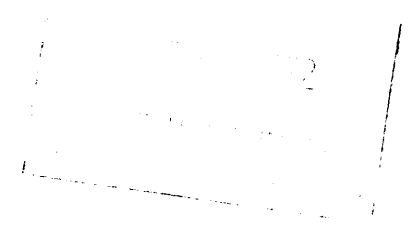


N.P.L.)
LANTERN GAS & OIL CO.

PROPERTY FILE

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PROSPECTUS

1972

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August 4th, 1972

LANTERN GAS & OIL LTD. (N.P.L.)

P R O S P E C T U S

Registered Office
16th Floor, 409 Granville Street,
Vancouver, British Columbia

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.

Pursuant to this Prospectus 312,500 shares are being offered to the public by way of primary distribution.

	PRICE TO PUBLIC	COMMISSION	PROCEEDS TO ISSUER
Per Share	20¢ per share	5¢ per share	15¢ per share
Total	\$62,500.00	\$15,625.00	\$46,875.00

THE MINERAL CLAIMS REFERRED TO IN THIS PROSPECTUS HAVE NOT BEEN SURVEYED AND THEREFORE, IN ACCORDANCE WITH THE MINING LAWS OF BRITISH COLUMBIA, THE EXISTENCE OF AND THE AREA OF SUCH MINERAL CLAIMS COULD BE IN DOUBT.

THERE IS NO EXISTING MARKET FOR THE SECURITIES OF THE COMPANY.

OF THE SHARES ISSUED AND TO BE ISSUED UPON COMPLETION OF THIS OFFERING, 18.2% ARE BEING OFFERED TO THE PUBLIC AND 50.6% WERE ISSUED FOR CASH AND PROPERTY TO, AND ARE BENEFICIALLY OWNED BY, THE PROMOTORS, DIRECTORS AND OFFICERS.

EXPLORATION OF THE COMPANY'S PETROLEUM AND NATURAL GAS LEASES HAS NOT YET PROGRESSED SUFFICIENTLY TO ESTABLISH CONCLUSIVELY WHETHER OR NOT ANY OIL AND/OR GAS EXISTS. ESTIMATES OF POSSIBLE RESERVES CONTAINED IN THE REPORT OF C. H. RIDDELL, P.GEOL., ATTACHED TO THIS PROSPECTUS HAVE BEEN BASED ON ASSUMPTION OF RESERVOIR CONDITIONS IN FORMATIONS IN WHICH RESERVES HAVE NOT BEEN ESTABLISHED. CONSEQUENTLY, A PURCHASE OF THE SECURITIES OFFERED BY THIS PROSPECTUS MUST BE CONSIDERED A SPECULATION.

THIS PROSPECTUS IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED, AS A PUBLIC OFFERING OF ANY OF THE SECURITIES OFFERED HEREBY FOR SALE IN THE UNITED STATES OF AMERICA OR IN THE TERRITORIES OR POSSESSIONS THEREOF.

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THE COMPANY

Lantern Gas & Oil Ltd. (N.P.L.) (hereinafter referred to as the "Company") was incorporated on August 30, 1971 as a private company under the laws of the Province of British Columbia by Memorandum of Association. By Special Resolution dated September 14, 1971 and Certificate of Conversion dated July 12, 1972 issued by the Registrar of Companies of British Columbia the Company was converted to a public company as of the latter date. The registered office of the Company is 16th Floor, 409 Granville Street, Vancouver, British Columbia and the head office of the Company is 704-525 Seymour Street, Vancouver, British Columbia.

PLAN OF DISTRIBUTION

The shares being offered by this Prospectus are to be offered to the public by the Company (1) through the facilities of registered brokers or registered broker-dealers on an agency ("best efforts") basis. Such brokers or broker-dealers are required to take up and pay for only such securities as they may sell to the public; (2) by registered salesmen employed by the Company.

USE OF PROCEEDS

The net proceeds from the offering on the basis of all the shares being sold is estimated to be \$46,875.00 and it is proposed that the sum will be expended by the Company as follows:

1.	To pay the anticipated cost of Phases I and II of exploration and development work on 16 mineral claims as recommended by S. S. Tan, B.Sc., F.G.A.C., in his report dated September 28, 1971, a copy of which is attached to and forms a part of this Prospectus (hereinafter called the "Tan Report")	\$ 34,000.00
2.	Reserve for general administration and head office expenses, legal, audit, and professional and other miscellaneous costs and for all contingencies and for further prospecting and examination of properties, including rentals paid on the Company's behalf by Core Management Ltd.	<u>12,875.00</u>
		<u>\$ 46,875.00</u>

If less than the total net proceeds from the offering is realized the Company will expend that portion realized to commence the exploration and development of the 16 mineral claims.

No part of the proceeds derived from this issue of shares will be used to invest, underwrite, or trade in securities other than those that qualify as investments in which trust funds may be invested under the laws of the jurisdictions in which the securities offered by this Prospectus may lawfully be sold. Should the Company propose to use the proceeds to acquire non-trustee type securities after the initial distribution of the securities offered by this Prospectus, approval by the shareholders must first be obtained and prior disclosure made to the regulatory securities bodies having jurisdiction over the sale of the securities offered by this Prospectus.

INTRODUCTORY STATEMENT

The Company owns 16 located mineral claims situate approximately 15 miles south-east of Penticton in the Osoyoos Mining Division (hereinafter called the "Mineral Claims") and a 2½% interest in 9 British Columbia petroleum and natural gas leases and a 2.3465% interest in 1 additional such lease (except the spacing unit upon which the c-25-A well is located), located in the Monkman Pass area of north-eastern British Columbia (hereinafter called the "Leases") as well as in a farmout agreement with Quasar Petroleum Ltd. Details of the Company's holdings are set out in this Prospectus under the caption "Business and Property".

The purpose of this offering is to raise sufficient funds to enable the Company to carry out further exploration and development work on the Mineral Claims. The Mineral Claims must be considered a raw prospect as they are without a known body of commercial ore.

BUSINESS AND PROPERTY

(a) Business

The Company was incorporated as a specially limited company for the purpose of acquiring, exploring and developing mineral properties and oil and gas properties.

(b) Property

1. The Karen Group

The Company is the recorded and beneficial holder, subject to the provisions of the Mineral Act of the Province of British Columbia of the following Mineral Claims:

<u>Claim Name</u>	<u>Record No.</u>	<u>Tag No.</u>	<u>Expiry Date</u>
Karen 1-5 inclusive	28602-28606 inclusive	900467-70 inclusive	September 16, 1972
Karen 6-16 inclusive	28607-28617 inclusive	224709-20 inclusive	September 16, 1972

The Company must record assessment work of \$100.00 per claim per year in order to keep the Mineral Claims in good standing.

The Mineral Claims were staked by Clayton S. Powney of 565 Municipal Avenue, Penticton, British Columbia. Mr. Powney acquired these claims for the cost of staking them. By a Bill of Sale dated September 16, 1971, these claims were acquired by the Company from Mr. Powney in consideration of the sum of \$6,000.

To the knowledge of the signatories hereto, no person has received or is to receive from the vendor of the Mineral Claims greater than a 5% interest in consideration paid therefore to it except as stated above.

Some work has been done on the Mineral Claims but there are no records of results from such activity. Apart from this activity there is no known history of the Mineral Claims.

There is no surface or underground plant or equipment on the Mineral Claims and the Company's exploration will be directed to a search for copper and the development of commercial reserves.

Access to the Mineral Claims is by a partly paved highway for 13 miles between Penticton and the Stemwinder ski-hill and from there by a branch gravel road leading to the old Nickel Plate mine for an additional 3 miles.

Other than the work described above which has no recorded result, exploration to date consists of a geological examination and the results thereof are contained in the Tan Report, and the Company intends to carry out the exploration programme recommended in the Tan Report. There is no known body of commercial ore on the Mineral Claims and the proposed programme is an exploratory search only.

2. Monkman Pass Property

A. The Company holds interests in the Leases,

particulars of which are as follows. Under an agreement with Core Management Ltd. dated September 10, 1971 (hereinafter called the "Core Agreement"), the Company has acquired a 2.5% interest in British Columbia Petroleum and Natural Gas Leases 915, 2956, 3932, 4568, 4569, 4570, 5415, and 5416 and a 2.3465% interest in British Columbia Petroleum and Natural Gas Lease 919, except the spacing unit upon which is located the commercial gas well known as the Gray Oil Grizzly PRP NW c-25-A Well in which the Company has earned a 0.186% interest. Under a further agreement with Core Management Ltd. dated September 10, 1971 (hereinafter called the "Second Core Agreement") the Company acquired a 2.5% interest in British Columbia Petroleum and Natural Gas Lease 2957.

The Leases are located in the Monkman Pass area of British Columbia, approximately 75 miles south-west of Grande Prairie, Alberta and 25 miles west of the Alberta-British Columbia boundary. The Leases have had drilled on them a total of 7 wells, of which 2 were completed as commercial gas wells, and 1 was suspended but is capable of being brought into production. A fourth well produced gas in commercial quantities but was abandoned due to technical difficulties. None of the wells are unitized. They are approximately 60 miles from an existing pipeline. It is expected that a pipeline will be built to the Monkman Pass area before the wells are put into production.

Under an agreement with Peace River Petroleums Ltd., dated July 23, 1970, Brown Bear Petroleums Ltd. (N.P.L.) acquired a farmout over the Leases and by an agreement dated November 1, 1970, Brown Bear Petroleums Ltd. (N.P.L.) assigned its interest to Core Management Ltd. Under this farmout, Core Management Ltd. agreed to carry out a drilling programme on Lease 2957 and to pay rental owing by Peace River Petroleums Ltd. to the Province of British Columbia on its interests in the Leases. \$1,591.77 is payable by the Company to Core Management Ltd. for its share of lease rentals.

The companies which have purchased or will purchase interests in the Leases and the price which they have paid or will pay to Core Management Ltd. are as follows:

Name of Company	Working Interest*	Earned Interest**	Price (paid or payable) to Core Management Ltd.
Legend Explorations Ltd. (N.P.L.)	10%	5%	\$ 60,000. - paid
Dalex Mines Ltd. (N.P.L.)	10%	5%	60,000. - paid

Whitey Wilson Oil & Gas Co. Ltd. (N.P.L.)	3%	1.5%	18,000. - paid
Northern Lights Minerals Ltd. (N.P.L.)	2%	1%	12,000. - paid
Armada Explorations Ltd. (N.P.L.)	5%	2.5%	30,000. - paid
Brown Bear Petroleums Ltd. (N.P.L.)	10.52%	10.52%	110,000. - paid (750,000 escrow shares)
United Falcon Oils Ltd. (N.P.L.)	10%	10%	135,000. - paid (750,000 escrow shares)
Lantern Gas & Oil Ltd. (N.P.L.)	5%	2.5%	30,000. - paid (750,000 escrow shares)
Lorraine Explorations Ltd. (N.P.L.)		3.5%	80,000. - paid (750,000 escrow shares)
Highland Chief Mines Ltd. (N.P.L.)	5%	2.5%	30,000. - not fully paid
Copper Plate Mines Ltd. (N.P.L.)	5%	2.5%	50,000. - paid (750,000 escrow shares)
Thai Aaron Development Corporation Ltd. (N.P.L.)		1%	12,000. - paid

* The percentage of drilling costs and lease rentals which the company has agreed to pay.

** The approximate percentage of the interest the company will acquire in the leases (the interest which will be acquired in Lease #919 will be less).

The status of the Leases, with respect to the distribution of the interests of the participants at the date

of this Prospectus, are as follows:

Company	Net Individual Interest Owned In Leases 915- 3932-2956-5415- 5416-4568-4569- 4570-2957	Lease No. 919 Excepting The Spacing Unit Upon Which The Gray No. 1 Well (c25A) is Located
Peace River Petroleums Limited	18.0000%	16.8956
Skat Resources Ltd.	4.7500	4.3484
Brown Bear Petroleums Ltd. (N.P.L.)	10,5200	5.5000
United Falcon Oils Ltd. (N.P.L.)	10.0000	9.4980
Blackline Resources Corporation Ltd. (N.P.L.)	9.5000	8.4960
Legend Explorations Ltd. (N.P.L.)	5.0000	5.0000
Hi-Ridge Resources Ltd.	1.8400	1.8400
Noble Mines & Oils Ltd.	1.8400	1.8400
Lorraine Explorations Ltd. (N.P.L.)	3.5000	2.7434
New Taku Mines Ltd. (N.P.L.)	1.0000	0.8996
Whitey Wilson Oil & Gas Co. Ltd. (N.P.L.)	3.5000	3.5000
Northern Lights Minerals Ltd. (N.P.L.)	4.0000	4.0000
Robina Explorations Ltd.	0.7500	0.7500
Solar Reef Petroleums Ltd. (N.P.L.)	2.7500	2.7500
Lantern Gas & Oil Ltd. (N.P.L.)	2.5000	2.5000

Mineral Mountain Mining Co. Ltd.	2.5000	2.5000
Highland Chief Mines Ltd. (N.P.L.)	2.5000	2.5000
Canadian Reserve Oil & Gas Ltd. (N.P.L.)	2.5000	2.2490
Copper Plate Mines Ltd. (N.P.L.)	2.5000	2.5000
Armada Explorations Ltd. (N.P.L.)	2.5000	2.5000
Shareholders of Sulgas Petroleums Ltd.	0.5000	0.5000
N.W.P. Developments Ltd.	1.5000	1.5000
Starquest Holdings & Management Co. Ltd.	0.0500	0.5000
Gray Oil Company	NIL	10.0400
Thai Aaron Development Corporation Ltd. (N.P.L.)	1.0000	0.1000
Harold A. Williams	1.2500	1.2500
John L. Wilson	1.2500	1.2500
George A. Richardson	1.2500	1.2500
H. Barry Hemsworth	<u>1.2500</u>	<u>1.2500</u>
	<u>100.0000%</u>	<u>100.0000%</u>

All of the Leases are subject to the standard British Columbia government overriding royalties. There also exist certain overriding royalties which apply to various of the Leases. A 2-½% gross overriding royalty is held by the Guaranty Trust Company of Canada on Leases 915, 919, 2956, 2957, and 3932. A ½% gross overriding royalty is held by Central Del-Rio Oils Limited on Leases 2956, 2957, 4568, 4569, 4570, and 919. A 1-½% net royalty is held by Suffolk Oil & Gas Ltd. and a 1-½% net royalty is

held by Gerald G. Krause on all the Leases, applicable to the total net revenue received from the interests owned by Giant Reef Petroleum Ltd. and Decca Resources Ltd. A 1-½% net royalty is held by each of Suffolk Oil & Gas Ltd. and Gerald G. Krause on the total net revenue from (a) 15% of the interests held by Peace River Petroleum Ltd. in Leases 915, 3932, 5415, and 5416, and (b) 12-½% of the interests held by Peace River Petroleum Ltd. in Leases 919, 2956, 2957, 4568, 4569, and 4570.

Annual rentals must be paid to the Province of British Columbia to keep the Leases in good standing. As of the date of this Prospectus all the rentals are paid up until November 23, 1972, all the Leases are in good standing and the Leases cover a total of 19,350 acres.

The Leases are considered to have reserves of marketable gas and sulphur, but the Company does not purport at this time to have quotable figures as to the size of such reserves although the report of C. H. Riddell does indicate evaluations as to the size and worth of possible reserves as regards these Leases.

In order to earn the 2.5% absolute interest in the Leases and the 0.186% in the c-25-A Well, under the terms of the Core Agreement and the Second Core Agreement, the Company has paid 5% of the estimated total cost of \$500,000.00 for drilling a well off-setting the c-25-A Well. The said Well was spudded on October 9, 1971, and drilling was completed on December 31, 1971 and has been officially designated Monkman Grizzly PRP c-36-A. A full evaluation of the said Well will be available at the end of August, 1972.

B. I Quasar Farmout

The Company has entered into a farmout agreement dated the 3rd day of August, 1971, with Quasar Petroleum Ltd. (hereinafter called "Quasar"), of 750 One Calgary Place, 330 - 5th Avenue S.W., Calgary 1, Alberta (hereinafter called the "Farmout") whereby for drilling a test well on British Columbia Drilling Reservation #2741 within 1 mile of the boundary of British Columbia Petroleum and Natural Gas Lease #915, Quasar will earn a 75% interest in and to all formations below the Nikanassin formation underlying 4 of the northern Leases (915, 2956, 3932, 5415) in which the Company now owns a 2.5% absolute interest.

Drilling Reservation #2741 does not form part

of the lands in which the Company owns an interest. However, Drilling Reservation #2741 does border on Lease #915. The drilling of this deep test well by Quasar will be valuable in evaluating the size and potential of the reserves, if any, underlying the said 4 northern Leases.

Under the terms of the Farmout Quasar was required to begin drilling a test well on Drilling Reservation No. 2741 before October 15, 1971. Quasar spudded Well a74G accordingly, and as of the date of this Prospectus drilling is proceeding. In order to earn its interest in the Company's lands, Quasar is obligated to drill the said Well to a depth sufficient to adequately test all formations down to and including 250 feet into the Mississippian formation or to a depth of 14,000 feet sub-surface or to the depth that a fault is encountered below 12,000 feet sub-surface which faults from the Triassic system to the Cretaceous system, whichever is the lesser, at Quasar's sole expense.

Upon the completion of the said Well Quasar has the right to exercise options to earn further participations in the Leases as follows:

First Option Well

Within 180 days from the date the drilling rig is released from the said Well, Quasar shall have the option, but not the obligation, to commence the drilling of a well at a location of its choice upon the said 4 northern leases, such well to be drilled to a contract depth sufficient to adequately test all formations down to and including the base of the Nikanassin formation or to a depth of 9,000 feet sub-surface, whichever is the lesser. Upon the completion of this first option well, Quasar shall have earned a 50% interest in and to all formations down to and including the base of the Nikanassin formation underlying the said 4 northern leases.

Second Option Well

Within 180 days from the date the drilling rig is released from the said first option well, Quasar shall have the option, but not the obligation, to commence the drilling of a well at a location of its choice upon the 6 southern Leases (919, 2957, 4568, 4569, 4570, 5416); such well to be drilled to a contract depth sufficient to test all formations down to and including 100 feet into the half way sand of the Triassic system or to a depth of

13,000 feet sub-surface, whichever is the lesser. Upon the completion of this second option well, Quasar shall have earned a 50% interest in the said 6 southern Leases.

The above options shall immediately terminate if (1) the said Well a74G proves capable of producing petroleum substances in commercial quantities and (2) prior to the commencement of drilling of the said first option well, Quasar commences the drilling of a further well on lands other than the Leases, unless, prior to commencing the drilling of such further well, Quasar enters into a firm commitment with the Company and the other said participants to commence the drilling of the first option well within 180 days from the date the drilling rig is released from the said Well a74G.

The entire cost of the said Well a74G is at the sole expense of Quasar. The said first option well, if drilled, will be at the sole expense of Quasar to the bottom of the Nikanassin formation, or 9,000 feet sub-surface whichever is lesser, being the contract depth. Any deepening of the said first option well beyond contract depth shall, as to 0.625% of the total cost, be at the Company's expense. The said second option well, if drilled, will be at the sole expense of Quasar to and including 100 feet into the halfway sand of the Triassic system or to a depth of 13,000 feet sub-surface, whichever is the lesser, being the contract depth. Any deepening of the said second option well beyond contract depth shall, as to 1.25% of the total cost, be at the Company's expense.

II Amendment to Quasar Farmout

By an agreement dated June 27, 1972 between Quasar and the other farmers, or their assigns, including the Company the terms of the Farmout were amended to provide for the drilling of 2 wells.

(a) The First Commitment Well.

Quasar shall commence drilling a well (hereinafter called the "first commitment well") on or before September 1, 1972. The first commitment well is to be drilled on one of Leases 915, 2956, or 3932 at a location and to a depth selected by Quasar, provided only that such well is to be drilled to the base of the Nikanassin formation or 9,000 feet subsurface, whichever is the lesser.

By drilling the first commitment well Quasar will earn a 100% interest in and to the spacing unit upon which that well is drilled, less a gross overriding royalty of approximately 15%, and a 50% interest in all other parts of Leases 915, 2956, 3932, and 5415 down to the base of the Nikanassin formation. The gross overriding royalty from the spacing unit is convertible to the same interest held by the farmors in the other parts of the Leases after all drilling and completion costs are recovered.

If the test well described above is completed Quasar will pay all costs of the first commitment well down to a depth of 10,000 feet subsurface and 75% of the costs incurred below that level. The Company, together with the other farmors, will be responsible for paying their respective shares of the remaining 25% of such cost. If the said test well is not completed then, by drilling the first commitment well, Quasar will earn the interest set out in the immediately preceding paragraph, plus the same 100% interest in the said spacing unit down to the deepest formation penetrated below the Nikanassin formation and a 75% interest down to the deepest formation penetrated below the Nikanassin formation in the said 4 Leases and, in this event, Quasar shall be responsible for paying the whole cost of such well to completion.

(b) The Second Commitment Well.

Quasar shall commence drilling a well (hereinafter called the "second commitment well") on or before September 1, 1972. The second commitment well is to be drilled on one of the remaining Leases 915, 2956, and 3932 upon which the first commitment well is not drilled. This well is to be drilled to the base of the Nikanassin formation or 9,000 feet subsurface, whichever is the lesser. The farmors must pay their respective shares of part of the costs of drilling this well being 50% down to the base of the Nikanassin formation and 25% below the base of the Nikanassin formation.

If the first commitment well is not completed the second commitment well is to be drilled under the same terms and in place of the first commitment well. The "second option well" described above is to be commenced within 180 days of the drilling rig being released from the second commitment well.

If Quasar successfully completes the test well in the Nikanassin formation the Company will be responsible for certain of the costs of the first and second commitment wells depending on the depth to which they are,

respectively, drilled. The cost to the Company is estimated to be \$8,500. for drilling the first commitment well below the Nikanassin formation and into the Mississippian formation and, in the second commitment well, \$8,000. to the bottom of the Nikanassin formation and a further \$8,500. from the base of the Nikanassin formation to the base of the Mississippian formation.

While the purpose of this issue is to finance exploration and development of the 16 mineral claims, in the event the first and second commitment wells are drilled as presently planned, the Company will give first priority to the use of the net proceeds of this issue to satisfy the foregoing obligations.

Quasar is obligated to reimburse the other participants in the Farmout for all rentals, including penalties, and taxes on the Leases from August 3, 1971 until such time as Quasar has earned its interest by the drilling of the "second option well" to contract depth. Under the Farmout Quasar does not earn an interest in the Gray Oil Grizzly PRP NW c-25-A Well nor in the Monkman Grizzly PRP c-36-A Well in all formations down to the base of the Nikanassin formation but Quasar shall become the operator in any interest it earns.

When and if Quasar earns the full interest possible, the Company's net interest will then be 1.25% in Leases 919, 2957, 4568, 4569, 4570, and also in Lease No. 5416, excepting the spacing unit upon which the c-25-A Well is located, in which the Company owns 0.186%. In Lease 2957, Quasar will not earn any interest in the c-36-A Well down to 9007 feet. In Leases 915, 2956, 3932, and 5415, the Company will own 1.25% in each Lease down to the bottom of the Nikanassin formation and in all formations below the Nikanassin, the Company will own a 0.625% interest.

Nabors Drilling Limited has commenced court action against the Company and the other participants in the c-36-A Well. If the defendants are found liable thereunder the Company will be responsible for its proportionate share of the amount of the Judgment and legal costs.

SHARE CAPITAL STRUCTURE

The Company is authorized to issue 3,000,000 shares without nominal or par value with a maximum price or consideration of fifty cents (50¢) each. There are no conversion or pre-emptive rights or redemption or sinking fund provisions applicable or attached to the aforementioned shares, and all rank equally as to dividends, voting rights, and participation in assets.

(a)

Designation of Security	Amount Authorized	Amount Outstanding as of April 30, 1972	Amount Outstanding as of August 4, 1972	Amount to be outstanding if all securities offered are sold
Common Shares	3,000,000	1,397,755	1,397,755	1,710,255

- (b)
- (i) There have been 647,753 shares sold for cash at 10¢ per share
 - (ii) Total cash received from the shares sold for cash was \$64,775.30
 - (iii) No commissions have been paid on any shares sold

ESCROWED AND POOLED SECURITIES

Designation of Class	Number of Shares Held in Escrow or Pooled	Percentage of Class
Common	750,000 escrowed	53.5%
Common	647,755 pooled	46.5%

All the issued shares of the Company are held by the Guaranty Trust Company of Canada, and may be released only with the written consent of the British Columbia Securities Commission (hereinafter called the "Commission").

750,000 shares are escrowed to the order of the Commission pursuant to an escrow agreement which provides that the shares may not be traded in, dealt with in any manner whatsoever or released, nor may the Company, its transfer agent or escrow holder make any transfer or record any trading of the shares without the consent of the Commission.

In the event of the Company losing or not obtaining good and marketable title to or abandoning or discontinuing development of any of the property which formed the consideration for the issue of those shares, or in the event of the property not being as represented, immediate notice thereof shall be given to the Commission and there shall be surrendered by way of gift to the Company for cancellation such number of those shares as the Commission in its sole discretion deems fair and equitable. The complete text of the escrow agreement is available for inspection at the Company's head office.

The 647,755 pooled shares were issued for cash and have been deposited with the Guaranty Trust Company of Canada and will be released 30 days after completion of the primary distribution to the public of the 312,500 shares being offered pursuant to this Prospectus.

The depositors of the 750,000 escrowed shares are as set out below:

Mrs. Margaret L. Andersen 59 Glenmore Drive West Vancouver, B. C.	58,304 shares
Robert G. Bendall 3 Haliburton Bay Winnipeg, Manitoba	36,626 shares
Core Management Ltd. 551 Howe Street, Vancouver, B. C.	375,000 shares
John F. Corkish 2816 West 30th Avenue Vancouver, B. C.	2,000 shares
Thomas P. de Bloeme 4 - 8686 Selkirk Street Vancouver, B. C.	15,000 shares
Gerald P. Horbay Roblin Manitoba	2,000 shares
Don A. Jacobsen A660 Cavalier Drive Winnipeg 22, Manitoba	1,900 shares
Delbert Johnson 353 Queen Street Flin Flon, Manitoba	10,000 shares
Charles Lygo 4635 Imperial Street Burnaby, B. C.	60,000 shares

Walter R. Michaluk Gilbert Plains Manitoba	5,000 shares
William R. Michaluk Gilbert Plains Manitoba	50,833 shares
Mervin M. Onyshko 502 - 2510 Portage Avenue Winnipeg, Manitoba	9,800 shares
Dr. Rajaram Mathu Patil Roblin Manitoba	1,000 shares
Angus J. Stewart 1211 Sunrise Highway Copiague, Long Island New York, U. S. A.	35,000 shares
Eustace W. Stewart 6A-40 Weaver Drive, East Massapagua Long Island, New York, U. S. A.	35,000 shares
Mrs. Robina T. Stewart 6209 Summit Place West Vancouver, B. C.	48,237 shares
Ken G. Tully 6 - 3451 Portage Avenue Winnipeg 22, Manitoba	2,000 shares
James D. Tunna 3368 West 22nd Avenue Vancouver, B. C.	1,500 shares
Warren F. Walterson 3229 Park Avenue Brandon, Manitoba	800 shares

DIRECTORS AND OFFICERS

<u>Name & Address</u>	<u>Office held</u>	<u>Principal Occupation During past 5 years</u>
Thomas P. de Bloeme 4 - 8686 Selkirk Street Vancouver, B. C.	President & Director	Retired. Formerly Far Eastern Sales Director of the Quaker Oats Co., Chicago, U.S.A.; Director of Skat Resources Ltd. (N.P.L.) and Robina Explorations Ltd. (N.P.L.)
Thomas W. Stewart 6209 Summit Place West Vancouver, B.C.	Secretary & Director	President & Director of Skat Resources Ltd. (N.P.L.) and Robina Explorations Ltd. (N.P.L.); Director & Secre- tary, Peace River Petroleums Ltd. (N.P.L.); Director of Monkman Pass Petroleum Ltd. (N.P.L.)

Harold A. Williams 1102 - 5603 Balsam Street Vancouver, B. C.	Director	President, Barrington Securities Ltd.
Robert G. Bendall 3 Haliburton Bay Winnipeg 22, Manitoba	Director	Air Canada Pilot and President of Pace Aviation Ltd.
Delbert Johnson 353 Queen Street Flin Flon, Manitoba	Director	Jeweller
William R. Michaluk P. O. Box 144, Gilbert Plains, Manitoba	Director	President & Director of Michaluk Enterprises Ltd., Roblin, Manitoba; Provincial Director Retail Merchants Association of Manitoba. Director, Skat Resources Ltd. (N.P.L.)

REMUNERATION OF DIRECTORS AND OFFICERS

No remuneration, either direct or indirect, has been paid or is payable by the Company to any of its directors or officers. It is not intended to pay any remuneration to directors or officers as such or otherwise.

PRINCIPAL HOLDERS OF SECURITIES

<u>Name & Address</u>	<u>Designation of Class</u>	<u>Type of Ownership</u>	<u>Number of shares owned</u>	<u>Percentage of Class</u>
Core Management Ltd. 3rd Floor-540 Howe St., Vancouver, B. C.	Common	Direct, of Record & Beneficial	525,000	36.8%

The shareholders who hold a greater than 5% interest in Core Management Ltd. are:

George A. Richardson	Chairman, Barrington Securities Ltd. 551 Howe Street, Vancouver, British Columbia
Harold A. Williams	President, Barrington Securities Ltd. 551 Howe Street, Vancouver, British Columbia

may be viewed by registered shareholders of the Company during normal business hours at the Company's head office.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The interests of directors and officers in material transactions are set out under the captions "Promoter" and "Business and Property."

AUDITORS

The auditors of the Company are Campbell, Sharp, Nash & Field, Chartered Accountants, 999 West Pender Street, Vancouver, British Columbia.

REGISTRAR AND TRANSFER AGENT

The Registrar and Transfer Agent of the Company is the Guaranty Trust Company of Canada, 540 Burrard Street, Vancouver, British Columbia.

PURCHASERS' RIGHT OF RESCISSION AND WITHDRAWAL

Sections 61 and 62 of the Securities Act, 1967 (British Columbia) provide, in effect, that where a security is offered to the public in the course of primary distribution:

- (a) A Purchaser has the right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.

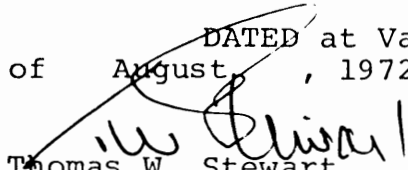
- (b) A purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

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

CERTIFICATE OF THE DIRECTORS
AND PROMOTER OF THE COMPANY

The foregoing constitutes full, true, and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part VII of the Securities Act, 1967, and the Regulations thereunder.

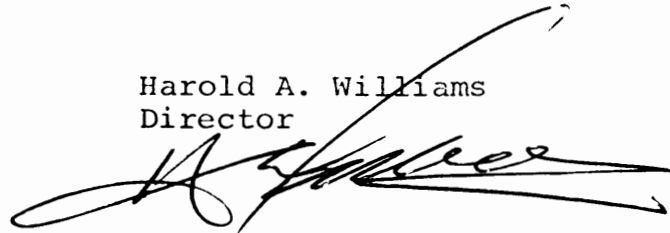
DATED at Vancouver, British Columbia, the 4th day of August, 1972.

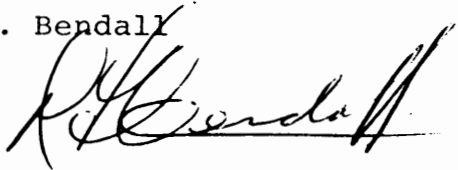

Thomas W. Stewart
Director, Secretary and Promotor


Thomas P. de Bloeme
Director and President

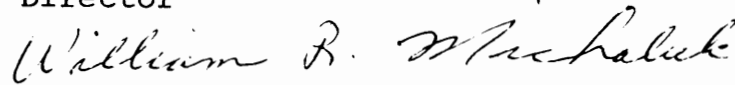
Harold A. Williams
Director

Robert G. Bendall
Director


Delbert Johnson
Director


William R. Michaluk
Director





LANTERN GAS & OIL LTD. (N.P.L.)

BALANCE SHEET

AS AT APRIL 30, 1972

A S S E T S

CURRENT:

CASH \$ 1,545

CAPITAL ASSETS - AT COST:

MINERAL CLAIMS (NOTE 1) 6,000
INTEREST IN PETROLEUM AND NATURAL GAS LEASES (NOTE 2) 105,000 111,000

EXPLORATION AND DEVELOPMENT COSTS - PER EXHIBIT "A" 29,650

\$ 142,195

L I A B I L I T I E S

CURRENT:

ACCOUNTS PAYABLE \$ 2,420

SHAREHOLDERS' EQUITY

SHARE CAPITAL:

AUTHORIZED
3,000,000 COMMON SHARES OF NO PAR VALUE

ALLOTTED, FULLY PAID AND TO BE ISSUED (NOTE 4)
750,000 SHARES FOR INTEREST IN PETROLEUM AND NATURAL
GAS LEASES 75,000
647,755 SHARES FOR CASH 64,775

139,775

\$ 142,195

APPROVED ON BEHALF OF THE BOARD

[Signature] DIRECTOR

[Signature] DIRECTOR

TO THE MEMBERS

WE HAVE EXAMINED THE BALANCE SHEET OF LANTERN GAS & OIL LTD. (N.P.L.) AS AT APRIL 30, 1972, AND THE STATEMENTS OF EXPLORATION AND DEVELOPMENT COSTS AND SOURCE AND APPLICATION OF WORKING CAPITAL FOR THE PERIOD THEN ENDED. OUR EXAMINATION INCLUDED A GENERAL REVIEW OF THE ACCOUNTING PROCEDURES AND SUCH TESTS OF ACCOUNTING RECORDS AND OTHER SUPPORTING EVIDENCE AS WE CONSIDERED NECESSARY IN THE CIRCUMSTANCES.

IN OUR OPINION THESE STATEMENTS PRESENT FAIRLY THE FINANCIAL POSITION OF THE COMPANY AS AT APRIL 30, 1972, AND THE RESULTS OF ITS OPERATIONS AND THE SOURCE AND APPLICATION OF ITS WORKING CAPITAL FOR THE PERIOD THEN ENDED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES..

Campbell, Sharp, Nash & Field

CHARTERED ACCOUNTANTS.

VANCOUVER, B. C.
MAY 15, 1972.

LANTERN GAS & OIL LTD. (N.P.L.)

NOTES TO THE BALANCE SHEET

AS AT APRIL 30, 1972

NOTE 1: THE COMPANY ACQUIRED 16 MINERAL CLAIMS IN THE OSOYOOS MINING DIVISION FOR \$6,000 CASH.

NOTE 2: THE COMPANY ACQUIRED A 5% WORKING INTEREST IN CERTAIN PETROLEUM AND NATURAL GAS LEASES IN THE MONKMAN PASS AREA OF BRITISH COLUMBIA FOR 750,000 SHARES OF THE COMPANY AT 10¢ PER SHARE AND \$30,000 CASH. BY WAY OF A FARM OUT AGREEMENT THIS 5% WORKING INTEREST EARNED A 2 $\frac{1}{2}$ % ACTUAL INTEREST IN THESE LEASES.

NOTE 3: A FUND OF \$500,000 HAS BEEN ESTABLISHED TO PROVIDE FOR THE COSTS OF DRILLING THE "MONKMAN GRIZZLY PRP c25A WELL". THE COMPANY HAS PAID \$25,000 CASH INTO THIS FUND AS ITS 5% SHARE. THE WELL IS NOT YET COMPLETED BUT THE TOTAL COST IS NOT EXPECTED TO EXCEED \$500,000.

A LIEN HAS BEEN PLACED AGAINST THIS WELL FOR DRILLING COSTS AND SERVICES RENDERED IN THE AMOUNT OF \$127,550. THIS MATTER IS BEING DISPUTED BY THE MANAGING OPERATOR OF THE WELL.

NOTE 4: OF THE 1,397,755 SHARES ALLOTTED AND FULLY PAID, 750,000 SHARES ALLOTTED FOR INTEREST IN PETROLEUM AND NATURAL GAS LEASES ARE HELD IN ESCROW SUBJECT TO THE ORDER OF THE SUPERINTENDENT OF BROKERS, AND 647,755 SHARES ALLOTTED FOR CASH ARE HELD IN A POOLING ARRANGEMENT ALSO SUBJECT TO THE ORDER OF THE SUPERINTENDENT OF BROKERS. THE SHARES WERE ALLOTTED BUT NOT ISSUED AS AT APRIL 30, 1972.

NOTE 5: NO DIRECT REMUNERATION WAS PAID TO ANY DIRECTOR OF THE COMPANY DURING THE PERIOD.

LANTERN GAS & OIL LTD. (N.P.L.)STATEMENT OF EXPLORATION AND DEVELOPMENT COSTSFOR THE PERIOD FROM AUGUST 30, 1971(DATE OF INCORPORATION) TO APRIL 30, 1972OIL AND GAS PARTICIPATION COSTS:

SHARE OF DRILLING COSTS (NOTE 3)	\$ 25,000	
LEASE RENTALS	<u>250</u>	25,250

MINERAL CLAIM EXPENDITURES:

CONSULTANTS' FEES	579	
FREE MINERS CERTIFICATE	200	
RECORDING FEES	<u>19</u>	798

ADMINISTRATION:

GENERAL OFFICE EXPENSE	62	
PRINTING AND STATIONERY	234	
LEGAL AND AUDIT	3,006	
TRAVEL	<u>300</u>	<u>3,602</u>

<u>TOTAL EXPLORATION AND DEVELOPMENT COSTS - FOR THE PERIOD</u>		\$ 29,650
---	--	-----------

LANERN GAS & OIL LTD. (N.P.L.)SOURCE AND APPLICATION OF WORKING CAPITAL STATEMENTFOR THE PERIOD FROM AUGUST 30, 1971(DATE OF INCORPORATION) TO APRIL 30, 1972SOURCE:

PROCEEDS OF SALE OF SHARES

\$ 64,775

APPLICATION:

EXPLORATION AND DEVELOPMENT COSTS

29,650

PURCHASE OF MINERAL CLAIMS

6,000

PURCHASE OF INTEREST IN PETROLEUM AND NATURAL
GAS LEASES30,00065,650WORKING CAPITAL DEFICIENCY - END OF PERIOD

\$ 875

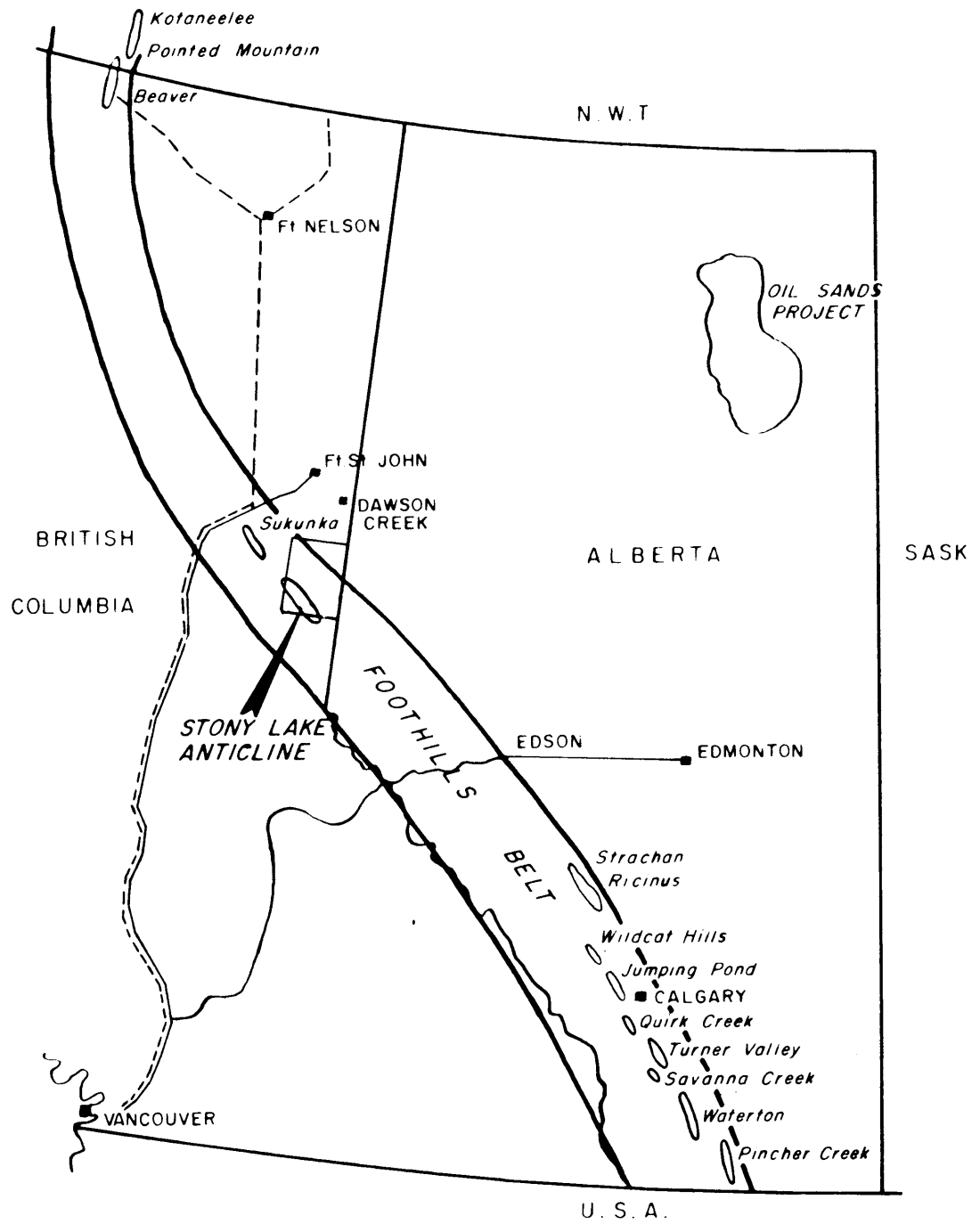
EVALUATION
OF THE
STONY LAKE, ANTICLINE
NORTHEAST BRITISH COLUMBIA
Prepared by
C. H. RIDDELL, P. GEOL.

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Figure 1	Location Map
Figure 2	Land Map
Figure 3	Structural Cross Section
Figure 4	Land Sales Map



- Proposed Westcoast Transmission Pipeline
- ~~~~~ Western Pacific Products & Crude Oil Pipeline
- · - · - Proposed Westcoast Trans Gas Pipeline

FIGURE 1
LOCATION MAP
STONY LAKE ANTICLINE
 BRITISH COLUMBIA
 CANADA

INTRODUCTION

This report is being prepared at the request of Mr. T. W. Stewart of Lantern Oil and Gas Limited (NPL), 704 - 525 Seymour Street, Vancouver, British Columbia. It is my understanding that Lantern has an opportunity to farm in an interest in 19,350 acres on the Stony Anticline in northeastern British Columbia. This report is an evaluation of the available farmout acreage. (see Figure 2)

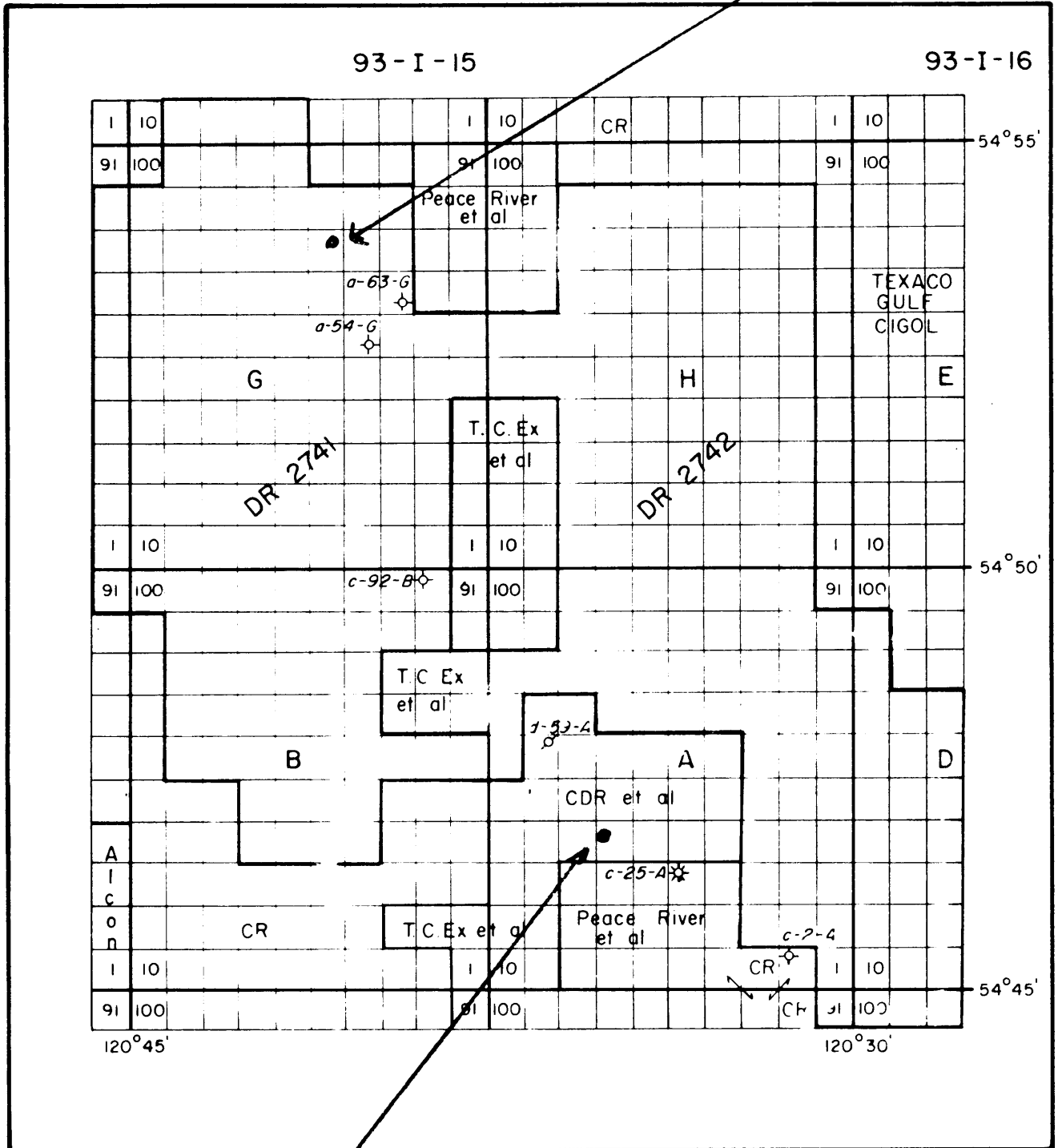
The Stony Lake anticline is a large "foothills type" thrust-faulted anticlinorium which is located in northeast British Columbia, 80 miles west of Grande Prairie. Prospects of developing major gas reserves under the acreage covered in this report coupled with the increasing demand for natural gas make this a good prospect at this time. The successful completion of this project would reap large rewards.

The Stony Lake anticlinorium was first defined by surface geologic mapping and has been further confirmed and defined by over 200 miles of seismic shooting. Six wells have been drilled in the area to date resulting in four abandonments and two wells capable of gas production.

GEOLOGY

The Stony Lake anticlinorium lies on the eastern edge of the Rocky Mountain foothills belt but within the area of Laramide thrust-faulting. The large structural closure was formed during the Laramide Revolution by compressional forces from the west. The structural style is similar to Pincher Creek, Jumping Pound and many other productive thrust structures along the foothills belt of the Canadian Cordillera. The trap is formed by doubly plunging thrust sheets involving Triassic and possibly Mississippian strata.

QUASAR WELL SITE



LANTERN WELL SITE.

FIGURE 2
 LAND OWNERSHIP
 STONY LAKE ANTICLINE
 GRIZZLY VALLEY AREA
 BRITISH COLUMBIA

STRATIGRAPHY

Surface rocks at the Stony structure are Lower Cretaceous clastics and any test of the structure will spud into these sediments. Several sands will be encountered which may have some potential if porosity is developed and these sands should be evaluated from logs or from samples and a gas detector while drilling. These strata will probably be repeated at least in part by a thrust-fault.

The most potential reservoirs in the area include the Cretaceous (Nikinassin), Triassic (Baldonnel, Charlie Lake and Halfway), Permo Pennsylvanian (Stoddart) and Mississippian (Rundle).

To date gas accumulations are proven in the Nikinassin Formation and in the Triassic. The C-25-A well is a completed Nikinassin gas well while the D-59-A well is a suspended Nikinassin gas well. The C-25-A well perforated more than 50 feet of gas pay and with an absolute open flow potential of 9.3 MMcf/d. Keith Banks, Schlumberger Engineer, studied the well logs and feels pay thickness is in excess of 300 feet. Log analysis by Schlumberger also indicate considerable probable Nikinassin pay thickness in the D-59-A well. Other wells drilled in the area have had Nikinassin gas shows.

Beds of Triassic age have been reached in the Columbia Monkman Pass A-54-G well and the Richfield D-63-G well. The D-63-G well encountered gas shows in the Nikinassin and Triassic horizons but no tests were made in the Nikinassin. The well encountered two zones of lost circulation in the Triassic. At 11,850 feet several thousand barrels of mud and some cement were pumped into the formation before a drill stem test was run, which still yielded 700 MCF/d decreasing to 200 MCF/d. At 12,631 feet the well again lost circulation and finally blew out with gas flows estimated up to 44 MMcf/d. After the blowout a fish prevented the zone from being retested. The A-54-G

well encountered the Triassic about 1400 feet low and yielded only 100 feet of muddy gas cut water cushion and 3900 feet of water cushion on drill stem test.

The Triassic Halfway Formation has not been penetrated at the Stony Lake Anticline. Outcrop sections to the north indicate it is a porous, fine grained sandstone with some interbeds and mounds of massive reefoid limestone. This formation produces at Blueberry, Milligan Creek, Beatton River and many other fields, but these are over 100 miles to the north and reservoir conditions at Stony Lake are unknown. The distribution of the formation is not well known, but this could make a good reservoir if encountered, and there is a strong possibility that the formation underlies this structure.

The Baldonnel and Charlie Lake have yielded gas blows in the Richfield D-63-G well, and the formations contain reserves at the nearest Triassic discovery at Sukunka, sixty miles along trend to the northwest.

Control is such that the thickness and facies of the Permo-Pennsylvanian Stoddart group are unknown, but porosity in this unit is known from the foothills outcroppings.

The Rundle Group of Mississippian Age is the main producing horizon in the Rocky Mountain foothills. This structure is near the facies change from porous limestone facies to dense cherty limestone facies of the Profit Formation. Lack of sufficient control makes it impossible to predict whether the formation will be porous or not.

A Devonian reef play may well extend beneath the subject lands, but would be at a depth of 18,000 to 20,000 feet and on the regional plate. Seismic to date has not been successful in displaying reflections this

deep and reworking of current seismic is recommended to see if deep reflections can be enhanced to define any Devonian reefing.

STRUCTURE

The subject area has been mapped seismically by over 200 miles of shooting which has been interpreted by Dr. M. Aydin, P. Geoph. Two seismic structure maps on the Gates sandstone, prepared by Dr. Aydin, accompany this report.

The Stony Lake anticlinorium is over 25 miles long and is formed by thrust-faulting near the eastern limit of the disturbed belt. The Gates Sandstone forms an excellent geophysical reflector and is very useful in defining the subsurface structure. Other fragmentary reflections combined with well control give a reasonably clear interpretation of the structure. Reworking of the seismic using modern processing techniques could enhance the data for the deep part of the section.

Several culminations occur on the anticlinorium which are exhibited on the attached "Lower Gates" and "Upper Gates" structure maps.

Two culminations occur on the subject lands on the plate below the Stony Lake thrust, one near the southeast corner of 93 I 15-A and of which about 2,000 acres lie within the farmin lands; the other culmination to the northeast with apparent aerial closure of 10,000 acres, of which about 2,000 acres lie within the lands offered to Lantern.

Other closures occur on the subject lands in the plate above the Stony Lake thrust which could be of interest. It would be necessary to move far enough down-dip to make sure the lading edge of the Triassic reservoirs are encountered in a test well.

WELL COST

A Nikinassin test of the structure on the footwall of the Stony Lake thrust would require an 8000 foot test, a Triassic test would be about 13,000 feet, a Mississippian test would be about 15,500 feet. The estimated cost of a Nikinassin test is \$500,000; a Triassic test, \$900,000; and a Mississippian test \$1,200,000. Test of the hanging wall structures would be somewhat less, but also have higher risk and perhaps less potential.

POTENTIAL RESERVES

It is understood that the lands are in lease form and thus none must be returned to the Government.

It was not felt that it would be necessary to do a detailed runout of this prospect as there are too many unknown factors and estimates, but the overall potential of the structure is enormous.

It should be made clear that the calculation of Possible Reserves is based on assumptions of reservoir conditions in formations in which reserves have not been established, and as such must be considered highly interpretive. Thus, while proven reserves have been given a value of 5 cents per thousand cubic feet, possible reserves have been given a value of only 1/4 cent.

Nikinassin

Reserves in the Nikinassin Formation have been established at the C 25-A well. Proven reserves of 31 billion cubic feet have been estimated by the Province of British Columbia based on 287 feet of pay covering 640 acres.

Proven reserves -	31 BCF
Possible reserves -	
Closure indicated by seismic	4,000 acres
Approximate area of closure	
(unproven)	3,300 acres
Assumed pay	75 feet
Estimated MCF/acre-foot	200 MCF/acre-foot
Remaining possible Nikinassin reserves based on the above assumptions	49 BCF

Triassic Baldonnel - Charlie Lake

Although some workers have allowed for proven reserves in the Triassic based on the blowout at the Richfield D-63-6 well, these are treated here as possible reserves only. Reservoir conditions are unknown, and these are estimates only. Assuming a porosity of 6 per cent, a water saturation of 30 per cent, a reservoir pressure of 5,000 pounds, an abandonment pressure of 500 pounds, reservoir temperature of 220⁰ F, surface loss of 20 per cent and initial and abandonment compressibility factors of 0.8 and 1.0 respectively, the recoverable gas per acre foot will be about 435 thousand cubic feet.

Probable reserves -

Area	4,000 acres indicated by seismic
Pay thickness unknown - assumed	100 feet
Reserves per acre-foot	435 MCF/acre-foot
Possible Triassic Baldonnel Charlie Lake reserves based on foregoing assumptions	174 BCF

Triassic Halfway Sand

The Triassic Halfway Sandstone has not been penetrated by wells to date so its potential is completely based on assumptions. It is presented to show the possible potential.

Assuming a porosity of 10 per cent, a water saturation of 25 per cent, an initial reservoir pressure of 5,600 pounds, an abandonment pressure

of 500 pounds, reservoir temperature of 230° F, surface loss of 20 per cent, and initial and abandonment compressibility factors of 0.8 and 1.0 respectively, the recoverable gas per acre-foot would be about 885 thousand cubic feet.

Possible reserves

Area	4,000 acres indicated by seismic
Pay thickness unknown - assumed	50 feet
Reserves per acre-foot	885 MCF/acre-foot

Possible Triassic Halfway Sandstone
based on the foregoing assumptions 177 BCF

LAND

The land holdings are outlined on the enclosed land map. Lantern have advised that these are in lease form and are currently in good standing, and that they have been offered an opportunity to earn a portion of these lands.

LAND VALUE

Proven gas reserves should have a present value of about 5 cents per thousand cubic feet. It is difficult to place an accurate value on the possible gas reserves, but the best way is probably by discounting the price by the amount of risk involved in the drilling venture. On this basis it is felt that 1/4 cent per MCF is conservative.

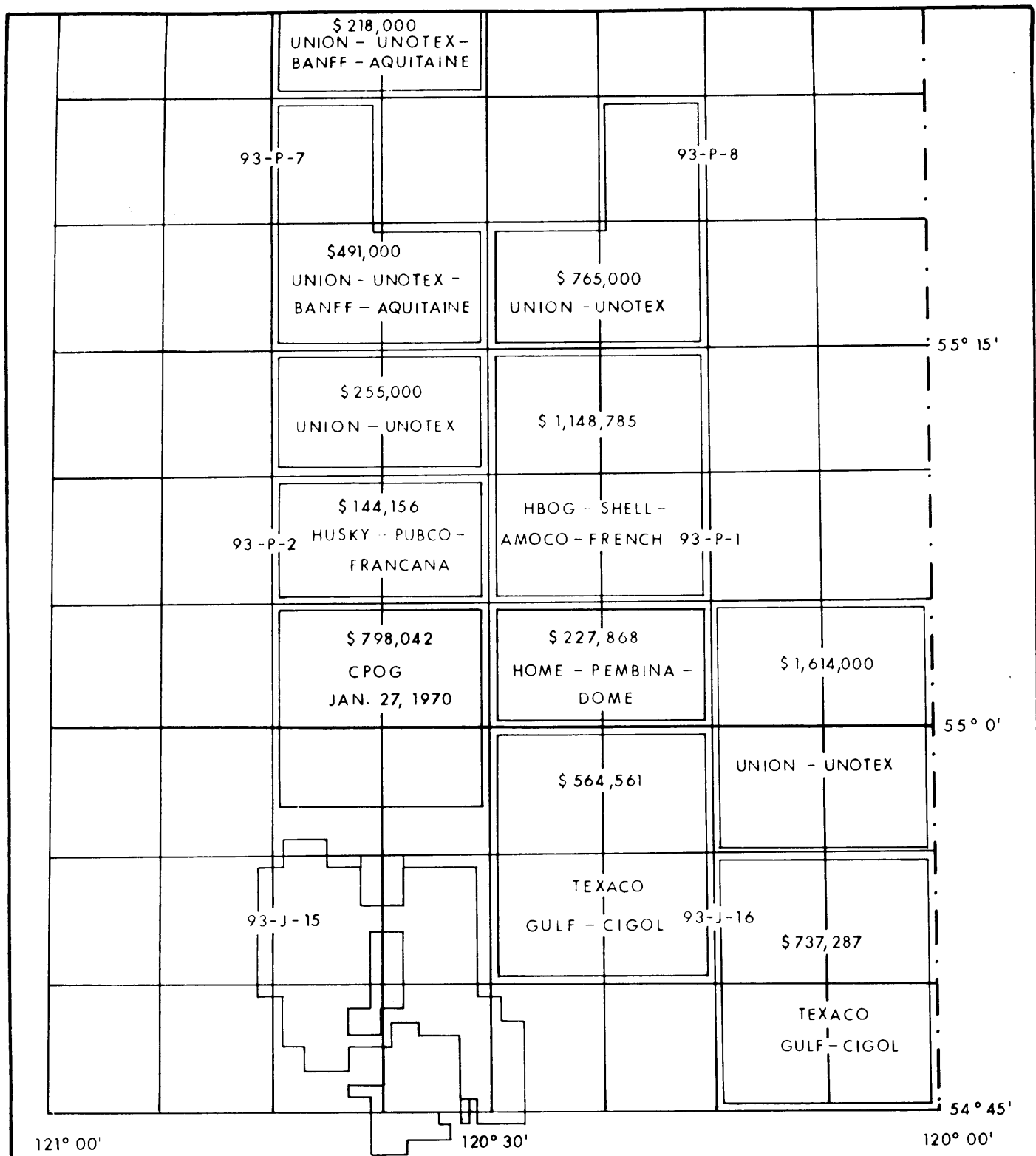
Proven reserves

33 BCF x 5 cents/MCF = \$1,650,000

Possible gas reserves

400 BCF x 1/4 cent/MCF = \$1,000,000

Total = \$2,650,000



BONUS PRICES PAID
 AT B.C. LAND SALE
 AUGUST 20, 1969
 STONY LAKE AREA

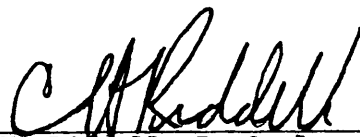
Undrilled lands to the northeast have sold for \$17 to \$31 per lease acre. These are bonus bids for the lands which are untested. The subject lands have been shot seismically, and there is drilling done, and inasmuch as the interest to be earned in the subject lands is by further evaluation of the properties rather than by cash, it is felt that the \$2,650,000 value is consistent with the land value in the area.

SUMMARY

The Stony Lake anticlinorium is a very large feature, but it is extremely complex structurally. All wells drilled to date seem to indicate gas reserves in any zone that is sufficiently porous which indicates structural closure is present.

A commercial hydrocarbon accumulation requires a trapping mechanism, a porous reservoir and the migration of hydrocarbons into same. The structure is present and hydrocarbons have been proven in the reservoir beds which have been encountered. If an extensive reservoir is encountered, a very large accumulation is probable. It is felt that the odds of finding substantial reserves are not more than 10:1, and that this is a realistic risk on the project.

The group to make the initial discovery would be in a good position to purchase unleased Government lands, and options can perhaps be obtained by other land owners. This evaluation has not considered the potential of the Mississippian or the Devonian, other closures on the lands or the possibility of earning other lands. Recent prices paid at competitive land sales indicate industry's interest in the area.



C. H. Riddell, P. Geol.
August 6, 1971

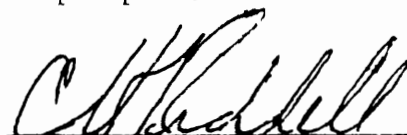
APPENDIX I
 ESTIMATED WELL COST
 8,500' Nikinassin Test
 Stony Anticline

Land, legal and licences	\$ 5,000
Location preparation	8,000
Rig move	7,000
Rig up and down	3,000
Daywork - 65 days @ \$1,800/day	117,000
Camp - 75 days @ \$200/day	15,000
Surface casing - 850' of 13 3/8" and accessories	16,000
Cementing services (surface casing)	4,000
Fuel	20,000
Bits	40,000
Mud (or compressors for gas drilling)	48,000
Water	2,000
Coring (120' @ \$15/foot)	1,800
Drill stem tests - 3 @ \$1,200	3,600
Logging - Dual Induction Laterolog Sonic log Sidewall Neutron	7,000
Gas detector	6,000
Geological and engineering	20,000
Communications, aircraft and miscellaneous	30,000
Abandonment (cementing services and lease cleanup)	10,000
Contingencies	<u>36,000</u>
ESTIMATED DRY HOLE COST	<u><u>\$399,400</u></u>

CERTIFICATE

I, Clayton Howard Riddell, consulting geologist, of 128 Canata Close, Calgary 16, Alberta, do declare:

1. That I graduated from the University of Manitoba with the degree of Bachelor of Science (Honours) in 1959.
2. That I am a member of the American Association of Petroleum Geologists, the Alberta Society of Petroleum Geologists, and that I am a registered Professional Geologist for the Province of Alberta.
3. That the original report on this property was written on January 15, 1971, for Legend Explorations Ltd. and at that time I had no interest, direct or indirect, nor did I expect to receive any interest, direct or indirect, in the property reviewed. Since that time I have obtained an interest in lands adjacent to this property but this has in no way affected the report. I have no interest, present or expected in the securities of Lantern Oil and Gas Limited (NPL).
4. That the above report is based on geological and other general knowledge of the area described therein and upon a consideration of the available data on wells drilled on it and in adjacent areas, and upon examination of the seismic data over the prospect.


C. H. Riddell, P. Geol.

August 6, 1971

LANTERN GAS AND OIL LTD. (N.P.L.)
REPORT ON THE KAREN CLAIMS
GREEN MOUNTAIN, PENTICTON AREA
OSOYOOS M.D., B.C.
N.T.S. 82E - 119° 49' SW
BY
S. S. TAN, B. Sc., F.G.A.C.

L. J. MANNING & ASSOCIATES
610 - 890 W. Pender Street,
Vancouver 1, B.C.

Date Sept. 28/71.

File No. 82E 71-1

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LOCATION & ACCESS	1
PROPERTY	1
TOPOGRAPHY & VEGETATION	2
HISTORY	2
GENERAL GEOLOGY	2
LOCAL GEOLOGY	2
CONCLUSION & RECOMMENDATIONS	2
CERTIFICATE	at rear

Dwg. 1 Location Map

Dwg. 2 Regional Geology

L. J. MANNING & ASSOCIATES LTD.

CONSULTING MINING AND GEOLOGICAL ENGINEERS

610-890 WEST PENDER STREET VANCOUVER 1, B.C.

OFFICE PHONE:
683-5861

RESIDENTIAL PHONE:
L. J. MANNING - 985-5690

September 27, 1971.

President & Directors,
Lantern Gas & Oil Ltd. (N.P.L.)
704 - 525 Seymour St.,
Vancouver, B.C.

Dear Sirs:

The following report is based on a personal examination of the Karen claims on September 21, 1971 and on a study of published maps and reports of the area,

LOCATION & ACCESS

Approximate co-ordinates: Long. 119° 52' W
(centre of property) Lat. 49° 25' N
N.T.S. 82E (west-half), Kettle River, 119° 49' SW

The Karen claims is approximately 15 miles south-west of Penticton. It lies on the south slope of Green Mountain and is bounded in the north-east by Klohtelt Creek and on the south by Keremeos Creek. Access to the property is by a partly paved highway between Penticton and the Stemwinder ski-hill for 13 miles, from thence by the branch gravel road leading to the old Nickel Plate mine for an additional 3 miles.

PROPERTY

The property consists of 16 contiguous mineral claims located in the Osoyoos Mining Division. Records provided by your office indicate the claims were recorded in Penticton on Sept 16, 1971, (M.R. 67115 E-Penticton) by Clayton S. Powney and subsequently transferred to your company on Sept 22 by bill of sale No. 5633 E-Vancouver.

<u>Claim Name</u>	<u>Tag No.</u>	<u>Expiry Date</u>
Karen 1 - 5 incl.	900467-70 incl.	Sept. 16, 1972
Karen 6 - 16 incl.	224709-20M incl.	Sept. 16, 1972

TOPOGRAPHY AND VEGETATION

Elevation of the property ranges from 5,100 ft. to 6,200 ft. a.m.s.l. Klohtelt Creek drains the area. Spruce, Jackpine and meadows are the main flora. Outcrops occupy approximately 5% to 10% of the property.

HISTORY

Shallow pits sunk in a pyrrhotite vein in scattered localities attest to past activity. Some trenching and road building was carried out a few years ago (verbal communication - C. Powney) by the previous owner of the property. A shallow X-ray hole was drilled on one of the showings.

GENERAL GEOLOGY

The government geological map (G.S.C. 15-1961) indicates the area is underlain by Triassic cherts and greenstone of the Independence Formation and is intruded by diorite of the same age. An apophysis of the Cretaceous Nelson plutonic rocks occur in the west and south-west part of the property. The north-east part is traversed by a north-westerly trending fault.

LOCAL GEOLOGY

Outcrops on road cuts, pits and trenches were examined. The sediments consist of quartzite and chert. Intensely fractured and moderately altered quartz-monzonite is exposed on the upper road cut. The fracture planes are hematite coated. Sparse fine grained chalcopryrite and pyrite dissemination is present.

A 10 to 15 feet wide pyrrhotite vein trends across the property in a ENE direction and is traceable by intermittent outcropping for approximately 2,000 feet. Sporadic stringers and patches of chalcopryrite are intergrown with it.

CONCLUSIONS AND RECOMMENDATIONS

Highly fractured and moderately altered quartz-monzonite could act as host for stockwork type copper mineralization. The pyrrhotite vein and the regional fault indicates channel-ways for hydrothermal activity are present.

In view of the foregoing the following reconnaissance program is recommended:-

Phase I

1. Prepare a topographical base map and conduct a photogeological interpretation of the area.
2. Establish an east-west base line across the property centre and run north-south grid line at 400 foot intervals.
3. Conduct a geochemical soil , magnetometer and low frequency EM survey over the grid.
4. Geologically map and prospect the area.
5. Conduct trenching or stripping in areas of interest.

Contingent on results of Phase I, Phase II consisting of the following should be implemented:-

Phase II

1. Conduct an Induced Polarization survey over target area outlined in Phase I.
2. Trench and/or diamond drill selected target areas.

COST ESTIMATESPhase I

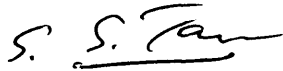
1. Topographical base map and photogeology	\$ 1,200.00
2. Line cutting-20 miles @ \$100/mile	2,000.00
3. Soil sampling and analysis	1,800.00
4. Magnetometer and EM surveys	2,500.00
5. Geological mapping & prospecting	1,500.00
6. Transportation	800.00
7. Data compilation, interpretation & report	1,500.00
8. Miscellaneous - room & board etc.	500.00
9. Trenching	1,000.00
10. Engineering & supervision	1,500.00
11. Contingencies	<u>1,700.00</u>
Total Phase I	\$ 16,000.00

Phase II

1. Induced Polarization survey say 5 miles @ \$500/mile	\$	2,500.00
2. Allowance for trenching and diamond drilling		12,000.00
3. Engineering & supervision		2,500.00
4. Contingencies		<u>1,500.00</u>
	Total Phase II	18,000.00
	Total Phase I and II	\$ <u>34,000.00</u>

Respectfully submitted,

L. J. MANNING & ASSOCIATES LTD.



S. S. Tan, B. Sc., F.G.A.C.

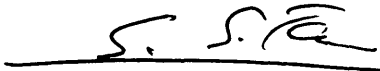
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CERTIFICATE

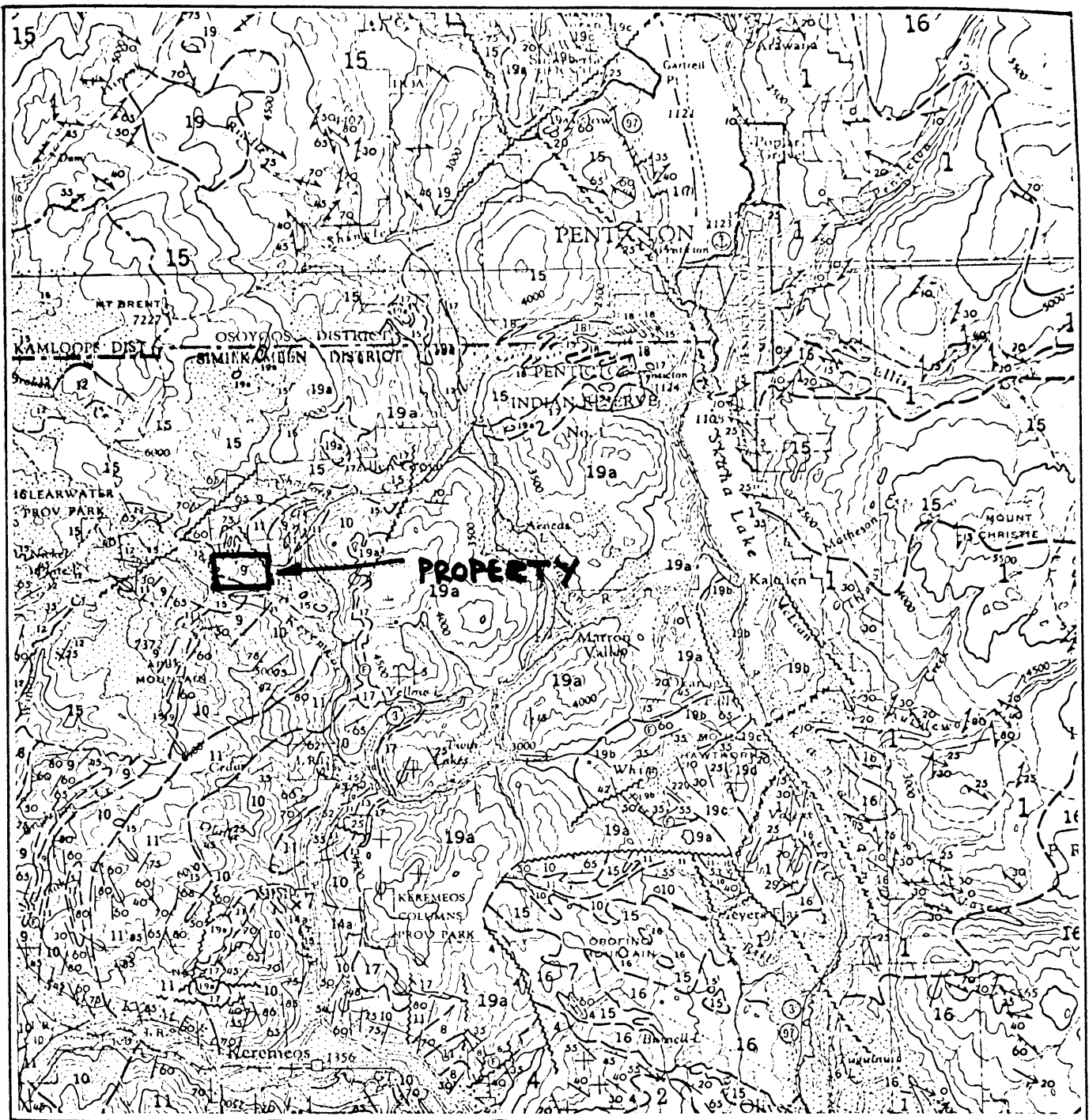
I, Siak S. Tan, residing at 310 - 1965 West 8th Avenue, in the City of Vancouver, Province of British Columbia, hereby certify that:

1. I am employed as a geologist by L. J. Manning and Associates Ltd., with offices at 610 - 890 West Pender Street, Vancouver, B. C.
2. I am a graduate of Carleton University, Ottawa, Ontario, B.Sc. (Geology) in 1964, and have practiced my profession since that time.
3. I am registered as a Fellow of the Geological Association of Canada.
4. I have successfully completed, by examination, the academic requirements for admission to membership of the Association of Professional Engineers of British Columbia, and am presently enrolled as an Engineer-in-Training.
5. I have no interest, direct or indirect, in the properties or securities of Lantern Gas and Oil Ltd. (N.P.L.) or any of its affiliates, nor do I expect to receive any such interest.
6. This report is based on a personal examination of the Karen claims on Sept. 21, 1971, on a study of published reports and maps and personal knowledge of the area.

DATED at Vancouver, British Columbia this 28th day of September 1971.



S. S. Tan, B.Sc., E.I.T., F.G.A.C.



- 9 = Independence Fm.
Chert, greenstone
- 11 = Old Tom Fm.
diomite, greenstone
- 15 = Nelson Plutonic Rocks.

LANTERN GAS & OIL LTD. (N.A.L.)
REGIONAL GEOLOGY
KAREN CLAIMS, PENTICTON AREA.
OSOYOOS M.D., B.C.

*N.B. Geology after G.S.C. Map 15-1961
 Kettle River (N $\frac{1}{2}$), B.C.*

S. Tim Sept. 1971.



Property Location Map:-

LANTERN GAS & OIL LTD. (N.P.L.)

**KAREN CLAIMS, PENTICTON AREA,
OSOYOOS M. D., B.C.**

CONSULTING ENGINEERS:-
L.J. MANNING & ASSOCIATES LTD.
 610-820 W. PENDER, VANCOUVER.
 PH: (604) 682-5861.

S.I.

DWG.

S. Tan. Sept. 1971.