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BRITISH COLUMBIA  
SECURITIES COMMISSION

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**SKAT RESOURCES LTD.**

**(N.P.L.)**

**PROSPECTUS**

926 SE 041

**SKAT RESOURCES LTD.**  
(N.P.L.)

***PROSPECTUS***

SKAT RESOURCES LTD. (N.P.L.)

PROSPECTUS

Registered Office  
14th Floor  
1030 West Georgia Street  
Vancouver, B.C.

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.

Pursuant to this Prospectus 265,000 shares are being offered to the public by way of primary distribution.

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	<u>Price to Public</u>	<u>Commission to Selling Agent</u>	<u>Proceeds to Issuer if all shares are sold*</u>
Per Unit	26¢	6½¢	19½¢
Total	\$68,900.00	\$17,225.00	\$51,675.00

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\* Before deducting expenses of issue estimated at \$3,000.00.

THE COMPANY'S PROPERTY IS WITHOUT A KNOWN BODY OF COMMERCIAL ORE AND THE PROPOSED PROGRAM REFERRED TO IN THIS PROSPECTUS IS AN EXPLORATORY SEARCH FOR ORE AND ACCORDINGLY, A PURCHASE OF THE SHARES OFFERED BY THIS PROSPECTUS MUST BE CONSIDERED A SPECULATION.

THERE IS NO EXISTING MARKET FOR THE SECURITIES OF THE COMPANY.

OF THE SHARES ISSUED AND TO BE ISSUED, 14% ARE BEING OFFERED TO THE PUBLIC AND 25 % WERE ISSUED FOR CASH AND PROPERTY TO, AND ARE BENEFICIALLY OWNED BY, THE PROMOTERS, DIRECTORS AND OFFICERS.

THE CLAIMS REFERRED TO IN THIS PROSPECTUS HAVE NOT BEEN SURVEYED AND THEREFORE, IN ACCORDANCE WITH THE MINING LAWS OF BRITISH COLUMBIA, THE EXISTENCE OF AND THE AREA OF SUCH MINERAL CLAIMS COULD BE IN DOUBT.

THIS PROSPECTUS IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, A PUBLIC OFFERING OF ANY OF THE SECURITIES OFFERED HEREBY FOR SALE IN THE UNITED STATES OF AMERICA OR IN THE TERRITORIES OR POSSESSIONS THEREOF.

August 31, 1971

26M81

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1. PLAN OF DISTRIBUTION

The shares being offered by this Prospectus are to be offered to the public by the Company (a) through the facilities of registered brokers or registered broker-dealers on an agency ("best efforts") basis. Such broker or broker-dealers are required to take up and pay for only such securities as they may sell to the public; (b) by registered salesmen employed by the Company. In addition to the commission payable to selling agent as set out on the front page of this Prospectus, the salesmen shall be entitled to a bonus of shares in the capital stock of the Company to be negotiated between such salesmen at the time of their employment and the Directors of the Company. It is anticipated that such bonus will be in the range of one share for each three to five shares sold. For the purpose of the bonus there has been placed in trust by certain major shareholders of the Company a total of 50,000 shares to be used exclusively for such bonusing.

2. USE OF PROCEEDS TO ISSUER

The Company has funds on hand of approximately \$36,000 and the net proceeds to be derived by the Company from the sale of the securities offered by this Prospectus is \$51,675 making a total of \$87,675 (total funds) available for the purposes of the Company. The purposes for which the total funds are intended to be used are:

- (a) to pay the Company's share of the anticipated cost of the drilling of a well on the Monkman Pass leases as set out in the report of C.H. Riddell, P. Geol. dated August 6, 1971, a copy of which is attached to and forms part of this Prospectus. Mr. Riddell has indicated the cost of drilling the well will be approximately \$399,000 dry hole cost. The participating companies have set a cost of \$500,000 to allow \$101,000 as a safety margin and for completion of the well. The Company's share of this cost is 5½% which amounts to \$27,500.00.
- (b) to carry out the recommendations of M.K. Lorimer, B.A. Sc., P.Eng., associate of L.J. Manning & Associates Ltd., 610-890 W. Pender Street, Vancouver 1, B.C., in his report dated January 25, 1971, a copy of which is attached to and forms part of this Prospectus, in respect of the Company's property situated near Haney, in the New Westminster Mining Division, Province of British Columbia ("Haney Property") as follows:

Phase I:

Transportation and camp costs	\$ 1,500
Geologist: 3 weeks @ \$2,000/month	1,500
2 helpers: 3 weeks @ \$ 800/month	1,200
Assaying	500
Aeromagnetic Survey	<u>5,000</u>
 Total Phase I	 \$ 9,700

Phase II:

Ground follow-up	2,000
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Phase III:

2,000 feet diamond drilling @ \$15.00	<u>30,000</u>
Sub total	41,700
Miscellaneous and contingencies @ 10%	<u>4,200</u>
Total all phases	<u>\$45,900</u>

- (c) to pay estimated expenses of this offer \$3,000.
- (d) allowance for general administration and office expenses, legal, audit and miscellaneous costs \$11,275.00.

Summary of Use of Total Funds

(a) to pay the Company's share of the Monkman Pass well	\$27,500
(b) to carry out the recommended work on the Haney Property	\$45,900
(c) to pay estimated expenses of this offer	\$ 3,000
(d) administration costs, etc.	<u>\$11,275</u>
Total	<u>\$87,675</u>

In the event all of the securities offered hereby are not sold, the Company will use the funds it presently has available to pay its share of the cost of the Monkman Pass well and will use the balance of those funds, together with the

proceeds from those shares which are sold to carry out so much of the recommended work on the Haney Property as is permitted by available funds.

None of the total funds of \$85,000 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 Province of British Columbia.

Should the Company propose to use any of the net proceeds to acquire non-trustee type securities after the initial distribution of the securities offered by this Prospectus, prior approval by the shareholders must be obtained and disclosure made to the British Columbia Securities Commission.

3. SHARE CAPITAL STRUCTURE

(a) COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4	COLUMN 5
Designation of Security	Amount Authorized	Amount out-standing as of May 31, 1971	Amount out-standing as of August 30, 1971	Amount to be outstanding if all securities offered are sold
Common Shares	3,000,000	1,596,502	1,596,502	1,861,502

- (b) (i) There have been 846,502 shares sold for cash at 10¢ per share.
- (ii) Total cash received from the shares sold was \$84,650.20.
- (iii) No commissions have been paid on any shares sold.

4. NAME AND INCORPORATION OF ISSUER

Skat Resources Ltd. (N.P.L.) was incorporated on the 2nd day of November, 1970 as a private, specially-limited company under the laws of the Province of British Columbia pursuant to a Memorandum of Association. The registered and head office of the Company is situate on the 14th Floor, the Burrard Building, 1030 West Georgia Street, Vancouver, British Columbia.

On the 19th day of August, 1971, the Memorandum and Articles of Association were amended to convert the Company from a private company to a public company.

5. DESCRIPTION OF BUSINESS AND PROPERTY OF ISSUER

(a) Business

The Company was incorporated as a mining exploration company and it intends to carry on business as such together with its interest in oil and gas property.

(b) Property

1. Monkman Pass Property

The Company holds interest in petroleum and natural gas leases in northeastern British Columbia. By way of a farm out agreement the Company has acquired a 1½% working interest to earn a ¾% absolute interest in and to petroleum and natural gas leases Nos. 915, 3932, 919, 2956, 2957, 4568, 4569, 4570, 5415 and 5416. The Company has also purchased a 4% absolute interest in all the said petroleum and natural gas leases except Lease 919 in which it has purchased a 3.5984% interest.

There exists a 1/2% gross overriding royalty on all the said leases except for Nos. 5415 and 5416, 915 and 3932, which royalty is held by Central Del Rio and a 2½% gross overriding royalty on leases 919, 915, 2956, 2957 and 3932, which royalty is held by the Guaranty Trust Company of Canada. In addition, all of the leases are subject to the standard of British Columbia Government overriding royalties. The leases cover a total of 19,350 acres and all leases are in good standing at the date of this Prospectus.

The leases are located in the Monkman Pass area of British Columbia, approximately 75 miles south-west of Grande Prairie, Alberta and 25 miles west of the Alberta-British Columbia boundary. The leases have had drilled on them a total of 6 wells, of which one was completed as a commercial gas well, and one well was suspended, but is capable of being brought into production. A third well produced gas in commercial quantities but was abandoned due to technical difficulties. None of the wells are unitized. They are approximately 60 miles from an existing pipeline. It is expected that a

pipeline will be built to the area before the wells are put into production. The participating companies, including Skat Resources Ltd. (N.P.L.), plan to drill a seventh well as an offset to the Gray #1 well (C25a) which is the well capable of commercial production as described above. It is planned by the participating companies that the new well will be commenced on the leases by September, 1971.

The leases are considered to have reserves of marketable gas and sulphur, but the Company does not purport at this time to have quotable figures as to the size of such reserves, although the report of C.H. Riddell does indicate evaluations as to the size and worth of possible reserves as regards these leases.

Annual rentals must be paid to the Government of British Columbia to keep the leases in good standing. At the date of this Prospectus, all the rentals are paid up until November of 1971. The total yearly rental payment from November 1970 to November 1971 has amounted to approximately \$71,863.33 and the Company is to assume five and one-half (5½%) percent of this rental cost. The Company must pay five and one-half (5½%) percent of the cost of the proposed well to earn a four and three-fourth (4 ¾%) percent interest in whatever benefit accrues on the drilling of such a well.

By way of assignment by Robina T. Stewart of 6209 Summit Place, West Vancouver, British Columbia, the wife of the Promotor of the Company, the Company obtained all the right, title and interest of the said Robina T. Stewart in and to a farm out agreement with Dancan Explorations Ltd. (N.P.L.) pursuant to which the Company is entitled to a three-fourth (¾%) percent absolute interest in the said leases upon paying Dancan Explorations Ltd. (N.P.L.)'s share of the costs of drilling the above mentioned well and the above mentioned lease rentals, which share is one and one-half (1½%) percent. The Company allotted 250,000 shares to Robina T. Stewart as consideration for the assignment of the farm out agreement.

The Company also acquired by way of purchase a four (4%) percent absolute interest in the said leases from a Syndicate of persons for the consideration as set out below:

Name & Address of Syndicate Members	Cash Consideration	Share Consideration †
Edwin D. Hicks Waikiki Shore Apts. PH-1-A 2161 Kalia Road Honolulu, Hawaii 96815	\$15,000	
Jack H. Hurley 4258 W.10th Ave. Vancouver, B.C.	\$ 2,500	
Charles Lygo 4635 Imperial St. Burnaby, B.C. (Director of Company)	\$ 4,600	395,000 shares
Robina T. Stewart 6209 Summit Place W.Vancouver, B.C.	\$ 3,150	105,000 shares
	<u>\$25,250</u>	<u>500,000 shares</u>

The persons receiving a greater than five (5%) percent interest in any of the consideration received by the Vendors of property to the Company are as follows:

<u>From Charles Lygo</u>		
Michael Rafferty	20,000 shares	5.1%
David D. Klassen	25,000 shares	6 %
<u>From Robina T. Stewart</u>		
Walter Laird (a director of Company)	49,000 shares	14 %
Norman H. Payne (a director of Company)	50,000 shares	14 %
Angus J. Stewart	20,000 shares	6 %
Eustace W. Stewart	20,000 shares	6 %

2. Haney Property

This property consists of 45 recorded mineral claims as follows:

Claims	Record Nos.	Expiry Date
Top 1-6	24812-17	16 Oct./71
M 5-6	23445-6	30 April/72
M 9-10	23449-50	"
M 15	23483	11 May/72
M 17	23485	"
M 19	23487	"
M 21	23489	"
M 23	23491	"
M 25	23493	"
M 27	23495	"
M 29	23497	"
M 31	23499	"
M 33	23501	"
M 35	23503	"
M 36-43	24449-56	23 Sept./71
W 7-8	23447-8	30 April/72
W 11-12	23451-2	"
W 13-14	23481-2	11 May/72
W 16	23494	"
W 18	23486	"
W 20	23488	"
W 22	23490	"
W 24	23492	"
W 26	23494	"
W 28	23496	"
W 30	23498	"
W 32	23500	"
W 34	23502	"

The claims lie between Alouette and Stave Lakes, the center being about 12 miles north of Haney. Access may be gained by two routes, by road paved except for the last three or four miles from Haney to a point a few miles north of the mouth of Gold Creek on the western side of Alouette Lake and from there by boat a distance of about one mile to the eastern shore and the western limit of the property. The second route consists of 7 miles of logging road from the Dewdney Trunk Road north of Whonnock. This road requires the use of a four-wheel drive vehicle.

The Company is a sole beneficial and recorded owner of the claims which are all in good standing free and clear of charges or encumbrances. The Company acquired these claims jointly from Vagn M. Andersen, of 59 Glenmore Drive, West Vancouver, British Columbia, and Robina T. Stewart of 6209 Summit Place, West Vancouver, British Columbia for the total cash consideration of \$11,250.00 paid as follows:

Vagn M. Andersen	\$5,000.00
Robina T. Stewart	\$6,250.00.

The Company has not carried out any exploration or development work on the property. Previous work was carried out on the property including bulldozing, clean up, stripping and trenching. The results of this work were reported on by K.D. Healey of Canbritic Consultants Ltd. of 1311-925 West Georgia Street, Vancouver, British Columbia and this report was referred to by M.K. Lorimer in writing his report for the Company.

There is no known body of commercial ore on the property. However, preliminary prospecting indicates copper and molybdenum values within the property.

There is no underground or surface equipment on the property and the Company knows of no history of mining activity on the property.

The proposed program of exploration is that recommended in the report of M.K. Lorimer dated January 25, 1971, a copy of which is attached hereto and forms part of this Prospectus.

6. INCORPORATION WITHIN ONE YEAR - PRELIMINARY EXPENSES

The amount of preliminary expenses of the Company to the date of this Prospectus are as follows: Administrative \$5,276.00 ; Development \$5,818.00 . It is not anticipated that there will be any future additional preliminary expenditures.

7. PROMOTERS

Thomas W. Stewart of 6209 Summit Place, West Vancouver, British Columbia, is a Promoter and Director of the Company. He has received nothing of value from the Company. Robina T. Stewart, the wife of the Promoter, received a total of 355,000 shares in the capital stock of the Company and \$3,150 for the transfer of her interests in the Monkman Pass leases to the Company and a further \$6,250 for the transfer of her interest in the Haney claims to the Company.

Robina T. Stewart acquired her interest in the 4% absolute interest in the Monkman Pass leases together with the other members of the Syndicate from Buttes Resources Canada Ltd. on the 3rd of February, 1970. The total amount paid by the Syndicate, of which Robina T. Stewart is a part, was \$2,688.60 to Buttes Resources Canada Ltd. and \$370.76 for lease rentals for a total cost to the Syndicate of \$3,059.36.

Robina T. Stewart, together with Vagn M. Andersen, acquired their interest in the Haney property from Michael Raftery in October 1970 for the total price of \$10,000 of which the sum of \$5,141 was a payment to Raftery for work done on the property.

Robina T. Stewart purchased for cash 30,200 shares at 10¢ per share in the capital stock of the Company.

8. ISSUANCE OF SHARES

The Company has only one kind and class of share, and each share ranks equally as to dividends, voting rights, participation in assets and in all other respects. The shares presently issued are not subject to any calls or assessments, and the shares to be sold under this Prospectus will not be subject to any calls or assessments.

9. DIRECTORS AND OFFICERS

Name and position with company	Principal Occupations and Firm for past 5 years
Thomas W. Stewart 6209 Summit Place West Vancouver, B.C. President & Director	Director of the following companies: Peace River Petroleum Ltd.; Legend Explorations Ltd.(NPL); Kaiser Floors Canada Limited; National Plasmould Limited; Robina Explorations Ltd.(NPL)
Walter Laird 44219 Vedder Mtn. Rd. R.R.#3, Sardis, B.C. Director	Director of the following companies: Cattermole & Laird Ltd.; Liylama Mines Ltd. (N.P.L.); Kaiser Floors Canada Ltd.; National Plasmould Ltd.
Charles Lygo 4635 Imperial St. Burnaby, B.C. Director	Corrosion Technician



William R. Michaluk  
P.O. Box 144  
Gilbert Plains, Man.  
Director

President and Director of  
Michaluk Enterprises Ltd., Roblin,  
Manitoba and Provincial Director  
Manitoba Retail Merchants Association

Norman H. Payne  
4109 Quesnel  
Vancouver, B.C.

Assistant Controller-Wire Rope  
Industries of Canada Ltd.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

No remuneration has been paid or is payable by the Company to the Directors and Senior Officers of the Company since the commencement of the Company's last completed financial year to the date hereof. It is not intended to pay any remuneration to the Directors or Senior Officers as such or otherwise.

ESCROWED SECURITIES

The information given under this heading is as of August 30, 1971.

Designation of Class	No. of Shares Held in Escrow of Pooled	Percentage of Class
Common	750,000 escrow	47 %
Common	846,502 pooled	53 %

All the issued shares of the Company are held by the Registrar and Transfer Agent, Guaranty Trust Company of Canada, and may be released only with the written consent of the Superintendent of Brokers for British Columbia. The 750,000 shares are escrowed to the order of the Superintendent of Brokers pursuant to an Agreement which provides that in the event of the Company losing or not obtaining good and marketable title to or abandoning or discontinuing development of any of the property which formed the consideration for the issue of those shares, or in the event of the property not being as represented, immediate notice thereof shall be given to the Superintendent of Brokers and there shall be surrendered by way of gift to the Company for cancellation such number of those shares as the Superintendent in his sole discretion deems fair and equitable or in such manner or proportion as the Superintendent may direct. The 846,502 shares were issued for

cash and have been deposited with the Guaranty Trust Company and will be released thirty days after completion of the primary distribution to the public of the 265,000 shares being offered pursuant to this Prospectus and with the consent of the Superintendent of Brokers.

12. PRINCIPAL HOLDERS OF SECURITIES

The information given under this heading is as of August 30, 1971.

- (a) Persons holding 10% or more of the shares of the Company, either beneficially or of record, and either directly or indirectly are as follows:

Column 1	Column 2	Column 3	Column 4	Column 5
Name	Designation of Class	Type of Ownership	Number of Shares Owned	Percentage
Charles Lygo	Common	Direct and Beneficial	339,800	21 %
Norman H. Payne	Common	Direct and of record	57,000 <u>251,500</u> 308,500	- 19%
Robina T. Stewart	Common	Direct and Beneficial	165,700	10 %

- (b) The Directors and Senior Officers of the Company beneficially own directly or indirectly 29 % of the shares of the Company.

13. AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors of the Company are Messrs. Campbell, Sharp, Nash & Field, 999 West Pender Street, Vancouver, B.C., and the Registrar and Transfer Agent of the Company is Guaranty Trust Company of Canada, 540 Burrard Street, Vancouver, B.C.

14. PURCHASERS' RIGHT OF RESCISSION AND WITHDRAWAL

Section 61 and 62 of the Securities Act, 1967 (British Columbia) provides in effect, that where a security is offered to the public in the course of primary distribution:

- (a) A purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last Prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation but no action shall be commenced after the expiration of three months from the date of service of such notice.
- (b) A purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the Prospectus contains an untrue statement of a material fact, or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such Prospectus or amended Prospectus is received or is deemed to be received by him or his agent.

Reference is made to the said Act for the complete text of the provisions under which the foregoing Rights are conferred.

CERTIFICATE OF THE DIRECTORS AND  
PROMOTER OF THE COMPANY

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part VII of the Securities Act 1967 and the Regulations thereunder.

DATED at Vancouver, B.C. the 31st day of  
August , 1971.

Thomas W. Stewart  
Director and Promoter

Walter Laird  
Director

William R. Michaluk  
Director

Norman H. Payne  
Director

Charles Lygo  
Director

SKAT RESOURCES LTD.  
(NON-PERSONAL LIABILITY)

BALANCE SHEET  
AS AT MAY 31, 1971

A S S E T S

<u>CASH</u>	\$ 38,703
<u>CAPITAL ASSETS - AT COST:</u>	
MINERAL CLAIMS (NOTE 1)	11,250
INTEREST IN PETROLEUM AND NATURAL GAS LEASES (NOTE 2)	50,250
LEASEHOLD IMPROVEMENTS	<u>132</u> 61,632
<u>EXPLORATION AND DEVELOPMENT COSTS - PER EXHIBIT "A"</u>	11,094
<u>INCORPORATION EXPENSE</u>	<u>672</u>
	<u>\$ 112,101</u>

L I A B I L I T I E S

<u>ACCOUNTS PAYABLE</u>	\$ 2,451
<u>SHARE CAPITAL:</u>	
AUTHORIZED	
3,000,000 SHARES OF NO PAR VALUE	
ISSUED AND FULLY PAID (NOTE 3)	
750,000 SHARES FOR INTEREST IN PETROLEUM AND NATURAL GAS LEASES	25,000
846,500 SHARES FOR CASH	<u>84,650</u> 109,650
	<u>\$ 112,101</u>

NOTE: THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE STATEMENTS.

APPROVED ON BEHALF OF THE BOARD

..... *Charles L. Ligo* ..... DIRECTOR  
..... *W. Oliver* ..... DIRECTOR

TO THE MEMBERS

WE HAVE EXAMINED THE BALANCE SHEET OF SKAT RESOURCES LTD. (NON-PERSONAL LIABILITY), AS AT MAY 31, 1971, AND THE STATEMENTS OF EXPLORATION AND DEVELOPMENT AND SOURCE AND APPLICATION OF WORKING CAPITAL FOR THE PERIOD THEN ENDED. OUR EXAMINATION INCLUDED A GENERAL REVIEW OF THE ACCOUNTING PROCEDURES AND SUCH TESTS OF ACCOUNTING RECORDS AND OTHER SUPPORTING EVIDENCE AS WE CONSIDERED NECESSARY IN THE CIRCUMSTANCES.

IN OUR OPINION THESE STATEMENTS PRESENT FAIRLY THE FINANCIAL POSITION OF THE COMPANY AS AT MAY 31, 1971, AND THE RESULTS OF ITS OPERATIONS AND THE SOURCE AND APPLICATION OF ITS WORKING CAPITAL FOR THE PERIOD THEN ENDED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

VANCOUVER, B. C.  
JUNE 8, 1971.

*Campbell Sharp Nash. Fuchs*  
CHARTERED ACCOUNTANTS.

SKAT RESOURCES LTD.

(NON-PERSONAL LIABILITY)

NOTES TO THE BALANCE SHEET

AS AT MAY 31, 1971

NOTE 1: THE COMPANY HAS ACQUIRED 45 MINERAL CLAIMS IN THE NEW WESTMINSTER MINING DIVISION FOR \$11,250 CASH.

NOTE 2: THE COMPANY HAS ACQUIRED A 4% WORKING INTEREST IN CERTAIN PETROLEUM AND NATURAL GAS LEASES IN THE MONKMAN PASS AREA OF BRITISH COLUMBIA FOR 500,000 SHARES OF THE COMPANY AT 3-1/3¢ PER SHARE AND \$25,250 CASH. IN ADDITION, THE COMPANY FOR 250,000 SHARES OF THE COMPANY AT 3-1/3¢ PER SHARE HAS PURCHASED AN INTEREST IN AN AGREEMENT WHEREBY IT MAY EARN AN ADDITIONAL 3/4% WORKING INTEREST IN THE MONKMAN PASS LEASES BY PAYING AN ADDITIONAL 1 1/2% OF THE COST OF DRILLING THE NEXT WELL ON THOSE LEASES.

NOTE 3: OF THE 1,596,500 SHARES ISSUED AND FULLY PAID, 750,000 SHARES ISSUED FOR INTEREST IN PETROLEUM AND NATURAL GAS LEASES ARE HELD IN ESCROW SUBJECT TO THE ORDER OF THE SUPERINTENDENT OF BROKERS, AND 846,500 SHARES ISSUED FOR CASH ARE HELD IN A POOLING ARRANGEMENT ALSO SUBJECT TO THE ORDER OF THE SUPERINTENDENT OF BROKERS.

EXHIBIT "A"

SKAT RESOURCES LTD.

(NON-PERSONAL LIABILITY)

STATEMENT OF EXPLORATION AND DEVELOPMENT COSTS

FOR THE PERIOD FROM NOVEMBER 2, 1970 (DATE OF INCORPORATION) TO MAY 31, 1971

EXPLORATION AND DEVELOPMENT:

CONSULTING ENGINEERS	\$ 1,435	
FREE MINERS CERTIFICATE	205	
LEASE RENTALS	3,556	
RECORDING FEES	<u>622</u>	
		5,818

ADMINISTRATION:

OFFICE EXPENSE, SUPPLIES AND SUNDRY	588	
OFFICE RENT AND SERVICES	698	
PROMOTION AND ENTERTAINMENT	164	
TRANSFER FEES	1,237	
TRAVEL AND AUTO EXPENSE	189	
LEGAL AND AUDIT	<u>2,400</u>	
		<u>5,276</u>

TOTAL EXPLORATION AND DEVELOPMENT COSTS - END OF PERIOD \$ 11,094

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EXHIBIT "B"

SKAT RESOURCES LTD.

(NON-PERSONAL LIABILITY)

SOURCE AND APPLICATION OF WORKING CAPITAL STATEMENT

FOR THE PERIOD FROM NOVEMBER 2, 1970 (DATE OF

INCORPORATION) TO MAY 31, 1971

SOURCE:

PROCEEDS OF SALE OF SHARES \$ 84,650

APPLICATION:

EXPLORATION AND DEVELOPMENT COSTS	11,094	
PURCHASE OF MINERAL CLAIMS	11,250	
PURCHASE OF INTEREST IN PETROLEUM AND NATURAL GAS LEASES	25,250	
LEASEHOLD IMPROVEMENTS	132	
INCORPORATION EXPENSE	<u>672</u>	
		<u>48,398</u>

WORKING CAPITAL - END OF PERIOD \$ 36,252

REPORT ON THE  
ALOUETTE LAKE PROPERTY  
NEW WESTMINSTER M.D.  
92 G 8W  
FOR  
SKAT RESOURCES LTD.  
BY: M. K. Lorimer, B.A.Sc., P.Eng.

L. J. Manning & Associates Ltd.,  
610 - 890 West Pender Street,  
Vancouver 1, B. C.

January 25, 1971

**L. J. MANNING & ASSOCIATES LTD.**  
CONSULTING MINING AND GEOLOGICAL ENGINEERS

610-890 WEST PENDER STREET VANCOUVER 1. B.C.

January 26, 1971

The President and Directors,  
Skat Resources Ltd.,  
Vancouver, B. C.

Dear Sirs:

The following report is based on two visits to the property, the first to the southeastern area in October, 1970, and the second to the northwestern area in January, 1971, and on a study of the reports listed in the Bibliography.

SUMMARY:

The Alouette Lake property of Skat Resources Ltd. comprises 45 located claims on the eastern side of the lake and about 12 miles northeast of Haney. It is accessible by logging road and boat depending on the part of the property to be visited.

The claims are underlain by quartz diorite into which a number of dykes and small basic stocks have been intruded. Occurrences of copper and molybdenum minerals are found near these intrusions in at least two widely-separated localities and are reported to occur in the intervening areas.

Because of the widespread mineralization and the extensive areas obscured by overburden, further exploration work appears justified.

A phased programme of geologic and aerial and ground magnetometer surveys followed by diamond drilling, if warranted, is recommended at an estimated cost of \$45,900.

OFFICE PHONE:  
683-5861

RESIDENTIAL PHONE:  
L. J. MANNING - 985-5690

LOCATION:

The property lies between Alouette and Stave Lakes, the centre being about 12 miles northeast of Haney. The area is mapped on Sheet 92 G 8W of the National Topographic System. The Geographic location is 49°18'N, 122°23'W.

Elevations range from 400 feet on the eastern shore of Alouette Lake to 3,800 feet on the southwest flank of Mt. Crickmer.

ACCESS:

Ground access may be gained by two routes. The first is by road, paved except for the last three or four miles, from Haney to a point a few hundred yards north of the mouth of Gold Creek on the western side of Alouette Lake. From here a boat is necessary to cross about one mile to the eastern shore and the western limits of the property. A steep logging road leads inland from the lake. The second route consists of seven miles of logging road from the Dewdney Trunk Road north of Whonnock. This road leads to the eastern part of the property. It is rough in places and requires the use of a four-wheel drive vehicle. Within the claims old logging roads give fairly convenient foot access to most of the area but a few washouts would have to be filled before wheeled vehicles of any type could be used.

TITLE:

The property consists of 45 claims as listed below. The pertinent information was obtained from the Vancouver Mining Recorder's Office on 21 January, 1971

<u>Claims</u>	<u>Record Nos.</u>	<u>Expiry Date</u>	<u>Owner</u>
Top 1-6	24812-17	16 Oct./71	M.P. Raftery
M 5-6	23445-6	30 April/71	"
M 9-10	23449-50	"	"
M 15	23483	11 May/71	"
M 17	23485	"	"
M 19	23487	"	"
M 21	23489	"	"
M 23	23491	"	"
M 25	23493	"	"
M 27	23495	"	"
M 29	23497	"	"
M 31	23499	"	"
M 33	23501	"	"
M 35	23503	"	"
M 36-43	24449-56	"	"

<u>Claims</u>	<u>Record Nos.</u>	<u>Expiry Date</u>	<u>Owner</u>
W 7-8	23447-8	30 April/71	W. L. Fowler
W 11-12	23451-2	"	"
W 13-14	23481-2	"	"
W 16	23484	11 May/71	"
W. 18	23486	"	"
W 20	23488	"	"
W 22	23490	"	"
W 24	23492	"	"
W 26	23494	"	"
W 28	23496	"	"
W 30	23498	"	"
W 32	23500	"	"
W 34	23502	"	"

The official staking map shows a gap of about 3,000 feet between the Top claims and the M and W claims. Since the old claims in the gap were forfeited before the Top, M and W claims were staked, the indicated open ground is probably erroneous but the point should be checked on the ground. The four Edd claims in the southeastern quarter of the group are held by others.

#### TOPOGRAPHY:

The claims area is very steep on the Alouette Lake side and up to about 3,000 feet. From this elevation there is considerable moderation in general relief except close to the flanks of Mt. Crickmer. Locally the many streams have cut deep valleys and canyons.

Parts of the area were logged many years ago. Although the logging roads are convenient, the debris and new growth on logged-off areas make travelling difficult.

Several creeks flow across the property providing a ready source of water. There are several small lakes and fairly extensive areas of swampy ground.

#### CLIMATE:

The climate is moderate with heavy precipitation. The lower elevations are usually free of snow throughout the winter but the higher elevations are snow-covered for two or three months each winter.

#### HISTORY:

As far as is known there is no history of mining activity on the property.

#### GEOLOGY:

Most of the area is covered with a heavy mantle of overburden and forest growth but there are enough rock outcrops to show the general geology. However, minor features of economic importance could very well be obscured. The best observations of geologic details in the two areas examined by the writer are made in the creeks and along the logging roads which have cut deeply into the bedrock in places. As far as is known no detailed geologic mapping has been done in the area but the Geological Survey of Canada has done regional mapping on a scale of 4 miles to the inch. The information is presented on Maps 8-1956 and 1151A from which some of the following information is taken.

Map 8-1956 shows a contact between quartz diorite on the north and diorite on the south running east-west through the centre of the property; Map 1151A (1965) shows this contact as being much farther south and only cutting the property in the extreme southeast corner. Because the later map is more likely to be correct it may be assumed that the property is underlain by quartz diorite. Although this is undoubtedly the dominant rock there is an assemblage of other rock types in at least two areas. Locally the rocks range from granite to gabbro with dykes from aplite to basalt and quartz veins carrying epidote.

The major structural trend appears to be northerly, roughly normal to the major contact. In the southeast corner Seventynine Creek occupies a prominent shear zone striking N 10 degrees E. Within this shear zone there occur many dykes, some of which might be more properly called sills; others cut the shear at a slight angle. But all have a general northerly trend. Similarly on the northwest a number of basic dykes have the same orientation. In general the quartz veins also conform to this pattern but there are numerous cross-veins in random directions. Small stocks also occur in these areas of basic intrusion. The basic rocks are moderately to strongly magnetic.

The minerals of economic interest are molybdenite and chalcopyrite. Molybdenite is common in both examined areas while the chalcopyrite appears stronger in the southeast. According to a report on a prospecting programme carried out in 1970, occurrences of these metals are to be found throughout the property but this could not be confirmed by the writer due to snow conditions.

As far as could be ascertained the metallic mineralization is associated with the dykes and small stocks, particularly the basic ones. It occurs in nearby quartz veins, as fracture-fillings and, particularly in the case of molybdenite, as blebs in the granitic rocks. Pyrite and epidote are common associate minerals. Malachite staining was observed in the Seventynine Creek area. Locally many of these showings are impressive but in the observed localities they are too scattered to constitute ore.

#### SAMPLING:

Because of the modes of occurrence it is virtually impossible to take meaningful samples of the examined showings except by bulk sampling. On this examination three samples were taken to check for the presence of various metals in different rocks. The results should not be regarded as representative values of the showings. The assay values are tabulated below:

<u>Sample</u>	<u>Rock</u>	<u>Observed Minerals</u>	<u>Width (ft.)</u>	<u>% Copper</u>	<u>% Moly</u>	<u>% Nickel</u>
32526	Hornblende porphyry	Nil	Grab	0.02	Tr.	0.01
32527	Granite	Molybdenite	3.0	0.01	0.32	-
32528	Quartz diorite	Pyrite	4.0	0.01	0.02	-

#### CONCLUSIONS:

On the basis of very limited observations it appears that this property lies in an area of widespread copper and molybdenum mineralization. Although the observed occurrences do not constitute ore, the possibilities of economic deposits under the omnipresent overburden cannot be discounted without further exploration.

The observed association of metallic minerals with magnetic dykes and intrusives offers a ready means of locating target areas by magnetic surveys. The presence of pyrite would probably mask more desirable minerals and make electric surveys inconclusive unless a definite relationship between pyrite, chalcopyrite and molybdenite could be established.

Because of the rugged terrain and deep humus, geochemical surveys would be unsuitable over much of the area although there might be applications for them in certain localities.

The property appears to merit the expenditure of funds on further exploration work.

#### RECOMMENDATIONS:

It is recommended that an initial exploration programme be carried out in three phases, each phase to be dependent on the results of the preceding phase, as follows:

##### Phase I:

- (a) Establish a 3-man camp at a central location and carry out geologic and rough property surveys in order to provide a base map, to study the metallic occurrences and to gain information to assist in the interpretation of magnetic data.
- (b) Carry out an aeromagnetic survey on flight lines one-eighth mile apart.

##### Phase II:

Conduct ground magnetometer surveys of any areas meriting detailed work on the basis of the Phase I surveys.

##### Phase III:

Diamond drill any definite target areas located in phases I and II. A minimum of 2,000 feet of drilling would probably be required to conclude an initial exploration programme.



COSTS:

The estimated costs are:

Phase I:

Transportation and camp costs	\$ 1,500	
Geologist: 3 weeks @ \$2,000/month	1,500	
2 helpers: 3 weeks @ \$ 800/month	1,200	
Assaying	500	
Aeromagnetic Survey	<u>5,000</u>	
Total Phase I		\$ 9,700

Phase II:

Ground follow-up		2,000
------------------	--	-------

Phase III:

2,000 feet diamond drilling @ \$15.00		<u>30,000</u>
Sub total		41,700
Miscellaneous and contingencies @ 10%		<u>4,200</u>
Total all phases		<u>\$ 45,900</u>

L. J. MANNING &amp; ASSOCIATES LTD.

*M. K. Lorimer*

M. K. Lorimer, P.Eng.

MKL:mjb

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Geological Survey of Canada:

1. Map 8-1956, "Pitt Lake", 1956
2. Map 1151A, "Pitt Lake", 1965

Roddick, J. A.,

Geological Survey of Canada,  
Memoir 335, "Vancouver North,  
Coquitlam, and Pitt Lake Map  
Areas, British Columbia," 1965

Healey, K.D.

"Report on the Mining  
Property known as the Haney  
Property", Private report, 1971.


CERTIFICATE OF QUALIFICATIONS

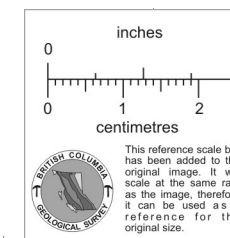
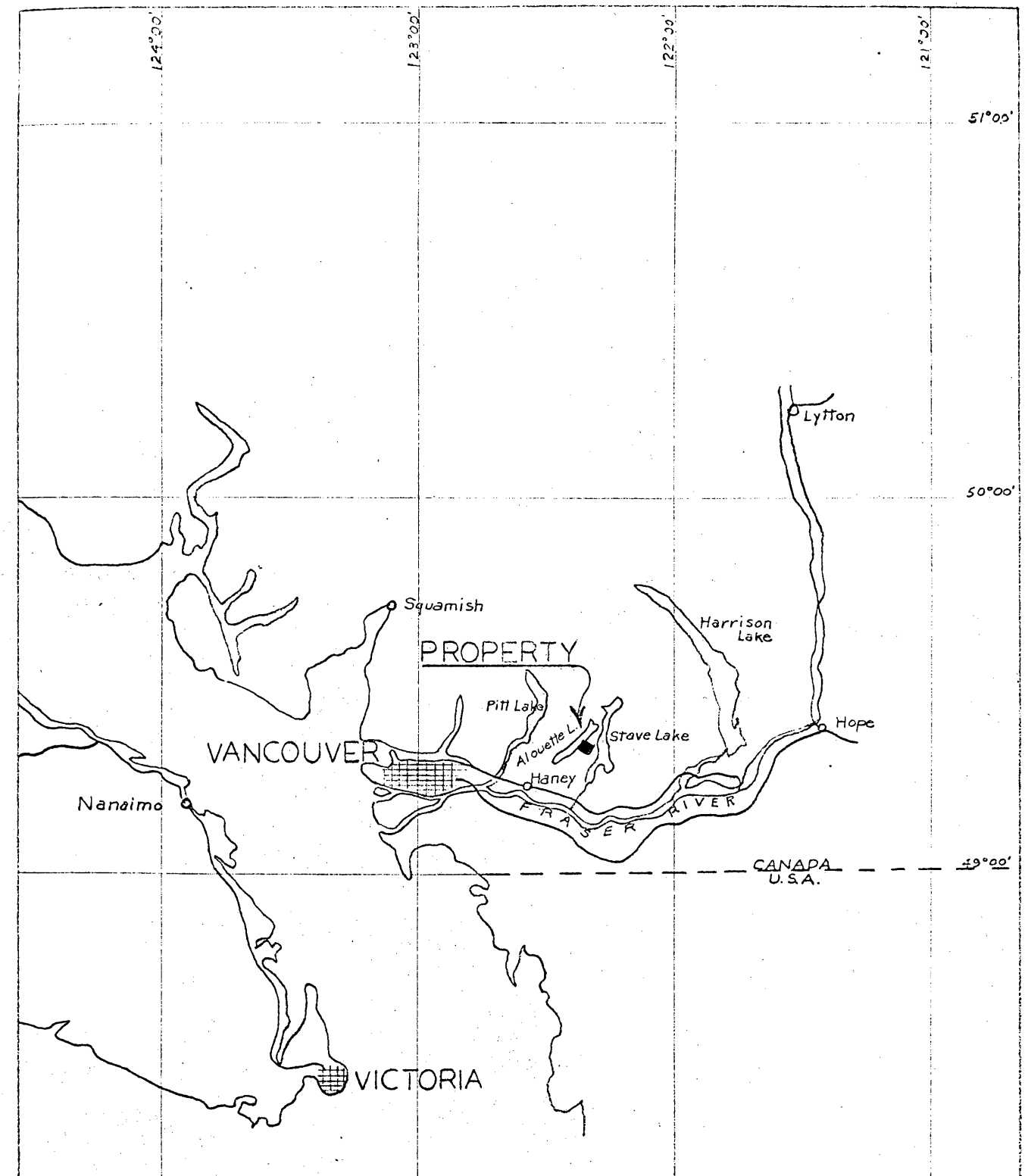
I, MALCOLM KEITH LORIMER, of the City of Vancouver, Province of British Columbia, Mining Engineer, hereby certify:

1. THAT I am a practicing Mining Engineer and reside at 3082 West 27th Avenue, Vancouver, B. C.
2. THAT I am a graduate in Mining Engineering of the University of British Columbia, Bachelor of Applied Science, 1950 and have been practicing my profession for over sixteen years.
3. THAT I am a member of the Association of Professional Engineers of the Province of British Columbia.
4. THAT I am a member of the Canadian Institute of Mining and Metallurgy.
5. THAT I am an associate of the firm of L. J. Manning & Associates Ltd., Consulting Mining Engineers, of 610 - 890 West Pender Street, Vancouver 1, B. C.
6. THAT the following is a true record of my employment and experience:

1950 - 52	General engineering, Consolidated Mining and Smelting Company of Canada Limited, Kimberley, B.C.
1952--56	Chief Engineer, Pioneer Gold Mines of B. C. Ltd., Pioneer Mines, B. C.
1956 - 57	Chief Engineer, Buchans Mining Co. Ltd. Buchans, Nfld.
1957 - 59	Chief Engineer and Mine Superintendent, Cowichan Copper Co. Ltd., Cowichan Lake, B. C.
1959 - 65	General Exploration work for various companies mostly in southern British Columbia.
1965 - Present	Associate, L. J. Manning & Associates Ltd., Vancouver.
7. THAT I have no direct or indirect interest in the properties or securities of **Skat Resources Ltd.** or any of its affiliates nor do I expect to acquire any.

DATED at Vancouver, British Columbia, this 26th day of January, 1971.

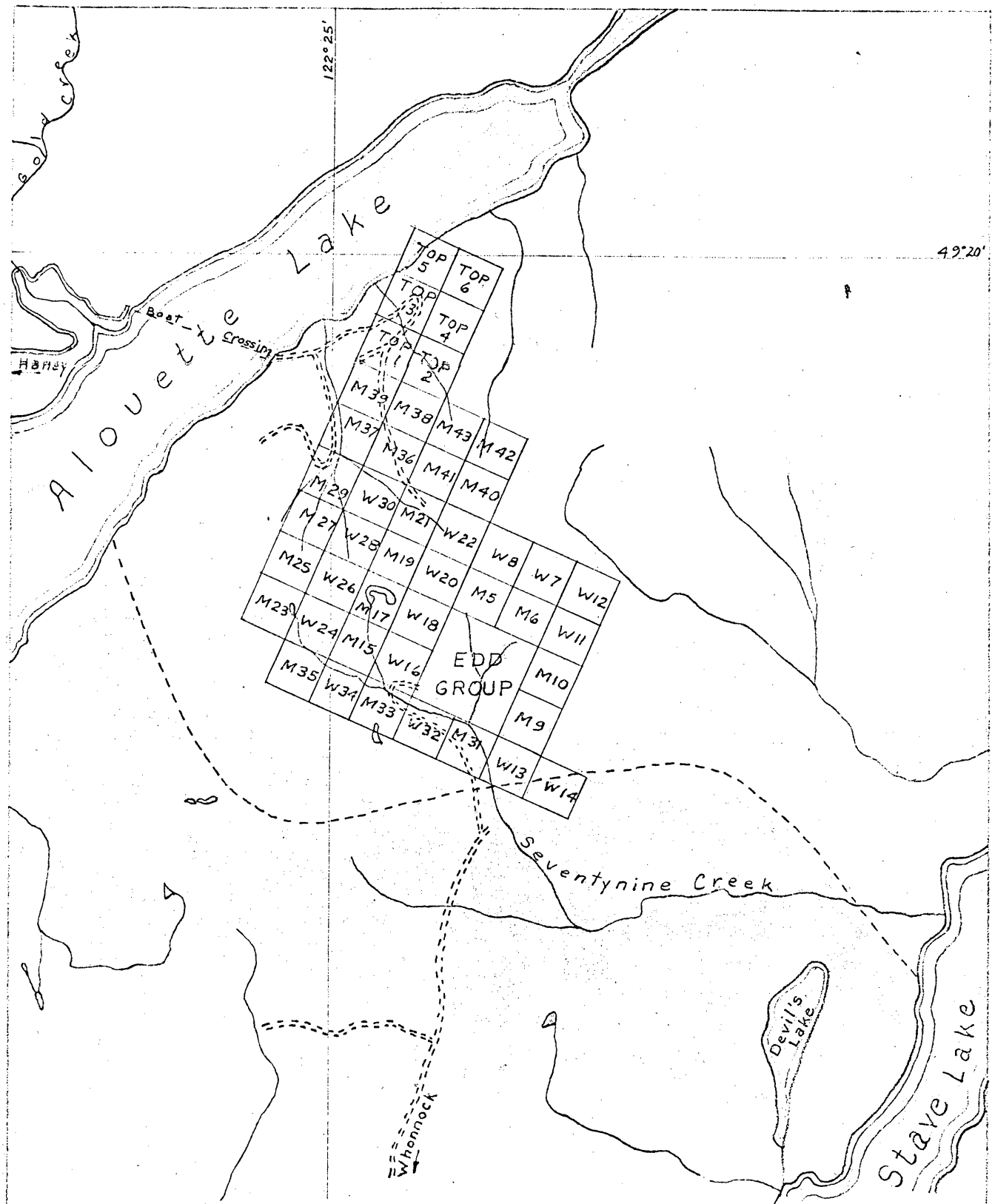
  
M. K. Lorimer, B.A.Sc., P.Eng.



MAP 1  
SKAT RESOURCES LTD.  
ALOUETTE LAKE PROPERTY  
LOCATION MAP

Scale: 1" = 25 mi.  
Drawn: M.K. Lorimer  
Jan, 1971

L.J. MANNING AND ASSOCIATES LTD.



MAP 2

SKAT RESOURCES LTD.  
 ALOUETTE LAKE PROPERTY  
 CLAIMS AND GEOLOGY

Scale: 1:50,000 or 1"=0.8 mi (approx)

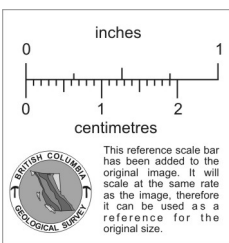
Drawn: M.K. Lorimer

Jan. 1971

L.J. MANNING AND ASSOCIATES LTD.

- Quartz diorite
- Diorite

Claim locations approximate only.



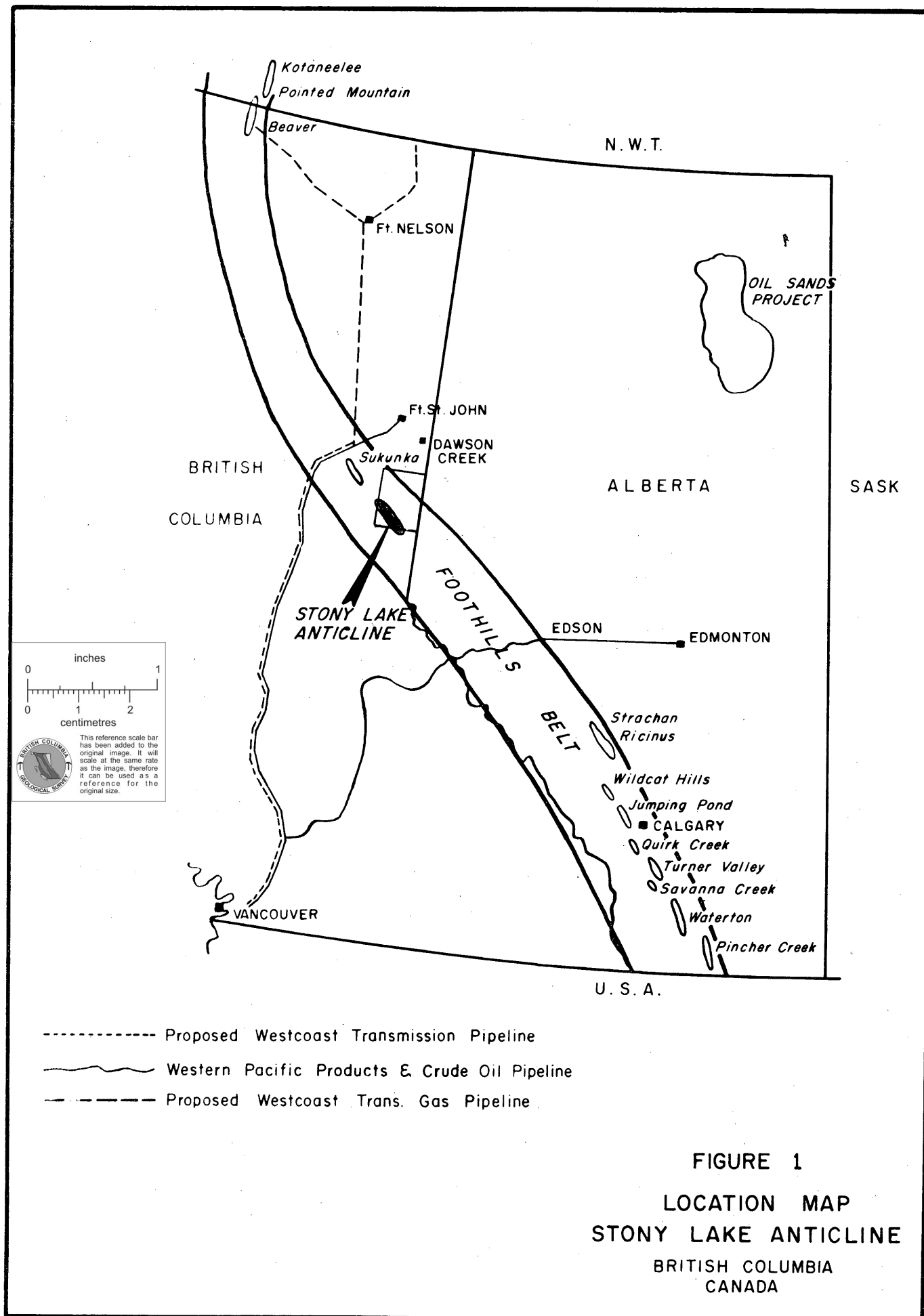
EVALUATION  
 OF THE  
 STONY LAKE ANTICLINE  
 NORTHEAST BRITISH COLUMBIA  
 Prepared by  
 C. H. RIDDELL, P. GEOL.

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Land value	7
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Figure 2	Land Map
Figure 3	Structural Cross Section
Figure 4	Land Sales Map



INTRODUCTION

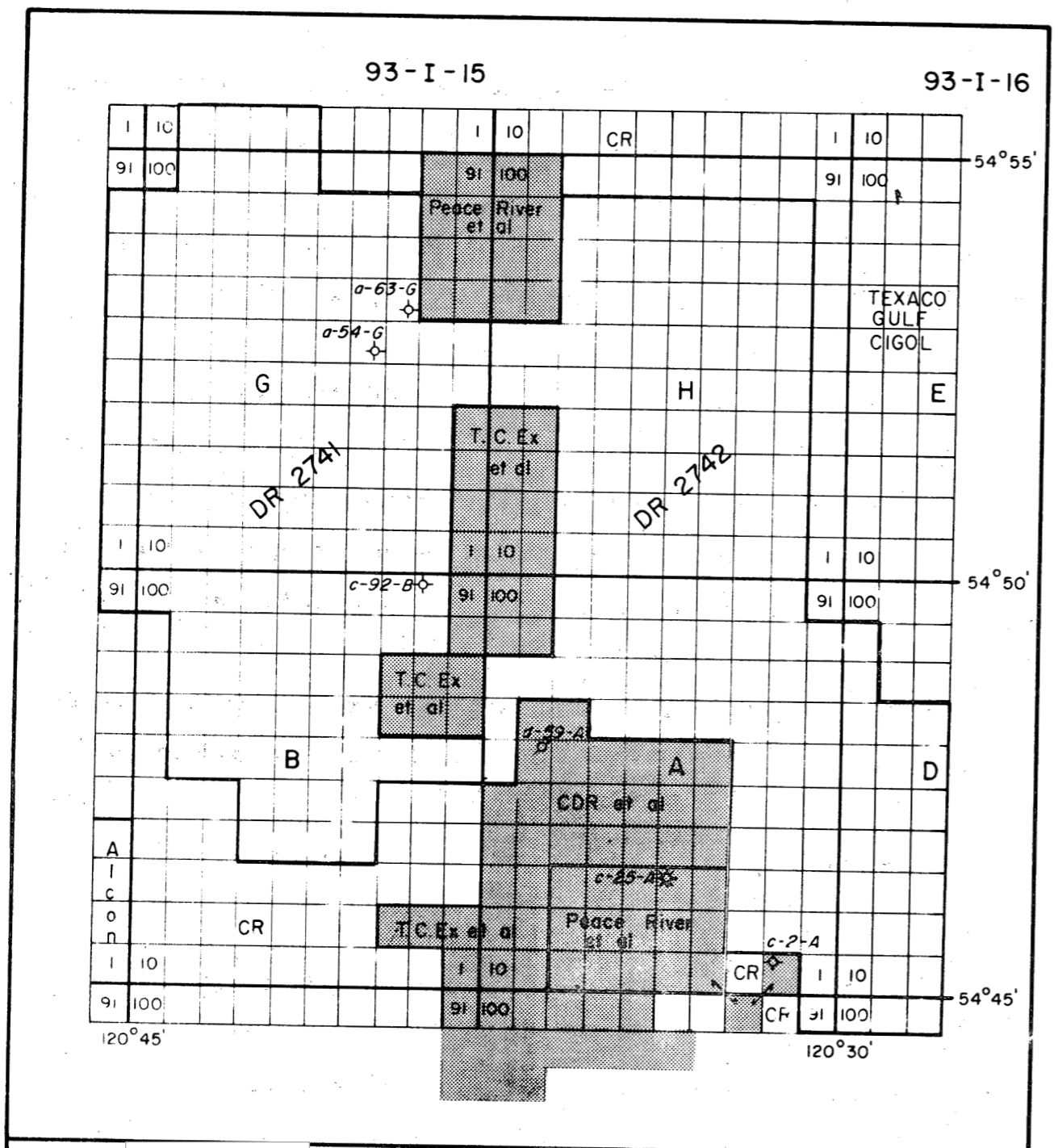
This report is being prepared at the request of Mr. T. W. Stewart of Skat Resources Ltd. (NPL), No. 704 - 525 Seymour Street, Vancouver, British Columbia. It is my understanding that Skat has an opportunity to farm in an interest in 19,350 acres on the Stony Anticline in northeastern British Columbia. This report is an evaluation of the available farmout acreage. (see Figure 2)

The Stony Lake anticline is a large "foothills type" thrust-faulted anticlinorium which is located in northeast British Columbia, 80 miles west of Grande Prairie. Prospects of developing major gas reserves under the acreage covered in this report coupled with the increasing demand for natural gas make this a good prospect at this time. The successful completion of this project would reap large rewards.

The Stony Lake anticlinorium was first defined by surface geologic mapping and has been further confirmed and defined by over 200 miles of seismic shooting. Six wells have been drilled in the area to date resulting in four abandonments and two wells capable of gas production.

GEOLOGY

The Stony Lake anticlinorium lies on the eastern edge of the Rocky Mountain foothills belt but within the area of Laramide thrust-faulting. The large structural closure was formed during the Laramide Revolution by compressional forces from the west. The structural style is similar to Pincher Creek, Jumping Pound, and many other productive thrust structures along the foothills belt of the Canadian Cordillera. The trap is formed by doubly plunging thrust sheets involving Triassic and possibly Mississippian strata.



**FIGURE 2**  
**LAND OWNERSHIP**  
**STONY LAKE ANTICLINE**  
**GRIZZLY VALLEY AREA**  
**BRITISH COLUMBIA**

STRATIGRAPHY

Surface rocks at the Stony structure are Lower Cretaceous clastics and any test of the structure will spud into these sediments. Several sands will be encountered which may have some potential if porosity is developed and these sands should be evaluated from logs or from samples and a gas detector while drilling. These strata will probably be repeated at least in part by a thrust-fault.

The most potential reservoirs in the area include the Cretaceous (Nikinassin), Triassic (Baldonnel, Charlie Lake and Halfway), Permo Pennsylvanian (Stoddart) and Mississippian (Rundle).

To date gas accumulations are proven in the Nikinassin Formation and in the Triassic. The C-25-A well is a completed Nikinassin gas well while the D-59-A well is a suspended Nikinassin gas well. The C-25-A well perforated more than 50 feet of gas pay and with an absolute open flow potential of 9.3 MMcf/d. Keith Banks, Schlumberger Engineer, studied the well logs and feels pay thickness is in excess of 300 feet. Log analysis by Schlumberger also indicate considerable probable Nikinassin pay thickness in the D-59-A well. Other wells drilled in the area have had Nikinassin gas shows.

Beds of Triassic age have been reached in the Columbia Monkman Pass A-54-G well and the Richfield D-63-G well. The D-63-G well encountered gas shows in the Nikinassin and Triassic horizons but no tests were made in the Nikinassin. The well encountered two zones of lost circulation in the Triassic. At 11,850 feet several thousand barrels of mud and some cement were pumped into the formation before a drill stem test was run, which still yielded 700 MCF/d decreasing to 200 MCF/d. At 12,631 feet the well again lost circulation and finally blew out with gas flows estimated up to 44 MMcf/d. After the blowout a fish prevented the zone from being retested. The A-54-G

well encountered the Triassic about 1400 feet low and yielded only 100 feet of muddy gas cut water cushion and 3900 feet of water cushion on drill stem test.

The Triassic Halfway Formation has not been penetrated at the Stony Lake Anticline. Outcrop sections to the north indicate it is a porous, fine grained sandstone with some interbeds and mounds of massive reefoid limestone. This formation produces at Blueberry, Milligan Creek, Beatton River and many other fields, but these are over 100 miles to the north and reservoir conditions at Stony Lake are unknown. The distribution of the formation is not well known, but this could make a good reservoir if encountered, and there is a strong possibility that the formation underlies this structure.

The Baldonnel and Charlie Lake have yielded gas blows in the Richfield D-63-G well, and the formations contain reserves at the nearest Triassic discovery at Sukunka, sixty miles along trend to the northwest.

Control is such that the thickness and facies of the Permo-Pennsylvanian Stoddart group are unknown, but porosity in this unit is known from the foothills outcroppings.

The Rundle Group of Mississippian Age is the main producing horizon in the Rocky Mountain foothills. This structure is near the facies change from porous limestone facies to dense cherty limestone facies of the Profit Formation. Lack of sufficient control makes it impossible to predict whether the formation will be porous or not.

A Devonian reef play may well extend beneath the subject lands, but would be at a depth of 18,000 to 20,000 feet and on the regional plate. Seismic to date has not been successful in displaying reflections this

deep and reworking of current seismic is recommended to see if deep reflections can be enhanced to define any Devonian reefing.

#### STRUCTURE

The subject area has been mapped seismically by over 200 miles of shooting which has been interpreted by Dr. M. Aydin, P. Geoph. Two seismic structure maps on the Gates sandstone, prepared by Dr. Aydin, accompany this report.

The Stony Lake anticlinorium is over 25 miles long and is formed by thrust-faulting near the eastern limit of the disturbed belt. The Gates Sandstone forms an excellent geophysical reflector and is very useful in defining the subsurface structure. Other fragmentary reflections combined with well control give a reasonably clear interpretation of the structure. Reworking of the seismic using modern processing techniques could enhance the data for the deep part of the section.

Several culminations occur on the anticlinorium which are exhibited on the attached "Lower Gates" and "Upper Gates" structure maps.

Two culminations occur on the subject lands on the plate below the Stony Lake thrust, one near the southeast corner of 93 I 15-A and of which about 2,000 acres lie within the farmin lands; the other culmination to the northeast with apparent aerial closure of 10,000 acres, of which about 2,000 acres lie within the lands offered to Skat.

Other closures occur on the subject lands in the plate above the Stony Lake thrust which could be of interest. It would be necessary to move far enough down-dip to make sure the lading edge of the Triassic reservoirs are encountered in a test well.

#### WELL COST

A Nikinassin test of the structure on the footwall of the Stony Lake thrust would require an 8000 foot test, a Triassic test would be about 13,000 feet, a Mississippian test would be about 15,500 feet. The estimated cost of a Nikinassin test is \$500,000; a Triassic test, \$900,000; and a Mississippian test \$1,200,000. Test of the hanging wall structures would be somewhat less, but also have higher risk and perhaps less potential.

#### POTENTIAL RESERVES

It is understood that the lands are in lease form and thus none must be returned to the Government.

It was not felt that it would be necessary to do a detailed runout of this prospect as there are too many unknown factors and estimates, but the overall potential of the structure is enormous.

It should be made clear that the calculation of Possible Reserves is based on assumptions of reservoirs conditions in formations in which reserves have not been established, and as such must be considered highly interpretive. Thus, while proven reserves have been given a value of 5 cents per thousand cubic feet, possible reserves have been given a value of only 1/4 cent.

#### Nikinassin

Reserves in the Nikinassin Formation have been established at the C 25-A well. Proven reserves of 31 billion cubic feet have been estimated by the Province of British Columbia based on 287 feet of pay covering 640 acres.

Proven reserves -	31 BCF
Possible reserves -	
Closure indicated by seismic	4,000 acres
Approximate area of closure	
(unproven)	3,300 acres
Assumed pay	75 feet
Estimated MCF/acre-foot	200 MCF/acre-foot
Remaining possible Nikinassin reserves based on the above assumptions	49 BCF

#### Triassic Baldonnel - Charlie Lake

Although some workers have allowed for proven reserves in the Triassic based on the blowout at the Richfield D-63-6 well, these are treated here as possible reserves only. Reservoir conditions are unknown, and these are estimates only. Assuming a porosity of 6 per cent, a water saturation of 30 per cent, a reservoir pressure of 5,000 pounds, an abandonment pressure of 500 pounds, reservoir temperature of 220° F, surface loss of 20 per cent and initial and abandonment compressibility factors of 0.8 and 1.0 respectively, the recoverable gas per acre foot will be about 435 thousand cubic feet.

Probable reserves -	
Area	4,000 acres indicated by seismic
Pay thickness unknown - assumed	100 feet
Reserves per acre-foot	435 MCF/acre-foot
Possible Triassic Baldonnel Charlie Lake reserves based on foregoing assumptions	174 BCF

#### Triassic Halfway Sand

The Triassic Halfway Sandstone has not been penetrated by wells to date so its potential is completely based on assumptions. It is presented to show the possible potential.

Assuming a porosity of 10 per cent, a water saturation of 25 per cent, an initial reservoir pressure of 5,600 pounds, an abandonment pressure



of 500 pounds, reservoir temperature of 230° F, surface loss of 20 per cent, and initial and abandonment compressibility factors of 0.8 and 1.0 respectively, the recoverable gas per acre-foot would be about 885 thousand cubic feet.

Possible reserves

Area	4,000 acres indicated by seismic
Pay thickness unknown - assumed	50 feet
Reserves per acre-foot	885 MCF/acre-foot

Possible Triassic Halfway Sandstone 177 BCF  
based on the foregoing assumptions

LAND

The land holdings are outlined on the enclosed land map. Skat have advised that these are in lease form and are currently in good standing and that they have been offered an opportunity to earn a portion of these lands.

LAND VALUE

Proven gas reserves should have a present value of about 5 cents per thousand cubic feet. It is difficult to place an accurate value on the possible gas reserves, but the best way is probably by discounting the price by the amount of risk involved in the drilling venture. On this basis it is felt that 1/4 cent per MCF is conservative.

Proven reserves

33 BCF x 5 cents/MCF = \$1,650,000

Possible gas reserves

400 BCF x 1/4 cent/MCF = \$1,000,000

Total = \$2,650,000

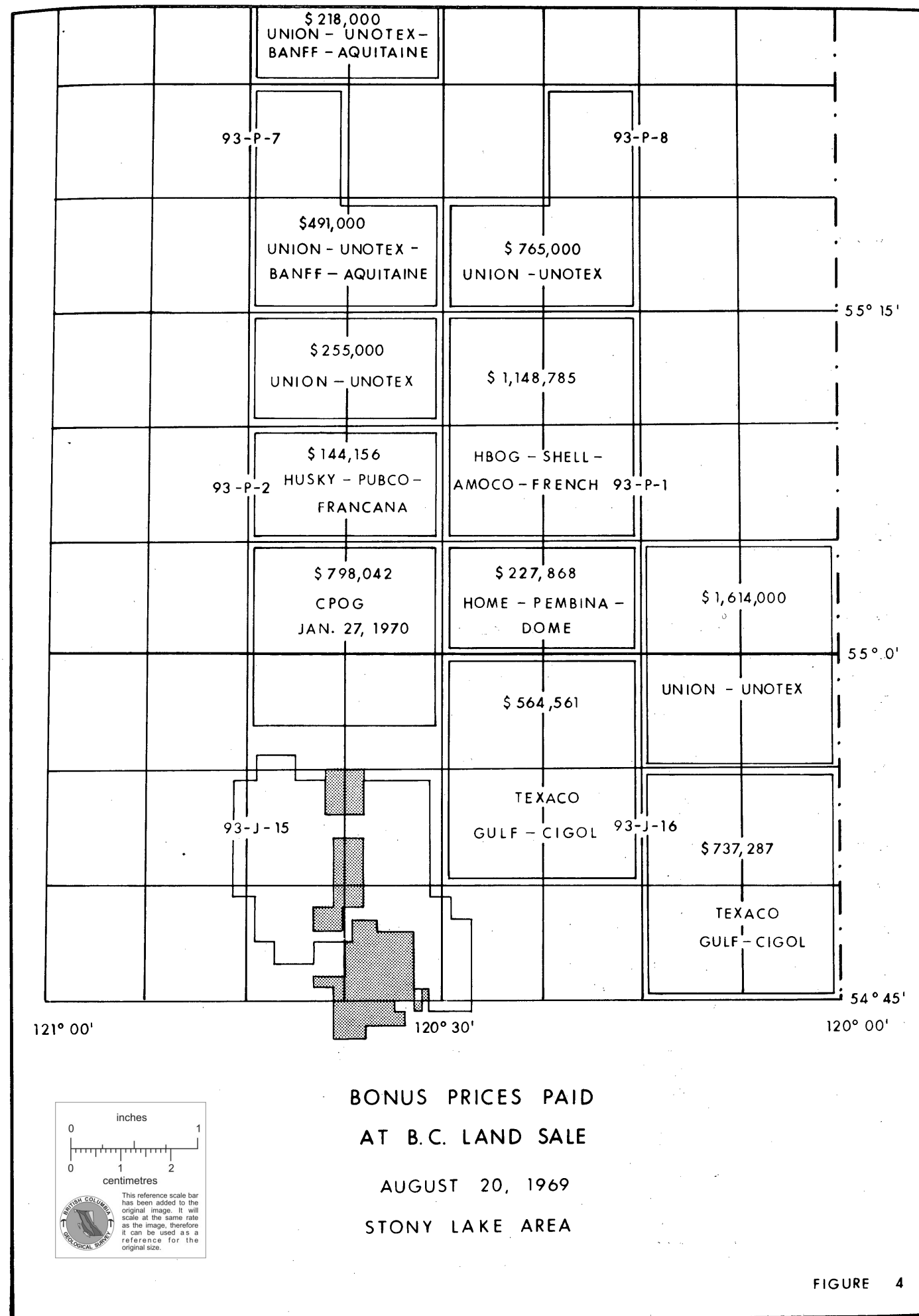


FIGURE 4

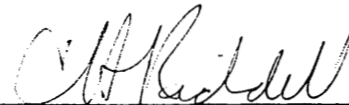
Undrilled lands to the northeast have sold for \$17 to \$31 per lease acre. These are bonus bids for the lands which are untested. The subject lands have been shot seismically, and there is drilling done, and inasmuch as the interest to be earned in the subject lands is by further evaluation of the properties rather than by cash, it is felt that the \$2,650,000 value is consistent with the land value in the area.

SUMMARY

The Stony Lake anticlinorium is a very large feature, but it is extremely complex structurally. All wells drilled to date seem to indicate gas reserves in any zone that is sufficiently porous which indicates structural closure is present.

A commercial hydrocarbon accumulation requires a trapping mechanism, a porous reservoir and the migration of hydrocarbons into same. The structure is present and hydrocarbons have been proven in the reservoir beds which have been encountered. If an extensive reservoir is encountered, a very large accumulation is probable. It is felt that the odds of finding substantial reserves are not more than 10:1, and that this is a realistic risk on the project.

The group to make the initial discovery would be in a good position to purchase unleased Government lands, and options can perhaps be obtained by other land owners. This evaluation has not considered the potential of the Mississippian or the Devonian, other closures on the lands or the possibility of earning other lands. Recent prices paid at competitive land sales indicate industry's interest in the area.

  
 C. H. Riddell, P. Geol.  
 August 6, 1971

APPENDIX I  
 ESTIMATED WELL COST  
 8,500' Nikinassin Test  
 Stony Anticline


Land, legal and licences	\$ 5,000
Location preparation	8,000
Rig move	7,000
Rig up and down	3,000
Daywork - 65 days @ \$1,800/day	117,000
Camp - 75 days @ \$200/day	15,000
Surface casing - 850' of 13 3/8" and accessories	16,000
Cementing services (surface casing)	4,000
Fuel	20,000
Bits	40,000
Mud (or compressors for gas drilling)	48,000
Water	2,000
Coring (120' @ \$15/foot)	1,800
Drill stem tests - 3 @ \$1,200	3,600
Logging - Dual Induction Laterolog Sonic log Sidewall Neutron	7,000
Gas detector	6,000
Geological and engineering	20,000
Communications, aircraft and miscellaneous	30,000
Abandonment (cementing services and lease cleanup)	10,000
Contingencies	<u>36,000</u>
	<u>\$399,400</u>

ESTIMATED DRY HOLE COST

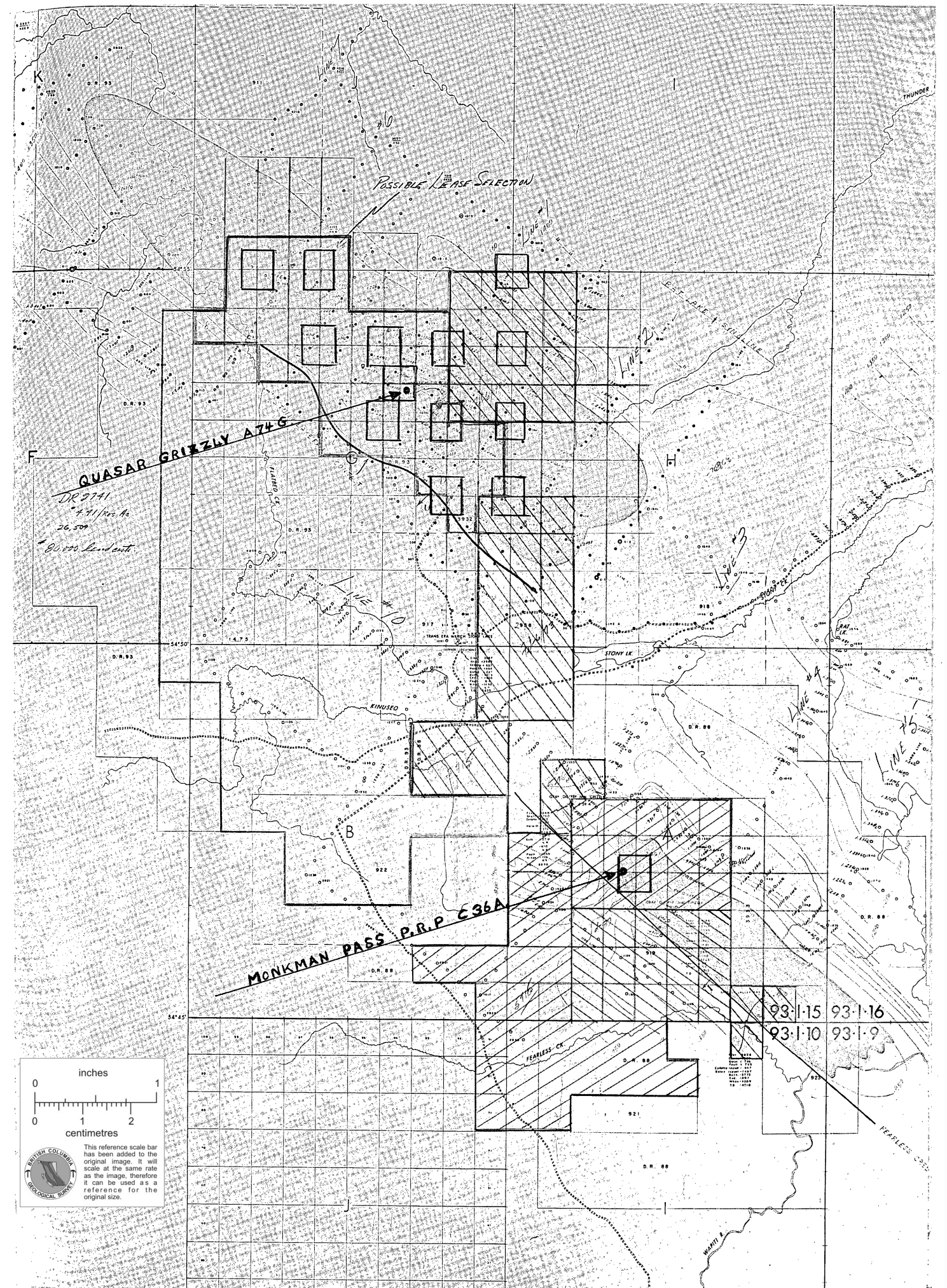
CERTIFICATE

I, Clayton Howard Riddell, consulting geologist, of 128 Canata Close, Calgary 16, Alberta, do declare:

1. That I graduated from the University of Manitoba with the degree of Bachelor of Science (Honours) in 1959.
2. That I am a member of the American Association of Petroleum Geologists, the Alberta Society of Petroleum Geologists, and that I am a registered Professional Geologist for the Province of Alberta.
3. That the original report on this property was written on January 15, 1971, for Legend Explorations Ltd. and at that time I had no interest, direct or indirect, nor did I expect to receive any interest, direct or indirect, in the property reviewed. Since that time I have obtained an interest in lands adjacent to this property but this has in no way affected the report. I have no interest, present or expected in the securities of Skat Resources Ltd. (NPL).
4. That the above report is based on geological and other general knowledge of the area described therein and upon a consideration of the available data on wells drilled on it and in adjacent areas, and upon examination of the seismic data over the prospect.

  
C. H. Riddell, P. Geol.

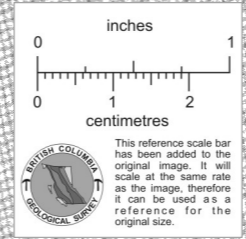
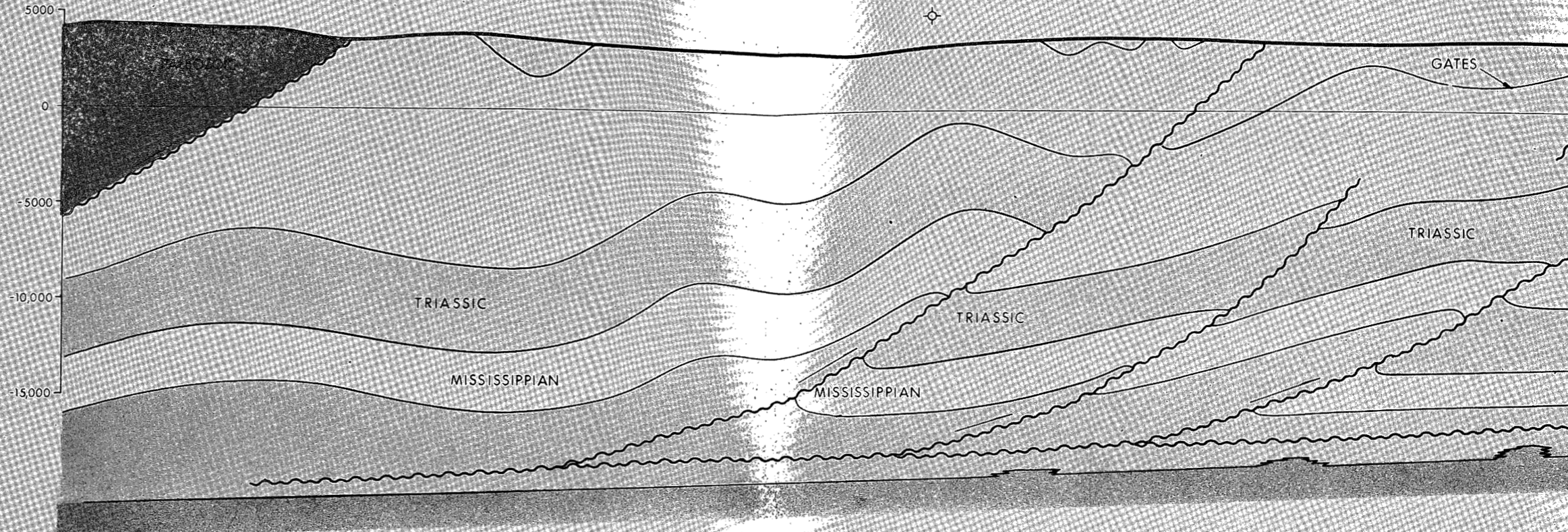
August 6, 1971



S.W.

NOTE: DEVONIAN MAY BE INVOLVED IN STRUCTURES WEST OF HERE

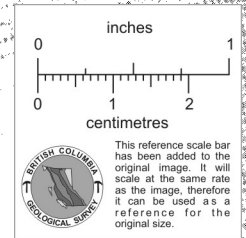
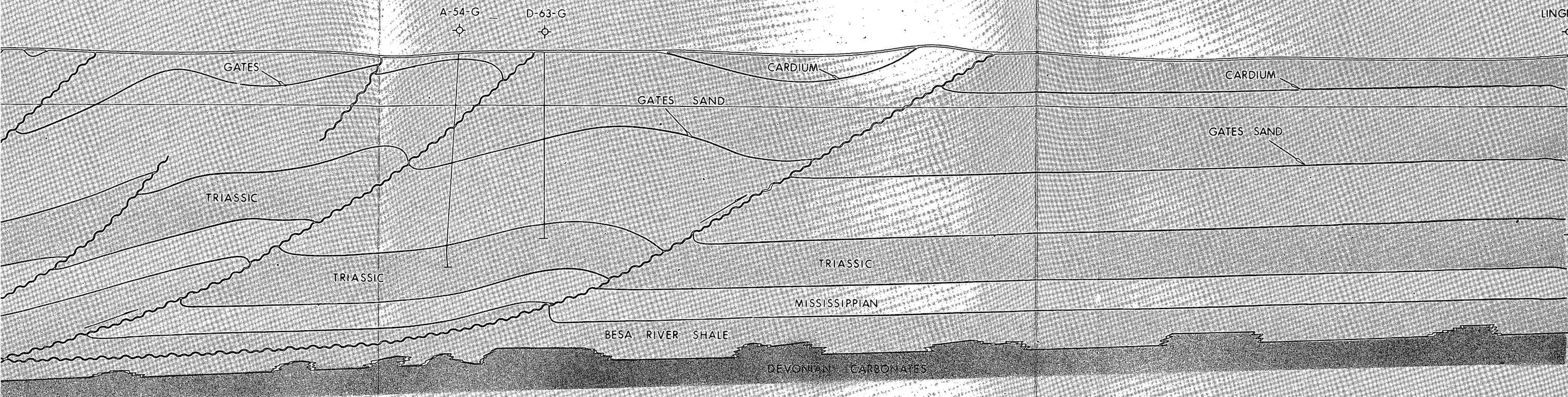
A-70-C



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DEVONIAN MAY BE INVOLVED IN STRUCTURES WEST OF HERE

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STRUCTURAL CROSS SECTION

VERTICAL SCALE 1" = 1 mile      HORIZONTAL SCALE 1" = 1 mile

BC 93-1      FIG. 3