

004478

EFFECTIVE DATE: January 4, 1988

NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THE SECURITIES OFFERED FOR SALE BY THIS PROSPECTUS MAY ONLY BE LAWFULLY OFFERED FOR SALE IN THOSE JURISDICTIONS IN WHICH THIS PROSPECTUS HAS BEEN ACCEPTED FOR FILING AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES.

A.L.
PROPERTY FILE -05
8225E016
822/3V
Dona
Quartz Reef

KEEFER RESOURCES INC.

(the "Issuer")

CTUS

NEW ISSUE

OFFERING 700,000 units at \$0.50 per unit, each unit consisting of one (1) common share and two (2) Series "A" share purchase warrants.

	PRICE TO PUBLIC	COMMISSION	NET PROCEEDS TO ISSUER*
.....	\$0.50	\$0.05	\$0.45
.....	\$350,000	\$35,000	\$315,000

issue estimated to be \$30,000.

THE MARKET THROUGH WHICH THE SECURITIES OF THE ISSUER MAY BE SOLD. THE PRICE OF THE SECURITIES OFFERED HAS BEEN DETERMINED BY NEGOTIATIONS WITH THE AGENTS.

THE SECURITIES OFFERED HEREUNDER MUST BE CONSIDERED SPECULATIVE. ALL OF THE PROPERTIES 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 "SPECULATIVE NATURE OF SECURITIES".

AN APPLICATION FOR A CONDITIONAL LISTING OF THE ISSUER'S SHARES HAS BEEN MADE TO THE VANCOUVER STOCK EXCHANGE. LISTING IS SUBJECT TO THE ISSUER FULFILLING ALL OF THE LISTING REQUIREMENTS OF THE VANCOUVER STOCK EXCHANGE ON OR BEFORE AUGUST 2, 1988 INCLUDING THE 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 HEREUNDER.

UPON COMPLETION OF THIS OFFERING, THIS ISSUE WILL REPRESENT 28.55% OF THE COMMON SHARES THEN OUTSTANDING AS COMPARED TO 41.35% THAT WILL THEN BE OWNED BY THE CONTROLLING PERSONS, PROMOTERS, DIRECTORS AND SENIOR OFFICERS OF THE ISSUER. SEE "PRINCIPAL HOLDERS OF SECURITIES".

ON THE BASIS OF THE ISSUER'S SEPTEMBER 30, 1987 FINANCIAL STATEMENTS, THE ISSUER WILL HAVE NET TANGIBLE ASSETS ON THE COMPLETION OF THIS OFFERING OF \$403,445 OR APPROXIMATELY \$0.16 PER SHARE. SUBSCRIBERS TO THIS OFFERING WILL THEREFORE HAVE SUFFERED IMMEDIATE DILUTION IN THE VALUE OF THEIR SHARES, AMOUNTING TO \$0.34 PER SHARE.

ONE OR MORE OF THE DIRECTORS OF THE ISSUER HAVE AN INTEREST, DIRECT OR INDIRECT IN OTHER NATURAL RESOURCE COMPANIES AND HAVE POTENTIAL CONFLICTS OF INTEREST WHEN SERVING IN SUCH CAPACITIES. SEE "CONFLICTS OF INTEREST".

THIS PROSPECTUS ALSO QUALIFIES FOR SALE TO THE PUBLIC AT THE MARKET PRICE FOR THE SHARES AT THE TIME OF SALE ANY SHARES OF THE ISSUER WHICH THE AGENTS MAY ACQUIRE PURSUANT TO THE AGENTS' WARRANTS. SEE "PLAN OF DISTRIBUTION".

WE, AS AGENTS, 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 THE HEADING "PLAN OF DISTRIBUTION".

AGENTS

Continental Carlisle Douglas
1000 - 1055 Dunsmuir Street
Vancouver, British Columbia
V7X 1L4

Yorkton Securities Inc.
609 Granville Street
Vancouver, British Columbia
V7M 3J1

McDermid St. Lawrence Ltd.
1000 - 601 West Hastings Street
Vancouver, British Columbia
V6B 5E2

THIS PROSPECTUS IS DATED: December 9, 1987

201100

KEEFER RESOURCES LTD.

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SUMMARY OF PROSPECTUS

This is a summary only and is qualified by the more detailed information appearing elsewhere in this Prospectus.

ISSUE: 700,000 units, each unit consisting of one (1) common share and two (2) Series "A" share purchase warrants.

PRICE: \$0.50 per unit. Each unit sold is subject to a commission payable of \$0.05 per unit so that the Issuer will net \$0.45 per unit.

PURPOSE OF THE ISSUE: The purpose of this issue is to provide the Issuer with funds to carry out a work program on its Dona Property and its Reef Property.

PRINCIPAL BUSINESS: The principal business of the Issuer is the acquisition, exploration and development of mineral properties in Canada.

USE OF PROCEEDS: Of the \$315,000 of net proceeds of the sale of the units, \$150,000 will be spent to carry out a Phase I work program on the Dona Property and \$50,000 will be spent to carry out a Phase I work program on the Reef Property. Approximately \$30,000 will be spent on the expenses of the Offering of which approximately \$25,000 are accrued in accounts payable, \$78,454 will be spent to pay accounts payable, advance payables and a note payable as at September 30, 1987 and \$31,546 will remain as working capital for general corporate purposes.

FINANCIAL INFORMATION: Prior to this Offering, the Issuer has raised \$58,200 through the sale of shares being 378,002 shares at \$0.15 per share and 6,000 shares at \$0.25 per share (see "Prior Sales"). To September 30, 1987 \$43,562 has been spent by the Issuer for exploration and development of the Dona Property and \$15,513 has been spent for exploration and development of the Reef Property (see "Business and Properties of the Issuer").

RISK FACTORS: For a description of the risk factors and speculative nature of the shares being offered, see the heading "Speculative Nature of Securities" herein.

NAME AND INCORPORATION

KEEFER RESOURCES INC. (the "Issuer") was incorporated under the laws of British Columbia on January 27, 1984 by Memorandum under the Company Act (British Columbia). The Issuer will be a reporting company upon acceptance for filing of this Prospectus by the Superintendent of Brokers (the "Superintendent") for the Province of British Columbia.

The registered, records and head office of the Issuer are at 301 - 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C4.

PLAN OF DISTRIBUTIONOffering

The Issuer, by its Agents, hereby offers (the "Offering") to the public through the facilities of the Vancouver Stock Exchange (the "Exchange") 700,000 units (the "Units") each Unit consisting of one (1) common share and two (2) Series "A" share purchase warrants at a price of \$0.50 per Unit. The Offering will be made in accordance with the rules and policies of the Exchange on a day (the "Offering Day") determined by the Agents and the Issuer, with the consent of the Exchange, within a period of 12 months from the date upon which the shares of the Issuer are conditionally listed on the Exchange.

Appointment of Agents

The Issuer, by an Agreement (the "Agency Agreement") dated October 31, 1987, appointed Continental Carlisle Douglas, McDermid St. Lawrence Ltd. and Yorkton Securities Inc. as its agents (the "Agents") to offer the Units through the facilities of the Exchange as follows:

<u>Name of Agent</u>	<u>Participation</u>
Continental Carlisle Douglas	280,000 Units
McDermid St. Lawrence Ltd.	210,000 Units
Yorkton Securities Inc.	210,000 Units

The Agents have agreed to purchase from their respective portions of the Offering any Units not sold at the conclusion of the Offering. In consideration therefor, the Agents have been granted non-transferable share purchase warrants (the "Agents' Warrants") in proportion to their participation in the Offering, entitling them to purchase up to 175,000 shares of the Issuer at any time up to the close of business 12 months from the conditional listing of the Issuer's shares on the Exchange at a price of \$0.55 per share.

The Agents will receive a commission of \$0.05 per Unit. The Agents reserve 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, who may or may not be offered part of the commissions derived from this Offering.

The obligations of the Agents under the Agency Agreement may be terminated at any time prior to the opening of the market on the Offering Day, at the Agents' discretion, on the basis of their assessment of the state of the financial markets or upon the occurrence of certain stated events.

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

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 this Offering.

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

Conditional Listing

An application for a conditional listing of the Issuer's shares has been made to the Vancouver Stock Exchange. Listing is subject to the Issuer fulfilling all of the listing requirements of the Exchange on or before August 2, 1988 including the prescribed distribution and financial requirements.

Series "A" Warrants

The Series "A" Warrants 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.

The Series "A" Warrants will be transferable and in bearer form and two (2) such Warrants will entitle the holder thereof to purchase one (1) common share in the capital of the Issuer at the price of \$0.55 per share at any time up to the close of business 12 months from the date of the listing of the Issuer's shares on the Exchange.

Agents' Warrants

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

Additional Offering

This Prospectus also qualifies for sale to the public at the market price prevailing at the time of the sale any Units purchased by the Agents and any of the common shares of the Issuer which may be acquired on the exercise of the Agents' Warrants, at any time up to one year from the date of listing of the Issuer's shares on the Exchange but not more than one year from the date of this Prospectus. The Issuer will not receive any proceeds from the sale of any such shares by the Agents, all of which proceeds will in such event accrue to the Agents.

SPECULATIVE NATURE OF SECURITIES

The securities of the Issuer must be considered speculative.

The mining properties of the Issuer are in the exploration and development stage only. There is no known body of commercial ore on these mining properties and any program to be conducted thereon would be exploratory searches for ore.

There is no assurance that future exploration expenditures to be made by the Issuer will establish ore reserves.

Should sufficient ore reserves on any of the mining properties of the Issuer be proven and such mining properties be brought into production, the profitability of such operations will be affected by numerous factors which will include fluctuations in metal prices, ore grades, quantities of ore reserves and government regulations with respect to royalties and environmental protection, none of which can be accurately predicted.

The boundaries of the mining properties of the Issuer have not been surveyed and, therefore, in accordance with mining laws of the jurisdictions in which they are located, their precise location and area may be in doubt.

On the basis of the Issuer's September 30, 1987 financial statements, the issuer will have net tangible assets on the completion of this offering of \$403,445 or approximately \$0.16 per share. Subscribers to this offering will therefore have suffered immediate dilution in the value of their shares, amounting to \$0.34 per share.

BUSINESS AND PROPERTIES OF THE ISSUER

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

A. Dona Property

The Issuer is the owner of a 100% interest in and to the following mineral claims (the "Dona Property") located on the eastern shoulder of Monashee Mountain near the west end of Keefer Lake Valley in the Vernon Mining Division, British Columbia, as follows:

<u>Claim Name</u>	<u>Units</u>	<u>Record No.</u>	<u>Expiry Date</u>
Dona 1-11	11	17281-17291	07/27/88
Dona 12-17	6	17390-17395	09/28/88
Irene 1	4	964	12/11/88
Irene 2	8	1231	07/09/88
Irene 3	18	1232	07/09/88
Irene 5	9	1234	07/09/88
Irene Fraction	1	1235	07/09/91

The Issuer purchased the Dona Property by an agreement dated May 15, 1984 as amended by an agreement dated September 29, 1987 from Granex Resources Corporation ("Granex"), an insider of the Issuer for consideration of 750,000 escrow shares issued at \$0.01 per share, 71,667 common shares issued at \$0.15 per share and 132,501 common shares issued \$0.50 per share to Granex. Daniel William Small is the President and a director of Granex and beneficially owns or controls the voting of approximately 40% of the shares of Granex. The Dona Property originally included the claim named Irene 4 but that claim lapsed on July 9, 1986. No material work had been done on this claim and the expiry of this claim does not materially affect the value of the Property.

Location and Access

The Dona claim group is situated in the Whatshan Range of the Monashee Mountains, immediately north of the Kettle River, about three kilometers west of Keefer Lake. The claims are located in the Vernon Mining Division, British Columbia, at approximately 50 degrees, 8 minutes north latitude and, 18 degrees, 24 minutes west longitude. Lumby, the nearest town, is situated approximately 48 kilometres to the northwest. Vernon, the closest centre serviced by major airlines and railways, is located a further 26 kilometres west of Lumby.

Access to the Dona Property can be gained from Highway No. 6 at the Kettle River, approximately 60 kilometres from Lumby. From there, the Kettle River Forest Access Road follows the south side of the Kettle River for one kilometre, then the north side for 8 kilometres. Immediately west of the second bridge over the south side of the Kettle River, a branch logging road gives access to the central northwestern portion of the claim group. This latter road is in excellent condition.

The Irene 2, 3 and 5 claims are accessible via the Yeoward Mountain road to the east of the Dona claims and to the south via logging roads through to Keefer Lake.

History

The earliest recorded work in the area took place on Monashee Mountain, west of the present Dona Property. Here, a well-defined ledge of free-milling gold quartz varying from a few inches to three or four feet in width was exposed in Paleozoic slates. Several other veins were also developed in this area during the early part of the century, but have received little attention recently. It is probable that these occurrences were discovered as prospectors searched for the source of the placer gold found in many of the surrounding creeks.

The Dona 1-11 claims were located by previous operators on July 27, 1973 as a result of encouraging values obtained in a regional silt geochemistry program. Six additional two-post, one fractional and five modified grid claims were subsequently staked to protect obvious extensions of the mineralized zone.

During 1974, a grid was established over these claims and a work program consisting of soil and litho-geochemistry, EM and self-potential geophysics, trenching, geological mapping and eventually percussion drilling was undertaken. The following table summarizes the work carried out by a former operator:

Grid establishment		28 kilometers
Soil geochemistry		788 samples
Geophysics	SP	6 kilometres
	VLF-EM	20 kilometers
Litho-geochemistry		882 samples
Trenching		1900 metres in 12 trenches
Road Construction	vehicle	1.43 kilometres
	cat	.51 kilometres
Percussion Drilling		980 metres in 19 holes

Geochemistry

In an engineering report by F. Marshall Smith on the Dona Property dated May 15, 1986 (the "Smith Report") it states that litho-geochemical channel sampling across zones of mineralization exposed in the trenches returned excellent gold and silver values over significant widths. Some of the better values are listed below:

Trench	Width(cm)	oz/t Au	oz/t Ag
4	250	0.77	2.37
4	229	0.86	2.61
4	30.5	0.87	3.40
4	198	0.30	0.78

1	76.2	0.34	0.75
1	38.1	0.34	0.41
1	140	0.21	2.01
1	40.6	0.17	0.31
1A	91.4	0.16	4.12
1A	70	0.14	1.13
1A	91.4	0.11	3.63

The Smith Report also states that some spectacular values were also obtained from local veins, shear zones and massive sulfide pods generally less than 30 cm in width. Zones of weathered hematitic bedrock appear to be diagnostic in the location of gold and silver mineralization.

Subsequent trenching undertaken in 1982 and 1984 succeeded in exposing several mineralized zones previously discovered as well as new zones previously unknown. Work in 1982 included 122 meters of trenching in the area of trenches 1, 4 and 5. Unfortunately previous results could not be duplicated. In 1984 an additional 445 meters of trenching were undertaken to the northwest. While results from the 68 channel samples were low, several interesting mineralized zones were exposed.

Underground Plant or Surface Equipment

To the knowledge of the signatories hereto, there has been no underground development or exploration and there is no surface plant or equipment on the Dona Property.

Work Done by the Issuer

Granex Resources Corporation, the previous owner of the Dona Property and the controlling shareholder of the Issuer, has spent \$26,334 for staking, exploration and development of the Dona Property and preparation of an engineering report. The Issuer has spent \$43,562 for exploration and development of the Dona Property. The exploration and development work consisted of trenching and sampling, detail mapping of trenches and road rehabilitation.

Future Exploration and Recommendations

The Smith Report concluded as follows:

"A series of gold bearing horizons occur throughout a zone at least 300m thick (stratigraphically) over a strike length of at least 600m. At least one sheet is in excess of 13m thick, grades in excess of 3.4 g/t gold (+0.10 oz/ton gold) and outcrops for about 20m of strike length.

The variability of gold assays between samples and within each sample is a cause for concern as to what the actual average grade is for the

potential deposit. As all the old roads and trenches are parallel to the trace of the outcrop of the various sheets, the total number of mineralized horizons and their actual strike and width extent have as yet not been determined.

Current assays indicate the average zone is in excess of 6m thick and grades between 22.7 and 43.1 g/t silver, and 2.3 to 5.57 g/t gold, with a potential frequency of about 50% of the total rock column.

It is the writer's opinion that an economic deposit can be located on the claims. Based on past work on the Dona property, and other claims in the district the principal characteristics of this sort of potential deposit sought are:

1. The deposit type has high variability of grade from sample to sample with considerable portion of the gold relatively coarse (+80 mesh) with resultant assay repeatability problems.

2. The average grade should be from 0.10 to 0.20 ounces gold per ton, and if in the lower range, the tonnage must be large and the mining should be open pit for a large measure of the drilled reserves.

3. Each sheet defined by drilling tends to have extremely long rake with a lens shape normal to the rake direction. The lens shape for the Dona claims appears to be 200m by 10m.

4. The average grade cannot be determined by surface sampling unless long expanses of the subcropping gold bearing zone are opened with trenching. Bulk sampling and/or large diameter core drilling are required to determine the average grade."

The Smith Report recommended as follows:

"The very good potential of developing a deposit of economic significance justifies an in depth evaluation of the Dona and Irene claims, which is recommended in two phases.

As the average grade is low, the exploration target must be an open pit deposit. The attitudes of the lenses is such that the mineralization near the top of the hill (Trench 4 area) and the area around Trench 1A must be the principle areas of search. The proposed drilling should be done with HQ diameter equipment, using extreme care to maintain as close to 100% core recovery as possible. While the initial holes should be fairly shallow (approximately 50 meters), depths should increase as the program progresses and a better knowledge of the subsurface geology is gained.

The phase II program of additional detailed diamond drilling is recommended to assess the potential tonnage and average grade of the most favorable zones located in Phase I. In order to obtain reliable average grade-tonnage data it is imperative that, as well as good

recovery of HQ core, sampling and assaying techniques are optimized to overcome the coarse-gold problem."

The Smith Report has recommended a two-phase work program as follows:

" PHASE I

Diamond drilling - 1000 metres @ \$100/m	\$100,000
Cat roads and drill pads	5,000
Supervision and geology	10,000
Room, board and consumables	7,000
Transportation	8,000
Reports and drafting	5,000
Contingencies	15,000
	<hr/>
TOTAL	\$150,000

The following work is contingent on Phase I results:

Diamond drilling - 1750 metres @ \$100/m	\$175,000
CAT roads and drill pads	8,000
Supervision and geology	15,000
Room, board and consumables	10,000
Transportation	12,000
Reports and drafting	5,000
Contingencies	25,000
	<hr/>
TOTAL	\$250,000

TOTAL PHASE I AND II \$400,000"

The Issuer intends to carry out Phase I of the work program recommended by the Smith Report. The Smith Report indicates that the results from Phase I should be evaluated before the Issuer proceeds with Phase II.

The Dona Property is without a known body of commercial ore and the program on the Dona Property will be an exploratory search for ore.

B. Reef Property

The Issuer is the owner of a 100% interest in and to the following mineral claims (the "Reef Property") consisting of approximately 1,137 acres located in the Vernon Mining Division of British Columbia, as follows:

<u>Claim Name</u>	<u>Record No.</u>	<u>Expiry Date</u>
Reef 1	1542	July 8, 1989
Reef 2	1543	July 8, 1989
Reef 3	1544	July 8, 1989
Reef 4	1545	July 8, 1989

Reef 5	1546	July 8, 1989
Reef 6	1547	July 8, 1989
Quartz Reef	1691	February 20, 1989

The Issuer became the owner of the Reef Property when it became the owner of all of the outstanding shares of Reef Development Limited ("Reef") in October, 1985 by a share exchange offer pursuant to which the Issuer issued 197,100 shares to Reef shareholders and Reef became a wholly-owned subsidiary of the Issuer. Reef was subsequently wound up. Reef acquired the Reef Property in consideration of 750,000 shares at \$0.01 per share 8,333 shares at \$0.15 per share and \$6,250 cash for a total of \$15,000 in cash and shares.

Location and Access

The Reef Property is in the Vernon Mining Division of British Columbia 15 kilometres west-southwest of Vernon. The Claims are located in the Okanagan region, on the N.T.S. Sheet 82L/3W and centered near 50 degrees 13 minutes north latitude and 119 degrees, 28 minutes, 30 seconds west longitude.

The property is easily accessible by automobile from Vernon. Road access is approximately 40 kilometres via Highway 97, Lakeshore Road and Bouleau Main Road (a gravel road). Vernon is a major supply centre, affording all facilities and services by major airlines and railways.

Work Done on the Property

In 1984, the Reef Development Limited undertook a work program on the Reef Property consisting of preliminary geological mapping, geochemical sampling, and an induced polarization-resistivity survey. A total of 1.5 km square of mapping, 5.6 line kilometres of I.P. and 15 channel samples were completed between July and October, 1984. The I.P. survey was conducted on the Reef 1-4 and Quartz Reef claims while the mapping and sampling covered the hill top area of the Quartz Reef claim. Reef Development Limited spent \$15,513 on the Reef Property for exploration and development.

Future Exploration Plans of the Issuer

The Reef Property is the subject of an engineering report by Steven F. Combes, B.Sc. and F. Marshall Smith dated May 28, 1986 (the "Smith Report"). The Smith Report recommends the following work program:

"The following is a proposed budget for work on the Quartz Reef property:

PHASE I

Diamond drilling - 300 meters @ \$100/m	\$30,000
Cat roads and drill pads	\$3,000

Supervision and geology	\$4,000
Room, board and consumables	\$4,000
Transportation	\$2,500
Reports and drafting	\$2,500
Contingencies	<u>\$4,000</u>
TOTAL	\$50,000

The following work is contingent on Phase I results:

PHASE II

Diamond drilling 600 meters @ \$100/m	\$60,000
Cat roads and drill pads	\$6,000
Supervision and geology	\$8,000
Room, board and consumables	\$7,000
Transportation	\$5,000
Reports and drafting	\$5,000
Contingencies	<u>\$9,000</u>
TOTAL	\$100,000
TOTAL PHASE I & II	\$150,000"

The Issuer intends to carry out Phase I of the work program recommended by the Smith Report. The Smith Report indicates that the results from Phase I should be evaluated before the Issuer proceeds with Phase II.

The Reef Property is without a known body of commercial ore and the program on the Reef Property will be an exploratory search for ore.

USE OF PROCEEDS

The net proceeds of \$315,000 to be derived by the Issuer from the sale of the 700,000 Units offered hereunder will be spent, in order of priority, as follows:

- | | |
|--|-----------|
| (a) To pay all legal, audit, printing and other expenses of this Prospectus - \$30,000 less \$25,000 for legal fees relating to the offering which are accrued in accounts payable in (b) herein | \$ 5,000 |
| (b) To pay current accounts payable, advances payable and a note payable as at September 30, 1987. | \$ 78,454 |
| (c) To set aside funds to carry out Phase I of the work program on | |

the Dona Property as recommended by F. Marshall Smith, P.Eng., in his Report dated May 15, 1986	\$150,000
(d) To set aside funds to carry out Phase I of the work program on the Reef Property as recommended by F. Marshall Smith P.Eng, in his report dated May 28, 1986	\$ 50,000
(e) Working capital for general corporate purposes	\$ 31,546
	<u>\$315,000</u>

The Issuer may, pursuant to the recommendations of a qualified engineer, abandon, in whole or in part, its present properties or alter, as work progresses, the recommended or projected program or programs. The Issuer may use any monies available due to any abandonment or alteration for the purpose of conducting work on or examining other properties or participating in other ventures after the date of this Prospectus.

The allocation of funds in the manner set out above appears warranted on the basis of the information presently available to the directors of the Issuer and the current economic circumstances and prevailing metal prices. However, the Issuer's directors may elect to redirect the funds to other resource properties in light of further information or a subsequent change in economic circumstances or metal prices.

If any material change occurs during the primary distribution of the shares offered hereunder, an amendment to this Prospectus will be filed. If any material change occurs subsequent to completion of the said primary distribution, the shareholders of the Issuer will be notified.

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 jurisdiction in which the securities offered by this Prospectus may be lawfully sold. Should the Issuer intend to use the proceeds to acquire non-trustee type securities after the distribution of the securities offered by this Prospectus, approval by the shareholders of the Issuer must first be obtained and notice of the intention filed with the securities regulatory authorities having jurisdiction over the sale of the securities offered by this Prospectus.

DESCRIPTION OF SECURITIES

All of the common shares without par value of the Issuer, both issued and unissued, are of the same class and rank equally as to dividends, voting rights and participation in assets. No common shares have been

issued subject to call or assessment. There are no pre-emptive or conversion rights and no provision for redemption, purchase for cancellation, surrender or sinking or purchase funds. Provisions as to modification, amendment or variation of such rights or provisions are contained in the Company Act of British Columbia.

CAPITALIZATION

Designation of Securities	Amount Authorized	Amount Outstanding as at Sept. 30, 1987, being the date of the Issuer's last Financial Statements	Amount Outstanding as at Oct. 9, 1987	Amount to be outstanding after sale of this public offering
Common shares	19,316,109	1,751,831	1,751,831	2,451,831(1)

(1) This figure does not take into account any shares which may be purchased upon the exercise of the Series "A" share purchase warrants and Agents' Warrants.

PRIOR SALES

Since the date of incorporation of the Issuer, a total of 384,002 common shares have been sold and issued for cash as follows:

Number of Common Shares	Price paid per Share	Total Com-missions Paid	Total Cash Received
378,002	\$0.15	Nil	\$56,700
<u>6,000</u>	<u>\$0.25</u>	<u>Nil</u>	<u>\$ 1,500</u>
384,002			\$58,200

750,000 escrowed shares at \$0.01 per share, 132,501 common shares at \$0.50 per share and 71,667 common shares at \$0.15 per share of the Issuer were issued to Granex Resources Corporation by agreement dated May 15, 1984 as amended by agreement dated September 29, 1987 as consideration for the acquisition by the Issuer of the Dona Property from Granex.

A total of 197,100 common shares of the Issuer were issued to the shareholders of Reef Developments Limited ("Reef") at \$0.25 per share pursuant to a share exchange offer dated July 15, 1985 by which the Issuer became the sole shareholder of Reef. Reef was subsequently wound up pursuant to Section 291 of the Company Act.

A total of 291,561 common shares of the Issuer were issued in satisfaction of debts of the Issuer of which Daniel W. Small has gifted back 75,000 shares leaving 216,561 shares issued for debt. Of these 174,561 were issued at \$0.25 per share and 42,000 of which were

issued at \$0.15 per share. A total of 117,579 shares were issued for debt to persons involved in management and related companies (see "Interest of Management and Others in Material Transactions"). The remainder were issued to trade creditors.

ESCROWED SHARES

750,000 common shares are held in escrow at Central Trust Company, 700 West Pender Street, Vancouver, British Columbia, subject to the direction or determination of the Superintendent and the Exchange. The escrow restrictions provide that the shares will not be sold, assigned, hypothecated, alienated, released from escrow, transferred within escrow or otherwise in any manner dealt with without the express consent, order or direction in writing of the Superintendent or the Exchange being first obtained, except as may be required by reason of the death or bankruptcy of any escrow shareholder.

In the event that the shares of the Issuer are listed on the Exchange, all transfers and releases of these escrow shares will be dealt with by the Exchange in accordance with the applicable Exchange policy in effect from time to time.

The text of the Escrow Agreement is available for inspection at the Issuer's registered and records office at 301 - 701 West Georgia Street, Vancouver, British Columbia.

Designation of Shares	Number of Common Shares Held in Escrow	Percentage of Class
Common shares without par value	750,000	42.81%

POOLED SHARES

491,669 shares of the Issuer issued at \$0.15 per share are pooled with Central Trust Company, 700 West Pender Street, Vancouver, British Columbia to be released as follows:

- (a) 25% of the shares on the first date the shares of the Issuer commence trading on the Exchange (the "Listing Date");
- (b) 25% of the shares three months following the Listing Date;
- (c) 25% of the shares six months following the Listing Date;
- (d) the balance of the shares nine months following the Listing Date.

If the common shares of the Company are not listed for trading within twelve months of the date of issue of a Receipt for this Prospectus by

the Superintendent, then the Pooling Agreements will be terminated and all the pooled shares will be released.

PRINCIPAL HOLDERS OF SECURITIES

To the knowledge of the directors and senior officers of the Issuer, only the following persons hold beneficially, directly or indirectly, 10% or more of the issued common shares of the Issuer as at the date of this Prospectus:

Name and Address	Type of Ownership	Number and Class of Shares Owned	Percentage of Shares
Granex Resources Corporation 301-701 W. Georgia Street Vancouver, BC V7Y 1C4	Of Record and Beneficial	882,503 common shares of which 750,000 are escrowed	50.37%

Granex Resources Corporation ("Granex") is a reporting issuer as defined in the Securities Act (British Columbia). Those shareholders holding more than a ten percent interest in Granex are Summit Petroleum Corporation and Daniel William Small.

The percentage of common shares owned, directly or indirectly, by all of the promoters, directors, senior officers and controlling persons of the Issuer, as a group, is as follows:

Designation of Class	Percentage of Class
Common shares without par value	57.87%

Upon completion of the sale of all of 700,000 Units offered hereby and before the exercise of any of the Warrants offered hereby, the present promoters, directors, senior officers and controlling persons of the Issuer will own, directly or indirectly, 41.35% of the total issued and outstanding shares in the capital of the Issuer. The total of 700,000 shares offered hereby will represent 28.55% of the total number of common shares of the Issuer to be issued and outstanding upon completion of the sale of all of the shares offered hereunder.

OPTIONS TO PURCHASE SECURITIES OF THE ISSUER

Options to purchase common shares of the Issuer at any time until the expiration of five (5) years from April 22, 1987 as follows:

Name of Optionee	Number of Shares	Price per Share
Mario Carmine Aiello (director)	55,000	\$0.50
Bertram Taylor (director)	25,000	\$0.50
Michael Frank Thorn Evison (employee)	46,500	\$0.50
Daniel William Small (employee)	76,000	\$0.50

DIRECTORS AND OFFICERS

Name and Address	Principal occupation during past five years	Position with the Company
DANIEL WILLIAM SMALL* 6442 Collingwood St. Vancouver, BC	Lawyer, President and Director of Granex Resources Corporation (1) and President and Director of Butte Resources Limited, both reporting companies	President and Director
MICHAEL FRANK THORN EVISON 4087 Rose Crescent West Vancouver, BC	President, Calibre Consultants Inc. financial consultants, a non-reporting company, President and Director of Pacific Cryogenic Rubber Inc., a non-reporting company, Director and Treasurer of Zippy Print Franchise Canada Ltd., a non-reporting company	Secretary/ Treasurer Director
BERTRAM TAYLOR* 1981 Hyannis Drive North Vancouver, BC	Partner, G.A. Noel & Associates, mineral geologists to December, 1984; semi-retired/self-employed geologist to December, 1986; retired to present	Director

MARIO CARMINE AIELLO* President and Director of Director
4948 Pinetree Crescent Briana Resources Ltd. and
West Vancouver, BC Director of Alexa Ventures
Inc. and Chelan Resources Inc.,
all reporting companies;
Administration for various
reporting and non-reporting
companies; Supervisor for Coastal
Glass and Skyview Aluminium.

* Member of the Issuer's audit committee.

- (1) Granex Resources Corporation ("Granex") is the subject of a cease trade order issued by the Superintendent of Brokers on September 25, 1985, which has not to date been removed, for failure to file financial statements. Granex is now being reactivated and intends to make application for the removal of the cease trade order.

CONFLICT OF INTEREST

As directors of the Issuer and other reporting companies, certain of the directors may be involved in negotiating the acquisition and sale of property interests and other assets for these companies. From time to time, two or more of these companies may participate in the acquisition, exploration and development of the properties, thereby allowing for participation in larger projects and permitting involvement in a greater number of projects and reducing financial exposure in respect of any one project. It may also occur that, because of the financial position of a company, including the Issuer, it will be necessary to assign its interest in a particular project to another of these companies. All such conflicts will be disclosed by the directors in accordance with the Company Act and these opportunities or prospects will be allocated among the companies on the basis of prudent business judgment and the relative financial abilities and needs of the companies to participate.

REGISTRAR AND TRANSFER AGENTS

The Registrar and Transfer Agents for the shares of the Issuer is Central Trust Company, 700 West Pender Street, Vancouver, British Columbia.

AUDITOR

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

EXECUTIVE COMPENSATION

1. The Issuer has 2 executive officers.
2. No cash compensation has been paid to the Issuer's executive officers by the Issuer (including its wholly owned subsidiaries) for services rendered since October 1, 1985 being the beginning of the Issuer's last completed financial year.
3. Both of the Issuer's executive officer's have been granted Employees incentive stock options. See "Option to Purchase Securities".
4. There is no other compensation payable by the Issuer other than \$22,970 payable to Daniel William Small for legal and consulting services rendered to the Issuer. The Issuer has also issued 140,779 shares to Daniel William Small at \$0.25 per share as payment for legal and consulting services (of which Daniel W. Small has gifted back 75,000 shares) and 8,600 shares at \$0.25 per share to Calibre Consultants Inc. of which Michael F.T. Evison is the sole shareholder for management services. This Issuer has also paid \$6,815 to Michael F.T. Evison for management services and \$25,921 to Daniel William Small for legal services.
5. At this time the Issuer has no plan or arrangement for compensating its executive officers in the event of termination of employment or change in responsibilities.
6. At this time the Issuer has no arrangement to compensate its directors for services in their capacity as directors other than the granting of incentive stock options. See "Options to Purchase Securities".

PROMOTERS

Under the definition of "promoters" contained in the Securities Act (British Columbia), Daniel William Small, Bertram Taylor, Michael Frank Thorn Evison and Mario Carmine Aiello are promoters of the Issuer.

The promoters of the Issuer have acquired and now beneficially own shares of the Issuer as follows:

Name of Promoter	Number of Shares Beneficially Owned	Consideration for the Issue of the Shares
DANIEL WILLIAM SMALL 6442 Collingwood Street Vancouver, BC	65,779	issued for debt at \$0.25
BERTRAM TAYLOR 1981 Hyannis Drive North Vancouver, BC	23,889	transferred from Granex Resources Corporation as payment for debt at \$0.25 per share
MICHAEL FRANK THORN EVISON 4087 Rose Crescent West Vancouver, BC	35,600(1)	20,000 issued for cash at \$0.15, 7,000 issued for shares of Reef Development Limited at \$0.25 and 8,600 issued for debt at \$0.25
MARIO CARMINE AIELLO 4948 Pinetree Crescent West Vancouver, BC	6,000	issued for cash at \$0.25

(1) 8,600 shares were issued to Calibre Consultants Inc. of which Michael F.T. Evison is the sole shareholder.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The number of the shares of the Issuer acquired and owned by the directors is disclosed herein under the caption "Promoters".

The Issuer acquired the Dona Property by agreement dated May 15, 1984 as amended by agreement dated September 29, 1987 from Granex Resources Corporation ("Granex"). The Issuer issued as consideration 750,000 escrow shares at \$0.01 per share, 71,667 common shares at \$0.15 per share and 132,501 common shares at \$0.50 per share. Daniel William Small owns approximately 45% of the outstanding shares of Granex.

65,779 common shares of the Issuer are issued to Daniel William Small at \$0.25 per share in payment for legal and consulting services. 8,600 common shares of the Issuer were issued to Calibre Consultants Inc., a company wholly owned by Michael F.T. Evison, at \$0.25 per share for management services. 20,000 common shares were issued at \$0.15 per share to LOG/M Resource Corporation ("LOG/M"), of which Daniel William Small owned more than 10% of the outstanding shares. Michael F.T. Evison and Daniel William Small were paid compensation as shown in "Executive Compensation" herein and LOG/M was paid \$3,000 for consulting services.

Pursuant to a Share Exchange Offer by the Issuer dated July 15, 1985 to all of the shareholders of Reef Development Limited the Issuer issued 7,000 shares at \$0.25 per share to Michael F.T. Evison. and 32,000 shares at \$0.25 per share to LOG/M.

LEGAL PROCEEDINGS

There are no legal proceedings pending against the Issuer.

MATERIAL CONTRACTS

There are no material contracts except as disclosed in this Prospectus, and these contracts may be inspected at the records office of the Issuer at 301 - 701 West Georgia Street, Vancouver, British Columbia during normal business hours while primary distribution of the securities offered hereunder is in progress and for a period of thirty (30) days thereafter.

The material contracts entered into by the Issuer within three years prior to the date of this Preliminary Prospectus are:

1. Agreement dated May 15, 1984 between the Issuer and Granex Resources Corporation ("Granex") for the purchase of the Dona Property.
2. Share Exchange Offer dated July 15, 1985 to the shareholders of Reef Development Limited and acceptance related thereto for the purchase by the Issuer of all the issued shares of Reef Development Limited.
3. Agreement dated September 29, 1987 between the Issuer and Granex Resources Corporation by which Granex gifted back 608,891 shares issued at \$0.15 for the Dona Property and Keefer agreed to issue 132,501 shares at \$0.50 therefor.
4. Share Donation Agreement dated September 29, 1987 by which Daniel W. Small gifted back 75,000 free trading shares to the Issuer for cancellation.

OTHER MATERIAL FACTS

The Issuer gave a promissory note in satisfaction of a trade account to Petronational Energy Corporation on June 15, 1985 promising to pay \$1,450 with interest at the rate of twelve percent.

There are no other material facts.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

The Securities Act, provides the purchaser with a right to withdraw from an Agreement to purchase securities within two (2) business days

of 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 a 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.

KEEFER RESOURCES INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 1987

DE VISSER & COMPANY
CHARTERED ACCOUNTANTS

PETER J. DE VISSER, C.A. LTD.

201 - 960 RICHARDS STREET
VANCOUVER, B.C. CANADA
V6B 3C1

TEL: (604) 687-5447
FAX: (604) 687-6737

AUDITORS' REPORT TO THE DIRECTORS,

We have examined the balance sheets of Keefer Resources Inc. as at September 30, 1984, 1985, 1986 and 1987 and the statements of loss and deficit, changes in financial position and mineral property costs for the period from incorporation on January 27, 1984 to September 30, 1984 and the years ended September 30, 1985, 1986 and 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 September 30, 1984, 1985, 1986 and 1987 and the results of its operations, and the changes in its financial position for the period from incorporation on January 27, 1984 to September 30, 1984 and the years ended September 30, 1985, 1986 and 1987 in accordance with generally accepted accounting principles applied on a consistent basis.

De Visser & Co

Vancouver, B.C.
October 5, 1987, except for note 9
which is October 9, 1987

KEEFER RESOURCES INC.

STATEMENTS OF LOSS AND DEFICIT

FOR THE PERIODS ENDED

	September 30			From Incorporation on January 27, 1984 to September 30, 1984
	1987	1986	1985	
	\$	\$	\$	\$
INTEREST REVENUE	7	-	743	170
EXPENSES				
Advertising	-	-	1,039	-
Accounting and audit	4,800	1,650	4,004	725
Bank charges	94	89	53	-
Consulting	-	-	6,515	1,000
Filing fees	4,780	-	-	-
Legal	20,721	24,480	27,392	7,287
Office	796	1,569	9,341	885
Printing	143	1,028	-	-
Promotion	-	-	4,500	1,500
	<u>31,334</u>	<u>28,816</u>	<u>52,844</u>	<u>11,397</u>
NET LOSS FOR THE YEAR	31,327	28,816	52,101	11,227
DEFICIT - BEGINNING OF YEAR	92,144	63,328	11,227	-
DEFICIT - END OF YEAR	<u>123,471</u>	<u>92,144</u>	<u>63,328</u>	<u>11,227</u>

The accompanying notes are an integral part of these financial statements

KEEFER RESOURCES INC.

BALANCE SHEETS

SEPTEMBER 30

	1987	1986	1985	1984
	\$	\$	\$	\$
A S S E T S				
CURRENT				
Cash	171	34	43	22,131
Accounts receivable	250	250	250	-
	<u>421</u>	<u>284</u>	<u>293</u>	<u>22,131</u>
MINERAL PROPERTY COSTS (note 3) DUE FROM REEF DEVELOPMENT LIMITED (note 4)	196,478	209,776	141,361	111,451
	<u>-</u>	<u>-</u>	<u>19,140</u>	<u>-</u>
	<u>196,899</u>	<u>210,060</u>	<u>160,794</u>	<u>133,582</u>
L I A B I L I T I E S				
CURRENT				
Accounts payable	72,104	37,670	8,863	725
Advances payable	4,900	-	-	-
Note payable (note 5)	1,450	1,450	1,450	-
	<u>78,454</u>	<u>39,120</u>	<u>10,313</u>	<u>725</u>
S H A R E H O L D E R S ' E Q U I T Y				
CAPITAL STOCK (note 7)	241,916	263,084	213,809	144,084
DEFICIT	123,471	92,144	63,328	11,227
	<u>118,445</u>	<u>170,940</u>	<u>150,481</u>	<u>132,857</u>
	<u>196,899</u>	<u>210,060</u>	<u>160,794</u>	<u>133,582</u>

APPROVED BY THE DIRECTORS:

The accompanying notes are an integral part of these financial statements

KEEFER RESOURCES INC.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED

	September 30			From Incorporation on January 27, 1984 to September 30, 1984
	1987 \$	1986 \$	1985 \$	\$
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Loss for the year	(31,327)	(28,816)	(52,101)	(11,227)
Changes in non-cash working capital items				
Accounts payable	34,434	28,807	8,138	725
Accounts receivable	-	-	(250)	-
Debt settlement by shares	21,165	-	47,525	-
Advances payable	4,900	-	-	-
	<u>29,172</u>	<u>(9)</u>	<u>3,312</u>	<u>(10,502)</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES				
Issue of capital stock	88,916	49,275	69,725	34,500
Less shares issued				
- for debt	(21,165)	-	(47,525)	-
- to acquire Reef Developments	-	(49,275)	-	-
- to acquire Dona property	(66,251)	-	-	-
Note payable	-	-	1,450	-
Shares gifted back	(110,084)	-	-	-
	<u>(108,584)</u>	<u>-</u>	<u>23,650</u>	<u>34,500</u>
CASH PROVIDED (USED IN) INVESTING ACTIVITIES				
Mineral properties	(11,785)	68,415	(29,910)	(111,451)
less shares issued to acquire Dona property	-	-	-	109,584
Add shares gifted back re: Dona	91,334	-	-	-
Advances to Reef Developments	-	-	(19,140)	-
Shares issued and debt forgiven to acquire Reef Developments	-	(68,415)	-	-
	<u>79,549</u>	<u>-</u>	<u>(49,050)</u>	<u>(1,867)</u>
INCREASE (DECREASE) IN CASH	137	(9)	(22,088)	22,131
CASH - BEGINNING OF YEAR	34	43	22,131	-
CASH - END OF YEAR	<u>171</u>	<u>34</u>	<u>43</u>	<u>22,131</u>

The accompanying notes are an integral part of these financial statements

KEEFER RESOURCES INC.

STATEMENTS OF MINERAL PROPERTY COSTS

FOR THE YEARS ENDED

	September 30			From Incorporation on January 27, 1984 to September 30, 1984
	1987 \$	1986 \$	1985 \$	\$
DONA PROPERTY				
Acquisition costs	20,000	20,000	20,000	20,000
Option payments	10,750	10,750	10,750	10,750
Share consideration	52,500	52,500	52,500	52,500
Engineering fees	20,632	20,632	20,632	20,632
Staking and geological	5,702	5,702	5,702	5,702
Shares gifted back	(91,334)	-	-	-
Reissued share consideration	66,251	-	-	-
	<u>84,501</u>	<u>109,584</u>	<u>109,584</u>	<u>109,584</u>
Refer to note 3				
EXPLORATION AND DEVELOPMENT				
Trenching	11,785	-	-	-
Geological consulting	6,000	6,000	6,000	-
Geologists' fees and reports	9,763	9,763	9,763	-
Miscellaneous costs	230	230	230	-
Assessment work	4,617	4,617	4,617	1,867
Mapping and linecutting	11,167	11,167	11,167	-
	<u>43,562</u>	<u>31,777</u>	<u>31,777</u>	<u>1,867</u>
	<u>128,063</u>	<u>141,361</u>	<u>141,361</u>	<u>111,451</u>
QUARTZ REEF CLAIMS				
Excess of purchase costs allocated on amalgamation with Reef	37,902	37,902	-	-
Acquisition costs	6,250	6,250	-	-
Value attributed to escrow shares	7,500	7,500	-	-
Other shares issued	1,250	1,250	-	-
Staking and prospecting	1,678	1,678	-	-
IP Survey costs	10,335	10,335	-	-
Geological consulting	3,500	3,500	-	-
	<u>68,415</u>	<u>68,415</u>	<u>-</u>	<u>-</u>
	<u>196,478</u>	<u>209,776</u>	<u>141,361</u>	<u>111,451</u>

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

The company is in the development stage of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

These financial statements are prepared on a going concern basis, which implies that the company will continue realizing its assets and discharging its liabilities in the normal course of business. At September 30, 1987, the company has a working capital deficiency of \$78,033 and the ability of the company to continue as a going concern is dependent upon the company renegotiating its present indebtedness and arranging adequate additional financing in order to bring its properties into profitable production (note 9).

2. SIGNIFICANT ACCOUNTING POLICIES

Mineral Properties

The amount shown for mineral properties represents costs to date and does not necessarily reflect present or future values. If the property is sold, allowed to lapse, or is abandoned, accumulated costs will be written off.

Administrative Expenses

The company expenses all administrative costs in the year of expenditure that are not specifically related to a property.

Loss per Share

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

Income Taxes

The company has non capital losses and resource allowance deductions which are available to be offset against future taxable income. The benefits of these losses and deductions are not reflected in these financial statements as there is no virtual certainty that the company will be able to utilize them.

3. MINERAL PROPERTY COSTS

Dona Property
Vernon Mining Division, B.C.

The Dona and Irene mineral claims were acquired for a cost of \$84,501, represented by the issue of 750,000 shares at an ascribed value of \$7,500, 71,667 shares at an ascribed value of 15¢ per share (\$10,750) and 132,501 shares at an ascribed value of 50¢ per share (\$66,251). These costs represent the acquisition and development costs of the claims incurred by the vendor. The company had originally paid \$109,584 for the claims, but during 1987 shares were issued and gifted back to the company to reduce its net cost by \$25,083 to \$84,501 (note 7).

Quartz Reef Claims
Vernon Mining Division, B.C.

These claims were acquired upon the acquisition of Reef Developments Limited (Reef) (note 4). Reef acquired a 100% interest in the Reef #1 - #6 and the Quartz Reef claims by the issue of 750,000 shares (63,000 shares post amalgamation) at an ascribed value of \$7,500, 8,333 shares (5,000 shares post amalgamation) at an ascribed value of \$1,250 and \$6,250 in cash.

4. AMALGAMATION WITH REEF DEVELOPMENTS LIMITED

The company amalgamated with Reef Developments Limited (Reef) on October 7, 1985 by issuing 197,100 shares in exchange for 100% of the issued share capital of Reef (973,500 shares). Reef was subsequently wound up pursuant to Section 291 of the Company Act of British Columbia.

The acquisition has been accounted for by the purchase method with the company identified as the purchaser. The company acquired assets with a net book value of \$11,373 by the issue of 197,100 shares with a net book value of \$49,275 (25¢ per share), the excess of cost over book value, \$37,902, was allocated to the Quartz Reef Mineral Claim which was the sole asset of Reef.

5. NOTE PAYABLE

Demand note due to Petronational Energy Corporation.

6. INCORPORATION

The company was incorporated on January 27, 1984 under the Company Act of British Columbia.

7. CAPITAL STOCK

Authorized share capital consists of 19,316,109 common shares without par value (1986 and prior years 20,000,000 common shares).

	Number of Shares	\$
Allotted		
- for cash at 15¢ per share	230,002	34,500
- acquisition of Dona property at an ascribed value of 1¢ per share	750,000	7,500
- for development work done on Dona property at an ascribed value of 15¢ per share	680,558	102,084
	<hr/>	<hr/>
Allotted at September 30, 1984	1,660,560	144,084
- for cash at 15¢ per share	148,000	22,200
- debt settlement at 15¢ per share	42,000	6,300
- debt settlement at 25¢ per share	164,901	41,225
	<hr/>	<hr/>
Allotted at September 30, 1985	2,015,461	213,809
- Allotted in consideration for 100% of the outstanding shares of Reef	197,100	49,275
	<hr/>	<hr/>
Allotted at September 30, 1986	2,212,561	263,084
- for development work done on Dona Property at an ascribed value of 50¢ per share	132,501	66,251
- for cash at 25¢ per share	6,000	1,500
- debt settlement at 25¢ per share	84,660	21,165
	<hr/>	<hr/>
Shares gifted back and cancelled		
- shares issued for development work on Dona Property at 15¢ per share	(608,891)	(91,334)
- shares issued for debt settlement at 25¢ per share	(75,000)	(18,750)
	<hr/>	<hr/>
Allotted at September 30, 1987	1,751,831	241,916
	<hr/>	<hr/>

The company has allotted 750,000 shares which are to be held in escrow and may not be traded prior to receiving regulatory approval.

Directors' and employees' stock options were granted, subject to shareholder and regulatory approval, aggregating 202,500 shares exercisable at a price of 50¢ per share prior to April 22, 1992.

8. RELATED PARTY TRANSACTIONS

The company and its amalgamated subsidiary (Reef) entered into the following related party transactions with its directors, officers and affiliated companies.

1984	The Quartz Reef claims were purchased by Reef for \$7,500 and the issue of 750,000 shares at an ascribed value of \$7,500. The Dona property was purchased by the issue of 680,560 shares at a value of 15¢ (\$102,084) (see 1987 below) and the issue of 750,000 shares of the company subject to escrow restrictions. Legal and consulting fees of \$8,100 were incurred and paid.
1985	Legal and consulting fees of \$43,236 were incurred or paid to two directors and a company controlled by one of them. Office expenses of \$6,900 and exploration consulting expenses of \$6,000 were paid to related companies. Debts aggregating \$25,200 were settled by the issue of 117,599 shares and the debts of Reef, pre-amalgamation, were settled by the issue of 32,000 shares at an ascribed value of \$4,800 (19,200 shares post amalgamation).
1986	Legal fees of \$24,480 were incurred.
1987	Legal fees of \$14,970 were incurred. Debts for legal fees aggregating \$18,745 were settled by the issue of 74,980 shares, and 75,000 shares which had been issued as debt settlement in 1985 were gifted back at a value of 25¢ (\$18,750). Currently legal fees and disbursements of \$22,970 are owing to a director of the company. Advances aggregating \$4,900 are owing to three directors of the company. Regulatory authorities required that the Dona property agreement be re-structured and 608,891 shares were gifted back at a value of 15¢ (\$91,334) in exchange for 132,501 shares issued at a value of 50¢ (\$66,251).

9. PROSPECTUS

The company is proposing to offer to the public in British Columbia through the facilities of the Vancouver Stock Exchange (Exchange) 700,000 units at a price of 50¢ per unit to net the company \$315,000 after issue costs, with each unit consisting of one common share and two series "A" share purchase warrants. Two series "A" share purchase warrants will entitle the holder thereof to purchase one common share at a price of 55¢ per share within 12 months of listing of the company's shares on the Exchange. The company's agents have agreed to purchase all the units unsold at the conclusion of the offering day, and in consideration thereof have been granted non-transferable share purchase warrants entitling them to purchase up to 175,000 shares at a price of 55¢ per share within 12 months of listing of the company's shares on the Exchange.

9. PROSPECTUS (continued)

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

F. Marshall Smith Consulting Inc.

218-744 West Hastings Street, Vancouver, British Columbia, Canada, V6C 1A5
Phone: (604)684-2361 or (604)271-6556

REPORT

on the

DONA PROPERTY

(DONA AND IRENE CLAIMS)

VERNON MINING DIVISION

BRITISH COLUMBIA

NTS 82I/1W

Latitude: 50° 08'N
Longitude: 118° 24'W

For:

Keefer Resources Inc.
#1200-805 W. Broadway
Vancouver, B.C.
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by:

F. Marshall Smith, P.Eng.

May 15, 1986

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SUMMARY

The DONA group of claims, situated on the eastern flanks of Monashee Mountain west of Keefer Lake, include seventeen 2 post, one fractional and five modified grid claims staked to encompass gold and silver mineralization associated with dioritic masses.

The property, presently accessible via the Kettle River Forest Access Road off highway 6 east of Lumby, B.C., underwent considerable exploration in 1974. The program included soil and lithogeochemistry, EM and self potential geophysics, trenching, geological mapping and percussion drilling. While encouraging results were obtained, the property lay idle until 1982. Only limited programs of trenching have been carried out since.

The property is underlain by argillaceous sediments and andesitic tuffs belonging to the Carboniferous to Permian Thompson Assemblage. This sequence is overlain to the north by Mesozoic sediments and volcano sedimentary rocks, and intruded, to the south, by Cretaceous granodiorite.

Trenching in the area of a large coincident gold arsenic +/- silver soil geochemical anomaly outlined by El Paso Mining and Milling Company, the original owners, exposed a series of lens shaped masses of andesite to latite sill like units which may be acid effusives. These rocks are interdigitated with limy black argillite, limestone, and brown weathering tuffaceous equivalents of the effusive rocks. Mineralization consists of arsenopyrite, pyrite, gold and silver associated with the brown tuffs, quartz zones in the volcanics and quartz veins encased within the more acid volcanics.

While results from detailed sampling of these mineralized zones have lacked consistency, some significant values have been obtained. The best results have come from Trenches 1 and 4 where values as high as 0.86 oz/t Au and 2.61 oz/t Ag across 2.29m have been obtained.

Unfortunately, neither geophysics nor percussion drilling has been successful in outlining these mineralized zones at depth.

Because the writer is of the opinion that the DONA property has not been adequately tested and that significant potential exists for the location of a large tonnage, low grade gold/silver deposit, a two phase diamond drilling program is recommended. The first phase should consist of approximately 15 50-100m holes aimed at testing the down-dip extensions of the mineralization exposed in Trenches 1A, 4 and 5. Should phase I prove successful, a second phase of drilling, to total 1750m, should be undertaken to define the size and grade of the deposit.

INTRODUCTION

The DONA group of claims, centered approximately 42 km southeast of Lumby, B.C. encompass gold and silver mineralization considered to hold significant potential for development as a large tonnage, low grade open-pittable deposit.

This report has been prepared at the request of Mr. Daniel Small, President and Director of Keefer Resources and is based on observations made while supervising the 1984 field program. The writer was also present on the property on June 6, 1982 during a preliminary evaluation.

LOCATION AND ACCESS

The DONA claim group is situated in the Whatshan Range of the Monashee Mountains, immediately north of the Kettle River, about 3 km west of Keefer Lake. The claims are located in the Vernon Mining Division, British Columbia at approximately $50^{\circ} 08'N$ latitude and $118^{\circ} 24'W$ longitude. Lumby, the nearest town, is situated approximately 48 km to the northwest. Vernon, the closest center serviced by major airlines and railways, is located a further 26 km west of Lumby.

Access to the property can be gained from Highway No. 6 at the Kettle River, approximately 60 km from Lumby. From there, the Kettle River Forest Access Road follows the south side of the Kettle River for 1 km then the north side for 8 km. Immediately west of the second bridge over to the south side of the Kettle River, a branch logging road gives access to the central and northwestern portion of the claim group. This latter road is in excellent condition considering that it has had no maintenance since 1974.

The IRENE 2 to 5 claim block is accessible via the Yeoward Mountain road to the east of the DONA claims and to the south via logging roads through to Keefer Lake.

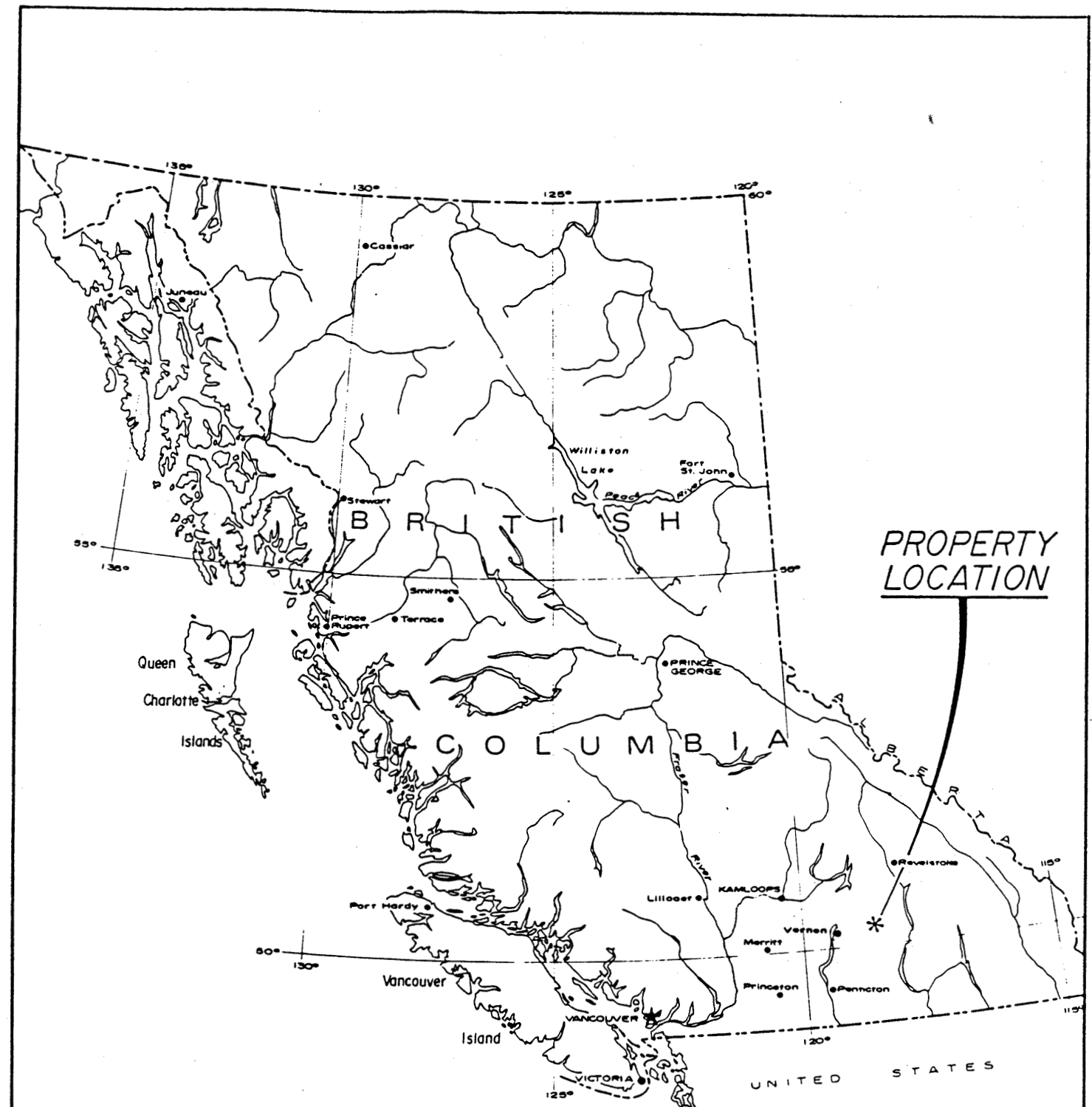
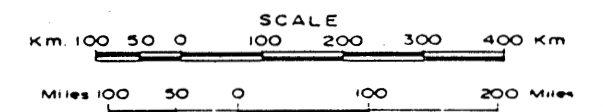
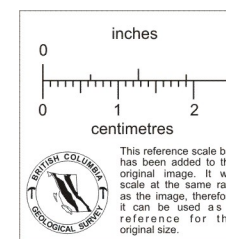


FIGURE 1

DONA MINERAL CLAIMS LOCATION MAP



PHYSIOGRAPHY AND VEGETATION

The DONA group covers the eastern shoulder of Monashee Mountain and the west end of the Keefer Lake Valley. The area is characterized by well drained moderately steep slopes. Elevations on the property range from 1280 m on the Kettle River to over 1825 m south of Yeoward mountain. The top trenches and roads made by El Paso Mining and Milling Company are at about 1650 to 1700 m.

The slopes between the lower road (to Yeoward Mountain) and Trench 1A are relatively gentle (10 to 15° slope) with new immature growth of spruce, hemlock and cedar. From Trench 1A to 100 m above Trench 4, the slope is at about 25 to 30° and covered in scrub bush, birch, poplar, and very young hemlock and spruce. Beyond Trench 4 and on the north facing slopes are good stands of mature cedar, spruce, and hemlock. The area encompassing the claims has been severely burnt over in excess of 50 years ago. There are a few stumps standing in the open areas.

The IRENE 1 claims lies north west of the DONA claims and covers the upland plateau portion of the headwaters of Yeoward Creek, in an area of thick relatively mature forest cover of fir, balsam and cedar. The IRENE 2 to 5 and IRENE Fraction cover both sides of Kettle River valley with moderate to relatively steep slopes to the central valley floor. Almost all the claimed area is well forested with portions of the south western corner partially logged off. The forest cover on the southern portion of the claim is very thick, with much dense underbrush.

PROPERTY

The DONA property consist of three groups, with all claims subject of an option agreement with previous owners. The DONA claims are recorded in the name of G.A. Noel and Associates Ltd., the IRENE 1 is owned by Salmat Resources Corporation (and located by V. Ryback-Hardy P.Eng.), the IRENE 2 through 5 and the IRENE Fraction are owned by Granex Resources Corporation. Right, title and interest in and to all of these claims have recently been acquired by Keefer Resources Inc. The following table details information pertaining to these claims:

Claim Name	Size	Record Number	Expiry Date
DONA 1-11	-	17281-17291	July 27, 1987
DONA 12-17	-	17390-17395	Sept 28, 1987
IRENE 1	2N 2W	964(12)	Dec 11, 1987
IRENE 2	1N 8E	1231(8)	July 9, 1987
IRENE 3	3S 6E	1232(8)	July 9, 1987
IRENE 4	3S 6E	1233(8)	July 9, 1987
IRENE 5	3S 3W	1234(8)	July 9, 1987
IRENE Fraction	-	1235(8)	July 9, 1991

Posts for DONA and IRENE claims were examined in the field in October 1982 and all lines and posts appeared to be located according to current mining regulations.

HISTORY

The earliest recorded work in the area took place on Monashee Mountain, west of the present DONA property. Here, a well defined ledge of free-milling gold quartz varying from a few inches to three or four feet in width was exposed in Paleozoic slates. Several other veins were also developed in this area during the early part of the century, but have received little attention recently. It is probable that these occurrences were discovered as prospectors searched for the source of the placer gold found in many of the surrounding creeks.

The DONA 1-11 claims were located by El Paso Mining and Milling Company on July 27, 1973 as a result of encouraging values obtained in a regional silt geochemistry program. Six additional two-post, one fractional and five modified grid claims were subsequently staked to protect obvious extensions of the mineralized zone.

During 1974, a grid was established over these claims and a work program consisting of soil and lithochemisrty, EM and self potential geophysics, trenching, geological mapping and eventually percussion drilling was undertaken. The following table summarizes the work carried out by El Paso:

Grid establishment		28 kilometers
Soil geochemistry		788 samples
Geophysics	SP	6 kilometers
	VLF-EM	20 kilometers
Lithochemisrty		882 samples
Trenching		1900 meters in 12 trenches
Road construction	vehicle	1.43 kilometers
	cat	.51 kilometers
Percussion drilling		980 meters in 19 holes

Although the data generated from this program was encouraging, El Paso concluded that the probability of locating an economic ore body was low, and eventually turned over the property to former employees operating as independent geological consultants.

Subsequent work carried out on the claims has consisted of redefining mineralized zones located by earlier trenching and detailed sampling. This work had only limited success.

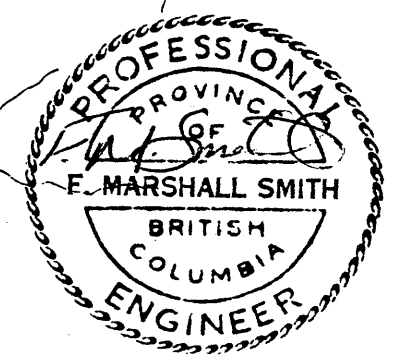
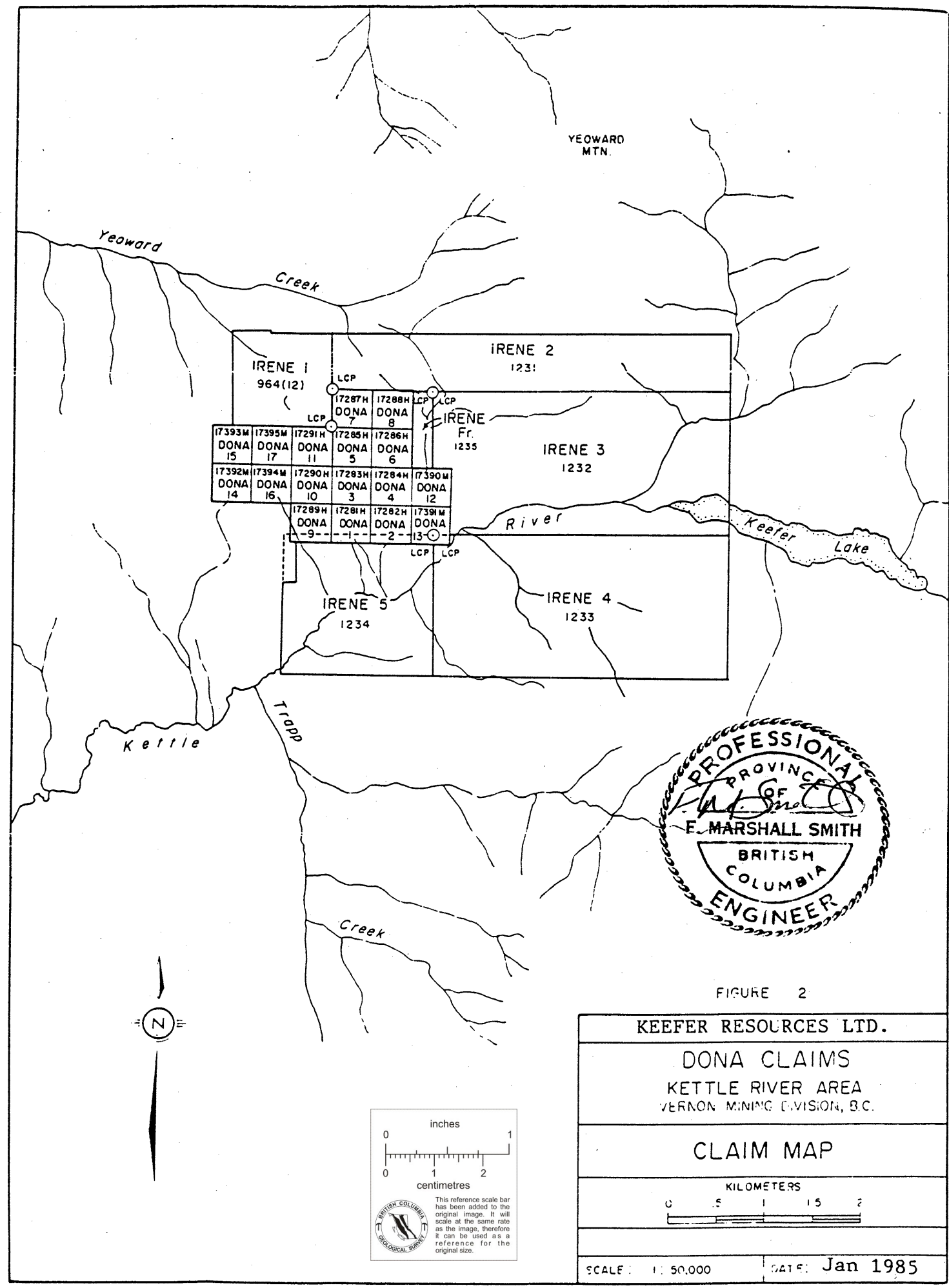


FIGURE 2

KEEFER RESOURCES LTD.

DONA CLAIMS
KETTLE RIVER AREA
VERNON MINING DIVISION, B.C.

CLAIM MAP

KILOMETERS

0 0.5 1 1.5 2

SCALE: 1:50,000 DATE: Jan 1985

REGIONAL GEOLOGY

The Monashee Mountain area is characterized by a NW-SE belt of Paleozoic sedimentary and volcanic rocks overlain to the north by Triassic sediments and volcanics, and intruded to the south by plutonic rocks of Jurassic age.

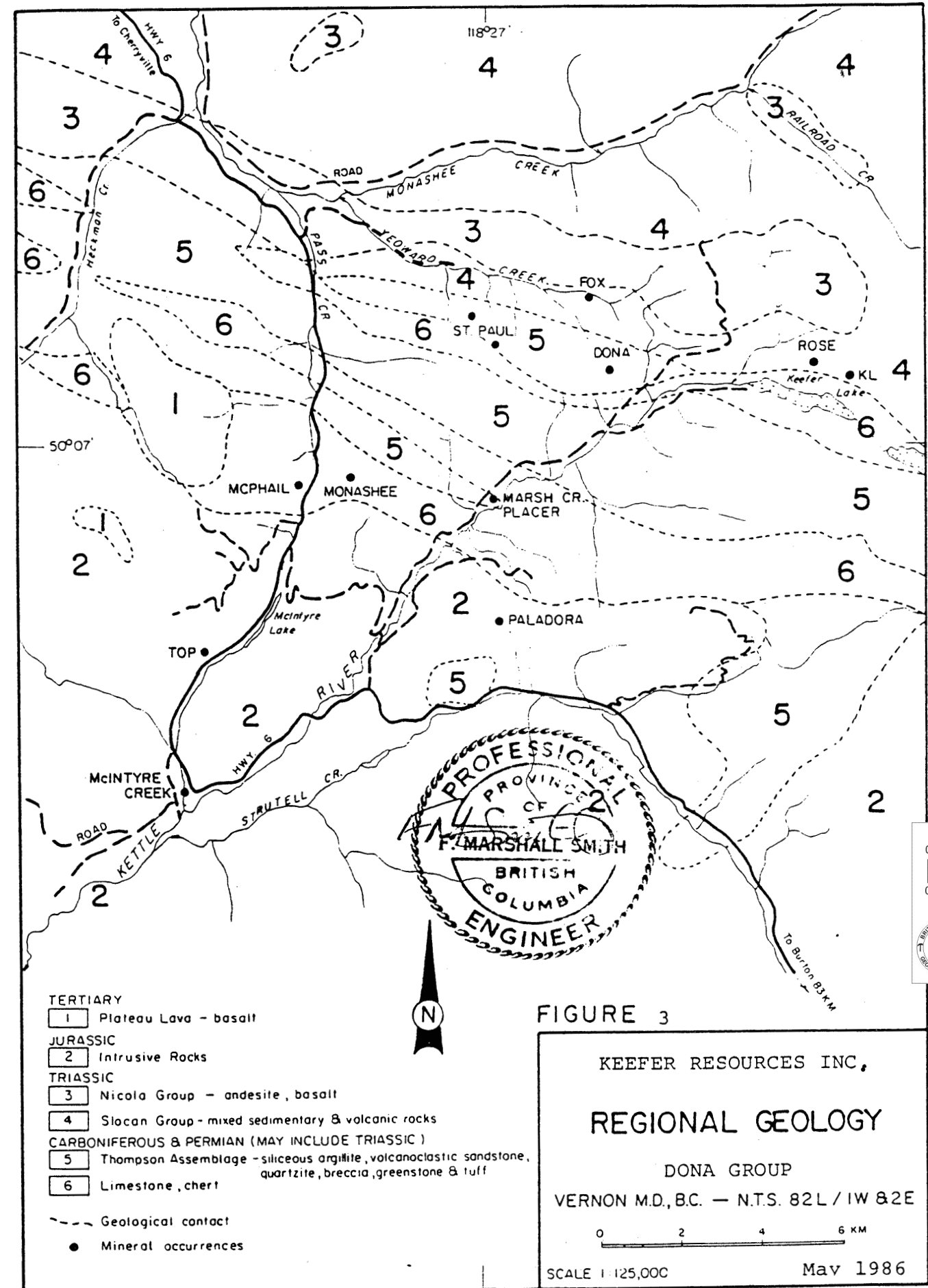
The oldest unit mapped in the area includes argillaceous sediments, volcanoclastic rocks and limestone pods belonging to the Carboniferous to Permian Thompson Assemblage. The individual members are interdigitated on a relatively fine scale and have yielded fossils of Late Mississippian, Pennsylvanian and Permian ages. Late Triassic fossils have also been obtained from some localities, but similarities between these rocks and the Slokan Group sediments to the north often preclude differentiation.

The sequence is believed to have undergone sub-greenschist facies metamorphism coeval with Jurassic-Cretaceous orogenic events (Wheeler et al., 1972), though some deformation may have preceded deposition of the Upper Triassic sediments (Read and Ukulitch, 1977).

The Thompson Assemblage rocks are unconformably overlain to the north by a sedimentary formation belonging to the Slokan Group, as well as volcano-sedimentary rocks belonging to the Nicola Group. Scattered fossil occurrences indicate both groups to be of Late Triassic age. Metamorphism of these rocks is relatively low grade and, like in the assemblage to the south, is believed to be related to Mesozoic orogenic events.

To the south, the Thompson Assemblage has been intruded by plutonic rocks belonging to the Late Jurassic Valhalla Complex. The predominant rock type is a massive granodiorite, although composition has been observed to vary widely. The emplacement of these intrusives is believed to have been responsible for the widespread deformation of the older volcanic and sedimentary rocks.

The youngest consolidated unit mapped in the Monashee Mountain area occurs east of Heckman Creek. Here, Tertiary plateau basalts have been extruded atop both Paleozoic and Mesozoic rocks.



PROPERTY GEOLOGY

The predominant rock type in the claimed area is a black fissile shale or phyllite with varying percentages of graphitic, calcareous pyritic shale interbeds. The limy horizons are intimately related to the gold and silver mineralization, and to the apparently related arsenopyrite. The lime content of the sediments wanes outward from the intercalated flows in contact with the gold mineralization, to the average low lime fissile shale or phyllite.

Interbedded with the calcareous sediments are albitic tuffs, tuffaceous (albite clast) limestones and flows of quartz latite to dacite composition. The calcareous sediments are thinly bedded (1 to 2cm) with oscillations from black graphitic calcareous argillite to blue gray tuffaceous limestone or albite tuffs. The limy tuffs or tuffaceous limestones thicken over the crests of the quartz latite flows and are severely skarned (pyrosomatic) near the flows. The flows range in composition from dark biotite rich quartz latite to hornblende/pyroxene rich dacite.

The flows have a smooth arcuate disruptive base (the current tops) with irregular original ceiling (now the base) and draped calcareous sediments over the rubble. The tips thin dramatically into the sediments from the thickest central portion of over 20m thick (TRENCH 1A & 84-6) to 4cm within a distance of 50m. On the south wall of Trench 84-6 a hand specimen was collected of a 2.5cm thick bed of cracked crystal (albite) tuff set within limy black argillite. This horizon was followed along strike to the southeast where it widened out into a west dipping sheet of latite porphyry with underlying arsenopyrite rich 'skarn' and overlying fresh unaltered argillite. The average strike and dip in the area of the southern trenches is about N30°W and 15 to 20°W dip but the strike varies to N10° - 60°W with dips from 30°E to 30°W. The dips of the bedding in the northern trenches are similar with strikes trending more in the range from N30°E to N20°W.

All rock types in the district are partly skarned with actinolite and clinozoisite the commonest alteration minerals in the sediments and limy tuffs. The alteration does not appear to be caused solely by the flows as these limy rocks are in themselves altered with epidote, clinozoisite, and some muscovite common throughout the area both above and below the outcrop of the latites.

The sediments immediately below each flow (ie. the original top of each) tend to be a rubble of tuffaceous material rich in lime with varying amounts of sulfides and quartz. The sulfides occur both as finely disseminated grains and in pods or masses parallel to the bedding. The sulfide pods consist of arsenopyrite with minor galena and pyrite with rare sphalerite and chalcopyrite.

The lower portions of the latite horizons in the Trench 1A area have, as yet, not been sampled. The quartz rich beds above, and the quartz veinlets (ladder veins) within the latites have been sampled with results indicating that there is potential for a bulk tonnage type deposit. There is potential for improved grade in the unsampled lower portion of the latites, as traditionally this portion tends to contain the majority of the precious metal values.

The bedrock exposed in the area of Trench 4 further up hill proved that the sheets are overturned and that the better gold values could be expected on the lower portion of the sheets in the Trench 1A area. Due to the local topography in the area of Trench 1, only drilling can be used to determine this potential.

The quartz zones within the sedimentary units do not cross bedding but consistently follow it along strike. These units carry significant gold values near the porphyries, but are barren along strike more than 5m from the latite porphyries.

Late faulting is evident on surface in the area of Trench 4 but there is no apparent alteration of the rocks on either side of the fault and no dykes appear to occupy any of the known faults.

MINERALIZATION

There are at least 10 "mineralized" sheets with related quartz beds indicated in the El Paso sampling before 1982. Four of these zones were reconfirmed by the work from 1982-84, and 6 new zones were located to the northwest and the northeast in the 1984 trenching programme.

The soil and weathered rock colours are diagnostic for the location of gold mineralization. A total of 882 rock chip samples collected by El Paso personnel ranged from less than 34 g/t silver and 0.34 g/t gold to 2.29m of 89.4 g/t silver and 29.4 g/t gold. All values greater than 1.0 g/t gold occur only where the rock weathers to a hematitic red-brown colour and none of the hematitic soils sampled ran less than 2.7 g/t gold.

The best results to date on the property are in the area of Trench 4, as detailed on page 11. Percussion drilling by El Paso in this area failed to locate any gold values at depth on the Trench 4 zone.

Replicate assays from laboratories, as reported in July, 1984, show the problem with the coarse gold from the samples in the area of Trench 1A. This problem was also noted in the assays from work in the fall of 1984 where samples from the new trenches in previously anomalous areas, returned low gold values. This problem of sampling of these mineralized horizons appears to be best solved by using large core drill sampling if, and only if, the core is taken using a face ejection (or discharge) bit. The soft ground in the mineralized zone must not be washed during the drilling or the free particles of gold may be removed from the partly broken rock in the core barrel.

Currently there are a series of gold bearing horizons untested with core drilling where sufficient gold values have been encountered on surface and in trenching to justify drill testing to determine the grade and potential size of the zone. The best areas to test are at Trench 4, 5, 1A, and the lower zone at Trench 1. The grade of Trench 84-6 and 84-10 should be drill tested if the values from the early drilling substantiate the contention of significant values in the area of Trench 1.

GEOCHEMISTRY

Preliminary work carried out by El Paso Mining and Milling Company consisted of geochemical soil sampling over the DONA 1-8 claims. A 150 ha grid was established with lines spaced at 400 feet and stations every 100 feet. Later fill-in sampling aided in the definition of an elongate partially coincident gold/silver/arsenic/lead anomaly centered in the DONA 5 claim. Assay values ranging up to 4.20 ppm gold were returned from samples taken in this NW-SE trending area. Because of the relatively steep slopes, however, soil creep may have played a role in transporting this anomaly down slope.

Detailed soil sample analysis done by the writer in 1982 determined a significant proportion of the gold contained in the soils extracted from the DONA property to be coarser than 80 mesh. It was also determined that larger samples and total pulverization, rather than sieving the sample to -80 mesh, would have provided a more accurate representation of the anomaly.

In order to locate the source of the anomaly, approximately 1900m of back-hoe trenching was undertaken in 1974. Vertical soil samples from these cuts confirmed the anomalous gold and silver values in the soils. Two samples extracted near station 10 assayed 15.2 ppm Au and 33.0 ppm Ag and 102.0 ppm Au and 7.8 ppm Ag from depth between surface and one, and one and two feet respectively.

Lithochemical channel sampling across zones of mineralization exposed in the trenches returned excellent gold and silver values over significant widths. Some of the better values are listed below :

Trench	Width(cm)	oz/t Au	oz/t Ag
4	250	0.77	2.37
4	229	0.86	2.61
4	30.5	0.87	3.40
4	198	0.30	0.78
1	76.2	0.34	0.75
1	38.1	0.34	0.41
1	140	0.21	2.01
1	40.6	0.17	0.31
1A	91.4	0.16	4.12
1A	70	0.14	1.13
1A	91.4	0.11	3.63

Some spectacular values were also obtained from local veins, shear zones and massive sulfide pods generally less than 30 cm in width. Zones of weathered hematitic bedrock appear to be diagnostic in the location of gold and silver mineralization.

Subsequent trenching undertaken in 1982 and 1984 succeeded in exposing several mineralized zones discovered by El Paso as well as new zones previously unknown. Work in 1982 included 122 m of trenching in the area of El Paso's Trenches 1, 4 and 5. Unfortunately, El Paso's results could not be duplicated. In 1984, an additional 445 meters of trenching was undertaken to the northwest. While results from the 68 channel samples were low, several interesting mineralized zones were exposed.

GEOPHYSICS

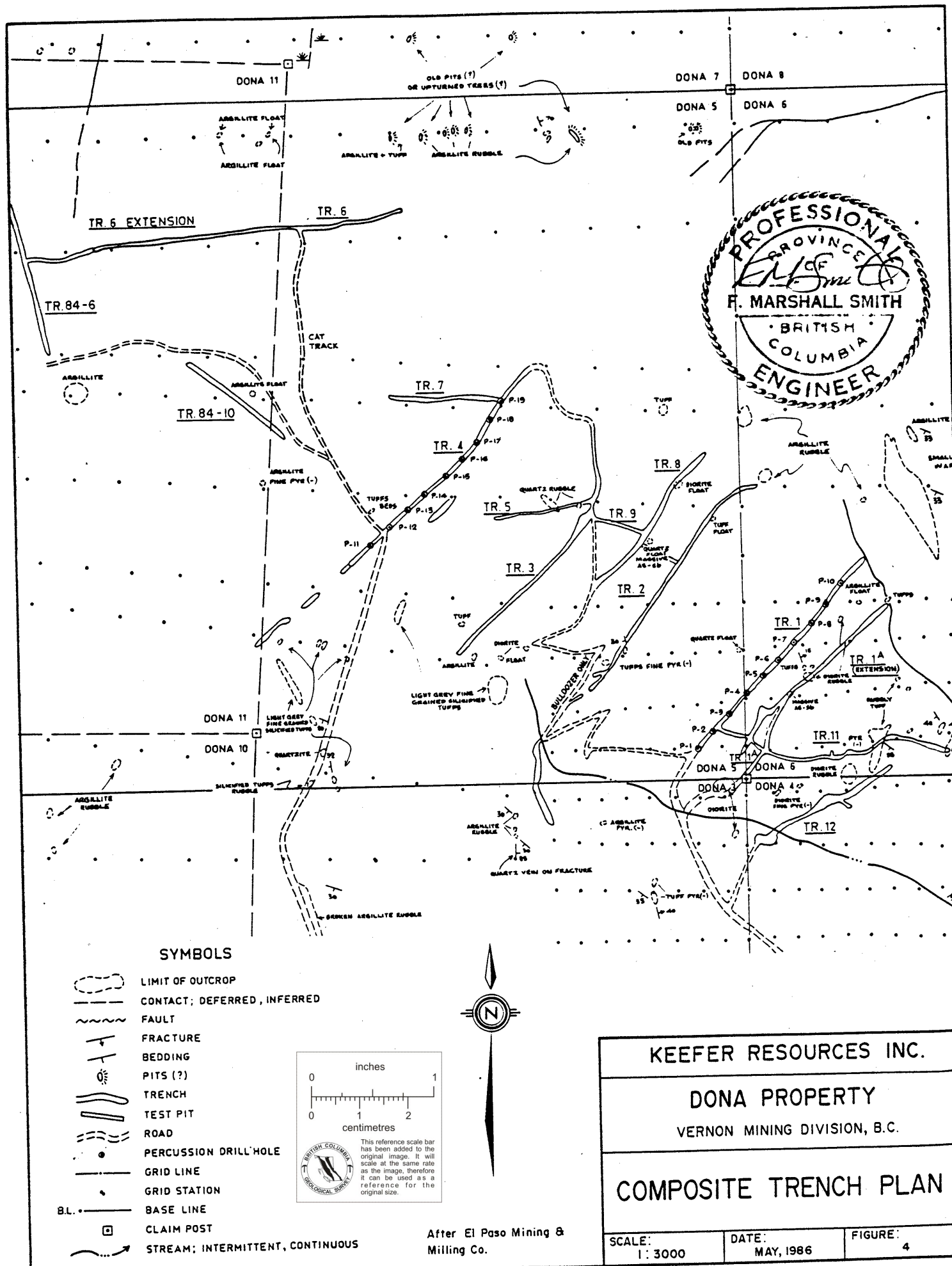
Neither the Self-Potential nor the VLF-EM surveys carried out by El Paso have assisted in defining the mineralized zones. Some success has been demonstrated with DONA type deposits using induced polarization-resistivity to map the low resistivity diorite zones. This sort of survey may be useful later in the evaluation of the claims to map the down dip extension of mineralized zones. However this survey should not be required in the early stages of grade testing near surface.

DRILLING

To date, the mineralized zones exposed on the property have been explored at depth by 19 percussion drill holes totaling 3216 ft. The best results came from hole P.11, where valves of 1.78 oz/t Ag and 0.15 oz/t Au were obtained across 0.6 m, hole P.10 where 0.6 meters grading 5.03 oz/t Au was intersected in hole P. 17 where a 0.6 m section assayed 0.26 oz/t Au and 0.10 oz/t Ag.

In comparing results from drill hole #14 and surfacing sampling in Trench 4, however, it becomes apparent that percussion drilling cannot be relied upon to give an accurate measure of the grade or thickness of the mineralized diorite sheets. Hole #4 should have penetrated the down dip extension of a zone grading 46.31 gm/tonne silver and 5.37 gm/tonne gold at the surface, at a depth of 16.8m. The average grade of this zone in the hole was 1.7 gm/tonne for both gold and silver. The lack of gold recovery with percussion drilling has been noted by the author on several projects in the United States and Canada, in particular one project in California with very similar rock types and gold mineralization. It should also be noted that water was encountered in most of the holes, effecting not only recovery, but likely the grade of the material recovered.

Because of this, results from the percussion drilling program should be regarded with skepticism. Core drilling should allow for detailed logging of the stratigraphy and better accuracy in determining the grade of the mineralized zones. Due to the friable nature of the dacite, the amount of carbonate minerals and the blocky clastic nature of the rock, HQ diameter equipment should be used to give sufficient recoveries.



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CONCLUSIONS

A series of gold bearing horizons occur throughout a zone at least 300m thick (stratigraphically) over a strike length of at least 600m. At least one sheet is in excess of 13m thick, grades in excess of 3.4 g/t gold (+0.10 oz/ton gold) and outcrops for about 20m of strike length.

The variability of gold assays between samples and within each sample is a cause for concern as to what the actual average grade is for the potential deposit. As all the old roads and trenches are parallel to the trace of the outcrop of the various sheets, the total number of mineralized horizons and their actual strike and width extent have as yet not been determined.

Current assays indicate the average zone is in excess of 6m thick and grades between 22.7 and 43.1 g/t silver, and 2.3 to 5.57 g/t gold, with a potential frequency of about 50% of the total rock column.

It is the writer's opinion that an economic deposit can be located on the claims. Based on past work on the DONA property, and other claims in the district the principal characteristics of this sort of potential deposit sought are:

1. The deposit type has high variability of grade from sample to sample with considerable portion of the gold relatively coarse (+80 mesh) with resultant assay repeatability problems.
2. The average grade should be from 0.10 to 0.20 ounces gold per ton, and if in the lower range, the tonnage must be large and the mining should be open pit for a large measure of the drilled reserves.
3. Each sheet defined by drilling tends to have extremely long rake with a lens shape normal to the rake direction. The lens shape for the DONA claims appears to be 200m by 10m.
4. The average grade cannot be determined by surface sampling unless long expanses of the subcropping gold bearing zone are opened with trenching. Bulk sampling and/or large diameter core drilling are required to determine the average grade.

RECOMMENDATIONS

The very good potential of developing a deposit of economic significance justifies an in depth evaluation of the DONA and IRENE claims, which is recommended in two phases.

As the average grade is low, the exploration target must be an open pit deposit. The attitudes of the lenses is such that the mineralization near the top of the hill (Trench 4 area) and the area around Trench 1A must be the principle areas of search. The proposed drilling should be done with HQ diameter equipment, using extreme care to maintain as close to 100% core recovery as possible. While the initial holes should be fairly shallow (approximately 50 meters), depths should increase as the program progresses and a better knowledge of the subsurface geology is gained.

The phase II program of additional detailed diamond drilling is recommended to assess the potential tonnage and average grade of the most favorable zones located in Phase I. In order to obtain reliable average grade-tonnage data it is imperative that, as well as good recovery of HQ core, sampling and assaying techniques are optimized to overcome the coarse-gold problem.

BUDGET

The following is a proposed budget for work on the DONA property:

PHASE I

Diamond drilling - 1000 meters @ \$100/m	\$100,000
Cat roads and drill pads	\$5,000
Supervision and geology	\$10,000
Room, board and consumables	\$7,000
Transportation	\$8,000
Reports and drafting	\$5,000
Contingencies	<u>\$15,000</u>
TOTAL	\$150,000

The following work is contingent on Phase I results:

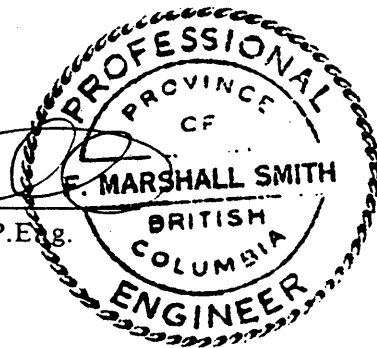
PHASE II

Diamond drilling - 1750 meters @ \$100/m	\$175,000
Cat roads and drill pads	\$8,000
Supervision and geology	\$15,000
Room, board and consumables	\$10,000
Transportation	\$12,000
Reports and drafting	\$5,000
Contingencies	<u>\$25,000</u>
TOTAL	\$250,000
TOTAL PHASE I & II	\$400,000

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F. Marshall Smith, P.Eng.
May 15, 1986

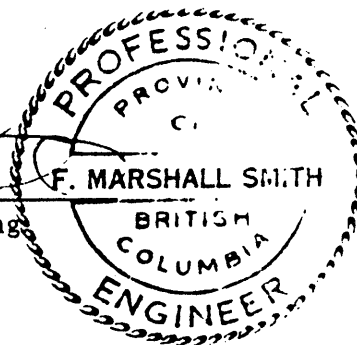


CERTIFICATE OF QUALIFICATIONS

I, F. Marshall Smith, do hereby certify that:

1. I am a consulting geologist and geochemist with offices at 218-744 West Hastings Street, Vancouver, British Columbia.
2. I am a graduate at the University of Toronto with a degree of B.Sc., Honors Geology.
3. I am a member in good standing of the Association of Professional Engineers of the Province of British Columbia.
4. I have practiced my profession continuously since 1967, primarily in the Cordillera of North America.
5. This report is based on observations made while supervising the 1982 and 1984 field programmes on the DONA property, as well as on a one day field examination of the claims in 1982. The writer is familiar with the geology of the gold mineralization in the district currently being evaluated.
6. I have no interest, direct or indirect, in shares or mineral claims controlled by Keefer Resources, or in the shares or claims of the companies with contiguous claims to the property described in this report.

F. Marshall Smith
 F. Marshall Smith, P.Eng.
 May 15, 1986.



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REPORT

on the

QUARTZ REEF PROPERTY

(REEF 1 TO 6 AND QUARTZ REEF CLAIMS)

VERNON MINING DIVISION

BRITISH COLUMBIA

NTS 82I/3W

Latitude: 50° 13'N
 Longitude: 119° 28' 30"W

For:

KEEFER RESOURCES INC.
 #1200-805 W. Broadway
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by:

Steven F. Coombes, B.Sc.

and

F. Marshall Smith, P.Eng.

May 28, 1986

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SUMMARY

The Quartz Reef property, near Vernon, British Columbia, has long been known as a fluorite occurrence. It was restaked in 1983 as a potential precious metal deposit.

The Quartz Reef Property consists of six adjoining full size two post claims, Reef 1 - 6, and one twenty unit mineral claim, the Quartz Reef, all located in the Vernon Mining Division of British Columbia and easily accessible by road.

The property is underlain by quartz monzonite intruded by porphyritic dykes. A north trending fault and fracture system hosting epithermal veins mineralized with fluorite, gold, silver and minor pyrite is known to run through the claims. This mineralization indicates that the present surface is likely above the precious metal horizon known to occur in epithermal gold deposits. Thus the potential for the development of a near surface precious metal deposit appears good.

The property underwent considerable exploration for precious metals in 1984. The program included lithogeochemistry, induced polarization and resistivity geophysics and geological mapping.

Because the writer is of the opinion that the Quartz Reef property has not been adequately tested and that significant potential exists for the location of a large tonnage, low grade gold/silver deposit, a two phase diamond drilling program is recommended.

Before work is carried out, it is strongly recommended that the ground covered by the adjoining White 1 mineral claim be acquired.

The first phase, contingent on the acquisition of the White 1 mineral claim, should consist of two 150m holes aimed at testing the down-dip extensions of the mineralization exposed at Zone A. Should phase I prove successful, a second phase of drilling, to total 600m, should be undertaken to define the size and grade of the deposit.

If the White 1 claim cannot be acquired it is recommended that the down dip extensions of Zones B and C be tested by drilling.

INTRODUCTION

Mr. Daniel W. Small, for Keefe Resources Inc. of Vancouver, British Columbia, engaged F. Marshall Smith, P. Eng., to prepare this report as a summary of the work carried out to date on the Quartz Reef property near the town of Vernon.

The Quartz Reef property is underlain by quartz monzonite intruded by porphyritic dykes. A north trending fault and fracture system hosting epithermal veins mineralized with fluorite, gold, silver and minor pyrite is known to run through the claims. This mineralization indicates that the present surface is likely above the precious metal horizon known to occur in epithermal gold deposits. Thus the potential for the development of a near surface precious metal deposit appears good.

The property was examined on July 21, 1984 by F. Marshall Smith, P. Eng.

LOCATION AND ACCESS

The Quartz Reef property is in the Vernon Mining Division of British Columbia, 15 kilometers west-southwest of Vernon (Fig. 1). The claims are located in the Okanagan region, on N.T.S. sheet 82L/3W and centered near 50° 13'N latitude and 119° 28' 30"W longitude.

The property is easily accessible by automobile from Vernon. Road access is approximately 40 kilometers via Highway 97, Lakeshore Road and Bouleau Main Road (a gravel road). Vernon is a major supply centre, affording all facilities and serviced by major airlines and railways.

PHYSIOGRAPHY AND VEGETATION

The claims occupy the summit and steep east flank of a prominent hill just west of Okanagan Lake. Elevations range from 425 meters to 870 meters within the claims. The low ground east of the hill is characterized by north trending swales and gullies that are probably fault bounded. The property is drained to the south by Frisbee Creek and to the east by Whiteman Creek.

Vegetation on the property is characteristic of the semi arid climate experienced in the area, and consists of mixed pine.

PROPERTY

The Quartz Reef property consists of six adjoining full size two post claims, Reef 1 - 6, and one twenty unit mineral claim, the Quartz Reef, all located in the Vernon Mining Division of British Columbia (Fig. 2).

The list below describes the claims as they are recorded at the Vernon Mining Recorder's office.

Claim Name	Units	Record Number	Expiry Date
Reef 1	1	1542	July 8, 1989
Reef 2	1	1543	July 8, 1989
Reef 3	1	1544	July 8, 1989
Reef 4	1	1545	July 8, 1989
Reef 5	1	1546	July 8, 1989
Reef 6	1	1547	July 8, 1989
Quartz Reef	20	1691	February 20, 1989

The above claims have a total area of about 460 hectares or 1,137 acres.

The legal claim posts were observed in the field, and it appears that the claims have been staked in accordance with the mining laws of British Columbia.

The Reef 1 - 6 and Quartz Reef claims are owned by Reef Development Ltd. of Vancouver, British Columbia.



FIGURE 1

REEF DEVELOPMENT LTD.

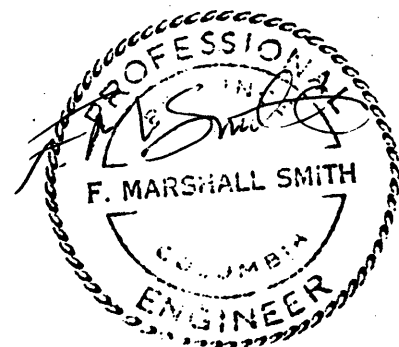
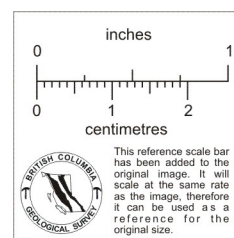
QUARTZ REEF PROPERTY
VERNON MINING DIVISION, B.C.

LOCATION MAP

F. MARSHALL SMITH, P. ENG.

SCALE: 1:8,000,000

DATE: AUGUST, 1984



SUMMARY OF PREVIOUS WORK

The Quartz Reef property was originally staked as a fluorite occurrence with no thought to precious metal potential. In 1983, John De Latre, Geologist, recognized that the mineralogy of the deposit was that of the upper zones of an epithermal system and that gold and silver mineralization could be expected to be found at relatively shallow depths. The following is a brief summary of the exploration work to date.

Prospecting for fluorite:

1944 Surface examination of the Green Gables fluorite occurrence by B.C. Department of Mines.

1954 New claim staking, no development work.

1963-64 Minor hand and bulldozer trenching.

1966 Considerable bulldozer stripping and trenching (over 400 meters) and three short drill holes. The drill holes are 50 to 100 meters east of the Zone A showings and could not have intersected the quartz veins or the contact with the porphyry dyke.

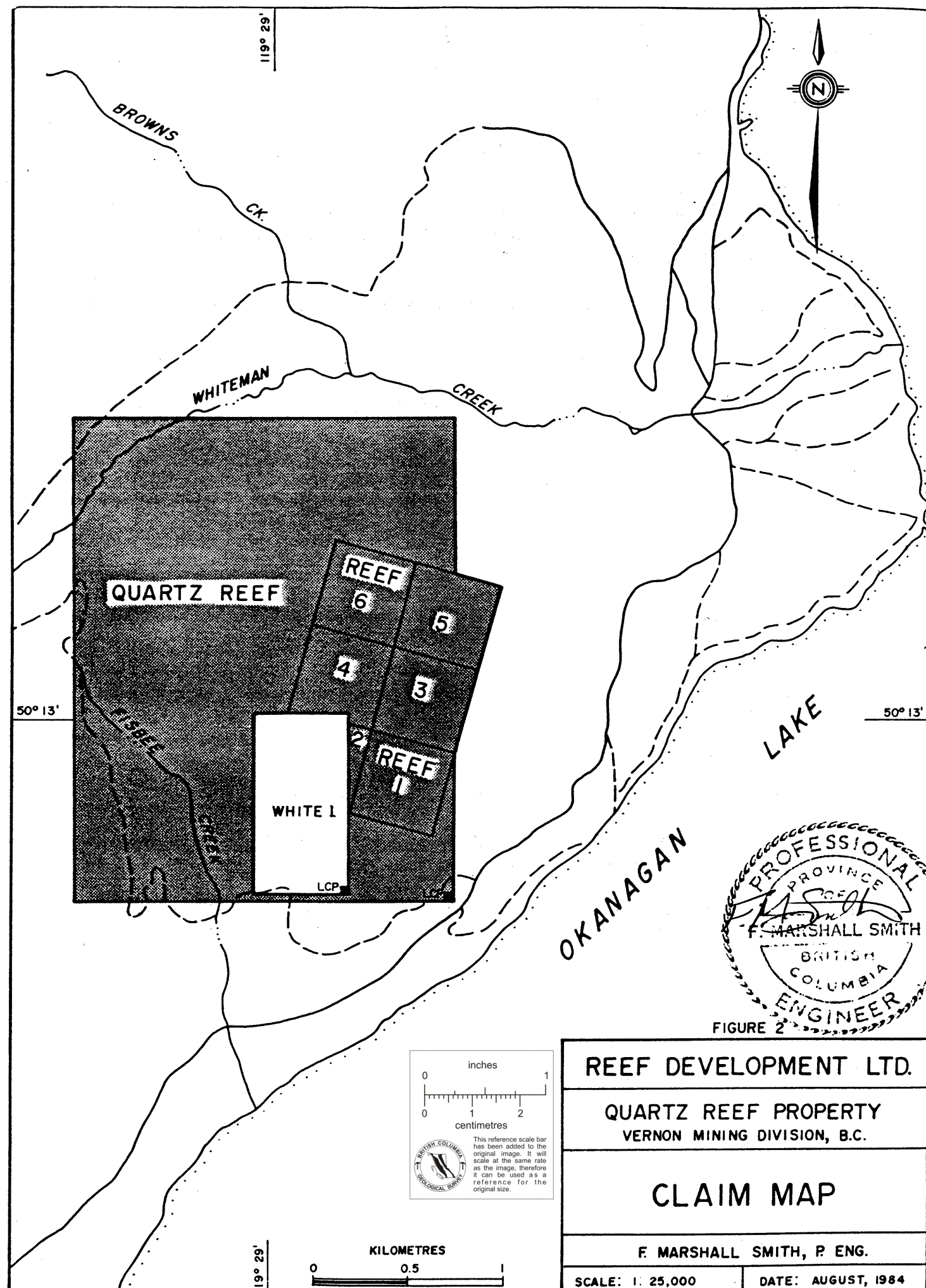
The Main Bench showing (Zone A) was examined by Cominco Ltd.

1967 Examination of the showings and a tape and compass plan of the main workings was prepared by J. W. McCammon of the B.C. Department of Mines.

Examination of the Main Bench showing by Bethex Ltd.

1968 Surface mapping and some bulldozer trenching and three drill holes totaling 338 meters of AQ core by Kelper Mines Ltd. The drilling was located some 300 meters south of Zone A and therefore outside the Quartz Reef property. The drilling revealed only pyrite and minor fluorite.

1971 Preliminary geochemical survey using a specific ion electrode for fluorine analysis by Cerro Mining Co. of Canada Ltd. on behalf of Kelper Mines Ltd.



Prospecting for Gold:

1983 Preliminary Geological evaluation and sampling for epithermal gold-silver mineralization, and claim staking by John De Latre.

1984 Surface evaluation and sampling of 1.5 square kilometers in the hill top area and cutting of 5.6 kilometers of line to establish a grid for a 5.6 kilometer I.P. survey. This work was performed by Mohawk Oil Co. Ltd. for Reef Development Ltd. A detailed description of the 1984 work is included in this report.

REGIONAL GEOLOGY

In the vicinity of the Quartz Reef property the Mississippian-Triassic Thompson Assemblage is intruded by Jurassic plutonic rocks and, locally, capped by Tertiary basalts of the Kamloops Group.

The Thompson assemblage was formerly considered part of the Cache Creek Group and, in places, part of the Anarchist Group. It is primarily composed of volcanic arenite, tuff, greenstone, argillite and phyllite, with minor schist, limestone, basaltic and andesitic flows, amphibolite, conglomerate and breccia.

The intrusive bodies in the area are provisionally mapped as part of the Valhalla Intrusives. They are predominantly granite and granodiorite with lesser amounts of diorite, gabbro and quartz diorite.

The Kamloops Group is composed of basalt, andesite, dacite, trachyte flows and dykes, breccia and tuff.

PROPERTY GEOLOGY

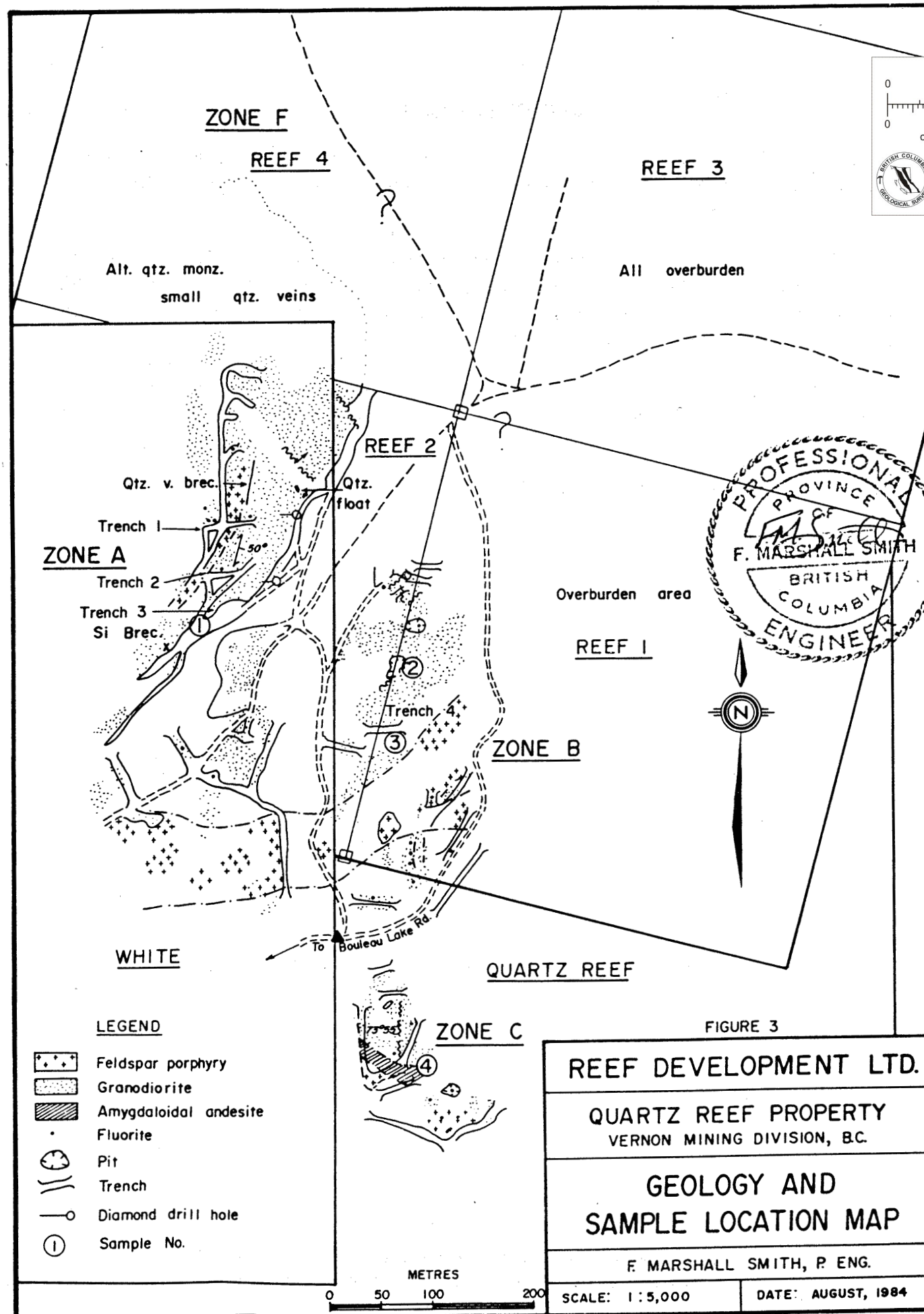
The Quartz Reef claims are on the edge of a distinctive hill formed by a 1.5 kilometer diameter Laramide age stock of Quartz Monzonite. In outcrop the hill is seen to be composed of a medium grained pinkish to grey rock. Thin section work reveals the composition to be oligoclase, andesine, orthoclase, microcline, quartz, biotite and hornblende with minor sphene, magnetite and apatite.

The quartz monzonite has been intruded by various dykes (Figs. 3 and 4). The largest (15 - 60 meters wide) and most numerous are feldspar porphyries. The feldspar porphyry dykes are the youngest of those intruding the quartz monzonite. They are grey to greenish or pinkish, generally fresh and locally fractured. The phenocrysts are oligoclase-andesine, 4mm to 10mm long, and altered elongate hornblende crystals. The groundmass is fine grained, consisting mostly of quartz and plagioclase. The feldspar porphyry dykes trend 355° to 065° and cross-cut small dykes of amygdaloidal andesine and biotite andesine.

The Quartz Reef property is cut by north-trending, normal faulting and fracturing. These fractures strike from 335° to 060°, and dip vertically or steeply east. They are closely spaced on the west half of the property where the steep bluffs are formed by fracture surfaces.

The most significant mineralization exposed on the property is fluorite which occurs as lenses and irregular masses in milky quartz veins, as thin veins by itself and as films on fracture planes. Some fractures are incompletely filled with vugs and drusy cavities in which small quartz crystals are found. The fluorite is coarsely crystalline, usually pale green and occasionally white to yellow and sometimes purple. Some samples of fluorite contained up to 10ppm (0.3 ounce/ton) silver.

In the more intensely altered zones (in particular Zone A), the country rock is moderately argillized and kaolinized, and heavily iron stained. Black manganese dioxide staining is usually present with the quartz and fluorite. Silicification is wide spread in the said zones. Locally coarse calcite occurs as fracture fillings. Very fine grained pyrite (2-3%) occurs along thin fractures and in the feldspar porphyry (Zone A).



1984 WORK PROGRAM**GEOLOGY AND LITHOGEOCHEMISTRY**

A preliminary surface evaluation of the hill top area within the Quartz Reef mineral claim, was carried out during July, 1984. The survey required eight field days to complete and during the course of the survey, twenty rock samples were collected, fifteen of which were assayed.

The survey area falls within the hill top area and the steep eastern hill side, an area of about 1.5 square kilometers, with a relief of 260 meters. The hill top area is defined as the area above the 700 meter (2300 foot) contour (Fig. 4).

Six traverses were carried out for an adequate coverage of all the exposure areas. The feldspar porphyry dykes were surveyed and are indicated, as well as the sample locations, on the accompanying map at the scale of 1:5000. All of the showings were examined.

Twenty samples were collected of which fifteen were fire assayed for gold and silver by Kamloops Research and Assay Laboratory Ltd. (KRAL).

The results of the survey are as follows:

1. The fifteen samples show no significant values in gold or silver. However, these assay results by KRAL appear spurious on the grounds that a check sample (1015), taken in the mineralized and sheared C Zone, previously returned .02 ounce/ton gold and .01 ounce/ton silver, and the fact that the mineralized vein quartz (samples 1010-11-13) is similar to quartz in the A Zone, known to contain anomalous amounts of gold (.01 ounce/ton).
2. The dozen scattered indications of fluorite in the hill top area, as marked on the property map (1971) by Cerro Mining Company of Canada Ltd., are trivial.

An exception to this is a showing, named the "hilltop showing", where fluorite and silica occur in greater concentrations. The hilltop showing is situated 300 meters southeast from the pond at the end of the road. The showing has been exposed by blasting and stripping over an area 20 meters by 15 meters. The mineralized zone appeared to be 4 meters in width and is exposed on a strike length of twenty meters. The strike is 020 degrees and the dip 50 degrees easterly. The granodiorite host rock is strongly altered and brecciated. An intrusion of feldspar porphyry, either a large dyke or a plug, lies about 100 meters east of the showing. According to the KRAL assaying, the showing samples (1015-08-09) show no precious metal values at all (less than .001 ounce/ton gold), whereas sample 1006, a slightly altered granite, 150 meters southwest of the hilltop showing, returned .01 ounce/ton gold.

3. Numerous large and small northerly-trending and steeply dipping dipping dykes of feldspar porphyry, presumed to be feeders of the Early Tertiary flow blanket, are found throughout the survey area. These dykes followed fracture and fault planes. All the northerly faults are of the block type, such as are presumed to have been formed from vertical strains.

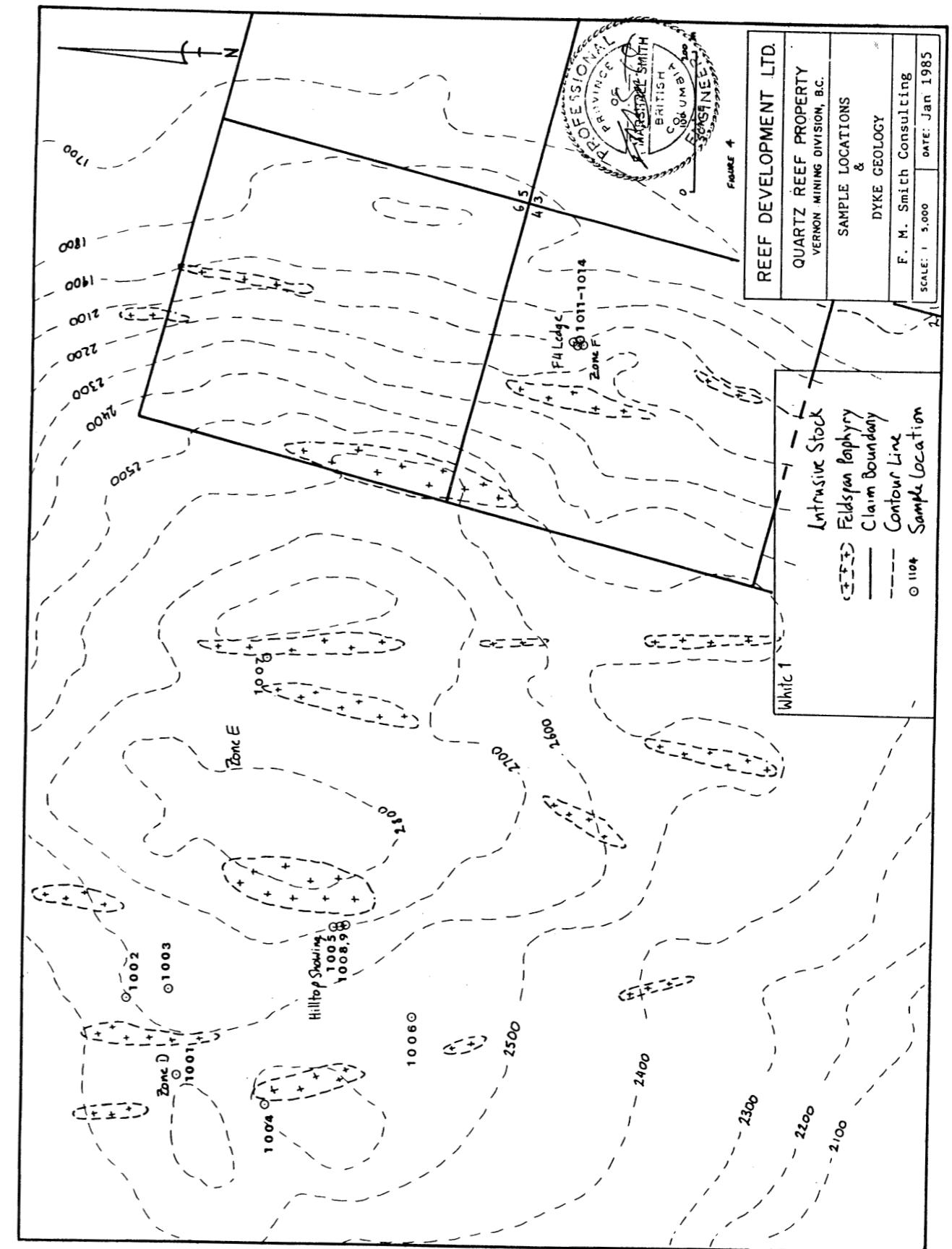
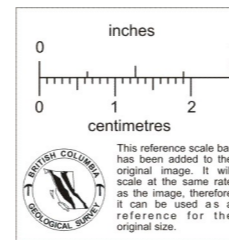
Mineralization on the property is not necessarily related genetically to the feldspar porphyry dykes as suspected previously. Many such dykes are slickensided with later fluorite-silica deposition. The mineralization on the property appears to be of late Eocene or younger age, which is the mineralization age at Wenatchee and Republic, WA.

4. The rock exposures in the hill top area are clearly deficient in vein quartz and mineralization. The granodiorite or quartz monzonite is virtually unaltered in contrast to many localities within the A, B, C and F Zones at the lower levels.
5. An interesting fault vein, believed to contain anomalous values in gold, crops out on a steep slope in the F Zone, on the Reef 4 claim. This new discovery is named the "F4 ledge"; there is no evidence of any old workings of prospecting in the F Zone. The F4 ledge is more or less on strike with the vein or veins of the A Zone. The A-F Zones appear to constitute a structure of silicification and mineralization, dipping easterly and having a strike length of 500 meters. These epithermal veins of barren appearance, may be the upward manifestations of larger and richer reefs in depth.

The F4 ledge is a one-meter wide quartz vein with a fault breccia consisting of altered granite and porphyritic micromonzonite(?) (a compact siliceous mass) accompanied by bands of quartz and calcite replacement (20%) in the outside wall rock. The ledge strikes 20 degrees and dips 60 degrees easterly. It appears to be three to four meters in true width. The ledge can be traced for about 100 meters to the top of the slope, where the vein pinches out(?) on the south. The northern extension of the ledge is covered by scree.

The quartz has a dull chalcedonic appearance and often contains colloidal silica fragments. Fine grained pyrite (1%) is not conspicuous in the quartz; a few specks of chalcopryite can be seen; iron and manganese stains are common in the vein matter. The barren appearance of the F4 ledge is not unlike productive epithermal veins (averaging 1 meter in width) of the Republic gold mining district, WA.

Despite the favourable geologic and mineralogical features of the F4 ledge, the samples 1010-11-13 have no more gold or silver content than any barren granitic rock on the property, according to KRAL fire assays.



GEOPHYSICAL SURVEY

Procedures-

The transmitter used for the induced polarization-resistivity survey was a Scintrex Model IPC7 (2.5 Kw) powered by a Briggs and Stratton motor generator. An IPR8 receiver, also manufactured by Scintrex, was used. Measurements in this survey were taken in the "time-domain" at 50 meter spacings.

The IP and resistivity measurements were taken in the time-domain mode using an eight second square wave charge cycle (2 seconds positive charge, 2 seconds off, 2 seconds negative charge, 2 seconds off). The delay time used after the charge shuts off was 450 milliseconds and the integration time used was 900 milliseconds.

The configuration used in the field was the dipole-dipole array. The dipole-dipole array was chosen because of its symmetry. Non-symmetrical arrays such as pole-dipole present interpretational difficulties.

The electrode spacing (or dipole length) is denoted as a and was chosen as 50 meters. The n value varied from 1 to 12 so that the dipole separation (na) varied from 50 to 600 meters.

Stainless steel stakes were used for current electrodes, while the potential electrodes were comprised of metallic copper in copper sulfate solution, in non-polarizing, unglazed porcelain pots.

All survey measurements were carried out along previously cut and/or flagged lines.

The chargeability values are read directly from the instrument and no data processing is therefore required prior to plotting. The resistivity values are derived from current and voltage readings taken in the field. These values are combined with the geometrical factor appropriate for the dipole-dipole array, to compute the apparent resistivities. This was done in the field with an HP-45C memory calculator as the survey was progressing.

All the data was plotted in pseudosection form along the seven plotted topographical profiles at a scale of 1:2500. Values were plotted at a 45° angle from the location of the current dipole and the potential dipole and in such a way as to minimize topographical effects. The resistivity data was contoured at selected contour intervals. A survey plan at a scale of 1:2500 was drawn to show the line locations.

The chargeability data was plotted on the same topographical profiles as those for the resistivity data.

Interpretations-

The results of the work program on the claims show four distinct drill targets worthy of initial testing for grade and thickness.

To date, geological mapping has been successful in locating several quartz veins at surface on the western portion of the claims. All of these veins have narrow epithermal alteration zones and weak but geochemically significant gold and silver values.

The I.P.-resistivity program was recommended by the writer to evaluate the down dip extent of these quartz veins in an effort to locate a zone of deposition of significant gold and/or silver within the vein shoot.

On the sections obtained from the survey, there are four strong, low resistivity areas dipping to the east associated with these zones (Fig. 5). These low resistivity areas are interpreted as being a result of alteration by gases related to precious metal deposition within the fault, and thus offer good drilling targets.

One of these, called Reef northwest (RNW), dips between 70° and 50° east and outcrops to the west of till cover at about 3+00W on lines 0+00 through 3+00S on the adjoining White 1 mineral claim (Zone A). The best zones in terms of mineralization potential are located near the bottom of the sections in the areas of minimum resistivity and shallowest fault dip (see figure 5 and I.P. sections). This is the strongest and most promising of the four structures discovered by the survey, however, its close proximity to the edge of the property makes it a somewhat questionable exploration target unless the White 1 claim can be acquired.

The Reef northeast (RNE)(Zone B) and Reef southeast (RSE)(Zone C) are similar, although somewhat weaker, structures and both are considered to be good targets for drilling. The added advantage of these is that they crop out on the Quartz Reef property.

The fourth structure, the Reef southwest (RSW), shows as a resistivity low on the westernmost extent of the survey on lines 7+00S through 9+00S. This structure, like the RNW, extends to the surface within the White 1 claim and is therefore not considered a viable exploration target at this time.

CONCLUSIONS AND RECOMMENDATIONS

The Quartz Reef property hosts an epithermal vein system, emplaced along north trending faults and fractures. The mineralogy (fluorite, quartz, calcite, minor pyrite and low grade but anomalous gold and silver) and alteration (propylitic: chlorite, carbonate and illite with weak kaolinite) indicate that the present surface is above the precious metal horizon and so offers good potential for gold and silver values increasing at depth.

An I.P.-resistivity survey carried out during 1984 indicates four strong low pH alteration haloes dipping to the east associated with these zones. All four of these zones offer good potential for increased precious metal values with depth. The strongest of the three is the RNW which outcrops at Zone A on the adjoining White 1 mineral claim.

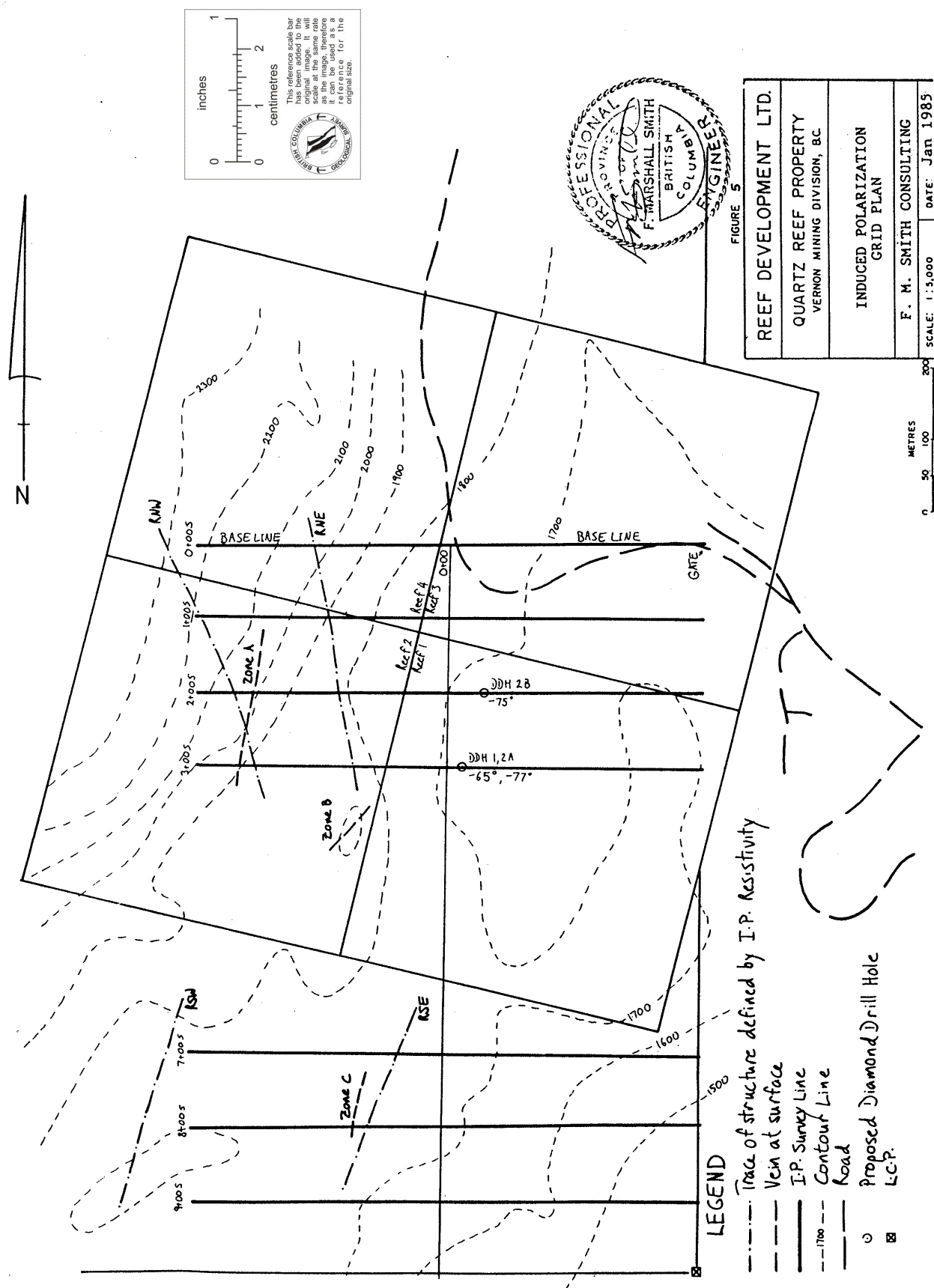
A Two Phase drilling program is recommended to test the down dip extension of Zone A (RNW) for precious metal values.

Phase One is to consist of 300 meters of diamond drilling in two approximately 150 meter drill holes angled to the west to intercept the structures. The proposed drilling should be done with HQ diameter equipment, using extreme care to maintain as close to 100% recovery as possible.

If Phase One returns encouraging results, Phase Two is to consist of an additional 600 meters of HQ diamond drilling to further test the size and location of the deposit.

Before work is carried out on the RNW "vein", it is recommended that the ground covered by the White 1 mineral claim be acquired. Economical precious metal values can be expected to occur starting at a depth of from 50 to 100 meters and extending downwards for 200 to 300 meters. While the anticipated precious metal values may extend onto the Quartz Reef property due to the easterly dip of the RNW "vein", it would be at a considerable depth (300 meters +/-) and would limit the program to one drill hole

If the White 1 claim cannot be acquired it is recommended that the down dip extensions of Zones B and C be tested by drilling.



BUDGET

The following is a proposed budget for work on the Quartz Reef property:

PHASE I

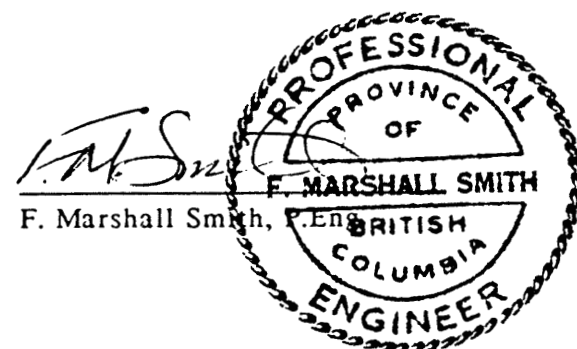
Diamond drilling - 300 meters @ \$100/m	\$30,000
Cat roads and drill pads	\$3,000
Supervision and geology	\$4,000
Room, board and consumables	\$4,000
Transportation	\$2,500
Reports and drafting	\$2,500
Contingencies	<u>\$4,000</u>
TOTAL	\$50,000

The following work is contingent on Phase I results:

PHASE II

Diamond drilling - 600 meters @ \$100/m	\$60,000
Cat roads and drill pads	\$6,000
Supervision and geology	\$8,000
Room, board and consumables	\$7,000
Transportation	\$5,000
Reports and drafting	\$5,000
Contingencies	<u>\$9,000</u>
TOTAL	\$100,000
TOTAL PHASE I & II	\$150,000

Dated this 28th day of May, 1986 at Vancouver, British Columbia

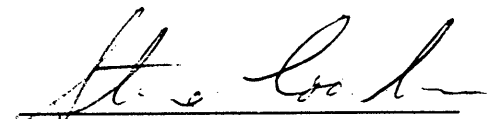
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- De Latre, John, 1984: Geological Report of the Reef Property; unpubl. rept., 9 pp. + maps.
- De Latre, John, 1984: Preliminary Surface Evaluation, The Hilltop Area of the Quartz Reef Property; unpubl. rept., 10 pp. + maps.
- Nelles, D. M. and Smith, F. M., 1985: Geological and Geophysical Report on the Quartz Reef Property, Vernon Mining Division, British Columbia, unpubl. rept., 19 pp. + maps.
- Smith, F. M., 1984: Report on the Quartz Reef Property, Vernon Mining Division, British Columbia, unpubl. rept., 14 pp. + maps.

CERTIFICATE OF QUALIFICATIONS

I, Steven F. Coombes, do hereby certify that:

1. I am a geologist employed by Searchlight Resources Inc. with offices at 218-744 West Hastings Street, Vancouver, British Columbia.
2. I am a 1983 graduate at the University of British Columbia with a degree of B.Sc.(Geol.).
3. I have practiced my profession continuously since 1983, primarily in the Cordillera of North America.
4. This report is based on reports prepared by others working on the Quartz Reef property.
5. I have no interest, direct or indirect, in shares or mineral claims controlled by Keefer Resources Ltd. or Reef Development Inc., or in the shares or claims of the companies with contiguous claims to the property described in this report.



Steven F. Coombes, B.Sc.

May 28, 1986.

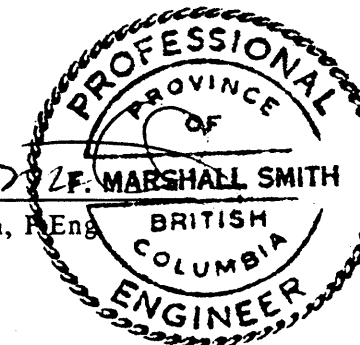
CERTIFICATE OF QUALIFICATIONS

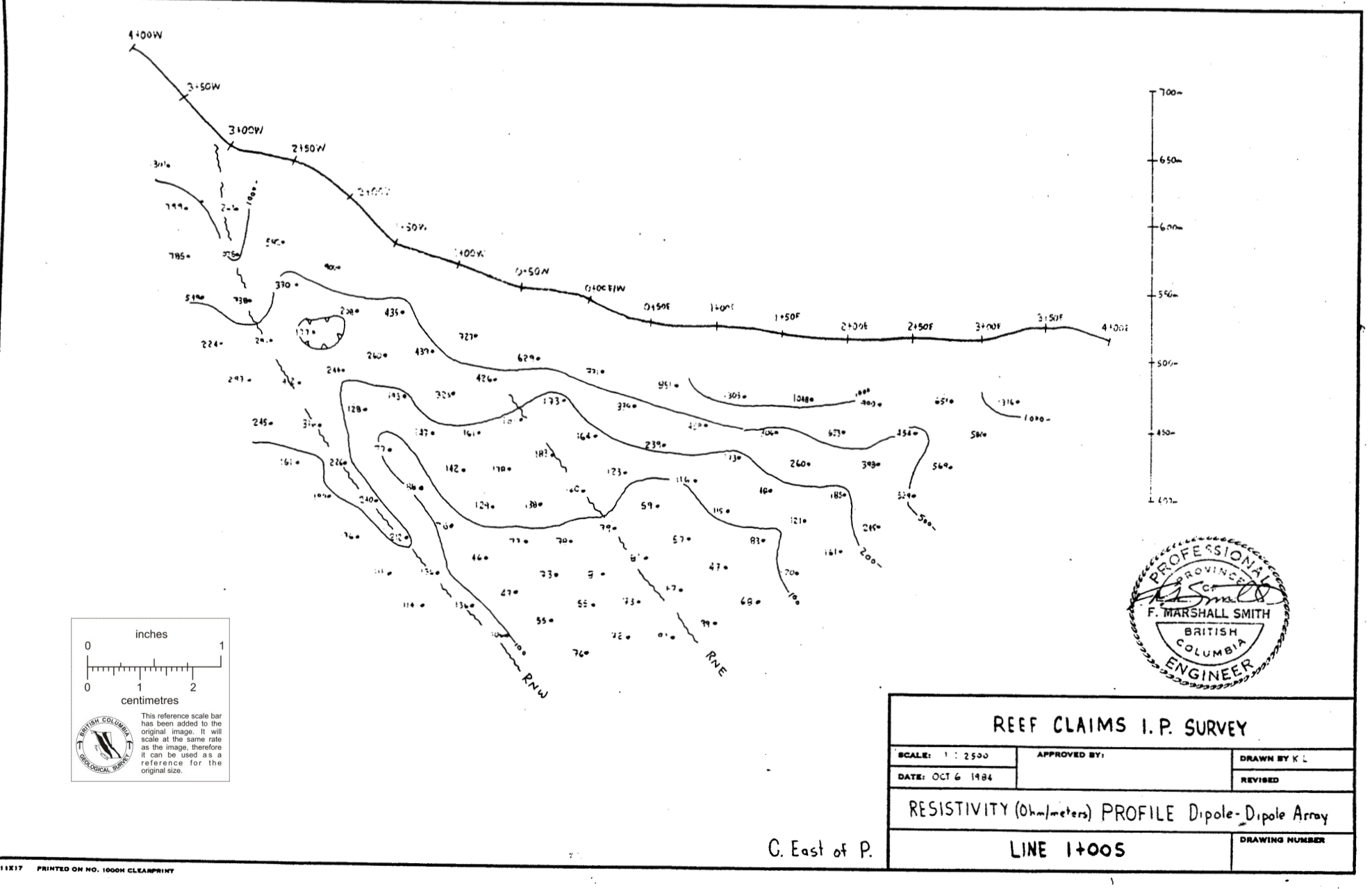
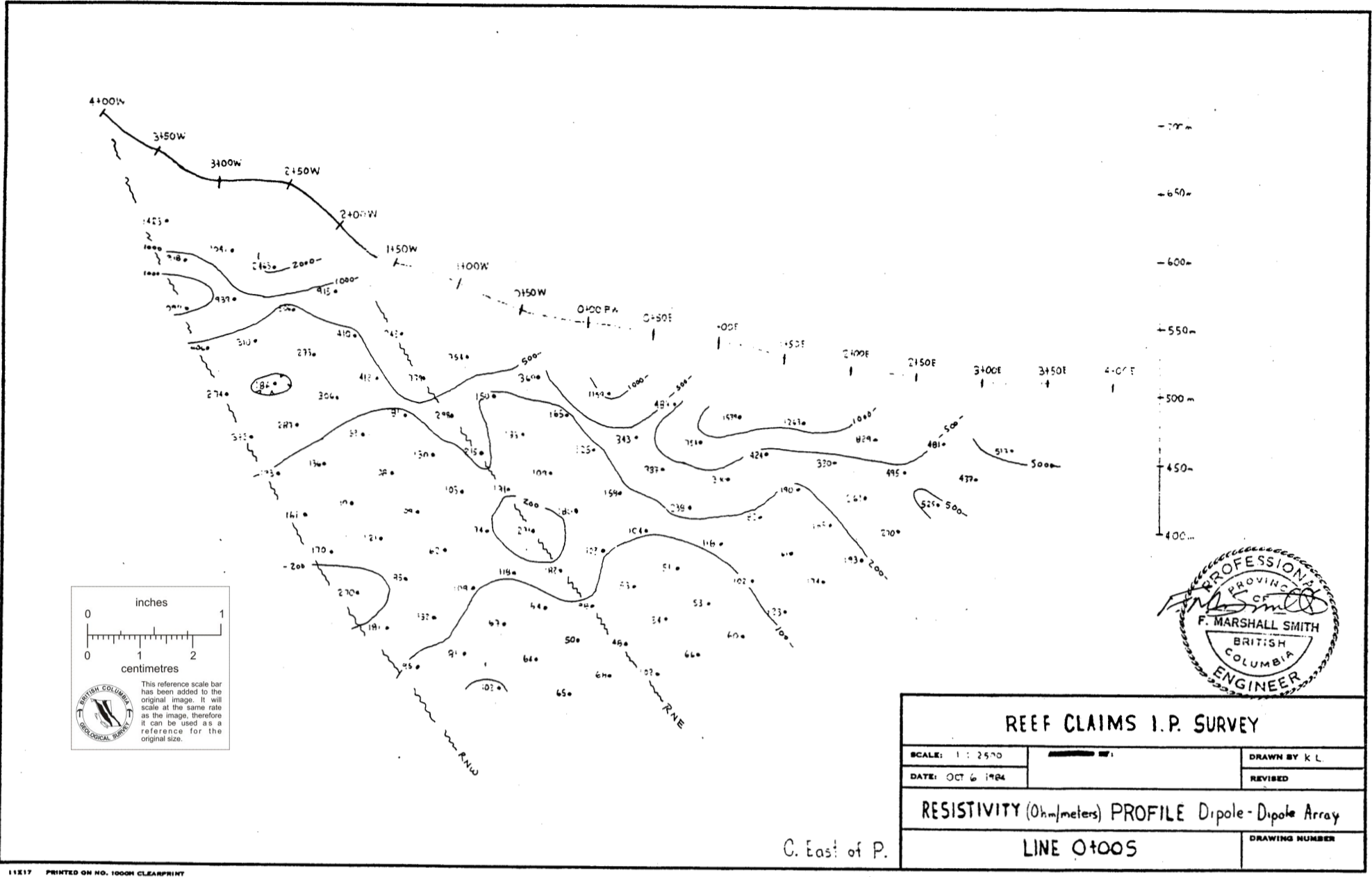
I, F. Marshall Smith, do hereby certify that:

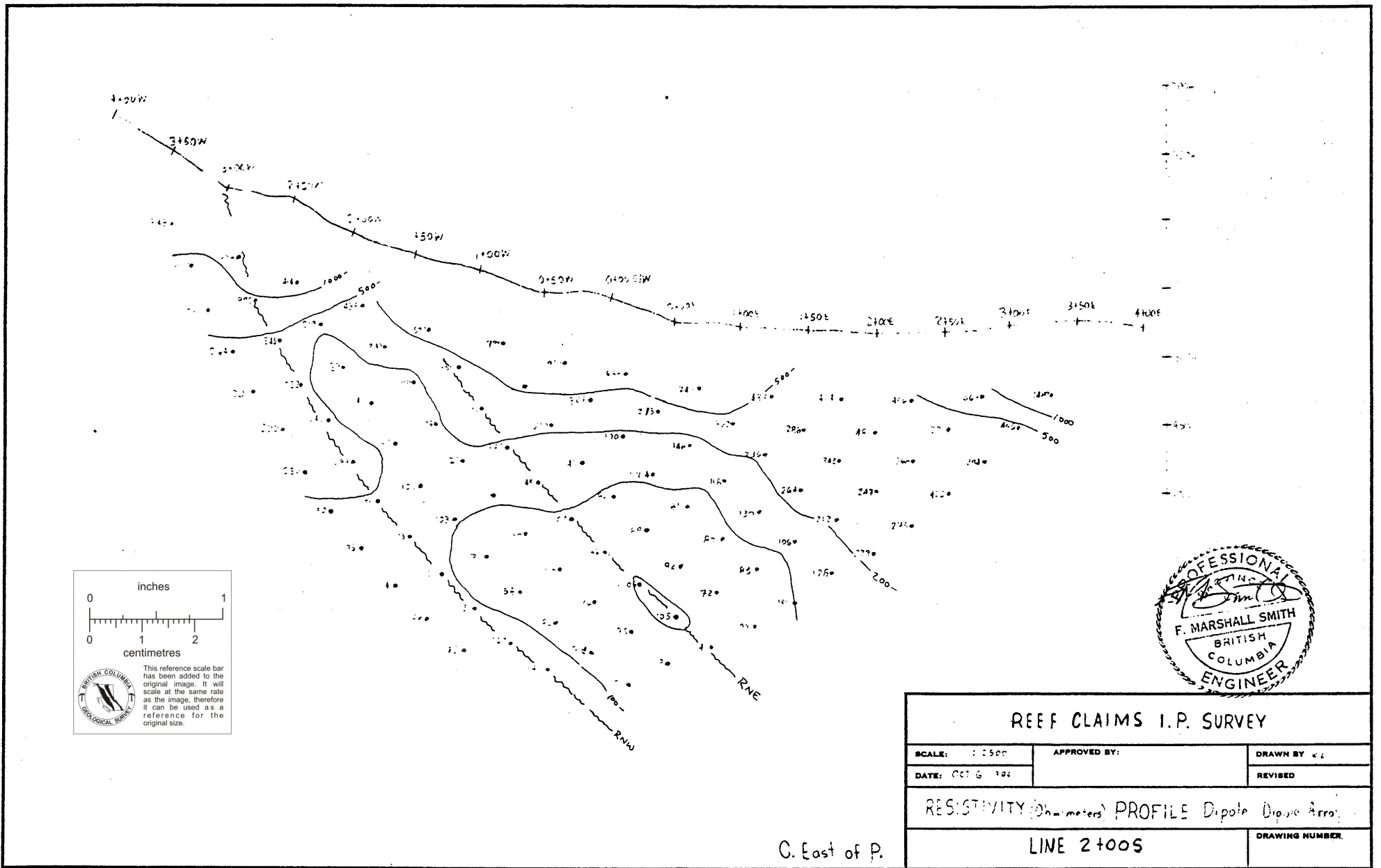
1. I am a consulting geologist and geochemist with offices at 218-744 West Hastings Street, Vancouver, British Columbia.
2. I am a graduate at the University of Toronto with a degree of B.Sc., Honors Geology.
3. I am a member in good standing of the Association of Professional Engineers of the Province of British Columbia.
4. I have practiced my profession continuously since 1967, primarily in the Cordillera of North America.
5. This report is based on reports prepared by others working on the Quartz Reef property, as well as on a one day field examination of the claims in 1984. The writer is familiar with the geology of the gold mineralization in the district currently being evaluated.
6. I have no interest, direct or indirect, in shares or mineral claims controlled by Keefer Resources Ltd. or Reef Development Inc., or in the shares or claims of the companies with contiguous claims to the property described in this report.



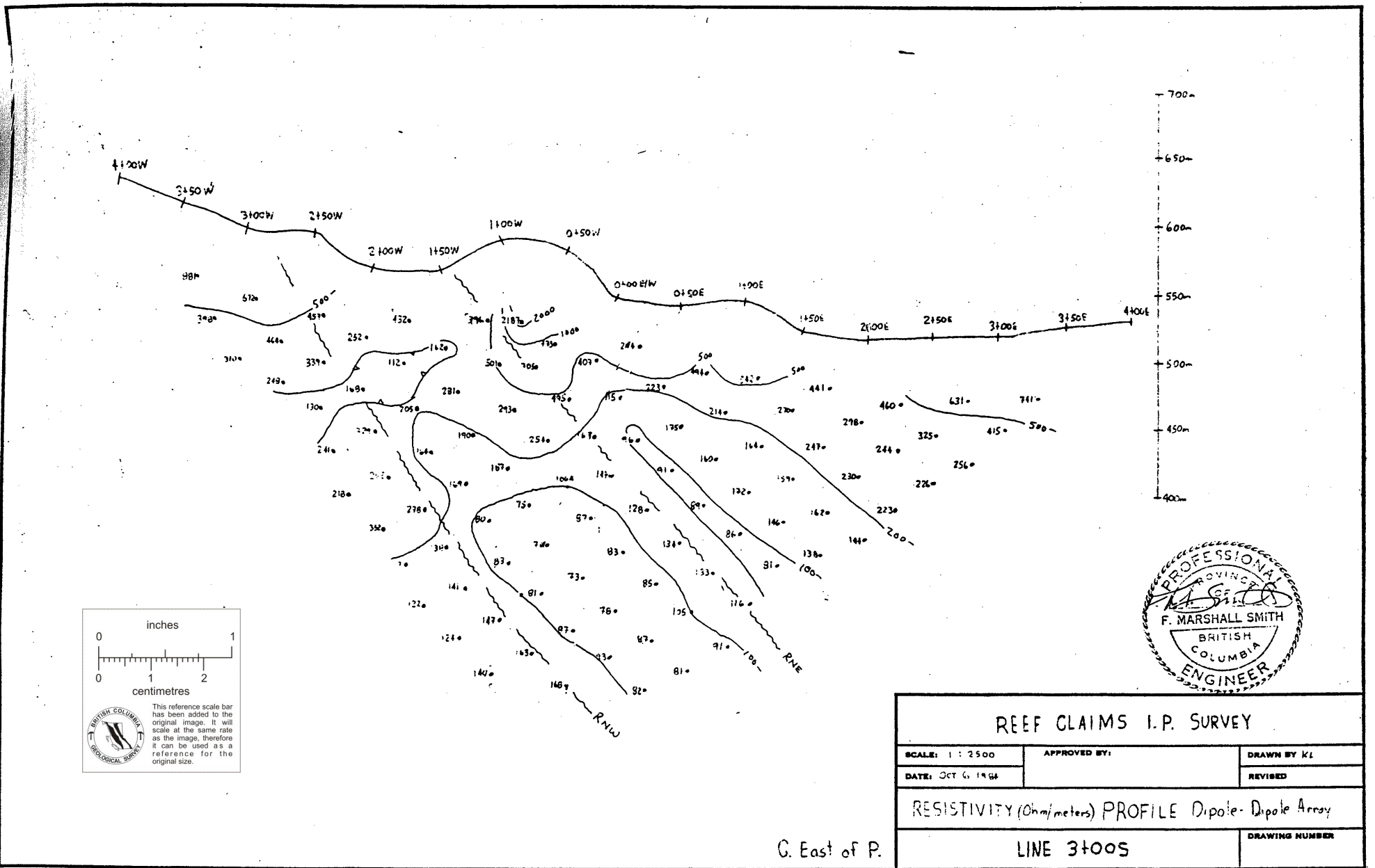
F. Marshall Smith, P.Eng.
May 28, 1986.



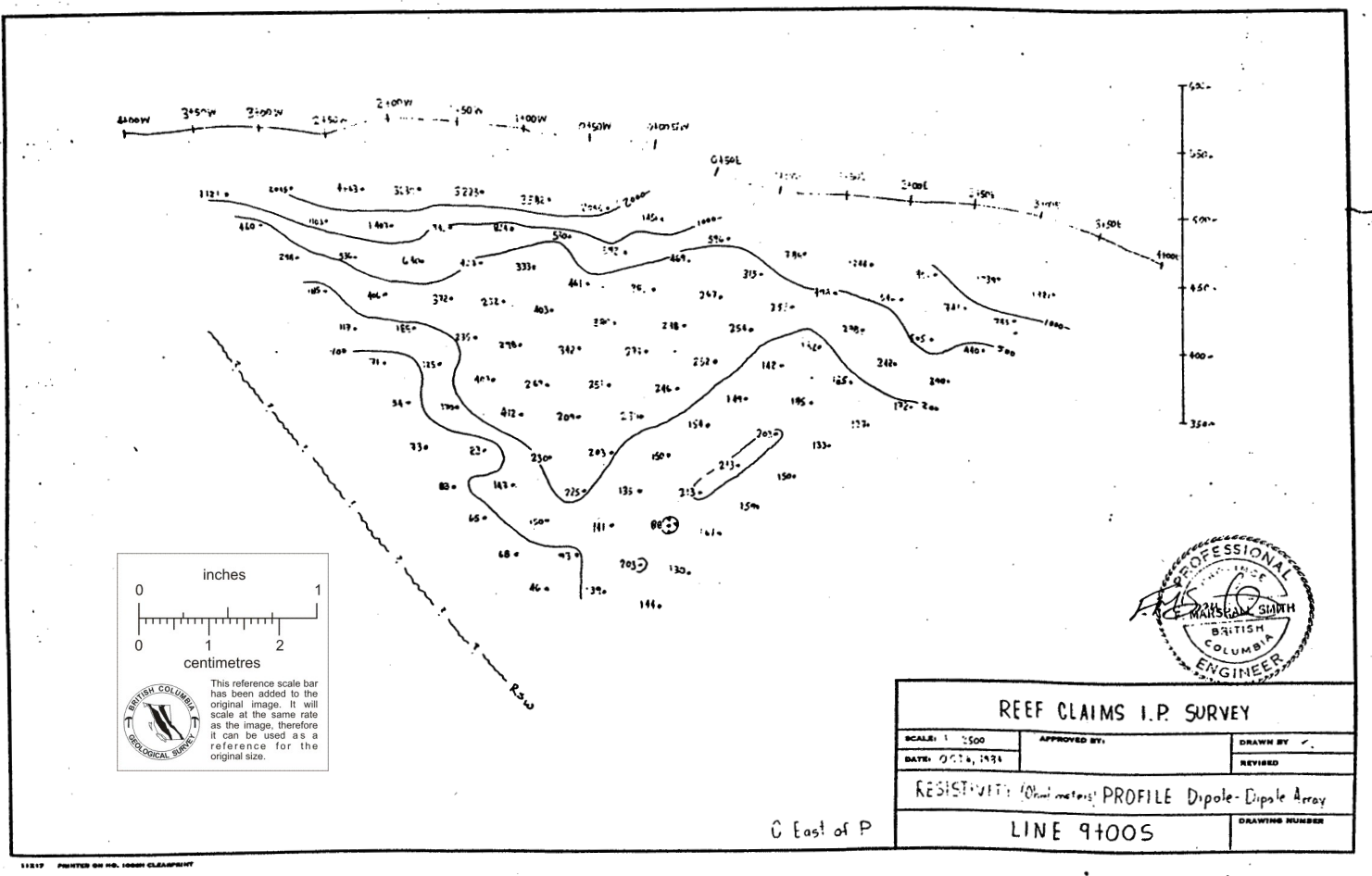
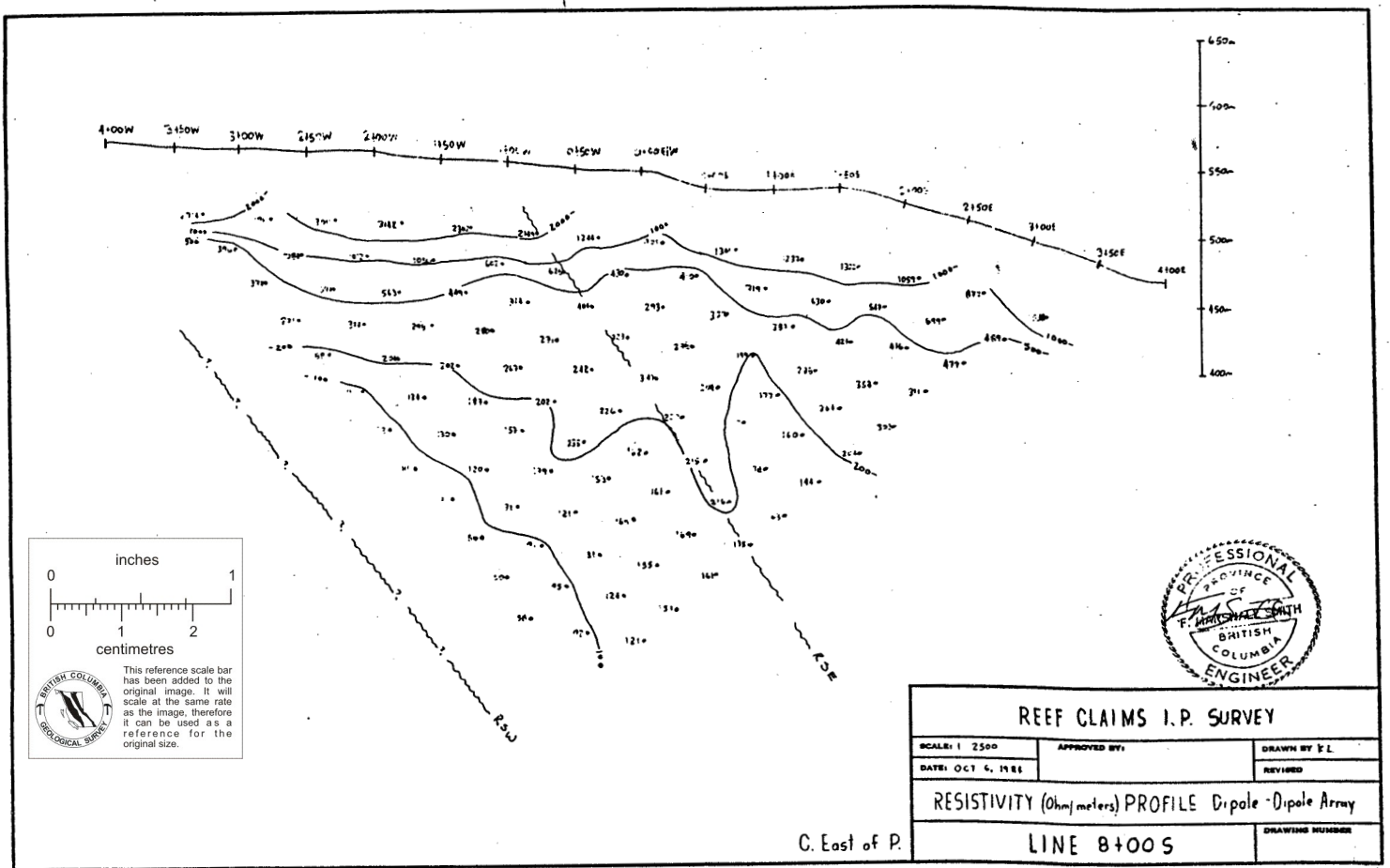
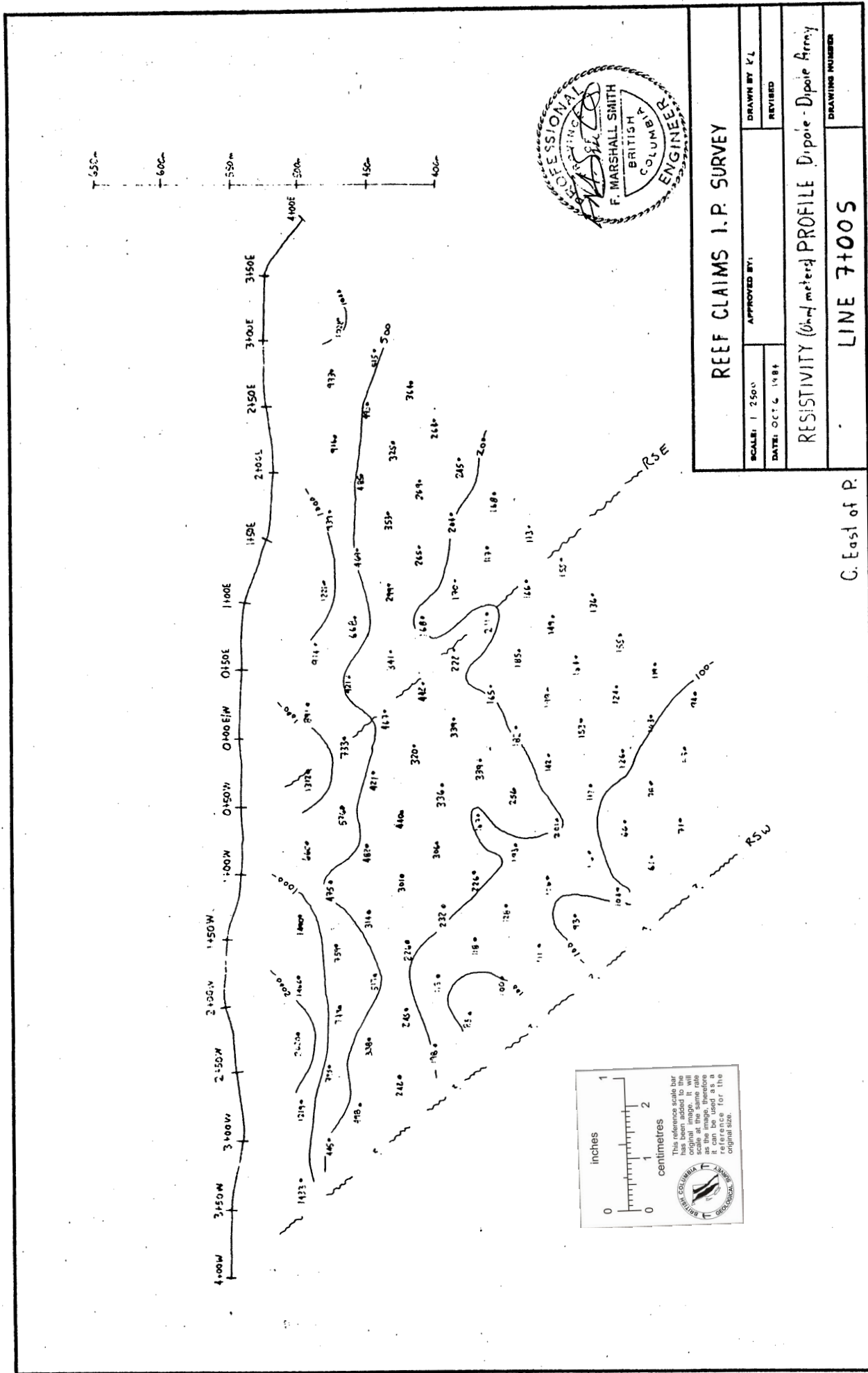




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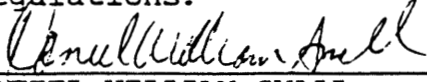


11X17 PRINTED ON NO. 1000H CLEARPRINT



CERTIFICATE OF THE 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 (British Columbia) and its regulations.



DANIEL WILLIAM SMALL
President and Director



MARIO CARMINE AIELLO
Director

ON BEHALF OF THE BOARD



MICHAEL FRANK THORN EVISON
Secretary/Treasurer and Director

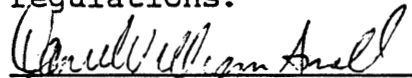


BERTRAM TAYLOR
Director

December 9, 1987
(date)

CERTIFICATE OF THE PROMOTERS

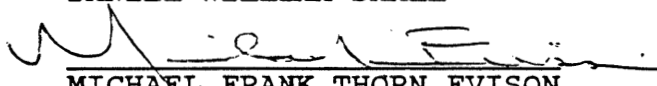
The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the Securities Act of British Columbia and its regulations.



DANIEL WILLIAM SMALL



MARIO CARMINE AIELLO



MICHAEL FRANK THORN EVISON

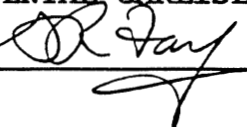


BERTRAM TAYLOR

CERTIFICATE OF THE AGENTS

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 (British Columbia) and its regulations.

CONTINENTAL CARLISLE DOUGLAS

Per: 

YORKTON SECURITIES INC.

Per: 

MCDERMID ST. LAWRENCE LTD.

Per: 

December 9, 1987
(date)