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PROPERTY FILE

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EFFECTIVE DATE: NOVEMBER 24, 1987

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

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

NEW ISSUE

PROSPECTUS

H.Q. MINERALS LTD.

(the "Issuer")

(Incorporated under the laws of British Columbia)

#201 - 225 Canada Avenue

Duncan, B.C.

NATURAL RESOURCE ISSUER

The Offering Price of the securities offered herein was established by negotiation between the Issuer and the Agent. The Offering Price of \$0.65 per Common Share exceeds the net tangible book value per Common Share by \$0.406 after giving effect to this Offering, representing a dilution of 62.5%. Reference is made to "Dilution". An investment in the securities offered herein should be regarded as speculative. Reference is made to "Risk Factors".

THERE IS NO MARKET THROUGH WHICH THESE SECURITIES MAY BE SOLD.

400,000 Common Shares @ \$0.65 per share

| | Price to Public | Commissions | Net Proceeds to be received by Issuer |
|-----------|-----------------|-------------|---------------------------------------|
| Per Share | \$0.65 | \$0.065 | \$0.585 |
| Total | \$260,000.00 | \$26,000.00 | \$234,000.00 |

*Before deduction of cost of offering payable by the Issuer estimated not to exceed \$18,000.

UPON COMPLETION OF THIS OFFERING THE ISSUE WILL REPRESENT 20.5% OF THE COMMON SHARES THEN OUTSTANDING AS COMPARED TO 57.9% THAT WILL THEN BE OWNED BY THE CONTROLLING PERSONS, PROMOTERS, DIRECTORS AND SENIOR OFFICERS OF THE COMPANY. REFER TO THE HEADING "PRINCIPAL HOLDERS OF SECURITIES" ON PAGES 17 & 22 HEREIN.

THE VANCOUVER STOCK EXCHANGE HAS CONDITIONALLY LISTED THE SECURITIES BEING OFFERED PURSUANT TO THIS PROSPECTUS. LISTING IS SUBJECT TO THE ISSUER FULFILLING ALL THE LISTING REQUIREMENTS OF THE VANCOUVER STOCK EXCHANGE ON OR BEFORE MAY 24, 1988 INCLUDING PRESCRIBED DISTRIBUTION AND FINANCIAL REQUIREMENTS.

DIRECTORS AND OFFICERS OF THE ISSUER ARE OR MAY BE DIRECTORS AND OFFICERS OF OTHER COMPANIES WHICH MAY OR DO CARRY ON SIMILAR TYPES OF BUSINESSES AND CONFLICTS OF INTEREST MAY RESULT. REFERENCE IS MADE TO "DIRECTORS AND OFFICERS" ON PAGES 19-20 HEREIN.

THE REGISTRAR AND TRANSFER AGENT OF THE ISSUER IS THE CANADA TRUST COMPANY, 1055 DUNSMUIR STREET, VANCOUVER, BRITISH COLUMBIA.

THIS PROSPECTUS ALSO QUALIFIES THE ISSUANCE OF THE AGENTS' WARRANTS ENTITLING THEM TO PURCHASE A TOTAL OF 100,000 SHARES IN RETURN FOR GUARANTEEING THE SALE OF THE SHARES OFFERED HEREBY. THESE SHARES MAY BE OFFERED FOR SALE BY THE AGENTS PURSUANT TO THE PROVISIONS OF THE SECURITIES ACT AND REGULATIONS, WITHOUT FURTHER QUALIFICATION.

NO PERSON IS AUTHORIZED BY THE ISSUER TO PROVIDE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE ISSUE AND SALE OF THE SECURITIES OFFERED BY THE ISSUER.

WE AS AGENT CONDITIONALLY OFFER TO THE PUBLIC, SUBJECT TO PRIOR SALE, THESE SECURITIES, IF, AS AND WHEN ISSUED BY THE ISSUER AND ACCEPTED BY US IN ACCORDANCE WITH THE CONDITIONS CONTAINED IN THE AGENCY AGREEMENT REFERRED TO UNDER "PLAN OF DISTRIBUTION" ON PAGES 1 & 2 HEREIN.

AGENT

CANARIM INVESTMENT CORPORATION LTD.
2200 - 609 GRANVILLE STREET
VANCOUVER, B.C.

DATED: NOVEMBER 16, 1987

\$98,000 of the money raised will be used to subscribe for Putco II Ltd. Preferred Shares. In return for this subscription, First Exploration Fund 1987, and Company, Limited Partnership has agreed to subscribe for 416,667 flow-through shares at an issue price of \$0.84 per share totalling \$350,000.

The \$350,000 raised by the flow-through subscription, will be used to fund the exploration project on the Lasqueti Island Property disclosed on pages 10-15 herein. For more details regarding this transaction, please refer to pages 17-18 herein under Acquisitions.

If the Agent exercises the warrants to purchase up to a further 100,000 common shares of the Issuer, the Issuer will receive up to \$75,000 which will be added to the Issuer's working capital.

None of the proceeds of this issue shall be used for any purpose other than those described above, however management reserves the right to increase or decrease allocation of funds to various categories in accordance with business needs or, upon recommendation of its independent consultants, to apply funds to associated business endeavours if such would, in management's opinion, enhance development and profitability of the business. In the latter circumstance, an amendment to this Prospectus will be filed if the shares offered are still in primary distribution. If the shares are not in primary distribution, the Issuer will issue a press release informing of such changes.

SHARE CAPITAL STRUCTURE

| <u>Designation of Security</u> | <u>Amount Authorized</u> | Amount out- standing as of the date of the most recent balance sheet contained in <u>the Prospectus</u> | Amount out- standing as of <u>November 16, 1987</u> | Amount to be outstanding at the completion of this <u>Offering</u> |
|--------------------------------|--------------------------|--|---|---|
| Common shares | 20,000,000 | 1,460,251 | 1,460,251 | 1,860,251 |

| <u>Number of shares issued for cash</u> | <u>Price per share</u> | <u>Total cash received</u> | <u>Commissions paid</u> |
|---|------------------------|----------------------------|-------------------------|
| 750,000 | \$0.01 | \$ 7,500.00 | Nil |
| 649,000* | \$0.25 | \$162,250.00 | Nil |
| 10,000 | \$0.35 | \$ 3,500.00 | Nil |
| 51,250 | \$0.40 | \$ 20,500.00 | Nil |
| 1 | \$1.00 | \$ 1.00 | Nil |
| TOTAL: | | \$193,751.00 | |

Note: *of these 75,000 were issued pursuant to the 1986 CEE/CDE exploration program. The Issuer, as a taxpayer resident in Canada, is

required in respect of each taxation year to calculate its income or loss for that taxation year in accordance with the provisions of the Income Tax Act (Canada). In computing its income or loss for any taxation year the Issuer will be precluded from claiming any deduction in respect of CEE and related Mining Exploration Depletion renounced to the Investors.

INTERCORPORATE RELATIONSHIPS

The Issuer has no subsidiaries.

NAME AND INCORPORATION OF THE ISSUER

H.Q. Minerals Ltd. ("the Issuer") was incorporated on the 14th day of January, 1986 under the Company Act of the Province of British Columbia, by registration of its Memorandum and Articles. At the date hereof, the Issuer is not a reporting issuer pursuant to the Securities Act of British Columbia, but will become a reporting issuer when the receipt for the final Prospectus is issued.

The head office of the Issuer is #201 - 225 Canada Avenue, Duncan, British Columbia and the Registered and Records Office is #401 - 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

DESCRIPTION OF BUSINESS

The Business

The Issuer's principal business is the exploration and development of the mineral properties referred to herein. The Issuer owns or has interests in the property described under "The Property" and intends to seek and acquire additional properties worthy of exploration and development.

The Property

The Port Eliza Inlet Property

The Issuer intends to seek regulatory approval for public funding of exploration and development work on the following properties:

- 1) the Monarch claim; and
- 2) the Eliza 1 - 6 claims.

The Issuer acquired the Monarch claim, record #1787, consisting of eight units, pursuant to an option agreement entered into on January 25, 1986 with Lionel James Scott of R.R. #2, Payne Road, Duncan B.C. V9L 1N9 as amended July 10, 1987. Under the terms of the option the Issuer acquired an undivided 100% interest in the Monarch claims subject to 5% net profits interest for the following consideration: \$10,000 payable on execution of the Agreement (of which \$9,000

has been paid) and \$1,000 to be paid on receipt of the Prospectus (see "Use of Proceeds") and the issuance of an aggregate of 200,000 common shares of the Issuer to Mr. Scott on the following basis:

- a) 25,000 shares upon acceptance and approval of the option agreement by the Superintendent of Brokers for British Columbia (the "Superintendent");
- b) 55,000 shares subject to the prior approval of or if the optionee is listed on the Vancouver Stock Exchange (the "Exchange") then the approval of the Exchange based on the submission of the satisfactory engineering report acceptable to the Superintendent or the Exchange which reviews the first work program on the property and recommends that a second work program be commenced;
- c) 60,000 shares subject to prior approval of the Superintendent and/or the Exchange which reviews the second work program on the Property and recommends that a third work program be commenced;
- d) 60,000 subject to the prior approval of the Superintendent and/or the Exchange based on the submission of a satisfactory engineering report acceptable to the Superintendent or the Exchange which report reviews the third work program on the Property and recommends a further work program be commenced.

At such time as the payments are made and all the shares are issued, the Issuer shall be deemed to have acquired the 100% interest in and to the Monarch claim.

The Eliza claims 1 - 6, record numbers 2591 - 2596 were acquired by the Issuer pursuant to a property purchase and sale agreement dated February 17, 1986 from Robert William Neill of 2836 Jacklin Road, Victoria B.C., V9B 3X9, in consideration of the issuance to Mr. Neill of 40,000 shares of the Issuer subject to Regulatory approval and the listing of the Issuer's shares for trading on the Vancouver Stock Exchange.

At such time as all of the above shares have been issued, the Issuer shall be deemed to have acquired a 100% interest in the and to the Eliza claim.

Location and Access

The Port Eliza gold property comprising the Monarch and Eliza claims is located in the Alberni Mining Division and lies about 17 kilometers in a straight line southwest of Zeballos on the west side of Port Eliza inlet, approximately 6 kilometers from its mouth; latitude 49 degrees, 53 minutes, longitude 127 degrees 1.4 minutes west. Access to the Port Eliza Inlet Gold Property is by boat from Zeballos or alternatively by float plane from Campbell River or helicopter from Gold River. Flight time from Gold River is approximately 20 minutes.

History

The history of the property is disclosed in the Engineering Report of K.E. Northcote, Ph.d., P. Eng dated March 20, 1986 at page 2 wherein he states:

"The bibliography pertaining to the Port Eliza Inlet gold property includes the following:

J.S. Stevenson; 1945 B.C.D.M. Open File Report Maps, G.S.C. Paper 7244.
Muller, J.E.; Cameron B.E.B.; Northcott K.E.; 1981 Geology and Mineral Deposits of Nootka Sound Maps-Area, G.S.C. Paper 80-16.
(B.C.D.M., M.M.A.R., 1933, p.232 appears to refer to a property of a different location).

The history of the property is outlined by J.S. Stevenson in an open file report, 1945, listed above. Messrs. A. Rustand and S. Newton of Ceepeecee staked the Port Eliza gold property in 1938. The property included the Sunrise and Sundown claims and the Sunrise fraction. During 1939 Messrs. Lewis and Fowler optioned the property and, with five to nine men employed, drove the present two adits. Since that time, there is no evidence of significant work done on the property.

Existing underground workings consist of two drifts, one 18 meters above the other and their portals 143 meters apart. The lower adit is 132 meters long and the upper 34 meters. There is a crosscut 3.6 meters long in the lower adit and another 7.6 meters long in the upper adit, both driven into the hanging wall of the structure. The lower adit is open and accessible for mapping and sampling. The upper adit has collapsed for a distance of 25 meters from the original portal but at this point an opening exists which may be stabilized by scaling down loose rock and timbering thus allowing access into the remaining section of the adit."

Geology

The engineering report of K.E. Northcote, P. Eng, Dated March 20, 1986 disclosed that:

"The regional geological map of the Nootka sound map area shows the Port Eliza inlet gold property lies within the large body of Lower Jurassic Island Intrusion, which extends southeasterly across Esperanza Inlet. The property is situated near the south contact of the pluton with Lower Jurassic Bonanza volcanics and volcanic sedimentary rocks. Plutons consist of polyphased granodiorite, quartz diorite, and lesser granite. As would be expected, detailed mapping will show greater lithologic and structural complexity than is indicated on the regional map. It is possible that future detailed mapping and any determinations will confirm the presently suspected presence of associated Tertiary intrusions. The above plutonic, volcanic, and sedimentary units are cut by major north, northerly, and northwesterly trending faults with northeasterly trending cross ruptures."

Geology of the Port Eliza Inlet Gold Property

The pluton contained in the Port Eliza gold property is polyphase, showing variations in composition and texture and is cut by generally northerly to northwesterly trending systems or basic dykes. These dykes now crop along the shoreline and in the creek adjacent to the lower showing, range from a few centimeters to a meter or more in width. They pinch and swell and suddenly terminate in the number of narrow gold fingers.

It is possible that the dyke systems to some extent control the position and attitude of later generations of pre- and post-mineral fracturing, and shearing which roughly parallel and locally follow these dykes. Abundant chloritic material in some sections of the lower adit may represent such dykes. One or more periods of silicification and sericitization accompanied post-dyke fracturing and shearing causing extensive alteration of wall rocks and deposition of a strong quartz vein system, particularly at the upper-mineralized zone, and localized stock works of small veinlets in the wall rock adjacent to the main system. Gold mineralization appears to have accompanied the later episodes of open space quartz vein filling. Late post-mineral fracturing and shearing, which in general followed the existing vein systems, result in formation of zones of gouge, crackle breccia, and shatter zones which locally were subsequently filled by calcite.

Mineralization appears to be richer in association with quartz veining and to a lesser extent with silicified wall rocks. Mineralographic studies will be undertaken to identify the light grey sulphides that occur, pyrite and traces of chalcopyrite.

Upper Zone

The upper adit is presently not accessible but according to Mr. J.S. Stevenson, 1945, the upper adit started under the surface exposure of an ore shoot following it for 17 m (55 feet) to a point where it was sliced by faults. The vein matter in this shoot consists of several diagonal stringers of quartz cutting earlier silicified vein matter 0.46 m (18 inches) wide. A fault follows along the footwall of the vein with none in the hanging wall. The northwesterly extension of the ore shoot in the drift is terminated by the footwall fault which cuts the vein at a small angle. From the end of the ore shoot at 17 m (55 feet) from the portal the drift follows faults and a 0.02 m (1 inch) vein for 17 m (57 feet) to the face. At this point a crosscut was driven northeasterly for 8 m (27 feet).

Surface exposures in the Upper Zone which occur intermittently, along a length of about 75 metres (246 feet), open at both ends, suggest a stronger vein development than was indicated by Stevenson's description of the last 57 feet of the upper adit. The main vein is followed by a strong shear which in turn is eroded out by the stream so the vein is only completely exposed intermittently. The vein structure with intense silicification and sericitization, including shear, appears to be generally 0.5 m (1.6 feet) wide with wider sections up to 1.0 m (3.2 feet). Significant gold values were obtained from massive quartz vein material and from open space stockwork veinlet development in wall rock from the Upper Zone.

Lower Zone

The lower zone is accessible in the lower adit for a length of 132 metres (433 feet). The adit follows a late shear zone in altered granodiorite and at least locally is in chloritic dyke-rock. The main shear which in this zone contains the best gold values persists for the full length of the adit but pinches and swells from less than a centimetre to approximately 0.5 metres in width. The main shear is commonly accompanied by a shatter breccia up to 1+ metres wide in its footwall side, which may be bounded in turn by a second less well developed footwall shear. The granodiorite rocks adjacent to the main structure are intensely sericitic with

lesser silica alteration. Strong zones of chloritic alteration in the wall rock probably represent basic dykes. Detailed mapping and petrography will resolve problems of size, attitude and configuration of dyke-rock and alteration of wall rock.

1986 Exploration Program

The author of the report spent a total of six days on the property. Surface exposures in the creek at the upper zone, the upper dump, the lower adit of the lower zone and the Scott zone and the creek below the lower adit were mapped and sampled. Forty samples were taken including 17 from the upper zone, 3 from the upper dump, 16 from the lower adit and the lower zone and 4 from the Scott zone. Samples were taken from the hanging wall and foot wall as well as from the main vein-breccia shear gouge systems. These samples were examined under binocular microscope with petrographic descriptions given in appendix "B" to the report. During the course of surveying in the upper and lower zones, a strong magnetic anomaly was noted in the creek west of the lower adit. The best results of the 1986 sampling program are noted below:

ASSAY RESULTS FEBRUARY-MARCH 1986

UPPER ZONE

| <u>Sample #</u> | <u>Width</u> | <u>Au ppb (oz/ton)</u> | <u>Ag ppm</u> | <u>Description</u> |
|-----------------|--------------|------------------------|---------------|-----------------------|
| 5 | 0.15 | (1.625) | 5.6 | Vein F.W. side |
| 10 | 1.0m | (.092) | 0.1 | Veinlet swarm in W.R. |
| 11 | 1.0m | 3500 (.102) | 0.6 | Silicified W.R. |
| 14 | 0.25m | 9000 (0.262) | 3.2 | Pyritized shear |
| 15 | 0.03m | (.073) | 0.6 | Veinlet in H.W. |
| 16 | 0.10m | (.242) | 2.3 | Anastomosing vein |

LOWER ZONE

| | | | | |
|-------|-------|---------|-----|----------------------------|
| LA #1 | 0.08m | (0.213) | 0.3 | Vein gouge @ 132m |
| LA 5 | 0.30m | (.099) | 0.1 | Shear, gouge, frags @ 108m |
| LA 6 | 0.35m | (.169) | 0.5 | Gouge bx @ 101m |
| LA 10 | 0.10m | (.132) | 0.1 | Gouge bx @ 55m |
| LA 13 | 0.08 | (0.125) | 0.3 | Vein shear @ 40m |

CONCLUSIONS

UPPER ZONE

1. The Upper Zone is well exposed along the creek for a length of approximately 75 metres (246 feet) with probable extensions to the northwest and southeast.
2. A strongly siliceous vein and vein breccia system with minor carbonate, -0.20 to +1.0 metres in width, accompanied by a later shear zone, is followed and has been eroded by the stream.

3. Assays of vein material, as expected, produced good gold values as indicated by samples #5 and #16 which are 1.625, 0.949 and 0.242 oz Au/ton respectively. Silicified wallrock generally produced anomalous Au values but well below ore grade unless cut by numerous quartz veinlets as in samples #10 and #11 which contained 0.092 and 0.102 oz Au/ton respectively.

4. Results of preliminary sampling provides sufficient encouragement for thorough investigation by trenching and sampling across the structure at several points along its known extent. Exploration for parallel structures and the northwesterly and southeasterly extensions of the main system is required.

5. Access is required to explore the adit on the Upper Zone. The structure appears to be better developed and can be traced further northwesterly on surface than in the adit. Detailed mapping and sampling of the adit in combination with the trenching program on surface should confirm whether or not the adit follows the main vein or is in a parallel structure.

LOWER AND SCOTT ZONES

1. The best grades of mineralization in the Lower Zone coincides with the main shear-gouge structure exposed in the lower adit.

2. Although the Lower and Upper Zones appear to follow the same structure there are significant differences in degree, type of alteration and tenor of gold to suggest that they may be separate but closely parallel structures.

RECOMMENDATIONS

A two-stage program is recommended to test the potential of the Port Eliza Gold Property. The best possibility for discovery of a minable orebody appears to be within the Upper Zone. The greatest exploration effort should therefore be concentrated in this area. The program would include the following:

Stage 1

1. Attempt rehabilitation of the Upper Zone adit to provide access for geologic mapping and sampling.

2. Trenching by Copco and drilling and blasting on surface across the structure of the Upper Zone at approximately 10 metre intervals along its known extent. Sample the main structure and into the hanging and footwalls.

3. Map in detail the lower adit in the lower Zone looking for similarities and differences in character between the Lower and Upper Zones.

4. Explore for extensions and parallel structures on the Upper, Lower, Scott and magnetically anomalous zone by a combination of geologic mapping, geophysical (VLF-EM and magnetometer) surveys and soil geochemistry on a short spaced grid covering all zones and possible extensions.

5. Cost of Stage 1 - \$27,150.

Stage 2

Contingent on the results of Stage 1, drilling from surface across the structure at intervals across its known length will be required to test the 3rd dimension of depth. Initially 10 holes of 200 feet depth would be anticipated. Large core diameter and a system for catching cuttings would be required. The Issuer has reserved \$60,000 for the Stage II recommended work program contingent on the results of Stage I (see "Use Of Proceeds").

The Aladdin Property

- 1) the Aladdin, Harold and Harold 2 claims;
- 2) the Venus (ML17), St. Joseph, St. Anthony and Ajax (ML20) mineral leases.

The Issuer has acquired the right to earn a 100% interest in the Aladdin series of claims pursuant to an option agreement entered into on January 30, 1987 with James Scott of R.R. #2, Payne Road, Duncan, B.C. V9L 1N9. Under the terms of the option the Issuer will earn an undivided 100% interest in the Aladdin claims subject to 5% net profits interest for the following consideration: \$2,000 paid on execution of the Agreement and the issuance of an aggregate of 175,000 common shares of the Issuer to Scott on the following basis:

- a) 25,000 shares upon acceptance and approval of this agreement by the Superintendent of Brokers for British Columbia;
- b) 25,000 shares on the commencement of the first work program on the Property as recommended by an approved engineering report;
- c) 25,000 shares subject to prior approval of the Superintendent or if the Issuer is listed on the Vancouver Stock Exchange then the approval of the Exchange based on the submission of a satisfactory engineering report acceptable to the Superintendent or the Exchange which report reviews the first work program on the Property and recommends that a second work program be commenced.
- d) 25,000 shares on commencement of the second work program on the Property as recommended by the approved engineering report;
- e) 25,000 subject to the prior approval of the Superintendent and/or the Exchange based on the submission of a satisfactory engineering report acceptable to the Superintendent or the Exchange which report reviews the second work program on the Property and recommends a third work program be commenced;
- f) 25,000 shares on commencement of the third work program on the Property as recommended by the approved engineering report;
- g) 25,000 shares subject to prior approval of the Superintendent or the Exchange based on the submission of a satisfactory engineering report acceptable to

the Superintendent or the Exchange which report reviews the third work program on the Property and recommends that a further work program be commenced.

At such time as the payments are made and all the shares are issued, the Issuer shall be deemed to have acquired the 100% interest in and to the Properties.

The mineral leases 17 and 20 were acquired by Leslie Broadway of 330 Beech Avenue, Duncan, B.C. V9L 3J6 pursuant to a Bill of Sale dated October 22, 1986 from Ken Boyd of #1 - 55 Station Street, Duncan, B.C. V9L 1M2 for an acquisition price of \$25,001. The \$25,001 was payable by Mr. Broadway to Mr. Boyd by payment of \$1.00 upon execution of the Bill of Sale, by payment of \$10,000 which was paid to Mr. Boyd on November 22, 1986 and by payment of \$15,000 which was paid to Mr. Boyd on June 30, 1987. Mr. Broadway, an insider of the Issuer, sold the Property to the Issuer for the cost of acquisition, being \$25,001.

Location and Access

The claims and leases are located on the northwest portion of Lasqueti Island between Stevens Passage, Mud Bay and Barnes Cove. The claims and leases are in the Nanaimo Mining Division and are centered on 49 degrees 30' latitude, 124 degrees 22' longitude.

Access to Lasqueti Island is via ferry from French Creek located between Qualicum Beach and Parksville on Vancouver Island. The ferry runs four times daily, only twice on Sunday, and not at all on Tuesdays or Wednesdays. A privately owned barge is available for vehicle transport. Both the ferry and barge dock in Mud Bay at the town of False Bay. The main roads on Lasqueti are gravel. Logging roads provide good access to the Aladdin, Harold, and Harold 2 claims and mineral leases 17 and 20.

History

The area covered by the Aladdin property on the western half of Lasqueti Island has attracted considerable attention as early as 1881. The first major mining activity occurred around the Lower St. Joseph adits prior to 1908. One main adit was driven approximately 35.4 m long with a vertical shaft dropped about 30.5 m to intersect the mineralized "crushed zone" that the main adit was following. The zone hosted numerous seams of massive pyrite, chalcopyrite, and magnetite that varied from 20 to 41 cm in width. The amount of ore shipped from the site is uncertain, but J.D. MacKenzie (1921) reports that ore from the showing typically graded .82 oz/ton gold, 2.2 oz/ton silver, and 11.4% copper.

In 1920, mining of the Venus tunnels occurred. Two tunnels were driven, the upper 12.2 m, and the lower 42.7 m long. By December of 1921, a total of 177.8 tonnes of ore were shipped from this site to a smelter in Tacoma. Grades of this ore are said to have averaged 0.63 oz/ton gold, and 3.27 oz/ton silver, and 12.8% copper. The ore consisted of massive pyrite, chalcopyrite, and magnetite hosted in vertical seams within a shear zone varying from 10 to 60 cm in width.

Surface prospecting continued on Lasqueti Island and in 1929, renewed interest in the Venus zone saw an extension of the main tunnel for another 43 m. In the report to the Minister of Mines, a 20 cm wide seam hosted massive pyrite and chalcopyrite averaging 0.5 oz/ton gold and 14.5% copper. Work on the showings, however, was short lived, and prospecting work on Lasqueti Island continued only sporadically until 1945.

Numerous modern assessment programs have been conducted on Lasqueti Island commencing in 1967, but have been concentrated on the crown grant areas around the Venus, St. Joseph and Hill 60 zones. VLF-EM and magnetometer surveys were conducted by Sweepstakes Mines Ltd. in 1968. In 1969, Sweepstakes Mines Ltd. also conducted a major IP survey over the area but no follow up work was conducted. In 1971, Anchor Mines Limited conducted a major exploration program over the crown grants involving geophysical surveys and diamond drilling. The program involved drilling two main targets defined by surface showings and geophysics; the St. Joseph zone 100 m south of the lower adit, and the Hill 60 zone. Although no economically significant intersections appeared from the Hill 60 zone, the St. Joseph site reported as 4 m of 0.12 oz/ton gold and 1.07% copper which contained a 1.2 m section grading of 0.32 oz/ton gold and 4.23% copper. Follow up drilling was recommended but none was undertaken.

Geology

The program procedures undertaken in the exploration of the Aladdin property was conducted from March 18 through April 5, 1987. The work consisted of prospecting, geological mapping, soil and stream sediment sampling, magnetometer and VLF-EM surveys. Regional geological mapping on a scale of 1:10,000 was conducted over the entire property and delineated the boundaries of the quartz diorite stock and Karmutsen Formation basalts.

Detailed geological mapping was done on all mineral leases and on the southern half of the Aladdin claim around the False Bay area. A total of 124 rock samples were taken and analysed for gold by AA and an additional 30 elements by ICP during this period of mapping and prospecting. Grid A, with 1.0 km baseline striking 035 degrees just east of Barnes Cove, was established to cover the main mineralized shear zones exposed in several places on the mineral leases. A total of 10.1 line km were established with a B-Horizon soil geochemical survey done over the entire grid. Magnetometer and VLF-EM surveys were also done over Grid A.

The regional geology of Lasqueti Island is underlain mainly by mid to upper Triassic Vancouver Group limestone and volcanic rocks of the Quatsino and Karmutsen Formations. These rocks were intruded by granodiorite and diorite of the Island Intrusions during the Lower Jurassic period. All are overlain by Upper Cretaceous Nanaimo Group sedimentary rocks.

The Aladdin property is on the western end of Lasqueti Island and is underlain almost entirely by amygdaloidal and agglomeratic, dark grey-green, basaltic flows of the Triassic Karmutsen Formation. There is a narrow body of light grey, generally unaltered, equigranular biotite-hornblende quartz diorite that strikes northeast and crops out between False Bay and Barnes Cove. Rock exposure on Lasqueti Island is excellent; greater than 50% of the island has bedrock exposed

to some degree at surface.

The structure and metamorphism of the geology of the Island are summed up in the words of M.H. Gunning B.Sc. and T.G. Hawkins, P.Geol. in their report dated April 22, 1987, when they say at page 27:

"The structure on Lasqueti Island is very evident as distinctive, narrow, vertical shear zones or "crushed" zones (Dawson, 1886; MacKenzie, 1921). These zones are generally less than 2 m wide, strike from 010 degrees to 040 degrees, and often host seams of massive sulphide mineralization. The shear zones commonly occur along the contact of the quartz diorite and basalt; they are most common on the north side of the island in the Barnes Cove area. The shear zones parallel a major air photo linear which passes through Barnes Cove. The linear is coincident with a ravine and may represent a major fault. Further evaluation of this structure is recommended.

The shear zones are hosted by both the basalt and quartz diorite; the timing of their mineralization is uncertain. The quartz diorite is often sheared, suggesting post intrusion emplacement. However, the quartz diorite body is elongated parallel to the regional trend, which suggests a structurally controlled emplacement. Therefore, it is likely that these structures have been active at several different times throughout their history. Mineralization along these shears may be related to hydrothermal fluids related to the intrusion.

Structures striking east-west in the form of offsetting faults are also evident in the Barnes Cove area. Offset of the volcanic roof pendant is evident, as well as a possible offset of the St. Joseph mineralization zone. These faults are right-lateral. Magnetometer and VLF-EM surveys also indicate such a structure. Abundant aplitic dykes with an east-west orientation are seen in the Barnes Cove area; they may have intruded along fractures related to a second phase of deformation.

Metamorphism on Lasqueti Island is not significant. Hornfelsed basalt is common along the contact with the quartz-diorite. This textural feature is useful for geologic mapping but not significant on a large scale."

The mineralization and rock geochemistry are summed up in the same report at page 28, when the writers say:

"Massive sulphide mineralization is common in narrow shear zones hosted by basalt and quartz diorite. The shear zones are vertical to steeply west dipping, generally less than 2 m wide, and have been the target of numerous old workings and mining activities."

Assay results obtained from the old workings and mining activities are as follows:

- 1) the Helen K Adits ranged from 0.253 to 0.535 oz/ton gold, 1.02 to 3.80 oz/ton silver, and from 0.73 to 10.44% copper;

- 2) the Old Bill - Aladdin Adits ranged from 0.122 to 0.187 oz/ton gold, 0.50 to 1.24 oz/ton silver, and from 0.87 to 5.78% copper;
- 3) the Ohm Adit showed 0.056 oz/ton gold, 0.13 oz/ton silver, and 0.04% copper;
- 4) the Gravel Pit showed 0.248 oz/ton gold, 0.41 oz/ton silver, and 0.02% copper;
- 5) the Pits at L5+OOS, 4+50W ranged from 0.016 to 0.177 oz/ton gold, 0.23 to 0.64 oz/ton silver, and from 0.24 to 1.54% copper;
- 6) the Pits at L2+00S, 4+25W showed 0.065 oz/ton gold, 0.06 oz/ton silver, and 0.02% copper;
- 7) the Venus Adits ranged from 0.452 to 0.760 oz/ton gold, 1.52 to 1.86 oz/ton silver, and from 0.57 to 6.20% copper;
- 8) the St. Joseph Adits ranged from 0.174 to 1.066 oz/ton gold, 0.46 to 3.72 oz/ton silver, and from 0.19 to 13.56% copper;
- 9) the Upper St. Joseph Adits ranged from 0.120 to 0.196 oz/ton gold, 0.27 to 1.98 oz/ton silver, and from 0.24 to 6.64% copper.

Geophysics

Magnetometer and VLF-EM surveys were conducted on the Aladdin property between March 24 and April 4, 1987. The areas surveyed comprises Grid A, which covers reverted crown grants on the northern side of Lasqueti Island. Fourteen lines totalling 10.1 line km were surveyed. A discussion of the results of this geophysical survey from the report of M.H. Gunning and T.G. Hawkins dated April 22, 1987 is as follows:

"The magnetic survey has outlined a magnetic terrain consistent with skarn and hornfelsed volcanic rock where local concentrations of magnetite and/or pyrrhotite have developed.

The VLF-EM survey has outlined persistent conductors related to structural features, as well as discrete conductors related to skarn-sulphide zones.

Careful examinations in areas of limited overburden should enable recognition of the source of some of the VLF-EM anomalies. It may be necessary to conduct additional fill-in surveys on intermediate lines in areas of multiple anomalies where continuity is uncertain."

Conclusions

The following conclusions and recommendations were made in the engineering report dated April 22, 1987 at page 44:

"The structural grain of the Island is distinct and is characterized by

abundant, narrow, one to two metre wide shear zones. The shears are vertical, strike from 010 degrees to 040 degrees, and commonly occur along the contacts of the basalt and quartz-diorite. Mineralization along these shear zones is significant; numerous old mining activities are concentrated on them. Mineralization generally occurs as seams of massive sulphides ranging from 30-50 cm wide that are hosted within a one to two metre wide shear zone. The main showings are referred to as the Helen K adits, the Old Bill-Aladdin adits, the Ohm adits, the Venus adits, and the St. Joseph zone. The St. Joseph zone consists of several adits and trenches over a length of about 300m.

All of the showings have proven to be consistently rich in gold, silver, and copper, and more sporadically in Molybdenum, Cobalt, Nickel and Iron. Gold assays are commonly from 0.2 to 0.7 oz/ton, and range up to 1.07 oz/ton. Previous mining activities in the early and mid-1900's mined the zones for their copper content.

Soil geochemistry suggests a close correlation between gold and copper enrichment which agrees with the rock geochemistry of the mineralized showings. Increased gold concentrations generally occur in seams of massive sulphide mineralization dominated by chalcopyrite.

Magnetometer and VLF-EM surveys were conducted over Grid A and were useful in defining the known areas of mineralization. Zones of massive magnetite mineralization within the main shear zones were not clearly defined due to the highly magnetic basaltic host rock. Conductive shear zones were clearly defined by the VLF-EM survey; the most persistent zone extends in a southwest direction for 700 m from the mouth of Barnes Cove. This anomaly coincides with a strong air-photo linear in that area and may indicate a major fault zone."

Recommendations

Phase II exploration of the Aladdin property is recommended. Work should be directed at evaluating the known gold-silver-copper bearing shear zones. Further investigation of possible new zones outlined by soil geochemistry and geophysical surveys is needed.

Diamond drilling is recommended to evaluate the known showings on the property. Approximately 1980 m (6500 ft.) of drilling from 13 set-ups along strike of the various shear zones is required.

The Phase II work program is expected to take 13 weeks to complete at an estimated cost of \$350,000. This program will be financed from the proceeds of the flow-through shares being issued to First Exploration Fund 1987 and Company, Limited Partnership (see "Acquisitions").

Exploration Expenditures

Since the Issuer originally acquired the properties, it has expended or caused to be expended \$59,120 in exploration. This work consisted primarily of

VLF-EM survey and ground geophysical surveys, and property examinations and geological reports by consulting engineers, M.H. Gunning, B.Sc. and T.G. Hawkins, P.Geol. of MPH Consulting Limited and K.E. Northcote Ph.d, P.Eng. of K.E. Northcote and Associates.

The above noted expenditures do not include acquisition and staking costs nor costs of filing yearly assessment work with the government of British Columbia.

RISK FACTORS

Investment in the securities offered under this Prospectus must be considered as speculative. A prospective investor should consider carefully the following factors:

Exploration Risks

Mining exploration involves a high degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to overcome.

The Issuer's mining properties are in the exploration and development stage, there is no existing plant or equipment either on surface or underground and there are no known bodies of commercial ore.

No land surveys of the Issuer's located mineral claims have been conducted and until such surveys are completed, the boundaries of these claims and, consequently, the Issuer's right to any ore located within them, could be in doubt.

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

Market Risks

The discovery by the Issuer of an ore body on its property may not mean that the ore is economic to mine and sell. The mining industry is intensely competitive and the marketability of any ore discovered by the Issuer may be affected by numerous factors beyond the control of the Issuer. These factors include market fluctuations, the proximity and capacity of transportation systems and refining facilities and government regulation, including regulations relating to taxes, land tenure, importing and exporting and environmental protection.

Lack of Operating History

The Issuer has not yet commenced active operations and has no history of earnings. The only source of funds available to the Issuer is through the sale of equity shares. Due to the nature of its business, there is little probability that the Issuer will be profitable.