

AL/LD ✓

082GNE067

001916

Perry Creek Placer
~~82 GNE 117~~ ~~82 GNE 117~~

PROPERTY FILE

THIS OFFER IS MADE ONLY TO SHAREHOLDERS OF BARKHOR RESOURCES INC. RESIDENT IN THE PROVINCE OF BRITISH COLUMBIA (the "Qualifying Shareholders"). THIS OFFER IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN OFFERING OF ANY SHARES FOR SALE IN ANY JURISDICTION OTHER THAN BRITISH COLUMBIA OR A SOLICITATION IN ANY OTHER JURISDICTION OF AN OFFER TO BUY ANY SHARES. SEE SECTION HEADED "SHAREHOLDERS RESIDENT OUTSIDE BRITISH COLUMBIA".

MINISTRY OF ENERGY, MINES & PETROLEUM RESOURCES.
REC'D OCT 27 1989
NELSON, B.C.

RIGHTS OFFERING CIRCULAR

AUGUST 18, 1989

OFFER TO THE HOLDERS OF COMMON SHARES OF
BARKHOR RESOURCES INC.

RESIDENT IN BRITISH COLUMBIA TO SUBSCRIBE FOR ADDITIONAL SHARES

OFFERING OF RIGHTS TO SUBSCRIBE FOR UP TO
1,293,038 COMMON SHARES

Record Date.....	August 30, 1989
Date shares trade "ex-rights".....	August 24, 1989
Date Rights to be Called For	
Trading on VSE.....	August 24, 1989
Date Rights Trade For Cash.....	September 22, 1989
Expiry Date of Rights.....	September 29, 1989
Exercise Price.....	\$0.15

Barkhor Resources Inc. (the "Company") is offering to the holders of its outstanding common shares of record as at the Record Date, rights (the "Rights") to purchase common shares. Each Qualifying Shareholder is entitled to receive one (1) Right for each common share held. Two (2) Rights entitle a holder of Rights to purchase one (1) common share at a price of \$0.15 per share.

Aug. 24/89

SUMMARY OF RIGHTS OFFERING

Offering: Rights to subscribe for up to 1,293,038 Common Shares of the Company.

Entitlement to Rights: One Right for each Common Share of the Company held by Qualifying Shareholders on the Record Date.

Record Date: August 30, 1989

Date of Listing of Rights on the Vancouver Stock Exchange August 24, 1989

Date Rights trade for cash and not on usual settlement rules: September 22, 1989

Subscription Basis: Two (2) Rights entitle the holders to one Common Share at a subscription price of \$0.15 per share.

Expiration Date: Rights not exercised by 4:00 p.m. (Pacific Standard time) on September 29, 1989 will be void and of no value.

Transfer of Rights: The Rights Certificates are in registered form and Rights may be bought or sold through the usual investment channels. The Rights have been posted for trading on the Vancouver Stock Exchange.

Use of Proceeds: Subscription proceeds are estimated to be approximately \$193,955.70 based on the issuance of Common Shares from the exercise of 2,586,077 Rights. The proceeds will primarily be used to fund the acquisition and exploration of a placer mineral lease property over which the Company has an option.

Additional Subscription Privilege: Holders of Rights who have fully subscribed and paid for all Common Shares to which they are entitled under the Rights held by them may make application for additional Common Shares up to a maximum equal to the difference between the number of Common Shares which they

have subscribed for under the Rights held by them and the total number of Common Shares offered. If the aggregate number of additional Common Shares subscribed for exceeds the number of available Common Shares, the available number will be allotted pro rata. Reference is made to "Additional Subscription Privilege".

Subscription Guarantee

Under an agreement dated June 8, 1989 between the Company and Continental Securities (the "Guarantor"), the Guarantor has agreed to purchase within seven (7) days of the Expiry Date any Common Shares not subscribed for by holders of Rights under this Rights Offering. The Guarantor will be obliged to pay, in order to purchase such shares, the same price of \$0.15 per Common Share subscribed. Reference is made to "Standby Guarantee".

All dollar amounts are expressed in Canadian dollars unless indicated otherwise.

BARKHOR RESOURCES INC.
 RIGHTS OFFERING CIRCULAR
 TABLE OF CONTENTS

	Page <u>No.</u>
SUMMARY OF RIGHTS OFFERING.....	2
DETAILS OF RIGHTS OFFERING:	
Issuance of Rights.....	4
Rights Expiry Date.....	4
Shareholders Resident Outside British Columbia...	5
EXERCISE OF RIGHTS:	
How to Subscribe.....	5
When to Subscribe.....	5
Method of Payment.....	6
Additional Subscription Privilege.....	6
PURCHASE AND SALE OF RIGHTS:	
Signatures.....	7
Issue of Share Certificates.....	7
Subsequent Trades.....	8
Brokerage Commission and Payments.....	8
Standby Guarantee.....	8
USE OF PROCEEDS:.....	9
BUSINESS AND PROPERTIES OF THE COMPANY:	
Business.....	10
Property.....	10
CORPORATE MATTERS:	
The Company.....	15
Directors and Officers.....	16
Principal Shareholders.....	17
Annual General Meeting Information.....	17
Other Material Corporate Information.....	17
Financial Statements.....	19
Enquiries.....	19

DETAILS OF RIGHTS OFFERING

Issuance of Rights

The Company hereby offers to each of its Qualifying Shareholders of record at the close of business on August 30, 1989 (the "Record Date"), one (1) right (the "Rights") for each one (1) common share of the Company held on the Record Date. Two (2) Rights will entitle the holder thereof to subscribe, at a price of \$0.15, for one (1) common share of the Company as constituted on the date hereof, on the terms and subject to the conditions set out below (the "Rights Offering").

The Rights are represented by a Subscription Rights Certificate (the "Certificate"). A Certificate in registered form evidencing this subscription accompanies this offer. The offer herein is made only to shareholders resident in British Columbia and neither this Rights Offering Circular nor any Certificates have been or will be delivered by the Company to any shareholder with a registered address in a jurisdiction other than British Columbia (see section headed "Shareholders Resident Outside British Columbia").

It is expected that the Rights will be traded on the Vancouver Stock Exchange commencing on the Record Date and continue trading until the expiry date as hereinafter set forth. It is anticipated that as of the Record Date there will be 2,586,077 issued and outstanding common shares of the Company. On this basis, 2,586,077 Rights will be issued which will entitle the holders to purchase 1,293,038 shares of the Company.

No fractional shares will be issued under this Rights Offering. Where an entitlement to shares hereunder results in a fractional share, the entitlement will be reduced to the next smallest whole share.

Persons who purchase their shares after the Record Date will not receive any Rights in respect of those shares.

Rights Expiry Date

The Rights Offering shall expire at 4:00 p.m., Pacific Standard time, on September 29, 1989 (the "Expiry Date"). Any Rights which are not exercised in the manner herein provided on or before the Expiry Date will expire and the Certificate representing such Rights will be void and of no value. Those persons using the mail for delivery of the Rights should allow for sufficient time to avoid their subscription being received after the Expiry Date and it is recommended that, where mail is used for delivery of the Rights, registered mail be used.

Shareholders Resident Outside British Columbia

Neither the Rights, nor the shares of the Company to be issued on the exercise of the Rights, are registered under the applicable securities legislation in the United States of America, nor under the securities' laws of any Province in Canada other than the Province of British Columbia, nor under the applicable securities' laws of any other jurisdiction. Accordingly, the offer herein is made only to registered shareholders of the Company resident in British Columbia and subscriptions will not be accepted from any person or his agent who appears to be, or the Company or the Subscription Agent has reason to believe, is a resident of a jurisdiction other than British Columbia.

EXERCISE OF RIGHTS

How to Subscribe

Subscriptions may only be made by holders of Subscription Rights Certificates resident in British Columbia (the "Authorized Holders") by:

1. completing and executing the "Subscription for Shares" (Form 1) on the back of the Subscription Rights Certificate;
2. paying the applicable subscription price by certified cheque, bank draft or money order in Canadian currency, payable to the Royal Trust Company; and
3. delivering the foregoing documentation and subscription amount to the Royal Trust Company, Trust Services, 14th Floor 505 Burrard Street, Vancouver, British Columbia, V7X 1R5 (the "Subscription Agent").

An Authorized Holder of a Subscription Rights Certificate who subscribes for the maximum number of shares authorized herein may subscribe for Additional Shares by completing the "Subscription for Additional Shares" (Form 2) on the back of the Subscription Rights Certificate (see section headed "Additional Subscription Privilege" below).

When to Subscribe

The right to subscribe for shares will commence at 9:00 a.m., Pacific Standard time, on August 30, 1989 and will expire on the Expiry Date (4:00 p.m., Pacific Standard time, on September 29, 1989). Subscription Rights Certificates will be void thereafter. Accordingly, an Authorized Holder who wishes to subscribe for shares as described herein must ensure that his duly completed

Subscription Form is Received by the Subscription Agent on or before the Expiry Date.

Method of Payment

Payment for shares subscribed for must be remitted with the Subscription Rights Certificate in cash, certified cheque, bank draft or money order in Canadian currency, payable to the order of the Subscription Agent, at par, in Vancouver, British Columbia, on the basis of \$0.15 for each share being purchased.

Additional Subscription Privilege

In the event that Authorized Holders of Subscription Rights Certificates do not exercise all of their Rights, any shares (the "Remaining Shares") unsubscribed for under the original entitlement (the "Original Subscription") will be allocated to those Authorized Holders ("Eligible Persons") who have subscribed for additional shares (the "Additional Shares") as follows:

- (a) where there are sufficient Remaining Shares to meet all the requests made by Eligible Persons for Additional Shares, such Eligible Persons will be allocated the full amount of Additional Shares requested;
- (b) where there are not sufficient Remaining Shares to meet all the requests made by Eligible Persons for Additional Shares, the number of Remaining Shares allocated to each requesting Eligible Person will be determined by multiplying the total number of Remaining Shares by such Eligible Person's Original Subscription and by dividing the product obtained by the total of the Original Subscriptions by all Eligible Persons requesting Remaining Shares; and
- (c) if Remaining Shares are still unallocated and Eligible Persons' requests for Additional Shares exist, the formula set out in (b) above shall be re-applied using only Eligible Persons requesting more shares. This procedure will be continued until either all Remaining Shares are allocated or all requests for Additional Shares are satisfied, whichever first occurs.

To apply for Additional Shares, both Form 1 and Form 2 on the back of the Subscription Rights Certificate must be completed, and payment for the entire number of shares subscribed for by cash, certified cheque, bank draft or money order in Canadian currency, payable to the order of the Subscription Agent, at par, in Vancouver, British Columbia, must be made at the time of submitting the Subscription Rights Certificate.

If the Offering is fully subscribed, funds for over-subscriptions will be returned by the Subscription Agent. Otherwise, applications for over-subscriptions will be accepted as aforesaid and any excess funds will be returned by the Subscription Agent.

PURCHASE AND SALE OF RIGHTS

The Rights may be bought or sold through the usual investment channels, such as brokers and other investment dealers. The Rights offered hereunder will commence trading on the Vancouver Stock Exchange on the Record Date and continue trading until the Expiry Date. Subject as herein provided (see section headed "Shareholders Resident Outside British Columbia"), Qualifying Shareholders who are unable to or do not wish to subscribe for shares under this Rights Offering may sell or transfer any part or all of their Rights by endorsing the "To Transfer Rights" (Form 3) portion of the Subscription Rights Certificate in the manner provided herein.

The Subscription Rights Certificate enclosed herewith is in registered form and is transferable. The Subscription Rights Certificate, as such, does not entitle the holder to any claim whatsoever as a shareholder of the Company.

Signatures

When any Form on the Subscription Rights Certificate is signed, the signature must correspond exactly with the name shown on the face of the Subscription Rights Certificate.

If a Form is signed by a trustee, executor, administrator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity, the Subscription Rights Certificate should be accompanied by satisfactory evidence of authority.

If the Subscription Rights Certificate is transferred, the "To Transfer Rights" (Form 3) portion of the Subscription Rights Certificate must be completed and signed and the signature of the transferor must be guaranteed by a chartered bank, a trust company or by a broker or other investment dealer who is a member of a recognized stock exchange. The transferee may exercise all of the rights of a holder of Subscription Rights Certificates without obtaining a new Subscription Rights Certificate.

Issue of Share Certificates

Certificates for the common shares subscribed for will be mailed to the British Columbia address set out in the appropriate subscription form of the Subscription Rights Certificate, unless

otherwise directed, as soon as practicable after payment in full of the subscription price.

Subsequent Trades

A holder of common shares issued on the exercise of the Rights may sell or transfer his shares through the usual investment channels (such as stock brokers or investment dealers) by endorsing the share certificate and delivering it as required.

The sale or transfer of Rights, or common shares, as the case may be, by a holder will not be subject to the prospectus requirements contained in the British Columbia Securities Act provided that the seller is not an insider of the Company (as defined in the Securities Act, the sale is not a distribution from the holdings of a control person (as defined in the Securities Act. No unusual effort is made to prepare the market or create a demand for the Rights or common shares, as the case may be, and no extraordinary commission or consideration is paid in respect of the sale or transfer. The Company will provide the British Columbia Securities Commission with all required notices relating to the exempt distributions of the Rights and common shares.

Brokerage Commission and Payments

No person or company is responsible to the Company for the solicitation of subscriptions and no service charge or soliciting fee is payable upon exercise of the Rights.

With the exception of the Standby Guarantee, no payments are to be made to any person or company in connection with the Rights Offering.

Standby Guarantee

Under an agreement between the Company and Continental Securities (the "Guarantor"), dated June 8, 1989 (the "Rights Offering Agreement"), the Guarantor has agreed to purchase within seven (7) days of the Expiry Date any common shares not subscribed for by holders of Subscription Rights Certificates under this Rights Offering, after all additional subscription rights have been exercised (see the heading "Additional Subscription Privilege"). The Guarantor shall be obligated to pay, upon purchase of such common shares, the same price of \$0.15 per common share subscribed. At \$0.15 per common share, this guarantee will ensure that the Company receives gross proceeds of an aggregate of \$193,955.70.

In consideration of the Guarantor agreeing to purchase all unsubscribed shares hereunder at the conclusion of this Rights Offering (and after all additional subscription rights have been exercised), the Company has granted to the Guarantor, a non-transferrable warrant (the "Guarantor's Warrant") entitling the

Guarantor to purchase up to a total of 517,215 common shares at a price of \$0.15 per share, exercisable in whole or in part for a period of one hundred and eighty-seven (187) days from the Expiry Date. The Guarantor may acquire common shares or Rights and subscribe and over-subscribe for additional common shares in its capacity as a holder of Rights pursuant to this Rights Offering. As a holder of Rights, the Guarantor's subscription and over-subscription will be accepted only after all other subscriptions and over-subscriptions have been filled and the relative number of common shares available for over-subscription by the Guarantor will depend upon the number of Rights exercised and common shares over-subscribed for by the other holders of Rights.

The obligations of the Guarantor under the Rights Offering Agreement may be terminated upon the occurrence of certain stated events, including any cease trading order made against the Company pursuant to any of the Canadian Securities Acts. A copy of the Rights Offering Agreement is available for inspection at the registered and records office of the Company located at 1600 - 1100 Melville Street, Vancouver, British Columbia, V6E 4B4.

USE OF PROCEEDS

The estimated proceeds from this Rights Offering (exclusive of any proceeds received from the exercise of the Guarantor's Warrant), will be \$193,955.70, which will be used by the Company as follows:

1.	To pay fees and disbursements of this Rights Offering estimated to be:	\$ 15,000.00
2.	To pay accounts payable as at July 31, 1989:	32,170.76
3.	To acquire an undivided sixty (60%) percent interest in and to the Perry Creek Placer Leases, which funds shall be used to conduct a program of exploration for the Perry Creek Lease Property as recommended by S. Brian Hamilton, Eng., in his independent report to the Company dated May, 1989:	121,500.00
4.	For addition to working capital:	<u>25,284.94</u>
	TOTAL	\$193,955.70 =====

Proceeds from this Rights Offering shall not be used to satisfy current loans payable to related parties of the Company. Reference is made to "Other Material Corporate Information".

Any monies realized by the Company pursuant to the exercise of the Guarantor's Warrant will be added to the working capital of the Company. If the Guarantor's Warrant is fully exercised, the Company will receive the additional sum of \$77,582.25.

BUSINESS AND PROPERTIES OF THE COMPANY

Business

The Company is engaged in the business of acquiring, exploring and developing mineral resource properties. The Company has held an interest in the mineral properties described hereunder and intends to seek and acquire additional properties worthy of exploration and development.

Property

A. Perry Creek Placer Leases - Fort Steele Mining Division, British Columbia

By agreement between the Company, Kokanee Placer Ltd. and Carad Mines, dated for reference May 30, 1989, (the "Assignment Agreement"), the Company acquired from Kokanee Placer Ltd. ("Kokanee"), an option to acquire an undivided sixty (60%) percent interest in and to the following placer mineral leases (the "Leases"), together with all rights, privileges and appurtenances thereto, free and clear of all liens, encumbrances and charges:

PL16237, PL16236, PL16246, PL16226, PL16217, PL16250, PL16251,
PL16275, PL16271, PL16252

The sole recorded and beneficial owner of the Leases is Carad Mines Ltd. ("Carad") of 2401 Cranbrook Street North, Cranbrook, British Columbia. In order to exercise the aforesaid option and acquire an undivided sixty (60%) percent interest in and to the Leases, the Assignment Agreement specifies that the Issuer must pay to Kokanee an aggregate cash sum of \$121,500.00 (Cdn.) and 200,000 common shares in the capital of the Issuer (the "Purchase Price") as follows:

- (a) the Issuer shall pay to Kokanee the sum of \$25,000.00 upon Regulatory Approval of the Assignment Agreement and upon the Issuer completing this Rights Offering;
- (b) upon the Issuer and Kokanee mutually agreeing to place the Leases into production, the Issuer shall, within ninety (90)

days from the date on which gold bullion commences trading on the London Bullion Market at an average price of \$425.00 (U.S.) per ounce, pay to Kokanee the further sum of \$96,500.00; and

(c) the total of Two Hundred Thousand (200,000) fully paid and non-assessable common shares of the Issuer shall be issued to Kokanee as follows:

- (i) 50,000 common shares to be issued to Kokanee upon Regulatory Approval of the Assignment Agreement and upon the Issuer completing this Rights Offering;
- (ii) 50,000 common shares to be issued to Kokanee upon the conditions referred to in (b) above being fully and completely satisfied; and
- (iii) 100,000 common shares to be issued to Kokanee upon the Issuer having recovered in cash, from production on the Leases, the full value of the Purchase Price, that being the sum of \$151,500.00.

Under the terms of the Assignment Agreement, the Issuer is not obliged to exercise its option, nor to place the Leases into production. However, the Issuer intends to place the Leases into production immediately upon receipt of favourable test results, regardless of the price of gold, provided that it is economically feasible to do so. If the Issuer fails to pay all or any portion of the Purchase Price, within the time limits specified, the Assignment Agreement shall immediately become null and void and the Issuer shall forfeit any and all sums paid to Kokanee to the date thereof.

The Assignment Agreement also provides that the Company shall not be required to participate in any of the costs, risks, losses, liabilities and expenses arising, paid or incurred in respect of or relating to the leased lands until such time as the Company has recovered the full value of the Purchase Price, that being the sum of \$151,500.00. Thereafter, the Company shall participate as to a sixty (60%) percent interest in and to the same. The Agreement goes on to provide that the Issuer shall, however, from the date of execution of the Assignment Agreement, participate in the benefit and advantage of the Leases and in all of the monies, earnings or proceeds derived therefrom, as to an eighty (80%) percent interest and Kokanee as to a twenty (20%) percent interest, until such time as the Issuer has recovered all of the said value of the Purchase Price. Thereafter the Issuer shall participate as to a sixty (60%) interest in and to the same.

The Assignment Agreement further provides that upon commencement of production on the Leases, Carad shall be entitled to receive:

- (i) at the end of each operating season in which the Leases are in production, a production royalty of twenty (20%) percent of the recovered ore from the Leases to a maximum of Thirty Thousand (\$30,000.00) Dollars (Cdn.) and thereafter pay a production royalty of ten (10%) percent of the gross value of the recovered ore from the Leases to a maximum of Five Hundred Thousand (\$500,000.00) Dollars, at which time the production royalty will be converted to a three (3%) percent production royalty which decreases by one (1%) percent with each subsequent maximum payment of Five Hundred Thousand (\$500,000.00) Dollars; or
- (ii) within six (6) months from commencement of production on the Leases, the sum of Seventy-Five Thousand (\$75,000.00) Dollars (Cdn.) for each Lease comprising the Leases;

Finally, the Assignment Agreement stipulates that the full value of the Purchase Price, that being the sum of \$151,500.00, shall be applied by Kokanee, in its entirety, to the exploration program on the leased lands as outlined in the engineering report of S. Brian Hamilton, Eng., dated May, 1989.

As indicated above, the Assignment Agreement is subject to regulatory approval and to the Issuer completing this Rights Offering.

THE FOLLOWING IS A BRIEF SUMMARY OF THE PLACER MINERAL LEASES. THIS SUMMARY IS BASED UPON AN ENGINEERING REPORT PREPARED FOR THE ISSUER BY S. BRIAN HAMILTON, ENG., DATED MAY, 1989. ALTHOUGH PLACER GOLD IS PRESENT IN THE PERRY CREEK VALLEY, NO PROVEN ECONOMIC QUANTITIES OF PLACER GOLD HAVE BEEN ESTABLISHED NOR ANY GRADE CALCULATION MADE FOR GOLD ON THE PROPERTY.

Location and Access

The Leases straddle Perry Creek in southeastern British Columbia, Canada. The Leases are situated above and below the confluence of Perry Creek and a tributary Galway Creek.

The Leases are approximately 30 miles by road from Cranbrook, British Columbia. Access is by paved highway for the first 10 miles and by good all weather road for the remaining 20 miles.

History

The Perry Creek has been subjected to various placer and vein mining and exploration. During the late 19th Century and early

20th Century the area downstream from the Leases was quite active with a number of small placer operations. Since then only minor scale operations have been and continue to be undertaken by small operators.

Large quantities of gold have been economically taken from the river system at a "false" clay bedrock interface or hardpan and from the Bedrock surface in the canyons. Near the site of "Old Town", a portion of the creek, (the Jewel Box), that ran through a canyon, yielded in excess of a reported 150,000 ounces of gold production from bedrock. In total, the reported production of gold in the entire river system was 200,000 ounces.

Bedrock Geology

The hills around the placer leases consist of rocks of the Creston formation. The river valley has rocks of the Upper Aldridge formation. Several gold bearing quartz veins are located in the surrounding hills.

Exploration Programs

In 1985 Carad Placer Mines undertook a test pit exploration program with backhoe and gold genie. Over 20 test pits were dug throughout the area of the Leases and numerous "buckets" of the lowest material were processed. Only a few of these test pits actually reached bedrock. Significant gold values were encountered in approximately 8 of the pits.

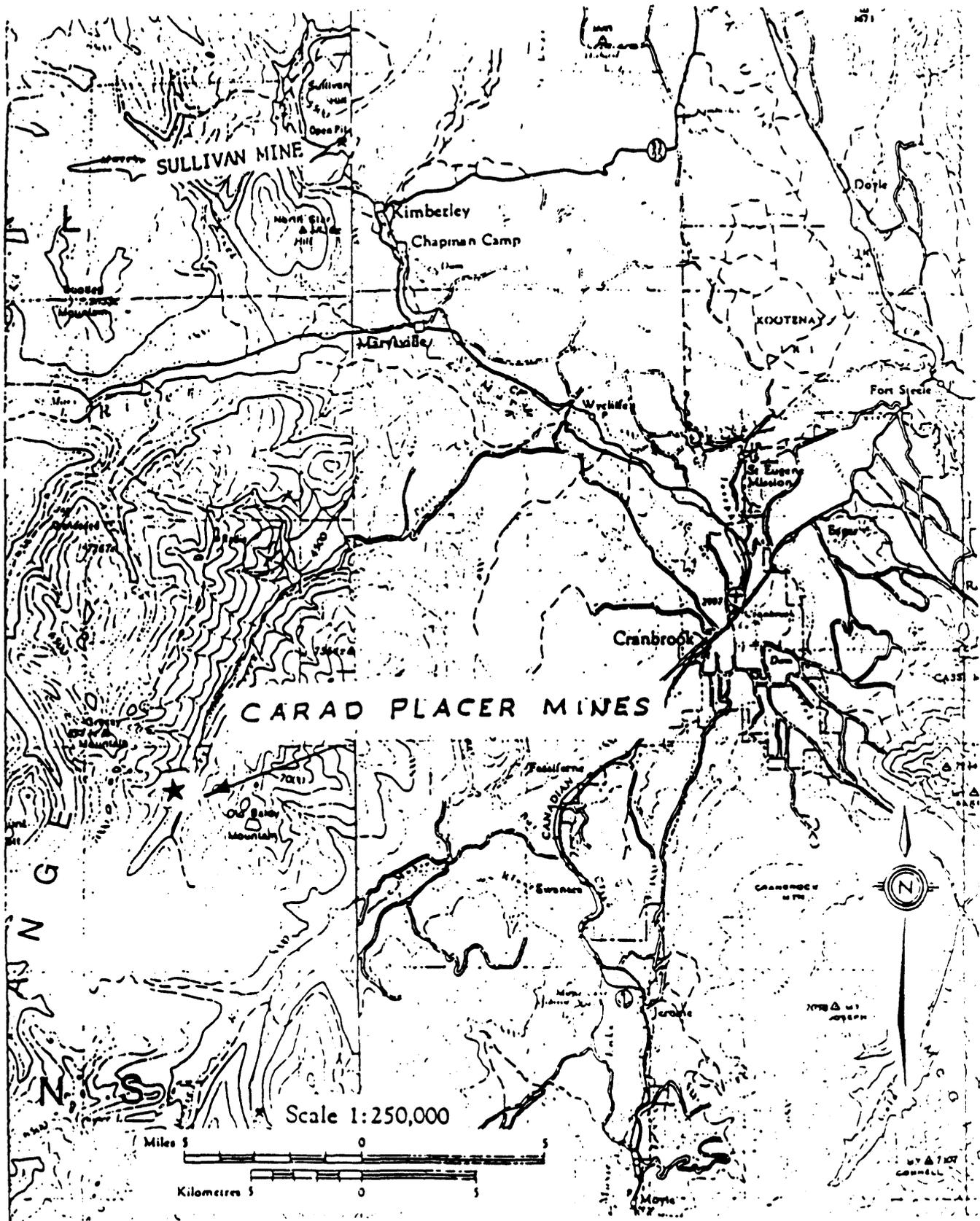
More recently, Kokanee dug three pits in the upper area of the Leases (PL16236) to obtain a larger bulk sample from the upper creek area, that had been indicated by Carad's work, for processing through a small trommel and final concentrating by jig.

The three pits yielded 200 cu. metres of material but only 40% was considered to be near the bedrock surface.

Testing was less than satisfactory due to the depth of bedrock which was greater than expected. However, visible specks of gold were found over 8' (26-34') near bedrock in PC-1. including three small nuggets. In PC-2 visible specks of gold were noted over 6' (20-26') just above bedrock. The results are classified as incomplete.

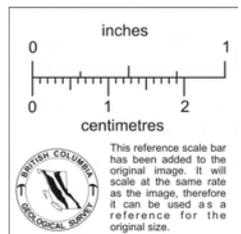
The second phase of the program consisted of drilling three reverse circulation drill holes between two areas of test pitting in the 1985 drill program.

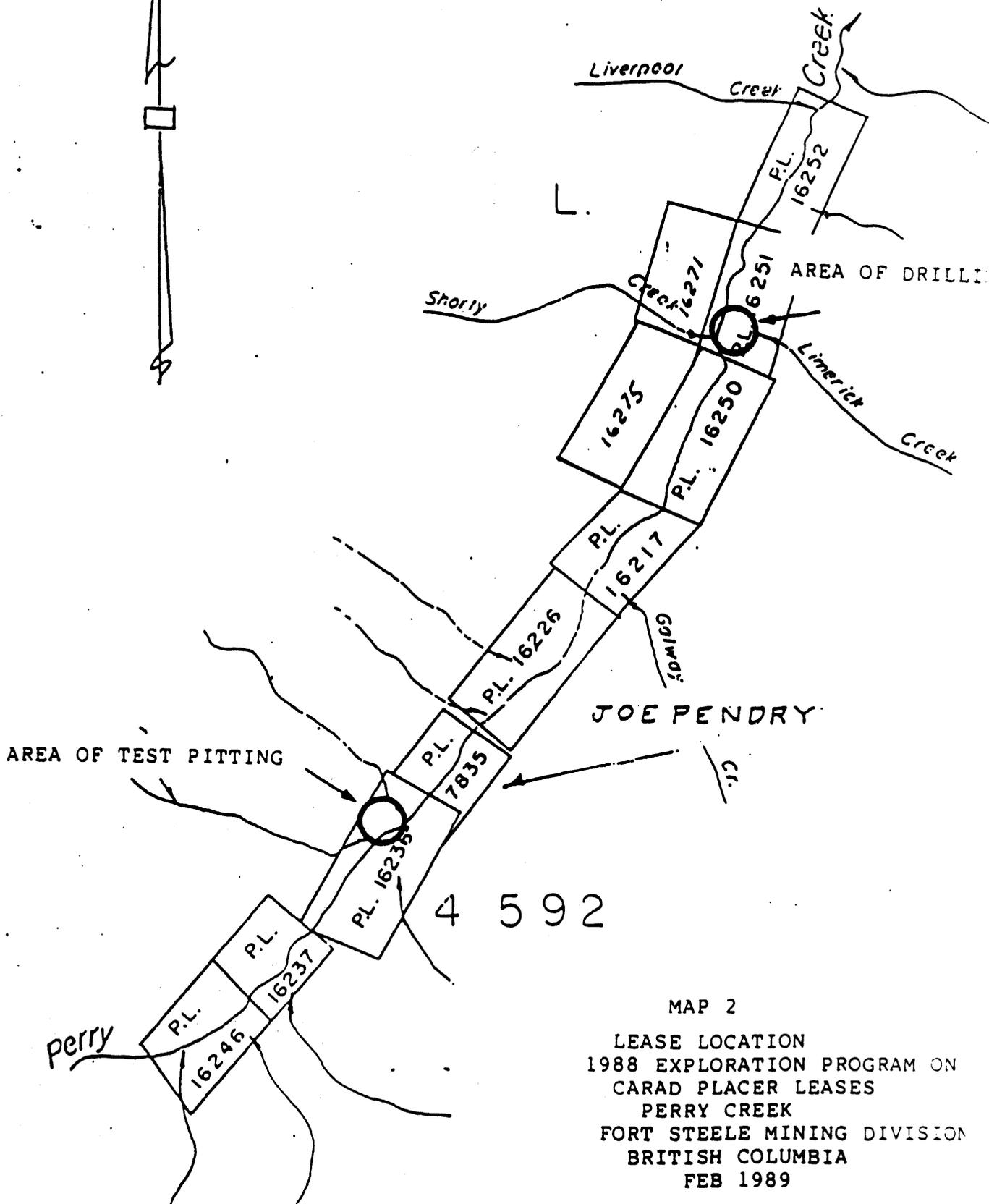
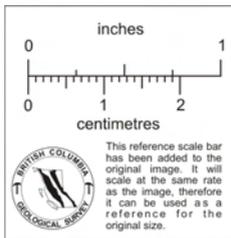
The drilling indicated 2 channels coming out of the canyon with some amounts of fine gold associated with gravel/hardpan interface and the gravel/bedrock interface. Gold concentrations at those two



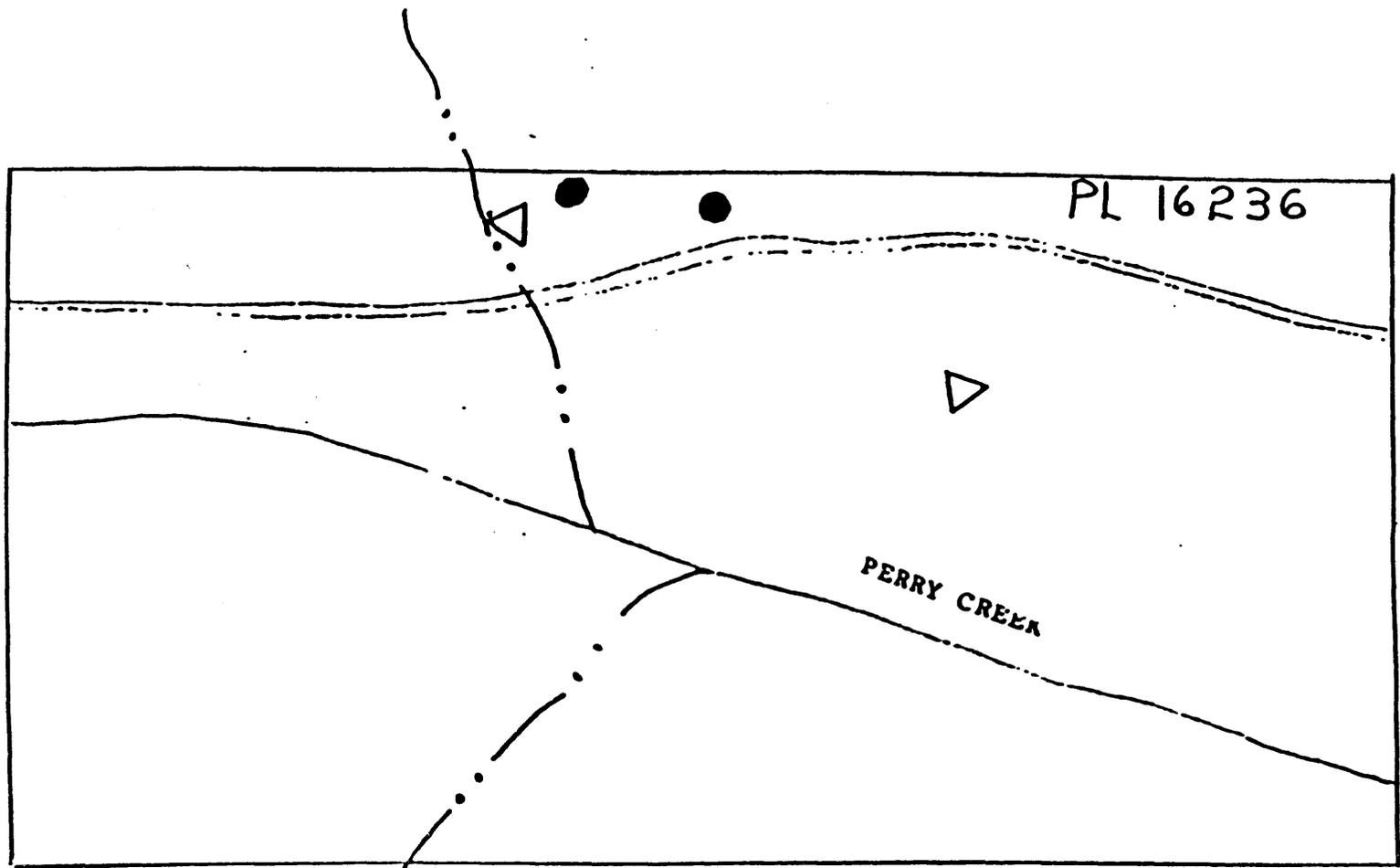
MAP 1

LOCATION OF EXPLORATION
 1988 EXPLORATION PROGRAM ON
 CARAD PLACER LEASES
 PERRY CREEK
 FORT STEELE MINING DIVISION



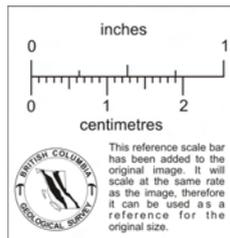


MAP 2
LEASE LOCATION
1988 EXPLORATION PROGRAM ON
CARAD PLACER LEASES
PERRY CREEK
FORT STEELE MINING DIVISION
BRITISH COLUMBIA
FEB 1989



LEGEND

-  1985 TEST PITS
-  1988 TEST PITS
-  PERRY CREEK ACCESS ROAD
-  RIVER BEDS FLOWING
-  INTERMITTENT

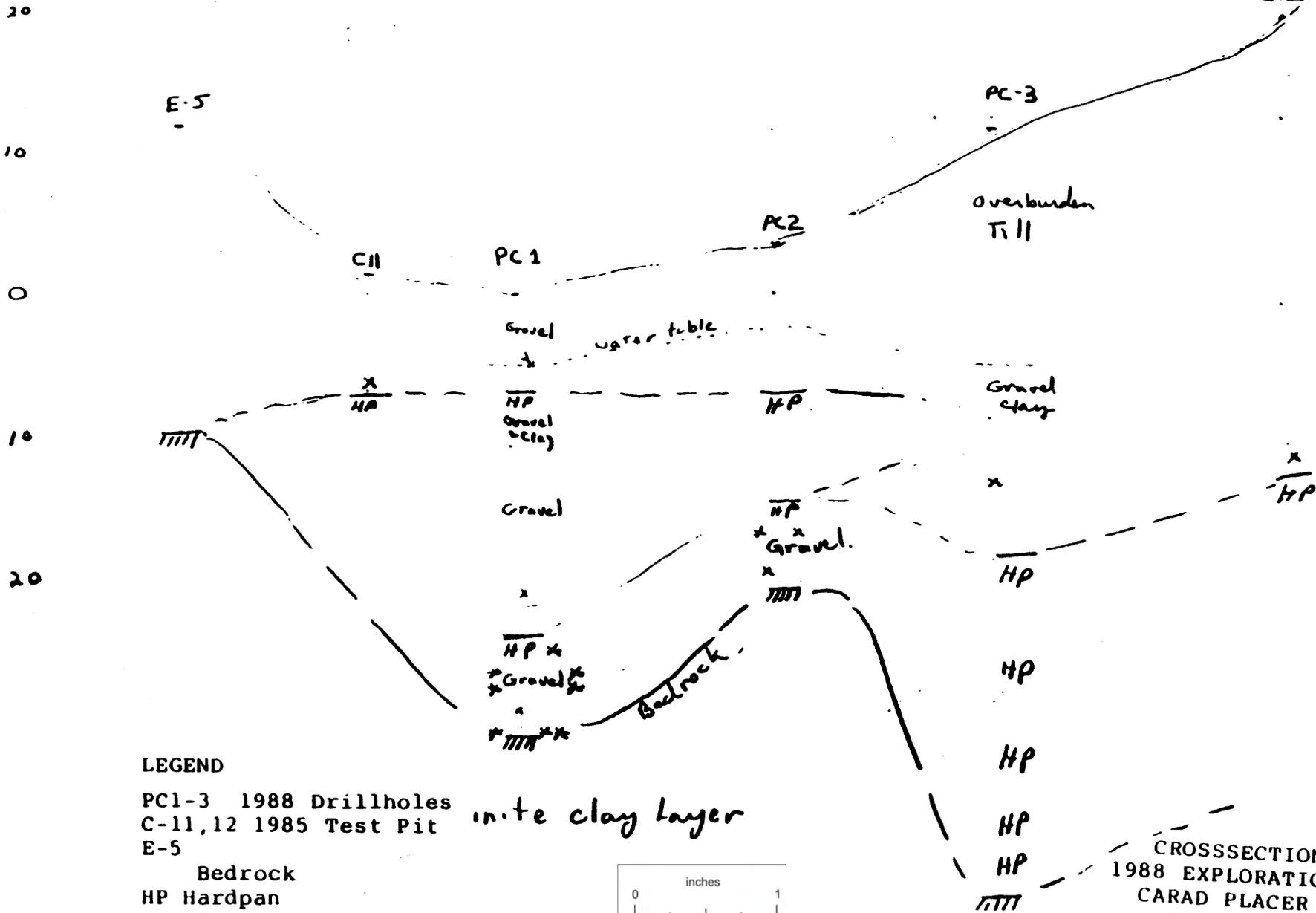


MAP 3
TEST PIT LOCATION
1988 EXPLORATION PROGRAM ON
CARAD PLACER LEASES
PERRY CREEK
FORT STEELE MINING DIVISION
BRITISH COLUMBIA

FEB 1989

FEET

200 100 0 100 200 300 400 500

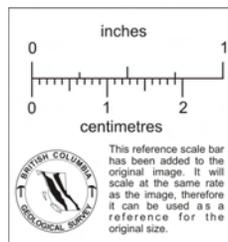


LEGEND

PC1-3 1988 Drillholes
C-11,12 1985 Test Pit
E-5

Bedrock
HP Hardpan
X Minor gold show
* Good gold show

white clay layer



CROSSSECTION 1
1988 EXPLORATION REPORT
CARAD PLACER LEASES
PERRY CREEK
FORT STEELE MINING DIVISION
BRITISH COLUMBIA

FEB 1989

"stratigraphic" horizons (the gravel/hardpan and gravel/bedrock interfaces) is significant in light of the past productions from the area. The recovery of sample was variable. It should be noted that when recovery was good at these "stratigraphic" horizons (i.e. drill holes PC #1 26-28) gold content was up appreciably but even where recovery was poor (PC #1 30-32), significant gold was indicated.

Test work in 1988 also indicated the presence of gold in the active surface gravels. Although this might indicate an area of recent run off, it suggests bulk testing of the surface horizons might be warranted.

Conclusions and Recommendations

The two areas tested represent only a small part of the placer Leases. It appears that some of the 1985 results were less complete than expected, in the upper areas of the Leases. The results below the canyon mouth are more confirmatory of significant concentrations of gold on the upper gravel/hardpan horizon.

Significant gold is definitely present in the system. The area of drilling is quite promising and has indicated that appreciable quantities of gold are also present at the gravel/bedrock "stratigraphic" horizon.

Coupled with the 1985 test pitting results, two target areas have been identified for further testing; the upper gravel/hardpan interface and the lower gravel/bedrock interface below the canyon mouth.

It is recommended that to establish the viability of a full scale operation, a large bulk sample be processed so that an overall grade to the "pay" gravel zones and how they relate to the reverse circulation drilling be established. Prior to the commencement of this bulk sample test, a further 10-20 reverse circulation drill holes should be completed to establish a database of drilling results for comparison to the bulk test results and to better define the channel area.

Further exploration and drilling on other areas of the claims is necessary but should be more secondary in priority at this time. The proposed program is estimated to cost \$125,000 and will, upon completion, be able to define placer mineable reserves in the area of exploration.

Proposed Budget

1. Drill site preparation (including survey, etc.)	\$ 5,000.00
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2.	Drilling 15 holes, 200 m (including geologist and sampling)	18,000.00
3.	Permitting for test pit	2,000.00
4.	River diversion	5,000.00
5.	Plant preparation and set-up	10,000.00
6.	Overburden stripping 30,000 cu. m. (estimated cost \$1.50/cu.m.)	45,000.00
7.	Mining Pay Gravel Upper horizon - 1,000 cu.m. Lower horizon - 3,000 cu.m. (estimated cost \$4.00/cu.m.)	18,000.00
8.	Report, travel and supervision	12,000.00
9.	Contingency	<u>10,000.00</u>
	TOTAL	\$125,000.00 =====

If the test pit is successful in proving the viability of the zones, the cash flow obtained from the test operation would be sufficient to boost the test production to a full scale production scenario.

CORPORATE MATTERS

The Company

The Company is a reporting British Columbia company whose shares are listed for trading on the Vancouver Stock Exchange.

The authorized capital of the Company consists of 10,000,000 common shares without par value of which 2,586,077 shares are currently issued and outstanding.

The Company's registered and records offices are located at 1600 - 1100 Melville Street, Vancouver, British Columbia, V6E 4B4 and its head office is located at 1700 355 Burrard Street, Vancouver, British Columbia, V6C 2G8.

The Company's registrar and transfer agent administering this offer is the Royal Trust Company, 14th Floor - 505 Burrard Street, Vancouver, British Columbia, V7X 1R5.

Directors and Officers

The names, addresses, offices held with the Company, shareholdings and principal occupations of the Directors and Officers of the Company are as follows:

<u>Name and Address</u>	<u>Shares Beneficially owned Directly or Indirectly or over Which Control or Exercise or Direction is Exercised</u>	<u>Principal Occupation For Past Five Years</u>
Gerald Newcomen P.O. Box 105 Gray Creek, B.C. VOB 1SO President, Chief Executive Officer, Director	400,000	Director, Mega-Dyne Industrial Corp., a company listed for trading on the Vancouver Stock; President, New-Ben Holdings Ltd.; Owner, Hank's Electrical Ltd.
Laurence Stephenson, B.Sc. Geol., P.Eng., MBA SS1, Site 15 Box 121 Cranbrook, B.C. V1C 4H4 Director	Nil	Professional Engineer; President, Geofin Inc; District Geologist, Buval Corp. (now Battle Mountain Gold Corp.)
Kenneth Fielding 4411 Coventry Drive Richmond, B.C. Director	350,000	Proprietor, Alliance Installations
Sheila Newcomen P.O. Box 105 Gray Creek, B.C. VOB 1SO Secretary	Nil	Businesswoman; Executive Secretary, Bank of Montreal; Stenographer, B.C. Tel.

Principal Shareholders

To the knowledge of the Company, the shareholders of the Company who own ten percent (10%) or greater of the issued capital of the Company are as follows:

<u>Name and Address</u>	<u>Number of Shares</u>	<u>Percentage</u>
Vancouver Stock Exchange* Service Corp. 7th Floor 609 Granville Street Vancouver, B.C.	1,443,224	55.81%
Gerald Newcomen P.O. Box 105 Gray Creek, B.C. VOB 1S0	400,000	15.47%
Kenneth Fielding 4411 Coventry Drive Richmond, B.C.	350,000	13.53%

*The Company has no knowledge as to the identity of the beneficial owners of shares held by the Vancouver Stock Exchange Service Corp.

Annual General Meeting Information

The Company's last annual general meeting was held on May 3, 1989, and the shareholders approved the Company's audited financial statements which were prepared as at December 31, 1988.

Other Material Corporate Information

1. The Company's directors are unaware of any transfer of shares which has materially affected the control of the Company since the last meeting of the shareholders of the Company, other than a transfer within escrow of 400,000 shares from Charles Patrick Neild to Gerald Newcomen, which share transfer was approved at the Company's last annual general meeting.
2. By an agreement dated February 7, 1989, the Company granted to Gerald Newcomen (as to 124,300 shares) and Shirley Newcomen (as to 35,300 shares), director and employee incentive options to purchase, in aggregate, 159,600 shares of the Company, at a price of \$0.15 per share, for a period of two years, expiring February 7, 1991. By further agreement dated May 25, 1989, and subject to regulatory approval the Company granted to Derek Huston, for promotional and consulting services rendered to the Company, employee incentive options to

purchase up to 189,000 shares of the Company, at a price of \$0.15 per share, for a period of two years, expiring May 25, 1991. There are no other incentive stock option agreements of the Company outstanding.

3. By an agreement dated March 1, 1989 between the Company and Gerald Newcomen, the Company has agreed to pay \$2,000 per month, in aggregate, to Gerald Newcomen for management services to be rendered to the Company over a one (1) year period commencing March 1, 1989.
4. Pursuant to certain debt settlement agreements dated for reference the 6th day of July, 1989, the Company has agreed to issue to certain creditors of the Company, as fully paid and non-assessable, an aggregate of 296,196 Common shares in the capital of the Company, at a deemed price of \$0.15 per share (or such other number of shares and share price as approved by the Vancouver Stock Exchange) in full and final settlement of the following debts:

<u>Creditor</u>	<u>Amount of Debt</u>	<u>No. of Shares To Be Issued</u>
Boughton Peterson Yang Anderson	\$27,467.85	183,119
The International Beverage Corp.	\$ 6,911.55	46,077
Dunwoody & Company	\$ 6,000.00	40,000

5. Pursuant to the terms of a finders fee agreement with Mr. Raymond Tepper, the Company has agreed to issue to Mr. Tepper an aggregate of Seventy-five thousand (75,000) common shares, at a deemed price of \$0.15 per share, in consideration of his bringing the Perry Creek placer mineral lease property to the Company's attention. The Company's finders fee agreement with Mr. Tepper is subject to regulatory approval.
6. As at July 31, 1989, the Company owes, in aggregate \$71,118.20 (the "Loans") to certain related parties of the Company as follows:

<u>Lender</u>	<u>Amount of Loan</u>
Camfrey Resources Ltd.	\$ 52,405.00
Siemont Resources Ltd.	18,713.20

The Loans are interest bearing at a rate of twelve (12%) percent per annum compounded monthly as of July 31, 1989, and payable on demand together with accrued interest after January 7, 1990.

7. Within the last two years, the Company has paid an aggregate of \$42,100.00 to Pacific Regency Marketing Ltd., and an aggregate of \$21,050.00 to Richard Casper, in respect of various marketing, promotional and public relations services rendered to the Company.

Financial Statements

The most recent audited financial statements of the Company are for the fiscal year ended December 31, 1988.

Inquiries

Inquiries related to this Rights Offering should be addressed to the Subscription Agent at the address shown above.

DATED at Vancouver, British Columbia, this 18th day of August, 1989.

BARKHOR RESOURCES INC.

Per:



GERALD NEWCOMEN
President

RAA/NO129.19.WPF