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Dodge - Sullivan Two Prop.

DODGE-SULL Two SE 82F SEC 736

Son claims Nelson Mining D.V

THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THESE SECURITIES ONLY IN THOSE JURISDICTIONS WHERE THEY MAY BE LAWFULLY OFFERED FOR SALE AND ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES. NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

PROSPECTUS DATE: APRIL 11, 1989  
AMENDED: June 26, 1989

Effective Date: April 27, 1989  
Effective Date: July 17, 1989

WHITE KNIGHT RESOURCES LTD.  
(the "Issuer")

Public Offering

New Issue

350,000 Common Shares

	Price to the public	Commission	Net Proceeds to be (1) Received by the Issuer
Per Share	\$ 0.40 <sup>(2)</sup>	\$0.05	\$0.35
Total	\$140,000	\$ 17,500	\$122,500

250,000 Flow-Through Common Shares

	Price to the public	Commission	Net Proceeds to be (1) Received by the Issuer
Per Share	\$ 0.50 <sup>(2)</sup>	\$0.05	\$0.45
Total	\$125,000	\$ 12,500	\$112,500

- (1) Before deduction of the costs of the Issue, including applicable Vancouver Stock Exchange and Regulatory fees, estimated to be \$25,000.00.
- (2) The price of the Shares has been determined by the Issuer through negotiation with the Agent.

There is no market through which these securities may be sold.

This Prospectus qualifies the Issuance of the Agent's warrant. Any shares acquired by the Agent pursuant to the exercise of the Agent's warrant and pursuant to its guarantee may be resold without further qualifications.

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A purchase of the securities offered by this Prospectus must be considered speculative. All of the properties in which the Issuer has an interest are in the exploration and development stage only and are without a known body of commercial ore. No survey of any property of the Issuer has been made and therefore in accordance with the laws of the jurisdiction in which the properties are situate, their existence and area could be in doubt. See also the heading "Risk Factors" herein. With respect to the expenditure or the diversion of funds by the Issuer see the heading "Use of Proceeds" herein.

The Vancouver Stock Exchange has conditionally listed the securities being offered pursuant to this Prospectus. Listing is subject to the Issuer fulfilling all of the listing requirements of The Vancouver Stock Exchange on or before October 24, 1989, including prescribed distribution and financial requirements.

No person is authorized by the Issuer to provide any information or to make any representation other than those contained in this Prospectus in connection with the issue and sale of the securities offered by the Issuer.

Upon completion of this Offering this issue will represent 30.33% of the shares then outstanding as compared to 44.27% that will then be owned by the controlling persons, promoters, directors and senior officers of the Issuer. Refer to the heading "Principal Holders of the Securities" herein for details of shares held by directors, promoters and controlling persons.

After giving effect to this issue, the offering price exceeds the net tangible book value at January 31, 1989 per common share by \$0.3445, representing a dilution factor of 86.125%, and per flow-through share by \$0.4445, representing a dilution factor of 88.9%.

One or more of the directors and officers of the Issuer has an interest, direct or indirect, in other natural resource companies. Reference should be made to the heading "Directors and Officers" herein for a comment as to the resolution of possible conflicts of interest.

We, as Agent, conditionally offer these securities subject to prior sale, if, as and when issued by the Issuer and accepted by us in accordance with the conditions contained in the agency agreement referred to under "Plan of Distribution" herein.

**AGENT**

**YORKTON SECURITIES, INC.**  
1400 - 609 Granville Street  
Vancouver, British Columbia  
V7Y 1G5

## SUMMARY

The following is a summary only and should be read in conjunction with the more detailed information contained elsewhere in this Prospectus.

The offering:        350,000 Shares  
                         250,000 Flow-through Shares

Price:                \$0.40 per Common Share to the public  
                         \$0.05 per Common Share commission  
                         \$0.35 net per Common Share to the Issuer  
  
                         \$0.50 per Flow-through Share to the public  
                         \$0.05 per Flow-through Share commission  
                         \$0.45 per Flow-through Share to the Issuer

The Issuer:            The Issuer is a natural resource company engaged in the acquisition, exploration and development of mineral properties.

Issued and Authorized Capital:        The Issuer is authorized to issue 10,000,000 common shares. Upon completion of this Offering, the Issuer will have 1,977,601 Common shares outstanding, exclusive of any Common shares which may be issued at a later date. Reference should be made to the "Share Capital Structure" herein for further information on the share capital structure.

Speculative Aspects:                    Investment in the Common Shares and Flow-through Shares of the Issuer must be considered speculative due to the nature of the Issuer's business and the present stage of development of its properties. The Issuer is a mining exploration and development company. There is no known body of commercial ore on any of the Issuer's properties and no guarantee that the exploration work to be carried out from the funds raised through this Offering will result in any of the Issuer's properties being put into commercial production.

There is no market through which the securities may be sold.

The Issuer has not declared dividends and any decision to declare dividends in the future is at the discretion of the Issuer's Board of Directors.

Some of the Directors and Officers of the Issuer are engaged and will continue to be engaged in the search for mineral resource properties on their own behalf and on behalf of other corporations and situations may arise where these Directors and Officers may be in direct competition with the Issuer. Such conflicts, if any, will be dealt with pursuant to the Company Act (British Columbia).

After giving effect to this issue, the offering price exceeds the net tangible book value at January 31, 1989 per Common Share by \$0.3445, representing a dilution factor of 86.125%

and per Flow-through Share by \$0.4445, representing a dilution factor of 88.9%.

With respect to the subscription for Flow-through shares, the income tax consequences will not be the same for all subscribers but may vary depending on a number of factors, including the status of the subscriber as an individual or as a corporation and if an individual, his province of residence or, if a corporation, the province in which its permanent establishment is located.

Reference should be made to the warnings on the cover of this Prospectus, the description of the Issuer's properties, the heading entitled "Risk Factors" herein, the heading entitled "Income Tax Considerations" herein and other relevant disclosures contained herein.

Information on  
Flow-through  
Shares:

The Issuer will issue the Flow-through Shares to the Subscribers in the denominations and in the names provided by the Agent. A "Flow-through Share Funding and Renunciation Agreement", which must be executed by a subscriber for the Flow-through Shares, is included in this Prospectus as Appendix "A".

The Flow-through Shares entitle the investors to Canadian Exploration Expenses ("CEE") as defined in the Income Tax Act (Canada) (the "Tax Act").

If all of the Flow-through Shares offered are subscribed for, the Issuer has agreed to expend an amount equal to the proceeds received from the subscribers for Flow-through Shares being the net amount of \$112,500, after the Agent's commission is deducted, and to renounce such expenditure as CEE in favour of the subscribers for the Flow-through Shares. Provided the CEE relates to expenditures incurred for the purpose of determining the existence, location, extent or quality of a mineral resources in Canada, the renunciation will entitle the subscribers to claim deductions for income tax purposes for the amount per Flow-through Share of the net proceeds received by the Issuer. Moreover, if the Issuer elects under the Canadian Exploration Incentive Program Act (the "CEIP Act") in the manner and form prescribed by that Act, the subscribers will be entitled to a cash grant equal to 30% of such CEE renounced which qualifies under the CEIP Act.

The proceeds from the Flow-through offering will constitute Exploration Funds as set out below. Until expended, the Issuer will hold the exploration funds in trust for the subscribers in an interest bearing account with a Canadian chartered bank separate from the Issuer's other funds. Any interest accruing to this account will be used solely for the

benefit of the Issuer and will be added to the working capital to develop the Issuer's property. The Issuer will use the Exploration Funds to incur expenditures ("Qualified Expenditures") which will qualify as CEE and which also qualify for the incentive grant under the CEIP Act.

It is the Issuer's intention to expend the Exploration Funds by March 1, 1990. Any such expenditures which are Qualified Expenditures may be renounced to the subscriber of Flow-through Shares with an effective date of December 31, 1989. The subscriber will be advised by the Issuer of the amount of Exploration Funds expended on their behalf no later than January 31, 1991. At that time, the Issuer will also advise the subscribers of the amount of Qualified Expenditures incurred on their behalf.

The Issuer anticipates that the first stage of the work program recommended by W.G, Botel, P.Eng., in his report will commence in May of 1989, weather and financing permitting.

Use of Proceeds: The net proceeds to the Issuer from the sale of the Common Shares will be used to pay for the cost of this Offering which is anticipated to be \$25,000.00. The balance, combined with the monies derived from the sale of the Flow-through Shares, for a total of \$210,000 will be used to conduct an exploration and development program on the Issuer's Sullivan Two Property, which is estimated to be \$125,000. See "Use of Proceeds" herein for further details.

Property held by the Issuer: By an agreement dated September 22, 1987 between the Issuer and Francis Peter O'Grady, the Issuer was granted the option to acquire a 100% interest in the Jon claims located in the Nelson Mining Division of British Columbia.

On March 1, 1987 the Issuer entered into an agreement as amended October 12, 1988, with Orion Resources Ltd. whereby the Issuer was granted a 50% interest in the Sullivan Two Claim located in the Nelson Mining Division of British Columbia. Francis Beaumont Whiting, a promoter and director of the Issuer, is a director of Orion Resources Ltd.

On March 1, 1988 the Issuer entered into an agreement as amended October 12, 1988, with Francis Beaumont Whiting (a director of the Issuer) to acquire Whiting's 50% interest in the Sullivan Two Claim in the Nelson Mining Division.

For further details see "Description of Business and Property of the Issuer" herein for complete details.

WHITE NIGHT RESOURCES LTD.

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## NAME AND INCORPORATION

The Issuer was incorporated on December 18, 1986 by registration of its Memorandum and Articles pursuant to the British Columbia Company Act. Upon the issuance of a receipt for this Prospectus by the British Columbia Securities Commission, the Issuer will become a reporting company.

The head office of the Issuer is located at 922-510 West Hastings Street, Vancouver, British Columbia, V6B 1L8.

The address of the Issuer's Registered and Records Office is 1800-400 Burrard Street, Vancouver, British Columbia, V6C 3A6.

## PLAN OF DISTRIBUTION

### Offering

The Issuer by its Agent hereby offers (the "Offering") to the public through the facilities of the Vancouver Stock Exchange (the "Exchange") three hundred and fifty thousand (350,000) common shares (the "Shares") and two hundred and fifty thousand (250,000) flow-through shares (the "Flow-through Shares") in the capital of the Issuer. The Offering will be made in accordance with the rules and policies of the Exchange and on a day (the "Offering Day") determined by the Agent and the Issuer, with the consent of the Exchange, within a period of 180 days from the date upon which the Shares of the Issuer are conditionally listed on the Exchange. The Offering Price will be \$0.40 per Share and \$0.50 per Flow-through Share.

The Exchange has conditionally listed the securities offered herein. Listing is subject to the Issuer fulfilling all the listing requirements of the Exchange on or before October 24, 1989, including prescribed distribution and financial requirements.

### Appointment of Agent

The Issuer, by agreement (the "Agency Agreement") dated October 31, 1988 as extended by an agreement dated April 11, 1989 appointed Yorkton Securities Inc. as its agent (the "Agent") to offer the Shares and Flow-through Shares through the facilities of the Exchange.

The Agent has agreed to purchase any and all Shares and Flow-through Shares which remain unsubscribed for at the conclusion of the Offering Day.

The Agent will receive a commission of \$0.05 per Share and \$0.05 per Flow-through Share.

The Agent has been granted the further privilege of a right of first refusal to provide any future equity financing that the Issuer may require or propose to obtain during the 12 months following the day on which the Shares and Flow-through Shares are conditionally listed on the Exchange.

The Agent has reserved the right to offer selling group participation, in the normal course of the brokerage business, to selling groups of other licensed broker-dealers, brokers and investment dealers, all of whom may or may not be offered some of the commission or business derived from this Offering.

The obligations of the Agent under the Agency Agreement may be terminated prior to the opening of the market on the Offering Day at the sole discretion of the Agent based on their assessment of the state of the financial markets or upon the occurrence of certain stated events.

There are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder or any other person or company in connection with the Offering other than disclosed herein.

#### Agent's Warrants

The Agent has agreed to purchase any Shares and Flow-through Shares which remain unsubscribed for at the conclusion of the Offering and, in consideration therefor, the Issuer has agreed to issue to the Agent, immediately following the Offering Day, a non-transferable share purchase warrant ("Agent's Warrant"). The Agent's Warrant shall entitle the Agent to purchase up to 150,000 common shares of the Issuer as follows:

- (i) at a price of \$0.40 per Share, at any time up to the close of business one year from the date of listing of the Issuer's shares on the Exchange; and
- (ii) at a price of \$0.46 per Share, at any time thereafter, up to the close of business two years from the date of listing of the Issuer's shares on the Exchange.

The Agent's Warrant will contain, among other things, anti-dilution provisions and provisions for appropriate adjustment in the class, number and price of shares issuable pursuant to any exercise thereof upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the shares of the Issuer, or the payment of stock dividends.



### Additional Offering

This Prospectus qualifies the issuance of the Agent's Warrant. Any shares acquired by the Agent pursuant to the exercise of the Agent's Warrant and pursuant to its guarantee, may be resold without further qualification.

### Miscellaneous

The directors, officers and other insiders of the Issuer may purchase Shares and Flow-through Shares from the Offering.

### SHARE CAPITAL STRUCTURE

<u>Designation of Security</u>	<u>Amount Authorized</u>	<u>Amount Outstanding as of Sept. 30, 1988</u>	<u>Amount Outstanding as of the date of this Prospectus</u>	<u>Amount to be Outstanding on Completion of The Offering</u>
Common Shares	10,000,000	1,377,601	1,377,601 <sup>(1)</sup>	1,977,601 <sup>(2)</sup>
		(\$164,400)	(\$164,400) <sup>(4)</sup>	(\$399,400) <sup>(3)</sup>

#### Notes:

- (1) Of these shares, 750,000 shares are being held in escrow pursuant to an agreement between the Issuer, two directors of the Issuer and the Issuer's Transfer Agent. Reference should be made to the heading "Escrowed Shares" herein for further details regarding these shares. One share of the Issuer was issued to the initial subscriber of the Issuer for nominal value. The remaining 627,600 shares of the Issuer have all been subscribed for at a price of \$0.25 per share and are subject to voluntary pooling restrictions. Reference should be made to the heading "Pooled Shares" herein for further details.
- (2) This figure represents the shares that will be outstanding upon completion of this Offering. If all of the director and employee stock options are exercised, a further 197,760 shares of the Issuer will be issued netting the Issuer an additional \$79,104. If the Agent's Warrant is exercised a further 150,000 Shares of the Issuer will be issued netting the Issuer either an additional \$60,000 if the Agent's Warrant is exercised in the first year of its 2-year term, or an additional \$69,000 if exercised in the second year of its term.
- (3) Before deduction of the costs of this issue, including applicable Exchange and Regulatory fees, estimated to be \$25,000.
- (4) For the seven month period ended January 31, 1989 the Issuer had a deficit of \$88,968 at the end of the period. For the year ended June 30, 1988 the Issuer had a deficit of \$67,118 at the end of the period. From the date of incorporation on December 18, 1986 to June 30, 1987 the Issuer had a deficit of \$17,325 at the end of the period.

### PRIOR SALES

Since incorporation, the Issuer has sold the following shares for cash, all of which were sold in the past 12 months:

<u>Number of Shares</u>	<u>Price per Share</u>	<u>Total Commission Paid</u>	<u>Cash Received</u>
1	\$1.00	Nil	\$ 1
750,000 (1)	\$0.01	Nil	\$ 7,500
257,600	\$0.25	Nil	\$ 64,400
370,000 (2)	\$0.25	Nil	\$ 92,500

#### Notes:

- (1) Additional information about these shares is recorded under the heading "Escrowed and Pooled Shares" herein.
- (2) Flow-through Shares acquired by certain shareholders of the Issuer which entitle the respective owners of such shares to claim exploration expenses incurred by the Issuer as a qualified Canadian Exploration Expense under the Income Tax Act (Canada). The Issuer is therefore not entitled to the tax advantage of claiming exploration expenses to the extent of the \$92,500.00 received for those shares.

### ESCROWED AND POOLED SHARES

<u>Designation of Class</u>	<u>Number of Shares</u>	<u>Percentage of Class</u>
Common Shares- Escrowed	750,000	54.44%

#### Escrowed Shares

As of the date of this Prospectus, 750,000 shares of the Issuer are held in escrow by the Guaranty Trust Company of Canada for the beneficial interest of Francis Beaumont Whiting and Terry Lewis Eldridge.

The escrow restrictions provide that the shares may not be traded in, dealt with in any manner whatsoever, or released, nor may the Issuer, its transfer agent, or escrow holder make any transfer or record any trading of the shares without the consent of the Superintendent of Brokers for British Columbia (the "Superintendent") or, while the Shares are listed on the Exchange, the consent of the Exchange, any shares not released from escrow before the expiration of ten years from the date of the receipt issued by the Superintendent of Brokers for this Prospectus in respect of which the escrow agreement was entered into shall be cancelled.

### Pooled Shares

627,600 issued common shares of the Issuer were sold for \$0.25 per share. These shares have been pooled by the holders thereof pursuant to voluntary pooling agreements made between such holders and the Guaranty Trust Company (the "Pooling Agreements").

The Pooling Agreements provide that these shares may not be sold or released except on the following terms:

- (a) 25% of the shares will be released upon commencement of trading of the shares of the Issuer on the Vancouver Stock Exchange (the "First Release");
- (b) 25% of the shares will be released three months following the First Release;
- (c) 25% of the shares will be released six months following the First Release;
- (d) 25% of the shares will be released nine months following the First Release;

subject to such earlier release as may be permitted by the Superintendent.

The complete texts of the escrow agreements and the pooling agreements are available for inspection at the Issuer's registered and records office, 1800-400 Burrard Street, Vancouver, British Columbia, V6C 3A6 (see "Material Contracts") during the Offering and for a period of 30 days thereafter.

### RISK FACTORS

#### Dilution

The following table reflects the dilution which will result from the purchase of the Shares and Flow-through Shares from this Offering:

#### Dilution per Share

Offering Price per Share .....	\$0.40
Net tangible book price before the Offering .....	\$75,433
Increase of net tangible book value	
attributable to the Offering .....	\$210,000
Net tangible book value after the Offering .....	\$285,433
Dilution to the subscribers .....	\$0.3445
Percentage of dilution in relation to	
the Offering Price .....	86.125%

Dilution per Flow-through Share

Offering Price per Flow-through Share .....	\$0.50
Net tangible book value before the Offering .....	\$75,433
Increase of net tangible book value	
attributable to the Offering .....	\$210,000
Net tangible book value after the Offering .....	\$285,433
Dilution to the subscribers .....	\$0.4445
Percentage of dilution in relation to	
the Offering Price .....	88.90%

**Risks Inherent in Mining**

Exploration for economic deposits of minerals is subject to a number of risk factors. While the rewards to an investor can be substantial if an economically viable discovery is made, few of the properties which are explored are ultimately developed into producing mines. If the Issuer's exploration programmes are not successful, a purchaser of shares may lose his entire investment.

The Issuer's properties are in the exploration and development stage only and are without a known body of commercial ore. There can be no assurance that the Issuer will establish on its properties discoveries which may be commercially exploitable.

The Issuer's ability to continue exploration and development of its properties will be dependent upon its ability to raise significant additional financing hereafter. Should the Issuer not be able to obtain such financing, its properties may be lost entirely.

The Issuer's mineral operations will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In addition, the profitability of a particular mining prospect will be affected by the market for precious and base metals, which entails the assessment of many factors, some of which include changing production costs, the supply and demand for precious metals, the rate of inflation, the inventory of precious metal producing corporations, the political environment and changes in international investment patterns.

The mining industry has been subject to increasing government controls and regulation in recent years. The industry is highly competitive and the Issuer will be required to compete in the future directly with the other corporations that may have greater resources.

The Issuer may become subject to liability for hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. Payment of such

liabilities would reduce funds available for acquisition of mineral prospects or exploration and development.

### Conflicts of Interest

There are potential conflicts of interest to which directors and officers of the Issuer will be subject in connection with the operations of the Issuer. Some of the directors and officers are engaged and will continue to be engaged in the search for mineral resource properties on their own behalf and on behalf of other corporations, and situations may arise where these directors and officers will be in direct competition with the Issuer. Conflicts, if any, will be dealt with in accordance with the relevant provisions of the Company Act (British Columbia).

Some of the directors and officers of the Issuer are or may become directors or officers of other companies engaged in natural resource exploration and development. In order to avoid the possible conflict of interest which may arise between the directors' duties to the Issuer and their duties to the other companies on whose boards they serve, the directors and officers of the Issuer have agreed to the following:

- (a) participation in natural resource prospects offered to the directors will be allocated between the various companies on the basis of prudent business judgement and the relative financial abilities and needs of the companies to participate;
- (b) no commissions or other extraordinary consideration will be paid to such directors and officers; and
- (c) natural resource prospects formulated by or through the other companies in which the directors and officers are involved will not be offered to the Issuer except on the same or better terms than the basis on which they are offered to third party participants.

### Shares Owned by Management and Others

Upon completion of this offering, the 350,000 Shares and 250,000 Flow-through Shares offered hereby will represent 30.33% of the shares of the Issuer then outstanding as compared to 69.67% that will then be owned by management and others who purchased shares of the Issuer prior to any public offering of the Shares and Flow-through Shares having been made. Directors and senior officers of the Issuer own, directly or beneficially, 855,601 shares, or 43.26% of the shares outstanding on completion of this Prospectus.

## ISSUANCE OF SHARES

The authorized capital of the Issuer consists of 10,000,000 shares without par value of which 1,377,601 shares are issued and fully paid. All of the authorized shares of the Issuer are of the same class and, once issued, rank equally as to dividends, voting powers and participation in assets. No shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights and no provisions for redemption or purchase for cancellation, surrender, or sinking or purchase funds. Provisions as to the modification, amendment or variation of such rights or provisions are contained in the Company Act of British Columbia.

## DESCRIPTION OF BUSINESS AND PROPERTY OF THE ISSUER

### Description of Business

The Issuer is a natural resource company engaged in the acquisition, exploration and development of natural resource properties. The Issuer is currently involved exclusively with mineral properties.

### Properties of the Issuer

#### The Sullivan Two Property

#### Description and Acquisition

By an agreement dated September 22, 1987 between the Issuer and Francis Peter O'Grady ("O'Grady") the Issuer was granted the option to acquire a 100% interest in the Jon Claims, located in the Nelson Mining Division of British Columbia, in consideration of a cash payment of five thousand dollars and the election of one of two options. The election of the first option requires the Issuer to pay to O'Grady \$5,000,000 five years from the closing date; provided, however, if the Issuer elects to purchase O'Grady's interest in the Claims prior to the end of the 5 year period immediately following the closing date, the Issuer may pay O'Grady the sum equal to \$5,000,000 discounted at the Royal Bank Prime Commercial Rate in effect at the time of election in accordance with a formula set out in the agreement. Under the second option the Issuer may elect to grant O'Grady the right to receive a two per cent (2%) net smelter return on the Claims on commencement of commercial production; provided, however, that if the Claims have been demonstrated to be commercially exploitable by a feasibility study conducted by a professional engineer, but not yet in production five years from the closing date, the Issuer may elect to pay to O'Grady ONE HUNDRED THOUSAND DOLLARS (\$100,000) for each year until the commencement of commercial production, after which time O'Grady shall receive the 2% net smelter return. The White Knight-O'Grady agreement was negotiated at arm's-length.

On March 1, 1987 the Issuer entered into an agreement, as amended October 12, 1988, with Orion Resources Ltd. ("Orion"), whereby the Issuer was granted an option to acquire Orion's 50% interest in the Sullivan Two Mining Claim, located in the Nelson Mining Division, British Columbia, in consideration of a cash payment in the amount of \$2,937.00 to be paid in two instalments. The Issuer paid Orion the first instalment of \$100.00 on the agreement date, and must pay a further \$2,837.00 on or before December 31, 1989. In addition the Issuer has agreed to expend TWO HUNDRED THOUSAND DOLLARS (\$200,000) on the Claims. Of this amount \$50,000 must be expended by December 31, 1989 and a further \$150,000 must be expended by December 31, 1990. The Issuer has, at the date of this Prospectus, expended \$50,000 on the claims and has fulfilled its first commitment under the terms of this Agreement. The Issuer has also granted Orion the right to receive a 15% net proceeds from production on commencement of commercial production of the Claim; provided, however, that in the event the Issuer reduces its interest in the Claim by way of a bona fide arms' length sale assignment or transfer to a third party, Orion's right to receive the 15% net proceeds from production shall be reduced proportionately but in any event, Orion's net proceeds from production interest shall not be reduced to less than 5%. The address for Orion is P.O. Box 1239, Aldergrove, British Columbia. Francis Beaumont Whiting is a director of Orion and a promoter and director of the Issuer.

By an agreement dated March 1, 1987, as amended October 12, 1988, between the Issuer and Francis Beaumont Whiting ("Whiting"), a promoter and a director of the Issuer, the Issuer agreed to acquire Whiting's 50% interest in the Sullivan Two Mining Claims in consideration of \$1,561.00 to be paid in two installments. The Issuer paid the first instalment of \$100.00 to Whiting at the closing date and must pay the balance of \$1,461.00 on or before December 31, 1989.

The Sullivan Two Property consists of the following mineral claims:

<u>Name</u>	<u>Type or Units</u>	<u>Record Number</u>	<u>Expiry Date</u>
Sullivan Two M.C.	20 Units	3784	July 11, 1991
Jon	15 Units	4330	Apr. 2, 1992
Jon 2	2 - post	4331	Apr. 17, 1993
Jon 3	2 - post	4332	Apr. 17, 1993
Jon 4	2 - post	4333	Apr. 17, 1993
Jon 5	2 - post	4334	Apr. 17, 1993

The property to the northwest of the Sullivan Two Mining Claim consists of the Rosemary 1-11 Mineral Claims. Rosemary 1-4 are owned by Mary Pendelbury of R.R. #3, Nelson, British Columbia; Rosemary 5-9 are owned by Peers Pendelbury of R.R. #3, Nelson,

British Columbia; Rosemary 10-11 are owned by S.W. Barclay of R.R. #3, Nelson, British Columbia. The property to the north-west of the Sullivan Two Mining Claim comprises the Laura Mineral Claim which is owned by Francis B. Whiting of P.O. Box 1239, Aldergrove, British Columbia. Mr. Whiting is a promoter and director of the Issuer. The Dodge #1-4 Claims situated north, south, southwest and west of the Sullivan Two Mining Claim are owned by Cominco.

The Issuer expended a total of \$107,060 on the combined Sullivan Two Claim and the Jon and Jon 2 - 5 Mining Claims between 1987 and 1989. The Issuer intends to expend \$125,000 on the Sullivan Two Mining Claim which will be applied towards the remaining \$150,000 to be expended under the White Knight-Orion agreement. Any further expenditures on the Claim will be subject to the recommendations of the Issuer's geologist.

The following information on the Sullivan Two Property has been obtained from a geological report entitled the "Report on the Sullivan Two Property" dated May 30, 1988. The Report was prepared exclusively for the Issuer by W. G. Botel, P. Eng. Mr. Botel has no direct or indirect interest in the Sullivan Two Mining Claim, the adjacent claims, or the Issuer.

#### Location, Size, Access and Terrain

The Sullivan Two Property is located ten (10) kilometres southwest of Creston, British Columbia in the Nelson Mining Division. The property can be reached by automobile taking Highway 3 west from Creston to the turnoff to the south on the west side of the valley of the Kootenay River, south to Granary Road and 14 kilometres up the Dodge Creek Forest Service Road into the upper slopes of Mt. Rykert. Driving time from Creston is 45 minutes. Logging roads and access roads built by the Issuer provide access to the western portion of the property. The property covers most of the valley of Urmston Creek which drains east from Mt. Rykert to the Kootenay River.

The west portion of the property has been logged, leaving only minor remnants of the original forest cover of larch and spruce.

The central and lower parts of the property are covered by second growth of the same varieties, with alder, as the valley of Urmston Creek was burned in 1928. Water is available from Dodge Creek on the southwest side of the property and from the lower part of Urmston Creek. A power line runs parallel to the south boundary of the property and 2.5 kilometres to the south. Creston provides a full variety of services and supplies. The percentage of outcrop is variable. Many rock exposures are found along the logging roads and along the Issuer's access roads. Natural outcrop occurs from place to place. Elsewhere there is fairly continuous cover of overburden, generally one to two metres thick



but reaching thicknesses of over 5 metres in the upper northern part of Urmston Creek basin.

No environmental problems are anticipated in connection with the exploration and development of the property. The Cranbrook district east of Creston is a well-known and active mining region and there are numerous mineral claims north of Creston. Adequate general labour is locally available and experienced miners could be recruited in the Cranbrook district. The Trail smelter is 126 kilometres away by road and can be reached by the Canadian Pacific Railway from Creston through Nelson.

### History

The first known reference to mineralization in the vicinity of the property is found in the B.C.M.M. Annual Report for 1929 which reported that Angus Currie and Associates staked four claims at the head of Long Creek (now Urmston Creek) following the discovery of a large quantity of float. The claims were 2 miles west of the Kootenay Flats. The float is a milling ore comprised of galena in a quartz gangue.

Based on the report, F. B. Whiting staked the 20 unit Sullivan Two Claim in 1984. Subsequently, Cominco staked the adjoining Dodge #1 - #4 claims and carried out programs of geologic mapping, soil sampling and reportedly, a geophysical survey. Cominco filed an assessment report #14931 for soil geochemistry work done in July and August of 1985. That report provides contour maps for lead and zinc, showing a continuous anomaly for each metal extending 1200 m northeast from an outcrop of zinc-bearing carbonate rock 650 metres southwest of the LCP of the Sullivan Two Mining Claim. No natural outcrops exist along that 1200 m long anomaly, but float of talc-rock and of carbonate rock were found at four places, and an area of loose galena bearing carbonate material was located. Widening of a logging road at a point on this coincident anomaly 150 m west of the west boundary of the Sullivan Two Property disclosed the presence of a highly-oxidized manganiferous gossan containing secondary lead minerals in a zone of quartzites, carbonate and massive talc beds totalling over 5 m in stratigraphic thickness. Weak fine-grained galena was seen in silty quartzite beds just below the lower-most gossan layer.

In 1985, F. B. Whiting and Orion Resources Ltd., each of whom held a 50% interest in the Claim at that time, carried out a mapping and prospecting program.

The Jon and Jon 2 - 5 mining claims were staked in 1986 by Francis Peter O'Grady.

From 1987 to 1989 extensive work was done on the combined Sullivan Two Mining Claim and Jon and Jon 2 - 5 Mining Claims by the Issuer consisting of gridding, geological mapping, prospecting, soil

sampling, rock sampling, bulldozer trenching and the construction of some four kilometres of access roads, amounting to a total cost of \$107,060.

### SUMMARY AND RECOMMENDATIONS

The following summary was authored by W.G. Botel and is quoted directly from the section "Summary and Recommendations" in the "Report on the Sullivan Two Property":

"The Sullivan Two mining property, situated near Creston, B.C. in the Nelson Mining Division, contains what appears to be an extensive stratabound zone of lead-silver-zinc mineralization hosted by the Precambrian-age Aldridge Formation.

Geological mapping, soil sampling and bulldozer trenching have shown that the mineralized layer extends on surface for a length of at least 2000 metres and is open for further extension towards the northeast. In the bulldozer trenches, the layer attains a maximum thickness of five metres; it is conformable with the bedding of the enclosing Aldridge quartzites generally striking north-northeast and dipping east at angles of -20° to -35° so that it probably forms a sheet lying at shallow depths beneath the surface of the mountain which slopes east at -15° to -25°. The layer can be projected to underlie an area of at least 2 square kilometres, bounded on the north by its outcrop and on the south by a graben-type fault interpreted as being a growth-fault up which mineralizing solutions flowed.

Lead-silver-zinc mineralization has been found at several points along the trend of the layer both inside the Sullivan Two Claim and on adjoining ground to the west. Visible mineralization is galena with small amounts of sphalerite; most of the exposures in the bulldozer trenches are highly oxidized and leached, producing a black manganiferous gossan carrying small amounts of secondary lead minerals such as pyromorphite. Chip samples of the gossan, taken by the writer, assayed as follows:

Sample Number	Description	% Pb	% Zn	g/t Ag
2183	Quartz float with minor galena	4.99	0.02	130.2
2184	Marbelized carbonate float. No visible mineralization	0.14	0.30	4.6

The mineralized layer consists of alternating beds of calc-silicate or marble with talc beds and quartzites. A bulk sample taken by the writer from several pieces of galena-bearing marble found at about the mid-point of the 2000 m long soil anomaly and 300 m west of the property boundary, assayed 4.99% Pb, 0.2% Zn and 130.2 g/t silver. The thickness of the layer and its content of metals appear to increase towards the northeast inside the Sullivan Two claim block. The presence of better grade mineralization towards the centre of the Sullivan Two Claim is indicated by a statement in the B.C. Minister of Mines Annual Report for 1929 that prospectors had found, "...a large quantity of float ... The float is a milling ore of galena ...", at a site that would lie just east of the present survey grid.

In this part of British Columbia, the Aldridge Formation consists of a 4500 m thick flyschoid stack of clastic sediments: quartzites, siltstones, argillites, conglomerates, quartz wackes, and occasional carbonate beds. It contains Moyie gabbroic sills that are now viewed as having been intruded while the sediments were being laid down, at least in part. The known major mineral deposits are interpreted as having been formed by subaqueous exhalations or solutions that emerged from vents located at the intersection of rift spreading grabens with penecontemporaneous transform faults. Typically, the Aldridge sediments are strongly tourmalinized along the inside of the graben faults. Partially tourmalinized intraformational conglomerates are common, thought to have resulted from slumping into the basin from the graben walls. Alteration by sodium (albitization) and by magnesium (talc, chlorite, serpentine) is also typical. The metal deposits form lens-shaped platters conformable with the bedding and are thick and rich near the source vent, but thin out and become much lower in grade towards the fringes of the lens. The largest known deposit, that of the Sullivan Mine at Kimberley, is about one mile in diameter and in the centre is as much as 200 feet thick.

On the Sullivan Two property, the Aldridge Formation consists of silty quartzites with one bed of carbonate. Two Moyie gabbro sills occur 100 to 150 m below the carbonate bed which carries galena or oxidized lead minerals with significant silver (about one ounce per one per cent of lead), minor sphalerite, and small but potentially valuable amounts of rarer elements such as cassiterite, lanthanum, selenium, cerium and samarium. A grabentype fault crosses the southern part of the claim block and massive tourmalinite occurs along that fault. Albitization is seen at many places. The talc layers accompanying the mineralized carbonate layer are evidence of strong magnesium alteration. Partially-tourmalinized intra-formational conglomerates occur. All of these geological features combine to show that the

mineralization is of the typical Aldridge exhalative type, and suggest that the exposed low grade mineralization represents the outer fringe of a lens-shaped deposit, the central, richer portion of which might be expected to lie downdip from the present exposures close to the southern graben fault.

Continued exploration is obviously justified, firstly to extend the gridding and soil sampling towards the northeast to locate the source of the "milling ore" of galena float material and, secondly, to follow the mineralized bed downdip by drilling towards the inferred centre of the lens.

Two Stages of Work are recommended, the second to be contingent upon favourable results from the First Stage.

The First Stage consists of surface work: soil sampling, gridding, bulldozer work, prospecting, a geophysical survey, and a small amount of core drilling. The estimated cost of this First Stage of work is \$125,000.

The Second Stage of Work would consist of 1700 m of core drilling used either to follow the mineralized bed downdip from the initial holes, or to test geophysical anomalies located by the First Stage survey. The cost of the Second Stage of Work would be \$327,000."

#### COST ESTIMATES FOR THE PROPOSED PROGRAMS

##### FIRST STAGE OF WORK

##### Part One - Surface and geophysical work:

Line cutting: 18 km @ \$590/km	\$ 10,620
Prospecting: 20 mandays @ \$150	3,000
Geological Mapping: 20 mandays @ \$350	7,000
Soil Sampling: 20 mandays @ \$150	3,000
Assaying: 400 soil samples @ \$8	3,200
30 rock samples @ \$20	600
Geophysical surveys: Transient Electro-magnetic or Induced Polarization including mob/demob, truck	40,000
Bulldozer trenching, access roads and drill sites, D8 Dozer - 120 hours @ \$75 + \$700 lowbed haulage	9,700
Supervision, Travel, Drafting, Reporting: 30 days @ \$400	12,000
Vehicle rental and Gasoline, one month	2,400
100 metres of BW core drilling @ \$150/m	15,000

Assaying: 100 core samples @ \$20	2,000
Contingencies @ 15%	<u>16,278</u>

**TOTAL COST: FIRST STAGE OF WORK** **\$125,000**

**SECOND STAGE OF WORK**

To be carried out if justified by the results of the First Stage.

1700 m of BW core drilling @ \$150/m	\$255,000
Bulldozer for access roads & drill sites: 60 hours @ 75 + \$700 low bed haulage	5,200
Core logging, geological supervision, engineering, reporting: 45 days @ \$350	15,750
Supplies and Consumables	1,000
Vehicle Rental & Gasoline, two months	2,400
Assaying	5,000
Contingencies @ 15%	<u>42,652</u>

**TOTAL COST: SECOND STAGE OF WORK** **\$327,002**

Say, **\$327,000**

**OVERALL COST: STAGE ONE AND STAGE TWO OF WORK** **\$452,000**

There is no surface or underground plant or equipment on the Sullivan Two property at this time. The proposed program is an exploratory search for ore.

**THE SULLIVAN TWO PROPERTY IS WITHOUT A KNOWN BODY OF COMMERCIAL ORE.**

The Report on the Sullivan Two Property, prepared by W. G. Botel, P.Eng., for the Issuer is not included in this Prospectus. The Report may be inspected during the distribution of the securities offered hereunder and for 30 days thereafter at the registered and records office of the Issuer, 1800-400 Burrard Street, Vancouver, British Columbia.

**USE OF PROCEEDS**

The Issuer will receive net proceeds of \$122,500 from the sale of Shares and \$112,500 from the sale of Flow-through Shares for a total of \$235,000. These proceeds together with the working capital deficiency at March 22, 1989 of \$33,000 will be utilized as follows:

(a)	to pay the estimated costs of this Offering, including applicable Exchange and Regulatory fees	\$ 25,000
(b)	to conduct the First Stage of Work on the Sullivan Two Property as recommended by W.G. Botel, an independent Professional Engineer, in the "Report on the Sullivan Two Property" dated May 30, 1988	\$125,000
(c)	to eliminate the working capital deficiency at March 22, 1989	\$ 33,000
(d)	balance to be held as working capital	<u>\$ 52,000</u>
	TOTAL	<u>\$235,000</u>

The remaining working capital, along with the proceeds received from the exercise of any options currently outstanding, will be dedicated towards work on the Second Stage of Work recommended on the Issuer's Sullivan Two Property. Expenditure on the Second Stage of Work is entirely contingent on favourable results being obtained for the First Stage of Work referred to above. The Issuer anticipates that the First Stage of Work will commence, weather and financing permitting, in May of 1989.

The proceeds from the sale of Shares and Flow-through Shares offered by this Prospectus are intended to be used for the purposes set forth above and in carrying out the above program of work. The Issuer will not discontinue or depart from the recommended program of work unless advised in writing by its independent consulting engineer to do so. Should the Issuer contemplate any such changes or departure, notice thereof will be given to all shareholders and an amendment to this Prospectus will be filed.

None of the remaining proceeds shall be used to invest, underwrite or trade in securities other than those which qualify as investments in which trust funds may be invested under the laws of the jurisdiction in which securities offered by this Prospectus may lawfully be sold.

Should the Issuer intend to use the proceeds to acquire securities not authorized for investment by trust funds after the distribution of the Shares and Flow-through Shares offered by this Prospectus, approval by the shareholders of the Issuer must first be obtained and notice of the intention must be filed with the regulatory bodies having jurisdiction over the sale of the Shares and Flow-through Shares offered by this Prospectus.

The use of proceeds indicated above does not include and makes no allowances for funds received upon the exercise of outstanding options to purchase shares which have been granted by the Issuer. If the Issuer receives any funds as a result of the exercise of outstanding stock options, such funds will be added to the working capital of the Issuer and will be used to further finance the ongoing exploration and development activities of the Issuer. Further particulars about share purchase options which are currently outstanding are included in this Prospectus under the heading of "Options to Purchase Securities" herein.

#### DIRECTORS AND OFFICERS

The names, addresses and principal businesses or occupations in which each of the directors and officers of the Issuer have been engaged during the immediately preceding five years are as follows:

<u>Name and Address</u>	<u>Position with Issuer</u>	<u>Business or Occupation For Past Five Years</u>
Francis Beaumont Whiting <sup>1</sup> P.O. Box 1239 Aldergrove, B.C. VOX 1A0	Director	President and Director Director of +Orion Resources Ltd. 1984- present; President, Whiting Mining Services International Ltd.; Director of Rosalie Resources Ltd; Director of Marmot Enterprises Ltd; Director of Braymont Utilities Ltd.
Terry Lewis Eldridge <sup>*2</sup> 13234-81 B Avenue Surrey, B.C. V3W 8Y4	Director, President, Chief Executive Officer, Chief Financial Officer	Geotechnical Engineer, full-time, Basinal Explor- ation, 1988 - present; self-employed Geotechnical Engineer, 1987 - 1988; Geo- technical Engineer, Golder Associates 1982-1987.
James McDonald <sup>*3</sup> 701 - 1026 Queens Ave. New Westminster, B.C. V3M 6B2	Director	January, 1988 to present, Geologist, Basinal Explor- ations Ltd., director of Basinal Explorations Ltd; 1983 - 1988 Geologist, Noranda Exploration.

Juan Manuel Benitez\*<sup>4</sup>  
204 - 307 West 2nd Street  
North Vancouver, B.C.  
V7M 1E2

Director

March 1988 to present,  
President of Bendel Enterprises Ltd.; September 1986 to March 1988, Geotechnical Engineer, Golder Associates; May 1986 to September 1986, self-employed Geologist; May 1985 to May 1986, Owner of Pacific Rim Landscaping and Design Services Ltd.; 1984 to 1985, student, University of British Columbia Geological Engineering Program.

Gordon Patrick Leask<sup>5</sup>  
192 West 23rd Avenue  
Vancouver, B.C.  
V5Y 2G9

Secretary

January 1989 to present, Geologist, Basinal Explorations Ltd.; April 1988 to present, Director of Goldpac Investments Ltd.\*; 1984 to 1989, self-employed Geologist and prospector.

\* Denotes member of Audit Committee

+ Natural resource company listed on the Vancouver Stock Exchange.

1. Francis Beaumont Whiting will perform general director functions on the Issuer's Board of Directors as and when required. When the first phase of the work program begins, Mr. Whiting will be personally involved in supervising the expenditures of funds on the work program. Mr. Whiting will also devote whatever time is necessary to attend to the Issuer's general business matters, such as maintaining statutory filings with the regulatory authorities and liaising with the Issuer's auditors, solicitors and engineers. He will also be involved with arranging future financing for the Issuer and its work programs.
2. As Chief Executive Officer, Chief Financial Officer, President and Director of the Issuer, Terry Lewis Eldridge will devote whatever time is necessary to attend to the Issuer's general business matters, such as maintaining filings with the regulatory authorities and liaising with the Issuer's auditors, solicitors and engineers. When the first phase of the work program begins, Mr. Eldridge will be personally involved in supervising the expenditures of funds on the work program and will also be involved in the exploration of the Sullivan Two Mineral Claims. He will also be involved in arranging future financing for the Issuer and its work programs.



3. James McDonald will perform general director functions as a member of the Issuer's Board of Directors, as and when required.
4. Juan Manuel Benitez will perform general director functions on the Issuer's Board of Directors as and when required.
5. Gordon Patrick Leask will perform the services of the Issuer's corporate secretary as and when required.

The directors and officers of the Issuer are or may become directors of other natural resource companies and, to the extent that such companies may participate in properties or ventures in which the Issuer may participate, the directors of the Issuer may have a conflict of interest in negotiating and concluding the terms and degree of each participation, if any. In such instance, any director having such a conflict of interest shall refrain from voting on any resolution to be passed by the directors in connection with such participation.

#### EXECUTIVE COMPENSATION

The Issuer has one Executive Officer within the meaning of the Securities Act, Terry Lewis Eldridge.

By an agreement dated December 18, 1986, the Issuer agreed to pay Whiting Mining Services International Ltd., a company owned by Francis Beaumont Whiting, a director of the Issuer and Cora Amelia Whiting, a former director of the Issuer, a monthly fee of \$2,000 in consideration of providing general management services to the Issuer for a two year term, of which in the aggregate \$38,000 has been paid from the agreement date to October 31, 1988.

On December 18, 1988 the Issuer entered into an agreement with Whiting Mining Services International Ltd., a company wholly owned by Francis Beaumont Whiting, a director of the Issuer and Cora Amelia Whiting, a former director of the Issuer. The terms of the agreement provide that the Issuer shall pay to the management company a fee of \$2,000 per month for a two year term, in consideration of providing general management services to the Issuer. This agreement was cancelled by the parties by mutual consent on April 28, 1989.

On May 1, 1989 the Issuer entered into a Management Services Agreement with Basinal Explorations Limited, a company wholly owned by Terry Lewis Eldridge and James McDonald, directors of the Issuer. The agreement provides that the Issuer shall pay Basinal Explorations Limited a fee of \$2,000 per month for a two-year term, in consideration of providing general management services to the Issuer. Basinal Explorations Limited is a geological

consulting company which also provides management services to natural resource companies.

No bonuses have been paid to the Executive Officer other than are herein disclosed, nor are any bonuses contemplated for the future.

No other plan, option or form of compensation has been paid to the Executive Officer other than have been disclosed in this Prospectus. Reference should be made to the sections titled "Escrowed and Pooled Shares" herein and "Options to Purchase Securities" herein for other arrangements made between the Issuer and the Executive Officer.

No compensation has been paid to directors for committee participation or for special assignments.

Certain directors and employees of the Issuer have been granted options to purchase shares in the capital of the Issuer. Reference should be made to "Options to Purchase Securities" herein for further detail regarding the nature of these options.

#### OPTIONS TO PURCHASE SECURITIES

As of the date of this Prospectus, options to purchase common shares of the Issuer have been granted to the Issuer's directors and one employee of the Issuer.

By agreements dated August 18, 1988 and May 2, 1989, the Issuer granted to certain optionees incentive options entitling the optionees thereof to purchase a total of 197,760 common shares in the capital of the Issuer at a price of \$0.40 per share. Each of the incentive options granted are exercisable in whole or in part on or before that date which is five years from the date on which a receipt is issued by the Superintendent of Brokers of British Columbia for this Prospectus. The optionee must be a director or employee of the Issuer at the time of exercise or have ceased to be a director or employee of the Issuer not more than 30 days before exercise. If the optionee dies while still a director or employee of the Issuer, or within 30 days thereafter, his personal representatives may exercise his option within one year of his death.

Options have been granted by the Issuer on the following basis:

<u>Optionee</u>	<u>Number of Shares Subject to Option</u>
James McDonald	31,900
Terry Lewis Eldridge	35,000
Gordon P. Leask	98,880
Juan Manuel Benitez	31,900

PROMOTERS

By virtue of the definition as set out in Section 1(1) of the Securities Act (British Columbia), Terry Lewis Eldridge and Francis Beaumont Whiting are promoters of the Issuer (the "Promoters").

The Promoters have acquired the following common shares in the capital of the Issuer for cash:

<u>Name</u>	<u>Number of Shares</u>	<u>Price Per Share</u>
Francis Beaumont Whiting	100,600	\$0.25
	600,000	\$0.01
Terry Lewis Eldridge	150,000	\$0.01
	5,000	\$0.25

The Issuer has granted options to purchase securities to Terry Lewis Eldridge as disclosed under the heading "Option to Purchase Securities" herein.

PRINCIPAL HOLDERS OF SECURITIES

- (a) As of the date of this Prospectus, only the following persons own, as of record or beneficially, directly or indirectly, more than 10% of the Issuer's issued common shares:

<u>Name</u>	<u>Description of Class</u>	<u>Type of Ownership</u>	<u>Number of Shares Owned</u>	<u>Percentage of Class</u>	<u>Percent Upon Completion of Offering</u>
Francis <sup>(1)</sup> Beaumont Whiting	common shares	Beneficial and of Record	700,601	50.85%	35.42%
Terry <sup>(2)</sup> Lewis Eldridge	common shares	Beneficial and of Record	155,000	11.25%	7.8%

(1) Francis Beaumont Whiting is a promoter and director of the Issuer.

(2) Terry Lewis Eldridge is a promoter and director of the Issuer.

- (b) As at the date of this Prospectus, the percentage of shares of the Issuer beneficially owned, directly or indirectly, by all directors and senior officers of the Issuer are:

<u>Designation of Class</u>	<u>Number of Shares Owned</u>	<u>Percentage of Shares</u>	<u>Percentage upon Com- pletion of Offering</u>
common shares	875,601	63.55%	44.27%

(c) The following table indicates the percentage of common shares of the Issuer which are or will be held by controlling persons, promoters, directors and senior officers of the Issuer upon completion of the Offering and upon the full exercise of all options which have been granted by the Issuer:

	<u>Common Shares Outstanding</u>	<u>Common Shares Held by Directors, Officers, Promoters and Controlling Persons</u>	<u>Percentage of Outstanding common shares held by Directors, Officers, Promoters and Controlling Persons</u>
Upon Completion of Offering	1,977,601	875,601	44.27%
Upon full exercise of all outstanding options and issuance of other shares	2,325,361 <sup>(1)</sup>	1,073,361	54.27%

(1) This figure was determined by way of the following calculation:

shares outstanding upon completion of the Offering	1,977,601
shares to be issued upon full exercise of the Agent's warrant	150,000
shares to be issued if all Director and Employee Stock Options are exercised	<u>197,760</u>
TOTAL	2,325,361

#### DIVIDEND RECORD

No dividends have been paid on any shares of the Issuer since the date of incorporation nor are any dividend payments presently contemplated.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL CONTRACTS

Other than as disclosed herein under the Headings "Description of Business and Property of the Issuer", "Executive Compensation" and "Options to Purchase Securities", there are no transactions entered into by the Issuer prior to the date of this Prospectus which would materially affect the Issuer and in which any director, officer or principal shareholder of the Issuer or any associate or affiliate of the foregoing has any material interest, direct or indirect.

## MATERIAL CONTRACTS

The only material contracts entered into by the Issuer since incorporation are as follows:

1. Management Services Agreement with Whiting Mining Services International Ltd. dated December 18, 1986 referred to under the heading "Executive Compensation" herein.
2. Management Services Agreement with Whiting Mining Services International Ltd. dated December 18, 1988, referred to under the heading "Executive Compensation" herein.
3. Agreement between the Issuer and Orion Resources Ltd. dated March 1, 1987, as amended October 12, 1988, referred to under the heading "Description of Business and Property of the Issuer" herein.
4. Agreement between the Issuer and Francis Beaumont Whiting dated March 1, 1987, as amended October 12, 1988, referred to under the heading "Description of Business and Property of the Issuer" herein.
5. Agreement between the Issuer and Francis Peter O'Grady dated September 22, 1987 referred to under the heading "Description of Business and Property of the Issuer" herein.
6. Escrow Agreement dated November 23, 1988 between the Issuer, Francis Beaumont Whiting, Terry Lewis Eldridge and The Guaranty Trust Company referred to under the heading "Escrowed and Pooled Shares" herein.
7. Director's and Employee's Stock Option Agreements dated August 18, 1988 and May 2, 1989 referred to under the heading "Options to Purchase Securities" herein.
8. Agency Agreement dated October 31, 1988 as extended by an agreement dated April 11, 1989, between the Issuer and its Agent, referred to under the heading "Plan of Distribution."

9. Flow-Through Share Funding and Renunciation Agreement between the Issuer and each Flow-Through Share Subscriber included in this Prospectus as Appendix A.
10. Management Services Agreement with Basinal Explorations Limited dated May 1, 1989 referred to under the heading "Executive Compensation".

Copies of the foregoing contracts may be inspected at 1800-400 Burrard Street, Vancouver, British Columbia, while distribution of the Shares and Flow-through Shares offered hereunder is in progress.

#### OTHER MATERIAL FACTS

The Issuer's "responsible solicitor" as defined by Local Policy Statement 3-41 of the Superintendent of Brokers for British Columbia, partners of the responsible solicitor, and associates of the responsible solicitor own no shares of the Issuer.

#### ACQUISITIONS

By an agreement dated March 1, 1988 as amended October 12, 1988 between the Issuer and Orion Resources Ltd., the Issuer was granted an option to acquire a 50% interest in the Sullivan Two Mining Claims in the Nelson Mining Division of British Columbia.

By an agreement dated March 1, 1987 as amended October 12, 1988 between the Issuer and Francis Beaumont Whiting, the Issuer was granted an option to acquire a 50% interest in the Sullivan Two Mining Claims in the Nelson Mining Division of British Columbia.

By an agreement dated September 22, 1987 between the Issuer and Francis Peter O'Grady, the Issuer was granted an option to acquire a 100% interest in the Jon, Jon 2 - 5 Mining Claims in the Nelson Mining Division of British Columbia.

See "Description of Business and Property of the Issuer" herein for details of these acquisitions.

#### LITIGATION AND CONTINGENT LIABILITIES

The Issuer is not a party to any legal proceedings nor are any such proceedings contemplated by the Issuer.

There are no contingent liabilities of the Issuer other than are herein disclosed.

### AUDITOR, TRANSFER AGENT AND REGISTRAR

The Auditor for the Issuer is DeVisser and Company, Chartered Accountants, 201 - 960 Richards Street, Vancouver, British Columbia.

The Transfer Agent and Registrar for the shares of the Issuer is The Guaranty Trust Company of Canada, 800 West Pender Street, Vancouver, British Columbia, V6C 2V7.

### INCOME TAX CONSIDERATIONS

#### Exploration Income Tax Considerations and Incentives Available Under the Canadian Incentive Program Act

In the opinion of Robertson Ward Suderman, Barristers and Solicitors, Vancouver, British Columbia, the following is, as of the date hereof, a fair and adequate summary of the income tax consequences and of the availability of an incentive grant under the laws of Canada to subscribers as a result of acquiring, holding and disposing of flow-through shares. The income tax consequences will not be the same for all subscribers but may vary depending on a number of factors, including the status of the subscriber as an individual or as a corporation, the province of residence of an individual subscriber or, in the case of a corporate subscriber, the province where its permanent establishment is located, whether a subscriber's shares are characterized as capital property, and the amount that a subscriber's taxable income would be but for the acquisition of flow-through shares. The following discussion is therefore of a general nature only; it is not intended to constitute a complete analysis of all such income tax consequences of acquiring and disposing of flow-through shares; and it should not be interpreted as legal or tax advice to any particular subscriber.

Our comments are restricted to the case of the subscriber who is a resident of Canada for purposes of the Income Tax Act (Canada) (the "Tax Act"), who is not a principal-business corporation within the meaning of the Act, and who is not a trader or dealer in resource properties. Moreover, we do not take into account the tax laws of any province or territory of Canada or any jurisdiction outside Canada.

The summary of the law which follows is based on the current provisions of and the regulations to the Act and the proposed amendments thereto, and the Canadian Exploration Incentive Program Act (the "CEIP Act") and the regulations thereto. The proposed amendments to the regulations to the Tax Act are those contained in the Draft Regulations on Prescribed Shares for purposes of the definition of flow-through shares as contained in the Tax Act which were tabled in the House of Commons by the federal Minister of Finance on July 18, 1988. This summary also takes into account

our understanding of the current administrative practices of Revenue Canada, Taxation, and Energy, Mines and Resources Canada and assumes that the Draft Regulations on Prescribed Shares issued under the Tax Act will become law and that there is no other relevant amendment to any governing law. In respect of these latter assumptions, no assurance can be given.

Each subscriber should obtain independent advice regarding the income tax consequences under federal and provincial tax legislation of subscribing for flow-through shares in the Issuer, based on the subscriber's own particular circumstances.

Scheme of Deductions and Incentive Grants in Respect of Canadian Exploration Expense ("CEE") Incurred After March 1, 1989 to December 31, 1990

Each individual and corporate subscriber who is not related to the Issuer will be entitled, in respect of his investment of flow-through shares, to:

- (a) a deduction of 100% of his share of the CEE incurred or deemed to be incurred by the Issuer during the period March 2, 1989 to December 31, 1990 and renounced by the Issuer to its subscribers of flow-through shares; and
- (b) his share of the 30% incentive grant payable to the Issuer under the CEIP Act in respect of Eligible CEE incurred by it, provided that the Issuer has elected in prescribed form to assign the grant to the subscribers of its flow-through shares.

The taxation year in which a subscriber will be able to deduct his share of the renounced CEE will depend on the taxation year of the subscriber in which the CEE is renounced by the Issuer in favour of the subscriber. An individual subscriber will, in any calendar year for purposes of calculating his income for tax purposes in that calendar year, be entitled to deduct 100% of the CEE incurred by the Issuer in that year and renounced to him with an effective date in that year and 100% of the Eligible CEE incurred by the Issuer in the first 60 days of the next calendar year and renounced, with an effective date of December 31 of that year, by the Issuer prior to the 91st day of that next calendar year. A corporate subscriber, whose taxation year includes December 31 of a calendar year, will, for purposes of calculating its income for that taxation year, be entitled to deduct 100% of the CEE incurred by the Issuer in that calendar year and renounced to the corporate subscriber with an effective date in that year and 100% of the Eligible CEE incurred by the Issuer within the first 60 days of the next calendar year and renounced, with an effective date of December 31 of that year, to the corporate subscriber prior to the 91st day of that next calendar year. The amount of CEE that the Issuer can renounce to a



subscriber of flow-through shares will be reduced by the portion of the incentive grant under the CEIP Act that the Issuer does not elect to assign to the subscriber but that was funded with the subscription proceeds paid by the subscriber to the Issuer for the flow-through shares.

#### Canadian Exploration Expense (CEE) and Eligible CEE

CEE qualifies for a deduction of 100% for purposes of calculating a subscriber's income for tax purposes. CEE, in relation to a mineral resource, includes any expense incurred for the purpose of determining the existence, location, extent or quality of a mineral resource in Canada and any expense incurred for the purpose of bringing a new mine in a mineral resource in Canada into production in reasonable commercial quantities.

Eligible CEE qualifies for an incentive grant under the CEIP Act and for the 60 day look-back in respect of CEE incurred during the first 60 days of a calendar year. The 60 day look-back refers to the ability of the Issuer to effectively renounce CEE incurred during the first 60 days of a calendar year to the previous calendar year, both for determining the Issuer's annual expense limit (AEL) for a year and for purposes of allowing subscribers to deduct their share of such CEE in a prior year. Eligible CEE does not include expenses incurred in bringing a new mine in a mineral resource in Canada into commercial production nor does it include any overhead and financing expenses. Moreover, for purposes of the CEIP Act, Eligible CEE does not include CEE funded with subscription proceeds from flow-through shares sold to persons related to the Issuer.

A subscriber who acquires flow-through shares pursuant to the terms of an agreement in writing entered into between the Issuer and the subscriber under which the Issuer agrees to incur CEE during the 24 month period commencing after the day in which the agreement was entered into and to renounce that CEE to the subscriber within that same time period or within 30 days thereafter and in the form prescribed by the Tax Act, will, provided the Issuer files a prescribed information return together with a copy of the agreement with the Minister of National Revenue on or before the last day of the month following the month in which the agreement was entered into and the month in which the prospectus was first delivered to an investor, and the Issuer incurs and renounces that CEE to the subscriber in the form prescribed by the Tax Act, be deemed to have incurred CEE in the taxation year for which the renunciation by the Issuer is effective.

Except for Eligible CEE incurred within the first 60 days of a calendar year, a renunciation of CEE is effective on the day on which it is made or such earlier date specified in the prescribed

form provided that the effective date must be after the date the CEE is incurred by the Issuer.

Eligible CEE incurred by the Issuer within 60 days after the end of a calendar year and renounced by the Issuer in the prescribed form to a subscriber within 90 days after the end of the calendar year will, provided that the renunciation has an effective date of December 31 of that year and certain other requirements are met, be deemed to have been incurred by the subscriber on December 31 of that year.

Cumulative CEE not deducted by a subscriber at the end of the particular taxation year may be carried forward indefinitely and applied against the subscriber's income for subsequent taxation years except as restricted on a change of control of a corporate subscriber. Cumulative CEE is reduced by deductions claimed by the subscriber in prior years and by any amount that he has received or is entitled to receive in respect of assistance or benefits in any form in respect of the cumulative CEE incurred or that can be reasonably related to Canadian exploration activities. A subscriber's cumulative CEE will be reduced by the amount of the incentive grant that he receives under the CEIP Act.

If at the end of a taxation year of a subscriber the deductions in calculating his cumulative CEE exceed the additions thereto, the excess must be included in completing his income for that year and the balance of his cumulative CEE amount will be reduced to nil.

#### Incentive Grant under the CEIP Act

Both individual and corporate subscribers of flow-through shares that are not related to the Issuer will be entitled to the portion of the 30% incentive grant the Issuer would otherwise have been entitled to under the CEIP Act in respect of Eligible CEE incurred by it pursuant to the terms of the flow-through share agreement, that the Issuer elects to assign to its subscribers of flow-through shares. Generally, the amount of the incentive grant to which the Issuer would otherwise be entitled in respect of Eligible CEE incurred by it pursuant to the terms of a flow-through share agreement will be equal to the least of:

- (a) the amount of the Eligible CEE;
- (b) that portion of the amount under (a) which the Issuer elects to assign to the subscriber; and
- (c) that portion of the amount under (a) which was funded with subscription proceeds from the sale of flow-through shares to persons not related to the Issuer.

The incentive grant payable to the Issuer under the CEIP Act is

only in respect of Eligible CEE incurred by the Issuer after December 31, 1988 and prior to January 1, 1991.

The amount of any incentive grant received by a subscriber will not be included in computing his income but will reduce the amount of his Cumulative CEE.

#### Annual Expense Limit (AEL)

Each year, the Issuer will be entitled under the CEIP Act to incentive grants of 30% of the Eligible CEE incurred by it up to the annual limit of \$10,000,000. This Annual Expense Limit (AEL) applies to the Issuer and all other corporations associated with it. Eligible CEE incurred by the Issuer in a year when it has already reached its AEL will not qualify for the incentive grant. In any year, the Issuer can indirectly increase its AEL for that year by renouncing the Eligible CEE incurred by it in the first 60 days of that year to the previous year provided that the renunciation does not have the effect of exceeding the Issuer's AEL for the previous year.

#### Prescribed Shares

Under the Tax Act and CEIP Act, a share will not qualify as a flow-through share if it is a prescribed share. Under the flow-through share agreement, a subscriber will purchase ordinary common shares of the Issuer. Such shares are not prescribed shares for purposes of the Act or the CEIP Act.

#### Minimum Tax

Under the Tax Act, tax payable by an individual and by a trust, other than a related segregated fund trust or a mutual fund trust, will be the greater of the tax otherwise determined and the alternative minimum tax ("AMT"). In calculating taxable income for the purpose of determining the AMT ("Adjusted Taxable Income"), certain deductions otherwise available are disallowed and certain amounts not otherwise included are included. The additional amounts included are the non-taxable portion of net capital gains exempt under the \$100,000 lifetime capital gains exemption and the full amount of other net capital gains. The disallowed items include losses on certain tax shelter investments, contributions to registered pension plans and retirement savings plans and deductions for CEE. Moreover, the amount of Adjusted Taxable Income includes only the amount of taxable dividends received without the gross-up and is reduced by an exemption of \$40,000. The federal rate of AMT is a flat 17%. Whether and to what extent the tax liability of a particular subscriber will be increased by the AMT will depend on the amount of his income, the sources from which it is derived, and the nature and amounts of any deductions he claims. Any AMT payable for a year is recoverable in any of the following seven years to

the extent that the tax otherwise payable in any such subsequent year exceeds the AMT payable for that subsequent year.

The minimum tax does not apply to an individual in the year of death.

#### Income Tax Instalments

A subscriber who is an employee and is required to have income tax withheld by his employer may apply to Revenue Canada, Taxation for a reduction in such withholding. A subscriber who is required to pay income tax on an instalment basis may take into account his anticipated share of CEE in determining his instalment remittances.

#### Disposition of Flow-Through Shares

Flow-through shares will generally be treated as capital property of a subscriber unless he is considered to be a trader or dealer in securities or acquired the flow-through shares as an adventure or concern in the nature of trade. The adjusted cost base of a flow-through share is nil. On the disposition of a flow-through share that is capital property, the entire net proceeds will constitute a capital gain. Two-thirds of capital gains realized by individuals and Canadian-controlled private corporations in 1988 and 1989 (and by other corporations after June 30, 1988 and in 1989), and three-quarters of capital gains realized by all taxpayers after 1989, will be included in income. Corporations that have a taxation year that straddles the effective date for the changes (the "effective date") will be required to prorate capital gains realized in that taxation year according to the number of days of the taxation year that occur prior to and after the effective date. Corporations that are private corporations are permitted to change their taxation year ends to the effective date. This will permit such corporations to have the whole of their capital gains realized in a straddle taxation year to be taxed at the lower effective rate applicable to capital gains realized prior to the effective date.

#### Interest Expense on Money Borrowed to Acquire Flow-Through Shares

Until a flow-through share is disposed of, reasonable interest expense incurred by a subscriber on money borrowed to acquire a flow-through share will be deductible in computing his income to the extent that the unpaid balance of the loan does not exceed the cost of the flow-through share less any part of the subscription price returned. Interest will cease to be deductible if all the flow-through shares are disposed of to the extent that proceeds of disposition are not used to acquire other income-producing property. If only a part of the flow-through shares are disposed of, interest will continue to be deductible on that portion of the loan representing the flow-through shares which continue to be

held and on that part of the loan representing the cost of any income-producing property acquired with proceeds of disposition of the flow-through shares.

#### Lifetime Capital Gains Exemption

A cumulative lifetime exemption of \$100,000 of qualifying capital gains is available for individuals other than trusts. For 1988 and subsequent years, the net capital gains of an individual eligible for the exemption in any year will be reduced by his cumulative net investment losses ("CNIL"). Generally, the CNIL of an individual is the amount by which his investment expenses in the year and all years commencing after 1987 exceed his investment income for those years. Investment expense will include deducted interest expense relating to the acquisition of flow-through shares and 50% of any CEE renounced to and deducted by an individual as a result of acquiring flow-through shares. Investment income will include any negative balance of an individual's Cumulative CEE resulting from the receipt of an incentive grant under the CEIP Act. Each prospective subscriber should consult his own tax advisor as to the availability of this exemption and as to his potential entitlement thereto in respect of any gain he may realize upon a disposition of a flow-through share. The non-taxable portion of taxable capital gains exempt under the lifetime capital gains exemption and the full amount of capital gains not so exempt are included in computing income subject to the minimum tax as described above.

#### **STATUTORY RIGHTS OF RESCISSION AND WITHDRAWAL**

The Securities Act provides a purchaser with a right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and further provides a purchaser with remedies for rescission or damages where the prospectus and any amendment contains a material misrepresentation or is not delivered to the purchaser prior to delivery of the written confirmation of sale or prior to midnight on the second business day after entering into the agreement, but such remedies must be exercised by the purchaser within the time limit prescribed. For further information concerning these rights and the time limits within which they must be exercised the purchaser should refer to Section 66, 114, 118 and 124 of the Securities Act or consult a lawyer.

**FLOW-THROUGH SHARE FUNDING AND RENUNCIATION AGREEMENT**

THIS AGREEMENT is made the            day of            , 19

BETWEEN:

Each of those persons who have subscribed for all or any of the flow through shares of the Company as set out in the Prospectus of the Company dated October 31, 1988;

(the "Subscriber")

OF THE FIRST PART,

AND:

**WHITE KNIGHT RESOURCES LTD.**, a British Columbia company whose registered and records office is at 1800-400 Burrard Street, Vancouver, British Columbia, V6C 3A6;

(the "Company")

OF THE SECOND PART.

WHEREAS:

- A.            The principal business of the Company is mining or exploring for minerals;
- B.            The Company has interests in mineral resource properties situated in Canada;
- C.            The Company intends to carry out one or more exploration programs on those properties that may include geological, geophysical or geochemical surveying, rotary, diamond or percussion drilling, trenching, digging test pits and preliminary sampling to determine the existence, location, extent and quality of the mineral resources located thereon;

D. The Company anticipates that the expenses incurred in performing the activities described under Recital C will constitute Canadian exploration expense within the meaning of subparagraph 66.1(6)(a)(iii) of the Income Tax Act (Canada) (the "Act") and that such expenses will qualify for additions to the mining exploration depletion base as defined by subsection 1203(2) of the regulations to the Act or for the incentive grant payable under the Canadian Exploration Incentive Program Act (Canada) (the "CEIP Act");

E. The Subscriber has agreed to fund, in part, the activities described under Recital C by subscribing for shares in the capital of the Company that qualify as flow-through shares for purposes of the Act and the CEIP Act; and

F. The Company has agreed to expend the subscription funds provided through the purchase by the Subscriber and others of flow-through shares in the capital of the Company in pursuance of its activities described under Recital C and to renounce those expenditures and to assign any incentive grant that it is entitled to under the CEIP Act in respect of those expenditures to the Subscriber and those others in accordance with the Act and the CEIP Act and the terms of this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the foregoing and of the mutual covenants herein contained, the parties agree as hereinafter set forth.

1. Definitions

1.01 In this Agreement and any other Flow-Through Share Agreement relating to the Offering:

- (a) "Act" means the Income Tax Act (Canada), R.S.C. 1952, c. 148, as amended;
- (b) "Additional Offering" means a private placement or public offering, other than pursuant to the Offering, of unissued treasury shares in the capital of the Company that qualify as Flow-Through Shares pursuant to which the Company will enter into Flow-Through Share Agreements;
- (c) "AEL" means the Annual Expense Limit of the Company as defined under the CEIP Act;
- (d) "Assistance" has the meaning assigned by paragraph 66(15)(a.1) of the Act, and for greater certainty, does not include an incentive grant payable under the CEIP Act;
- (e) "CEDOE" means Canadian exploration and development overhead expense as defined by regulation 1206 to the Act;
- (f) "CEE" means Canadian exploration expense as defined by subparagraph 66.1(6)(a)(iii) of the Act;
- (g) "CEIP Act" means the Canadian Exploration Incentive Program Act (Canada);
- (h) "Company" means White Knight Resources Ltd.;
- (i) "Costs of the Offering" means all commissions and legal and accounting costs payable by the Company out of the



Subscription Proceeds raised by the Offering as more particularly set out in the Prospectus;

- (j) "Date of Reference" means the date the Company accepts each Subscriber's subscription for flow-through shares made under the terms and conditions of a subscription agreement relating to the Offering which is substantially in the form of Schedule "A" attached hereto;
- (k) "Exploration Expenditures" means expenditures which qualify as CEE other than CEDOE and amounts in respect of the costs of financing those expenditures;
- (l) "Exploration Program" means the activities of the Company in carrying out one or more exploration programs on the Property that may include geological, geophysical or geochemical surveying, rotary, diamond or percussion drilling, trenching, digging test pits and preliminary sampling to determine the existence, location, extent and quality of the mineral resources located thereon;
- (m) "Flow-Through Share" means a share of the capital stock of the Company that qualifies as a flow-through share for purposes of the Act and the CEIP Act;
- (n) "Flow-Through Share Agreement" means this Agreement and any other agreement the terms and conditions of which are identical to this Agreement entered into by the Company for the purpose of raising capital under the terms of the Offering or any Additional Offering to fund the Exploration Program and, "Flow-Through Share Agreement relating to the Offering," or "Flow-Through Share Agreement relating to an Additional Offering,"

means a Flow-Through Share Agreement entered into for the purpose of raising capital for such purpose under the terms of the Offering or an Additional Offering, as the case may be;

- (o) "MEDB" means mining exploration depletion base as defined by subsection 1203(2) of the Regulations to the Act;
- (p) "Offering" means the offering of the Company as more particularly described in the Prospectus to allot and issue shares of the capital of the Company which qualify as Flow-Through Shares;
- (q) "Property" means the interests of the Company in the mineral resource properties situated in Canada which are more particularly described in Schedule "B" attached hereto;
- (r) "Prospectus" means the prospectus of the Company bearing the date of October 31, 1988, prepared and filed by the Company at the offices of the Superintendent of Brokers for the Province of British Columbia and the Vancouver Stock Exchange in connection with the Offering;
- (s) "Shares" means the Flow-Through Shares in the capital of the Company subscribed for by the Subscriber under paragraph 5.01;
- (t) "Subscriber" means a person other than the Company who is a party to this Agreement;

- (u) "Subscriber's Contribution" means the amount by which the Subscription Price of the Shares exceeds the portion of the "Costs of the Offering" allocated to the Shares in accordance with the terms of the Offering;
- (v) "Subscribers' Exploration Account" means the separate bank account established by the Company to which the Subscriber's Contribution under this Agreement and all Flow-Through Share Agreements relating to the Offering are deposited pursuant to subparagraph 6.01(a);
- (w) "Subscription Price" means the amount paid by the Subscriber for the Shares under paragraph 5.02; and
- (x) "Subscription Proceeds from the Offering" means the aggregate of the Subscription Prices paid by the Subscriber under this Agreement and by all other persons under Flow-Through Share Agreements relating to the Offering, for Flow-Through Shares.

1.02 Each of the above capitalized words and phrases when referred to in this Agreement in their lower case shall have the same meanings, mutatis mutandis, as set forth above.

2. Gender and Number

2.01 Words importing the masculine gender include the feminine and neuter genders, and words in the singular include the plural and vice versa wherever the context requires.

3. Headings

3.01 The headings in this Agreement are inserted for convenience of reference only and shall not affect the interpretation of this Agreement.

4. Applicable Law

4.01 This Agreement shall be governed by and construed in accordance with the law of the Province of British Columbia.

5. Subscription for Shares and Payment of Subscription Price

5.01 The Subscriber hereby subscribes for \_\_\_\_\_ Flow-Through Shares in the capital of the Company at a price of \_\_\_\_\_ DOLLARS (\$) per share.

5.02 Concurrently with the execution of this Agreement the Subscriber shall pay \_\_\_\_\_ DOLLARS (\$) to the Company in full payment of the Subscription Price for the Shares.

6. Deposit of Subscriber's Contribution and Issuance of Shares

6.01 Upon receipt of the Subscription Price the Company shall:

- (a) deposit the Subscriber's Contribution into a separate bank account established by the Company for purposes of financing the Exploration Program from funds raised under the Offering; and

- (b) upon receipt of all necessary securities regulatory approvals, issue the Shares to the Subscriber and deliver a share certificate to the Subscriber representing the Shares.

7. Additional Investors to Participate in Exploration Program

7.01 The Company represents and the Subscriber acknowledges that:

- (a) it has entered into and will be entering into Flow-Through Share Agreements relating to the Offering other than this Agreement and each of those other agreements will have the same Date of Reference as this Agreement;
- (b) all Subscriber's Contributions received by the Company pursuant to the Flow-Through Share Agreements relating to the Offering shall be deposited in the Subscribers' Exploration Account;
- (c) the Company may issue additional Flow-Through Shares outside the terms of the Offering pursuant to the terms of an Additional Offering;
- (d) for each Additional Offering, the Company will establish a separate subscribers' exploration account at a bank for depositing the subscription proceeds raised under the Additional Offering less all commissions and legal and accounting costs payable out of the subscription proceeds raised under that Additional Offering;

- (e) the subscription proceeds received by the Company from any Additional Offering will not be commingled with the funds comprising the Subscribers' Exploration Account;
- (f) the Subscribers' Exploration Account will be dated for reference the same date as the Date of Reference of the Flow-Through Share Agreements relating to the Offering;
- (g) each subscribers' exploration account established by the Company for each Additional Offering will be dated for reference the same date as:
  - (i) where the Additional Offering is a private placement of securities, the date of reference of the Additional Offering; and
  - (ii) where the Additional Offering is a public offering of securities, the date of closing of the Additional Offering.
- (h) the Company shall expend the subscribers' exploration accounts established for the Offering and each Additional Offering on Exploration Expenditures in the order of their dates of reference and shall renounce, in accordance with paragraph 15.01, Exploration Expenditures to the subscribers whose subscribers' contributions constituted the subscribers' exploration accounts that were so expended on Exploration Expenditures.

8. Application of Subscriber's Exploration Account

8.01 Subject to the Company's right to revise the Exploration Program pursuant to paragraph 22.01, the Company shall use all amounts deposited in the Subscribers' Exploration Account exclusively for the purpose of incurring Exploration Expenditures in pursuance of the Exploration Program.

8.02 The Subscriber acknowledges that any interest accruing on amounts deposited in the Subscribers' Exploration Account shall accrue to the sole benefit of the Company and may be used by the Company for general corporate purposes.

9. Schedule for Incurring Exploration Expenditures

9.01 The Company shall use its best efforts to expend the Subscribers' Exploration Account on Exploration Expenditures between the Date of Reference of the Flow-Through Share Agreements relating to the Offering and the expiry of the 60th day after the end of the year in which the Flow-Through Share Agreements relating to the Offering were made.

9.02 In the event that any balance remains in the Subscribers' Exploration Account after the day referred to in paragraph 9.01, that balance shall be expended by the Company to fund Exploration Expenditures as soon as is practical in the circumstances but, in any event, the Company shall use its best efforts to expend that balance prior to the first day of the 25th month commencing after the Date of Reference of the Flow-Through Share Agreements relating to the Offering.

10. Company to Renounce Exploration Expenditures in Favour of Subscriber

10.01 The Company shall, within the times set forth below and in accordance with the provisions of subsection 66(12.6) of the Act, take all necessary steps to renounce in favour of the Subscriber, and all other subscribers who have entered into Flow-Through Share Agreements relating to the Offering, the lesser of:

- (a) the aggregate of the Subscribers' Contributions made under all Flow-Through Share Agreements relating to the Offering; and
- (b) the amount of Exploration Expenditures incurred by the Company under the Exploration Program during the periods specified below less the amount, if any, of Assistance, that the Company received or may reasonably be expected to receive in respect of such Exploration Expenditures:

<u>Ren. No.</u>	<u>Date of Renunciation</u>	<u>Effective Date of Renunciation</u>	<u>Period of Exploration Expenditures to be Renounced</u>
1.	Within 90 days of the end of the year in which this Agreement was made.	December 31st of the year in which this Agreement was made.	Any and all Exploration Expenditures incurred between the date of this Agreement and the expiry of the 60th day after the end of the year in which this Agreement was made.



- |    |  |  |   |
|----|--|--|---|
| 2. | Within 90 days of the end of the year following the year in which this Agreement was made. | December 31st of the year following the year in which this Agreement was made. | Any and all Exploration Expenditures incurred since the end of the previous renunciation period and the expiry of the 60th day after the end of the year following the year in which this Agreement was made. |
| 3. | Within 30 days of the last day of the 24th month following the date of this Agreement.     | The last day of the 24th month following the date of this Agreement.           | Any and all Exploration Expenditures incurred since the previous renunciation period and the last day of the 24th month period following the date of this Agreement.  |

10.02 If the Company and the Subscriber are not dealing at "arm's length" within the meaning assigned by the Act, in paragraph 10.01(b) the phrase "30 days" shall be substituted for the phrase "90 days" wherever it appears in the column headed "Date of Renunciation" and the phrase "the expiry of the 60th day after" shall be deleted wherever it appears in the column headed "Period of Exploration Expenditures to be Renounced".

10.03 Subject to paragraph 10.04, the Company shall, for purpose of the CEIP Act, elect under Section 15 of the regulations to the CEIP Act prior to the 91st day of a calendar year and in the form prescribed by the Minister under that Act to have all Exploration Expenditures incurred by the Company within the first 60 days of that calendar year deemed to have been incurred by the Company on December 31 of the prior calendar year.

10.04 The Company shall not make the election referred to under paragraph 10.03 in respect of any Exploration Expenditures incurred during the first 60 days of a calendar year that:

- (a) are incurred by the Company in the period January 1, 1981 to March 1, 1989, inclusive; or
- (b) exceed the AEL of the Company for the prior calendar year referred to under paragraph 10.05.

10.05 Should the Company expect to earn income for any fiscal period during the twenty-four (24) month period commencing after the Date of Reference of the Flow-Through Share Agreements relating to this Offering, in addition to the foregoing renunciations, the Company shall on the "Effective Date" as defined under paragraph 10.06 renounce in favour of the subscribers under all Flow-Through Share Agreements relating to the Offering, the least of:

- (a) the aggregate of the Subscriber's Contributions made by all subscribers under the Flow-Through Share Agreements relating to the Offering;
- (b) the amount by which the amount under subparagraph (a) exceeds the aggregate amount previously renounced under paragraph 10.01 to all subscribers under the Flow-Through Share Agreements relating to the Offering; and
- (c) all Exploration Expenditures incurred by the Company since the end of the previous renunciation period up to the effective date of this renunciation.

10.06 The Effective Date of the renunciation under paragraph 10.05 shall be the day preceding the last day of the fiscal period of the Company referred to therein.

11. Company to File Prescribed Form in Respect of Renunciations

11.01 In respect of each renunciation made pursuant to this Agreement, the Company shall on or before the last day of the month following the month in which the renunciation was made, file with the Minister of National Revenue such information returns as are prescribed by subsection 66(12.7) of the Act.

11.02 The Company shall send to the Subscriber at his address set out on the first page of this Agreement, a copy of each information return filed with the Minister of National Revenue under paragraph 11.01.

12. Company to File Copy of Agreement with Revenue Canada

12.01 The Company shall file, together with a copy of this Agreement, the prescribed form referred to in subsection 66(12.68) of the Act with the Minister of National Revenue on or before the last day of the month following the earlier of:

- (a) the month in which this Agreement is made, as set out on the first page of this Agreement; and
- (b) the month in which the Prospectus is first delivered to a potential investor of the Company.

13. Company to Make Election Under CEIP Act

13.01 The Company shall in the form and manner subscribed by the CEIP Act, elect under section 8 thereof to flow the amount of the incentives in respect of Exploration Expenses incurred by it or deemed to have been incurred by it for purposes of the CEIP Act in any calendar year, to the Subscribers whose Subscribers' Contributions constituted the Subscribers' Exploration Accounts that were expended by the Company on those Exploration Expenses.

13.02 The Company shall send to the Subscriber at his address set out on the first page of this Agreement, a copy of each form filed with the Minister under the CEIP Act pursuant to paragraph 13.01.

14. Representations and Warranties of the Company

14.01 The Company represents and warrants to the Subscriber that:

- (a) it is a reporting company duly organized and validly existing under the laws of its jurisdiction of incorporation, it is in good standing with the corporate governmental authorities of such jurisdiction with respect to the filing of annual returns and such other filings as are necessary to maintain its corporate existence and it has full corporate power to conduct its business as such business is now being conducted;
- (b) there are no claims, actions, suits, judgments, or proceedings pending against or affecting the Company which will or may have a material adverse effect upon the Company, nor does it know of any reasonable ground

for any such claims, actions, suits, judgments or proceedings;

- (c) the entering into of this Agreement by the Company has been duly authorized by the directors of the Company;
- (d) it has the full power and authority to enter into and perform this Agreement and to do all other acts which may be necessary to consummate the transactions contemplated hereby;
- (e) it has an authorized capital of 10,000,000 Common shares without par value of which one will be issued and outstanding as fully paid and non-assessable, prior to Offering;
- (f) the issue of the Shares will, at the time of their delivery, have been approved by all requisite corporate action and will, upon issue and delivery, be validly issued as fully paid and non-assessable;
- (g) there shall be no consent, approval, authorization, order or agreement of any stock exchange, securities commission or similar authority in Canada, governmental agency or regulator, court or any other person which may be required for the issuance of the Shares and the delivery of certificates representing the Shares to the Subscriber, not obtained and not in effect on the date of delivery of such share certificates;
- (h) it is a "principal-business corporation" within the meaning assigned by paragraph 66(15)(h) of the Act;

- (i) it is a qualified corporation for purposes of the CEIP Act;
- (j) the shares to be issued under the terms of this Agreement will qualify as "flow-through shares" within the meaning assigned by paragraph 66(15)(d.1) of the Act and section 8 of the regulations to the CEIP Act;
- (k) if the Company is entitled to receive any Assistance in respect of the Exploration Program, the Company shall use its best efforts to incur sufficient Exploration Expenditures in pursuance of the Exploration Program such that, after deduction therefrom of the amount of the Assistance, the Company will be able pursuant to paragraph 10, to make renunciations to each subscriber under a Flow-Through Share Agreement relating to the Offering for an amount equal to the Subscriber's Contribution;
- (l) should management of the Company become aware of an imminent acquisition of control of the Company for purposes of the Act, the Company shall take all practicable steps to forthwith renounce to all subscribers under Flow-Through Share Agreements relating to the Offering any and all Exploration Expenditures that have been paid for or will be paid for out of the Subscribers' Exploration Account and which have been incurred since the end of the previous renunciation period and prior to the date of such renunciation;
- (m) the Exploration Expenditures will for purposes of the Act qualify as CEE other than CEDOE and amounts in respect of the costs of financing those expenditures;

- (n) there are no other Flow-Through Share Agreements relating to an Additional Offering which have an earlier Date of Reference than that in respect of the Offering under this Agreement;
- (o) the Subscribers' Exploration Account will not exceed the AEL of the Company for the calendar year that this Agreement is entered into nor for the year next preceding that year or the year next succeeding that year; and
- (p) the Company is not related to the Subscriber for the purposes of the CEIP Act.

15. Allocation of Exploration Expenses

15.01 Each renunciation of Exploration Expenses pursuant to paragraph 10 of this Agreement shall be allocated among the Subscriber and those other persons who have entered into a Flow-Through Share Agreement relating to the Offering pro rata according to the relative amounts of their respective Subscriber's Contributions.

16. No Renunciation to Third Parties

16.01 The Company shall not renounce any Exploration Expenditures in respect of its Exploration Program which have been funded from the Subscribers' Exploration Account in favour of any person other than the Subscriber and the other subscribers under the Flow-Through Share Agreements relating to the Offering.

17. Company Not to Claim a Deduction in Respect of the  
Exploration Expenditures

17.01 The Company acknowledges that it has no right to claim any deduction for CEE or depletion of any sort in respect of the Exploration Expenditures funded from the Subscribers' Exploration Account and covenants not to claim any such deduction when preparing its tax returns from time to time.

18. Company May Receive Assistance in Respect of the  
Exploration Expenditures

18.01 The Subscriber acknowledges that any Assistance the Company may in respect of the Exploration Program will be solely for the benefit of the Company and the Subscriber will have no interest in that Assistance.

18.02 The Company shall not make any renunciations in favour of the Subscriber or any other person who has entered into a Flow-Through Share Agreement relating to the Offering in respect of Exploration Expenditures which have been funded from any Assistance.

19. Company to Account to Subscriber

19.01 The Company will maintain proper accounting books and records relating to the Exploration Expenditures and on the completion of the Exploration Program, the Company shall account to the Subscriber in respect of the application of the Subscribers' Exploration Account.



20. No Dissemination of Confidential Information

20.01 The Company shall be entitled to hold confidential all exploration information relating to any program on which any portion of the Subscribers' Exploration Account is expended pursuant to this Agreement and any other Flow-Through Share Agreement relating to the Offering and it shall not be obligated to make such information available to the Subscriber except in the manner and at such time as it makes any such information available to its shareholders or to the public pursuant to the rules and policies of any stock exchange or the laws, regulations or policies of any province.

21. Subscriber Not to Acquire any Interest in the Property

21.01 The Subscriber shall not, as a result of the Company incurring any Exploration Expenditures in pursuance of the Exploration Program or by reason of this Agreement, acquire any interest in or to the Property.

22. Revision of Exploration Program

22.01 While it is the present intention of the Company to undertake the Exploration Program, the data and information collected in pursuance of the Exploration Program may cause the Company to alter the initially proposed program of exploration and the Company expressly reserves the right to alter the Exploration Program on the advice of its technical staff or consultants and further reserves the right to pursue other exploration programs and to expend part of the Subscribers' Exploration Account on such other programs provided that the Company will incur Exploration Expenditures in so doing.

23. Regulatory Approval

23.1 This Agreement is subject to the Company obtaining all approvals which it considers may be required from regulatory bodies or stock exchanges having jurisdictions in respect of the Offering.

23.02 In the event that the Company shall, for any reason whatsoever, fail to obtain regulatory approval of this Agreement prior to December, 1989, any funds advanced to the Company shall be immediately repaid to the Subscriber in that proportion that his Subscribers' Contribution is to the aggregate of all Subscribers' Contributions made under all Flow-Through Share Agreement relating to the Offering, together with interest thereon at the prime rate of the Royal Bank plus one per cent (1%) per annum, calculated from the day of advancement of the funds.

24. Notice

24.01 Unless otherwise provided herein, any notice to a party under this Agreement may be given or served by registered mail, postage pre-paid, by telecopy, by telex or by telegram addressed to the parties as set out on the first page of this Agreement.

24.02 Any notice so mailed shall be deemed to have been given or served on the fifth business day following its mailing.

24.03 Notices sent by telegraph, telex or telecopy shall be deemed to have been given on the business day following the date of transmission.

24.04 In the event of a postal strike or other delay affecting mail delivery, the date that any notice sent by mail is otherwise deemed to be given shall be extended by the length of such strike or other delay.

24.05 Written notices may also be delivered personally to the parties at such addresses and shall be deemed to have been given on the day received.

24.06 Each party may change its address for service at any time by giving notice in writing of such change to the other party.

25. Execution of Additional Documents

25.01 The parties hereto each covenant and agree to execute and deliver such further agreements, documents and writings and provide such further assurances as may be required by the parties to give effect to this Agreement and, without limiting the generality of the foregoing, to do all acts and things, execute and deliver all documents, agreements and writings and provide such assurances, undertakings, information, pooling agreements and investment letters as may be required from time to time by all regulatory or governmental bodies or stock exchanges having jurisdiction over the Company's affairs or as may be required from time to time under the Act and the Regulations thereunder.

26. Force Majeure

26.01 Subject to paragraph 10, if the Company is prevented or delayed from performing any of its obligations hereunder or from incurring Exploration Expenditures on behalf of the Subscriber or in carrying out any programs contemplated hereby by reason of any

act of God, strike, labour dispute, lockout, threat of imminent strike, fire, flood, interruption or delay in transportation, war, insurrection or mob violence, requirements or regulation of government or statute, unavoidable casualties, shortage of labour, equipment or materials, plant breakdown or failure of operating equipment or any other disabling cause without regard to the foregoing enumeration beyond its control or which cannot be overcome by the means normally employed in performance, then and in every such event, any such prevention or delay shall not constitute a breach of this Agreement but, subject to the requirements of the Act concerning renunciation of CEE to the Subscribers of "flow-through shares", performance of any of the said obligations or requirements to incur Exploration Expenditures or to perform any mineral exploration program shall be suspended during such period of disability and the period of all such delays resulting from any such causes shall be excluded in computing the time within which anything is required to be done by the Company hereunder, it being understood that the time within which anything is to be done, or made pursuant hereto, shall be extended by the total period of all such delays.

27. Time of the Essence

27.01 Time shall be of the essence of this Agreement.

28. Entire Agreement

28.01 This Agreement supercedes all prior negotiations between the parties with respect to the matters herein referred to and contains the entire agreement between the parties hereto and may be modified only by an instrument in writing signed by the party against whom modification is asserted.

29. Enurement

29.01 This Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their heirs, executors, administrators, successors and assigns.

30. Counterparts

30.01 This Agreement may be executed in several parts and the same form and such part as so executed shall together constitute one original agreement, and such parts, if more than one, shall be read together and construed as if all the signing parties hereto had executed one copy of this Agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

SIGNED, SEALED AND DELIVERED )  
by )  
in the presence of: )

\_\_\_\_\_) )  
Name )

\_\_\_\_\_) )  
Address )

\_\_\_\_\_) )  
Occupation )

THE COMMON SEAL OF )  
**WHITE KNIGHT RESOURCES LTD.** )  
was hereunto affixed in )  
the presence of: )

\_\_\_\_\_) )  
Authorized Signatory )

\_\_\_\_\_) )  
Authorized Signatory )

\_\_\_\_\_

C/S

APPENDIX "B"

WHITE KNIGHT RESOURCES LTD.

FINANCIAL STATEMENTS

JANUARY 31, 1989

JUNE 30, 1988

JUNE 30, 1987

AUDITORS' REPORT

To the Directors of White Knight Resources Ltd.,

We have examined the balance sheets of White Knight Resources Ltd. as at January 31, 1989, June 30, 1988 and June 30, 1987 and the statements of loss and deficit and changes in financial position for the seven month period ended January 31, 1989, for the year ended June 30, 1988 and for the period from incorporation on December 18, 1986 to June 30, 1987. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at January 31, 1989, June 30, 1988 and June 30, 1987 and the results of its operations and the changes in its financial position for the seven month period ended January 31, 1989, for the year ended June 30, 1988 and for the period from incorporation on December 18, 1986 to June 30, 1987 in accordance with generally accepted accounting principles applied on a consistent basis.

Vancouver, B.C.  
February 21, 1989

WHITE KNIGHT RESOURCES LTD.

BALANCE SHEETS

	January 31, 1989	June 30, 1988	June 30, 1987
	\$	\$	\$
A S S E T S			
CURRENT			
Cash	219	963	4,395
Advances receivable (note 6)	493	493	1,500
Funds in trust	5,650	-	-
	<u>6,362</u>	<u>1,456</u>	<u>5,895</u>
RECLAMATION BOND	2,000	2,000	-
MINERAL PROPERTIES (note 5)	107,060	101,734	11,665
	<u>115,422</u>	<u>105,190</u>	<u>17,560</u>

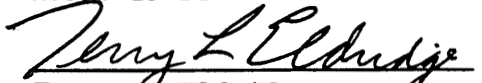
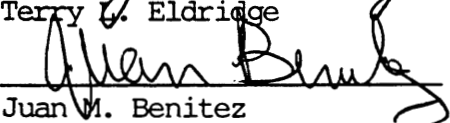
L I A B I L I T I E S

CURRENT			
Accounts payable	1,500	1,500	678
Due to related party (note 6)	38,490	6,408	7,907
	<u>39,990</u>	<u>7,908</u>	<u>8,585</u>

S H A R E H O L D E R S ' E Q U I T Y

SHARE CAPITAL (note 7)	164,400	164,400	26,300
DEFICIT	(88,968)	(67,118)	(17,325)
	<u>75,432</u>	<u>97,282</u>	<u>8,975</u>
	<u>115,422</u>	<u>105,190</u>	<u>17,560</u>

APPROVED BY THE DIRECTORS:

  
 Terry L. Eldridge  
  
 Juan M. Benitez

The accompanying notes are an integral part of these  
 financial statements



WHITE KNIGHT RESOURCES LTD.

STATEMENTS OF LOSS AND DEFICIT

	For the seven month period ended January 31, 1989 \$	For the year ended June 30, 1988 \$	Incorporation on December 18 1986 to June 30, 1987 \$
INTEREST INCOME	155	-	-
<hr/>			
EXPENSES			
Bank charges	49	115	84
Consulting	-	5,000	-
Dues, fees and subscriptions	-	1,349	619
Legal and audit	4,336	6,944	678
Management fees	14,000	16,000	14,000
Office and administration	1,157	4,113	856
Property investigation	-	11,738	-
Telephone	243	2,366	112
Travel and promotion	1,220	2,168	976
Trust and filing	1,000	-	-
	<hr/>	<hr/>	<hr/>
	22,005	49,793	17,325
	<hr/>	<hr/>	<hr/>
NET LOSS FOR THE PERIOD	21,850	49,793	17,325
DEFICIT - BEGINNING OF PERIOD	67,118	17,325	-
	<hr/>	<hr/>	<hr/>
DEFICIT - END OF PERIOD	88,968	67,118	17,325
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements

WHITE KNIGHT RESOURCES LTD.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	For the seven month period ended January 31, 1989 \$	For the year ended June 30, 1988 \$	Incorporation on December 18 1986 to June 30, 1987 \$
<b>CASH PROVIDED BY (USED IN):</b>			
<b>OPERATING ACTIVITIES</b>			
Operating loss for the period	(21,850)	(49,793)	(17,325)
Changes in non-cash working capital components			
Due to related party	32,082	(1,499)	7,907
Accounts payable	-	822	678
Advances receivable	-	1,007	(1,500)
Funds in trust	(5,650)	-	-
	<u>4,582</u>	<u>(49,463)</u>	<u>(10,240)</u>
<b>INVESTING ACTIVITIES</b>			
Mineral properties	(5,326)	(90,069)	(11,665)
Reclamation bond	-	(2,000)	-
	<u>(5,326)</u>	<u>(92,069)</u>	<u>(11,665)</u>
<b>FINANCING ACTIVITIES</b>			
Share capital issued	-	138,100	26,300
<b>CASH PROVIDED (USED) DURING THE PERIOD</b>	<u>(744)</u>	<u>(3,432)</u>	<u>4,395</u>
<b>CASH - BEGINNING OF PERIOD</b>	<u>963</u>	<u>4,395</u>	<u>-</u>
<b>CASH - END OF PERIOD</b>	<u>219</u>	<u>963</u>	<u>4,395</u>

The accompanying notes are an integral part of these financial statements

WHITE KNIGHT RESOURCES LTD.

NOTES TO THE FINANCIAL STATEMENTS

JANUARY 31, 1989

1. NATURE OF OPERATIONS

The company is in the exploration and development stage. The underlying value of its mineral properties and related deferred costs is entirely dependent upon the existence of economic mineral reserves.

2. SIGNIFICANT ACCOUNTING POLICIES

Mineral Properties and Deferred Costs

The costs of resource properties and related exploration costs are deferred until the properties are placed into production, sold or abandoned. These costs will be amortized over the estimated useful life of the properties following the commencement of production or written off if the properties are sold, allowed to lapse, or abandoned.

Costs include the cash consideration and the fair market value of shares as they are issued, if any, on the acquisition of mineral properties. Properties acquired under option agreements whereby payments are made at the sole discretion of the company, are recorded in the accounts at such time as the payments are made.

3. EARNINGS PER SHARE

Earnings per share has not been calculated as it is not considered meaningful at this stage of the company's operations.

4. INCOME TAXES

The company has earned certain resource related deductions, net of deductions which have been renounced under flow through share issue agreements and has other losses which are available to be offset against future taxable income. The benefits of these losses and deductions are not reflected in these financial statements.

Subscribers for 370,000 shares acquired under flow through share agreements with the company have obtained the benefit of \$92,500 of Canadian Exploration Expense Deductions earned by the company for the expenditure of their subscription funds (note 7).

5. MINERAL PROPERTIES

	Balance June 30, 1987	Expend itures during the year	Balance June 30, 1988	Expend itures during the period	Balance Jan. 31 1989
	\$	\$	\$	\$	\$
Acquisition					
- Jon	-	5,000	5,000	-	5,000
- Sullivan Two	-	200	200	-	200
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	5,200	5,200	-	5,200
Exploration					
- Sullivan Two					
Engineering and geologist	-	38,200	38,200	-	38,200
Assays	295	3,793	4,088	-	4,088
Property development	8,000	27,284	35,284	900	36,184
Office and administration	2,278	5,615	7,893	2,625	10,518
Travel and accommodation	1,092	7,827	8,919	1,801	10,720
Equipment rental	-	750	750	-	750
Reports	-	1,400	1,400	-	1,400
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	11,665	84,869	96,534	5,326	101,860
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	11,665	90,069	101,734	5,326	107,060
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Sullivan Two Mineral Claim  
Nelson Mining Division  
British Columbia, Canada

A 100% interest in the Sullivan Two mineral claim, subject to a 15% net proceeds royalty, in consideration for the payment of \$4,498 and incurring \$200,000 in exploration expenditures on the property in various stages to December 31, 1990 (note 6).

Jon Mineral Claims  
Nelson Mining Division  
British Columbia, Canada

A 100% interest in five mineral claims in consideration for \$5,000 and either the payment of \$5,000,000 on September 22, 1992 (to be discounted if paid earlier) or the payment of a 2% NSR royalty.

6. RELATED PARTY TRANSACTIONS

A company with a director in common owes \$493 for funds advanced.

A director is owed \$15,823 for general office expenses and \$5,467 for exploration costs.

A company owned by a director is owed \$16,000 for management services.

The Sullivan Two mineral claim was acquired from a director and a company with directors in common (note 5).

7. SHARE CAPITAL

Authorized share capital of the company consist of 10,000,000 common shares without par value.

	Number of Shares	\$
Issued during the period		
- for cash at \$0.01 per share	100,001	1,000
- for cash at \$0.25 per share	45,200	11,300
- flow through shares by private placement at \$0.25 per share (note 4)	56,000	14,000
	<hr/>	<hr/>
Issued at June 30, 1987	201,201	26,300
	<hr/>	<hr/>
Issued during the year		
- for cash at \$0.01 per share	650,000	6,500
- for cash at \$0.25 per share	212,400	53,100
- flow through shares by private placement at \$0.25 per share (note 4)	314,000	78,500
	<hr/>	<hr/>
	1,176,400	138,100
	<hr/>	<hr/>
Issued at June 30, 1988 and January 31, 1989	1,377,601	164,400
	<hr/>	<hr/>

The company has issued 750,000 shares which are held in escrow and may not be traded without the consent of regulatory authorities.

Stock options were granted, subject to the acceptance by regulatory authorities, to purchase up to 197,760 shares exercisable at a price of \$0.40 per share to directors and employees for a five year period.

8. INCORPORATION

The company was incorporated on December 18, 1986 under the British Columbia Company Act.

9. PUBLIC SHARE OFFERING

The company is proposing to offer to the public, through the facilities of the Vancouver Stock Exchange, (the "Exchange"), 350,000 common shares at a price of \$0.40 per share and 250,000 flow through shares at a price of \$0.50 per share to net the company \$235,000 after commission expenses. The offering will be made within a period of 180 days from the date the shares are conditionally listed on the Exchange.

The agent for the company has agreed to purchase any shares and flow through shares not subscribed for at the conclusion of the offering, and in consideration therefore has been granted non-transferrable share purchase warrants entitling the agent to purchase up to 150,000 shares at a price of \$0.40 per share for a period of one year and \$0.46 per share for a period of two years following the listing of the company's shares on the Exchange.

**CERTIFICATES**

**ISSUER**

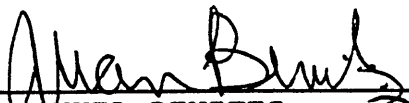
The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the Securities Act and its regulations.

DATED at Vancouver, British Columbia, this 11th day of April, 1989, as amended June 26, 1989.

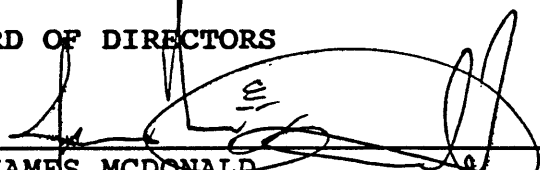


TERRY LEWIS ELDRIDGE  
President, Chief Executive Officer  
and Chief Financial Officer, and Promoter

**ON BEHALF OF THE BOARD OF DIRECTORS**



JUAN MANUEL BENITEZ  
Director



JAMES MCDONALD  
Director



FRANCIS BEAUMONT WHITING  
Director

**PROMOTERS**



FRANCIS BEAUMONT WHITING



TERRY LEWIS ELDRIDGE

**AGENT**

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the Securities Act and its regulations.

Dated at Vancouver, British Columbia, this 11th day of April, 1989, as amended June 26, 1989.

YORKTON SECURITIES INC.

Per:

