskatchewan Minerals' operations. Substantial end-users such as detergent manufacturers require a steady, high-volume supply to meet their ongoing operations. By-product producers produce lower volumes, have smaller storage capacities and generally concentrate on the production of associated products rather than sodium sulphate, and, thus, are not able to guarantee the volumes that large users require. Accordingly, by-product producers generally compete only for the smaller contracts.

Saskatchewan Minerals' excellent reputation in its market will be further enhanced by its initiative to obtain the internationally recognized ISO 9002 quality assurance accreditation.

Customers

Saskatchewan Minerals' long operating history, commitment to quality and ability to fulfill customer specifications has enabled it to develop a long-standing, diversified customer base that includes many major industrial companies in Canada and the United States. Saskatchewan Minerals has over 80 customers, the majority of which are in the detergent business. The single largest customer of Saskatchewan Minerals accounts for approximately 17% of its sales and its 10 largest customers for approximately 75% of its sales.

Sales are obtained on a competitive bidding basis, based on price, volume, quality and reliability of delivery. Contracts generally range from one to three years. Many customers also place orders by way of purchase order on an as needed basis. The product is transported to customers by truck and by rail on the Canadian Pacific Railway, the Canadian National Railway and the Burlington Northern Santa Fe Railway systems. As most of the product is sold on a delivered basis, net margins vary from one customer to the next. All overseas exports are shipped by rail to the Port of Longview, Washington.

Operations — Chaplin

The Chaplin facility is located on the southwest side of the Town of Chaplin, approximately 80 kilometres west of Moose Jaw, Saskatchewan. It has been operated by Saskatchewan Minerals since 1947. Production is derived from a deposit under the shallow, 18 square mile Chaplin Lake. The site includes nine main buildings (including a plant, an office, a laboratory and storage facilities) and five brine reservoirs.

The site straddles the Trans-Canada Highway and has a rail spur entering from the main Canadian Pacific Railway rail line located just north of the site.

A. Mining and Processing

Sodium sulphate in the Chaplin deposit occurs as salts in intermittent layers in the mud under Chaplin Lake. Sodium sulphate is recovered from the Chaplin deposit by evaporation of concentrated brines. During the summer, fresh water is released into Chaplin Lake. The fresh water, warmed during the summer months, leaches sodium sulphate from the mud layers below. The resulting sodium sulphate enriched brine is then pumped into five, eight to nine foot deep brine reservoirs of approximately one million square feet each, where it is stored until the weather cools. During autumn, as temperatures drop, fractional crystallization occurs in the reservoirs. Hydrated sodium sulphate (or "Glauber's salt"), an earlier stage of the final dry sodium sulphate product, precipitates out of the brine within these reservoirs. Before freezing weather sets in, the solution remaining in the reservoirs is drained back into the lake. Harvesting is carried out using conventional earth-moving equipment once the Glauber's salt crystal bed, which remains in these reservoirs, freezes. The harvested Glauber's salt is stockpiled near the plant for future processing.

Glauber's salt from the stockpile is transported to the plant. In the plant, the salt is melted and purified, following which an evaporation process (centrifuge and rotary) removes water. The dried sodium sulphate is placed in a storage facility and loaded as required for transport.

The process of recovery is dependent on weather, with warmer weather resulting in a higher yield of Glauber's salt. Thus, a large reserve stockpile is generally maintained at Chaplin so that lower yield harvest years will not affect the annual production of sodium sulphate.

Production volumes at the Chaplin plant for the periods indicated are set out in the following table.

Chaplin Plant Production Volumes

<u>Year</u>	<u>Production</u> <i>(in tons)</i>
1992	103,378
1993	108,255
1994	93,180
1995	90,307
1996	96,787
1997	95,167

The Chaplin plant has a production capacity of 150,000 tons per year, but associated facilities feeding this plant capacity are limited to producing 95,000 tons per year. A \$1,100,000 capital expenditure program is planned for 1998 through 2000 in respect of the Chaplin operations with a view to increasing harvest capacity to 107,000 tons per year by 2000. The capital expenditure program includes digging and building an additional reservoir in 1999 and acquiring additional equipment to further automate operations. This program will be funded through the Capital Spending Fund (as more fully described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Outlook”).

B. Land Tenure

Mining rights at Chaplin are held under three 20-year alkali leases covering a total of 7,861 acres. The leases expire in January 2007, in one case, and April 2008, in the other two cases. The leases are renewable for further periods upon such conditions as may be prescribed by the Province of Saskatchewan, provided that Saskatchewan Minerals complies with the lease conditions during the original term. Management believes that Saskatchewan Minerals is in compliance with the lease conditions. Saskatchewan Minerals also owns approximately 330 acres of freehold surface rights in the Chaplin Lake area covering the plant site as well as a buffer zone around mine operations and holds licences, permits and easements for diverting and draining water.

Operations — Ingebrigt

The Ingebrigt facilities, located 300 kilometres west of Moose Jaw and 53 kilometres north of the Trans-Canada Highway, have been operated by Saskatchewan Minerals since 1967. Production is derived from a deposit located under a 700 acre lake. The site includes 16 main buildings (including a plant, a crystallization building, a clarification building, an office and storage facilities) and four brine reservoirs.

The site is accessible by highway and serviced by a branch line of the Canadian Pacific Railway.

A. Mining and Processing

The Ingebrigt Lake deposit is considerably different from the Chaplin Lake deposit. Ingebrigt Lake is smaller, much deeper, and lies in the centre of a small drainage basin. The sodium sulphate exists in solid crystalline form as Glauber’s salt in a bed averaging 22 feet thick. The bed is in the shape of two inverted cones with the bottom of the cones over 100 feet deep, the deepest of any Saskatchewan sodium sulphate deposit.

Sodium sulphate is recovered from the deposit by use of a floating dredge equipped with a cutting head on a boom. The cutting head is used to break up the salt bed. A slurry is then pumped from the dredge to the clarification building where associated impurities are removed. The resulting Glauber’s salt is transported to the plant or stockpiled for future use. Additional Glauber’s salt at Ingebrigt is also recovered by the brining method similar to the process at Chaplin with the salt going into a stockpile.

Glauber’s salt from the stockpile is transported to the plant, where it is melted and purified, following which an evaporation process removes water. The dried sodium sulphate is placed in a storage facility and loaded as required for transport.

Production volumes at the Ingebrigt plant for the periods indicated are set out in the following table.

Ingebrigt Plant Production Volumes

<u>Year</u>	<u>Production</u> <i>(in tons)</i>
1992	112,517
1993	125,010
1994	164,485
1995	173,992
1996	179,452
1997	174,973

The Ingebrigt plant has a production capacity of 190,000 tons per year. A \$4,300,000 capital expenditure program is planned for 1998 through to 2000, mainly to improve the efficiency of the plant. The capital expenditure program includes upgrading power transformers and distribution systems in 1998 and upgrading the crystallizer, building a new clarification plant and decommissioning the existing plant during 1999. This program will be funded

through the Capital Spending Fund (as more fully described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Outlook”).

B. Land Tenure

Mining rights at Ingebrigt are held under three 20-year alkali leases covering a total of 2,159 acres. The leases expire in January 2003, October 2003 and December 2007, respectively. The leases are renewable for further periods upon such conditions as may be prescribed by the Province of Saskatchewan, provided that Saskatchewan Minerals complies with the lease conditions during the original term. Management believes that Saskatchewan Minerals is in compliance with the lease conditions. Saskatchewan Minerals also owns approximately 1,030 acres of freehold surface rights in the Ingebrigt Lake area covering the plant site as well as a buffer zone around mine operations and holds licences, permits and easements for diverting and draining water.

Other Properties

Saskatchewan Minerals holds an alkali lease at Bishopric, approximately 50 kilometres southeast of Chaplin. Annual production in the 50,000 to 60,000 ton range occurred frequently when Saskatchewan Minerals operated the plant from 1955 to 1958, 1962 to 1972, 1974 to 1977, and 1980 to 1983. Equipment and facilities have been dismantled, but a reservoir exists and conditions were favourable in 1997 to harvest approximately 40,000 tons. This harvest will be stockpiled at Bishopric for use at the Chaplin facility as required in the future. The Bishopric lease expires in March 2008 and is renewable on the same basis as the Chaplin and Ingebrigt leases described above. Management believes that Saskatchewan Minerals is in compliance with the lease conditions.

Saskatchewan Minerals also holds two alkali leases on a former producing property at Muskiki Lake which expire in March 2009 and two alkali leases on a former producing property at Sybouts Lakes which expire in December 1997 and 2010. These leases are renewable on the same basis as the Chaplin and Ingebrigt leases described above. Management believes that Saskatchewan Minerals is in compliance with the lease conditions.

Reserves

An independent reserve report dated February 6, 1998 in relation to Saskatchewan Minerals (the “Saskatchewan Minerals Reserve Report”) was prepared by Glenn R. Clark & Associates Limited (“Clark”).

Clark states in the Saskatchewan Minerals Reserve Report that the testing conducted at Chaplin, Ingebrigt and Bishopric since October 1997 has confirmed and expanded the reserves that were anticipated from earlier studies conducted in 1926, 1954, 1961 and 1983. Clark reviewed the reserves in 1991 and 1992.

A. Chaplin Deposit

The recent sampling program at Chaplin Lake was designed to calculate total reserves remaining at Chaplin Lake and to act as a basis for comparisons which would be made, both with previous studies that had been conducted on the property and those which might be performed in the future.

In order to calculate reserves, an extensive sampling program was initiated in late 1997 and carried on through January 1998. A total of 403 samples were recovered for analysis from 83 locations on a ½ mile grid pattern covering the Chaplin Lake deposit. The average depth of the samples was 3.4 feet; however, on the west part of Chaplin Lake where there is little or no water, the average depth was 2.5 feet at the 25 sample locations on that part of the lake. The sample locations were chosen to correspond with samples taken in a 1983 study (the “1983 Study”) so that comparisons could be made with reserves calculated at that time. Samples were collected by driving a tube into the mud at the bottom of the lake and recovering the mud that was in the tubes. This mud was then analysed for its sodium sulphate content.

The 1997/98 sampling program was designed with the belief that a definitive answer regarding Chaplin Lake reserves could be obtained after collecting only one-half of the samples taken during the 1983 Study. The recent sampling program was set up to duplicate all of the samples in the 1983 Study, but to only initially analyze every second location. A test calculation of the data from the 1983 Study for the west section of Chaplin Lake gave the same grade when only every second sample was used. One set of 1983 samples gave an average grade of 12.1% and the second set of samples gave 12%. This strongly indicated that every second sample was sufficient to give the grade of the sodium sulphate deposit in Chaplin Lake. The average grade of the Chaplin Lake muds was computed using the sample results from 42 locations in the lake collected during the 1997/98 program. Given an area of 41.3 million

square metres, to an average depth of 0.6 metres and average grade of 9.8% sodium sulphate a proven reserve of 4.0 million tons sodium sulphate was determined from this work.

B. Bishopric Deposit

The 1997/98 sampling program at Bishopric was similar to the sampling at Chaplin Lake. Twenty locations were tested, with the average sample depth being five feet with a total of 204 samples being recovered.

Given an area of 3.3 million square metres, to an average depth of 0.6 metres and average grade of 12.0% sodium sulphate a proven reserve of 0.4 million tons sodium sulphate was determined. The Bishopric deposit is known to be deeper than the average two feet depth used for the calculation, with sodium sulphate known to exist to a depth of five feet, and possibly even deeper (although indications are that the grade is lower at depth). If these deeper reserves were included in the reserve calculation, the deposit would have the potential to contain approximately 600,000 tons of additional material to the bottom of the sampling. However, Clark believes that the recovery of the sodium sulphate by solution will be easiest from the top two feet of the deposit. Based on this, a reserve number using only grade and volume from the upper two-foot section of the deposit was used.

C. Ingebrigt Deposit

The sampling program at Ingebrigt and Ingebrigt II was designed to confirm the reserves of sodium sulphate remaining in these deposits. The recent sampling program was done using a combination of both auger and diamond core drilling. The holes were placed both to confirm previous reserves and in-fill some of the gaps left by the previous drilling programs. In Ingebrigt, a total of 52 auger holes were drilled, for a total length of 1,526 feet. The deepest auger hole was drilled to 92 feet. In addition, there were 27 diamond holes completed for a total length of 2,212 feet, the deepest core hole was drilled to 167.5 feet.

Drilling from the 1997/98 program has shown that the cone deposit in the north end of Ingebrigt Lake is larger than the earlier studies had indicated, being both broader and deeper than previously reported while the grade analysis and density measurements made of the salt closely compare with those established in the earlier studies.

To establish the reserves of the deposit, the volume of the entire deposit, based on both previous data and data from the 1997/98 program was calculated with an average grade of 35.0% sodium sulphate to give a total proven reserve tonnage of 9.3 million tons of sodium sulphate for the deposit. The 3.1 million tons of historical production was then subtracted from the above total deposit reserves to establish the remaining amount of sodium sulphate.

During processing at Ingebrigt Lake, the Glauber's salt that is not recovered is returned to the lake where it becomes part of the current salt reserves, such that the deposit has not been depleted beyond the sodium sulphate produced. Clark estimates that with the planned changes to the processing methods at Ingebrigt, which are anticipated to take place over the next 3 years, the recovery of sodium sulphate will be approximately 85% of the remaining reserves of the deposit. This recovery takes into account losses for salt contained at the edges and the bottom of the deposit and losses in the tailings.

D. Ingebrigt II Deposit

The Ingebrigt II deposit has no past history of development.

The 1997/98 sampling program included auger drilling carried out to confirm the size, shape and grade of this deposit for reserve calculations. A total of 73 auger drill holes were completed totalling 2,506 feet, with the deepest hole going to 103 feet. The drilling in the recent sampling program has shown the deposit to be larger than was indicated by the earlier reports.

To establish reserves the volume of the entire deposit of 3.0 million cubic metres, based on both previous data and data from the 1997/98 program, was calculated with an average grade of 35% sodium sulphate to give a total proven reserve tonnage of 1.6 million tons of sodium sulphate for the deposit.

E. Other Deposits

In the Saskatchewan Minerals Reserve Report for the 1997/98 program, Clark states that through an examination of the records and completed and ongoing drilling there are indications that there may be other deposits in the immediate area that will add to the reserves at Ingebrigt. Preliminary exploration drilling continues at this time.

Summary

The following table summarizes the recoverable sodium sulphate reserves set out in the Saskatchewan Minerals Reserve Report of February 6, 1998 at Saskatchewan Minerals' producing properties, including stockpiles.

Sodium Sulphate Reserve Summary (in millions of tons)

	<u>Proven</u>	<u>Recoverable</u>
Chaplin		
Chaplin Lake	4.0	2.9
Bishopric	<u>0.4</u>	<u>0.3</u>
	<u>4.4</u>	<u>3.2</u>
Ingebrigt		
Ingebrigt Lake	6.2	5.2
Ingebrigt II	<u>1.6</u>	<u>1.2</u>
	<u>7.8</u>	<u>6.4</u>
Total	<u>12.2</u>	<u>9.6</u>

Clark, based on its experience and knowledge of the Saskatchewan Minerals' deposits and the unique nature of both the deposits and the exploitation processes employed by Saskatchewan Minerals, estimates total recoverable sodium sulphate at each of the properties as indicated in the table above. These numbers are further supported by the Company.

Based on this work program and the resultant reserve numbers both the Chaplin and Ingebrigt deposits have recoverable sodium sulphate reserves sufficient to accommodate the current production rate at each of their respective facilities for over 30 years.

Environmental

In Saskatchewan, maintenance of environmental quality for mining operations is regulated primarily by the *Environmental Management and Protection Act* (Saskatchewan) and the Mineral Industry Environmental Protection Regulations, 1996 and Hazardous Substances and Waste Dangerous Goods Regulations enacted thereunder. The Mineral Industry Environmental Protection Regulations set forth requirements for annual approvals and reclamation.

Both the Chaplin and Ingebrigt plants and the associated facilities have obtained, and are in material compliance with, all licences, permits and other authorizations relating to the protection of the environment or otherwise required for the operation of such plants and facilities. Due to the nature of the production process at the sodium sulphate operations, there are no toxic tailings or hazardous discharges, resulting in relatively minimal environmental disturbance from the operations. Saskatchewan Minerals is committed, through its environmental management system, to the protection and preservation of the environment and to compliance with all relevant industry standards, environmental legislation and regulations. In the absence of legislation, Saskatchewan Minerals applies cost-effective best management practices to advance environmental protection and to minimize environmental risks. This program, as outlined in its approval to operate, is implemented, maintained and communicated to employees by the plant managers.

Saskatchewan Minerals' decommissioning plan dated April 1997 filed with the applicable regulatory authorities in Saskatchewan contains an estimate that the aggregate decommissioning costs for the Chaplin and Ingebrigt operations will be approximately \$1.2 million, which management believes to be a reasonable estimate of those costs.

Maintenance of steady water levels at Chaplin Lake by Saskatchewan Minerals has resulted in the lake becoming one of the most consistent nesting areas of the piping plover, a small North American shorebird on the endangered list of the Committee on the Status of Endangered Wildlife in Canada. Chaplin Lake is located in an area recently dedicated as a Western Hemisphere Shorebird Reserve Network site. It is not anticipated that the continuing operations of Saskatchewan Minerals will be affected by this dedication in any material respect.

Employees

As at February 28, 1998, Saskatchewan Minerals had 102 employees, 81 of whom were members of the Chemical Energy and Paperworkers Union, Local 678 and 21 of whom were non-unionized management employees. A collective bargaining agreement is in effect with the union, covering the period from April 30, 1995 to April 30, 1998. There have been no strikes or other labour disruptions at Saskatchewan Minerals since the operations were acquired by a predecessor of Goldcorp in 1988.

Havelock Lime

From its operations in Havelock, New Brunswick, Havelock Lime extracts and processes limestone that it sells in a variety of products. Development of Havelock Lime's resources began as early as 1938 to provide agricultural grade limestone to local farmers. A predecessor to Goldcorp first acquired an interest in Havelock Lime in 1984.

Product Markets

Lime and limestone are used in various manufacturing processes and industries, such as pulp and paper, environmental control, mining and smelting, chemical, iron and steel, and agriculture. Limestone can also be sold for use as construction aggregate in the manufacture of concrete and asphalt and for road construction.

Havelock Lime sells products derived from its limestone in the following forms: calcined lime; hydrated lime; agricultural limestone; industrial limestone; classified limestone; and assorted limestone rock. These products are derived from basically the same raw material (limestone) but are made by different processes. Calcined and hydrated lime products, which are made from higher-grade limestone and under more extensive processing, are sold at higher margins than Havelock Lime's other products, and account for approximately 80% of its revenues but only 50% of its sales by volume.

The agricultural sector, which represents the largest market for Havelock Lime's product (representing approximately 38% of 1997 sales), uses agricultural limestone to adjust levels of acidity (pH), calcium and magnesium in the soil and as a mineral supplement in animal feed mixes. The pulp and paper industry (representing approximately 33% of 1997 sales) uses calcined lime as a recaust agent in green liquor and sodium carbonate. The mining and smelting industry (representing approximately 22% of 1997 sales) uses calcined and hydrated lime in the processes to recover base and precious metals and to neutralize acidic water runoff from mine tailings. The environmental sector (representing approximately 7% of 1997 sales) uses calcined and hydrated lime in the softening and clarification of municipal potable water, to neutralize acid industrial discharges, in the flue gas desulphurization process and in the sewage treatment process.

Havelock Lime believes margins can be increased by the development of new speciality value-added products that can be sold for higher margins in place of lower margin products. In 1997, after four years of research, Havelock Lime successfully launched the sale of Hydra Lime+®, a soil additive used in agriculture with particular success in potato farming. This product, which is sold at a higher margin than other agricultural lime products, is expected to represent an increasing percentage of sales by volume. Havelock Lime is continuing to carry on research to develop other new value-added products.

The following table sets forth, for the periods indicated, Havelock Lime's lime and limestone sales volume for each product.

Havelock Lime and Limestone Sales By Product
(in thousands of tons)

<u>Year</u>	<u>Calcined Lime</u>	<u>Hydrated Lime</u>	<u>Agricultural Limestone</u>	<u>Industrial Limestone</u>	<u>Classified Limestone</u>	<u>Assorted Limestone Rock</u>	<u>Total Sales</u>	<u>Gross Revenue</u> (\$000)
1992	53	37	67	10	9	48	224	12,322
1993	74	25	62	9	10	46	226	12,657
1994	83	19	51	10	14	31	208	12,730
1995	94	24	63	12	11	26	228	13,890
1996	92	27	60	11	10	36	236	14,419
1997	93	27	75 (1)	9	10	35	249	14,987

Note:

(1) Including approximately 6,000 tons of the newly introduced Hydra-Lime+®.

Geographic Markets

Since lime and limestone products are bulky, transportation costs represent a significant competitive factor in a given market area and can account for up to 50% of the delivered cost to the customer. As a result, most lime and limestone products are sold within local markets.

Havelock Lime's main market area extends from Québec's Gaspé Peninsula throughout all of the Atlantic Provinces, the State of Maine and other markets in the United States eastern seaboard.

Competition

The lime and limestone industry in Canada comprises 18 active companies operating 19 lime and limestone plants. Of the 19 plants, approximately 14 are "commercial" plants serving general markets. The remaining five are small "captive" plants located at sugar refineries and steel producers, where lime and limestone is produced only for internal consumption.

Management believes that Havelock Lime's primary competitive advantages are in the size and quality of its deposit, its proximity to customers and its high quality of service. Lower margin products, such as industrial limestone, classified limestone and assorted limestone rock, can be produced from lower grade ore. The higher margin products, calcined and hydrated lime, however, can only be produced from a high-grade ore. Havelock Lime controls one of the few limestone deposits in the Atlantic Provinces capable of producing these products and is the only operator of a calcined and hydrated lime processing facility in the region. Management estimates that Havelock Lime serves in excess of 90% of the calcined and hydrated lime market in the Atlantic Provinces and in excess of 75% of the calcined and hydrated lime market in the State of Maine. Havelock Lime's closest competitor in these products has its operations in Marbleton and Joliette, Québec. Transportation costs, however, appear to restrict this competition to the State of Maine.

In agricultural lime (which can be made from lower grade limestone), there are three competitors in the region: one located in New Brunswick; one in Nova Scotia; and one in Maine. This market is price sensitive and particularly affected by transportation costs, and each lime and limestone operation has an advantage in the vicinity of its plant. Havelock Lime believes, however, that new products developed for special uses such as Hydra Lime+® will overcome the disadvantage of transportation costs and enable Havelock Lime to sell into the regions where its competitors operate. Havelock Lime continues to research new value-added products.

Havelock Lime has an excellent reputation in the marketplace for supplying quality lime and limestone products. It maintains a laboratory at its processing plant to sample raw and finished product to ensure that quality standards and customer specifications are maintained. Havelock Lime's reputation has been further enhanced by its qualification for the internationally recognized ISO 9002 quality assurance accreditation. This accreditation is recognized in the marketplace and will help Havelock Lime in future marketing of its products.

Customers

Although sales are generally made on an "as-needed" basis, Havelock Lime's long history, commitment to quality and ability to fulfill customer specifications has enabled it to develop a long-standing, diversified customer base that includes many of the major industrial companies operating in the Atlantic region. Havelock Lime's largest customer accounts for approximately 10% of sales and its 10 largest customers account for approximately 40% of sales.

Operations

Havelock Lime has operated its limestone quarry and processing operations near Havelock, New Brunswick, located approximately 40 kilometres northwest of Moncton, New Brunswick, for almost 60 years.

The plant site includes an industrial limestone processing facility, an agricultural limestone plant, a calcined lime processing plant, a hydrator plant, a laboratory, a primary crushing plant, a secondary crushing plant, a vertical shaft kiln, a rotary shaft kiln, a wash plant and settling pond, an office, a training centre and storage facilities. The site is accessible by highway.

A. Mining and Processing

In New Brunswick, high calcium limestone deposits are not common. The most extensive deposits are in the Havelock basin, a 14 kilometre long and three to four kilometre wide synclinal structure. The limestone occurs in a

conformable sedimentary sequence, overlain by a series of limy shales and underlain by Moncton conglomerate. The deposition of the limestone took place in various environments, leading to local contamination of the pure calcium carbonate. The most common of these are the partial replacement of calcium by other elements such as magnesium and the presence of silica-rich sands and clays. The impurities are measurable by routine assaying techniques.

After test drilling has confirmed the quality of the limestone and the thickness of the overburden, stripping is carried out with either a bulldozer or an excavator and trucks. When the generally shallow overburden is removed, low-grade limestone is drilled, blasted and removed to expose high-grade limestone. The high-grade limestone is blasted, loaded onto trucks and transported to the crushing plant.

The crushing plant is a 2,426 ton per day Telsmith plant which was built in 1968. In 1991, a washing system was added to improve the quality of the stone as it is crushed and screened. Five stone sizes ranging from ¼ inch to 4½ inches are produced at the crushing plant. This stone is transferred by truck to stockpiles in the yard.

The larger stone sizes are used as feed stone for the vertical shaft kiln. This unit was built in 1987 to improve fuel efficiency and to increase production capacity. The capacity of the vertical shaft kiln is 330 tons per day. The rotary kiln, with a capacity of 154 tons per day, is used on an “as-needed” basis, which is approximately 25% of the available operating time. The kilns, fired by oil, convert limestone into a calcium oxide or calcined lime. The vertical shaft kiln operates at temperatures in excess of 900°C. The process occurs on a continuous feed basis and takes one and one-half days for the product to be processed, cooled and delivered. The calcined lime from the kilns is milled, screened and then stored in silos. The product is shipped from these silos by pneumatic trailers. The production of calcined lime is carried on 24 hours a day, all year around.

Approximately 20% of the calcined lime is converted into hydrated lime by adding water in a hydrator system. The fineness of the hydrated lime is controlled with an air swept milling system. Almost all hydrated lime is shipped in bulk form, while a small quantity is bagged in 25 kilogram bags and one metric tonne tote bags.

The industrial lime plant produces industrial limestone products in varying size. The material handling system includes a rotary dryer, hammer mill, screens and air separators. Depending upon demand, this plant operates, on average, three days per week all year around.

The agricultural lime plant operates from early spring to late fall. Limestone is ground and then water is added to increase the moisture content in the product to about 5%. The Hydra Lime+® product is also produced at this plant by adding hydrated lime and gypsum to the magnesium limestone.

In 1998 to 2000, Havelock Lime expects to make one-time efficiency upgrades to the facilities of \$2,600,000, which will be funded through the Capital Spending Fund (as more fully described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Outlook”). The capital expenditure program includes installing a new Treivo system in the vertical shaft kiln in 1998 which will improve the air flow and increase the capacity of the kiln as well as improve the quality of limestone product burned in the kiln. Other capital expenditures include modernization of the plants and rotary kiln improvements in order to increase efficiencies and reduce costs in the future.

B. Land Tenure

Samphill, which has been the deposit historically mined by Havelock Lime, is a 240 acre quarry located five kilometres southeast of the plant. The Samphill quarry and area surrounding the plant site are held under two mining leases from the Province of New Brunswick covering approximately 1,144 acres. These leases expire in 2008 and 2009 and are renewable for 20 years with the consent of the Province.

Active mining is also currently in effect at the Magee Pit, located five kilometres northeast of the plant. The Sears deposit is within a 100 acre property. Both the Magee Pit and the Sears property are held pursuant to a lease that expires in December 2001, with Havelock Lime having the option to renew the lease to December 2006. Under the lease, Havelock Lime is permitted to quarry a maximum of approximately 441,000 tons per year.

Future operations are contemplated for a planned quarry at Havelock Lime’s Hicksville site, five kilometres north of the plant. The Hicksville deposit is held under 24 mineral claims under the *Mining Act* (New Brunswick) covering a total of approximately 949 acres.

Havelock Lime also owns approximately 750 acres of freehold surface rights covering portions of the mine and plant site as well as a buffer zone around the mine operations. Havelock Lime also owns an additional 40 mining

claims in New Brunswick. Havelock Lime is undertaking an exploration program on its other mining claims. To date, no proven deposit on those claims has been found.

Reserves

An independent study was made by Clark of the reserves at Havelock Lime during the period of December 1997 (the "Havelock Lime Reserve Report" dated February 6, 1998). Limestone reserves were defined by diamond drilling and drill core sample analysis for calcium carbonate (CaCO_3), magnesium carbonate (MgCO_3) and silica (SiO_2). This program, consisted of 98 NQ size diamond drill holes throughout the various deposits of Havelock Lime, for a total length of 3,912 metres.

Information from the drill holes was plotted in sections with the reserve blocks being determined by considering the continuity and grade of mineralization both along strike and down dip. Limestone reserves have to be of a sufficiently high grade of calcium carbonate to be considered as kiln feed while impurities must not exceed certain maximum limits (the process for making calcined lime does not remove the impurities and as such the kiln feed has to meet these quality standards). Once the standard of a minimum requirement of 95% calcium carbonate is reached and the impurities are less than 2% magnesium carbonate and 2% silica, there is no need to calculate an average grade of the deposit and reserves are based solely on tonnages of materials meeting those grade criterion. Once the reserve blocks were determined, the tonnages for each block were calculated and the overall reserve of the deposit computed.

A. Samphill Deposit

At Samphill a total of 31 holes were drilled with the average depth being 56 metres and the deepest hole drilled to 104 metres. This work reduced the drill spacing to drilling on 50 metre centres, a spacing considered adequate to indicate the size and quality of the deposit. Proven reserves from this program were defined as material determined to exist within 30 metres of the current pit face or in the floor of the pit. The probable reserves were determined to exist down dip from the proven reserve and have an average stripping ratio of waste to limestone not exceeding 2:1. The possible reserves were those having stripping ratio exceeding 2:1 and, consequently, would become more expensive to extract given the current economics of gaining access to this material.

Based on previous and most recent exploration work and these reserve classifications, total proven, probable and possible reserves of 9.5 million tons of lime were defined at the Samphill Deposit.

B. Magee Deposit

Reserve definition drilling during this 1997 program totalled 37 holes averaging 30 metres, the deepest being to a depth of 47 metres. Drilling was performed at the Magee East Pit, the area to the west of the current Magee pit, and a small section to the north of the pit. This work resulted in a 30 metre drill spacing adequate to indicate the size and quality of this deposit and to classify all the material in the Magee East Pit, totalling 2.46 million tons, as proven reserves.

C. Sears Deposit

Reserve definition drilling performed at Sears totaled 30 holes to an average depth of 35 metres with the deepest hole drilled to a depth of 59 metres. This work increased the density of the drilling to 60 metre centres for approximately 40% of the property and 120 metre centres for the remainder of the property. This work was adequate, in the case of the closer drill spacing to define proven reserves of 3.0 million tons while, in the case of the wider spaced drilling, a probable reserve of 5.0 million tons was defined. Clark states that these probable reserves could easily be upgraded to proven reserves. Upgrading of the probable reserves would likely be done during exploitation of the deposit.

D. Hicksville Deposit

Hicksville was last explored in 1991 and represents a future lime source for Havelock Lime. Limestone at Hicksville have been classified in the Havelock Lime Reserve Report as probable and possible reserves based on the 19 widely-spaced drill holes previously conducted on the property and the expected stripping ratio to mine this deposit. Probable reserves are defined as having an expected stripping ratio of waste to limestone of less than 1:1. Based on this work a total of 2.0 million tons of probable and 0.7 million tons of possible reserves were calculated. In order to upgrade these reserves to the proven category, the Hicksville deposit needs further work prior to a

production decision being made. This work includes diamond drilling with larger diameter core for better samples, kiln tests to confirm the suitability of the limestone for making calcined lime and would require obtaining all necessary governmental approvals.

Summary

Clark states in the Havelock Lime Reserve Report that approximately 60% of the limestone that is mined can be used in Havelock Lime's vertical shaft kiln to make calcined lime. As the vertical shaft kiln is able to process only regular-sized pieces of limestone, when the limestone is crushed only 60% of the crushed material is of the optimal, regular-size nature required by this kiln. The remaining 40% of the limestone that is not used in the vertical shaft kiln is utilized to make Havelock Lime's other lime products. Furthermore, Clark states that it takes approximately 1.8 tons of limestone to make one ton of processed calcine and hydrated lime. In summary, through a combination of these losses it is necessary to mine approximately three tons of high-grade limestone to make one ton of processed calcine and hydrated lime.

The following table summarizes the estimated limestone reserves at Havelock Lime's properties, as at January 1, 1998, set out in the Havelock Lime Reserve Report.

Limestone Reserves Summary (in millions of tons)

	<u>Proven</u>	<u>Probable</u>	<u>Possible</u>
100%-Owned Properties			
Samphill	1.5	5.3	2.7
Hicksville	—	<u>2.0</u>	<u>0.7</u>
	<u>1.5</u>	<u>7.3</u>	<u>3.4</u>
Leased Properties			
Magee	2.5		
Sears	<u>3.0</u>	<u>5.0</u>	—
	<u>5.5</u>	<u>5.0</u>	—
Total	<u><u>7.0</u></u>	<u><u>12.3</u></u>	<u><u>3.4</u></u>

The Havelock Lime deposits have proven and probable reserves sufficient to accommodate the current production rate of both processed calcine and hydrated lime and limestone products for a period of over 35 years.

Environmental

In New Brunswick, maintenance of environmental quality for mining operations is regulated primarily by the requirements of the Department of the Environment (New Brunswick). The Department has issued to Havelock Lime a Certificate of Approval under the New Brunswick Air Quality Regulation. The Certificate contains the conditions of operation at Havelock Lime and expires on January 11, 2001.

Generally speaking, there is a low level of environmental risk posed by the production of lime and limestone products, which are benign and non-toxic to the environment. The production process distributes a limited amount of lime dust and any dust emissions are controlled by using several dust collectors, scrubbers, a water spray tower, and a mobile water spray trailer.

The Havelock Lime plant and associated facilities have obtained, and are in material compliance with, all licences, permits and other authorizations relating to the protection of the environment or that are otherwise required for the operation of such plant and facilities. Havelock Lime is committed, through its environmental management system, to the protection and preservation of the environment and to compliance with all relevant industry standards, environmental legislation and regulations. In the absence of legislation, Havelock Lime applies cost-effective best management practices to advance environmental protection and to minimize environmental risks. This documented program is implemented, maintained and communicated to all employees.

Employees

As at February 28, 1998, Havelock Lime had a total of 50 employees, 13 of whom were salaried and 37 of whom were hourly. Collective bargaining agreements with The Cement, Lime, Gypsum and Allied Workers Division, International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers Lodge D324 are in place until August 15, 1999 in respect of 32 of the hourly workers. There have been no strikes or other labour disruptions at Havelock Lime since the operations were acquired by a predecessor of Goldcorp in 1984.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Industrial Minerals Division of Goldcorp Inc.

Revenue represents the value of sales by the Industrial Minerals Division of Goldcorp Inc. (the "Operations"), which is comprised of the two sodium sulphate operations of Saskatchewan Minerals and the lime and limestone operation of Havelock Lime. Sales are made to a variety of domestic and export customers. Sodium sulphate sales are made to manufacturers in the detergent, pulp and paper, starch and glass industries. Lime and limestone products are made primarily to the agricultural, pulp and paper, mining and smelting and environmental industries.

Operating costs include mine site production costs. Operating costs are affected by the market price of materials, such as natural gas and fuel. Short-term fluctuations in fuel and natural gas prices are mitigated from time to time by entering into supply contracts. The sodium sulphate operations can also be affected by poor weather conditions, which can adversely affect productivity and recoveries, as well as increase maintenance costs.

General and administrative expenses include management salaries, repairs and maintenance, insurance and other site-related expenses, as well as an allocation of corporate overhead costs incurred by Goldcorp Inc.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

Revenue for the year ended December 31, 1997 of \$58.7 million represented an increase of 3%, as compared to \$56.8 million for the same period in 1996. The increase was largely attributable to strong sales of calcined lime and hydrated lime as a result of a high level of activity in the pulp and paper sector due to continued high paper prices, as well as stronger agricultural limestone sales. In 1996, poor weather conditions resulted in below average sales to farmers of agricultural limestone. Although sales volume of sodium sulphate declined by 3% over 1996, Saskatchewan Minerals increased its selling prices over those for the same period in 1996.

Operating costs increased by 16% to \$20.8 million in 1997 from \$18.0 million in 1996. The winter of 1996-97 was unusually harsh in that the snow pack was at historically high levels at the end of the winter season. As a result, a sudden spring thaw led to severe flooding throughout the North American prairies. At Saskatchewan Minerals, this flooding partially diluted the harvest of raw material and, therefore, increased costs and decreased production. Increased costs were not only the result of the lower production but also the result of certain one-time expenditures needed to reduce and contain the excess water. The severe winter also resulted in higher natural gas costs. Operating costs also increased at Saskatchewan Minerals as a result of dredge, crystallizer and dryer problems encountered at Ingebrigt. The proposed capital expenditure program is intended to address these problems. At Havelock Lime, operating costs increased as a result of higher production, higher quarrying costs arising from an increased level of clay in the limestone, additional costs incurred to keep the floor of the quarry dry, and increased usage of the rotary kiln which currently has a higher operating cost per ton than the shaft kiln.

Freight and transportation expenses increased to \$20.6 million in 1997, from \$20.3 million in 1996, mainly as a result of higher transportation costs at Saskatchewan Minerals due to poor weather conditions.

General and administrative expenses increased to \$5.7 million in 1997 from \$5.0 million in 1996 mainly due to certain one-time severance and insurance charges.

Net earnings before income taxes for the year ended December 31, 1997 of \$9.7 million represented a decrease of 17% from the same period in 1996 due to the factors outlined above. Income tax and other corporate taxes have not been reflected in the historical financial statements of the Operations, as this was not a separate taxable entity and an allocation of such taxes cannot reasonably be made.

Year Ended December 31, 1996 Compared to Year Ended December 31, 1995

Revenue for 1996 of \$56.8 million represented an increase of 8%, as compared to \$52.5 million for 1995. The increase was largely attributable to increased sales volume of hydrated lime and assorted limestone rock, coupled with general price increases for calcined lime, hydrated lime and agricultural limestone at Havelock Lime. Saskatchewan Minerals continued to experience a very strong demand for sodium sulphate, resulting in demand in excess of its ability to supply the product. Sales volumes of sodium sulphate increased by 4% in 1996. Due to continued strong domestic and export demand, the effects of two price increases introduced in late 1995 were fully realized in 1996.

Operating costs decreased only marginally to \$18.0 million in 1996 from \$18.2 million in 1995. At Havelock Lime, the lease on the main shaft kiln was renegotiated, which resulted in significant cost savings. Saskatchewan Minerals experienced lower operating costs due to lower natural gas costs.

Freight and transportation expenses remained relatively consistent at \$20.3 million in 1996, compared to \$21.5 million in 1995.

General and administrative expenses increased to \$5.0 million in 1996 from \$4.6 million in 1995 due to severance costs resulting from management changes, as well as an increase in the allocation of overhead costs incurred by Goldcorp and passed on to the Operations.

Net earnings before income taxes for 1996 of \$11.7 million represented an increase of 89% from 1995 due to the factors outlined above.

Liquidity and Capital Resources

A. Cash Provided by Operating Activities

For the year ended December 31, 1997, net cash provided by operations was \$11.4 million compared to \$12.7 million for the same period in 1996 due mainly to lower net earnings, partially offset by a reduction in the net investment in working capital.

Net cash provided by operations was \$12.7 million for the year ended December 31, 1996 compared to \$8.3 million in 1995. The increase was the result of increased earnings, partially offset by a \$1.1 million investment in working capital.

Working capital was \$6.8 million at December 31, 1997, \$6.7 million at December 31, 1996, and \$5.8 million at December 31, 1995.

B. Capital Expenditures

Capital expenditures amounted to \$1.2 million in 1997 compared to \$1.2 million in 1996 and \$1.0 million in 1995.

Outlook

Following the completion of the Acquisition and the other transactions contemplated in this prospectus, the Operations will be owned by the Trust and will be managed by Goldcorp Management Services Inc. pursuant to the Management Agreement.

In 1998 to 2000, \$8.0 million is planned to be spent on one-time and efficiency enhancing capital expenditures. Normalized sustaining capital expenditures are forecasted to be \$0.6 million per year. In order to help fund the one-time and efficiency enhancing capital expenditures, a Capital Spending Fund, representing cash to be obtained on the realization of the net working capital of the Operations to be acquired in the Acquisition, will be established. At December 31, 1997, net working capital was \$6.8 million, including inventories recorded at cost, which, when realized as sales, will result in a higher amount. Management believes that the cash to be obtained from the realization of the net working capital will be sufficient to fully fund the planned capital expenditure program. The unspent balance of the Capital Spending Fund at any time will be invested in interest-bearing deposits.

As the net working capital at the closing date of the Acquisition will be segregated for the Capital Spending Fund, the working capital required by the Operations will be funded by a revolving working capital credit facility, which will result in additional interest expense.

General and administrative expenses will be affected by the elimination of the historical allocation of corporate costs by Goldcorp, and the inclusion of the management fees and the administration fees pursuant to the Management Agreement and the Administration Agreement, respectively.

The historical financial statements of the Operations do not reflect corporate income taxes or other corporate taxes as the Operations have not been a separate taxable entity and an allocation of such taxes cannot reasonably be made. Following the completion of the Acquisition and the related transactions, the Operations will ultimately be acquired by the Trust which, under the terms of the Trust Indenture, will distribute any income realized by the Trust to the Unitholders and as a consequence, is not anticipated to pay tax. The Company, which will own the Operations, will be a separate taxable entity. However, other than capital tax and large corporations taxes, it is not anticipated that the Company will be paying cash taxes in the next several years based on the anticipated levels of earnings of the Operations and taking into account the additional interest expense relating to the Subordinated Notes of the Company owned by the Trust, which will offset any operating taxable income.

FINANCIAL FORECAST

The financial forecast consisting of the forecast consolidated statements of earnings and distributable cash of Halkat Industries Income Trust (the “Trust”) for the nine months ending December 31, 1998, as well as the principal assumptions used to prepare the forecast information, were prepared by management of Goldcorp Inc. (“Goldcorp”) in ●, 1998 and approved by the Goldcorp board of directors on ●, 1998.

The financial forecast information for the nine months ending December 31, 1998 reflects the acquisition of the Operations by Halkat Industries Inc. (the “Company”), the acquisition of the Company by the Trust, and the sale of Trust Units, as these transactions are expected to close on or about April ●, 1998.

The financial forecast was prepared according to generally accepted accounting principles and regulatory requirements relating to the evaluation, presentation and publication of the financial forecast. The forecast was prepared according to assumptions that reflect the courses of action that management of Goldcorp and the Trust has planned to adopt for the periods covered, taking into account all the economic conditions that, in the opinion of the management of Goldcorp, are the most probable as at ●, 1998. Pursuant to applicable securities legislation, the Trust will be required to update the forecast of the Trust during the forecast periods by identifying any significant changes resulting from events that have occurred during the periods or disclosing that no significant changes are required and by comparing such forecast with actual results in the forecast periods.

Some of the assumptions used in the preparation of the forecast, although considered reasonable at the time of preparation, may prove to be incorrect. The actual results achieved for the forecast period will vary from the forecast results and the variations may be material.

The forecast should be read in conjunction with the audited combined financial statements of the Operations and the audited balance sheet of the Trust appearing elsewhere in this prospectus.

AUDITOR'S REPORT ON FINANCIAL FORECAST

To the Directors of Goldcorp Inc.
and to the Directors of Goldcorp Management Services Inc.

The accompanying financial forecast, consisting of the forecast consolidated statements of earnings and distributable cash of Halkat Industries Income Trust (the "Trust") for the nine months ending December 31, 1998 have been prepared by management of Goldcorp Inc. ("Goldcorp") using assumptions with an effective date of ●, 1998. We have examined the support provided by management of Goldcorp for the assumptions, and the preparation and presentation of this financial forecast. Our examination was made in accordance with the applicable Auditing Guideline issued by The Canadian Institute of Chartered Accountants. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

In our opinion:

- as of the date of this report, the assumptions developed by management of Goldcorp are suitably supported and consistent with the plans of Goldcorp and the Trust, and provide a reasonable basis for the forecast;
- this financial forecast reflects such assumptions; and
- this financial forecast complies with the presentation and disclosure standards for forecasts established by the Canadian Institute of Chartered Accountants.

Since this report is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, we express no opinion as to whether the forecast will be achieved.

Toronto, Canada
●

Chartered Accountants

HALKAT INDUSTRIES INCOME TRUST

FORECAST CONSOLIDATED STATEMENT OF EARNINGS

Nine months ending December 31, 1998

(in thousands of dollars)

Revenue	\$ 45,814
Expenses:	
Operating	16,336
Freight and transportation	15,330
General and administrative	3,494
Interest and other expense (income), net	160
	<u>35,320</u>
Earnings before depreciation, depletion, and income taxes	10,494
Depreciation and depletion	●
Earnings before income taxes	●
Income taxes	45
Net earnings	<u><u>\$ ●</u></u>

FORECAST CONSOLIDATED STATEMENT OF DISTRIBUTABLE CASH

Nine months ending December 31, 1998

(in thousands of dollars, except per Trust Unit amounts)

Earnings before depreciation, depletion and income taxes	\$ 10,494
Capital expenditures, net of dispositions	(3,048)
Drawdown of Capital Spending Fund	2,616
Repayment of debt	(15)
Change in working capital, net of change in working capital credit facility	<u>—</u>
Distributable cash before income taxes	10,047
Income taxes	45
Distributable cash	<u><u>\$ 10,002</u></u>
Distributable cash per Trust Unit	
(● Trust Units)	<u><u>\$ ●</u></u>

See accompanying notes to financial forecast.

NOTES TO FINANCIAL FORECAST

1. Basis of Presentation:

The financial forecast consists of the forecast consolidated statements of earnings and distributable cash of Halkat Industries Income Trust (the "Trust") for the nine months ending December 31, 1998. This forecast was prepared with an effective date of ●, 1998 in accordance with generally accepted accounting principles and reflects the assumptions described below.

The forecast is based on assumptions regarding future events, therefore actual results may vary from the forecasted information and the variations may be material. The following assumptions are based on Goldcorp Inc. ("Goldcorp") management's judgement as to the most probable set of economic conditions and the courses of action which the Trust and Goldcorp plan to take for the period covered by the forecast.

This forecast has been prepared on the assumption that the Trust will adopt accounting policies currently followed by Goldcorp and includes the accounts of Saskatchewan Minerals and Havelock Lime (together, the "Industrial Minerals Division of Goldcorp Inc." or the "Operations").

2. Investment in the Operations:

The following transactions are expected to close on or about April ●, 1998 and therefore have been reflected in this forecast with an effective date of March 31, 1998:

- (a) the Trust will issue ● Trust Units for net proceeds of \$ ● net of costs of \$ ●; and
- (b) the Trust will acquire \$ ● in Series A preferred shares, \$ ● in common shares (collectively the "Shares") and \$ ● of ● % subordinated notes (the "Subordinated Notes") of Halkat Industries Inc. (the "Company", the corporate entity established to acquire the Operations) from Goldcorp for an aggregate purchase price of \$ ●.

3. Structure of Trust:

The Trust is an open-ended, single purpose trust, established under the laws of Ontario. The Trust has been created to acquire and hold the Shares and Subordinated Notes of the Company.

Income tax obligations relating to distributions from the Trust are the obligations of the Unitholders. Accordingly, no provision for income taxes on the earnings of the Trust has been made. All other relevant corporate taxes have been provided for, as applicable, in the consolidated forecast for the Trust for the nine months ending December 31, 1998, based on current legislation.

The forecast assumes that the Company makes quarterly distributions on a basis in accordance with the distribution policy described under "Halkat Industries Inc. — Distribution Policy" contained in this prospectus. Interest on the Subordinated Notes is forecast to be paid by the Company to the Trust on a quarterly basis in accordance with the terms of the Subordinated Notes.

Pursuant to a Management Agreement, Goldcorp Management Services Inc. (the "Manager") will receive a management fee for managing the Company, equal to \$250,000 per annum, reimbursement of all direct expenses, and an incentive fee based on the per Trust Unit *pro rata* share of cash available for distribution. Pursuant to an Administration Agreement, the Manager will receive an administration fee for administering the Trust of \$20,000 per annum, plus reimbursement of all direct costs. Reimbursable direct costs under the Management Agreement and Administration Agreement are estimated to aggregate \$150,000 per annum in the forecast consolidated statement of earnings for the Trust prorated for the nine months ending December 31, 1998.

NOTES TO FINANCIAL FORECAST

4. Operating Assumptions:

(a) Revenue:

Revenue is based on sales volumes (in tons) as follows:

	Actual sales for the year ended December 31, 1996	Actual sales for the year ended December 31, 1997	Forecast sales for the nine months ending December 31, 1998
Saskatchewan Minerals	272,478	263,754	196,300
Havelock Lime	236,163	248,832	203,000

Revenue is based on the historical product mix and sales prices currently in effect, adjusted to the extent there are current sales contracts in effect during the forecast period.

(b) Operating Costs:

Operating costs represent anticipated costs relating to sales for the forecast period based on current production plans, and have been forecast with reference to operating plans prepared by Goldcorp. The forecast reflects historical data and expected changes in costs due to inflationary factors, negotiated prices where applicable, exchange rates, and productivity rates. Labour and benefits costs are based on existing collective bargaining agreements. The collective bargaining agreement at Havelock Lime is in effect until August 15, 1999. The forecast assumes no material change in labour and benefits costs at Saskatchewan Minerals for the last eight months of 1998 after the expiry of the collective bargaining agreement.

Freight and transportation costs are based on forecast sales and retail traffic volumes at rates determined by existing contracts with railroads and terminal facilities. The contracts do not, however, in all cases, extend throughout the forecast period and these costs are therefore subject to change. Management does not anticipate any material change in such costs during the forecast period, however.

(c) Management Fees:

The management fee and administration fee for 1998 is based on the new Management Agreement and Administration Agreement with the Manager described elsewhere in this prospectus.

(d) Interest Expense:

Interest on the Subordinated Notes is forecast to be paid in accordance with the terms thereof. Interest expense also includes interest relating to debt which is forecast to be paid in full in 1998 in accordance with its terms, interest income on the unpaid balance of the Capital Spending Fund (see note 4(f)), and interest expense on the working capital credit facility (see note 4(i)).

(e) Income Taxes:

The additional interest expense applicable to the Subordinated Notes of the Company is expected to be sufficient to reduce the current tax provision to an amount which reflects only large corporations tax and capital tax. The provision for deferred income taxes is expected to be nil taking into account the effect of the additional interest expense and management fees.

(f) Capital Expenditures:

A "Capital Spending Fund", representing cash to be obtained on the realization of the net working capital of the Operations to be acquired in the Acquisition, will be established to fund capital expenditures in excess of the forecasted normalized sustaining capital expenditures of \$575,000 per year. The unspent balance of the Capital Spending Fund has been assumed to earn interest at 4% per annum.

Capital expenditures for the forecast period have been assumed based on planned expenditures. The cost of such expenditures is assumed based on historical purchase costs or on discussions with suppliers.

NOTES TO FINANCIAL FORECAST

(g) Depreciation and Depletion:

On the basis of the cost of the Acquisition described above, it has been assumed that approximately \$ ● would be allocated to mining interests. Depreciation and depletion are based on asset lives and salvage values of existing assets, adjusted for forecast capital additions and disposals.

(h) Foreign Exchange:

A significant amount of sales to customers are denominated in U.S. dollars. The average exchange rate between the Canadian and U.S. dollar has been assumed to be 1.40 for the forecast period. U.S. dollar forward contracts have hedged approximately 65% of the forecast net U.S. dollar receipts during the forecast period at an average exchange rate of 1.42.

(i) Working Capital:

The Operations intend to finance net working capital requirements with a revolving credit facility assumed to bear interest at prime plus 0.50%, assumed to be 6% for the forecast period.

(j) Distributable Cash:

The forecast assumes that no Trust Unit redemptions will occur during the forecast period.

DESCRIPTION OF THE TRUST

General

The Trust is an open ended, single purpose trust created pursuant to the Trust Indenture and governed by the laws of the Province of Ontario. The Trust Indenture provides that the Trust is restricted to:

- (a) investing in securities of the Company and other entities approved by the Trustee and borrowing funds for that purpose; and
- (b) temporarily holding cash for the purposes of paying the expenses of the Trust, paying amounts payable by the Trust in connection with the redemption of any Trust Units and making distributions to Unitholders.

The following is a summary of certain provisions of the Trust Indenture. For a complete description of the Trust Units and the Trust Indenture, reference should be made to the Trust Indenture.

Trust Units

An unlimited number of Trust Units may be issued pursuant to the Trust Indenture. Each Trust Unit is transferable and represents an equal fractional beneficial interest in any distributions from the Trust, whether of net income, net realized capital gains or other amounts, and in the net assets of the Trust in the event of termination or winding-up of the Trust. All Trust Units shall rank among themselves equally and rateably without discrimination, preference or priority. Trust Units are not subject to future calls or assessments (except pursuant to the Instalment Receipt Agreement) and each Trust Unit entitles the holder thereof to one vote for each whole Trust Unit held at all meetings of Unitholders. Except as set out under “Description of the Trust — Redemption Right”, the Trust Units have no conversion, retraction, redemption or pre-emptive rights. Additional Trust Units may be issued in the future.

Issuance of Trust Units

The Trust Indenture provides that Trust Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Trustee determines without the approval of Unitholders. The Trust Indenture also provides that immediately after any *pro rata* distribution of Trust Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Trust Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Trust Units as the Unitholder held before the non-cash distribution. Unitholders will not have statutory rights normally associated with the ownership of shares of a corporation, including, for example, the right to bring oppression or derivative actions.

Trustee

Montreal Trust Company of Canada is the initial Trustee of the Trust. Among other things, the Trustee is responsible for: (i) holding the assets of the Trust; (ii) accepting subscriptions for Trust Units and issuing Trust Units pursuant thereto; (iii) maintaining books and records of the Trust and providing timely reports to holders of Trust Units; (iv) making payments of Distributable Cash to Unitholders; and (v) voting in favour of the Trust nominees to serve as directors of the Company.

The Trust Indenture provides that the Trustee shall exercise its power and carry out its functions thereunder as trustee honestly, in good faith and in the best interests of the Trust and the Unitholders and, in connection therewith, shall exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances, subject to compliance by the Trustee with any agreements which are binding upon the Trustee or the Trust.

The Trust Indenture provides that the Trustee shall be under no liability to any Unitholder or annuitant for any action taken in good faith in reliance on any documents that are *prima facie* properly executed, for depreciation of, or loss to, the Trust incurred by reason of the sale of any property, for any inaccuracy in any evaluation provided by the Manager or any other appropriately qualified person, for relying on any such evaluation, for any action or failure to act of the Manager or for any other action or failure to act unless such liabilities arise out of the Trustee's gross negligence, wilful default or fraud. If the Trustee has retained an appropriate expert or advisor with respect to any matter connected with its duties under the Trust Indenture or any material contract (with the Manager deemed under the Trust Indenture to be an appropriate expert or advisor), the Trustee may act or refuse to act based on the advice of any such expert or advisor without liability. Except when liability arises from the gross negligence, wilful

default or fraud of the Trustee, the Trustee shall be indemnified out of the assets of the Trust in respect of any liability and all costs, charges and expenses relating to any action, suit or proceeding or for any taxes or other government charges, or for liability in respect of damage to or impairment of the environment imposed upon the Trustee in consequence of its performance of its duties but shall have no additional recourse against Unitholders. In addition, the Trust Indenture contains other customary provisions limiting the liability of the Trustee.

The Trustee may resign upon 60 days' notice to the Trust and the Manager. The Trustee may also be removed by Special Resolution of the Unitholders. Such resignation or removal becomes effective upon the appointment of, and acceptance of, a successor trustee in accordance with the Trust Indenture.

Except as expressly prohibited by law, the Trustee may grant or delegate to the Manager such authority as the Trustee may in its sole discretion deem necessary or desirable to effect the actual administrative duties of the Trustee. In this regard, the Trust and the Manager will enter into the Administration Agreement. Pursuant to the provisions of the Administration Agreement, the Manager will provide certain administrative and support services to the Trust. See "Description of the Trust — Administration of the Trust".

The Manager will keep such books and records as are necessary for the proper recording of the business transactions of the Trust and, where it is practicable to do so, these books and records will be similar to those required to be maintained by a distributing corporation incorporated under the *Business Corporations Act* (Ontario). Unitholders shall at all times have access to such books and records to the same extent as though they were shareholders of such a corporation. All such books and records will be kept by the Manager at its offices in Toronto, Ontario.

Cash Distributions

The amount of distributable cash ("Distributable Cash") to be distributed annually per Trust Unit shall be equal to a *pro rata* share of dividends and repayments of capital on the Shares and interest and repayments of principal on the Subordinated Notes received by the Trust in the year less: (i) administrative expenses of the Trust; (ii) amounts which may be paid by the Trust in connection with any cash redemptions of Trust Units; (iii) any interest costs incurred by the Trust between distributions; and (iv) amounts required for the business and operations of the Trust. Any income of the Trust which is applied to any cash redemptions of Trust Units or is otherwise unavailable for cash distribution will be distributed to Unitholders in the form of additional Trust Units. Such additional Trust Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

Quarterly distributions are to be due and payable to Unitholders of record on the last day of the last month of each calendar quarter and are expected to be paid on or about the 15th day after each record date. The initial cash distribution for the period from the closing of the Offering to ●, 1998 to Unitholders of record on ●, 1998 will be approximately \$ ● per 100 Trust Units and is expected to be paid on or about ● 15, 1998, of which approximately \$ ● will be considered income of Unitholders for Canadian tax purposes with any non-taxable distributions applied to reduce the adjusted cost base of the Trust Units. See "Canadian Federal Income Tax Considerations". The Trust will receive cash on a quarterly basis from interest or repayments of principal in respect of the Subordinated Notes, which will bear interest at ● % per annum, payable quarterly, and will mature on December 31, 1998, and will receive quarterly distributions in respect of the Shares. On ●, the Trust will be entitled to renegotiate the interest rate payable on the Subordinated Notes. Until such time as the Company and the Trust reach an agreement, if any, as to a new interest rate payable on the Subordinated Notes, the Subordinated Notes will continue to bear interest at ● % per annum. The Trust may also receive repayments of principal on the Subordinated Notes and repayments of capital in respect of the Shares.

Redemption Right

Trust Units are redeemable at any time on demand by the holders thereof. As the Trust Units will be issued in "book-entry only" form, a Unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice from his or her investment dealer who will be required to deliver the completed redemption notice form to the Trust. Upon receipt of the redemption notice by the Trust, all rights to and under the Trust Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Trust Unit ("Cash Redemption Price") equal to the lesser of: (i) 95% of the "market price" of the Trust Units on the principal stock exchange or other market on which the Trust Units are quoted for trading during the 10 trading day

period commencing immediately subsequent to the date on which the Trust Units were surrendered for redemption (the “Redemption Date”); and (ii) the “closing market price” on the principal stock exchange or other market on which the Trust Units are quoted for trading on the Redemption Date.

For the purposes of this calculation, “market price” shall be an amount equal to the simple average of the closing price of the Trust Units for each of the trading days on which there was a closing price; provided that, if the applicable stock exchange or other market does not provide a closing price but only provides the highest and lowest prices of the Trust Units traded on a particular day, the “market price” shall be an amount equal to the simple average of the average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that, if there was trading on the applicable stock exchange or other market for fewer than five of the 10 trading days, the “market price” shall be the simple average of the following prices established for each of the 10 trading days: (i) the average of the last bid and last ask prices of the Trust Units for each day on which there was no trading; (ii) the closing price of the Trust Units for each day that there was trading if the stock exchange or other market provides a closing price; (iii) and the average of the highest and lowest prices of the Trust Units for each day that there was trading, if the stock exchange or other market provides only the highest and lowest prices of Trust Units traded on a particular day. The “closing market price” shall be: (i) an amount equal to the closing price of the Trust Units if there was a trade on the date; (ii) an amount equal to the average of the highest and lowest prices of Trust Units if there was trading and the stock exchange or other market provides only the highest and lowest prices of Trust Units traded on a particular day; and (iii) the average of the last bid and last ask prices of the Trust Units if there was no trading on the date.

During the period that the Trust Units are represented by Instalment Receipts, the “market price” and “closing market price” for the purposes of redemption shall equal the “market price” and “closing market price” for the Instalment Receipts calculated in accordance with the foregoing, plus an amount equal to the final instalment payable under the Instalment Receipts. See “Details of the Offering — Instalment Receipts”.

The aggregate Cash Redemption Price payable by the Trust in respect of any Trust Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment on the fifth business day following the determination of the Cash Redemption Price; provided that the entitlement of Unitholders to receive cash upon the redemption of their Trust Units is subject to the limitations that: (i) the total amount payable by the Trust in respect of such Trust Units and all other Trust Units tendered for redemption in the same calendar month shall not exceed \$250,000 (provided that such limitation may be waived at the discretion of the Manager); (ii) at the time such Trust Units are tendered for redemption, the outstanding Trust Units (or as applicable, Instalment Receipts) shall be listed for trading on a stock exchange or traded or quoted on any other market which the Manager considers, in its sole discretion, to provide representative fair market value prices for the Trust Units; and (iii) the normal trading of Trust Units (or as applicable, Instalment Receipts) is not suspended or halted on any stock exchange on which the Trust Units are listed (or, if not listed on a stock exchange, on any market on which the Trust Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10-day trading period commencing immediately after the Redemption Date.

If a Unitholder is not entitled to receive cash upon the redemption of Trust Units as a result of the foregoing limitations, then the redemption price for such Trust Units shall be the fair market value thereof as determined by the Company’s Directors and, subject to any applicable regulatory approvals, shall be paid and satisfied by way of a distribution *in specie* of a *pro rata* number of the Company’s securities held by the Trust (in integral multiples of \$100) from time to time outstanding. No fractional Shares or Subordinated Notes will be distributed and, where the number of Shares and Subordinated Notes to be received by a Unitholder includes a fraction, such number shall be rounded to the next lowest whole number. The Trust shall be entitled to all interest and principal paid or accrued and unpaid on the Subordinated Notes and to all dividends and repayments of capital paid, or declared payable on the Shares on or before the date of the distribution *in specie*. The holders from time to time of the Shares will be subject to the provisions of the Shareholder’s Agreement. See “Shareholder’s Agreement”.

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Trust Units. The Shares and Subordinated Notes which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in such Shares and Subordinated Notes. Shares and Subordinated Notes so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans. See “Canadian Federal Income Tax Considerations”.

Meetings of Unitholders

The Trust Indenture provides that meetings of Unitholders must be called and held for, among other things, the election or removal of the directors of the Company (except filling casual vacancies), the appointment or removal of the auditors of the Trust, the approval of amendments to the Trust Indenture (except as described under “Description of the Trust — Amendments to the Trust Indenture”), the sale of the assets of the Trust as an entirety or substantially as an entirety (other than as part of an internal reorganization) and the dissolution of the Trust prior to the end of its term (other than as a result of automatic termination). A resolution to appoint or remove a director nominated by the Trust or appointing or removing the auditors of the Trust must be passed by Ordinary Resolution of the Unitholders. The balance of the foregoing matters must be passed by Special Resolution of the Unitholders. Meetings of Unitholders will be called and held annually for the election of directors to the board of the Company and the appointment of auditors of the Trust and the Company.

A meeting of Unitholders may be convened at any time and for any purpose by the Trustee or the Manager and must be convened, except in certain circumstances, if requisitioned by the holders of not less than 5% of the Trust Units then outstanding by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted by the meeting.

Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy and a proxyholder need not be a Unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 10% of the votes attaching to all outstanding Trust Units shall constitute a quorum for the transaction of business at all such meetings.

The Trust Indenture contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders.

Amendments to the Trust Indenture

The Trust Indenture may be amended or altered from time to time by Special Resolution. The Trustee may, without the approval of the Unitholders, amend the Trust Indenture prior to the closing of the Offering and, in addition, may make certain amendments to the Trust Indenture, including amendments:

- (a) for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustee or the Trust;
- (b) which, in the opinion of the Trustee, provide additional protection for the Unitholders;
- (c) to remove any conflicts or inconsistencies in the Trust Indenture or to make minor corrections which are, in the opinion of the Trustee, necessary or desirable and not materially prejudicial to the rights of Unitholders; and
- (d) which, in the opinion of the Trustee, are necessary or desirable as a result of changes in taxation laws.

Term and Termination of the Trust

The Trust has been established for a term ending 21 years after the date of the death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on December 19, 1997. Pursuant to the Trust Indenture, termination of the Trust or the sale or transfer of the assets of the Trust as an entirety or substantially as an entirety, other than at the end of its term or as part of an internal reorganization of the assets of the Trust, requires the approval by Special Resolution of the Unitholders. Upon termination of the Trust, the Shares and the Subordinated Notes are to be sold and the proceeds therefrom distributed to Unitholders on a *pro rata* basis, net of any expenses of sale. In the event the Trustee is unable to sell the Shares or the Subordinated Notes, any such instruments will be distributed to Unitholders in accordance with their *pro rata* share.

Take-over Bids

The Trust Indenture contains provisions to the effect that if a take-over bid is made for the Trust Units and not less than 90% of the Trust Units (other than Trust Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Trust Units held by Unitholders who did not accept the take-over bid on the terms offered by the offeror.

Exercise of Voting Rights Attached to the Shares

The Trust Indenture provides that the Trust shall not vote its Shares to authorize, among other things:

- (a) any amendment to the Articles of the Company to change the authorized share capital or amend the rights, privileges, restrictions and conditions attaching to the Shares;
- (b) any sale, lease or other disposition of all or substantially all of the properties of the Company, except in conjunction with an internal reorganization;
- (c) any amalgamation or other merger with any other corporation, except in conjunction with an internal reorganization; or
- (d) any amendment to the Shareholder's Agreement in respect of the Company,

without the authorization by Special Resolution of the Unitholders.

Information and Reports

The Trust will furnish to Unitholders such financial statements (including quarterly and annual financial statements) and other reports and prescribed forms needed for the completion of Unitholders' tax returns under the ITA and equivalent provincial legislation. In addition, Unitholders and all applicable regulatory authorities will be provided with the Trust's material change reports, financial statements and all other continuous disclosure materials in such form that such materials will contain the same level of disclosure respecting the Company as if the Company were itself a reporting issuer under applicable securities laws.

Administration of the Trust

The Manager will administer the Trust pursuant to the Administration Agreement and will provide certain administrative and support services to the Trust, including, without limitation, those necessary: (i) to ensure compliance by the Trust with continuous disclosure obligations under applicable securities legislation; (ii) to provide investor relations services; (iii) to provide or cause to be provided to Unitholders all information to which Unitholders are entitled under the Trust Indenture; (iv) to call, hold and distribute materials including notices of meetings and information circulars in respect of all necessary meetings of Unitholders; (v) to determine and arrange for distributions to Unitholders of Distributable Cash; (vi) to attend to all administrative and other matters arising in connection with any redemptions of Trust Units; (vii) to determine the timing and terms of future offerings of Trust Units, if any; and (viii) to ensure that the Trust's limitations on non-resident ownership are complied with. The Administration Agreement may be terminated by either of the Manager or the Trustee on 90 days' prior written notice. The Administration Agreement may also be terminated by the Trustee in the event of the insolvency or receivership of the Manager or in the case of default by the Manager in a material obligation under the Administration Agreement which is not remedied within 60 days.

In the event that the Manager is unable or unwilling to perform its obligations under the Administration Agreement or there is no Manager under such agreement, the Trustee shall be entitled to engage another person that is duly qualified to perform such obligations. In the event that no appointment of a new Manager occurs within 180 days of the Manager being unable or unwilling to perform its obligations, the Trust shall terminate and the net assets of the Trust shall be distributed to holders of Trust Units.

For its services under the Administration Agreement, the Manager will receive a \$20,000 annual fee and will be entitled to recover all direct expenses.

Limitation on Non-Resident Ownership

In order for the Trust to maintain its status as a mutual fund trust under the ITA, the Trust must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the ITA. Accordingly, the Trust Indenture provides that at no time may non-residents be the beneficial owners of a majority of the Trust Units. The Trustee may require declarations as to the jurisdictions in which beneficial owners of Trust Units are resident. If the Trustee becomes aware, as a result of requiring such declarations as to beneficial ownership, that the beneficial owners of 49% of the Trust Units then outstanding are, or may be, non-residents or that such a situation is imminent, the transfer agent and registrar may make a public announcement thereof and shall not accept a subscription for Trust Units or issue Trust Units to a person unless the person provides a declaration that the person is not a non-resident. If, notwithstanding the foregoing, the Trustee determines that a

majority of the Trust Units are held by non-residents, the Trustee may send a notice to non-resident Unitholders, chosen in reverse order to the order of acquisition or in such manner as the Trustee may consider equitable and practicable, requiring them to sell their Trust Units or a portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Trust Units or provided the Trustee with satisfactory evidence that they are not non-residents within such period, the Trustee may, on behalf of such Unitholders, sell such Trust Units and, in the interim, shall suspend the voting and distribution rights attached to such Trust Units. Upon such sale, the affected Unitholders shall cease to be Unitholders and their rights shall be limited to receiving the net proceeds of such sale.

HALKAT INDUSTRIES INC.

Halkat Industries Inc. was incorporated on December 18, 1997 pursuant to the *Business Corporations Act* (Ontario). The registered and principal office of the Company is at Suite 2700, 145 King Street West, Toronto, Ontario M5H 1J8.

Directors and Officers

The following table sets out the full name and municipality of residence for each director and officer of the Company following the closing of the Offering as well as their principal occupations during the past five years.

<u>Name and Municipality</u>	<u>Position</u>	<u>Principal Occupation During the Past Five Years</u>
Robert R. McEwen (1) Toronto, Ontario	Chairman and Chief Executive Officer and a Director.	Chairman and Chief Executive Officer and a director of Goldcorp, CSA Management Inc. ("CSA"), Lexam Explorations Inc. ("Lexam") and Wilanour Resources Limited ("Wilanour"). Prior to March 1994, Mr. McEwen was President, Chief Executive Officer and a director of Dickenson Mines Limited ("Dickenson") and of predecessors to CSA and Goldcorp.
Rolando C. Francisco (1) Toronto, Ontario	President and a Director.	President of Goldcorp, CSA, Lexam and Wilanour. From March 1996 to May 1997, Mr. Francisco was Executive Vice-President and Chief Financial Officer and a director of the Bre-X Group of Companies. From March 1994 to March 1996, Mr. Francisco was Senior Vice President and Chief Financial Officer and a Director of Goldcorp, CSA, Lexam and Wilanour. Prior to March 1994, Mr. Francisco was Senior Vice President and Chief Financial Officer and a director of a predecessor to Goldcorp, CSA and Dickenson. Prior to 1990, Mr. Francisco was Senior Vice President and Chief Financial Officer of Lac Minerals Ltd.
Lauren W. Choate Willsboro, New York U.S.A.	Director.	Retired Mining Engineer. Consultant to NYCO Minerals Inc., an industrial mining company.

Directors and Officers — (Continued)

<u>Name and Municipality</u>	<u>Position</u>	<u>Principal Occupation During the Past Five Years</u>
James P. Hutch, P.Eng. Saskatoon, Saskatchewan	Director.	Engineer, President of Hutchtech Inc., an engineering consulting firm. From October 1983 to June 1995, Mr. Hutch was President and Chief Executive Officer of Saskatchewan Research Council, a Crown corporation specializing in applied research and development.
Terrance Reid, B.Com. Markham, Ontario	Director.	Businessman. Owner of Super Laundromats Inc. Since July 1996, Mr. Reid has been a director of Root Industries Inc. ("Root"), a private-label packager of industrial chemicals. From November 1995 to July 1996, Mr. Reid was Chairman of the board of directors and a director of Root. From January 1994 to November 1995, Mr. Reid was Chairman, President, Chief Executive Officer and a director of Root. Prior to January 1994, Mr. Reid was General Manager of Root Chemical Company Inc.
Paul N. Summers Toronto, Ontario	Director	Engineer. Since 1996, Mr. Summers has been the President and Chief Executive Officer of Clemmer Technologies Inc., a leading manufacturer of steel and fiberglass storage systems and, since 1991, Mr. Summers has been the President and Chief Executive Officer of Hanson Capital Corporation, a manufacturer of non-ferrous solders and chemicals for the electronics and industrial markets under the trade name "Cramco". From 1995 to 1996, Mr. Summers was the Chairman of Canadian Manoir Industries Ltd., a manufacturer of oil and gas fired residential heaters. Mr. Summers is a member of the advisory boards of City Buick, Pontiac, Cadillac Ltd. and Finlayson Industries Ltd., the Chairman of Safedesign Apparel Ltd., the Co-Chairman of the Canadian Council for Aboriginal Business and a director of Quadrant Cosmetics Corp.

Directors and Officers — (Continued)

<u>Name and Municipality</u>	<u>Position</u>	<u>Principal Occupation During the Past Five Years</u>
Floriana G. Cipollone (1) Toronto, Ontario	Vice President, Finance.	Chartered Accountant. Vice President, Finance of Goldcorp, Lexam, Wilanour and CSA. Prior to January 13, 1998, Ms. Cipollone was Corporate Controller and Treasurer of these companies. Prior to August 1996, Ms. Cipollone was Manager, Corporate Accounting of these companies. From 1990 to March 1995, Ms. Cipollone was a Chartered Accountant with KPMG.

Note:

(1) These individuals will be appointed pursuant to the Management Agreement and, accordingly, they will not be paid remuneration by the Company but will be entitled to participate in the Trust Unit Option Plan.

Each director will be elected at the annual meeting of the Company's shareholders to serve until the next annual meeting or until a successor is elected or appointed.

Each director of the Company will be paid an annual retainer of \$ ● . Directors will also be paid \$ ● for each directors' meeting attended and will be reimbursed for their out-of-pocket expenses associated with attending meetings. Directors of the Company who chair board committees will receive additional fees in connection therewith.

Description of the Shares

The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. As at the closing of the Offering and the Acquisition and the other transactions described in this prospectus, 1,000 Common Shares and ● Preferred Shares will be issued and owned by the Trust. The following is a description of the rights attached to such shares.

Common Shares

Each Common Share entitles its holder to receive notice of and to attend all meetings of shareholders of the Company and to one vote at such meetings. The holders of Common Shares will be, at the discretion of the Company's Directors and subject to applicable legal restrictions, entitled to receive out of any of all profits or surplus of the Company's property available for the payment of dividends, any dividends declared by the Company's Directors on such shares. In the event of the liquidation, dissolution or winding-up of the Company or other distribution of its assets among its shareholders, holders of the Common Shares are entitled to receive on an equal basis per share, without preference or distinction, after payment of all of the liabilities of the Company and subject to the preferential rights of any outstanding Preferred Shares, all of the assets of the Company.

Preferred Shares

The holders of Preferred Shares are not entitled to vote at any meetings of the shareholders of the Company, except as may be required by law. The holders of Preferred Shares are, at the discretion of the Company's Directors and subject to applicable legal restrictions, entitled to receive fixed noncumulative dividends at a rate of 6% per annum in respect of the Preferred Shares calculated on the stated capital thereof as and when declared by the Company's Directors. The Preferred Shares are redeemable at the option of the Company and retractable at the option of the holder of the Preferred Shares, subject to the terms of the Shareholder Agreement, in whole at any time and in part from time to time at a price of \$1,000 per share plus declared and unpaid dividends. In the event of the liquidation, dissolution or winding-up of the Company or other distribution of assets among shareholders, holders of Preferred Shares are entitled to receive, after payment of all of the liabilities of the Company, an amount of \$1,000 per Preferred Share plus any declared and unpaid dividends prior to the rights of the holders of the Common Shares.

Distribution Policy

The distribution policy of the Company will be to distribute all of its available cash, subject to applicable law, by way of quarterly redemptions of its Preferred Shares outstanding from time to time and/or by way of quarterly dividends on its Common Shares after satisfaction of its bank financing and other debt service obligations, if any, satisfaction of its interest, including interest on the Subordinated Notes and other expense obligations and any principal repayments in respect of the Subordinated Notes considered advisable by the board of directors of the Company, and subject to the Company retaining such reasonable working capital reserves as may be considered appropriate by the Company's Directors. Dividends on Common Shares are to be paid to shareholders of record on the last business day of each calendar quarter and will be made on or about the fifteenth day of January, April, July and October in each year.

The Company proposes to effect distributions in respect of its Common Shares and its Preferred Shares initially by way of redemptions of the Preferred Shares. Under the *Business Corporations Act* (Ontario), the Company cannot declare or pay a dividend or redeem or repurchase its shares if there are reasonable grounds for believing at the time of the declaration or payment or redemption or repurchase that: (i) the Company is, or would after the payment or redemption or repurchase be, unable to pay its liabilities as they become due; or (ii) the realizable value of the Company's assets would thereby be less than the aggregate of its liabilities and, in the case of the declaration or payment of a dividend, the stated capital of all classes of shares of the Company and, in the case of a redemption or a repurchase, the amount that would be required to be paid to the holders of shares that have a right to be paid, on a redemption or in a liquidation rateably with or prior to the holders of the shares to be purchased or redeemed. The Shareholder Agreement will authorize the Company's Directors, and the Company's Directors intend, to make distributions in respect of the Preferred Shares as redemptions until all of the Preferred Shares have been redeemed.

It is expected that ongoing mine development and sustaining capital expenditures will be funded from available cash or capital leasing arrangements while acquisitions and new mine development and expansions will be funded by external financing or the issuance of additional Trust Units. In 1998 to 2000, \$8.0 million is planned to be spent in one-time and efficiency enhancing capital expenditures. Normalized sustaining capital expenditures are forecasted to be \$0.6 million per year. In order to help fund the one-time and efficiency enhancing capital expenditures, a Capital Spending Fund, representing cash to be obtained on the realization of the net working capital of the Operations to be acquired in the Acquisition, will be established. At December 31, 1997, net working capital was \$6.8 million, including inventories recorded at cost, which, when realized as sales, will result in a higher amount. Management believes that the cash to be obtained from the realization of the net working capital will be sufficient to fully fund the planned capital expenditure program. The unspent balance of the Capital Spending Fund at any time will be invested in interest-bearing deposits. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Outlook".

Description of the Subordinated Notes

The following summary of the material attributes and characteristics of the Subordinated Notes does not purport to be complete and is qualified in its entirety by reference to the provisions of the Note Indenture which contains a complete statement of such attributes and characteristics.

The Subordinated Notes will be issued under the Note Indenture and will be in the aggregate principal amount of \$ ● and will mature on ●. The Subordinated Notes will bear interest at the rate of ● % per annum, payable quarterly on the last business day of March, June, September and December of each year in respect of the interest accrued during the preceding calendar quarter then ended. On ●, the Trust will be entitled to renegotiate the interest rate payable on the Subordinated Notes. Until such time as the Company and the Trust reach an agreement, if any, as to a new interest rate payable on the Subordinated Notes, the Subordinated Notes will continue to bear interest at ● % per annum. The first interest payment will be payable on ●, 1998. Interest will be payable in lawful money of Canada at any branch in Canada of the bank to be specified in the Note Indenture. The Company may defer payment of interest on the Subordinated Notes at any given time for up to 12 months.

The Subordinated Notes are issuable only as fully registered Subordinated Notes in denominations of \$100 and integral multiples thereof.

The principal of the Subordinated Notes will be payable in lawful money of Canada.

Payment upon Maturity

On maturity, the Company will repay the indebtedness represented by the Subordinated Notes by paying to the Note Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Subordinated Notes, together with accrued and unpaid interest thereon.

Redemption

On or about ●, and from time to time thereafter, the Company's Directors will review the Company's remaining resources, the economic conditions relating to the industrial minerals industry and the business prospects of the Company. If this review, in the opinion of the Company's Directors, indicates that it is unlikely that the indebtedness of the Company evidenced by the Subordinated Notes could be refinanced on the same terms and conditions upon maturity of such Subordinated Notes, then the Company shall commence principal repayments on the Subordinated Notes such that the Subordinated Notes are fully repaid upon maturity or reduced to such levels as the Company's Directors are of the opinion could be so refinanced. In that event, the Company's available cash shall be utilized to the extent required to fund such repayments in lieu of dividends on the Shares. Except as aforesaid, the Subordinated Notes will not be redeemable at the option of the Company or by the holders thereof prior to maturity.

Ranking

The Subordinated Notes will be unsecured debt obligations of the Company and will rank *pari passu* with all other unsecured and subordinated indebtedness of the Company and will be subordinate in right of payment to all secured debt of the Company.

Default

The Note Indenture provides that any of the following shall constitute an event of default: (i) default in payment of the principal of the Subordinated Notes when the same becomes due; (ii) the failure to pay the interest obligations of the Subordinated Notes when the same becomes due subject to the Company's ability to defer the payment of interest for a period of 12 months; (iii) default on any senior indebtedness exceeding \$ ● million; (iv) certain events of winding up, liquidation, bankruptcy, insolvency or receivership; (v) the taking of possession by an encumbrancer of all or substantially all of the property of the Company; and (vi) default in the observance or performance of any other covenant or condition of the Note Indenture and the continuance of the foregoing defaults for a period of 30 days after notice in writing has been given by the Note Trustee to the Company specifying such default and requiring the Company to rectify the same.

Term Loan

The Company intends to obtain from a Canadian chartered bank, a revolving term loan facility of up to \$ ● million for general corporate purposes including working capital. To the extent that the credit facility is drawn upon for such purposes, any such debt may be repaid from time to time, in whole or in part, from the issuance of additional Trust Units. As of the date hereof, the Company has not entered into a binding agreement with the bank.

SHAREHOLDER'S AGREEMENT

Upon the closing of the Offering, the Trust will enter into a sole shareholder's agreement with the Company and the Manager which will function as a unanimous shareholders' agreement (the "Shareholder's Agreement") under the *Business Corporations Act* (Ontario). The Shareholder's Agreement will be binding on any Unitholder who may receive a distribution *in specie* of Shares, if any, in connection with the surrender of Trust Units for redemption and may only be amended by Special Resolution of the Unitholders. See "Description of the Trust — Redemption Right".

The Shareholder's Agreement will provide for various matters relating to the Company including those described below.

Directors of the Company

The Company's board of directors consists of six directors. Three of the six directors, who must be Independent Directors, will be nominated by the Trust. The Manager will be entitled to nominate the other three of the Company's directors. Pursuant to the Shareholder's Agreement, the Trust will not be entitled to remove those

directors nominated by the Manager. In exercising the Trust's voting rights as a holder of Shares with respect to the election of the Company's Directors, the Trustee will rely on resolutions passed by Unitholders in connection with such matters.

The directors of the Company on the closing of the Offering are described under "Halkat Industries Inc. — Directors and Officers".

Distribution Policy

The Company's Directors will at all times adopt and comply with a policy to distribute, on a quarterly basis, all of the Company's available cash. See "Halkat Industries Inc. — Distribution Policy". In addition, the Company will undertake not to redeem or cancel the Preferred Shares for an amount which is less than the lesser of their redemption value of \$1,000 per share and the net realizable value of the Company's assets, nor to declare any dividend which would have the effect of reducing the fair market value of the Preferred Shares below their redemption value.

Replacement of the Directors

Upon the Ordinary Resolution of the Unitholders to do so, the Trustee shall, for and on behalf of the Trust, as the sole shareholder of the Company, pass a sole shareholder's resolution to replace any or all of the Company's Directors not nominated by the Manager with the slate of nominees selected by the Unitholders and identified in such Ordinary Resolution. See "Description of the Trust — Meetings of Unitholders".

Other Matters

The Shareholder's Agreement will also provide that:

- (a) the Trust will be entitled to control 100% of the votes associated with the Shares if it owns 25% or more of the Shares; and
- (b) the Trust will have the first right to provide any further subordinated debt or equity financing required by the Company for acquisitions and new mine development or expansions.

Restrictions on Sale of Substantially all Assets

The sale of all or substantially all of the assets of the Company is restricted by section 184 of the *Business Corporations Act* (Ontario) which, in summary, provides that the sale of all or substantially all of the property of a corporation, other than in the ordinary course of business, requires the approval by way of special resolution (66⅔%) passed by the shareholders of the vendor corporation. Under the Trust Indenture and the Shareholder's Agreement, any sale of all or substantially all of the assets of the Company must be approved by Special Resolution of the Unitholders.

THE MANAGER

Goldcorp Management Services Inc. was incorporated on December 18, 1997 for the express purpose of acting as manager of the Company and administrator of the Trust pursuant to the Management Agreement and the Administration Agreement, respectively. The Manager is a wholly-owned subsidiary of Goldcorp. The directors of the Manager are Messrs. McEwen, Francisco and Rubinfeld. See "Halkat Industries Inc. — Directors and Officers".

Pursuant to the Shareholder's Agreement, the Manager (or its successors and assigns), in its capacity as Manager, will at all times be entitled to three appointees to the Board of Directors of the Company.

Management Agreement

Pursuant to the Management Agreement, the Manager will provide senior executive and management services and senior level support, guidance, planning and policy-making services to the Company. The Manager will also provide accounting, treasury, income tax, information systems, legal and insurance services to the Company. The Manager will assist the Company with certain third party relationships, including certain banking and financing arrangements.

Under the Management Agreement, the Manager will be expected to exercise the degree of care, skill and diligence that a reasonably prudent advisor or manager having responsibility for the management of a similar

business would exercise in comparable circumstances. The Management Agreement does not impose fiduciary obligations on the Manager. The Manager will be indemnified by the Company for any damages it may suffer as manager provided that it has not been negligent.

For the services to be provided under the Management Agreement, the Manager will receive an annual fee of \$250,000, which will be payable monthly. As an incentive to the Manager to enhance the profitability of the Company and the cash distributions paid by the Trust to Trust Unitholders, the Manager will be entitled to an annual incentive fee which will be based on the per Trust Unit *pro rata* share of cash available for distribution to Unitholders in respect of a fiscal year. The incentive fee will be payable within 15 days following approval by the Company's Directors of its audited financial statements in respect of the previous fiscal year. The percentage of cash available for distribution per Trust Unit which will be payable to the Manager as an incentive fee will be 20% of the excess by which such cash exceeds the forecasted 1998 Distributable Cash per Trust Unit of \$ ● .

The Management Agreement will provide for the full recovery of all direct expenses, including general and administrative expenses, of the Manager attributable to the management of the Company.

The initial term of the Management Agreement will be five years. Thereafter, the Management Agreement will be automatically renewed for successive five-year periods unless there is a positive vote of 66⅔% of the Unitholders to terminate the Management Agreement at the expiry of the then current term thereof and 180 days' notice is given to the Manager.

In the event the Management Agreement is terminated and not renewed, the Company will be obligated to pay the Manager (or its successors and assigns) an amount (the "Termination Fee") equal to two times the aggregate of the actual management fees paid by the Company in the immediately preceding fiscal year and the budgeted incentive fees in the year of termination. Based upon the forecasted 1998 Distributable Cash per Trust Unit, the Termination Fee would be \$500,000.

The Management Agreement may be terminated by either party on 30 days' notice upon the insolvency, liquidation or winding up of the other party, in the case of the default by the other party of a material obligation under the Management Agreement which is not remedied within 60 days or upon the termination of the Trust. In the event the Management Agreement is terminated by the Company for reasons other than the Manager's insolvency, liquidation or winding up or a material breach of the Management Agreement by the Manager, the Manager will be entitled to be paid the Termination Fee calculated as set forth above. The Manager may terminate the Management Agreement for any other reason at any time on 180 days' notice, in which event the Manager shall have no entitlement to the Termination Fee.

The Management Agreement and all of the rights, entitlements and obligations of the Manager thereunder will be assignable to an affiliate or associate without consent, subject to the approval of the directors of the Company who are independent of the Manager. Such consent may not be unreasonably withheld and is to be based upon the expertise and financial strength of the assignee. In the event the Management Agreement is assigned, the Administration Agreement must also be assigned to the new manager.

Amendments to the Management Agreement may be proposed only by or made with the consent of the Manager (or its successor or assignee). With the exception of certain specified amendments, including, without limitation, certain amendments that may be adopted solely by the Manager (or its successor or assignee), proposed amendments must be approved by holders of at least 66⅔% of the Trust Units in a vote conducted in the manner required above. The authority of the Manager (or its successor or assignee) to propose or consent to amendments upon the closing of the Offering will effectively preclude the adoption of such amendments without the approval of the Manager.

Any material conflicts of interest involving the Manager and the Company must be presented to the Board of Directors of the Company for the approval of the members of such board who are not directors, officers or employees of the Manager in accordance with the provisions of the *Business Corporations Act* (Ontario).

DETAILS OF THE OFFERING

The Offering consists of ● Trust Units at a price of \$10.00 per Trust Unit which are being sold on an instalment basis. Prior to receipt by the Custodian of the final instalment, beneficial ownership of the Trust Units will be represented by Instalment Receipts and the Trust Units will be pledged by the Underwriters to the Trust pursuant to the terms of the Instalment Receipt Agreement. Upon due payment of the final instalment pursuant to

the Instalment Receipt Agreement, holders of Instalment Receipts will become registered holders of the Trust Units.

Instalment Receipts

The following is a summary of the material attributes and characteristics of the Instalment Receipts and the rights and obligations of holders thereof. This summary does not purport to be complete and reference is made to the Instalment Receipt Agreement whereunder the Custodian will issue the Instalment Receipts and the Security Agent will hold the Trust Units pledged to the Trust. For the purposes of this description of the material attributes and characteristics of the Instalment Receipts, a “holder” means a person who is shown on the register of holders of Instalment Receipts maintained under the Instalment Receipt Agreement. Copies of the Instalment Receipt Agreement will be available for inspection (in draft form prior to closing) at the principal stock and bond transfer offices of the Custodian in Toronto.

The initial instalment of \$6.00 per Trust Unit is payable on the closing of the Offering which is expected to occur on or about ●, 1998 (but not later than ●, 1998) and the final instalment of \$4.00 per Trust Unit is payable on or before the Final Instalment Date. The final instalment payment must be received by the Custodian no later than 5:00 p.m. (local time) on the Final Instalment Date.

Holders of Instalment Receipts will be bound by the terms of the Instalment Receipt Agreement. The Security Agent will be granted, as agent of the Trust, a security interest in the Trust Units offered hereby at closing of the Offering subject to the terms of the Instalment Receipt Agreement. By acquiring and holding an Instalment Receipt, the holder thereof acknowledges that the Trust Units represented thereby will be held as continuing security for the obligations of such holder to pay the unpaid final instalment and that the security interest will remain in effect and be binding and effective notwithstanding any transfer of or other dealings with the Instalment Receipt and the rights evidenced or arising thereby. The Trust will acquire Shares and Subordinated Notes from Goldcorp and will secure its obligation to pay the purchase price therefor by the assignment of its entitlement to the final instalment under the Instalment Receipts and its rights and entitlements under the security interest created under the Instalment Receipt Agreement to Goldcorp pursuant to the Pledge Assignment and Security Agreement. Goldcorp’s sole recourse in respect of any unpaid portion of the purchase price will be to realize on the security granted under the Pledge Assignment and Security Agreement.

An Instalment Receipt will, among other things, evidence that the initial instalment has been paid in respect of the number of Trust Units specified therein and the right of the holder thereof, subject to compliance with the provisions of the Instalment Receipt Agreement, to become the legal holder of such Trust Units upon payment in full of the final instalment with respect to such Trust Units. Book entry only certificates representing the Instalment Receipts and the Trust Units will be issued in registered form to CDS, or its nominee, on the date of closing of the Offering. Any purchase or sale of an Instalment Receipt or a Trust Unit must be made through participants in the CDS depository service (“Participants”), which include securities brokers, dealers, banks and trust companies. Indirect access to the CDS book entry system is also available to other institutions that maintain custodial relationships with a Participant, either directly or indirectly. Each purchaser of an Instalment Receipt will receive a customer confirmation of purchase from the Participant from whom such Instalment Receipt is purchased in accordance with the practices and procedures of that Participant.

No holder of an Instalment Receipt or a Trust Unit will be entitled to a certificate or other instrument from the Custodian or CDS evidencing that person’s interest in or ownership of an Instalment Receipt or a Trust Unit, or will be shown on the records maintained by CDS, except through an agent who is a Participant. All distributions on Instalment Receipts or Trust Units will be made by the Trust to CDS and distributions to CDS will be forwarded by CDS to Participants, and thereafter to the beneficial holders of the Instalment Receipts or Trust Units.

The ability of a beneficial holder of Instalment Receipts or Trust Units to pledge its Instalment Receipts or Trust Units or take action with respect thereto (other than through a Participant) may be limited due to the lack of physical certificates.

The Trustee, on behalf of the Trust, has the option to terminate the book entry system through CDS, in which case Instalment Receipts or Trust Units, as the case may be, in fully registered form will be issued to beneficial holders of Instalment Receipts or Trust Units, as the case may be.

By becoming a holder of an Instalment Receipt, a person will be deemed: (i) to have assumed the obligation to pay the final instalment and to thereupon become entitled to receive a customer confirmation in respect of the Trust Units represented by such Instalment Receipt; and (ii) to beneficially own the Trust Units represented by the Instalment Receipt, subject to the pledge of such Trust Units to the Trust which secures such obligation.

The Instalment Receipt Agreement will require the Custodian to mail to the holders of Instalment Receipts, as determined on a date being not more than 14 days before the date of mailing, a notice of the Final Instalment Date and the amount of the final instalment not less than 30 days prior to the Final Instalment Date. Payment of the final instalment is required when due whether or not a holder of Instalment Receipts receives a notice of the Final Instalment Date from the Custodian. Subject to compliance with the provisions of the Instalment Receipt Agreement, as soon as practicable after timely payment of the final instalment, the Trust Units represented by the applicable Instalment Receipt will be released from the security interest thereon pursuant to the Instalment Receipt Agreement and a customer confirmation from the registered dealer who is a Participant will be forwarded to the Unitholder confirming payment of the final instalment and the number of Trust Units then held by the Unitholder.

A holder of an Instalment Receipt will be entitled to make payment, in accordance with the provisions of the Instalment Receipt Agreement, of the final instalment at any time prior to the Final Instalment Date and thereby become the registered holder of the Trust Units represented thereby.

Rights and Privileges

Under the Instalment Receipt Agreement, holders of Instalment Receipts will have the same rights and privileges, and will be subject to the same limitations, as holders of Trust Units, except for certain rights and privileges, described below, which are limited under the Instalment Receipt Agreement in order to protect the value of the collateral secured by the security interest granted to the Trust over the Trust Units represented by the Instalment Receipts or except where the exercise of such rights and privileges would not be practicable. In particular, a holder of Instalment Receipts will be entitled under arrangements with the Custodian, in the manner set forth in the Instalment Receipt Agreement, unless the holder has defaulted on its obligations thereunder, to participate fully in all distributions in respect of the Trust Units represented by such Instalment Receipts, to exercise the votes attached to the Trust Units represented by such Instalment Receipts, and to receive periodic reports and other materials in like manner as if it were the holder of the Trust Units.

In particular, the Instalment Receipt Agreement will provide that distributions on Trust Units which are declared to be payable in cash (other than Excess Distributions, as defined below) to Unitholders of record on or before the Final Instalment Date will be remitted, net of any applicable withholding taxes, to persons who, on the applicable distribution record date in respect of such Trust Units, are holders of the Instalment Receipts representing such Trust Units. "Excess Distributions" means the amount, if any, by which, in the 12 month period ending on the first anniversary of the closing of the Offering, the aggregate of all cash distributions paid in respect of the Trust Units exceeds \$ ● per Trust Unit. Distributions in respect of Trust Units paid in additional Trust Units will be registered in the name of the Security Agent or its nominee and will be held by the Security Agent as security for the performance of the obligations of the holders of Instalment Receipts to pay the final instalment, and upon payment of the final instalment shall be distributed to the holders according to their entitlement. The Trust will covenant in the Instalment Receipt Agreement that until the Final Instalment Date, the Trust will not:

- (a) distribute Excess Distributions;
- (b) issue or distribute to all, or substantially all, of the holders of Trust Units, any: (i) securities; (ii) options, rights or warrants to purchase any securities; (iii) securities convertible into or exchangeable for securities, property or other assets; (iv) evidence of indebtedness; or (v) any property or assets (other than cash distributions and distributions of additional Trust Units), whether of the Trust or of any other person;
- (c) subdivide, consolidate (except as specifically contemplated in the Trust Indenture), reclassify or make any other change in the Trust Units or effect any reorganization, arrangement, merger, transfer or sale of all, or substantially all, of its assets, or any other similar transaction affecting the Trust or its Trust Units; or
- (d) waive the \$ ● per month maximum amount of Trust Unit redemptions.

Holders of Instalment Receipts may exercise their right to have the Trust redeem their Trust Units on demand. However, the Cash Redemption Price or the in specie distribution paid on redemption will remain subject to the pledge pursuant to the Instalment Receipt Agreement until the holders pay their final instalment.

Transfer of Instalment Receipts

Registration of interests in and transfers of Instalment Receipts and Trust Units will only be made through the depositary services of CDS. Upon registration of the transfer of an Instalment Receipt, the transferee will acquire the transferor's rights, subject to the pledge in favour of the Trust, and become subject to the obligations of a holder of Instalment Receipts under the Instalment Receipt Agreement, including the assumption by the transferee of the obligation to pay the final instalment. The person requesting registration of the transfer of an Instalment Receipt is deemed to warrant such person's authority to do so as or on behalf of the transferee. Upon such transfer, the transferor will cease to have any further rights or obligations thereunder (other than certain obligations specified in the Instalment Receipt Agreement). No transfer of an Instalment Receipt after the Final Instalment Date will be accepted (subject to certain exceptions applicable to intermediaries).

Liability of Instalment Receipt Holders

Pursuant to the Instalment Receipt Agreement, the Underwriters will pledge the Trust Units purchased on an instalment basis to secure payment of the final instalment. If payment of the final instalment is not duly received by the Custodian from a holder of Instalment Receipts when due, the Trust or its assignees may, pursuant to the Instalment Receipt Agreement and except as set out below, cause any Trust Units (and any securities or property substituted therefor or in addition thereto) then remaining pledged under the Instalment Receipt Agreement in respect of such Instalment Receipts to be transferred to it in full satisfaction of the obligations of such holder of Instalment Receipts secured thereby, subject to complying with applicable law. The Instalment Receipt Agreement will further provide that the Trust or its assignees may direct the Custodian to sell the Trust Units (and any securities or property substituted therefor or in addition thereto) in respect of which payment of the final instalment was not duly received, in accordance with the requirements of applicable law and the Instalment Receipt Agreement, and remit to the holder of the Instalment Receipt the holder's *pro rata* portion of the proceeds of such sale after deduction therefrom the amount of the unpaid final instalment together with the holder's *pro rata* portion of the costs of such sale, which costs shall in any event not exceed \$1.00 per Trust Unit. Notwithstanding the foregoing, in the event that payment of the final instalment in respect of an aggregate of less than 5% of the Trust Units represented by Instalment Receipts has not been duly received by the Custodian when due, the Custodian must sell the Trust Units (and any securities or property substituted therefor or in addition thereto) in respect of which payment of the final instalment was not duly received and apply the proceeds of such sale in the manner described above.

The Instalment Receipt Agreement will provide that, unless the Trust or its assignees shall have acquired the Trust Units (and any securities and property substituted therefor or in addition thereto) in full satisfaction of the obligations of a holder of Instalment Receipts, the foregoing will not limit any other remedies available to the Trust or its assignees against that holder in the event the proceeds of the sale of Trust Units by the Security Agent are insufficient to cover the amount of the final instalment and the costs of sale. That holder will in those circumstances remain liable to the Trust or its assignees for any such deficiency.

Holders of Instalment Receipts, who are non-residents of Canada will be required to pay the cost of all withholding taxes payable in respect of any distributions of income by the Trust. Non-residents should consult independent tax counsel regarding the tax consequences of investing in the Trust Units.

General Information Regarding the Instalment Receipts

The Custodian may require holders of Instalment Receipts from time to time to furnish such information and documents as may be necessary or appropriate to comply with any fiscal or other laws or regulations relating to the Trust Units or to the rights and obligations represented by Instalment Receipts. The Custodian and the Security Agent shall not be responsible for any taxes, duties, governmental charges or expenses which are or may become payable in respect of the Trust Units or Instalment Receipts. In this regard, the Custodian and the Security Agent shall be entitled to deduct or withhold from any payment or other distribution required or contemplated by the Instalment Receipt Agreement such money or property, or to require holders of Instalment Receipts to make any required payments, and to withhold the release of the security interest over the Trust Units to secure payment of the

final instalment from defaulting holders until satisfactory provision for payment is made, in respect of any taxes, duties or other governmental charges or expenses required by applicable law to be withheld or paid.

The Trust will be liable for charges and expenses of the Custodian and the Security Agent except for any taxes, duties and other governmental charges which may be payable by holders of Instalment Receipts as described above.

Apart from changes which do not materially prejudice the holders of Instalment Receipts as a group (which may be made without the consent of such holders), the Instalment Receipt Agreement may not be amended without the affirmative vote of the holders entitled to not less than 66⅔% of the Trust Units represented by Instalment Receipts which are represented and voted at a meeting duly called for that purpose. The procedure for such meetings will be substantially similar to that governing meetings of the holders of the Trust Units.

TRUST UNIT OPTION PLAN

The Trust will implement, on or before the closing of the Offering, a Trust Unit option plan (the “Option Plan”) which will provide for the issuance of options to acquire Trust Units to directors, senior officers, key employees and consultants of the Company and the Manager (“Eligible Persons”). The purpose of the Option Plan is to encourage ownership of Trust Units by Eligible Persons. The number of Trust Units which may be reserved for issuance under the Option Plan will be limited to eight per cent of the Trust Units outstanding at closing of the Offering. The exercise price for any Trust Units cannot be less than the closing price of the Trust Units on the stock exchange on which Trust Units are then listed on the day immediately preceding the day upon which the option is granted or less than the issue price of the Trust Units pursuant to the Offering if options are granted before closing of the Offering. The term of an option shall not exceed 10 years. Options granted under the Option Plan will be subject to early termination upon the optionee ceasing to be a director, senior officer, key employee or consultant of the Company or the Manager, as the case may be, or upon the death of an optionee. The options will be non-transferable. Any options granted on or prior to the closing of the Offering will not vest until one year following the closing of the Offering and will vest thereafter at such times as are determined by the board of directors of the Manager.

PLAN OF DISTRIBUTION

Pursuant to an agreement (the “Underwriting Agreement”) dated ●, 1998 among the Trust, the Company, Goldcorp and CIBC Wood Gundy Securities Inc., RBC Dominion Securities Inc., First Marathon Securities Limited, Griffiths McBurney & Partners, Midland Walwyn Capital Inc., Nesbitt Burns Inc. and TD Securities Inc. (collectively, the “Underwriters”), the Trust has agreed to sell and the Underwriters have agreed to purchase on ●, 1998, or on such later date as may be agreed upon, but in any event not later than ●, 1998, an aggregate of ● Trust Units at a purchase price of \$10.00 per Trust Unit, for an aggregate consideration of \$ ●. The \$10.00 per Trust Unit is payable in instalments consisting of an initial instalment of \$6.00 per Trust Unit payable to the Trust by the Underwriters against delivery of the Trust Units and a final instalment of \$4.00 per Trust Unit payable on or before the Final Instalment Date by the holders of the Instalment Receipts. The Trust has agreed to pay to the Underwriters a fee of \$ ● per Trust Unit for services performed in connection with the Offering.

The obligations of the Underwriters under the Underwriting Agreement are several may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, severally obligated to take up and pay for all of the Trust Units if any of such Trust Units are purchased under the Underwriting Agreement.

The Trust has agreed with the Underwriters that it will not, for the period ending ● days after the closing of the Offering, issue or sell any Trust Units or any securities convertible into, or exchangeable or exercisable for, Trust Units without the prior consent of the Underwriters.

The Trust Units and the Instalment Receipts have not been and will not be registered under the United States Securities Act of 1933, as amended, and, subject to certain exceptions, will not be offered or sold in the United States.

Pursuant to policy statements of certain securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Trust Units or Instalment Receipts. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent

active trading in, or raising the price of, such securities. These exceptions include a bid or purchase permitted under the by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing and applicable laws, the Underwriters may, in connection with the Offering, over-allot or effect transactions which stabilize or maintain the market price of the Trust Units or Instalment Receipts at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

USE OF PROCEEDS

On the closing of the Offering, the net proceeds of approximately \$ 100 from the initial instalment payment in respect of the sale of the Trust Units (after deducting expenses of the Offering and Underwriters' fees estimated at \$ 10) together with indebtedness of the Trust in the principal amount of \$ 100 , will be used by the Trust to acquire all of the outstanding Shares and Subordinated Notes from Goldcorp. See "Halkat Industries Income Trust — The Acquisition and Related Matters". The net proceeds of \$ 100 from the final instalments on the Trust Units will be paid by the Trust to Goldcorp pursuant to the Purchase and Sale Agreement in satisfaction of the balance of the purchase price of the Shares and Subordinated Notes. The Trust will secure its obligation to pay the balance of the purchase price for the Shares and Subordinated Notes, which will be payable on 10/1/1999, by the assignment to Goldcorp pursuant to the Pledge Assignment and Security Agreement of its entitlement to the final instalment under the Instalment Receipts and its rights and entitlements under the pledge of Trust Units. The recourse of Goldcorp against the Trust in respect of the purchase price will be limited to the assignment of the rights and entitlements of the Trust under the Instalment Receipt Agreement.

CONSOLIDATED CAPITALIZATION OF THE TRUST

The following table sets forth the consolidated capitalization of the Trust as at 10/1/1998, and as at such date after giving effect to the Offering and the Acquisition and the other transactions described in this prospectus.

	Authorized	As at 10/1/1998	As at 10/1/1998 after giving effect to the Offering and the Acquisition
Trust Units (1), (2)	Unlimited	\$1,000 (100 Trust Units)	100 (100 Trust Units)

Notes:

- (1) On the closing of the Offering, the Trust will secure its obligation to pay the balance of the purchase price for the Shares and Subordinated Notes, which will be payable on 10/1/1999 by the assignment to Goldcorp of its entitlement to the final instalments under the Instalment Receipts and its rights and entitlements under the pledge of Trust Units. The recourse of Goldcorp against the Trust in respect of the purchase price will be limited to the assignment of the rights and entitlements of the Trust under the Instalment Receipt Agreement.
- (2) A total of 100 Trust Units will be reserved for issuance pursuant to options to purchase Trust Units granted under the Trust Unit Option Plan. See "Trust Unit Option Plan".

RISK FACTORS

An investment in the Trust Units involves a number of risks. In addition to the other information contained in this prospectus, prospective purchasers should give careful consideration to the following factors.

Dependence upon the Company

The Trust is an open ended, single purpose trust which will be entirely dependent upon the operations and assets of the Company through its ownership of the Shares and Subordinated Notes. Accordingly, the cash distributions to the Unitholders will be dependent upon the Company's ability to pay its interest obligations under the Subordinated Notes and the Company's ability to declare and pay dividends or repayments of capital in respect of the Shares. The Company may defer payment of interest on the Subordinated Notes at any time for a period of up to 12 months.

Additional Capital

The Company will pay out substantially all of its operating cashflows, net of ongoing development and sustaining capital expenditures. Except as contemplated in respect of the Capital Spending Fund, additional capital expenditures for acquisitions and new development and expansions are dependent on the Trust's ability to raise debt financing or issue new Trust Units. The ability to raise such additional capital is subject to certain factors, including limits on debt other than the Subordinated Notes and general market conditions.

Sodium Sulphate and Lime and Limestone

The demand for and prices of processed sodium sulphate products and lime and limestone products are determined by numerous factors beyond the control of the Operations, including the demand in various markets, the availability of competitive supplies of sodium sulphate or lime and limestone, international exchange rates, and political and economic conditions. The effect of any or all of these factors on the price or sales volume of sodium sulphate or lime and limestone is impossible for the Operations to predict. If realized prices of sodium sulphate and/or limestone fall below the full cost of production of any of the operations and remain at such levels for any sustained period, the Operations will experience losses and may decide to discontinue that operation forcing it to incur closure and/or care and maintenance costs, as the case may be.

Transportation

Sales of the Operations are dependent on rail, truck and/or ship transportation, depending on the location of the buyer. Service interruption by carriers or port facilities may result in lost sales. Significant cost escalation for these services will reduce profitability, possibly increasing the full cost of production at the affected operation above realized prices. To the extent such increases are sustained, the Operations could experience losses and may decide to discontinue that operation forcing it to incur closure and/or care and maintenance costs, as the case may be.

Exchange Rates

A portion of the export sales of the Operations are denominated in United States dollars. The fluctuation of the exchange rate value of the Canadian and United States dollars directly impacts the revenue realized on these sales. The relative exchange rate fluctuation between the Canadian dollar and the currencies of the Operations' international competitors impacts the ability of the Operations' products to compete in the foreign markets.

Employee Relations

All of the mining operations of the Operations are unionized, as are many of their key customers and service providers (rail, port, etc.). Strikes or lockouts could restrict the ability of the Operations to produce, sell and deliver its products to customers.

Reliance on Manager

Unitholders will be dependent on the management of the Manager in respect of the administration and management of all matters relating to the Trust and the Trust Units. In the event that the Manager is unable or unwilling to perform its obligations under the Administration Agreement or there is no Manager under such agreement, the Trustee shall be entitled to engage another person that is duly qualified to perform such obligations. In the event that no appointment of a new Manager occurs within 180 days of the Manager being unable or unwilling to perform its obligations, the Trust shall terminate and the net assets of the Trust shall be distributed to holders of Trust Units.

Customer Contracts

Saskatchewan Minerals' customer contracts generally range from one to three years. Many customers also place orders by way of purchase order on an "as-needed" basis. Havelock Lime's customers generally place orders by way of purchase order on an as-needed basis. Saskatchewan Minerals and Havelock Lime each have long-standing, diversified customer bases established over their long operating histories. See "Business of the Operations — Saskatchewan Minerals — Customers" and "Business of the Operations — Havelock Lime — Customers".

Mining Risks and Insurance

Mining operations are subject to conditions beyond the control of the Operations which can affect the cost of mining at particular mines for varying lengths of time. Such conditions include environmental hazards, accidents, explosions, unusual or unexpected geological formations or pressures, flooding and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such conditions could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays, monetary losses and possible legal liability. Although the Operations maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that such insurance will be available at economically feasible premiums or that it will be sufficient to fully cover any claims brought forward. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of disposal of waste products occurring from operations) is not generally available to the Operations or to other companies within the industry. To the extent that the Operations are subject to environmental liabilities, the payment of such liabilities will reduce the funds available to the Operations and may reduce distributions to Unitholders. Should the Operations be unable to fully fund the cost of remedying an environmental problem, the Operations may be required to suspend operations or enter into interim compliance measures pending completion of the required remedy.

Government Regulation of the Mining Industry

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

Changes in Legislation

There can be no assurance that income tax laws and government incentive programs relating to the mining industry and the treatment of mutual fund trusts will not be changed in a manner which adversely affects Unitholders. If the Trust ceases to qualify as a “mutual fund trust” under the ITA, the Trust Units will cease to be qualified investments for trusts governed by registered retirement savings plans, deferred profit sharing plans and registered retirement income funds. See “Canadian Federal Income Tax Considerations”.

Reserves and Resources

No assurance can be given as to the levels of recoveries of sodium sulphate and of lime and limestone or that the probable or possible reserves will be proven and recoverable. Sodium sulphate and lime and limestone quality and recovery parameters can vary from estimates. Market price fluctuations for sodium sulphate or for lime and limestone as well as increased production costs or reduced recovery rates, may render a portion or all of the reserves uneconomic and may ultimately result in a restatement of reserves. Short-term operating factors relating to the sodium sulphate and the lime and limestone reserves may adversely affect the profitability of the Operations in any particular accounting period.

Absence of Prior Public Market

Prior to the Offering, there has been no public market for the Trust Units or the Instalment Receipts. The initial public offering price has been determined by negotiation between Goldcorp and the Underwriters based on several factors and may bear no relationship to the price at which the Trust Units or the Instalment Receipts will trade in the public market subsequent to the Offering. See “Plan of Distribution”.

Redemption Right

It is anticipated that the redemption right will not be the primary mechanism for Unitholders to liquidate their investment. The Company's Shares and Subordinated Notes which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange and no established market is expected to develop for such Shares and Subordinated Notes. Cash distributions are subject to limitations and any Shares and Subordinated Notes which may be distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans. See "Canadian Federal Income Tax Considerations" and "Description of the Trust — Redemption Rights".

Distribution of Shares and Subordinated Notes on Termination of the Trust

Upon termination of the Trust, the Trustee may distribute Shares and Subordinated Notes directly to the Unitholders subject to obtaining all required regulatory approvals. There is currently no market for the Shares or the Subordinated Notes. In addition, the Shares and the Subordinated Notes are not freely tradeable and are not currently listed on any stock exchange. See "Description of the Trust — Term and Termination of the Trust".

Nature of Trust Units

Securities such as the Trust Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Trust Units do not represent a direct investment in the business of the Operations and should not be viewed by investors as shares in the Operations. As holders of Trust Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Trust Units represent a fractional interest in the Trust. The Trust's primary assets will be the Shares and the Subordinated Notes. The price per Trust Unit is expected to be a function of anticipated distributable income.

Potential Liability of Unitholders

The Trust Indenture provides that no Unitholder or annuitant under a registered retirement savings plan, registered retirement income fund and deferred profit sharing plan ("Plans") of which a Unitholder acts as trustee or carrier ("annuitant") will be subject to any personal liability in connection with the Trust (other than with respect to the Instalment Receipts) or its assets or obligations and, in the event that a court determines that Unitholders are subject to any such liabilities, the liabilities will be enforceable only against and will be satisfied only out of the Unitholder's or annuitant's share of the Trust's assets.

The Trust Indenture further provides that the Trustee and the Trust shall make all reasonable efforts to include as a specific term of any obligations or liabilities being incurred by the Trust or the Trustee on behalf of the Trust a contractual provision to the effect that neither the Unitholders, annuitants, nor the Trustee have any liability or obligations in respect thereof. The Underwriting Agreement, Shareholder's Agreement, Instalment Receipt Agreement and the Administration Agreement will contain such provisions. Personal liability may also arise in respect of claims against the Trust that do not arise under contract, including claims in tort, claims for taxes and possibly certain other statutory liabilities. As the Trust's activities are generally limited to investing in securities issued by the Company, the possibility of any personal liability of this nature arising is considered remote.

The operations of the Trust will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid to the extent possible any material risk of liability to the Unitholders or annuitants for claims against the Trust. Pursuant to the Trust Indenture, Unitholders and annuitants would be entitled to reimbursements from the available assets of the Trust in the event they have made payment for an obligation of the Trust.

Price Fluctuation

The market price of the Trust Units and Instalment Receipts from time to time will be sensitive to a variety of market conditions, including, but not limited to, interest rates. A rise in interest rates may result in a decline in the market price of the Trust Units and Instalment Receipts.

ELIGIBILITY FOR INVESTMENT

In the opinion of Bennett Jones Verchere, counsel to the Trust and Goldcorp, and McCarthy Tétrault, counsel to the Underwriters, as at the date of closing, subject to compliance with the prudent investment standards and general investment provisions of the statutes referred to below (and, where applicable, regulations thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies or goals, the Trust Units will not be precluded as investments under the following statutes:

Cooperative Credit Associations Act (Canada)
Insurance Companies Act (Canada)
Pension Benefits Standards Act, 1985 (Canada)
Trust and Loan Companies Act (Canada)
Pension Benefits Standards Act (British Columbia)
Financial Institutions Act (British Columbia)
Alberta Heritage Savings Trust Fund Act
(Alberta)
Insurance Act (Alberta)
Loan and Trust Corporations Act (Alberta)
The Pension Benefits Act, 1992 (Saskatchewan)

The Insurance Act (Manitoba)
The Trustee Act (Manitoba)
Pension Benefits Act (Ontario)
an Act respecting insurance (Québec)
an Act respecting trust companies and savings companies (Québec) (except trust companies with respect to funds, other than deposits, which are administered for other persons)
Supplemental Pension Plans Act (Québec)
Pension Benefits Act (New Brunswick)

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Bennett Jones Verchere, counsel to the Trust and Goldcorp, and McCarthy Tétrault, counsel to the Underwriters, the following summary describes the principal Canadian federal income tax considerations pursuant to the *Income Tax Act* (Canada) and the regulations thereunder (the “ITA”) generally applicable to a Unitholder who acquires Trust Units evidenced by Instalment Receipts pursuant to the Offering and who, for purposes of the ITA, is resident in Canada, holds the Trust Units as capital property and deals at arm’s length with the Trust and the Underwriters. Generally, the Trust Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Trust Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Depending on the holder’s particular circumstances, Trust Units may be deemed to be capital property where the election in §39(4) of the ITA has been made by a Canadian resident eligible to make such election. This summary is not applicable to a Unitholder that is a “financial institution”, as defined in the ITA for purposes of the mark-to-market rules of the ITA, to a Unitholder an interest in which would be a “tax shelter investment” as defined in the Proposed Amendments described below, or to a Unitholder that is a “specified financial institution” as defined in the ITA, and any such Unitholder should consult its own tax advisor with respect to an investment in Trust Units.

This summary is based upon the provisions of the ITA in force as of the date hereof, all specific proposals to amend the ITA that have been publicly announced prior to the date hereof (the “Proposed Amendments”) and counsel’s understanding of the current published administrative and assessing policies of Revenue Canada Customs, Excise and Taxation. No advance income tax ruling has been sought in respect of the Offering.

This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account or anticipate any changes in the law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be legal or tax advice to any particular Unitholder or prospective Unitholder. Consequently, prospective Unitholders should consult their own tax advisors with respect to their particular circumstances.

Status of the Trust and Trust Units

Unit Trust/Mutual Fund Trust

The Trust currently qualifies as a “unit trust” as defined by the ITA, and this summary assumes that the Trust will also so qualify on closing. This summary further assumes that the Trust qualifies as of closing (and will continue to qualify thereafter) as a “mutual fund trust” as defined by the ITA. In order to so qualify, there must be at least 150 Unitholders each of whom owns not less than one “block” of Trust Units having an aggregate fair market value

of not less than \$500, and the appropriate election must be filed under the ITA. A “block” of Trust Units means 100 Trust Units if the fair market value of one Trust Unit is less than \$25. In addition, the undertaking of the Trust must be restricted to the investing of its funds in property (other than real property or an interest therein), the acquiring, holding, maintaining, improving, leasing, or managing of any real property (or an interest therein) that is capital property of the Trust, or a combination of these activities. Finally, the Trust will be deemed not to be a mutual fund trust if it can reasonably be considered that, having regard to all the circumstances, the Trust was established or is maintained primarily for the benefit of non-resident persons. The Trust has advised counsel that it intends that these requirements will be satisfied on an ongoing basis so that the Trust will continue to qualify as a mutual fund trust at all relevant times, but in the event that the Trust were not to so qualify, the income tax considerations would in some respects be materially different from those described below. If the Trust ceases to qualify as a mutual fund trust the Trust will be required to pay a tax under Part XII.2 of the ITA.

Qualified Investment

Subject to the specific provisions of any particular such plan, Trust Units will be qualified investments for trusts governed by registered retirement savings plans (“RRSPs”), registered retirement income funds (“RRIFs”), and deferred profit sharing plans, collectively referred to herein as “Plans”. If the Trust ceases to qualify as a mutual fund trust, the Trust Units will cease to be a qualified investment for trusts governed by Plans. Where in a month a Plan holds Trust Units that are not qualified investments, the Plan must (in respect of that month) pay a tax under Part XI.1 of the ITA equal to 1% of the fair market value of the Trust Units at the time that Plan acquired such Trust Units. In addition, a trust governed by an RRSP or RRIF that holds Trust Units that are not qualified investments will become taxable on income attributable to those Trust Units while they are not qualified investments. Where a Plan receives Subordinated Notes and Shares as a result of a redemption of Trust Units, such notes or shares may not be qualified investments for the Plan, depending upon the circumstances at that time. Where the Subordinated Notes or Shares are not qualified investments for Plans, a redemption *in specie* may produce adverse consequences for Plans (or in the case of RRSPs and RRIFs, to the annuitants thereunder). Accordingly, Plans that own Trust Units should consult their own tax advisors before deciding to exercise the redemption rights thereunder.

Foreign Property

The Trust has advised counsel that at all times the cost amount of foreign property of the Trust, if any, will be less than the 20% of the cost amount of all property of the Trust. Assuming this to be correct, Trust Units will not constitute foreign property of Plans for purposes of the tax under Part XI of the ITA.

Taxation of the Trust

The Trust is subject to tax on its income for any particular taxation year (including net realized taxable capital gains), less the portion thereof that is paid or payable in the year to Unitholders and deducted by the Trust in computing its income for purposes of the ITA. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid in the year by the Trust (or, pursuant to the Proposed Amendments, if it is paid within one month after the end of the year and the Trust makes the appropriate election under the ITA) or the Unitholder is entitled in that year to enforce payment of the amount. The taxation year of the Trust is the calendar year.

The Trust will be required to include in its income for each taxation year all interest on the Subordinated Notes that accrues to it to the end of the year or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year. In computing its income for tax purposes, the Trust may deduct reasonable administrative, interest, and other expenses incurred to earn income. During the first six taxation years of the Trust after closing of the Offering, the Trust may deduct from its income for the year a portion of the expenses of the issue paid by the Trust from the proceeds of the Offering, generally equal to 20% of the total issue expenses that the number of days in the Trust’s taxation year is of 365 days (to the extent that the expenses were not otherwise deductible in a preceding year). Any amount paid to the Trust in respect of Shares (other than an amount that is a return of capital for purposes of the ITA) will generally constitute a dividend to the Trust. However, all dividends which would otherwise be included in the Trust’s income as dividends received on the Shares will be deemed to have been received by the Unitholders and not to have been received by the Trust, provided that the Trust makes the appropriate designations.

Under the Trust Indenture, an amount equal to all of the interest and dividend income of the Trust for each year, together with the taxable and nontaxable portion of any capital gains realized by the Trust in the year (excluding capital gains which may be realized by the Trust upon a distribution *in specie* of Shares and Subordinated Notes from time to time outstanding in connection with a redemption of Trust Units), net of the Trust's expenses, will be payable in the year to the holders of the Trust Units by way of cash distributions subject to the exceptions described below.

Under the Trust Indenture, income of the Trust may be used to finance cash redemptions of Trust Units, and accordingly such income so utilized will not be payable to holders of the Trust Units by way of cash distributions but rather will be payable in the form of additional Trust Units ("Reinvested Trust Units").

A distribution of Shares and Subordinated Notes by the Trust to a Unitholder upon a redemption of Trust Units will be treated as a disposition by the Trust of the Shares and Subordinated Notes so distributed for proceeds of disposition equal to their fair market value (excluding any accrued interest on the Subordinated Notes), and may give rise to a capital gain (or a capital loss) to the Trust. In addition, the Trust will be required to include in its income any interest that had accrued on the Subordinated Notes so disposed of up to the date of distribution to the extent not otherwise included in its income for the year of disposition or a previous year. The Trust will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the ITA based on the redemption or retraction of Trust Units during the year (the "Capital Gains Refund"). In certain circumstances, the Capital Gains Refund in a particular taxation year may not completely offset the Trust's tax liability for such taxation year which may arise upon distributions of Shares and Subordinated Notes in connection with the redemption of Trust Units. The Trust Indenture accordingly provides that income of the Trust which is required to satisfy any tax liability on the part of the Trust shall not be payable to Unitholders.

In computing its income under the ITA, the Trust intends to deduct the full amount available for deduction in each year to the extent of its taxable income for the year otherwise determined. Therefore, as a result of such deduction from income and the Trust's entitlement to a Capital Gains Refund, the Trust has advised counsel that it expects not to be liable for any material amount of tax under the ITA in any particular taxation year.

Taxation of Unitholders

A Unitholder will generally be required to include in computing income for a particular taxation year of the Unitholder the portion of the net income of the Trust for a taxation year (including net realized taxable capital gains) that is paid or payable to the Unitholder in that particular taxation year (including any such amount that is payable in Reinvested Trust Units).

Provided that the appropriate designations are made by the Trust, such portions of its net taxable capital gains and taxable dividends as are paid or payable to a Unitholder will effectively retain their character and be treated as such in the hands of the Unitholder for purposes of the ITA.

Any amount that is paid or payable by the Trust to a Unitholder in a taxation year in excess of the amount of the Trust's income paid or payable to that Unitholder in that taxation year (including any amount that may be received by the Trust as a return of capital with respect to the Shares) should not generally be included in the Unitholder's income for that year. However, where such an amount becomes payable to a Unitholder (other than as proceeds of disposition of Trust Units), the adjusted cost base ("ACB") of the Unitholder's Trust Units must be correspondingly reduced, except to the extent that the amount either was included in the Unitholder's income or was the Unitholder's share of the non-taxable portion of the net capital gains of the Trust, the taxable portion of which was designated by the Trust in respect of the Unitholder. To the extent that a Unitholder's ACB of Trust Units would otherwise be reduced to a negative amount, such negative amount will instead be a capital gain of the Unitholder for the taxation year, and the Unitholder's ACB of such Trust Units will be reduced to nil.

A Unitholder's ACB of a Trust Unit will include all amounts paid or payable by the Unitholder for the Trust Unit, including the amount payable under the Instalment Receipt Agreement. Similarly, the proceeds of disposition of a Trust Unit will include the amount of any unpaid instalment. Reinvested Trust Units issued to a Unitholder in lieu of a cash distribution of income will have an ACB equal to their fair market value, and this ACB must be averaged with the ACB of all other Trust Units held by the Unitholder at that time in order to produce a uniform ACB for all Trust Units held by such Unitholder.

Upon the disposition or deemed disposition of a Trust Unit by a Unitholder, whether on redemption or otherwise, the Unitholder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition, excluding any amount payable by the Trust that must be included in the Unitholder's income as described above, are greater (or less) than the aggregate of the Unitholder's ACB of the Trust Unit and any reasonable costs of disposition. Where Trust Units are redeemed and Shares or Subordinated Notes (as the case may be) are distributed to the Unitholder, the Unitholder's proceeds of disposition of the Trust Units will be equal to the fair market value of the Shares and Subordinated Notes so distributed, excluding any amount payable by the Trust which must otherwise be included in the Unitholder's income as described above.

Three-quarters of any capital gain realized by a Unitholder (and any net taxable capital gains designated by the Trust in respect of the Unitholder for the year) will be included in the Unitholder's income under the ITA for the year of disposition as a taxable capital gain. Subject to detailed rules in the ITA and the Proposed Amendments concerning the recognition, calculation and application of capital losses, three-quarters of a capital loss from the disposition of a Trust Unit may be deducted against any taxable capital gains realized by a Unitholder in the year of disposition, in the three preceding taxation years or in any subsequent taxation year. Taxable capital gains realized by a Unitholder that is an individual may give rise to alternative minimum tax, depending on the Unitholder's circumstances.

The ACB of any Share or Subordinated Note distributed to a Unitholder by the Trust upon the termination of the Trust will be equal to the fair market value of the Share or Subordinated Note, as the case may be, at the time of the distribution (less, in the case of a Subordinated Note, any accrued interest thereon). Such a Unitholder will be required to include in income interest on the Subordinated Note (including interest that had accrued to the date of the acquisition of the Subordinated Note by the Unitholder) in accordance with the provisions of the ITA. To the extent that the Unitholder is required to include in income any interest that had accrued prior to the date of the acquisition of the Subordinated Note, an offsetting deduction will be available to the Unitholder.

Where (as a consequence of the Unitholder's failure to pay the final instalment) the collateral that a Trust Unit constitutes is accepted by the Trust or its assignee in full satisfaction of the obligations of a Unitholder to pay the final instalment, the Unitholder will be subject to certain specific rules contained in the ITA concerning which the Unitholder should consult its own tax advisor. Where this collateral is sold by the Security Agent as a consequence of the Unitholder's failure to pay the final instalment, the amount realized by the Security Agent (net of any costs of disposition) will constitute proceeds of disposition to the Unitholder.

PROMOTER

Goldcorp may be considered to be the promoter of the Trust by reason of its initiative in organizing the business and affairs of the Trust. Goldcorp is a reporting issuer in each province of Canada and its Class A subordinate voting shares and Class B shares are listed on the Toronto, Montreal and New York stock exchanges. See "Halkat Industries Income Trust — The Acquisition and Related Matters".

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Trust will acquire from Goldcorp all of the outstanding Shares and Subordinated Notes, as described in this prospectus. The purchase price was determined by negotiation between Goldcorp, the Trust and the Underwriters.

Pursuant to the Management Agreement and the Administration Agreement, the Manager, a wholly-owned subsidiary of Goldcorp, will provide management and administrative services to the Company and the Trust, respectively, and in respect of which the Manager will be paid fees.

MATERIAL CONTRACTS

Material contracts that have been, or will be, entered into by the Trust since its formation or prior to the closing of the Offering, other than contracts entered into in the ordinary course of business, are as follows:

- (a) the Trust Indenture;
- (b) the Underwriting Agreement;

- (c) the Instalment Receipt Agreement;
- (d) the Purchase and Sale Agreement;
- (e) the Shareholder's Agreement;
- (f) the Note Indenture;
- (g) the Acquisition Agreement;
- (h) the Pledge Assignment and Security Agreement;
- (i) the Management Agreement; and
- (j) the Administration Agreement.

Copies of these agreements are available for inspection at the offices of the Manager or the Company at Suite 2700, 145 King Street West, Toronto, Ontario M5H 1J8 during normal business hours during the period of distribution and for a period of 30 days thereafter and at the offices of the Ontario Securities Commission during normal business hours at any time.

LEGAL MATTERS

Certain legal matters relating to the issuance of the Trust Units to the public will be passed upon at closing by Bennett Jones Verchere, Toronto, on behalf of the Trust and Goldcorp, and by McCarthy Tétrault, Toronto, on behalf of the Underwriters.

LEGAL PROCEEDINGS

The Trust is not aware of any material litigation outstanding, threatened or pending, as of the date hereof, by or against the Trust or the Operations, which would be material to a purchaser of the Trust Units.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of the Trust and the Company is KPMG, Chartered Accountants, Suite 3300, Commerce Court West, Toronto, Ontario M5L 1B2.

The transfer agent and registrar for the Trust Units and the Instalment Receipts is Montreal Trust Company of Canada through its principal offices in Toronto, Vancouver, Calgary, Winnipeg, Montreal and Halifax.

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. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. Such remedies must be exercised by the purchaser within the time limit prescribed by the applicable securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

FINANCIAL STATEMENTS INDEX

	<u>Page</u>
Halkat Industries Income Trust — December 31, 1997	
Auditor's Report	F-2
Balance Sheet	F-3
Note to Balance Sheet	F-4
Halkat Industries Income Trust — Pro Forma	
Compilation Report	F-5
Pro Forma Consolidated Balance Sheet	F-6
Pro Forma Consolidated Statement of Earnings	F-7
Pro Forma Consolidated Statement of Distributable Cash	F-9
Notes to Pro Forma Consolidated Financial Statements	F-11
Industrial Minerals Division of Goldcorp Inc.	
Auditor's Report	F-13
Combined Balance Sheets	F-14
Combined Statements of Earnings	F-15
Combined Statements of Cash Flows	F-16
Notes to Combined Financial Statements	F-17

HALKAT INDUSTRIES INCOME TRUST

AUDITOR'S REPORT

To the Directors of Goldcorp Inc.
and to the Directors of Goldcorp Management Services Inc.

We have audited the balance sheet of Halkat Industries Income Trust (the "Trust") as at December 31, 1997. This balance sheet is the responsibility of the Manager of the Trust. Our responsibility is to express an opinion on this balance sheet based on our audit.

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

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of the Trust as at December 31, 1997 in accordance with generally accepted accounting principles.

Toronto, Canada



Chartered Accountants

HALKAT INDUSTRIES INCOME TRUST

BALANCE SHEET as at December 31, 1997 (in thousands of dollars)

ASSETS

Cash	\$1
------------	-----

EQUITY

Unitholders' equity	\$1
---------------------------	-----

On behalf of Halkat Industries Income Trust
by Goldcorp Management Services Inc., as Administrator

(Signed) ROBERT R. McEWEN
Director

(Signed) ROLANDO C. FRANCISCO
Director

See accompanying note to balance sheet.

HALKAT INDUSTRIES INCOME TRUST

NOTE TO BALANCE SHEET

Formation of the Trust:

Halkat Industries Income Trust (the “Trust”) is an open ended, single purpose trust established under the laws of Ontario by a Trust Indenture made as of December 19, 1997. The Trust has been established to hold the Class A preference shares and common shares (collectively, the “Shares”) as well as the subordinated notes (the “Subordinated Notes”) of Halkat Industries Inc. (the “Company”, the corporate entity established to acquire the Industrial Minerals Division of Goldcorp Inc.). To finance the investment in such Shares and Subordinated Notes, the Trust intends to issue trust units (“Trust Units”) pursuant to a public offering. The net proceeds from the sale of the Trust Units will be used by the Trust to acquire the Shares and the Subordinated Notes of the Company.

The Trust is an unincorporated trust with each Unitholder participating pro rata in distributions and, in the event of termination of the Trust, participating pro rata in the net assets remaining after satisfaction of all liabilities. Income tax obligations related to distributions by the Trust are the obligations of the Unitholders.

HALKAT INDUSTRIES INCOME TRUST

COMPILATION REPORT

To the Directors of Goldcorp Inc.
and to the Directors of Goldcorp Management Services Inc.

We have reviewed, as to compilation only, the accompanying pro forma consolidated balance sheet of Halkat Industries Income Trust (the "Trust") as at December 31, 1997 and the pro forma consolidated statements of earnings and distributable cash of the Trust for the year ended December 31, 1997 and the year ended December 31, 1996. These pro forma consolidated financial statements have been prepared for inclusion in the prospectus relating to the distribution of Trust Units of the Trust. In our opinion, the pro forma consolidated balance sheet and the pro forma consolidated statements of earnings and distributable cash have been properly compiled to give effect to the proposed transactions and the assumptions described in the notes thereto.

Toronto, Canada



Chartered Accountants

HALKAT INDUSTRIES INCOME TRUST

PRO FORMA CONSOLIDATED BALANCE SHEET

As at December 31, 1997

(in thousands of dollars)

	<u>Halkat Industries Income Trust</u>	<u>Operations</u>	<u>Pro forma and consolidation adjustments</u> (unaudited)	<u>Note</u>	<u>Pro forma consolidated Halkat Industries Income Trust</u> (unaudited)
ASSETS					
Current assets:					
Cash	\$ 1	\$ —	\$ —		\$ 1
Accounts receivable	—	8,643	—		8,643
Inventories	—	3,857	—		3,857
Prepaid expenses and other	—	611	—		611
	1	13,111	—		13,112
Mining interests, net	—	20,376	●	2(c)	●
	<u>\$ 1</u>	<u>\$ 33,487</u>	<u>\$ ●</u>		<u>\$ ●</u>
LIABILITIES AND EQUITY					
Current liabilities:					
Outstanding cheques	\$ —	\$ 566	\$ —		\$ 566
Accounts payable and accrued liabilities	—	5,747	—		5,747
Working capital credit facility	—	—	—	2(d)	—
Current portion of long-term debt	—	20	—		20
	—	6,333	—		6,333
Long-term debt	—	—	—		—
Equity:					
Division equity	—	27,154	(27,154)	2(c)	—
Unitholders' equity	1	—	●	2(c)	●
	1	27,154	●		●
	<u>\$ 1</u>	<u>\$ 33,487</u>	<u>\$ ●</u>		<u>\$ ●</u>

See accompanying notes to pro forma consolidated financial statements.

HALKAT INDUSTRIES INCOME TRUST

PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS

Year ended December 31, 1997

(in thousands of dollars, except per Trust Unit amounts)

	<u>Halkat Industries Income Trust</u>	<u>Operations</u>	<u>Pro forma and consolidation adjustments</u> (unaudited)	<u>Note</u>	<u>Pro forma consolidated Halkat Industries Income Trust</u> (unaudited)
Revenue	\$ —	\$ 58,710	\$ —		\$ 58,710
Expenses:					
Operating	—	20,838	—		20,838
Freight and transportation	—	20,607	—		20,607
General and administrative	—	5,683	145 (564) 420	3 (c) 3 (a) 3 (a)	5,684
Interest and other expense (income), net	—	(52)	144	3 (d) (e)	92
	—	47,076	145		47,221
Earnings before depreciation, depletion and income taxes	—	11,634	(145)		11,489
Depreciation and depletion	—	1,897	●	3 (b)	●
Earnings before income taxes	—	9,737	●		●
Income taxes	—	—	55	3 (c)	55
Net earnings	<u>\$ —</u>	<u>\$ 9,737</u>	<u>\$ ●</u>		<u>\$ ●</u>
Net earnings per Trust Unit (● Trust Units)					<u>\$ ●</u>

See accompanying notes to pro forma consolidated financial statements.

HALKAT INDUSTRIES INCOME TRUST

PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS

Year ended December 31, 1996

(in thousands of dollars, except per Trust Unit amounts)

	<u>Halkat Industries Income Trust</u>	<u>Operations</u>	<u>Pro forma and consolidation adjustments</u> (unaudited)	<u>Note</u>	<u>Pro forma consolidated Halkat Industries Income Trust</u> (unaudited)
Revenue	\$ —	\$ 56,803	\$ —		\$ 56,803
Expenses:					
Operating	—	17,967	—		17,967
Freight and transportation	—	20,306	—		20,306
General and administrative	—	4,992	145 (564) 420	3(c) 3(a) 3(a)	4,993
Interest and other expense (income), net	—	(72)	167	3(d) (e)	95
	<u>—</u>	<u>43,193</u>	<u>168</u>		<u>43,361</u>
Earnings before depreciation, depletion and income taxes	—	13,610	(168)		13,442
Depreciation and depletion	—	1,885	●	3(b)	●
Earnings before income taxes	—	11,725	●		●
Income taxes	—	—	55	3(c)	55
Net earnings	<u>\$ —</u>	<u>\$ 11,725</u>	<u>\$ ●</u>		<u>\$ ●</u>
Net earnings per Trust Unit (● Trust Units)					<u>\$ ●</u>

See accompanying notes to pro forma consolidated financial statements.

HALKAT INDUSTRIES INCOME TRUST

PRO FORMA CONSOLIDATED STATEMENT OF DISTRIBUTABLE CASH

Year ended December 31, 1997

(in thousands of dollars, except per Trust Unit amounts)

(Unaudited)

Earnings before depreciation, depletion and income taxes	\$ 11,489
Capital expenditures, net of dispositions	(1,200)
Drawdown of Capital Spending Fund	625
Repayment of debt	(38)
Change in working capital, net of change in working capital credit facility	<u>—</u>
Distributable cash before income taxes	10,876
Income taxes	<u>55</u>
Distributable cash	<u>\$ 10,821</u>
Distributable cash per Trust Unit	
(● Trust Units)	<u>\$ ●</u>

See accompanying notes to pro forma consolidated financial statements.

HALKAT INDUSTRIES INCOME TRUST

PRO FORMA CONSOLIDATED STATEMENT OF DISTRIBUTABLE CASH

Year ended December 31, 1996

(in thousands of dollars, except per Trust Unit amounts)

(Unaudited)

Earnings before depreciation, depletion and income taxes	\$ 13,442
Capital expenditures, net of dispositions	(1,139)
Drawdown of Capital Spending Fund	564
Repayment of debt	(111)
Change in working capital, net of change in working capital credit facility	—
Distributable cash before income taxes	12,756
Income taxes	55
Distributable cash	\$ 12,701
Distributable cash per Trust Unit	
(● Trust Units)	\$ ●

See accompanying notes to pro forma consolidated financial statements.

HALKAT INDUSTRIES INCOME TRUST

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

1. Basis of Presentation:

The accompanying pro forma consolidated balance sheet and the pro forma consolidated statements of earnings and distributable cash of Halkat Industries Income Trust (the "Trust") have been prepared by Goldcorp Inc. ("Goldcorp") on behalf of the Trust in accordance with generally accepted accounting principles.

The pro forma consolidated balance sheet has been prepared from information derived from the audited balance sheet of the Trust as at December 31, 1997 and the audited combined balance sheet of the Industrial Minerals Division of Goldcorp (the "Operations") as at December 31, 1997 and the assumptions outlined in note 2 below. The pro forma consolidated statements of earnings have been prepared from information derived from the audited combined statement of earnings of the Operations for the years ended December 31, 1997 and 1996 and the adjustments and assumptions outlined in note 3 below.

The pro forma consolidated financial statements may not be indicative of the financial position and results of operations that would have occurred if the transactions had been in effect on the dates indicated or of the financial position or operating results which may be obtained in the future.

The pro forma consolidated financial statements should be read in conjunction with the combined financial statements of the Operations for the years ended December, 1997 and 1996 and the balance sheet of the Trust as at December 31, 1997.

2. Pro Forma Adjustments and Assumptions — Consolidated Balance Sheet:

The pro forma consolidated balance sheet of the Trust as at December 31, 1997 has been prepared as if the following proposed transactions had been completed as of the balance sheet date:

- (a) The issuance by the Trust of ● trust units ("Trust Units") at a price of \$ ● per Trust Unit for net proceeds of \$ ● , after deducting estimated expenses and underwriters' fees in the aggregate amount of \$ ● .
- (b) The purchase of Series A preferred shares and common shares (collectively, the "Shares"), as well as subordinated notes (the "Subordinated Notes") of Halkat Industries Inc. (the "Company", the corporate entity established to acquire the Operations) for cash consideration of \$ ● and \$ ● , respectively.
- (c) The allocation of the purchase price to the assets and liabilities of the Operations are estimated as follows based on the most recently available information. The actual allocation of the purchase price to the assets and liabilities acquired at closing will differ.

Net assets acquired:

Current assets	\$ 13,111
Mining interests, net.....	●
Current liabilities	(6,333)
Total.....	<u>\$ ●</u>

- (d) The Company intends to finance its net working capital through a revolving credit facility. As net working capital as at the closing date of the offering is realized, it will be segregated into a "Capital Spending Fund" (see note 3(d)).
- (e) Receipt of the final instalment on the sale of Trust Units, and payment of the Trust's indebtedness to Goldcorp pursuant to the purchase of Shares and Subordinated Notes of Halkat Industries Inc.

HALKAT INDUSTRIES INCOME TRUST

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

3. Pro Forma Adjustments and Assumptions — Consolidated Statements of Earnings and Distributable Cash:

The pro forma consolidated statements of earnings give effect to the acquisition of the Shares and Subordinated Notes of the Company as at the beginning of the respective periods presented using the purchase price allocations described in note 2(c) above, and give effect to the following adjustments and assumptions:

- (a) Allocated corporate costs previously paid by the Operations to Goldcorp have been eliminated as they relate to arrangements that will be eliminated on the acquisition of the Company by the Trust. Pro forma management fees and administration fees have been recorded based on the new Management Agreement and Administration Agreement with the Manager.
- (b) The provision for depreciation and depletion has been adjusted to include amounts that would be recorded on the purchase price allocated to mining interests.
- (c) The additional interest expense applicable to the Subordinated Notes of the Company on a pro forma basis is assumed to and have been sufficient to reduce the current tax provision to an amount which reflects only large corporations tax and capital tax. The provision for deferred income taxes has been reduced to nil to take into account the effect of the additional interest expense and management fees.
- (d) A “Capital Spending Fund”, representing cash to be obtained on realization of net working capital of the Operations to be acquired in the Acquisition, will be established to fund capital expenditures in excess of the forecasted normalized sustaining capital expenditures of \$575,000 per year. The unspent balance of the Capital Spending Fund at any time will be invested in interest bearing deposits.
- (e) The Company intends to finance its net working capital requirements with a revolving credit facility, estimated to bear interest at prime plus 0.50%, assumed to be 6% for the forecast period.

INDUSTRIAL MINERALS DIVISION OF GOLDCORP INC.

AUDITOR'S REPORT

To the Directors of Goldcorp Inc.

We have audited the combined balance sheets of the Industrial Minerals Division of Goldcorp Inc. (the "Operations") as at December 31, 1997 and 1996 and the combined statements of earnings and cash flows for each of the years in the five-year period ended December 31, 1997. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 combined financial statements present fairly, in all material respects, the financial position of the Operations as at December 31, 1997 and 1996 and the results of its operations and its cash flows for each of the years in the five-year period ended December 31, 1997 in accordance with generally accepted accounting principles.

Toronto, Canada



Chartered Accountants

INDUSTRIAL MINERALS DIVISION OF GOLDCORP INC.

COMBINED BALANCE SHEETS
(in thousands of dollars)

	<u>December 31, 1997</u>	<u>December 31, 1996</u>
ASSETS		
Current assets:		
Accounts receivable	\$ 8,643	\$ 8,472
Inventories (note 3)	3,857	3,300
Prepaid expenses and other	<u>611</u>	<u>359</u>
	13,111	12,131
Mining interests, net (note 4)	<u>20,376</u>	<u>21,072</u>
	<u><u>\$33,487</u></u>	<u><u>\$33,203</u></u>
LIABILITIES AND DIVISION EQUITY		
Current liabilities:		
Outstanding cheques	\$ 566	\$ 380
Accounts payable and accrued liabilities	5,747	5,003
Current portion of long-term debt	<u>20</u>	<u>18</u>
	6,333	5,401
Long-term debt	<u>—</u>	<u>20</u>
Division equity	<u>27,154</u>	<u>27,782</u>
	<u><u>\$33,487</u></u>	<u><u>\$33,203</u></u>

Commitments and contingencies (notes 6 and 7)

On behalf of the Board of Directors:

(Signed) ROBERT R. McEWEN
Director

(Signed) ROLANDO C. FRANCISCO
Director

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

INDUSTRIAL MINERALS DIVISION OF GOLDCORP INC.

COMBINED STATEMENTS OF EARNINGS

(in thousands of dollars)

	Years ended December 31,				
	1997	1996	1995	1994	1993
Revenue	\$58,710	\$56,803	\$52,451	\$50,013	\$45,268
Expenses:					
Operating	20,838	17,967	18,238	16,885	14,699
Freight and transportation	20,607	20,306	21,544	20,507	17,510
General and administrative	5,683	4,992	4,575	4,412	4,396
Depreciation and depletion	1,897	1,885	2,001	2,105	1,962
	<u>49,025</u>	<u>45,150</u>	<u>46,358</u>	<u>43,909</u>	<u>38,567</u>
Earnings from operations	9,685	11,653	6,093	6,104	6,701
Other income (expense):					
Interest and other income (expense)	54	79	102	(14)	103
Interest on long-term debt	<u>(2)</u>	<u>(7)</u>	<u>(24)</u>	<u>(30)</u>	<u>(34)</u>
	52	72	78	(44)	69
Net earnings before income taxes	<u>\$ 9,737</u>	<u>\$11,725</u>	<u>\$ 6,171</u>	<u>\$ 6,060</u>	<u>\$ 6,770</u>

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

INDUSTRIAL MINERALS DIVISION OF GOLDCORP INC.

COMBINED STATEMENTS OF CASH FLOWS

(in thousands of dollars)

	Years ended December 31,				
	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Cash provided by (used in):					
Operating activities:					
Net earnings before income taxes	\$ 9,737	\$ 11,725	\$ 6,171	\$ 6,060	\$ 6,770
Items not affecting cash:					
Depreciation and depletion	1,897	1,885	2,001	2,105	1,962
Other	<u>(1)</u>	<u>(58)</u>	<u>(71)</u>	<u>(13)</u>	<u>(24)</u>
	11,633	13,552	8,101	8,152	8,708
Change in non-cash operating working capital	<u>(236)</u>	<u>(834)</u>	<u>247</u>	<u>(1,550)</u>	<u>228</u>
Net cash provided by operating activities	<u>11,397</u>	<u>12,718</u>	<u>8,348</u>	<u>6,602</u>	<u>8,936</u>
Investing activities:					
Mining interests	(1,201)	(1,198)	(959)	(544)	(686)
Increase in book value resulting from reorganization (note 1)	—	—	—	(3,887)	—
Other	<u>1</u>	<u>59</u>	<u>73</u>	<u>22</u>	<u>46</u>
Net cash used in investing activities	<u>(1,200)</u>	<u>(1,139)</u>	<u>(886)</u>	<u>(4,409)</u>	<u>(640)</u>
Financing activities:					
Increase in (repayment of) long-term debt	(18)	(111)	(91)	(80)	11
Funds transferred to Goldcorp Inc., net of advances	<u>(10,365)</u>	<u>(11,440)</u>	<u>(7,348)</u>	<u>(2,356)</u>	<u>(7,937)</u>
Net cash used in financing activities	<u>(10,383)</u>	<u>(11,551)</u>	<u>(7,439)</u>	<u>(2,436)</u>	<u>(7,926)</u>
Decrease (increase) in outstanding cheques	(186)	28	23	(243)	370
Outstanding cheques at beginning of period	<u>(380)</u>	<u>(408)</u>	<u>(431)</u>	<u>(188)</u>	<u>(558)</u>
Outstanding cheques at end of period	<u>\$ (566)</u>	<u>\$ (380)</u>	<u>\$ (408)</u>	<u>\$ (431)</u>	<u>\$ (188)</u>

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

INDUSTRIAL MINERALS DIVISION OF GOLDCORP INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

1. Basis of Presentation:

These financial statements have been prepared for inclusion in the prospectus of Halkat Industries Income Trust (the "Trust") relating to the initial public offering of trust units (the "Trust Units"), to be filed with the Securities Commission or similar authority of each province of Canada.

The accompanying financial statements have been prepared by management from the historical financial records of Goldcorp Inc. ("Goldcorp") and reflect the industrial minerals businesses included in the offering as though carried on by Halkat Industries Inc. (the "Company", the corporate entity established to acquire the Operations) as a separate legal entity, except as noted below. The net assets are stated at carrying values based on their historic cost to Goldcorp. As a result of a reorganization in 1994, pursuant to which Goldcorp increased its effective interest in the industrial minerals businesses to 100%, the carrying value of the industrial minerals mining interests were increased by \$3,887,000, reflecting an allocation of purchase price to the industrial minerals operations.

These financial statements include a general and administrative expense which includes an allocation of certain general overhead expenses incurred by Goldcorp. The Trust will be subject to a different management fee structure after the offering.

Certain of the employees of the Operations participated in the Goldcorp Employee Share Option Plan which is not reflected in these financial statements. These employees will cease to participate in this plan after the closing date.

These financial statements do not include any interest expense on division equity, or any allocation of interest expense on bank indebtedness which is administered under a centralized cash management arrangement for Goldcorp. Outstanding cheques represent cheques drawn on the centralized bank account of Goldcorp.

These financial statements do not include any recognition of income taxes or other corporate taxes as the Operations was not a separate taxable entity during the periods presented and an allocation of such taxes cannot reasonably be made. Following the completion of the Acquisition and related transactions, the Operations will ultimately be acquired by the Trust which, under the terms of the trust indenture, will distribute any income realized by the Trust to the unitholders and, as a consequence, is not anticipated to pay tax. The Company, which will own the Operations, will be a separate taxable entity. However, other than capital tax and large corporations taxes, it is not anticipated that the Company will be paying cash taxes in the next several years based on the expected levels of earnings of the Operations and taking into account the additional interest expense relating to the subordinated notes of the Company owned by the Trust, which will offset any operating taxable income.

These financial statements may not necessarily be indicative of the results that would have been attained if the Operations had been operated as a separate legal entity during the periods presented.

2. Significant Accounting Policies:

These combined financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada.

The principal accounting policies followed which have been consistently applied are summarized as follows:

(a) Basis of Combination:

These financial statements combine the financial statements of the 100%-owned Saskatchewan Minerals and Havelock Lime businesses (together, the "Operations").

Significant intercompany balances and transactions have been eliminated on combination.

INDUSTRIAL MINERALS DIVISION OF GOLDCORP INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

(b) Inventories:

Product inventory is valued at the lower of average cost or net realizable value. These inventories include the cost of raw materials, direct labour and mine-site overhead expenses.

Supplies are valued at the lower of average cost or replacement cost.

(c) Mining Interests:

Plant and equipment are recorded at cost with depreciation generally provided on the straight-line method over their estimated useful lives, which generally range from five to fifteen years.

Mining expenditures incurred either to develop new ore bodies or to develop mine areas substantially in advance of current production are capitalized and are depleted on the unit-of-production method. Mine development costs incurred to maintain current production are included in operating expenses.

Upon sale or abandonment, the cost of the property, plant and equipment and related accumulated depreciation and depletion are removed from the accounts and any gains or losses thereon are included in operations.

(d) Revenue Recognition:

Revenues from the sale of industrial minerals are recognized when title passes to the purchaser.

(e) Foreign Currency Translation:

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year-end rates of exchange. Revenue and expense transactions denominated in foreign currencies are translated into Canadian dollars at the average rate of exchange prevailing during the year. The applicable exchange gains and losses arising on these transactions are reflected in operations.

(f) Measurement Uncertainty:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

3. Inventories:

	December 31,	
	1997	1996
Industrial minerals	\$2,753	\$2,072
Supplies	1,104	1,228
	<u>\$3,857</u>	<u>\$3,300</u>

4. Mining Interests:

	Cost	Accumulated depreciation and depletion	December 31,	
			1997 Net book value	1996 Net book value
Plant and equipment	\$26,853	\$15,517	\$11,336	\$11,686
Mining properties and deferred expenditures	12,414	3,374	9,040	9,386
	<u>\$39,267</u>	<u>\$18,891</u>	<u>\$20,376</u>	<u>\$21,072</u>

INDUSTRIAL MINERALS DIVISION OF GOLDCORP INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

A summary of the net book value of plant and equipment and mining properties and deferred expenditures by property is as follows:

	Plant and equipment	Mining properties and deferred expenditures	Total 1997	Total 1996
Havelock Lime	\$ 3,744	\$5,897	\$ 9,641	\$ 9,879
Saskatchewan Minerals	7,592	3,143	10,735	11,193
	<u>\$11,336</u>	<u>\$9,040</u>	<u>\$20,376</u>	<u>\$21,072</u>

5. Export Sales:

Included in revenues are the following export revenues:

	Years ended December 31,				
	1997	1996	1995	1994	1993
Export revenues	<u>\$38,225</u>	<u>\$35,949</u>	<u>\$35,351</u>	<u>\$34,372</u>	<u>\$29,550</u>

6. Commitments:

Goldcorp is party to an operating lease relating to Havelock Lime's vertical shaft kiln which expires on January 2, 2001. Future minimum lease payments under this lease at December 31, 1997 are as follows:

1998	\$ 359
1999	359
2000	359
	<u>\$1,077</u>

7. Contingencies:

Mining and exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. Goldcorp believes the Operations comply in all material respects with all applicable laws and regulations. Expenditures have been made to comply with such laws and regulations. Such expenditures are expected to be made in the future. Where estimated post-closure costs are reasonably determinable, a provision is recorded for environmental and reclamation obligations based on management's estimate of such costs. Such estimates are, however, subject to change based on negotiations with regulatory authorities, changes in laws and regulations and as new information becomes available.

CERTIFICATE OF THE TRUST AND THE PROMOTER

Dated: March 23, 1998

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), Part XI of *The Securities Act, 1988* (Saskatchewan), Part VII of *The Securities Act* (Manitoba), Part XV of the *Securities Act* (Ontario), Part II of the *Securities Act* (Prince Edward Island), Section 63 of the *Securities Act* (Nova Scotia), Section 13 of the *Security Frauds Prevention Act* (New Brunswick) and the respective regulations thereunder and by Part XIV of *The Securities Act* (Newfoundland). This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

HALKAT INDUSTRIES INCOME TRUST

by Goldcorp Management Services Inc., as Administrator

By: (Signed) ROBERT R. McEWEN
Chairman and Chief Executive Officer

By: (Signed) FLORIANA G. CIPOLLONE
Vice President, Finance and
Chief Financial Officer

On behalf of the Board of Directors of
Goldcorp Management Services Inc., as Administrator

By: (Signed) ROLANDO C. FRANCISCO
Director

By: (Signed) ABRAHAM N. RUBINFELD
Director

On behalf of the Promoter:

GOLDCORP INC.

By: (Signed) ROBERT R. McEWEN
Chairman and Chief Executive Officer

By: (Signed) ROLANDO C. FRANCISCO
President

CERTIFICATE OF THE UNDERWRITERS

Dated: March 23, 1998

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), Part XI of *The Securities Act, 1988* (Saskatchewan), Part VII of *The Securities Act* (Manitoba), Part XV of the *Securities Act* (Ontario), Part II of the *Securities Act* (Prince Edward Island), Section 64 of the *Securities Act* (Nova Scotia), Section 13 of the *Security Frauds Prevention Act* (New Brunswick) and the respective regulations thereunder and by Part XIV of *The Securities Act* (Newfoundland). To our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

CIBC WOOD GUNDY SECURITIES INC.

By: (Signed) RICHARD D. FALCONER

RBC DOMINION SECURITIES INC.

By: (Signed) DAVID A. SCOTT

FIRST MARATHON SECURITIES LIMITED

GRIFFITHS MCBURNEY & PARTNERS

MIDLAND WALWYN CAPITAL INC.

NESBITT BURNS INC.

TD SECURITIES INC.

By: (Signed)
RICHARD S. HALLISEY

By: (Signed)
LEON RAUBENHEIMER

By: (Signed)
KENNETH GILLIS

By: (Signed)
FREDERICK J. MIFFLIN

By: (Signed)
RICKARD D. VERNON

The following includes the names of all persons having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of:

CIBC WOOD GUNDY SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank;

RBC DOMINION SECURITIES INC.: a wholly-owned subsidiary of RBC Dominion Securities Limited, a majority-owned subsidiary of a Canadian chartered bank;

FIRST MARATHON SECURITIES LIMITED: a wholly-owned subsidiary of First Marathon Inc.;

GRIFFITHS MCBURNEY & PARTNERS: B. Griffiths, E. McBurney, K. Sullivan, M. Wekerle, T. Budd and D. Connacher*;

MIDLAND WALWYN CAPITAL INC.: a wholly-owned subsidiary of Midland Walwyn Inc.;

NESBITT BURNS INC.: The Nesbitt Burns Corporation Limited, a majority-owned subsidiary of a Canadian chartered bank; and

TD SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank.

*Pending regulatory approval.





**Saskatchewan
Minerals**