

THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THESE SECURITIES ONLY IN THOSE JURISDICTIONS WHERE THEY MAY BE LAWFULLY OFFERED FOR SALE AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES.

NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

PROSPECTUS

004370

DATED: September 18, 1987

# ADASTRAL RESOURCES LTD.

(the "Issuer")

806-602 West Hastings Street  
Vancouver, B.C. V6B 1P2

Unit Offering - 700,000 Common Shares and 700,000 Series "A" Share Purchase Warrants, each two such warrants entitling the holder to purchase One Common Share at \$0.65

	Price to Public	Commission	Net Proceeds to be Received by the Issuer
Per Unit .....	\$0.55 (1)	\$0.05	\$0.50
.....	\$385,000	\$35,000	\$350,000 (2)

the securities has been determined by the Issuer in negotiation with the Agent.  
tion of expenses of this issue estimated not to exceed \$15,000.

**MARKET THROUGH WHICH THE SECURITIES MAY BE SOLD AND A PURCHASE OF THE SECURITIES OFFERED BY THIS PROSPECTUS MUST BE CONSIDERED A SPECULATION.**

THE SECURITIES IN WHICH THE ISSUER HAS AN INTEREST ARE IN THE EXPLORATION AND DEVELOPMENT OF MINERAL RESOURCES AND ARE WITHOUT A KNOWN BODY OF COMMERCIAL ORE. NO SURVEY OF THE PROPERTIES HAS BEEN MADE AND THEREFORE IN ACCORDANCE WITH THE LAWS OF THE JURISDICTION IN WHICH THE SECURITIES ARE SITUATE, THEIR EXISTENCE AND AREA COULD BE IN DOUBT. SEE "RISK FACTORS" FOR DETAILS OF SUCH MATTERS AS DILUTION, RISKS INHERENT IN MINING, CONFLICTS OF INTEREST AND PERCENTAGES OF SHARES HELD BY PROMOTERS, DIRECTORS, OFFICERS AND SUBSTANTIAL HOLDERS.

THE AGENT IS AUTHORIZED BY THE ISSUER TO PROVIDE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THIS ISSUE AND WITH THE SECURITIES OFFERED BY THE ISSUER.

THE AGENT OR ANY OF THE DIRECTORS OF THE ISSUER HAS AN INTEREST, DIRECT OR INDIRECT, IN OTHER MINERAL RESOURCE COMPANIES. SEE "DIRECTORS AND OFFICERS" ON PAGE 20 FOR A COMMENT AS TO THE NATURE AND EXTENT OF POSSIBLE CONFLICTS OF INTEREST.

ON COMPLETION OF THIS OFFERING, THIS ISSUE WILL REPRESENT 31.86% OF THE SHARES THEN OUTSTANDING AS COMPARED TO 48.88% THAT WILL THEN BE BENEFICIALLY OWNED BY DIRECTORS AND OFFICERS OF THE ISSUER. ASSOCIATES OF THE AGENT HOLD SHARES OF THE ISSUER. SEE "PRINCIPAL HOLDERS OF SECURITIES" ON PAGE 22 FOR DETAILS OF SHARES HELD BY DIRECTORS AND SENIOR OFFICERS AND BY ASSOCIATES OF THE AGENT.

THE VANCOUVER STOCK EXCHANGE (THE "EXCHANGE") HAS CONDITIONALLY LISTED THE SECURITIES BEING OFFERED PURSUANT TO THIS PROSPECTUS. LISTING IS SUBJECT TO THE ISSUER FULFILLING THE LISTING REQUIREMENTS OF THE EXCHANGE ON OR BEFORE APRIL 19, 1988, INCLUDING PRESCRIBED DISTRIBUTION AND FINANCIAL REQUIREMENTS.

THIS PROSPECTUS ALSO QUALIFIES THE ISSUANCE OF THE AGENT'S WARRANTS AND DISTRIBUTION AT THE MARKET PRICE PREVAILING AT THE TIME OF THE SALE OF ANY SHARES PURCHASED BY THE AGENT HEREUNDER. THE AGENT IS ENTITLED PURSUANT TO THE SECURITIES ACT AND ITS REGULATIONS TO SELL ANY SHARES ACQUIRED ON EXERCISE OF THE AGENT'S WARRANTS WITHOUT FURTHER QUALIFICATION. SEE "SHARE OFFERING AND PLAN OF DISTRIBUTION" ON PAGE 13.

BASED ON THE OFFERING PRICE OF \$0.55 PER UNIT THE NET TANGIBLE BOOK VALUE (AFTER PAYMENT OF THE AGENT'S COMMISSION AND ESTIMATED COSTS OF THIS ISSUE) FOR EACH OF THE 2,197,221 COMMON SHARES THEN OUTSTANDING WOULD BE APPROXIMATELY \$0.227 PER SHARE RESULTING IN AN IMMEDIATE DILUTION OF APPROXIMATELY \$0.323 PER SHARE. SEE "RISK FACTORS" ON PAGE 18.

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 "SHARE OFFERING AND PLAN OF DISTRIBUTION" ON PAGE 13 OF THIS PROSPECTUS.

AGENT

**MERIT INVESTMENT CORPORATION**

1500-625 Howe Street  
Vancouver, B.C. V6C 2T6

EFFECTIVE DATE: October 22, 1987

PROPERTY FILE  
002KSW161-05

**PROSPECTUS SUMMARY**

This selective summary is not in itself complete and is qualified by more detailed information appearing elsewhere in this Preliminary Prospectus.

**The Offering**

Securities Offered: 700,000 Units, each unit consisting of One Common Share without par value and One Series "A" Warrant.

Share Purchase Warrants: Two Share Purchase Warrants will entitle the holder to purchase one Common share for \$0.65 at any time up to the close of business 180 days from the date of listing of the Issuer's securities on the Vancouver Stock Exchange but in any event no longer than one year from the date of the Effective Date.

Proceeds: Unit Offering: \$385,000 (gross); \$350,000 (net)

Price: Unit Offering: \$0.55 per Unit

This Prospectus also qualifies any securities of the Issuer which the Agent may acquire pursuant to the Agent's Warrants.

Use of Proceeds: The net proceeds of this issue will be used to fund an exploration program on the Macauley Creek Property, Yukon Territory and the Kusp Property, Slocan Mining Division, British Columbia. The balance will be added to the working capital of the Issuer.

Dilution: The price of each Common Share offered hereby exceeds the book value of the consolidated net tangible assets per common share of the Issuer on a fully diluted basis at June 30, 1987 by \$0.323 after giving effect to this offering and assuming no exercise of the Agent's Warrants to purchase additional Common Shares.

**The Issuer**

The Issuer is engaged in the business of evaluating, acquiring and developing mineral resource properties. The Issuer holds all right, title and interest in three mining claims and has an option to purchase 56 claims from Kennco Explorations (Western) Ltd., all of which claims comprise the Macauley Creek Property, Yukon Territory. In addition, J. R. Woodcock holds in trust for the Issuer all right, title and interest in the Kusp Property, Slocan Mining Division, B.C. and the Issuer holds all right, title and interest in the Pond Claims (Eutsuk Property), Omineca Mining Division, B.C.

**Risk Factors**

Investment in the securities may be considered speculative due to the nature of the Issuer's business and the present stage of its development. Reference is made to the warnings on the cover of this Prospectus, the description of the Issuer's properties and other relevant disclosure contained herein.

**Capitalization**

At June 30, 1987, the Issuer had 1,497,221 Common Shares outstanding. Upon completion of this offering, there will be 2,197,221 Common Shares issued and outstanding, assuming no exercise of the Agent's Share Purchase Warrants to purchase additional Common Shares. The authorized capital of the Issuer is 10,000,000 Common Shares without par value and 100,000 Common Shares are subject to options in favour of the directors, senior officers and employees of the Issuer.

**Selected Financial Information**

Prior to this Offering, the Issuer had raised \$190,305 by means of the sale of shares during its stage as a private company. The audited balance sheet as at June 30, 1987 shows \$38,317 as having been invested in natural resource properties as at that date. \$34,316 was paid in connection with exploration and development. \$6,167 was paid to the Issuer pursuant to the issue of 616,667 escrow shares at a price of \$0.01 per share.

From the date of incorporation (November 15, 1971) to June 30, 1987, the Issuer has not earned any revenue.

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**1. NAME AND INCORPORATION**

Adastral Resources Ltd. (the "Issuer") was incorporated as a Specially Limited Company on November 15, 1971 under the name of Adastral Mining Corporation Ltd. (N.P.L.) by the registration of its memorandum and articles. Effective June 17, 1987 the Issuer changed its name to Adastral Resources Ltd., ceased to be a Specially Limited Company, altered its memorandum by consolidating all of its shares on the basis of one post-consolidation share for each three pre-consolidation shares, increased its authorized capital to 10,000,000 common shares without par value and adopted new articles. Upon the issuance of a receipt for its final prospectus by the British Columbia Securities Commission, the Issuer will be a reporting company.

On April 6, 1987, the Issuer was registered to carry on business in Yukon Territory.

The address of the head office of the Issuer is 806-602 West Hastings Street, Vancouver, B.C., V6B 1P2, and the address of its registered and records office is Box 49200, Four Bentall Centre, 2500-595 Burrard Street, Vancouver, B.C., V7X 1L1.

**2. DESCRIPTION OF BUSINESS**

The Issuer is engaged in the acquisition, exploration and development of mineral properties. The Issuer holds the mineral properties herein described and intends to seek and acquire additional properties worthy of exploration and development.

**3. PROPERTIES OF THE ISSUER**

**A. Macauley Creek Property,  
Whitehorse Mining Division, Yukon Territory**

**1. Terms of Acquisition**

The property comprises a total of 59 claims of which three claims (the "Adastral Ground") are held as to 100% by the Issuer and 56 claims comprising 52 Goat Claims and four Ridge Claims (the "Kennco Ground") are held under option.

The Adastral Ground was originally located by the Issuer in 1972 as a part of a larger claim group. The Issuer has maintained the three claims with the highest potential value by arranging to have work carried out on the claims or by paying cash in lieu of the performance of work.

By agreement dated April 6, 1987 (the "Kennco Agreement") with Kennco Explorations, (Western) Ltd. ("Kennco") of Suite 1609, 8 King Street East, Toronto, Ontario, M5C 1B5, the Issuer was granted the exclusive option to purchase a 100% interest in the Kennco Ground by paying to Kennco the sum of \$250,000 on or before January 31, 1992. As long as the option is in effect,

the only obligation of the Issuer involving a significant financial obligation is to maintain the Kennco Ground in good standing; there are no periodic cash payments required to be made to Kennco.

If the option is exercised, the Issuer will pay royalties to Kennco as follows:

- (a) 2% of net smelter returns in respect of the Kennco Ground, and
- (b) 2% of net smelter returns in respect of the Adastral Ground, up to a cumulative total of \$500,000.

## 2. Location and Access

The property is situated adjacent to the Yukon-British Columbia boundary in southwestern Yukon, approximately 78 km. south of Whitehorse (Figure 1). The property is reached by helicopter from the Mount Skukum Mine approximately 23 km. to the north of the property. A road connects the Mount Skukum Mine to Whitehorse.

The property is above timber-line and ranges in elevation from 1350 m. to 2100 m. above sea level.

## 3. Prospecting History and Work Already Undertaken by Issuer

The first recorded prospecting in the area was carried out in 1972 by J.R. Woodcock, the President of the Issuer, who conducted a brief program of geochemical exploration for precious metals and discovered oxidized float on glacial moraines along the south branch of Macauley Creek. Some of the samples taken by Mr. Woodcock assayed as high as 1,192 ounces of silver per ton and 1.42 ounces of gold per ton. In 1972 and 1973 the Issuer located 30 claims to cover all the known and potential mineralized areas.

In 1973 Dome Explorations (Canada) Ltd. and Jorex Limited optioned the claims from the Issuer and contracted J.R. Woodcock Consultants Ltd. to conduct a mapping program on and around the claims. During the course of this work, the Discovery Zone (Macauley Creek East Zone) and the West Vein System were discovered. Because of low metal prices for gold and silver at the time, the option terminated and the property title returned to the Issuer.

In 1980 and 1981, Kennco located 131 claims over the Adastral Ground, and carried out a program of prospecting and mapping. During the course of this work, six additional precious metal showings were discovered. Kennco subsequently curtailed its exploration program due to budget reductions, but retained

the 52 Goat Claims forming part of the Kennco Ground by paying cash in lieu of the performance of work.

Management of the Issuer estimates that the Issuer has spent approximately \$20,821 on the exploration of the property. Other parties have spent an additional approximately \$160,000 on the exploration of the property.

## 4. Underground and Surface Plant and Equipment

There is no surface or underground plant or equipment on the either the Adastral Ground or the Kennco Ground other than as disclosed herein and there has been no underground exploration thereon except as herein set forth. **The aforesaid property is without a known body of commercial ore and the proposed program is an exploratory search for ore.**

## 5. General Geology

Within the northeastern part of the Coast Crystalline Complex in southern Yukon Territory are two centres of Tertiary volcanic rocks of the Skukum Group including the Mount Skukum block and the Bennett Lake Complex. The Bennett Lake centre represents a cauldron subsidence, which is marked by a bounding discontinuous ring dike with diameter 23 kilometers. Within this ring dike is a sequence of flat lying Tertiary acid volcanics, mainly tuffs and ignimbrites, in addition to a felsite sill and some felsite dikes. Erosion has removed much of the volcanic complex revealing large sections of the acid pyroclastics and exposing the basement batholithic rocks and the ring dike. The Issuer's Macauley Creek Property is situated in the approximate centre of the Bennett Lake cauldron subsidence feature (see Figure 1).

## 6. Mineralization

A number of veins and stringers within the volcanic rocks on the property contain sulphides including arsenopyrite and galena, and much of this sulphide mineralization has associated precious metals. Brief descriptions are given for four showings. The Discovery and West Vein System are on the Adastral Ground; the Jake and Mouse are on the Kennco Ground.

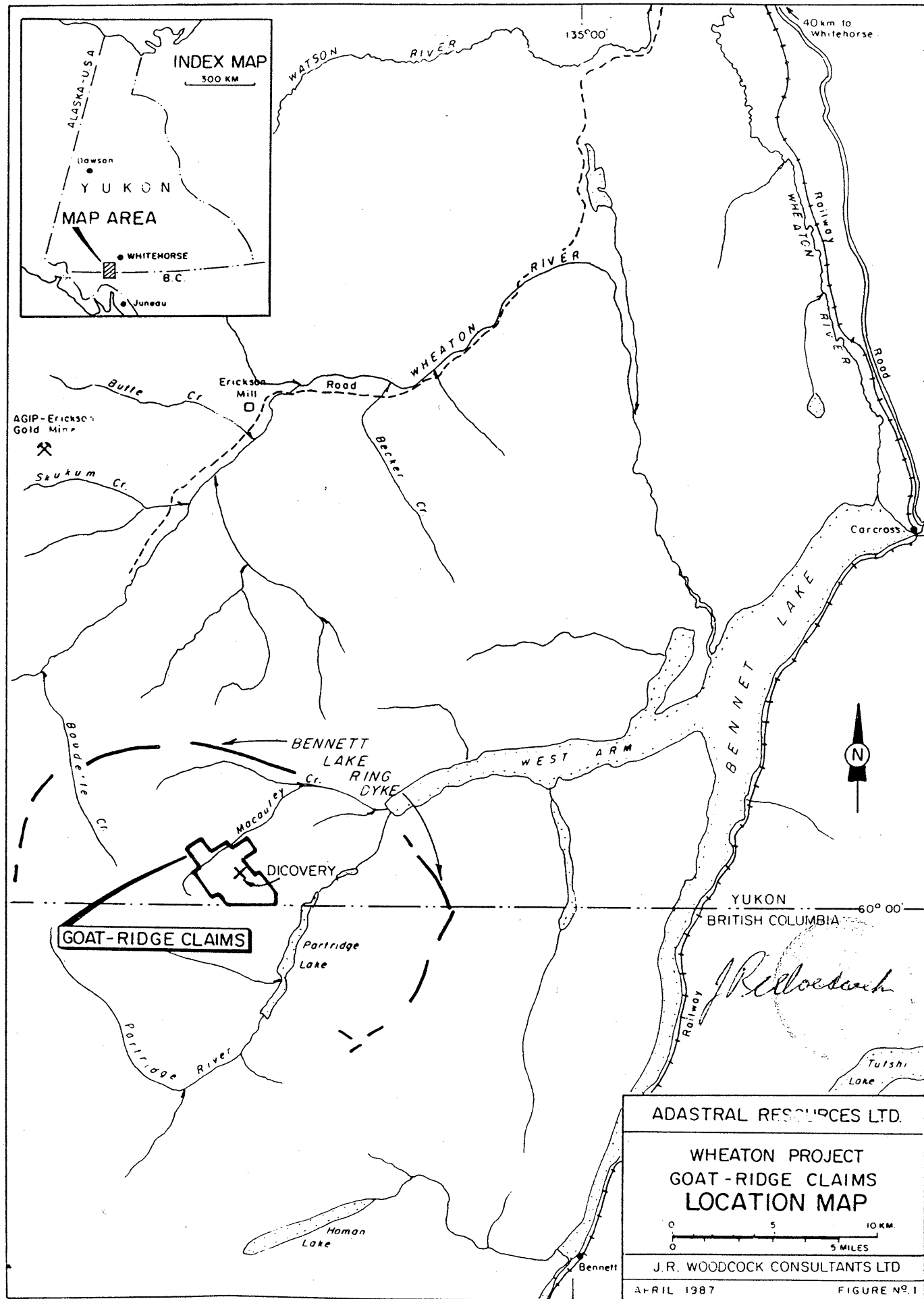


Figure 1

i) Discovery Showing

The Discovery showing, which occurs in steep topography at the head of a subsidiary drainage of Macaulay Creek, is the source of the high grade float discovery in 1972. A gossan, which is exposed over a length of 270 meters with a horizontal width of up to 100 meters, marks an alteration zone. On the geological map (Figure 2) these have been divided into "altered volcanic rock" and "mineralized rock." The altered volcanic rock is a purple colour and contains a stockwork of quartz veinlets. The mineralized rock is variably silicified and contains arsenopyrite, pyrite, galena, some chalcedony, and occasionally fluorite. Much of the mineralized rock is oxidized with a depletion of sulphide and formation of limonite and scorodite. Microscopic examination of a sulphide-rich specimen shows the presence of arsenopyrite, chalcopryrite, covellite, minor galena, and abundant scorodite. Argentite (a silver mineral) is mixed with the scorodite and also replaces galena. The silver and also the gold values are associated with the lead; arsenopyrite by itself appears to be devoid of precious metals.

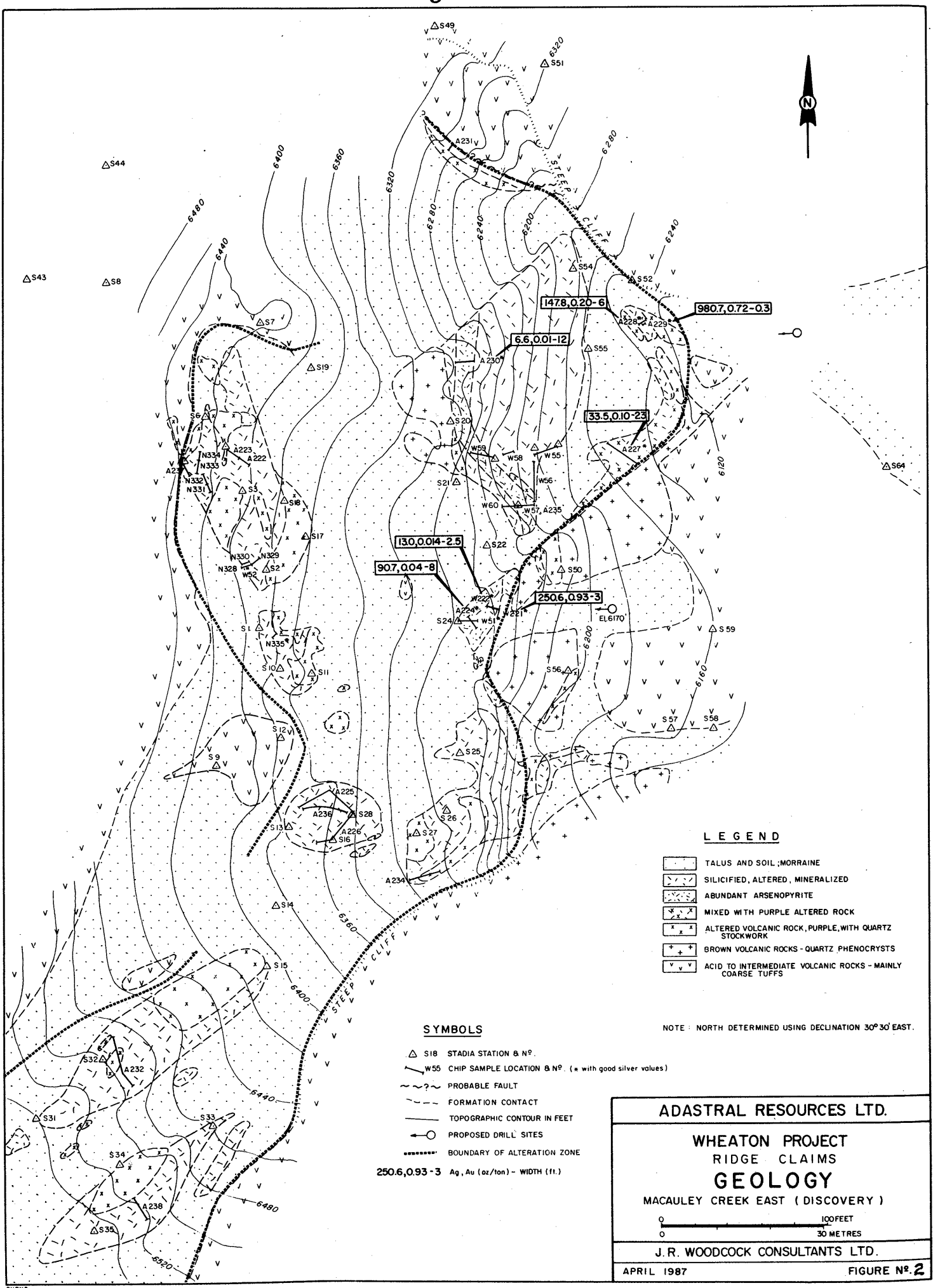
About 37 chip samples were taken on the alteration zone; the locations are shown in Figure 2. The more significant values are shown in boxes on this figure. The best values were obtained along the eastern hanging wall contact of the alteration zone. Values from three sample sites along a length of about 100 meters at the eastern contact yielded high silver values (33.5 to 250 oz. per ton) accompanied by somewhat erratic gold values (0.04 to 0.97 oz. per ton).

ii) The West Vein System

The West Vein System also occurs on the Adastral Ground. It consists of a number of parallel or subparallel veins of carbonate and arsenopyrite that occur in volcanic rocks over an exposed width of about 130 meters. This system has low precious metal values; however mineralized float was picked off talus to the east. A galena-rich specimen assayed 15 oz/ton Ag and 0.92 oz/ton Au; a scorodite-rich specimen from the same locality assayed 10 oz/ton Ag and 0.29 oz/ton Au.

iii) The Jake

This showing lies south of Adastral's West Vein System and includes some mineralized chalcedonic veins. A few



chip samples are reported across such vein material. One of these assayed 1.39 oz/ton Ag plus 0.41 oz/ton Au across 2.5 meters and a second assayed 0.11 oz/ton Ag and 0.002 oz/ton Au across 3.3 meters. Another chip sample across vein material assayed 17.5 oz/ton Ag and 0.19 oz/ton Au across 0.6 meters.

iv) The Mouse

This is in area where good values were obtained in mineralized float along a gulley and in the cirque at the head of the gulley. Analytical results from 11 of these pieces of float are reported by Kennco. Most have some silver values; results of the five best samples plus the results of two samples from the float in the cirque are as follows:

% Cu	% Pb	% Zn	oz/ton Ag	oz/ton Au
0.287	2.48	.83	176.0	0.051
0.097	3.74	0.11	234.0	0.132
0.01	0.73	0.02	49.9	0.01
0.01	0.59	0.01	53.2	0.009
0.11	2.48	0.08	192.0	0.223
0.06	1.32	0.13	96.0	0.051
2.17	0.05	0.03	12.4	0.183

7. Conclusions and Recommendations

The presence of the numerous precious metal prospects in the Wheaton River district including the new AGIP deposit suggest a precious metallogenic province. The association with a cauldron subsidence structure at Macauley Creek in addition to the good silver-gold values in a number of the samples indicates that the property merits further exploration for precious metal deposits.

The best prospect mapped to date is the Discovery prospect where the precious metal values are found in an altered gossan zone, mainly concentrated along the easterly faulted hanging wall of this zone. The effect of the surface weathering and oxidation on the precious metal values is not known; however J.R. Woodcock suggests that the hypogene zone should also have high values.

The Discovery prospect is sufficiently advanced so as to be drilled without further work. Additional surface sampling will refine the surface picture but will not give any information on the variations with depth. A Stage I program to include 2500 feet of diamond drilling is recommended. Two drill sites have been prepared to the east of and above the hanging wall contact and a number of drill holes can be fanned out from each of these

sites. Maximum recovery is desirable; therefore NQ core has been recommended.

The results of this first drill phase should give information on the precious metal values in the unweathered rock; on the distribution of values within the eastern high grade part of the zone; and on the possibility of finding other precious metal shoots under the rest of the gossan zone.

During the drill program, additional surveying and geological mapping should be carried out to further refine the map made for Dome Explorations in 1973. In addition, as part of Stage I, other prospects on the claims and adjacent areas should also be mapped, trenched, and sampled with a view to exploring them in Stage II of the program or in the following season.

The results of the mapping program and the diamond drilling of Stage I should give information to enable the geologists to select appropriate drill sites for the next stage of the drilling.

Some drill core should be used for preliminary bench tests to determine distribution of precious metals and recoveries.

The budget estimates as shown separately include \$220,000 for the Stage I drill program; \$45,000 for the Stage I mapping program, making a total for Stage I of \$265,000 and an amount of \$245,000 is estimated for the success-contingent Stage II drill program.

Budget

Drill Program, Stage I

Helicopter (mob, demob, drill set-up, supply trips)	\$ 27,000
Drill and camp site preparation, mobilization costs	8,000
Direct drilling costs 2,500 feet at \$34	85,000
Misc. drill supplies - polymer, core boxes, water, etc.	9,500
Mob and demob drill and crew, camp construction	7,000
Geologist and assistant for drill program	17,500
Consulting, management, field mapping	6,000
Equipment rentals, misc. supplies, food for geologist and staff, etc.	6,000
Assays	6,000
Report, drafting, etc.	6,000
Travel	3,000
Freight, vehicle	5,000
Claim costs (Assessment Work)	5,500
Contingency	28,500
<b>Sub-Total</b>	<b>\$220,000</b>

Mapping the Other Prospects, Stage I

Helicopter support from Skukum	\$10,000
Geologist and assistants	\$ 9,500
Assays	3,500
Camps, Supplies, misc.	7,500
Trenching and sampling	10,000
Report, drafting	4,500
<b>Sub-Total</b>	<b>\$ 45,000</b>
<b>Total Stage I</b>	<b>\$265,000</b>

Drill Program, Stage II

Site preparation	\$ 8,000
Direct drill costs 4,000 feet at \$34	136,000
Misc. drill supplies	12,000
Helicopter supply trips	6,000
Geologist and assistant 30 days at \$500	15,000
Consulting, management	5,000
Drafting, report	4,000
Assays	8,000
Rentals, supplies, food	6,000
Preliminary bench tests	15,000
Contingencies	30,000
<b>Total</b>	<b>\$245,000</b>

The Issuer proposes to carry out Stage I of the recommended program at an estimated cost of \$265,000, which amount will be raised from the proceeds of the Offering. The Issuer does not intend to proceed with Stage II of the recommended program unless favourable results are encountered on Stage I.

The foregoing is taken in part from, and is based in reliance on a report on the property (the "Woodcock Report") dated April 15, 1987 by J.R. Woodcock, endorsed by C.J. Westerman Ph.D. The Woodcock Report is available for inspection during normal business hours during the distribution of the securities offered hereunder at 720-999 West Hastings Street, Vancouver, B.C. V6C 2W2.

B. Kusp Property, Slocan Mining Division, B.C.

1. Terms of Acquisition

The Kusp property consists of one claim of 20 units and is situated approximately 16 km. southeast of the town of Nakusp in southeastern British Columbia. The claim was located in 1977 by J.R. Woodcock ("Woodcock") and is held in trust by Woodcock for and on behalf of the Issuer. Woodcock incurred acquisition and exploration costs in the amount of \$9,381 with respect to the property, which amount will be reimbursed by the Issuer from the proceeds of the Offering.

2. Location and Access

The property may be approached from Nakusp by Highway 6 which passes within 600 meters of the northern boundary of the claim. Access to most parts of the property however requires a helicopter.

3. Prospecting History and Work Already Undertaken by Issuer

The Discovery was found and staked by J.R. Woodcock, a director of the Issuer, in 1977 as a result of aerial reconnaissance and stream geochemistry.

Early in 1978 Dome Explorations (Canada) Ltd. and Ranworth Explorations Ltd. optioned the property and supported an exploration program which consisted of soil geochemistry, geological mapping, VLF-EM and Turam-EM surveys. This was followed by a drill program late in the season and by further geological mapping in 1979. Approximately \$112,000 has been spent to date on the acquisition and exploration of the property.

4. Underground and Surface Plant and Equipment

There is no surface or underground plant or equipment on the Kusp Property and there has been no underground exploration thereon. **The aforesaid property is without a known body of commercial ore and the proposed program is an exploratory search for ore.**

5. General Geology

The property lies within a block of mountains that is composed largely of pyroclastic rocks interbedded and inter-fingered with some sedimentary units. The main structure is an east-west anticlinal fold which is overturned and has both limbs dipping south. The Discovery prospect occurs on the north overturned limb.

A rock slide has exposed the mineralized grey carbonate-rich tuffs and some structurally underlying beds of highly pyritic white tuffs. Shattering and breaking accompanying the rock slide have allowed accelerated oxidation and mobility of the metals and thus enhanced the stream anomalies which led to the target. The limited grid of geophysical and geochemical work done in 1978 yielded anomalies partly coincident with the broken rock but also extending westerly from this slide area.

Two of the holes drilled in 1978, only 45 meters apart, cut the mineralized tuffaceous rocks lying structurally above the white pyritic tuff. The core from the upper parts of both holes have highly anomalous lead, zinc and silver values which terminate sharply at the contact of the underlying white pyritic

tuff. The upper part of these two holes had anomalous silver throughout with an average grade of 0.6 oz/ton over a thickness of 30 meters and with a highest value of 3.1 oz/ton.

6. Recommendations

(a) The mineralization is volcanogenic and probably stratiform. The grades obtained thus far are not economic; however the zone is thick, has only been drilled in one place, and the upper part of the mineralized horizon has not been fully delimited as both holes collared in mineralized rock. Search for a higher grade massive sulphide zone is recommended, especially down dip and long strike.

(b) Mr. J.R. Woodcock has recommended an extension of the grid system and the geophysical and geochemical surveys along strike to the west for Stage I of the exploration. He has also recommended a Stage II program to consist of a drill access road, 2,500 ft. of diamond drilling and some down hole geophysics. Stage I and Stage II can be carried out either sequentially or concurrently. Mr. R.H. Janes, P.Eng. has reviewed the data and endorsed this recommendation.

The budget estimate including \$25,000 for Stage I and \$175,000 for the Stage II is as follows:

Budget Estimate

Stage I

Fees and wages for field work	\$ 9,500
Travel, vehicle, helicopter	5,500
Supplies, equipment rental	2,500
Analytical work	1,500
Report compilation, supervision	3,500
Contingency and miscellaneous	<u>2,500</u>

Total

\$ 25,000

Stage II

3 km access road	\$22,000
Drilling 2,500 ft. at \$30 (including wedging)	75,000
Drilling extras	10,000
Mob and demob, camp	8,000
Plastic liner for hole	3,000
Down hole EM	15,000
Geology and supervision	9,000
Assays	3,000
Supplies and rentals	3,000
Food, travel for geologist and helper	3,000
Transportation	3,000
Report	4,000



Claim costs	6,000
Contingency and miscellaneous	<u>11,000</u>
Total	<u>\$175,000</u>

The Issuer proposes to carry out Stage I of the recommended program at an estimated cost of \$25,000, which amount will be raised from the proceeds of the Offering. The Issuer intends to proceed with Stage II at such time as sufficient funds are available. In order to fund the same and to supplement the Issuer's available funds at the time and depending on economic and other factors, the Issuer may undertake a further public financing or a financing by way of private placement.

The foregoing is taken in part from, and is based in reliance upon a report on the property (the "Kusp Report") dated April, 1987 by J.R. Woodcock, endorsed by R.H. Janes, P.Eng. The Kusp Report is available for inspection during normal business hours during the distribution of the securities offered hereunder at Suite 720, 999 West Hastings Street, Vancouver, British Columbia, V6C 2W2.

C. Eutsuk Property, B.C.

The property was acquired by location in 1970 by J.R. Woodcock on behalf of the Taurus Resources Syndicate (the "Syndicate"). The Issuer acquired the property by purchasing all of the interests of the members of the Syndicate for a total of 400,000 pre-consolidation (133,333 post-consolidation) shares of the Issuer, all of which are held in escrow. Reference is made to the section captioned "Escrowed Shares".

The property consists of 30 located claims and is situated approximately 135 km. southwest of Burns Lake and about 65 km. from tidewater at the head of Dean Channel on the central British Columbia Coast. The property is situated within Tweedsmuir Provincial Park but outside of the Eutsuk Nature Conservancy Area. Exploration work on the claims was not permitted between May 1973 and April 1987 because of their location in the Park, but the claims remain in good standing without the recording of assessment work or the payment of cash in lieu by virtue of Order in Council 1442 (May 1, 1973) and Order in Council 1434 (April 25, 1974).

Before exploration work was interrupted, mapping and rock geochemists outlined a target with the potential to host a stock-work molybdenum deposit.

There is no record of production from the property.

None of the proceeds from this offering will be spent on the property.

4. SHARE OFFERING AND PLAN OF DISTRIBUTION

Offering and Appointment of Agent

The Issuer by an agreement, dated September 18, 1987 (the "Agency Agreement") appointed Merit Investment Corporation, of 1500-625 Howe Street, Vancouver, B.C. as its agent (the "Agent") to offer (the "Offering") through the facilities of the Vancouver Stock Exchange (the "Exchange") a total of 700,000 units (the "Units"), each Unit consisting of one common share and one Series "A" Warrant (the "Warrants"). 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 securities of the Issuer are conditionally listed on the Exchange (the "Effective Date"). The offering price of the Units will be \$0.55 per Unit.

The Agent will receive a commission of \$0.05 per Unit.

The Agent has agreed to purchase any Units not sold at the conclusion of the Offering. In consideration therefor, the Agent has been granted non-transferable share purchase warrants (the "Agent's Warrants") entitling it to purchase up to 175,000 Shares of the Issuer at any time up to the close of business 180 days from listing for trading of the Issuer's securities on the Exchange or 12 months from the Effective Date, whichever is earlier, at a price of \$0.65 per share.

Selling Group Participation

The Agent reserves the right to offer selling group participation, in the normal course of the brokerage business, to selling groups of other licenced broker-dealers, brokers and investment dealers, who may or may not be offered part of the commissions or bonuses derived from the Offering.

Rights of Termination

The obligations of the Agent under the Agency Agreement may be terminated at any time up to the opening of the market on the Offering Day at the Agent's discretion on the basis of its assessment of the state of the financial markets and upon the occurrence of certain stated events.

Right of First Refusal

The Issuer has granted the Agent a right of first refusal to provide future public equity financing to the Issuer for a period of 12 months from the Effective Date.

Miscellaneous

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.

The directors, officers and other insiders of the Issuer may purchase Units from the Offering.

Conditional Listing

The Exchange has conditionally listed the securities being offered by this Prospectus. Listing is subject to the Issuer fulfilling all the listing requirements of the Exchange on or before April 19, 1988, including prescribed distribution and financial requirements.

Description of Securities Offered

**Share Purchase Warrants**

The warrants will contain, among other things, anti-dilution provisions and provision for appropriate adjustment of 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 or the payment of stock dividends.

**Series "A" Warrants**

The Series "A" Warrants will be transferable and in bearer form and two such warrants will entitle the holder thereof to purchase one common share of the Issuer at any time up to the close of business 180 days from the date of listing for trading of the Issuer's securities on the Exchange or 12 months from the Effective Date, whichever is earlier, at the purchase price of \$0.65 per share.

**Agent's Warrants**

The Agent's Warrants will contain the same terms and conditions as the Series "A" Warrants except that they will be non-transferable and only one Agent's Warrant is required to purchase one share in the capital stock of the Issuer.

**Additional Offering**

This Prospectus also qualifies the issuance of the Agent's Warrants and distribution at the market price prevailing at the time of the sale of any shares purchased by the Agent hereunder. The Agent is entitled pursuant to the Securities Act and its Regulations to sell any shares acquired on exercise of the Agent's Warrants without further qualification. The Issuer will not receive any proceeds from the sale of any such shares by the Agent, all of which proceeds will in such event accrue to the Agent.

**5. USE OF PROCEEDS**

The net proceeds to be derived by the Issuer from the sale of the securities offered hereunder will be \$350,000, which when added to the Issuer's cash on hand as at June 30, 1987 of approximately \$139,384 will total \$489,384. The source of the Issuer's cash on hand is derived primarily from the sale of shares for cash in its pre-prospectus stage.

The principal purposes for which the total available funds will be expended, in order of priority, is as follows:

- |   |           |
|---|-----------|
| 1. To pay the legal, audit and printing expenses of this prospectus, estimated at   | \$ 15,000 |
| 2. To pay current liabilities as at June 30, 1987 (estimated)   | \$ 14,947 |
| 3. <u>Macauley Creek Property:</u><br>To pay for Drill Program, Stage I and Mapping the Other Prospects, Stage I, as recommended by J.R. Woodcock in his report, dated April 15, 1987 (the "Macauley Report") | \$265,000 |
| 4. <u>Kusp Property</u><br>(a) To reimburse acquisition and exploration expenses incurred by J.R. Woodcock  | \$ 9,381  |
| (b) To pay for Stage I of the exploration program on the Kusp Property as recommended by J.R. Woodcock in his report, dated April, 1987 (the "Kusp Report")   | \$ 25,000 |

5. To provide reserve for working capital and general administrative expenses

\$160,056

\$489,384

If any of the Agent's Warrants are exercised, the proceeds will be used to provide partial payment of Stage II of the recommended exploration program on the Kusp Property or will be added to the amount reserved for working capital and general administrative expenses.

No part of the proceeds shall be used to invest, underwrite or trade in securities other than those that qualify as investments in which trust funds may be invested under the laws of the jurisdictions in which the securities offered by this prospectus may lawfully be sold.

Should the Issuer intend to use the proceeds to acquire other than trustee type securities after the distribution of the securities offered by this prospectus, approval of the shareholders of the Issuer must first be obtained and notice of the intention filed with the regulatory securities bodies having jurisdiction over the sale of the securities offered by this prospectus.

The proceeds from the sale of shares offered by this prospectus are intended to be used for the purposes set forth above and in carrying out the above work program. The Issuer will not discontinue or materially depart from the recommended work program unless advised to do so in writing by an independent, qualified consulting engineer.

In the event of any such discontinuance or departure during the distribution of the shares offered by this prospectus, which makes untrue or misleading any statement of a material fact contained herein, an amendment to this prospectus will be filed in accordance with the requirements of the Securities Act (British Columbia). Following completion of the distribution of the shares offered by this prospectus, shareholders will be notified of material changes in the affairs of the Issuer to the extent required by and in accordance with applicable legislation and the requirements of appropriate regulatory authorities.

6. **ISSUANCE OF SHARES**

The authorized capital of the Issuer consists of 10,000,000 Common Shares without par value of which 1,497,221 shares are issued as 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 (British Columbia).

7. **SHARE AND LOAN CAPITAL STRUCTURE**

Designation of Security	Amount Authorized	Amount Outstanding as of June 30, 1987	Amount Outstanding within 30 days of date hereof	Amount to be Outstanding if all securities being issued are sold
common shares	10,000,000	1,497,221 (\$190,305)	1,497,221 (\$190,305)	2,197,221(1) (\$525,305)(2)

(1) Does not give effect to the following:

(a) 100,000 shares subject to incentive stock options. Reference is made to the section captioned "Options to Purchase Securities".

(b) Exercise of 700,000 Series "A" Warrants entitling the holders thereof the right to purchase up to 350,000 common shares in the capital stock of the Issuer.

(c) Exercise of Agent's Warrants entitling the Agent to purchase up to 175,000 common shares in the capital stock of the Issuer.

Reference is made to the section captioned "Share Offering and Plan of Distribution" with respect to items (1)(b) and (1)(c) above.

(2) After deduction of estimated offering expenses.

8. **PRIOR SALES**

**Shares Issued for Cash**

The following is a summary of the shares issued and allotted for cash by the Issuer during the 12-month period prior to the date of the prospectus.

<u>Number of Shares</u>	<u>Price per Share</u>	<u>Total Commissions Paid</u>	<u>Net Cash Received</u>
616,667(1)	\$0.01	Nil	\$ 6,167
530,556(2)	\$0.25	Nil	\$132,639
<u>1,147,223(3)</u>			

(1) These shares are held in escrow by the Issuer's Registrar and Transfer Agent and reference is made to the section captioned "Escrowed Shares" for further details of the escrow arrangements.

(2) These shares are held in pool by the Issuer's Registrar and Transfer Agent and reference is made to the section captioned "Pooled Shares" for further details of the pooling arrangements.

(3) With respect to sales made to insiders and their associates, Anne M. Woodcock, the wife of J.R. Woodcock, purchased 40,000 shares in the capital stock of the Issuer at a price of \$0.25 per share. Reference is also made to the section captioned "Principal Holders of Securities".

With respect to stock options or warrants granted to any person or company, reference is made to the section captioned "Options to Purchase Securities" and "Share Offering and Plan of Distribution".

**9. RISK FACTORS**

The shares offered hereby are considered speculative due to the nature of the Issuer's business and the present stage of its development. A prospective investor should consider carefully the following factors:

Miscellaneous

- There is at present no market for the shares of the Issuer.
- The Issuer is a relatively new company and has no proven history of performance or earnings and its ability to develop into a viable business enterprise is largely dependent upon its management.
- Resource exploration and development is a speculative business and involves a high degree of risk. The marketability of natural resources which may be acquired or discovered by the Issuer will be affected by numerous factors beyond the control of the Issuer. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, importing and exporting of minerals and environment protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Issuer not receiving an adequate return on invested capital or the investment retaining its value.

4. The existence of title opinions should not be construed to suggest that the Issuer has good and marketable title to all the properties described in this Prospectus. The Issuer follows the usual industry practice in obtaining title options with respect to its lands.

Dilution

The following table reflects the dilution which will result from the purchase of the Shares offered pursuant to this Offering:

**Dilution per Share**

Offering price per Common Share	\$0.55
Net tangible book value before Offering	\$0.101
Increase of net tangible book value attributable to the Offering per Common Share	\$0.1525
Net tangible book value after the Offering	\$0.227(1)
Dilution to subscribers per Common Share	\$0.323
Percentage of dilution in relation to Offering price	58.73%

(1) After deduction of the remuneration of the Agent and costs of the issue and excluding the effect of exercise of the incentive stock options and Series "A" Warrants.

Comparison of Securities Offered and Issued

<u>Securities Offered for Cash Consideration by this Prospectus on Completion of Offering</u>	<u>Securities issued to Promoters, Directors, Officers and Substantial Security Holders</u>	<u>Securities issued to Underwriters as defined by Local Policy #3-30</u>
<u>Number</u>	<u>Percent Issued</u>	<u>Number</u>
700,000	31.86%	1,073,885
		71.73%(1)
		48.88%(2)
		Reference is made to the section captioned "Principal Holders of Securities"

(1) prior to completion of the sale of the securities offered hereby

(2) upon completion of the sale of the securities offered hereby

Resale of Shares

The continued operation of the Issuer will be dependent upon its ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained. If the Issuer is unable to generate such revenues or obtain such additional financing, any investment in the Issuer may be lost. In such event, the probability of resale of the shares purchased would be diminished.

10. DIRECTORS AND OFFICERS

The following are the full names, municipality of residence, positions with the Issuer and principal occupations within the preceding five years of all of the directors and officers of the Issuer:

<u>Name and Address and Position with Issuer</u>	<u>Principal Occupation for the Past Five Years</u>
<b>John Richard Woodcock</b> B.Ap.Sc., M.Sc., P.Eng. North Vancouver, B.C. Chief Executive Officer, President and Director	Consulting Geological Engineer
<b>Alan George Thompson</b> West Vancouver, B.C. Chief Financial Officer and Director	Chairman and Chief Executive Officer, Brink, Hudson & Lefever Ltd. (stockbrokers)
<b>John Bruk</b> B.Comm., LL.B. Sidney, B.C. Director	Director, Royal LePage (real estate), Jul/87 to date; Director, Trilon Bancorp Inc. (investment banking), Sept/85 to date; President, Pacific Endeavours Inc. (business development company); Founding Chairman, Asia Pacific Foundation of Canada (government sponsored organization established to promote cultural and economic relations between Pacific Rim countries and to communication information pertaining thereto)
<b>Kenneth Gordon McDonald</b> B.Sc., MBA North Vancouver, B.C. Director	General Manager, West Coast Drugs Ltd. (pharmaceuticals)
<b>Derek William Thompson</b> North Vancouver, B.C. Secretary	Service Representative, Yamaha Motors Canada Ltd., Outboard Motor Division (Japanese international conglomerate)

The directors and officers of the Issuer are also directors and officers of other companies engaged in the acquisition, exploration and development of resource properties.

The directors are aware of their potential conflicts of interest and will deal with them in accordance with the relevant provisions of the Company Act (British Columbia).

11. STATEMENT OF EXECUTIVE COMPENSATION

(a) Number of Executive Officers

The Issuer has one executive officer.

(b) Direct Compensation

No cash compensation, including salaries, fees, directors' fees, commissions and bonuses, among other things, has been paid by the Issuer and its subsidiaries to its executive officers during the most recently completed financial year.

(c) Particulars of Options to Purchase Securities

The total number of shares under option as at the date hereof is 100,000 shares (as to 50,000 with respect to directors and as to 50,000 with respect to employees). Reference is made to the section captioned "Options to Purchase Securities".

12. OPTIONS TO PURCHASE SECURITIES

Pursuant to agreements, dated June 19, 1987, the Issuer has granted to its directors and employees options to purchase up to an aggregate of 100,000 common shares of the Issuer. Particulars of the options are as follows:

<u>Category</u>	<u>No. of Persons</u>	<u>No. of Common Shares under Option</u>	<u>Exercise Price and Term</u>
Directors(1)	2	50,000	) \$0.55 per share exercisable at any time within two years from June 19, 1987
Executive Officers	1	50,000(2)	
Employees	nil	nil	

(1) As to 25,000 shares to Alan G. Thompson and as to 25,000 shares to John Bruk.

(2) An option on 50,000 shares held by J.R. Woodcock, an executive officer, is designated as an "employee" option.

The aforesaid options are non-assignable and have been granted as incentives and not in lieu of any compensation for services.

There was no market for the Issuer's securities at the time the options were granted and the market value as of that date has been estimated at \$0.55 per share based upon the proposed offering price.

There are no other options to purchase securities of the Issuer.

13. PROMOTERS

Under the definition of "promoter" contained in Section 1 of the Securities Act (British Columbia), John R. Woodcock

("Woodcock") of 3870 Lonsdale Avenue, North Vancouver, B.C., V7N 3K6, is the promoter of the Issuer in that he took the initiative in founding and organizing the Issuer and by virtue of having received more than 10% of the common stock of the Issuer.

Woodcock has received no consideration in the form of cash, shares, or otherwise from the Issuer for acting as the promoter.

However, Woodcock purchased shares of the Issuer for cash as follows:

<u>Number of Shares Purchased at \$0.30</u>	<u>Number of Shares Purchased at \$0.25</u>	<u>Number of Shares Purchased at \$0.01</u>
17,777	115,000	191,667(1) 44,443(2)

(1) Reference is made to the caption entitled "Escrowed Shares, Principals' Shares".

(2) Reference is made to the caption entitled "Escrowed Shares, Property Shares".

The Issuer granted to Woodcock in his capacity as a employee of the Issuer, an incentive stock option to purchase up to 50,000 shares in the capital stock of the Issuer. Reference is made to the section captioned "Options to Purchase Securities" for further details with respect thereto.

In addition, the Issuer intends to reimburse Woodcock from the proceeds of the Offering in the amount of \$9,381 with respect to the cost of acquisition and exploration pertaining to the Kusp Property. Reference is made to Item B of the section captioned "Properties of the Issuer".

#### 14. PRINCIPAL HOLDERS OF SECURITIES

As at the date of this Prospectus, the number of shares of the Issuer owned by each person or company who owns of record or is known by the Issuer to own beneficially, directly or indirectly, more than 10% of the said common shares is as follows:

<u>Name</u>	<u>Designation of Class</u>	<u>Type of Ownership</u>	<u>No. of Securities Owned</u>	<u>Percentage of Issued Securities</u>
John R. Woodcock	Common	Direct and Beneficial	368,887	24.64%
Kenneth G. McDonald	Common	Direct and Beneficial	250,000	16.70%
John Bruk	Common	Indirect and Beneficial	75,000(1)	
	Common	Direct and Beneficial	162,222	
Total:			237,222	15.84%

Derek W. Thompson      Common      Direct and Beneficial      194,445      12.99%

(1) These shares are registered in the name of MIBS Investments Ltd., a private company controlled by John Bruk.

The percentage of securities of each class of voting securities of the Issuer beneficially owned, directly or indirectly, by all directors and senior officers of the Issuer, as a group, is as follows:

<u>Designation of Class</u>	<u>Number of Securities</u>	<u>Percentage of Issued Shares of Class</u>
Common	1,073,885	71.73%

Associates and affiliates of the Agent and other registered securities brokers and salesmen have, directly and indirectly, purchased a total of 134,165 shares of the Issuer at \$0.25 per share, which shares represent 6.11% of the issued securities on completion of this Offering. Of these shares, 10,000 shares are subject to an undertaking by such persons or companies as set forth in paragraph (a) below and the remaining 124,165 shares are subject to an undertaking by such persons or companies as set forth in paragraphs (a) to (d) below:

(a) no sale or other dealing in the said shares shall take place prior to the expiry of six (6) months from the date of listing of the shares of the Issuer on the Vancouver Stock Exchange;

(b) sales of the Issuer's shares in the 3-month period following the expiry of six (6) months from the date of listing of the Issuer's shares on the Vancouver Stock Exchange shall be limited to 25% of such holdings.

(c) sales of the Issuer's shares in each 3-month period thereafter will be limited to a maximum of 25,000 shares.

(d) None of the holdings will be sold until at least seven (7) days after notice of the intended sale is filed with the British Columbia Securities Commission and the Vancouver Stock Exchange. Where such sale or other dealing does not take place within 120 days from the date of notice, further notice will be required.

#### 15. ESCROWED SECURITIES

As at the date of this Prospectus 750,000 shares are held in escrow by Guaranty Trust Company of Canada, representing 50.09% of the issued shares of the Issuer.

##### Principals' Shares

<u>Designation of Class</u>	<u>Number of Principals' Shares Held in Escrow</u>	<u>Percentage of Issued Shares</u>
Common	616,667	41.19%

Certain directors, officers and promoters of the Issuer have acquired 616,667 principals' cash paid shares (the "Principals' Shares") of the Issuer at a price of \$0.01 per share as follows:

<u>Name</u>	<u>No. of Principals' Shares</u>
John Bruk	100,000
Derek Thompson	100,000
J. R. Woodcock	191,667
Kenneth G. McDonald	225,000
<b>Total:</b>	<b><u>616,667</u></b>

These Principals' Shares were issued as in incentive to the aforesaid persons and to provide them with a measure of control in order that work on the development of the Issuer's properties might proceed in an orderly fashion.

The escrow restrictions contained in the Escrow Agreement Principals' Shares, dated June 19, 1987, 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 British Columbia Securities Commission (the "Commission") prior to listing of the Issuer's shares on the Vancouver Stock Exchange (the "Exchange") or, while the shares are listed on the Exchange, the consent of the Exchange. The Commission or Exchange may permit the release of all or a portion of the escrow shares based, among other things, upon the future success of the Issuer. Any shares not released at the expiration of ten years from the Effective Date of this Prospectus will be automatically cancelled.

**Property Shares**

<u>Designation of Class</u>	<u>Number of Property Shares Held in Escrow</u>	<u>Percentage of Issued Shares</u>
Common	133,333	8.91%

Certain directors, officers and promoters of the Issuer have acquired 133,333 escrow shares (the "Property Shares") of the Issuer at a price of \$0.01 per share as follows:

<u>Name</u>	<u>No. of Property Shares</u>
John Bruk	44,445
Derek Thompson	44,445
J. R. Woodcock	44,443
<b>Total:</b>	<b><u>133,333</u></b>

The escrow restrictions contained in the Escrow Agreement - Property, dated June 19, 1987 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 British Columbia Securities Commission (the "Commission") prior to listing of the Issuer's shares on the Vancouver Stock Exchange (the "Exchange") or, while the shares are listed on the Exchange, the consent of the Exchange. The escrow arrangements also provide, among other matters that:

- (a) Failure of the Issuer to maintain or develop the property for which the escrowed shares were issued will not necessarily result in a cancellation of all or any part of the escrowed shares.
- (b) Any shareholder or group of shareholders of the Issuer, holding in the aggregate not less than 5% of the issued and outstanding shares of the Issuer may, by notice in writing directed to the Commission or the Exchange, request that the Commission or Exchange order or direct that all or a portion of the escrowed shares be cancelled.

The complete text of each of the Escrow Agreement - Principals' Shares and the Escrow Agreement - Property is available for inspection at 720-999 West Hastings Street, Vancouver, B.C. V6C 2W2.

**16. POOLED SHARES**

There are 647,223 shares of the Issuer held in pool by Guaranty Trust Company of Canada pursuant to the terms of a Pooling Agreement, dated for reference June 19, 1987. All of the said shares will be released from the provisions of this Pooling Agreement on the following basis:

- (a) 25% of the shares on the Approval Date (the "Approval Date" shall mean the first day of the shares of the Issuer commence trading on the Vancouver Stock Exchange);
- (b) 25% of the shares three months following the Approval Date;
- (c) 25% of the shares six months following the Approval Date; and
- (d) the balance of the shares nine months following the Approval Date.

In the event that the Issuer's shares have not been listed for trading on the Exchange within 12 months from the date of this Prospectus and provided the distribution of shares pursuant to this Prospectus has been completed, then all pooled shares will be released by Guaranty Trust Company of Canada.

Prior to the release of these shares, as aforesaid, these shares may not be dealt with by the shareholders without the prior consent of the British Columbia Securities Commission.

A further 99,998 shares are held in pool by Guaranty Trust Company of Canada pursuant to the terms of a Voluntary Pooling Agreement, dated for reference June 19, 1987. All of the said shares will be released from the provisions of this Voluntary Pooling Agreement on the following basis:

- (a) 25% of the shares on the Approval Date (the "Approval Date" shall mean the first day of the shares of the Issuer commence trading on the Vancouver Stock Exchange);
- (b) 25% of the shares three months following the Approval Date;
- (c) 25% of the shares six months following the Approval Date; and
- (d) the balance of the shares nine months following the Approval Date.

In accordance with the terms of the Voluntary Pooling Agreement, the terms thereof may be amended generally or with respect to a particular block of shares by the written consent of at least 50% of the shareholders holding greater than 50% of the pooled shares and with the written consent of the Issuer.

The complete text of the each of the Pooling Agreement and the Voluntary Pooling Agreement is available for inspection at 720-999 West Hastings Street, Vancouver, B.C. V6C 2W2.

**17. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

None of the following persons have any interest in any material transactions in which the Issuer is involved, except as disclosed herein:

- (a) any director or senior officer of the Issuer;
- (b) any securityholder named in the section captioned "Principal Holders of Securities"; and
- (c) any associate or affiliate of any of the foregoing securityholders.

**18. MATERIAL CONTRACTS**

Except for contracts made in the ordinary course of the Issuer's business, the only material contracts entered into by the Issuer since its incorporation are as follows:

1. The Agency Agreement referred to in the section captioned "Plan of Distribution".
2. The Agreement, dated April 6, 1987, entered into with Kennco Explorations (Western) Ltd. referred to in the section captioned "Property of the Issuer" pertaining to the acquisition of the Macauley Creek Property.
3. The Stock Option Agreements referred to in the section captioned "Options to Purchase Securities".
4. The Escrow Agreement - Principals' Shares referred to in the section captioned "Escrowed Shares".
5. The Escrow Agreement - Property referred to in the section captioned "Escrowed Shares".
6. The Pooling Agreement referred to in the section captioned "Pooled Shares".
7. The Voluntary Pooling Agreement referred to in the section captioned "Pooled Shares".

Copies of the foregoing contracts may be inspected at 720-999 West Hastings Street, Vancouver, B.C. V6C 2W2, during normal business hours while distribution of the shares offered hereunder is in progress and for a period of 30 days thereafter.

**19. AUDITOR, TRANSFER AGENT AND REGISTRAR**

The auditor of the Issuer is:

Bruce F. Jamieson & Co.  
Certified General Accountant  
315-850 West Hastings Street  
Vancouver, B.C., V6C 1E1

The Registrar and Transfer Agent for the Issuer is:

Guaranty Trust Company of Canada  
200-800 West Pender Street  
Vancouver, B.C., V6C 2V7



20. **OTHER MATERIAL FACTS**

There are no other material facts relating to the securities offered by this Prospectus which are not previously disclosed under the foregoing captions.

21. **PURCHASER'S STATUTORY RIGHTS**

The Securities Act (British Columbia) provides a purchaser with the 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 Sections 66, 114, 118 and 124 of the Securities Act or consult a lawyer.

ADASTRAL RESOURCES LTD.  
(FORMERLY: ADASTRAL MINING CORPORATION LTD. (N.P.L.))  
FINANCIAL STATEMENTS  
JUNE 30, 1987  
(JUNE 30, 1986)  
(JUNE 30, 1985)  
(JUNE 30, 1984)  
(JUNE 30, 1983)

ADASTRAL RESOURCES LTD.  
(FORMERLY: ADASTRAL MINING CORPORATION LTD. (N.P.L.))

INDEX TO THE FINANCIAL STATEMENTS

JUNE 30, 1987

(JUNE 30, 1986; JUNE 30, 1985; JUNE 30, 1984; JUNE 30, 1983)

AUDITOR'S REPORT

BALANCE SHEET

STATEMENT OF ADMINISTRATION COSTS AND DEFICIT

STATEMENT OF OPERATING, FINANCING AND INVESTING ACTIVITIES

SCHEDULE OF DEFERRED EXPLORATION AND DEVELOPMENT COSTS

NOTES TO THE FINANCIAL STATEMENTS

Exhibit A

Exhibit B

Exhibit C

Schedule I

BRUCE F. JAMIESON & CO.  
CERTIFIED GENERAL ACCOUNTANT

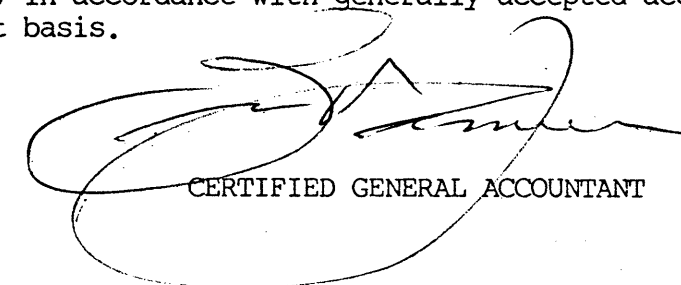
#315 - 850 W. HASTINGS ST.  
VANCOUVER, B.C. V6C 1E1  
Telephone: (604) 684-3354

AUDITOR'S REPORT

To the Directors of  
Adastral Resources Ltd.  
(Formerly: Adastral Mining Corporation Ltd. (N.P.L.))

I have examined the balance sheets of Adastral Resources Ltd. (formerly: Adastral Mining Corporation Ltd. (N.P.L.)) as at June 30, 1987, June 30, 1986, June 30, 1985, June 30, 1984, and June 30, 1983, the statements of administration costs and deficit, the statements of operating, financing and investing activities, and the schedules of deferred exploration and development costs for the years then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the company as at June 30, 1987, June 30, 1986, June 30, 1985, June 30, 1984, and June 30, 1983, and the results of its operations and changes in its financial position for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.



CERTIFIED GENERAL ACCOUNTANT

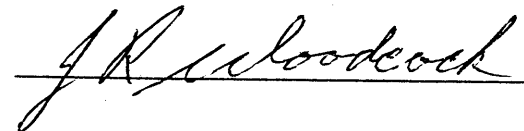
Vancouver, B.C.  
July 16, 1987


Exhibit A

ADASTRAL RESOURCES LTD.  
(FORMERLY: ADASTRAL MINING CORPORATION LTD. (N.P.L.))  
BALANCE SHEET  
JUNE 30,

	1987	1986	1985	1984	1983
<u>ASSETS</u>					
Current Assets					
Bank accounts	\$ 139,384	\$ 9,479	\$ 10,818	\$ 10,200	\$ 10,340
Mineral Properties, including deferred costs (Notes 2 and 4)	38,317	27,999	22,411	22,096	21,466
Incorporation Costs (Note 3)	958	958	958	958	958
	<u>\$ 178,659</u>	<u>\$ 38,436</u>	<u>\$ 34,187</u>	<u>\$ 33,254</u>	<u>\$ 32,764</u>
<u>LIABILITIES</u>					
Current Liabilities					
Accounts payable	\$ 14,947	\$ 6,200	\$ 317	\$ -	\$ -
<u>SHAREHOLDERS' EQUITY</u>					
Share Capital (Note 5)	190,305	51,500	51,500	51,500	51,500
Deficit	(26,593)	(19,264)	(17,630)	(18,246)	(18,736)
	<u>\$ 178,659</u>	<u>\$ 38,436</u>	<u>\$ 34,187</u>	<u>\$ 33,254</u>	<u>\$ 32,764</u>

Approved on Behalf of the Board:

 Director

 Director

The accompanying notes are an integral part of the financial statements.

Exhibit B

ADASTRAL RESOURCES LTD.  
(FORMERLY: ADASTRAL MINING CORPORATION LTD. (N.P.L.))  
STATEMENT OF ADMINISTRATION COSTS AND DEFICIT  
FOR THE YEARS ENDED JUNE 30,

	1987	1986	1985	1984	1983
<u>ADMINISTRATION COSTS:</u>					
Bank charges	\$ 39	\$ 19	\$ 12	\$ 10	\$ -
Consulting	-	1,575	-	-	-
Miscellaneous	8	14	-	-	-
Office	104	387	2	3	42
Professional fees	7,471	196	153	189	175
Telephone	58	66	-	-	-
	<u>7,680</u>	<u>2,257</u>	<u>167</u>	<u>202</u>	<u>217</u>
Interest income	(351)	(623)	(783)	(692)	(977)
TOTAL ADMINISTRATION COSTS	7,329	1,634	(616)	(490)	(760)
DEFICIT AT BEGINNING OF YEAR	<u>19,264</u>	<u>17,630</u>	<u>18,246</u>	<u>18,736</u>	<u>19,496</u>
DEFICIT AT END OF YEAR	<u>\$ 26,593</u>	<u>\$ 19,264</u>	<u>\$ 17,630</u>	<u>\$ 18,246</u>	<u>\$ 18,736</u>

The accompanying notes are an integral part of the financial statements.

ADASTRAL RESOURCES LTD.  
(FORMERLY: ADASTRAL MINING CORPORATION LTD. (N.P.L.))  
STATEMENT OF OPERATING, FINANCING AND INVESTING ACTIVITIES  
FOR THE YEARS ENDED JUNE 30,

	1987	1986	1985	1984	1983
OPERATING ACTIVITIES:					
Decrease(Increase) in deficit	\$ (7,329)	\$ (1,634)	\$ 616	\$ 490	\$ 760
Increase in accounts payable	<u>8,747</u>	<u>5,883</u>	<u>317</u>	<u>-</u>	<u>-</u>
	<u>1,418</u>	<u>4,249</u>	<u>933</u>	<u>490</u>	<u>760</u>
FINANCING ACTIVITIES:					
Issue of share capital for cash	<u>138,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
INVESTING ACTIVITIES:					
Acquisition of mineral properties	1	-	-	-	-
Deferred exploration and development costs	<u>10,317</u>	<u>5,588</u>	<u>315</u>	<u>630</u>	<u>330</u>
	<u>10,318</u>	<u>5,588</u>	<u>315</u>	<u>630</u>	<u>330</u>
INCREASE (DECREASE) IN CASH	129,905	(1,339)	618	(140)	430
CASH AT BEGINNING OF YEAR	<u>9,479</u>	<u>10,818</u>	<u>10,200</u>	<u>10,340</u>	<u>9,910</u>
CASH AT END OF YEAR	<u>\$ 139,384</u>	<u>\$ 9,479</u>	<u>\$ 10,818</u>	<u>\$ 10,200</u>	<u>\$ 10,340</u>
Cash Consists of:					
Bank accounts	<u>\$ 139,384</u>	<u>\$ 9,479</u>	<u>\$ 10,818</u>	<u>\$ 10,200</u>	<u>\$ 10,340</u>

The accompanying notes are an integral part of the financial statements.

ADASTRAL RESOURCES LTD.  
(FORMERLY: ADASTRAL MINING CORPORATION LTD. (N.P.L.))  
SCHEDULE OF DEFERRED EXPLORATION AND DEVELOPMENT COSTS  
FOR THE YEARS ENDED JUNE 30,

	1987	1986	1985	1984	1983
EXPLORATION AND DEVELOPMENT COSTS:					
Accommodation and meals	\$ 46	\$ 146	\$ -	\$ -	\$ -
Assays	-	194	-	-	-
Drafting	-	247	-	-	-
Engineer	1,125	3,750	-	-	-
Helicopter	2,491	623	-	-	-
Licences and recording fees	651	105	315	630	330
Travel	103	523	-	-	-
Trenching	<u>5,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
COSTS INCURRED DURING YEAR	10,317	5,588	315	630	330
BALANCE AT BEGINNING OF YEAR	<u>23,999</u>	<u>18,411</u>	<u>18,096</u>	<u>17,466</u>	<u>17,136</u>
BALANCE AT END OF YEAR	<u>\$ 34,316</u>	<u>\$ 23,999</u>	<u>\$ 18,411</u>	<u>\$ 18,096</u>	<u>\$ 17,466</u>

The accompanying notes are an integral part of the financial statements.

ADASTRAL RESOURCES LTD.  
(FORMERLY: ADASTRAL MINING CORPORATION LTD. (N.P.L.))  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 1987

(JUNE 30, 1986; JUNE 30, 1985; JUNE 30, 1984; JUNE 30, 1983)

1. NATURE OF OPERATIONS

The company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The continued operations of the company and the recoverability of the amount shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the company to obtain necessary financing to complete the development, and upon future profitable production.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Deferred Costs

The company is in the exploration stage with respect to its investment in natural resource properties and accordingly follows the practice of capitalizing all costs related to the exploration project, until such time as the project is put into commercial production, sold or abandoned. If commercial production commences, these capitalized costs will be amortized on a unit-of-production basis.

b. Values

The amounts shown for the mineral properties and deferred exploration and development costs represent costs to date and are not intended to reflect present or future values.

c. Option Payments

Payments on Option Agreements are made at the discretion of the company and accordingly are accounted for on a cash basis.

3. INCORPORATION

The company was incorporated under the British Columbia Company Act on November 15, 1971 as Adastral Mining Corporation Ltd. (N.P.L.). The company changed its name to Adastral Resources Ltd. on June 17, 1987.

.../2

4. MINERAL PROPERTIES

Capitalized  
Costs

a. Whitehorse Mining Division, Yukon Territory

i. By an Option Agreement dated April 6, 1987, the company may acquire 100% interest (subject to a 2% net smelter returns royalty) in fifty-six (56) mineral claims described as Kennco Grounds, located in the Whitehorse Mining Division, Yukon, for consideration of:

- cash, paid	\$ 1
- \$250,000 cash on or before January 31, 1992	

In addition, the company must pay a 2% net smelter returns royalty to a maximum of \$500,000 on the Adastral Ground described below in Note 4a(ii).

ii. The company owns 100% interest in three (3) mineral claims described as Adastral Ground located in the Whitehorse Mining Division, Yukon. These mineral claims were acquired by staking.

- Deferred exploration and development costs	20,821
	20,822

b. Omineca Mining Division, British Columbia

The company owns 100% interest in thirty (30) mineral claims described as the 'Eutsuk Property' located in the Omineca Mining Division of British Columbia. These mineral claims were acquired by staking.

- 400,000 pre-consolidated shares at a deemed price of \$ .01 per share (133,333 post-consolidation shares)	4,000
- Deferred exploration and development costs	12,895
	16,895

c. Slocan Mining Division, British Columbia

The company has the right to acquire 100% interest in one (1) mineral claim described as the Kusp property located in the Slocan Mining Division of British Columbia. Title to the mineral claim is with the President of the subject company and will be transferred to the subject company upon payment to him of \$9,381, being his acquisition and maintenance costs.

- Deferred exploration and development costs	600
	\$ 38,317

.../3

5. SHARE CAPITAL

The authorized share capital of the company is 10,000,000 shares without par value.

The company has issued shares of its capital stock as follows:

	1987		1983, 1984, 1985, 1986	
	Number of Shares	Amount \$	Number of Shares*	Amount \$
For cash	747,221	\$ 180,138	650,000	\$ 47,500
For cash (escrow)	616,667	6,167	-	-
For mineral properties (deemed value \$ .01)	133,333	4,000	400,000	4,000
	<u>1,497,221</u>	<u>\$ 190,305</u>	<u>1,050,000</u>	<u>\$ 51,500</u>

\* pre-consolidation as described below.

Transactions for the Issue of Share Capital:

To June 30, 1986:

- i. The company issued 400,000 pre-consolidated shares at a deemed price of \$.01 per share for the mineral property described in Note 4(b) above. These shares were consolidated to 133,333 shares.
- ii. The company issued 350,000 pre-consolidated shares at a price of \$.05 per share. These shares were consolidated to 116,665 shares.
- iii. The company issued 300,000 pre-consolidated shares at a price of \$.10 per share. These shares were consolidated to 100,000 shares.

To June 30, 1987

- i. The share capital of the company was consolidated on a basis of one for three, thus reducing the share capital issued prior to June 30, 1986 to 349,998 shares.
- ii. The authorized share capital has been increased to 10,000,000 shares without par value from 3,000,000 shares with a par value of \$ .50 each.
- iii. The company issued 530,556 shares at a price of \$ .25 per share.
- iv. The company issued 616,667 escrowed shares at a price of \$ .01 per share.

Stock Options:

The company has granted stock options to two Directors and an employee totaling 100,000 shares, exercisable at a price of \$ .55 per share on or before June 19, 1989.

.../4

6. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

No direct remuneration has been paid or is payable to the Directors or Senior Officers of the subject company since incorporation.

7. RELATED TRANSACTIONS

- i. The mineral properties described in Note 3(b) above were acquired from a syndicate which was controlled by three Directors of the subject company.
- ii. Administration consulting fees totaling \$1,575 were paid to a corporation owned by the President of the subject company.
- iii. Engineering fees totaling \$4,875 were paid or are payable to a corporation owned by the President of the subject company.

8. TAX LOSS CARRY-FORWARD

The company is in the exploration stage with regards to its mineral properties and as such capitalized all costs for tax purposes. The potential future tax benefit of these capitalized costs has not been reflected in the accompanying financial statements.

9. ADDITIONAL INFORMATION


The company is planning to offer to the public, by way of a Primary Prospectus a financing consisting of 700,000 units at a price of \$ .55 per unit, to net the corporate treasury \$350,000. Each unit consists of one (1) share and one (1) Series "A" share purchase warrant, two (2) warrants may be exercised at a price of \$ .65, for 180 days from the date of listing of the company's shares on the Vancouver Stock Exchange, to purchase one (1) additional share.


**CERTIFICATES**

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the Securities Act (British Columbia), and its regulations.


DATED: September 18, 1987


**Issuer**

  
\_\_\_\_\_  
JOHN R. WOODCOCK  
Chief Executive Officer,  
President and Director

  
\_\_\_\_\_  
ALAN G. THOMPSON  
Chief Financial Officer  
and Director

**On behalf of the Board of Directors**

  
\_\_\_\_\_  
JOHN BRUK  
Director

  
\_\_\_\_\_  
KENNETH G. McDONALD  
Director

**Promoters**

  
\_\_\_\_\_  
JOHN R. WOODCOCK  
Promoter

**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 Part 7 of the Securities Act (British Columbia), and its regulations.

DATED: September 18, 1987

MERIT INVESTMENT CORPORATION

By: 

EFFECTIVE DATE: March 10, 1988

**AMENDMENT NO. 1, DATED March 1, 1988**

TO

PROSPECTUS, DATED SEPTEMBER 18, 1987  
AND EFFECTIVE OCTOBER 22, 1987 OF

**ADASTRAL RESOURCES LTD.**  
806-602 West Hastings Street  
Vancouver, B.C. V6B 1P2

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The Prospectus of Adastral Resources Ltd. (the "Issuer"), dated September 18, 1987 and effective October 22, 1987, is amended as follows:

The cover page, Prospectus Summary and Share Offering and Plan of Distribution are amended to reflect an increase in the number of units in the capital stock of the Issuer being offered, an increase in the number of non-transferable share purchase warrants being granted to the Agent, a reduction in the price per unit to the public and the exercise price per share with respect to the Series "A" Warrants.

**1. COVER PAGE**

(a) The paragraph preceding the table and the table on the cover page are amended to read as follows:

Unit Offering - 900,000 Common Shares and 1,800,000 Series "A" Share Purchase Warrants, each two such warrants entitling the holder to purchase One Common Share at \$0.55.

---

	Price to Public	Commission	Net Proceeds to be Received by the Issuer
Per Unit	\$0.45(1)	\$0.05	\$0.40
Total	\$405,000	\$45,000	\$360,000(2)

---

(b) The fifth paragraph under the table is amended to read as follows:

UPON COMPLETION OF THIS OFFERING, THIS ISSUE WILL REPRESENT 37.54% OF THE SHARES THEN OUTSTANDING AS COMPARED TO 44.80% THAT WILL THEN BE BENEFICIALLY OWNED BY DIRECTORS AND SENIOR OFFICERS OF THE ISSUER. ASSOCIATES OF THE AGENT HOLD SHARES OF THE ISSUER. SEE "PRINCIPAL HOLDERS OF SECURITIES" ON PAGE 22 FOR DETAILS OF SHARES HELD BY DIRECTORS AND SENIOR OFFICERS AND BY ASSOCIATES OF THE AGENT.

(c) The eighth paragraph under the table is amended to read as follows:



BASED ON THE OFFERING PRICE OF \$0.45 PER UNIT THE NET TANGIBLE BOOK VALUE (AFTER PAYMENT OF THE AGENT'S COMMISSION AND ESTIMATED COSTS OF THIS ISSUE) FOR EACH OF THE 2,397,221 COMMON SHARES THEN OUTSTANDING WOULD BE APPROXIMATELY \$0.212 PER SHARE RESULTING IN AN IMMEDIATE DILUTION OF APPROXIMATELY \$0.238 PER SHARE. SEE "RISK FACTORS" ON PAGE 18.

## 2. PROSPECTUS SUMMARY

(a) The disclosure under the heading "The Offering" is amended to read as follows:

### The Offering

Securities Offered:	900,000 Units, each unit consisting of One Common Share without par value and Two Series "A" Warrants.
Share Purchase Warrants:	Two Share Purchase Warrants will entitle the holder to purchase one Common share for \$0.55 at any time up to the close of business 180 days from the date of listing of the Issuer's securities on the Vancouver Stock Exchange but in any event no longer than one year from the Effective Date of the Prospectus.
Proceeds:	Unit Offering: \$405,000 (gross); \$360,000 (net)
Price:	Unit Offering: \$0.45 per Unit
	This Prospectus also qualifies any securities of the Issuer which the Agent may acquire pursuant to the Agent's Warrants.
Use of Proceeds:	The net proceeds of this issue will be used to fund an exploration program on the Macauley Creek Property, Yukon Territory and the <u>Kusp Property, Slocan Mining Division, British Columbia</u> . The balance will be added to the working capital of the Issuer.
Dilution:	The price of each Common Share offered hereby exceeds the book value of the consolidated net tangible assets per common share of the Issuer on a fully diluted basis at June 30, 1987 by \$0.238 after giving effect to this offering and assuming no exercise of the Agent's Warrants to purchase additional Common Shares.

(b) The disclosure under the heading "Capitalization" is amended to reflect that upon completion of this offering, there will be 2,397,221 Common Shares issued and outstanding.

### 3. SHARE OFFERING AND PLAN OF DISTRIBUTION

(a) The disclosure under the subheading "Offering and Appointment of Agent" on page 13 is deleted in its entirety and is substituted by the following:

#### Offering and Appointment of Agent

The Issuer by an agreement, dated September 18, 1987 and amended by agreement, dated March 1, 1988 (the "Agency Agreement") appointed Merit Investment Corporation, of 1500-625 Howe Street, Vancouver, B.C. as its agent (the "Agent") to offer (the "Offering") through the facilities of the Vancouver Stock Exchange (the "Exchange") a total of 900,000 units (the "Units"), each Unit consisting of one common share and one Series "A" Warrant (the "Warrants"). 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 securities of the Issuer are conditionally listed on the Exchange (the "Effective Date"). The offering price of the Units will be \$0.45 per Unit.

The Agent will receive a commission of \$0.05 per Unit.

The Agent has agreed to purchase any Units not sold at the conclusion of the Offering. In consideration therefor, the Agent has been granted non-transferable share purchase warrants (the "Agent's Warrants") entitling it to purchase up to 225,000 Shares of the Issuer at any time up to the close of business 180 days from listing for trading of the Issuer's securities on the Exchange or one (1) year from the Effective Date, whichever is earlier, at a price of \$0.55 per share.

(b) The disclosure under the subheading "Series "A" Warrants" on page 14 is deleted in its entirety and is substituted by the following:

#### **Series "A" Warrants**

The Series "A" Warrants will be transferable and in bearer form and two such warrants will entitle the holder thereof to purchase one common share of the Issuer at any time up to the close of business 180 days from the date of listing for trading of the Issuer's securities on the Exchange or 12 months from the Effective Date, whichever is earlier, at the purchase price of \$0.55 per share.

**4. USE OF PROCEEDS**

(a) The first paragraph under the heading "Use of Proceeds" on page 15 is amended to read as follows:

The net proceeds to be derived by the Issuer from the sale of the securities offered hereunder will be \$360,000, which when added to the Issuer's cash on hand as at June 30, 1987 of approximately \$139,384 will total \$499,384. The source of the Issuer's cash on hand is derived primarily from the sale of shares for cash in its pre-prospectus stage.

(b) Item 5 and the total on page 16 is amended to read as follows:

5. To provide reserve for working capital and general administrative expenses	<u>\$170,056</u>
	<u>\$499,384</u>

**5. SHARE AND LOAN CAPITAL STRUCTURE**

The disclosure under the heading "Share and Loan Capital Structure" on page 17 is deleted in its entirety and is substituted by the following:

<u>Designation of Security</u>	<u>Amount Authorized</u>	<u>Amount Outstanding as of June 30, 1987</u>	<u>Amount Outstanding within 30 days of date hereof</u>	<u>Amount to be Outstanding if all securities being issued are sold</u>
common shares	10,000,000	1,497,221 (\$190,305)	1,497,221 (\$190,305)	2,397,221(1) (\$530,305)(2)

(1) Does not give effect to the following:

(a) 100,000 shares subject to incentive stock options. Reference is made to the section captioned "Options to Purchase Securities".

(b) Exercise of 1,800,000 Series "A" Warrants entitling the holders thereof the right to purchase up to 900,000 common shares in the capital stock of the Issuer.

(c) Exercise of Agent's Warrants entiling the Agent to purchase up to 225,000 common shares in the capital stock of the Issuer.

Reference is made to the section captioned "Share Offering and Plan of Distribution" with respect to items (1)(b) and (1)(c) above.

(2) After deduction of estimated offering expenses.

## 6. PRIOR SALES

Note (2) under the subheading "Shares Issued for Cash" commencing on page 17 is amended to reflect that shares issued and allotted at a price of \$0.25 per share are held in pool by Guaranty Trust Company of Canada pursuant to the terms of a Voluntary Pooling Agreement, dated for reference February 16, 1988. Reference is made to the section captioned "Pooled Shares" for further details of the pooling arrangements.

## 7. RISK FACTORS

The subheadings "Dilution" and "Comparison of Securities Offered and Issued" on page 19 are amended to read as follows:

### Dilution

The following table reflects the dilution which will result from the purchase of the Shares offered pursuant to this Offering:

#### **Dilution per Share**

Offering price per Common Share	\$0.45
Net tangible book value before Offering	\$0.109
Increase of net tangible book value attributable to the Offering per Common Share	\$0.103
Net tangible book value after the Offering	\$0.212(1)
Dilution to subscribers per Common Share	\$0.238
Percentage of dilution in relation to Offering price	52.90%

(1) After deduction of the remuneration of the Agent and costs of the issue and excluding the effect of exercise of the incentive stock options and Series "A" Warrants.

Comparison of Securities Offered and Issued

<u>Securities Offered for Cash Consideration by this Prospectus on Completion of Offering</u>		<u>Securities issued to Promoters Directors, Officers and Substantial Security Holders</u>		<u>Securities issued to Underwriters as defined by Local Policy #3-30</u>	
<u>Number</u>	<u>Percent Issued</u>	<u>Number</u>	<u>Percent Issued</u>	<u>Number</u>	<u>Percent Issued</u>
900,000	37.54%	1,073,885	71.73%(1) 44.80%(2)		Reference is made to the section captioned "Principal Holders of Securities"

(1) prior to completion of the sale of the securities offered hereby

(2) upon completion of the sale of the securities offered hereby

**8. OPTIONS TO PURCHASE SECURITIES**

Page 21 under the heading "Options to Purchase Securities" is amended to reflect an exercise price of \$0.45 per share.

**9. POOLED SHARES**

(a) The first paragraph under the heading "Pooled Shares" on page 25 is amended to reflect that 116,667 shares of the Issuer are held in pool by Guaranty Trust Company of Canada pursuant to the terms of a Pooling Agreement, dated for reference June 19, 1987.

(b) The following disclosure is added under the heading "Pooled Shares":

A further 530,556 shares are held in pool by Guaranty Trust Company of Canada pursuant to the terms of a Voluntary Pooling Agreement, dated for reference February 16, 1988. All of the said shares will be released from the provisions of this Voluntary Pooling Agreement on the following basis:

(a) 25% of the shares on the Approval Date (the "Approval Date" shall mean the first day of the shares of the

Issuer commence trading on the Vancouver Stock Exchange);

- (b) 25% of the shares three months following the Approval Date;
- (c) 25% of the shares six months following the Approval Date; and
- (d) the balance of the shares nine months following the Approval Date.

In accordance with the terms of the Voluntary Pooling Agreement, the terms thereof may be amended generally or with respect to a particular block of shares by the written consent of at least 50% of the shareholders holding greater than 50% of the pooled shares and with the written consent of the Issuer.

#### **10. MATERIAL CONTRACTS**

(a) Item 7 under the heading "Material Contracts" on page 27 is amended to read as follows:

- 7. The Voluntary Pooling Agreement, dated June 19, 1987, referred to in the section captioned "Pooled Shares".

(b) The following material contract is added under the heading "Material Contracts":

- 8. The Voluntary Pooling Agreement, dated February 16, 1988, referred to in the section captioned "Pooled Shares".


(c) The last paragraph under the heading "Material Contracts" is amended to reflect that copies of the foregoing contracts may be inspected at 1040-999 West Hastings Street, Vancouver, B.C. V6C 2W2.

**CERTIFICATES**

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Amendment No. 1 to the Prospectus, dated September 18, 1987 and effective October 22, 1987 as required by Part 7 of the Securities Act (British Columbia), and its regulations.

DATED: March 1, 1988


**Issuer**

  
\_\_\_\_\_  
JOHN R. WOODCOCK  
Chief Executive Officer,  
President and Director

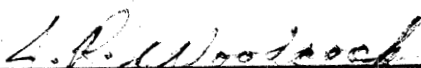
  
\_\_\_\_\_  
ALAN G. THOMPSON  
Chief Financial Officer  
and Director

**On behalf of the Board of Directors**

  
\_\_\_\_\_  
JOHN BRUK  
Director

  
\_\_\_\_\_  
KENNETH G. McDONALD  
Director

**Promoters**

  
\_\_\_\_\_  
JOHN R. WOODCOCK  
Promoter

**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 Amendment No. 1 to the Prospectus, dated September 18, 1987 and effective October 22, 1987, as required by Part 7 of the Securities Act (British Columbia), and its regulations.

DATED: March 1, 1988

MERIT INVESTMENT CORPORATION

By: 