

004543

Vernon Hill



EFFECTIVE DATE: AUGUST 3, 1976

VANCOUVER CURB EXCHANGE LISTING

SECURITIES ACT, 1967

Neither the British Columbia Securities Commission nor the Vancouver Stock Exchange has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

BRITISH COLUMBIA SECURITIES COMMISSION
VANCOUVER STOCK EXCHANGE

KANDAHAR RESOURCES LIMITED

(Full name of company.)

Head Office: 605-535 Thurlow Street, Vancouver, B. C.
Registered Office: 1190-700 West Georgia St., Vancouver, B. C.
(Address of head office and registered office of company.)



Statement of Material Facts

<p>1. Give details of the circumstances relating to the offering of the securities and any material changes in the affairs of the issuer.</p>	<p>See Item 1 attached</p>
<p>2. Set out the description, designation, and number of shares being offered by the issuer or selling shareholder. If any of the shares being offered are to be offered for the account of a selling shareholder, name such shareholder and state the number of shares owned by him, the number to be offered for his account, and the number to be owned by him after the offering.</p>	<p>See Item 1 attached</p>
<p>3. Set out the price to the public, underwriting discounts or commissions and the estimated net proceeds to the issuer or selling shareholder, on both a per share and an aggregate basis. If it is not possible to state the price to the public or the underwriting discount or commissions, the method by which they are to be determined shall be explained. Give the range of the market price during the previous 90 days.</p>	<p>See Item 1 attached</p>
<p>4. State the principal purposes for which the estimated net proceeds to be derived by the issuer from the sale of the shares to be offered are intended to be used and the approximate amount intended to be used for each such purpose.</p>	<p>See Item 4 attached</p>
<p>5. State the laws under which the issuer was incorporated and whether incorporated by memorandum of association, Letters Patent, or otherwise or under a particular part of an incorporating Statute dealing with mining companies and the date thereof.</p>	<p>Province of British Columbia by Memorandum dated January 30, 1952.</p>
<p>6. Give names, addresses, and chief occupations for the past five years of the officers and directors of the issuer.</p>	<p>See Item 6 attached</p>
<p>7. State the share capitalization of the issuer showing authorized and issued capital.</p>	<p>Authorized: 3,000,000 shares without par value. Issued: 2,197,378</p>
<p>8. Give particulars of any bonds, debentures, notes, mortgages, charges, liens, or hypothecations of the issuer.</p>	<p>None</p>
<p>9. Outline briefly the manner in which the shares being offered are to be distributed, giving particulars of any outstanding or proposed underwriting, sale, or option agreement, including the name and address of each underwriter, purchaser, or optionee. Give similar particulars of sub-underwriting or sub-option agreements outstanding or proposed to be given and particulars of any assignments or proposed assignments of any such agreements. Give names and addresses of persons having any interest, direct or indirect, in underwritten or optioned shares.</p>	<p>See Item 1 attached</p>

82LSW008-05
PROPERTY FILE

**VANCOUVER CURB
EXCHANGE LISTING**

<p>10. Give name and address of any person or company who beneficially owns, directly or indirectly, in excess of 5 per cent of each class of shares of any company named in answer to item 9 hereof and the number and percentage of each class of shares so owned.</p>	<p>See Item 10 attached</p>
<p>11. Give particulars of any payments in cash or securities of the issuer made or to be made to a promoter or finder in connection with the proposed underwriting.</p>	<p>None</p>
<p>12. Give brief particulars of properties owned, leased, held under option, or operated or presently intended to be owned, leased, held under option, or operated by the issuer.</p>	<p>See Items 1 and 12 attached</p>
<p>13. State whether any property referred to in item 12 has a known body of commercial ore or reserves of recoverable oil and gas. Give particulars.</p>	<p>See Item 12 attached</p>
<p>14. Give brief particulars of the exploration and development work of the issuer during the past year and the results thereof on (1) its own properties and (2) other properties. State amounts spent on each.</p>	<p>See Item 12 attached</p>
<p>15. Give brief particulars of property proposed to be acquired by the issuer or any affiliate or acquired by the issuer or any affiliate within the previous three years, including the name and address of the vendor and the cost or proposed cost thereof to the issuer or any affiliate, and if any such vendor is or was an insider or promoter of the issuer or an associate or affiliate of any insider or promoter of the issuer, so state and indicate the nature of the relationship.</p>	<p>See Items 1 and 12 attached</p>
<p>16. State the name of any person or company who is or has been a promoter of the issuer within the preceding two years and, if not disclosed in item 15, the nature and amount of anything of value (including money, securities, property, contracts, options, or rights of any kind) received or to be received by each promoter.</p>	<p>The directors of the Company may be considered its promoters.</p>
<p>17. If the property referred to in item 15 was or is to be paid for by the issuance of shares of the issuer or any subsidiary, give (a) the number of shares of the issuer and any subsidiary issued to or to be issued to the vendor after giving effect to such transaction, and (b) the number and, if more than 5 per cent of the shares presently outstanding, the percentage of shares of the issuer and any subsidiary owned or to be owned by the vendor after giving effect to the transaction. If the vendor is a company, give the names and addresses of the insiders of the company.</p>	<p>See Item 12 Attached. See Item 17 attached</p>
<p>18. Give the number and, if more than 5 per cent, the percentage of the shares of the issuer held in escrow or in pool and a brief statement of the terms of the escrow or pooling agreement. Give the names and addresses of the beneficial owners of such shares.</p>	<p>See Item 18 attached</p>
<p>19. Give the number of shares of the issuer owned of record or beneficially, directly or indirectly, by each person or company who owns of record, or is known either by the issuer or the selling shareholder to own beneficially, directly or indirectly, more than 5 per cent of such shares, in each case within 10 days from the date hereof. Show separately whether the shares are owned both of record and beneficially, of record only or beneficially only, and show the respective amounts in percentages owned in each such manner. Give names and addresses of the owners referred to above.</p>	<p>See Item 19 attached</p>
<p>20. Give a brief statement of any legal proceedings to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Make a similar statement as to any such proceedings known to be contemplated.</p>	<p>See Item 20 attached</p>

REPORT ON THE
VH, VI, VJ and VK Claims

VERNON HILL AREA
VERNON MINING DIVISION
BRITISH COLUMBIA

50°17N 119°07'W

NTS 82 L/6 E

on behalf of

KANDAHAR RESOURCES LIMITED

by

G. Gutrath P. Eng.
ATLED EXPLORATION MANAGEMENT LTD.

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VH, VI, VJ and VK Claims

VERNON HILL AREA, B.C.

INTRODUCTION

The writer has been asked by Mr. G. Smith, President of Kandahar Resources Ltd., to review the available data on the Vernon Hill property in order to delineate areas of interest and to make recommendations as to further, more detailed exploration.

The writer has not examined the property but is familiar with the general geology of the area and has examined other mineral prospects in the vicinity of Okanagan Lake. The published government reports on the area have been reviewed as well as comprehensive property reports by W.E. Selnes, P.Eng. and by J. Baker, B.Sc., Canadian Superior Exploration Limited. The reports cover geological, geophysical and geochemical surveys as well as trenching and drill programs carried out on the Vernon Hill property.

SUMMARY

The property consisting of 4 claims totalling 47 contiguous units is located in south central British Columbia 4 miles to the northeast of the city of Vernon.

The claim group is underlain by Monashee Group metasediments of precambrian age that have been intruded by lamprophyre, quartz diorite and feldspar porphyry dikes. Strong faulting has produced an area of wide spread, intense fracturing in the central portion of the claim group.

Quartz veins carrying values in lead, zinc, copper and silver were first discovered in the 1950's. These veins were tested by bulldozer trenching and a limited program of small diameter core drilling. A 12.6 ton shipment of the quartz vein mineralization, sent to the Cominco Smelter at Trail, had a grade of 0.042oz./ton gold, 24.9 oz./ton silver, 9.6% lead, 3.2% zinc and 52.2% silica.

This work led to the discovery of quartz veins carrying molybdenite mineralization in a strong alteration zone. Geological mapping indicates a distinct metal zoning from a high temperature central zone of copper-molybdenite mineralization outward through a pyrite, sphalerite and galena assemblage. The intensely altered copper-molybdenite zone appears to be directly related to the intrusion of irregular feldspar porphyry dikes within the central area of intense fracturing. Pyrite content is estimated at \pm 4% in the central area with a number of massive veins up to 1 foot wide.

A rockchip geochemical survey has outlined a distinct large copper anomaly approximately 4,000 feet in diameter coincident with the central area of fracturing and alteration.

A percussion drill program tested the central copper-molybdenite

zone to a depth of 300 feet. Minor to trace amounts of copper and molybdenite values were encountered in all the holes.

CONCLUSION

The geological mapping and geochemical survey have outlined a wide spread area of copper and molybdenite mineralization coincident with intense fracturing and alteration associated with feldspar porphyry intrusive dikes. This is a favourable geological environment for a large tonnage copper-molybdenite type deposit. However, percussion drilling has shown that the surface mineralization, to a depth of 300 feet is not economic and indicates that economic mineralization, if it does exist may be at considerable depth. Although this is a high risk exploration target, the size potential of the target and its favourable location in a low cost operating area indicates that additional exploration is warranted.

The gold-silver-lead bearing quartz veins appear to have little exploration potential but they should be resampled and mapped to determine if there is any potential for direct shipping ore or a small milling operation.

RECOMMENDATIONS

The following exploration program is recommended:

Phase 1

1. In order to determine deep drill targets within the copper-molybdenite central alteration zone, it is recommended that an induced polarization survey be carried out over the area.

Minimum depth evaluation should be in the order of 1,000 feet and this will require wide electrode spacing and an instrument such as the Huntec Mark VII using a 7.5 kw. generator. It is estimated that an initial 5 miles of test line will be required to determine if the survey is able to develop drill targets.

2. Clean out the bulldozer trenches in order to expose the peripheral quartz veins for sampling and mapping.

Phase II

This phase will be contingent on the results of Phase I. If the geophysical survey test lines are successful the coverage will have to be expanded and this would be followed by diamond drilling.

5.

ESTIMATED COSTS

Phase I

1. Supervision, geological mapping, sampling and interpretation of results. Geologist and helper 25 days @\$200 per day	5,000.00
2. Line cutting 5 line miles @\$200/mile	1,000.00
3. Induced Polarization Survey 5 line miles @\$550/mile	2,750.00
4. Bulldozer trenching and opening up roads 50 hours @\$45/hour	2,250.00
5. Transportation 1 - 4x4 truck 20 days @\$15/day \$300 1500 miles @15¢/mile\$225	525.00
6. Living 40 man days @\$15/day	600.00
7. Assaying	450.00
	<hr/>
	12,575.00
Overhead and Contigent @ 20%	2,515.00
	<hr/>
	\$15,090.00
	<hr/>

Phase II

Contingent on the results of Phase I.

GEOGRAPHY

Location:

The Vernon Hill property is located in south central British Columbia on the east side of the Okanagan Valley 4 miles to the northeast of the city of Vernon.

Access

A paved road extends from Vernon to within two miles of the property. From the paved highway, numerous old logging roads traverse the claim group.

Topography

The claims lie on the north side of the dome-shaped Vernon Hill that lies between Goldstream Creek and B.X. Creek. The north boundary of the claims is at an elevation of 3,500 feet and going to the south, the claims cover the headwater of Brookside Creek and continues to the summit of Vernon Hill at an elevation of 4,500 feet.

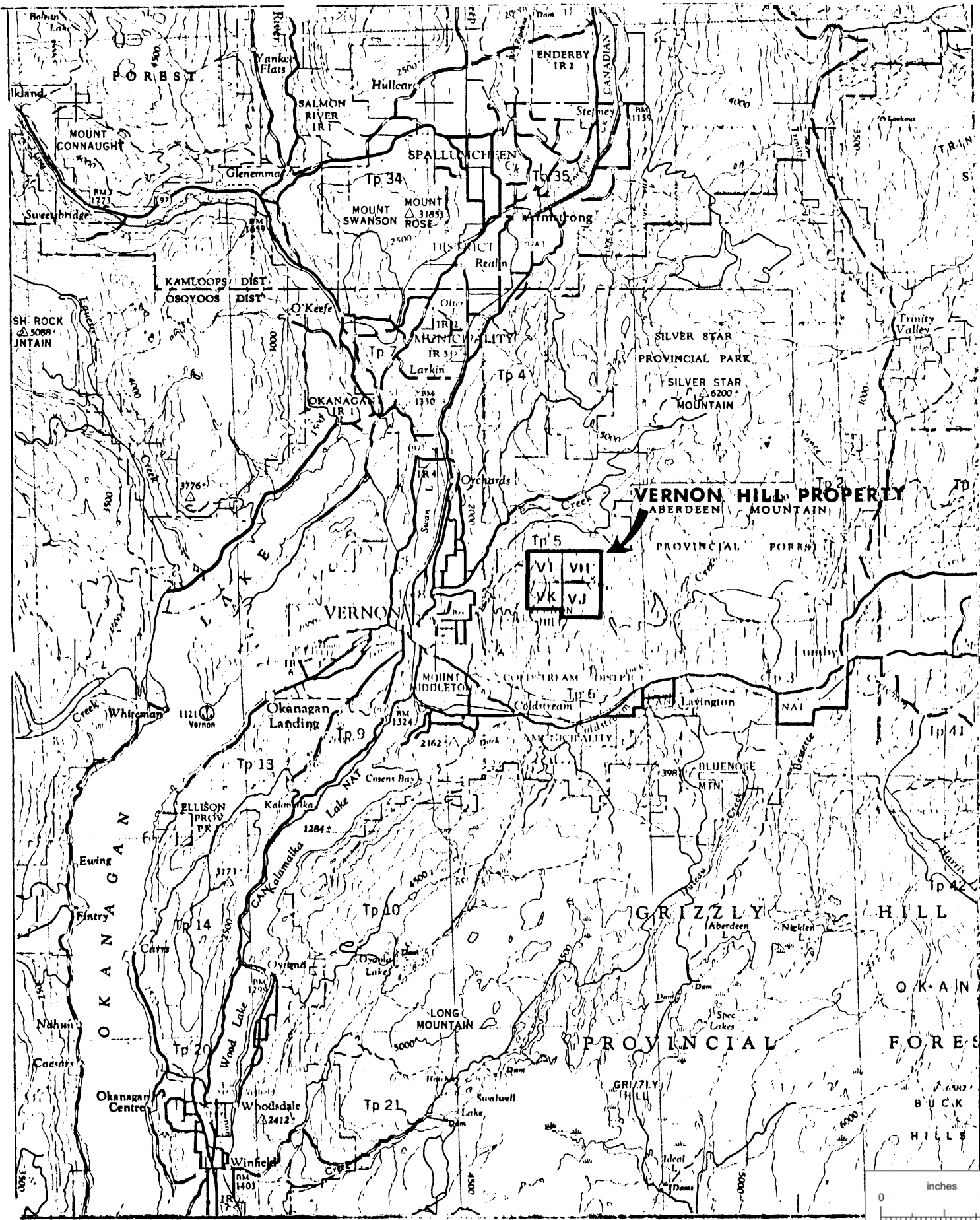
The area is thinly covered with glacial overburden except in the creek bottoms where it can be up to 150 feet deep.

Vegetation

The claim area is heavily timbered with second growth fir, pine, hemlock, spruce and cedar.

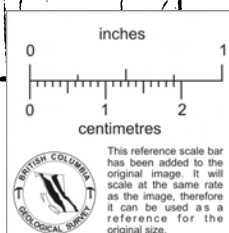
Water

Water for drilling purposes can be in short supply late in the summer. Two dams have been built on BX Creek for water storage.



**LOCATION MAP
KANDAHAR RESOURCES LTD.**

Scale 1 inch = 4 mi N.T.S. Map 82L



This reference scale bar has been added to the original image. It will scale at the same rate as the image, therefore it can be used as a reference for the original size.

Climate

The climate is typical of the British Columbia interior dry belt with hot, dry summers and winters with moderate cold temperatures and snowfall. On the north side of Vernon Hill the compacted winter snowfall will vary from 2 to 4 feet at the higher elevations. The area would be free of snow from mid April to November.

HISTORY

Claims were staked in the 1950's to cover mineral occurrences between Brookside and Bate Creeks on the northwest side of Vernon Hill. The property was acquired by the Vernon Copper Company in 1966 and later by King Greybar Mines Ltd. in 1969.

King Greybar carried out a program of trenching, diamond drilling and geophysical and geochemical surveys.

In 1975, Canadian Superior Explorations Ltd. optioned the property from King Greybar and carried out a limited program of geological mapping, geochemical sampling and percussion drilling.

Approximately \$9,477 were spent on the property over a total 8 day period. Canadian Superior terminated their option on the property in 1975.

The property has now been optioned by Kandahar Resources Ltd.

DEVELOPMENT WORK AND PRODUCTION

Development work on the property has been limited to road building and extensive trenching.

Three shipments have been made of silver, gold, lead and zinc mineralization. In November, 1966, 4.24 tons sent to Cominco at Trail and 5 tons were sent to Bunker Hill in Kellog, Idaho. In 1969, 8.43 tons were shipped to Cominco.

CLAIMS

In 1975, Canadian Superior abandoned the 87 preexisting claims and relocated the area according to the modified grid system. Four claims were staked totalling 47 units covering an area of approximately 2,928 acres.

Assessment work was applied in 1976 and the claims are in good standing until June 11, 1977. However, claim rentals must be paid prior to June 11, 1976.

<u>Claim</u>	<u>Record No.</u>	<u>Units</u>	<u>Expiry Date</u>
VH	01168	12	June 11, 1977
VI	01169	9	June 11, 1977
VJ	01170	16	June 11, 1977
VK	01171	9	June 11, 1977

GEOLOGYGeneral

The area to the northeast of Okanagan Lake and in the Vernon Hill area is underlain by Shuswap Metamorphic rocks, unconformably overlain by Permian metavolcanics and related sediments of the Cache Creek group. This older series has been cut by satellite intrusives of Jurassic age that are related to a large batholith to the south.

The most significant structural feature is the major fault system subparalleling the northwesterly trend of the Cache Creek belt. The faults can be traced for over 50 miles and in some cases have caused considerable displacement.

The Cache Creek Group in the Vernon area hosts a number of mineral

occurrences. The majority of these are gold, silver, copper and/or lead zinc showings that have received considerable attention in the past. There has been only minor production from the area.

Property

The claim group is underlain by the Monashee Group of precambrian age that are fault bounded on the east by Cache Creek group argillites.

The Monashee Group is a metamorphosed sedimentary series primarily composed of quartz feldspar biotite gneiss. Immediately to the south of the claim group is a faulted wedge of phyllites that form the central south flank of Vernon Hill.

Detailed geological mappings by Canadian Superior has identified three types of intrusive dikes that cut the older metamorphic rocks. These three intrusive dikes are fine grained lamprophyres, medium to coarse grained quartz diorite and feldspar porphyry.

The feldspar porphyry is the most important dike since it is related to the most intense alteration and potentially economic mineralization. These dikes occur as poorly defined irregular masses in structurally controlled, highly altered zones up to 100 feet wide. The feldspar in the dike are sericitized and secondary biotite occurs as fine grained masses. Fine quartz veining is found near the periphery of the dikes.

(a) Structure

Faulting is the most important structural feature. There are two strong northerly faults that cut through the property and a number of minor northwesterly faults. The faulting has resulted in a wide area of intense fracturing.

(b) Mineralization

The early exploration work on the property was directed at lead, zinc and silver bearing quartz veins peripheral to an area of copper

mineralization. The original discovery was a 2 foot wide quartz vein that has an easterly trend and dips at 35° to 45° northerly. This vein was traced for 25 feet before being masked by overburden. Stripping has uncovered other veins in the area carrying lead-zinc-silver mineralization as well as copper and molybdenite mineralization.

The geological mapping completed by Canadian Superior indicated a metal zoning starting with a central area of copper and molybdenite mineralization and extending outward through pyrite, sphalerite and galena assemblages. The molybdenite-chalcopyrite mineralization occurs in the central zone typified by intense alteration, fracturing and associated feldspar porphyry dikes. Pyrite content in the central zone is \pm 4% with some massive pyrite veinlets up to 1 foot in width.

(c) Sampling

Samples of the mineralized quartz veins have been taken for assay by numerous individuals. These results have been selected in order to give some indication as to the metal content of the quartz vein. It would appear that the majority are selective grab samples.

<u>No.</u>	<u>Silver</u> oz./Ton	<u>Lead</u> %	<u>Copper</u> %	<u>Molybdenite</u> %
1	0.60	0.01	0.81	0.38
2	0.24	-	0.10	0.62
3	0.18	-	0.45	0.55
4	21.10	-	3.90	-
5	0.01	.10	.25	0.33

Ten samples listed in W.E. Selnes P.Eng. report averaged:

<u>Silver</u> oz./Ton	<u>Copper</u> %	<u>Molybdenite</u> %
0.569	0.248	0.093

The only sample taken, across a recorded width was by W.E. Selnes P.Eng.:

<u>Width</u>	<u>Silver</u>	<u>Copper</u>	<u>Molybdenite</u>
	oz./Ton	%	%
8 feet	0.49	0.18	0.17

A representative assay result of the hand picked, higher grade vein material would be from the shipment to Cominco totalling 12.6 tons.

The average grade of the shipment is:

<u>Gold</u>	<u>Silver</u>	<u>Lead</u>	<u>Zinc</u>	<u>Silicia</u>
oz./Ton	oz./Ton	%	%	%
0.042	24.9	9.6	3.2	52.2

DRILL RESULTS

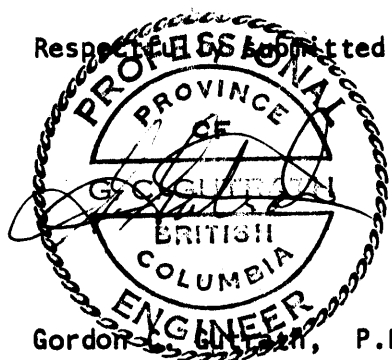
Five early holes totalling 1,154 feet were drilled with small diameter rods to test the quartz veins. The results of this drilling is not known.

Canadian Superior drilled eight - vertical holes totalling 1,980 feet using an Atlas Copco air percussion drill. Two of the holes did not reach solid bedrock because of overburden or fault gouge.

The drilling was done in the feldspar porphyry dike - alteration area to test the copper-molybdenite content. The majority of the holes went to a maximum depth of 300 feet and all holes encountered copper in the range of .01 to .04 and molybdenite from .001 to .026.

ROCK GEOCHEMISTRY

Canadian Superior took rock chip samples from the majority of the outcrops on the property. The results indicate a large copper anomaly coincident with the area of fracturing, pyritization and feldspar porphyry dike alteration.

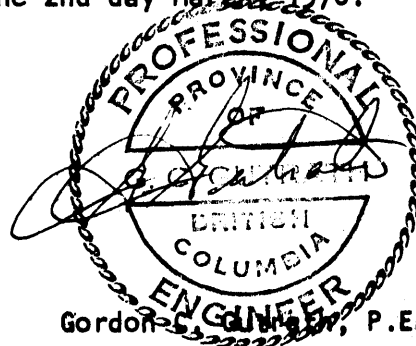
Respectfully submitted,

Gordon G. Guthrie, P.Eng.

CERTIFICATE

I, GORDON C. GUTRATH, with business address at 420 - 475 HOWE STREET, Vancouver 1, B.C., do hereby certify that:

1. I am a graduate of the UNIVERSITY of BRITISH COLUMBIA, B.Sc. 1960, Geological Sciences.
2. I am a Member of the Association of Professional Engineers of the Province of British Columbia.
3. I have been engaged in mining and exploration geology in Canada for 16 years.
4. I have not, directly or indirectly received, nor do I expect to receive, any interest, directly or indirectly, in the properties described herein, or in any company which has an interest in these properties, and I do not own directly or indirectly, any securities in any such company.

Dated at Vancouver, British Columbia, the 2nd day March, 1976.



Gordon C. Gutrath, P.Eng.
Vancouver, B.C.