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ORCAN MINERAL ASSOCIATES LTD.
CONSULTING ENGINEERS

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Blue Gold Resources Ltd.

Vancouver, B.C.

Report

on the

KEYSTONE PROPERTY

Coldwater River, B.C.

March 1, 1987

Robert S. Adamson, P.Eng. Consultant Vancouver, Canada

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SUMMARY

The 80 unit Keystone property, a fissure vein-type gold-silver prospect, is situated astride the Coquihalla Highway, 64 kilometres south of Merrit and 53 kilometres north of Hope in southern British Columbia. Discovered in the early 1900's, one vein was partially developed as the Keystone mine. The property has been explored by a number of operators, initially for precious metal deposits, in the early 60's for base metal deposits and, from then until 1980, for porphyry-type copper-molybdenum deposits. More recently it has again been explored for precious metal deposits, by Westmin Resources in 1981 and by Orcan Mineral Associates on behalf of Blue Gold Resources in 1986.

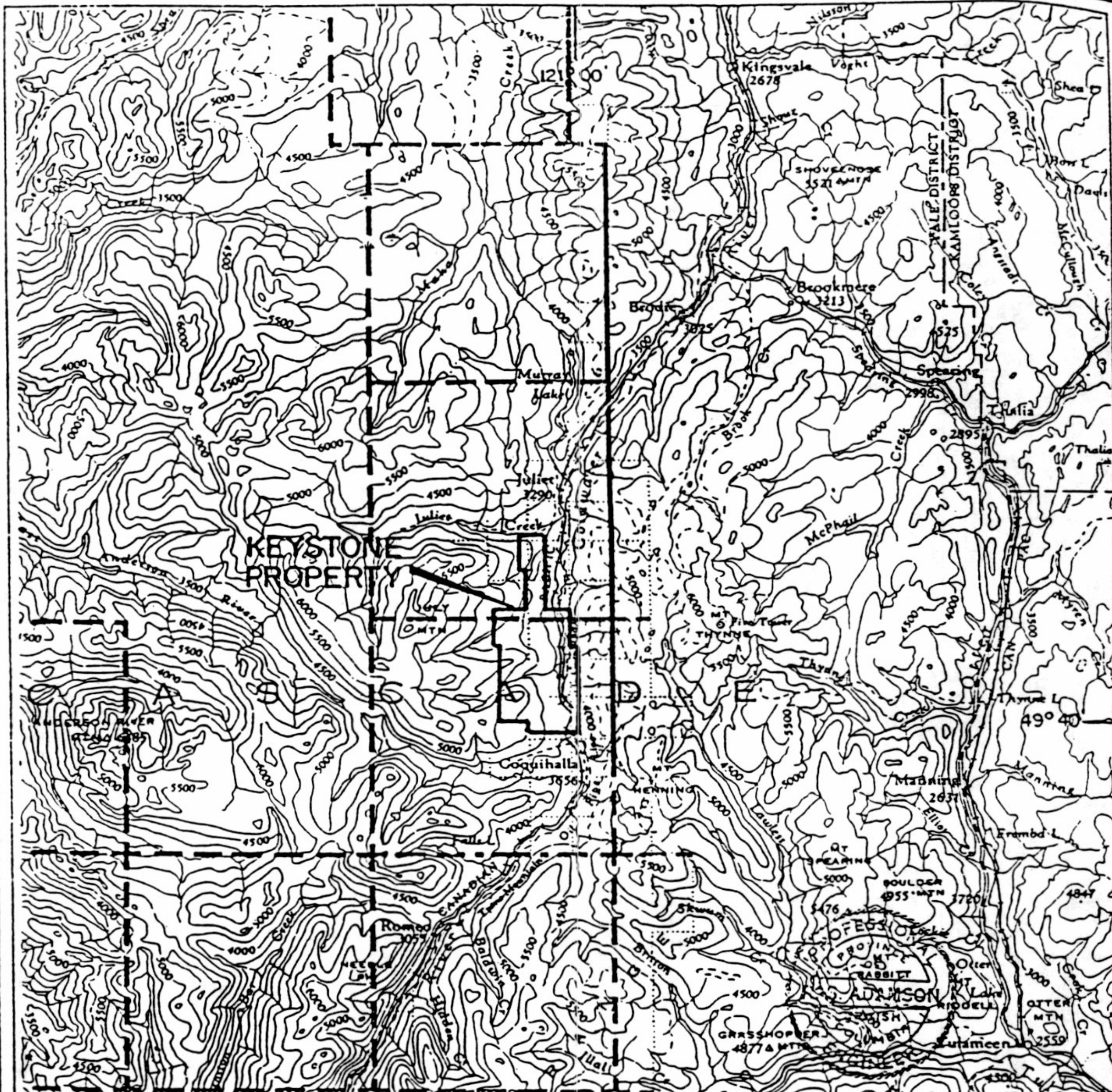
The geological setting consists of Jurassic granodiorite of the Mount Lytton batholith in intrusive contact with Upper Triassic volcanic and sedimentary rocks of the Nicola Group. The batholith has been intruded successively by a partially brecciated quartz diorite stock of Oligocene age and by rhyolite porphyry dykes and smaller stocks of Miocene age. Intense hydrothermal alteration and two suites of metallic mineralization evidently accompanied the latter, or possibly both, intrusive events. A reconnaissance geochemical soil survey undertaken in 1986 returned numerous, strongly anomalous (Zn, Pb, Mn, Ag) values in the general vicinity of the brecciated quartz diorite intrusion. A reconnaissance VLF electromagnetic survey, carried out in the same year to identify underlying structural features on the property, returned inconclusive results.

The Keystone mine comprises two levels of underground workings that served to explore the Keystone vein, which strikes north northeast and dips steeply to the west. The vein (quartz, rhodochrosite, and sphalerite) is relatively narrow and, at current precious metal prices, is not of economic interest. Two core holes, drilled in 1981 to test the northeastern strike extension of the vein, failed to intersect economic values on the structure. A third core hole was drilled in 1981 to confirm another, evidently parallel, but high grade vein which was intersected in a deep vertical hole drilled in

1980 in a search for porphyry-type molybdenum mineralization. The 1981 confirmation hole, although it returned very low grade values, cut 4.9 metres of quartz-pyrite vein material.

The Julie zone consists of an extensive area of strongly brecciated, moderately to intensely altered, weakly mineralized (hematite, rhodochrosite, sphalerite) rock, at the contact between Jurassic granodiorite and Miocene rhyolite porphyry. One of five core holes drilled by Westmin Resources in 1981 intersected high grade gold values over 6.1 metres.

A very good potential exists on the Keystone property for identifying a number of small tonnage, high grade, fissure vein-type, precious metal deposits. Additional drilling is warranted on the Keystone zone to further explore the high grade intercept cut by the 1980 drill hole. On the Julie zone, additional drilling is also justified to follow up the other high grade intercept on the property. Also, the presence of numerous, strongly anomalous geochemical values in soils over the general area between the Keystone and Julie zones likely reflects other vein zones of possible economic interest. A two stage exploration program comprising more detailed geochemical and geophysical surveys and diamond drilling is proposed. The estimated cost of the two stage program is $250,000.



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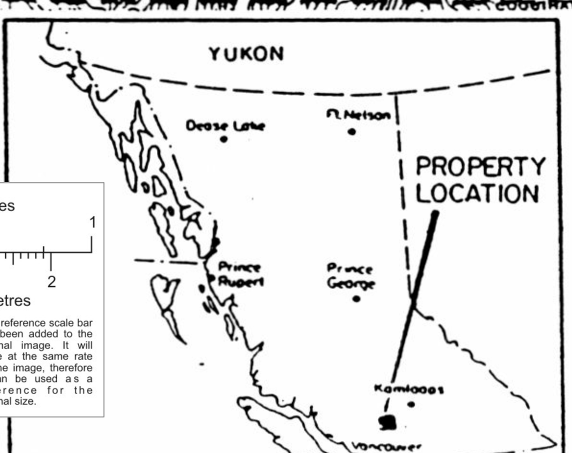

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KEYSTONE PROPERTY

LOCATION MAP

COLDWATER RIVER, B.C.

SCALE: 1:250,000	FEB. 1987	FIG. 1

CHONG

INTRODUCTION

Orcan Mineral Associates Ltd. has been requested by Blue Gold Resources Ltd. to review the available technical data and to report on its Keystone property, a gold-silver prospect situated on the Coldwater River in the Nicola Mining Division, British Columbia. The writer visited the property on two occasions in 1986; the first time on September 18 with Mr. Gordon Richards, the second time on October 6 with Mr. C.R. Saunders of Orcan.

LOCATION AND ACCESS (49°42'N. Lat.; 121°02'W. Long.)

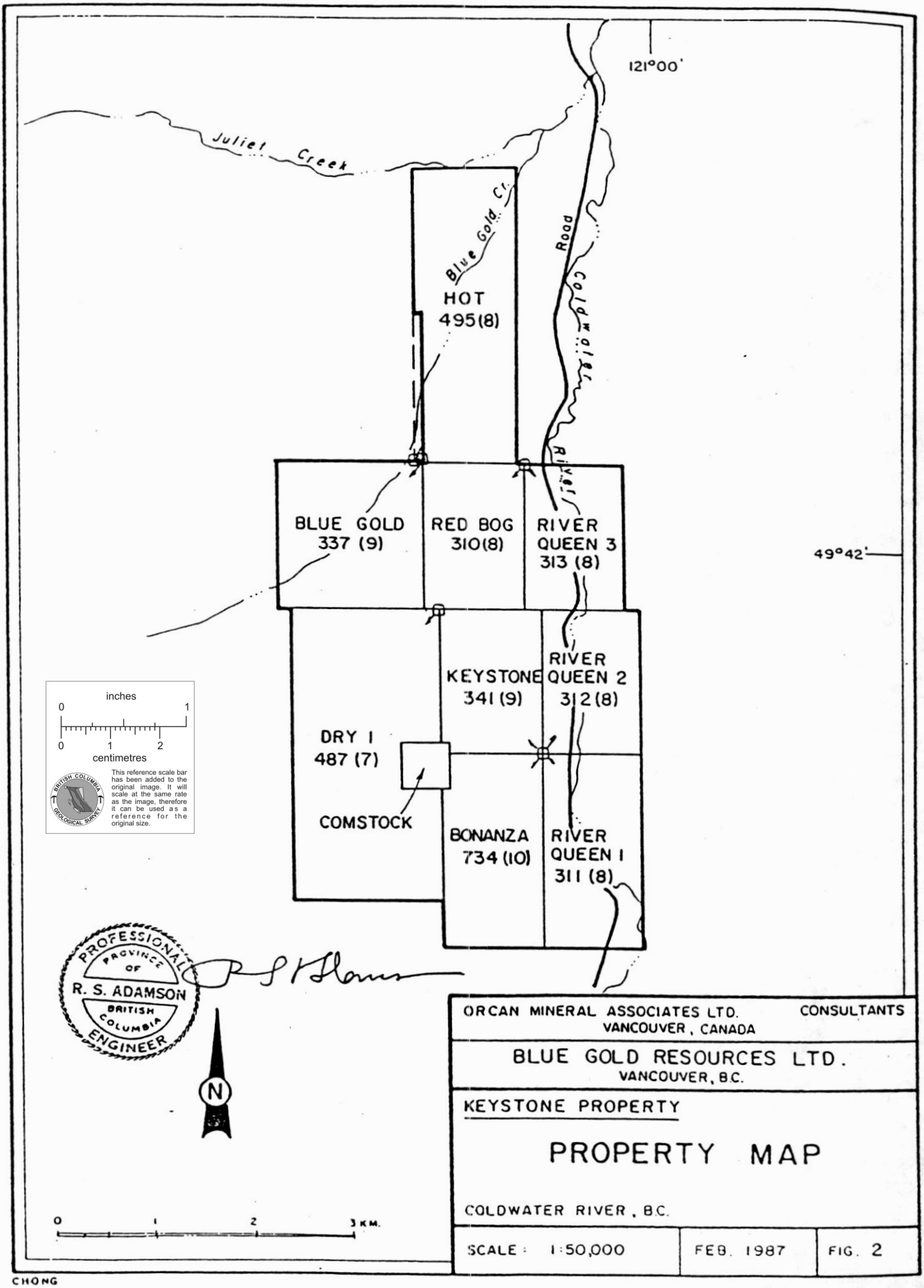
The Keystone property is located in the Cascade Mountain Range, 64 kilometres south of Merritt and 53 kilometres north of Hope, B.C. (Figure 1). The Coldwater River flows northward through the eastern part of the property. Oil and gas pipelines flank the river.

Access to the property is by the recently constructed Coquihalla Highway. It traverses the property, essentially parallel to the river. Additional access within the property is provided by forestry roads.

PROPERTY

The property comprises ten located mineral claims encompassing 80 units, (Figure 2). They are enumerated as follows:

Claim Name	Units	Record Number
Red Bog	6	310
Hot	12	495
Blue Gold	9	337
Dry #1	18	487
Comstock	1	339
Keystone	6	341
Bonanza	8	734



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KEYSTONE PROPERTY

PROPERTY MAP

COLDWATER RIVER, B.C.

SCALE: 1:50,000	FEB. 1987	FIG. 2

CHONG

Claim Name	Units	Record Number
River Queen #1	8	311
River Queen #2	6	312
River Queen #3	6	313

The west side of the property is heavily timbered, although some logging had taken place locally in the past. The corridor on the east side of the property, which contains the river, the highway, and the pipelines, is relatively clear.

Elevations on the property range from 1,060 metres at the Coldwater River on the east, to 1,670 metres along the west side of the property. Relief, however, is moderate; along major streams that cross the property slopes are generally more steep.

HISTORY

The discovery of base and precious metal mineralization in the upper Coldwater River area evidently took place in the early 1900's. By 1936 the Keystone mine had been established by driving adits to intersect a narrow, northeast striking, steeply dipping vein, carrying precious metal values of 0.6 ounces gold per ton and 22.6 ounces silver per ton. Nothing further was reported until 1954 when renewed development took place. In 1955 a total of 89 tons was shipped.

Approximately 950 metres south southwest of the Keystone mine, an adit was developed on the Stonewall vein, which is also a narrow, steeply dipping, northeasterly striking vein. It is not known when the adit was driven; however, the vein was sampled in 1939, 1946, 1948, 1953 and 1954 by various individuals.

During the period 1965 to 1966, Dorian Mines carried out an extensive surface exploration program on the Julie Zone, which lies approximately 200 metres south of the Stonewall adit. In all, 32 packsack and Ax core holes (2,030 metres) were drilled to investigate a relatively large zinc soil anomaly.

From 1967 to 1973, the property, now probably much larger, was explored by several major mining companies (Anaconda, El Paso, Denison, Noranda). Reportedly, these companies were exploring for precious metals; however, it is more likely they focused on finding porphyry-type copper-molybdenum deposits. Some drilling was undertaken by Noranda in 1969 on an altered, brecciated, and weakly mineralized zone that lies approximately 1,000 metres southeast of the Julie zone. El Paso cut several bulldozer trenches in a copper zone, situated 1,300 metres northwest of the Keystone mine. Anaconda cut a number of trenches in an area immediately northeast of the mine. In 1973 Denison and Noranda, under a Denison option, drilled a total of seven widely-spaced core holes (1,051 metres) west of the river and, for the most part, beneath the valley bottom.

Westmin Resources acquired the property in 1977 and, in 1978, formed a joint venture with AMAX, another major mining company, to explore the property for porphyry-type molybdenum deposits. Westmin carried out geological mapping, geochemical soil sampling, and an induced polarization survey over the property. In 1978 the company drilled a single vertical core hole approximately 300 metres southeast of the Keystone mine to a depth of 864 metres. Three deep vertical reconnaissance core holes were drilled in 1979. Two more deep vertical holes were drilled in 1980, in the immediate vicinity of the Keystone mine.

Westmin switched its exploration emphasis on the Keystone property from molybdenum to precious metals in 1981. The company's objectives were now 'to test the potential for a low grade open-pitable type of deposit with a minimum of 2 million tons of 0.1 ounces per ton gold equivalent or plus 20 million tons of 2 to 3 ounces silver per ton' on the Julie zone, and in the vicinity of the Keystone mine 'to test the potential for direct shipping ore from an underground operation'. Western then established grids on the two zones, carried out soil and rock geochemical surveys on each grid, and geologically mapped each. Some bulldozer trenching was done on both zones. Five core holes (347 metres) were drilled on the Julie grid; three (317 metres) were drilled on the Keystone grid. As the targets previously established for size and grade potential of precious metal deposits were not met, the program was terminated. No further work was done until 1986, when Blue Gold Resources acquired the Keystone property.

1986 WORK PROGRAM

Orcan Mineral Associates implemented a preliminary exploration program on the property on October 6, 1986. The program was supervised by Mr. C.R. Saunders, P.Eng. The primary objective of the program is to explore for narrow, high grade, vein-type, precious metal deposits that would usually be exploited by underground mining methods. Secondary targets are medium tonnage, medium grade, base metal deposits with significant precious metal values, that might have been emplaced along the intrusive-volcanic contact that occurs on the property.

A baseline running essentially the full length of the property was cut for control purposes (Figure 3). Flagged cross lines were established at 200 metre intervals along the base line. On this reconnaissance grid, a VLF electromagnetic survey, a magnetometer survey, and a rock and soil geochemical survey were undertaken, to the extent possible before the onset of snow curtailed the program.

A detailed grid was established over the Julie zone. Geological mapping on a scale of 1:1,000 was then carried out in conjunction with detailed rock geochemical sampling. Several mineralized samples were also collected for assay (copper, lead, zinc, gold, silver). To support the mapping, several more rock samples were taken and examined petrographically for more precise rock identification.

REFERENCES

1. "Report on Keystone Property (Golden Lodge, Riband, Tab Claims)"; August 4, 1951 by J.T. Mandy.

2. "Report on Stonewall Property"; dated October, 1954 by K.C. Fahrni for Granby Mines.

3. "Summary Report of Diamond Drilling on Coquihalla Property"; dated November 26, 1966 by B.C. MacDonald for Dorian Resources.

4. "Report on the Corval Resources Ltd. (NPL) Property in the Coquihalla Valley"; dated January 8, 1971 by E. Livgard.

5. Diamond Drill logs, Holes 73-1 to 73-4 for Denison Mines.

6. Diamond Drill logs, Holes 73-1 to 73-7 for Noranda Mines.

7. "1981 Summary Report of the Keystone Precious Metals Project and Molybdenum Program"; dated December, 1981 by Del W. Ferguson for Westmin Resources Limited.

GEOLOGICAL SETTING

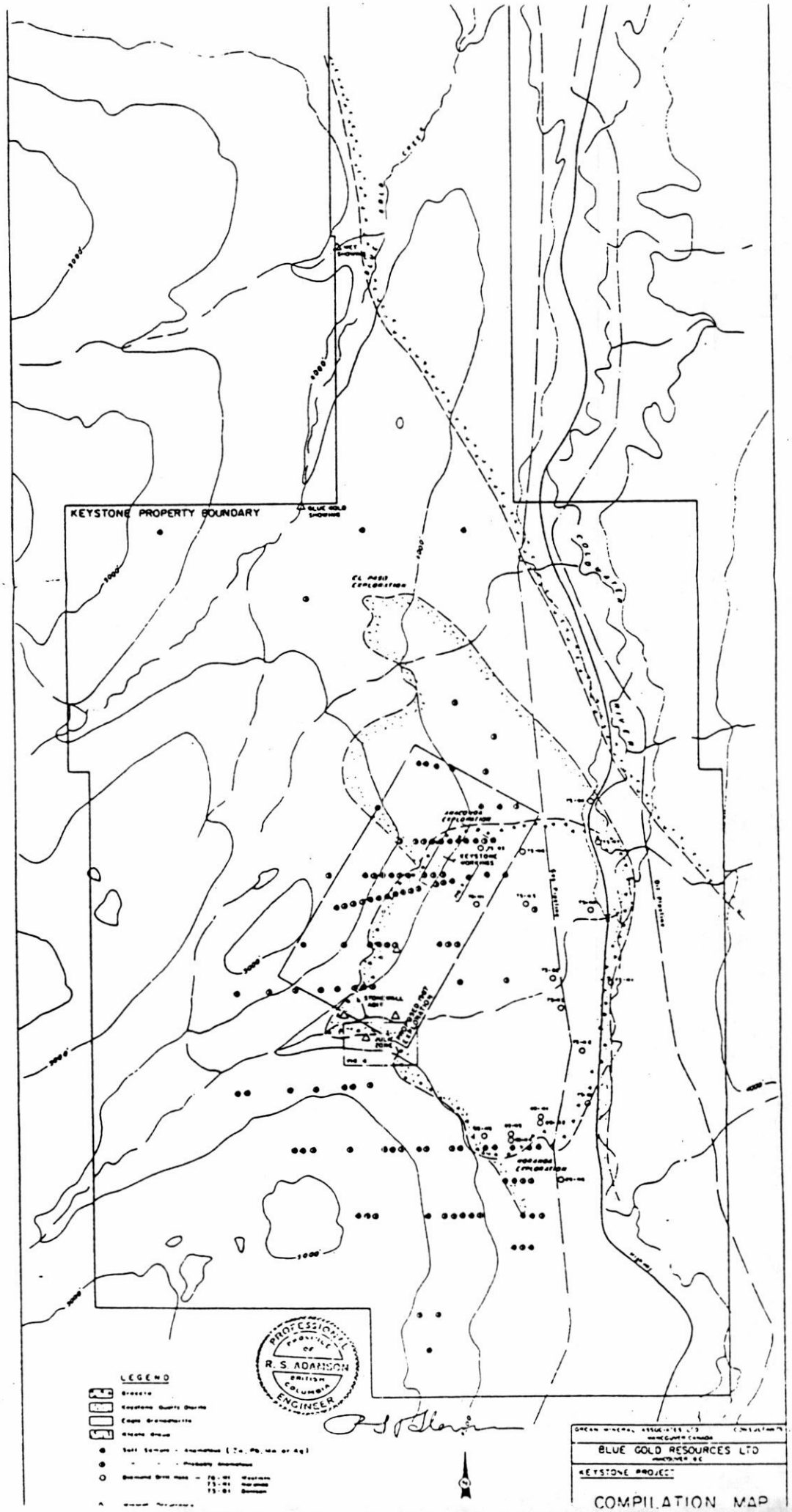
In the Clearwater River area, Upper Triassic volcanic and sedimentary rocks of the Nicola Group are intruded by granitic rocks of the Mount Lytton Batholith of Jurassic age. The batholith, which extends from the U.S.-Canada boundary northwestward for 190 kilometres, averages approximately ten kilometres in width in the Keystone area. The Nicola Group, lying on the east contact of the batholith, comprises andesite, basalt, limestone, and argillite. Batholith rocks are predominantly gneissic granodiorite. A number of Tertiary age, small granitic stocks of the Otter Intrusions occur, primarily invading the Nicola Group rocks.

PROPERTY GEOLOGY

The batholith, expressed locally as the Eagle granodiorite, occupies the west half of the property. Andesitic volcanic rocks of the Nicola Group lie on the east side, in contact with the batholith (Figure 3).

Intruded into the Eagle granodiorite, near its contact with the Nicola Group, is an early Tertiary (Oligocene?) stock. In plan, the stock, designated as the Keystone quartz diorite, is approximately 2,200 metres by 1,300 metres. The southern half of the stock on the property is characteristically brecciated. The Eagle granodiorite is also brecciated where it is in contact with the brecciated Keystone quartz diorite.

The brecciation was evidently caused by a violent intrusion of rhyolite porphyry, as small stocks and felsitic dykes. Probably Miocene in age, the rhyolite porphyry was



also accompanied by pervasive alteration of the brecciated rocks and metallic mineralization. The presence of andesite dykes in this general assemblage implies a contemporaneous or, more likely, a slightly preceding period of intermediate vulcanism.

MINERAL OCCURRENCES

Two styles of mineralization are evident on the property. One is typified by the intersection of molybdenite in one of the deep drill holes; the other is displayed in the Keystone mine.

Mineralization in the mine, as in the Stonewall workings and on the Julie zone, consists of hematite and sphalerite with galena, chalcopyrite, and magnetite accompanied by rhodochrosite and quartz. This mineral assemblage, often with gold and silver (in tetrahedrite?) occurs as veins, veinlets, stringers, and disseminations in breccia. Alteration products typically comprise pyrite and clay, (both kaolin and sericite).

RECONNAISSANCE GEOCHEMISTRY

Orcan Mineral Associates collected 849 soil samples at 50 metre stations on lines spaced at 200 metre intervals, along a baseline that extended the full length of the property (Figure 3). Samples were analyzed for lead, zinc, copper, molybdenum, silver, and manganese. In conjunction with the soil survey, 46 rock samples were collected where outcrop exposure permitted. The rock samples were geochemically analyzed for twelve elements (gold, silver, antimony, arsenic, bismuth, lead, zinc, copper, molybdenum, cadmium, gallium, and thalium). In order to determine the anomalous values, and to establish relative correlations between metals, statistical evaluations of the results from both sets of data were undertaken.

Anomalous copper and molybdenum values in soils were essentially restricted to the general area surrounding a series of bulldozer trenches that had been cut by El Paso in previous years. Analyses for the other metals returned only background values

in the soils in this area.

For zinc, lead, silver, and manganese, the very highly anomalous soil samples are shown on Figure 3. Significantly, the bulk of the anomalous samples occurs in the general area between the Stonewall adit and the Keystone mine. A second area of interest, with anomalous soil samples, lies in the general vicinity of several drill holes and bulldozer trenches from Noranda's exploration in the late '60's. Also, one of several rock samples collected in the Noranda area was geochemically anomalous in zinc, lead, cadmium, silver, thalium, and bismuth.

RECONNAISSANCE GEOPHYSICS

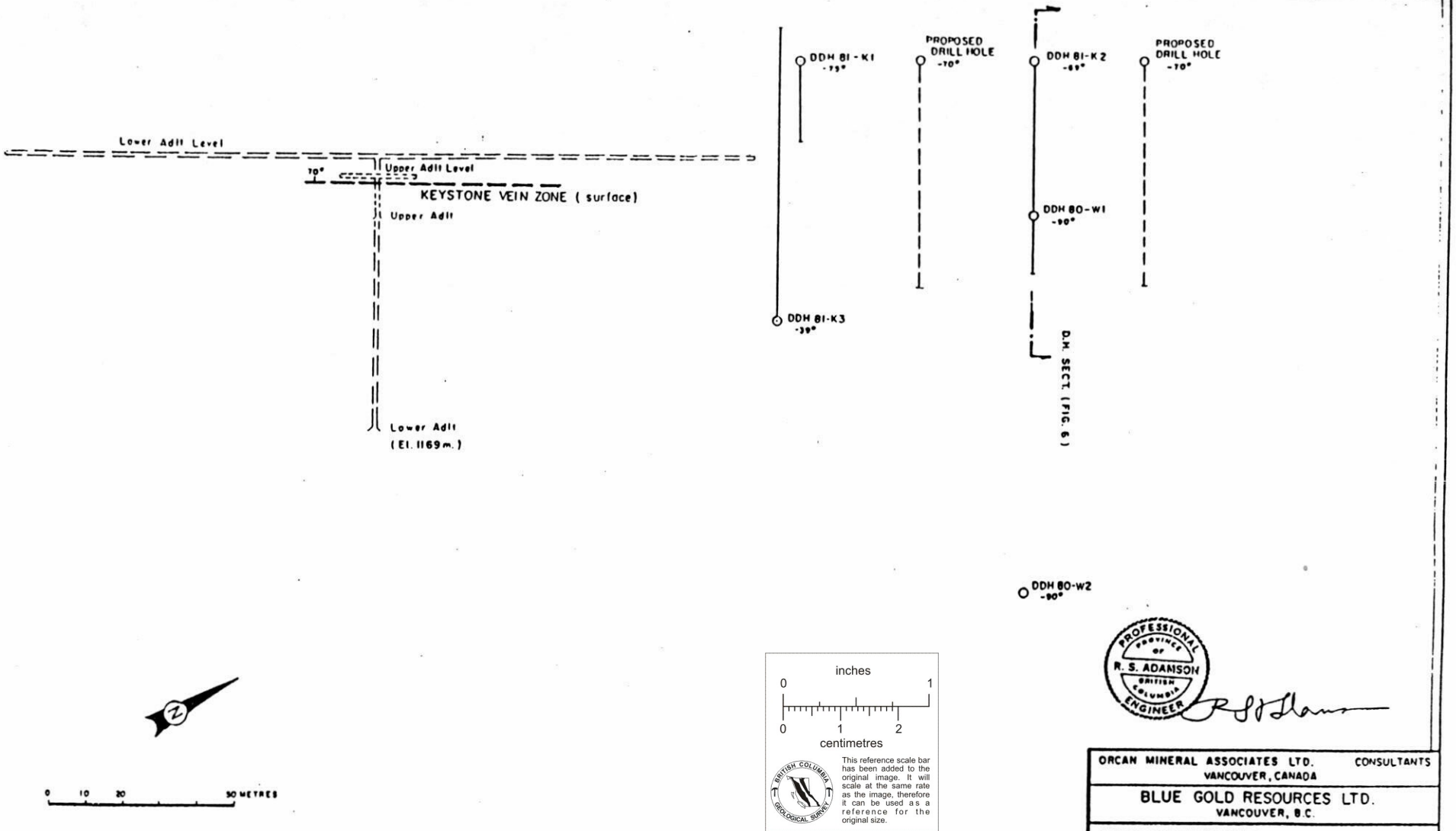
Reconnaissance geophysical surveys (magnetic and VLF-electromagnetic) were undertaken over the grid laid out for the soil geochemical survey. They were not completed toward the north end of the property because of increasingly inclement weather. The magnetometer survey, (39 kilometres) was initiated to aid in mapping larger scale geological features, such as divorcing intrusive rocks from volcanics, etc. The VLF-electromagnetic survey (28.1 kilometres) was implemented to detect any significant fault or shear structures on the property.

The results from both surveys were essentially inconclusive. There are indications, however, that electromagnetic surveys carried out on tighter grids will be more useful in interpreting the underlying geology.

KEYSTONE MINE

The Keystone mine workings consist of two adits with crosscuts, a raise to the surface, and approximately 219 metres of drifts on two levels (Figure 4). The drifts explore the Keystone vein zone, which strikes north 30 degrees east and dips, for the most part, steeply to the west. At the south end of the mine, on the lower adit level, the dip changes to minus 60 degrees to the east.

The main vein comprises quartz, calcite, and rhodochrosite with pyrite,



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KEYSTONE VEIN ZONE

DRILL HOLE LOCATIONS

KEYSTONE PROPERTY

SCALE : 1:1000	FEB. 1987	FIG. 4

sphalerite, galena, and rare tetrahedrite. It ranges in width, generally from five to ten centimetres, but pinches and swells from a one centimetre pyrite-gouge clay zone to a 30 centimetre massive pyrite-quartz vein with minor base metals and other gangue mineralization. The vein frequently splits and branches on the lower level. Two narrow parallel veins, which have not been explored along strike, occur in a crosscut. They lie approximately five and eleven metres in the hanging wall of the main vein. All veins occur in the Keystone quartz diorite unit.

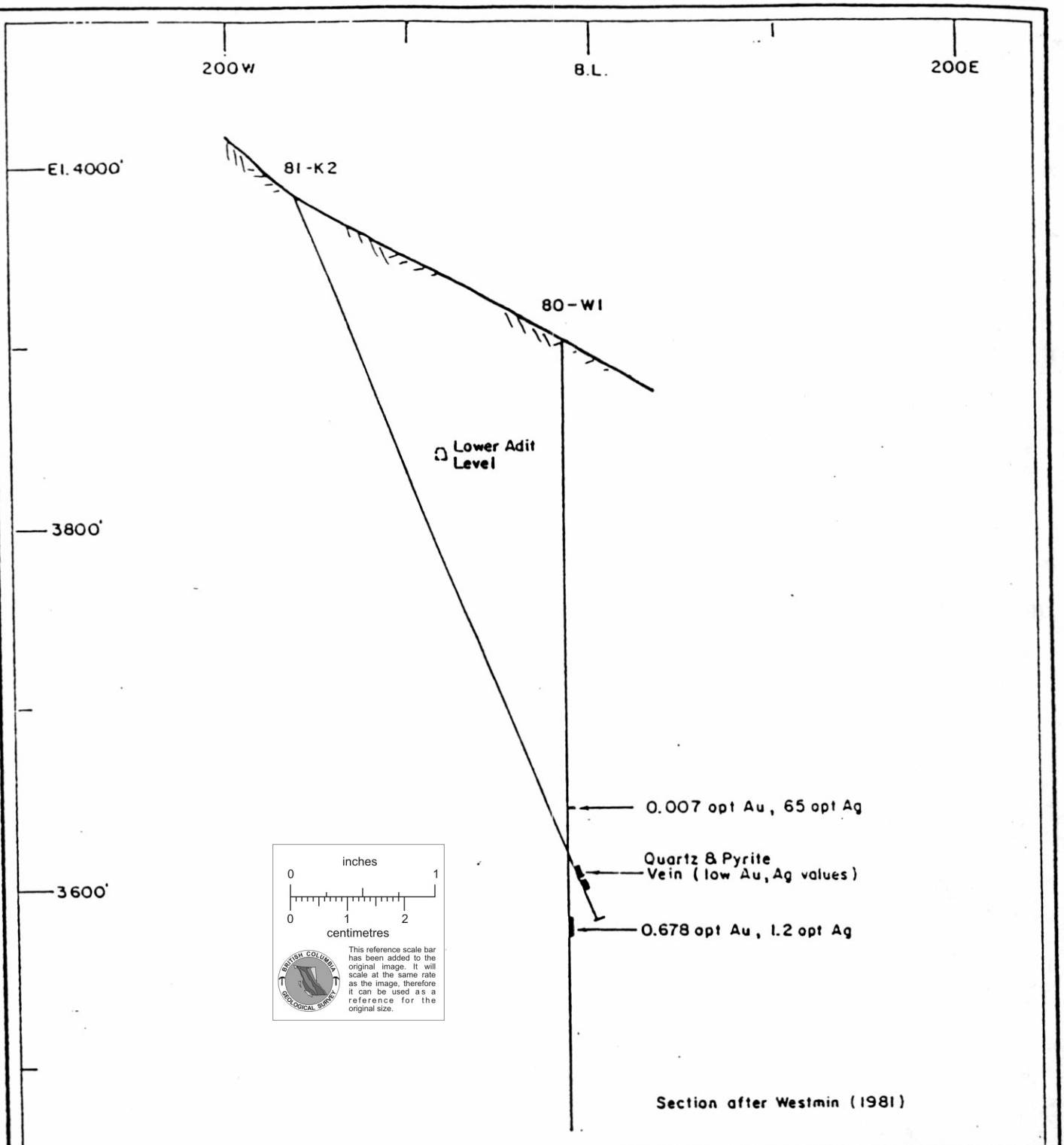
In 1981 Westmin Resources mapped the underground workings in detail and sampled the veins fairly thoroughly. Silver values ranged from in excess of one ounce per ton to up to 22 ounces per ton; gold values were relatively low. The highest gold assay in the lower level was 0.148 ounces per ton, with 8.04 ounces per ton silver. The highest gold assay in the upper level is from one of the very narrow, hanging wall veins; it assayed 0.86 ounces gold per ton and 16.8 ounces silver per ton. Widths, however, were unspecified.

Veins in the mine are narrow; gold-silver values are, for the most part, low and erratic. The veins presently exposed in the mine workings are not of economic interest, even from a small tonnage, high grade perspective.

DIAMOND DRILLING

In 1981, Westmin Resources drilled three holes, a total of 317 metres, in the Keystone mine area (Figure 4). Two holes (81-K1 and 81-K3) were located to intersect the projected northeastward strike of the main Keystone vein, beneath the level of the lower adit. The vein, consisting of quartz, rhodochrosite, pyrite, and minor sphalerite, was intersected in each hole. Intercept widths ranged from 0.9 to 1.1. metres, but precious metal values were very low.

The third hole (81-K2) was located to intersect two relatively high grade veins that had been cut in a deep vertical hole drilled in 1980, in the search for molybdenum deposits on the property. Significant values intersected in the earlier 1980 drill hole were 0.007 ounces gold and 65 ounces silver per ton over an 18 centimetre intercept, and 0.678 ounces gold with 1.2 ounces silver per ton over 0.9 metres (Figure 5). Drill



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0 50 100 150 FEET
0 20 40 METRES

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KEYSTONE ZONE

DRILL HOLE SECTION
80-W1 AND 81-K2

KEYSTONE PROPERTY

SCALE: 1:960	FEB. 1987	FIG. 5

CHONG

hole 81-K2 intersected 4.9 metres of a quartz-rhodochrosite vein zone with massive pyrite. Precious metal values, however, were very low. The intersections occurred in a strongly brecciated section of the Keystone quartz diorite.

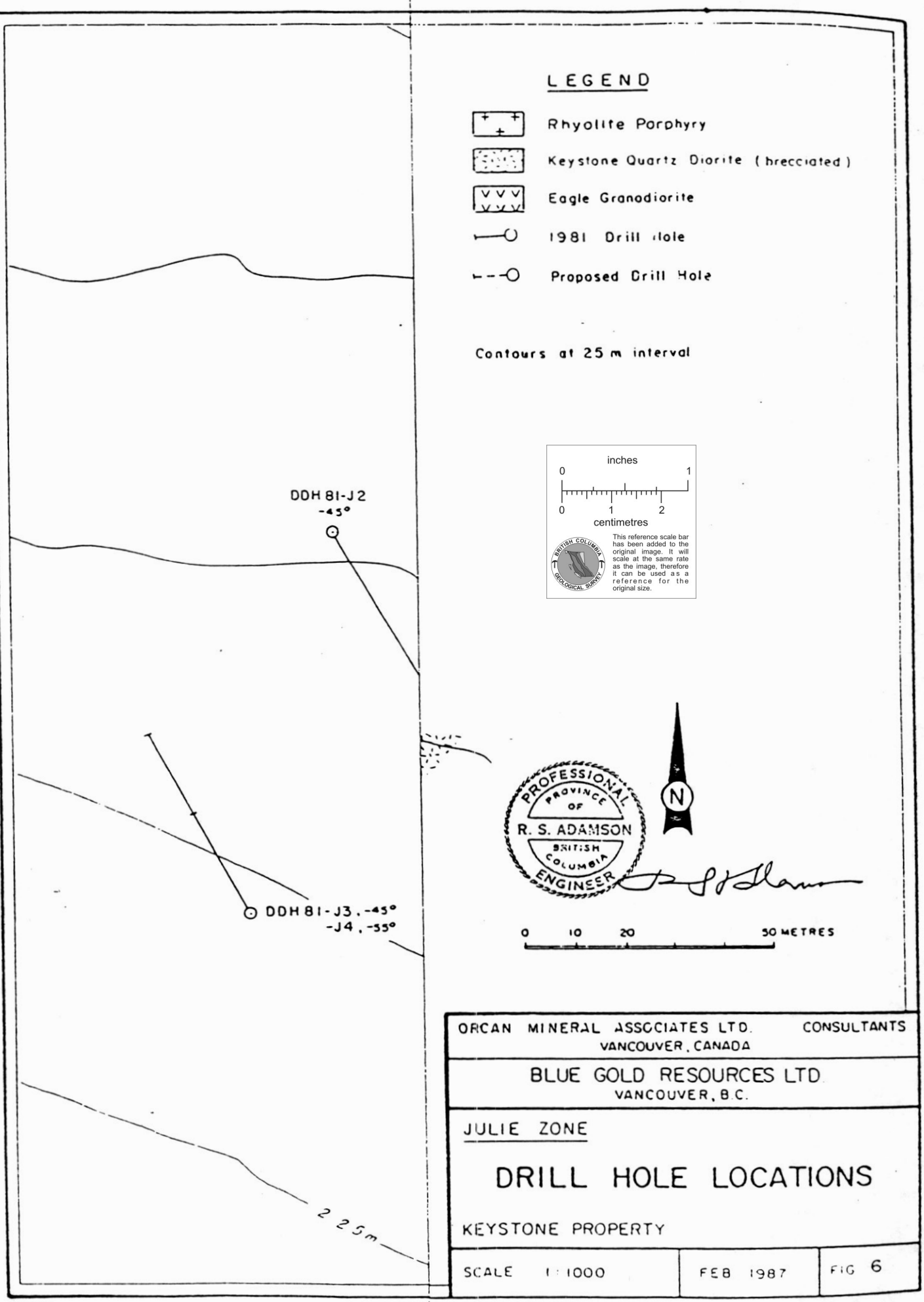
The main Keystone vein evidently was not intersected in the upper section of drill hole 81-K2; however, there is a zone of strong silification, kaolinization, brecciation and weakly mineralized veinlets that appears to project from the vein in the lower adit. Deeper in the hole the quartz-rhodochrosite vein zone, apparently associated with the high grade intersection in the 1980 drill hole, is evidently not the main Keystone vein but, rather, a parallel mineralized structure.

JULIE ZONE

Orcan Mineral Associates Ltd. carried out detailed geological and geochemical surveys over the area (approximately 14 hectares) surrounding the five core holes drilled on the Julie zone by Westmin in 1981 (Figure 6). The area was mapped in detail on a scale of 1:1,000. A total of 116 rock samples was collected and analyzed for twelve elements. Nineteen samples were assayed for copper, lead, zinc, silver and gold. Six of the rock samples were examined petrographically.

Geologically, the area is underlain by granitic rocks of the Eagle granodiorite in contact on the southeast with the Keystone quartz diorite. The granodiorite unit (actually a granite in this area) has been intruded by a leucocratic rhyolite porphyry. It is greyish white, even textured, fine grained rock with a weakly developed gneissocity expressed by local streaking of the few mafic minerals present. It contains from one to two percent fine, disseminated pyrite. It has been subjected to fairly intense hydrothermal alteration (mostly sericitic), as has much of the surrounding rock. The invaded rocks (granodiorite and quartz diorite units) have also suffered moderate to intense brecciation.

The brecciated Eagle granodiorite has been extensively mineralized in the Julie zone. Metallic mineralization, exposed in forestry road cuts and old trenches on the zone, consists primarily of specular hematite as veinlets and disseminations. The hematite is commonly accompanied by sphalerite and magnetite. Manganese oxide


LEGEND
Rhyolite Porphyry
Keystone Quartz Diorite (brecciated)
Eagle Granodiorite
1981 Drill Hole
Proposed Drill Hole
Contours at 25 m interval
inches
0 1
0 1 2
centimetres
This reference scale bar has been added to the original image. It will scale at the same rate as the image, therefore it can be used as a reference for the original size.
DDH 81-J2
-45°
DDH 81-J3, -45°
-J4, -55°
2 2 5m
PROFESSIONAL ENGINEER
PROVINCE OF BRITISH COLUMBIA
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N
0 10 20 50 METRES
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JULIE ZONE
DRILL HOLE LOCATIONS
KEYSTONE PROPERTY
SCALE 1:1000
FEB 1987
FIG 6
CHONG

(after rhodochrosite) is also widespread throughout the zone. On surface, quartz veining is not common.

DIAMOND DRILLING

In 1981 Westmin Resources drilled five core holes (total 347 metres) on the Julie zone to outline a medium tonnage, low to medium grade, precious metal deposit that could be mined by open pit mining methods. Two angle holes were drilled to the southeast; three other angle holes were drilled to the northwest (Figure 6).

For the type of deposit envisaged the project was unsuccessful, but in one of the drill holes (81-J1) significant gold-silver mineralization was intersected. From 3.0 to 9.1 metres in the hole two ten-foot (3.05m) intercepts returned an average assay of 1.7 ounces silver per ton. More significantly, from 9.1 to 15.2 metres two ten-foot (3.05m) intercepts returned an average assay of 0.252 ounces gold per ton with little silver, though one of these intercepts assayed 0.492 ounces gold per ton. Mineralization consists of numerous specularite-rhodochrosite-quartz veinlets and stringers, occasionally with sphalerite and minor galena.

In the hole the host rock has been described as altered and brecciated Eagle granodiorite; however, nearby outcrops on surface are a strongly altered rhyolite porphyry. This suggests that the mineralization in drill hole 81-J1 lies at the granodiorite-porphyry contact. An andesite dyke occurs in the mineralized zone, from 14.2 to 14.5 metres. It is not visible on surface.

CONCLUSIONS

The Keystone property has ample potential to host a number of small tonnage, high grade, fissure vein-type, precious metal deposits that could be economically mined even by higher cost underground mining methods. Single drill holes on each of the Keystone and Julie zones intersected mineralization with normally economic grades and widths for this type of deposit.

On the Keystone zone, additional drilling is warranted to follow up the high grade intercept in the 1980 drill hole. Even though the quartz-rhodochrosite-pyrite vein zone cut in drill hole 81-K2 returned very low values, the width (4.9 metres) is impressive. It appears to be the same vein cut in 1980, indicating a steep dip to the west. Because of the typically erratic distribution of precious metal values in fissure vein deposits, low grade values in one hole intersecting the vein do not preclude the possibility that the average value will ultimately be ore grade.

Additional drilling is also justified on the Julie zone to follow up the high grade intercept in drill hole 81-J1, for much the same reasons as in the Keystone zone. The high grade mineralization intersected could occur either in a southeast dipping fault or shear, or at the contact between the Eagle granodiorite and the rhyolite porphyry; neither feature is visible on the surface. With respect to the former possibility, drill holes 81-J2 and 81-J5 probably did not reach the high grade zone. The same limitation could have taken place in the latter case were the high grade mineralization to be contact controlled.

Finally, the geochemical survey has strongly indicated that other numerous precious metal occurrences associated with sphalerite (Zn) and rhodochrosite (Mn) occur on the property. In particular, there evidently is a concentration of anomalous values distributed over the area containing the Stonewall and Keystone veins. Geologically, this area is underlain by the northeasterly trending contact between the Eagle granodiorite and the brecciated Keystone quartz diorite units. Mineral occurrences in this area consistently strike north northeasterly. Significantly, topographic lineaments that possibly reflect faults or shears trend in the same direction. There is sufficient evidence, therefore, to believe that the anomalous geochemical responses are reflecting a number of parallel, steeply dipping, mineralized structures, several of which appear to be located uphill from the Stonewall and Keystone veins.

RECOMMENDATIONS

The following two-stage exploration program is proposed.

Stage 1

a) Over the blocked out area shown on Figure 3 establish a cut line and flagged grid, then carry out a detailed geochemical soil survey over it. Analyze all soil samples for zinc, lead, manganese, and silver. Anomalous samples should also be analyzed for gold.

Using the same grid, undertake a VLF electromagnetic survey.

Geologically map the available outcrops in the area and tie in the various adits and drill holes.

Compile and collate the geochemical, geophysical, and geological data to determine favourable targets for drill hole exploration.

b) Diamond drill a single core hole across the best target developed from the above data, to acquire a more detailed understanding of the nature of other targets identified in the area.

c) Diamond drill two core holes on the Keystone zone as shown in Figure 4.

d) Diamond drill two core holes on the Julie zone as shown on Figure 6. One hole should be drilled beneath drill hole 81-J1; the other can be any one of two flanking holes.

Stage 2 (Contingent)

Implement a second diamond drill program to follow up favourable results from any of the three areas drilled in the initial stage of the program. Allow for 900 metres in ten holes.

ESTIMATED COST

The cost of the initial stage is estimated to be as follows:

1.	Diamond drilling (5 holes - 450 metres)		$ 38,000
	Contract - 450 m @ $80/m	$ 36,000	
	Bulldozer	2,000	
2.	Geochemical Survey		14,300
	Analyses - 1,500 samples	9,800	
	Labour	4,500	
3.	Grid (Labour)		2,000
4.	Geophysical Survey (Contract)		3,500
5.	Transportation (Vehicle Rental)		2,500
6.	Maintenance (90 mandays @ $50/md)		4,500
7.	Field Support (Assays, Freight, Travel, Fees, etc.)		3,400
8.	Geology & Supervision (33 days @ $300/day)		9,900
9.	Project Management & Report		10,900
10.	Contingencies (Approximately 12%)		11,000
		TOTAL	$ 100,000

The cost of a second, contingent stage is estimated to be $150,000. This sum would include the contracted cost of drilling 900 metres of core hole, assaying, geological core logging and sampling, project management and report compilation, and sundry support costs.

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Respectfully submitted by,
ORCAN MINERAL ASSOCIATES LTD

Robert S. Adamson, P.Eng.

ORCAN MINERAL ASSOCIATES LTD.
CONSULTING ENGINEERS

SUITE 1417 - 409 GRANVILLE STREET
VANCOUVER, CANADA V6C 1T2
TELEPHONE (604) 662-3722

CERTIFICATE

I, **Robert S. Adamson,** with business and residential addresses in Vancouver, British Columbia, do hereby certify that:

1. I am a consulting geological engineer.

2. I am a graduate of the University of British Columbia, (B.A. Sc. in Geological Engineering, 1957).

3. I am a registered Professional Engineer of the Province of British Columbia.

4. From 1957 until 1967, I was engaged in mineral exploration in Canada for a number of companies. Positions included Senior Geologist, Chief Geologist, and Vice-President, Exploration. Since 1967 I have been practising as a consulting geological engineer and, in this capacity, have examined and reported on numerous mineral properties in Africa, Europe, and North and South America.

5. I examined the Keystone property on September 18 and October 6, 1986.

6. I have not received, directly or indirectly, nor do I expect to receive any interest, direct or indirect, in the property of Blue Gold Resources Ltd. or of any affiliate thereof, nor do I beneficially own, directly or indirectly, any securities of Blue Gold Resources Ltd. or any affiliate thereof.

PROFESSIONAL ENGINEER
PROVINCE OF BRITISH COLUMBIA
R. S. ADAMSON

Respectfully submitted,

Vancouver, Canada

Robert S. Adamson, B.A.Sc., P. Eng.

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VANCOUVER, CANADA V6C 1T2
TELEPHONE (604) 662-3722

March 23, 1987

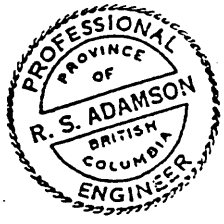
Blue Gold Resources Ltd.
1230 - 200 Granville Street
Vancouver, B.C.
V6C 1S4

Dear Sir:

Re: Letter of Consent

I herewith give my consent to use my report titled "Keystone Property, Coldwater River, B.C." dated March 1, 1987 in a prospectus or statement of material facts to raise funds by public subscription.

Yours very truly,
ORCAN MINERAL ASSOCIATES LTD.



Robert S. Adamson, P.Eng.

CERTIFICATE OF THE ISSUER

DATED: January 28th , 1988.

THE FOREGOING CONSTITUTES FULL, TRUE AND PLAIN DISCLOSURE OF ALL MATERIAL FACTS RELATING TO THE SECURITIES OFFERED BY THIS PROSPECTUS AS REQUIRED BY THE SECURITIES ACT (BRITISH COLUMBIA) AND ITS REGULATIONS.

BLUE GOLD RESOURCES LTD.

GARY GEORGE ST. ARNAUD
President,
Chief Executive Officer
and a Director

TOM K.T. CHENG
Secretary,
Chief Financial Officer
and a Director

ON BEHALF OF THE BOARD OF DIRECTORS

PETER ALLEN CHRISTOPHER
Director

EDDIE MAN LUNG CHAN
Director

THE PROMOTERS

GARY GEORGE ST. ARNAUD

EDDIE MAN LUNG CHAN

CERTIFICATE OF THE AGENT

DATED: January 28th , 1988

TO THE BEST OF OUR KNOWLEDGE, INFORMATION AND BELIEF, THE FOREGOING CONSTITUTES FULL, TRUE AND PLAIN DISCLOSURE OF ALL MATERIAL FACTS RELATING TO THE SECURITIES OFFERED BY THIS PROSPECTUS AS REQUIRED BY THE SECURITIES ACT (BRITISH COLUMBIA) AND ITS REGULATIONS.

WEST COAST SECURITIES LTD.

PER: _____

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.

ISSUE PROSPECTUS

BLUE GOLD RESOURCES LTD.

(the "Issuer")
Suite 550 - 1130 West Pender Street,
Vancouver, British Columbia
V6E 4A4
Telephone No. (604) 688 - 5641

OFFERING OF COMMON SHARES AND FLOW-THROUGH UNITS

MINIMUM OFFERING
50,000 COMMON SHARES AND 250 FLOW-THROUGH UNITS - $175,000

MAXIMUM OFFERING
00,000 COMMON SHARES AND 300 FLOW-THROUGH UNITS - $210,000

ISSUER IS OFFERING TO THE PUBLIC THE RIGHT TO SUBSCRIBE FOR 300,000 COMMON SHARES (THE "COMMON SHARES") AT A PRICE OF $0.35 PER SHARE, AND 300 FLOW-THROUGH UNITS (THE "FLOW-THROUGH UNITS") AT A PRICE OF $350 PER UNIT. EACH UNIT ENTITLES THE SUBSCRIBER TO RECEIVE A RENUNCIATION OF UP TO $350 OF CANADIAN EXPLORATION EXPENSES UNDER THE INCOME TAX ACT (CANADA). EACH UNIT CONSISTS OF 1,000 FLOW-THROUGH COMMON SHARES.

MINIMUM OFFERING

	Number	Price to Public(1)	Agent's Commission	Net Proceeds to Issuer(2)
Per Common Share	1	$ 0.35	$ 0.03	$ 0.32
Total Common Shares	250,000	$ 87,500	$ 7,500	$ 80,000
Per Flow-Through Unit	1	$ 350	NIL(3)	$ 350
Total Flow-Through Units	250	$ 87,500	NIL(3)	$ 87,500
Totals		$175,000	$ 7,500	$167,500

However, the Issuer's Management may elect to redirect these funds to other resource properties in light of further information or a subsequent change in such circumstances, in accordance with advice from its independent qualified engineer. If any such event occurs during the primary distribution of the Common Shares and the Flow-Through Units referred to in this Prospectus, an amendment to this Prospectus will be filed with the British Columbia Securities Commission. If such event occurs subsequent to completion of the primary distribution, the Common shareholders and Flow-Through Unit holders will be notified.

No part of the proceeds will be used to invest, underwrite or trade in securities other than those that qualify as investments in which trust funds may be invested under the laws of the jurisdiction in which securities offered by this Prospectus may be lawfully sold. Should the Issuer propose to acquire non-trustee type securities after initial distribution of the securities offered by this Prospectus, approval by the shareholders will first be obtained and prior disclosure will be made to the regulatory bodies having jurisdiction over the sale of the securities offered by this Prospectus.

DESCRIPTION OF THE BUSINESS AND THE PROPERTY OF THE ISSUER

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 heading "The Property" and intends to seek and acquire additional properties worthy of exploration and development.

The Property

Acquisition

By an agreement dated September 22, 1986 (the "Acquisition Agreement") entered into between the Issuer and Ruanco Enterprises Ltd. ("Ruanco"), a non-reporting British Columbia Company having a business office at 5700 Forsythe Crescent, Richmond, British Columbia, V7C 2C3, the Issuer acquired 100% of Ruanco's right, title and interest in and to ten (10) mineral claims encompassing eighty units, all located in the Nicola Mining Division of British Columbia and more particularly described as follows:

Claim Name	Record Number	Units	Record Date	Expiry Date
Red Bog	310	6	Aug.5/77	Aug.5/92
River Queen 1	311	8	Aug.5/77	Aug.5/92
River Queen 2	312	6	Aug.5/1977	Aug.5/92
River Queen 3	313	6	Aug.5/77	Aug.5/92
Blue Gold	337	9	Sept.26/77	Sept.26/92
Comstock	339	1	Sept.26/77	Sept.26/92
Keystone	341	6	Sept.26/77	Sept.26/92
Dry No. 1	487	18	Jul. 26/78	July 26/92
Bonanza	734	8	Oct.3/79	Oct.3/92
Hot	495	12	Aug.9/78	Aug.9/92

(collectively the "Property").

The Acquisition Agreement provides that in order for the Issuer to acquire 100% of Ruanco's right, title and interest in and to the Property, the Issuer will be required:

(a) To make the following cash payments to Ruanco:

(i) $10,000 upon execution of the Acquisition Agreement, which payment has been made by the Issuer;

(ii) $10,000 upon the earlier of the listing of the shares of the Issuer on the Vancouver Stock Exchange (the "Exchange") and June 30, 1988;

(iii) $10,000 one year after the date of the payment under subparagraph (ii) above; and

(iv) $10,000 two years after the date of the payment under subparagraph (ii) above; AND

(b) Subject to regulatory approval, to issue 200,000 common shares in its capital stock to Ruanco upon commencement of Commercial Production on the Property.

For the purposes of the Acquisition Agreement, "Commercial Production" is therein defined to mean:

> *"...the leaching, milling and sale of ores and concentrates which result from ore extracted from the (Property) or any part thereof will be deemed, for all purposes of this Agreement to have been placed in Commercial Production when, if there is a concentrator on the (Property) or any part thereof, such concentrator has for the first time operated at 60% of its rated concentrating capacity for 30 days out of 40 consecutive days, or if there is no such concentrator, ore from the (Property) or any part thereof or dore has been shipped therefrom on a reasonably regular basis for a 30 day period for the purpose of earning revenues, but in any event the (Property) will be deemed to have been placed in Commercial Production 90 days after such concentrator has for the first time operated or if there is no such concentrator, 90 days after leaching for other than test purposes has commenced or 90 days after ore has first been shipped from the (Property) for the purpose of earning revenues".*

The Acquisition Agreement also provides for and contains the following terms:

(a) A default by the Issuer in the performance of its obligations under the Acquisition Agreement will entitle Ruanco, at its option, to terminate the Acquisition Agreement if the default is not remedied by the Issuer within 14 days of receiving written notice of the default from Ruanco; and

(b) The Issuer may terminate the Acquisition Agreement by giving Ruanco 15 days' written notice of termination and gifting the Property back to Ruanco, provided however, that the obligation of the Issuer to maintain the Property in good standing for at least one year after the return of the Property will continue.

Ruanco is a non-reporting British Columbia company wholly owned and controlled by Gordon Richards, of 5700 Forsythe Crescent, Richmond, B.C., V7C 2C3.

The Issuer has expended a total of $53,953 on exploration of the Property as at January 15, 1988.

Location and Access

The Property is located in the Cascade Mountain Range approximately 64 kilometres south of the City of Merritt and 53 kilometres north of the City of Hope in southwestern British Columbia. The Coldwater River flows northward through the eastern portion of the Property, and oil and gas pipelines flank the Coldwater River.

Access to the Property is by the recently constructed Coquihalla Highway. The Coquihalla Highway traverses the Property, essentially parallel to the Coldwater River. Additional access within the Property is provided by forestry roads.

Exploration History

The following history information is extracted from an engineering report dated March 1, 1987 (the "Keystone Property Report"), prepared for the Issuer by Robert S. Adamson, P. Eng., of Orcan Mineral Associates Ltd., of 1417 - 409 Granville Street, Vancouver, British Columbia, V6C 1T2, a copy of which is attached hereto and forms part of this Prospectus:

History of the Property:

"The discovery of base and precious metal mineralization in the upper Coldwater River area evidently took place in the early 1900's. By 1936 the Keystone mine had been established by driving adits to intersect a narrow, northeast striking, steeply dipping vein, carrying precious metal values of 0.6 ounces gold per ton and 22.6 ounces silver per ton. Nothing further was reported until 1954 when renewed development took place. In 1955 a total of 89 tons was shipped.

Approximately 950 metres south southwest of the Keystone mine, an adit was developed on the Stonewall vein, which is also a narrow, steeply dipping, northeasterly striking vein. It is not known when the adit was driven; however, the vein was sampled in 1939, 1946, 1948, 1953 and 1954 by various individuals.

During the period 1965 to 1966, Dorian Mines carried out an extensive surface exploration program on the Julie Zone, which lies approximately 200 metres south of the Stonewall adit. In all, 32 packsack and Ax core holes (2,030 metres) were drilled to investigate a relatively large zinc soil anomaly.

From 1967 to 1973, the property, now probably much larger, was explored by several major mining companies (Anaconda, El Paso, Denison, Noranda). Reportedly, these companies were exploring for precious metals; however, it is more likely they focused on finding porphyry-type copper-molybdenum deposits. Some drilling was undertaken by Noranda in 1969 on an altered,

brecciated, and weakly mineralized zone that lies approximately 1,000 metres southeast of the Julie zone. El Paso cut several bulldozer trenches in a copper zone, situated 1,300 metres northwest of the Keystone mine. Anaconda cut a number of trenches in an area immediately northeast of the mine. In 1973 Denison and Noranda, under a Denison option, drilled a total of seven widely-spaced core holes (1,051 metres) west of the river and, for the most part, beneath the valley bottom.

Westmin Resources acquired the property in 1977, and, in 1978, formed a joint venture with AMAX, another major mining company, to explore the property for porphyry-type molybdenum deposits. Westmin carried out geological mapping, geochemical soil sampling, and an induced polarization survey over the property. In 1978 the company drilled a single vertical core hole approximately 300 metres southeast of the Keystone mine to a depth of 864 metres. Three deep vertical reconnaissance core holes were drilled in 1979. Two more deep vertical holes were drilled in 1980, in the immediate vicinity of the Keystone mine.

Westmin switched its exploration emphasis on the Keystone property from molybdenum to precious metals in 1981. The company's objectives were 'now to test the potential for a low grade open-pitable type of deposit with a minimum of 2 million tons of 0.1 ounces per ton gold equivalent or plus 20 million tons of 2 to 3 ounces silver per ton' on the Julie zone, and in the vicinity of the Keystone mine 'to test the potential for direct shipping ore from an underground operation'. Westmin then established grids on the two zones, carried out soil and rock geochemical surveys on each grid, and geologically mapped each. Some bulldozer trenching was done on both zones. Five core holes (347 metres) were drilled on the Julie grid; three (317 metres) were drilled on the Keystone grid. As the targets previously established for size and grade potential of precious metal deposits were not met, the program was terminated. No further work was done until 1986, when Blue Gold Resources acquired the Keystone property."

The Keystone Mine:

" The Keystone mine workings consist of two adits with crosscuts, a raise to the surface, and approximately 219 meters of drifts on two levels. The drifts explore the Keystone vein zone, which strikes north 30 degrees east and dips, for the most part, steeply to the west. At the south end of the mine, on the lower adit level, the dip changes to minus 60 degrees to the east.

...

In 1981 Westmin Resources mapped the underground workings in detail and sampled the veins fairly thoroughly. Silver values ranged from in excess of one ounce per ton to up to 22 ounces per ton; gold values were relatively low. The highest gold assay in the lower level was 0.148 ounces per ton, with 8.04 ounces per ton silver. The highest gold assay in the upper level is from one of the very narrow, hanging wall veins; it assayed 0.86 ounces gold per ton and 16.8 ounces silver per ton. Widths, however, were unspecified.

...

In 1981, Westmin Resources drilled three holes, a total of 317 meters, in the Keystone mine area. Two holes (81-K1 and 81-K3) were located to intersect the projected northeastward strike of the main Keystone vein, beneath the level of the lower adit. The vein, consisting of quartz, rhodochrosite, pyrite, and minor sphalerite, was intersected in each hole. Intercept widths ranged from 0.9 to 1.1 meters, but precious metal values were very low.

The third hole (81-K2) was located to intersect two relatively high grade veins that had been cut in a deep vertical hole drilled in 1980, in the search for molybdenum deposits on the property. Significant values intersected in the earlier 1980 drill hole were 0.007 ounces gold and 65 ounces silver per ton over an 18 centimetre intercept, and 0.687 ounces gold with 1.2 ounces silver per ton over 0.9 metres. Drill hole 81-K2 intersected 4.9 metres of a quartz-rhodochrosite vein zone with massive pyrite. Precious metal values, however, were very low. The intersections occurred in a strongly brecciated section of the Keystone quartz diorite ... "

The Julie Zone:

"In 1981, Westmin Resources drilled five core holes (total 347 meters) on the Julie zone to outline a medium tonnage, low to medium grade, precious metal deposit that could be mined by open pit mining methods. Two angle holes were drilled to the southeast; three other angle holes were drilled to the northwest.

For the type of deposit envisaged the project was unsuccessful, but in one of the drill holes (81-J1) significant gold-silver mineralization was intersected. From 3.0 to 9.1 metres in the hole two ten-foot (3.05m) intercepts returned an average assay of 1.7 ounces silver per ton. More significantly, from 9.1 to 15.2 metres two ten-foot (3.05m) intercepts returned an average assay of 0.252 ounces of gold per ton with little silver, though one of these intercepts assayed 0.492 ounces of gold per ton. Mineralization consists of numerous specularite-rhodochrosite-quartz veinlets and stringers, occasionally with sphalerite and minor galena ... "

Current Exploration, Conclusions and Recommendations

On September 18 and October 6, 1986, Robert S. Adamson, P.Eng., of Orcan Mineral Associates Ltd., Vancouver, British Columbia, conducted a preliminary exploration program on the Property consisting of baseline cutting, grid establishment, VLF electromagnetic and magnetometer surveying and rock and soil geochemical surveying and sampling with the primary objective of exploring for narrow, high grade, vein-type, precious metal deposits that would normally be exploited by underground mining methods. The program was undertaken on behalf of the Issuer at a cost of $13,741, and the results of the program, coupled with a discussion of the available technical data, are the subject of the aforementioned Keystone Property Report (hereinafter referred to as the "Report").

The Report concludes, at pages 12 and 13, as follows:

" The Keystone property has ample potential to host a number of small tonnage, high grade, fissure vein-type, precious metal deposits that could be economically mined even by higher cost underground mining methods. Single drill holes on each of the Keystone and Julie zones intersected mineralization with normally economic grades and widths for this type of deposit.

On the Keystone zone, additional drilling is warranted to follow up the high grade intercept in the 1980 drill hole. Even though the quartz-rhodochrosite-pyrite vein zone cut in drill hole 81-K2 returned very low values, the width (4.9 metres) is impressive. It appears to be the same vein cut in 1980, indicating a steep dip to the west. Because of the typically erratic distribution of precious metal values in fissure vein deposits, low grade values in one hole intersecting the vein do not preclude the possibility that the average value will ultimately be ore grade.

Additional drilling is also justified on the Julie zone to follow up the high grade intercept in drill hole 81-J1, for much the same reasons as in the Keystone zone. The high grade mineralization intersected could occur either in a southeast dipping fault or shear, or at the contact between the Eagle grandiorite and the rhyolite porphyry; neither feature is visable on the surface. With respect to the former possibility, drill holes 81-J2 and 81-J5 probably did not reach the high grade zone. The same limitation could have taken place in the latter case were the high grade mineralization to be contact controlled.

Finally, the geochemical survey has strongly indicated that other numerous precious metal occurrences associated with sphalerite (Zn) and rhodochrosite (Mn) occur on the property. In particular, there evidently is a concentration of anomalous values distributed over the area containing the Stonewall and Keystone veins. Geologically, this area is underlain by the

northeasterly trending contact between the Eagle grandiorite and the brecciated Keystone quartz diorite units. Mineral occurrences in this area consistently strike north northeasterly. Significantly, topographic lineaments that possibly reflect faults or shears trend in the same direction. There is sufficient evidence, therefore, to believe that anomalous geochemical responses are reflecting a number of parallel, steeply dipping, mineralized structures, several of which appear to be located uphill from the Stonewall and Keystone veins."

The Report then recommends that the following two-stage exploration program be conducted on the Property:

Stage I:

(a) Over the Julie zone and the Keystone workings area, establish a cut line and flagged grid, and then carry out a detailed geochemical soil survey over it and analyze all soil samples for zinc, lead, manganese and silver. Anomalous samples should also be analyzed for gold. Using the same grid, undertake a VLF electromagnetic survey, and geologically map the available outcrops in the area and tie in the various adits and drill holes;

(b) Diamond drill a single core hole across the best target developed from the above data;

(c) Diamond drill two core holes on the Keystone zone; and

(d) Diamond drill two core holes on the Julie zone. One hole should be drilled beneath hole 81-J1, and the other may be any one of two flanking holes.

Stage II (Contingent):

Implement a second diamond drill program to follow-up favourable results from any of the three areas drilled in the first stage of the program. 900 metres of drill length should be allowed for in a total of ten drill holes.

The cost of the first stage of the program is estimated to be as follows:

"1.	*Diamond drilling (5 holes-450 metres)*		*$ 38,000*
	Contract - 450 m @ $80/m	*$36,000*	
	Bulldozer	*$ 2,000*	
2.	*Geochemical Survey*		*$ 14,300*
	Analyses - 1,500 samples	*$ 9,800*	
	Labour	*$ 4,500*	
3.	*Grid (Labour)*		*$ 2,000*

4.	*Geophysical Survey (Contract)*	*$ 3,500*
5.	*Transportation (Vehicle Rental)*	*$ 2,500*
6.	*Maintenance (90 mandays @ $50/md)*	*$ 4,500*
7.	*Field Support (Assays, Freight, Travel, Fees, etc.)*	*$ 3,400*
8.	*Geology & Supervision (33 days @ 300/day)*	*$ 9,900*
9.	*Project Management and Support*	*$ 10,900*
10.	*Contingencies (Approximately 12%)*	*$ 11,000*
	Total:	*$100,000* "

The cost of a second, contingent stage, is estimated to be $150,000.

Exploration Agreements

The Issuer has entered into Canadian Exploration and Development Expense (unit flow-through) agreements with the following persons (the "Principals"):

Principal	Subscription Amount	Number of Units
Peter Allen Christopher	$ 5,000	8
Peter Jim	$ 10,000	16
Gavin Chu	$ 10,000	16
Kenneth Y. Lee	$ 5,000	8
Gregory Law	$ 5,000	8
Henry Jung	$ 5,000	8
Larry Jordan	$ 5,000	8
J.F. Ellis	$ 2,500	4
Ralph S. Humble	$ 2,500	4
John Eng	$ 5,000	8
Total:	$ 55,000	88

Under the terms of the unit flow-through agreements, each Principal subscribed for units ("Units") at a cost per Unit of $625, and constituted the Issuer as his agent to incur Canadian Exploration and Development Expenses ("CEE") on eligible capital property under the provisions of the Income Tax Act (Canada). Each Unit entitled the Principal to receive 2,500 shares of the Issuer upon the expenditure by the Issuer of the funds subscribed by the Principal for the Unit on CEE.

The Issuer has given up potential tax benefits available to it as a result of incurring CEE on behalf of the Principals rather than on its own behalf.

The Issuer has expended the amount subscribed for by the Principals on CEE, and, accordingly, has issued 220,000 shares to the Principals.

SPECULATIVE ASPECTS

Mineral exploration and development is a speculative business. The marketability of any minerals acquired by the Issuer will be affected by numerous factors, which include production costs, market fluctuations, processing prices and government regulation, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, which cannot be accurately predicted. In addition, the Property in which the Issuer has an interest is in the exploration and development stage only and is without a known body of commercial ore. No survey of the Property of the Issuer has been made, and in accordance with the laws of the jurisdiction in which the Property is situate, its existence and area could be in doubt.

There is no known body of commercial ore on any of the Property and the proposed program is an exploratory search for ore only.

The Common Shares and Flow-Through Units offered hereby are considered speculative due to the nature of the Issuer's business. There can be no assurance that expenditures to be made by the Issuer will result in any discoveries of commercial bodies of ore.

The Issuer has sought professional counsel to obtain an opinion (see "Tax Aspects") that the offering of Flow-Through Units will qualify within the provisions of the Income Tax Act (Canada) to allow the subscribers to incur Canadian Exploration Expenses ("CEE") or Canadian Development Expenses ("CDE"). However, the Issuer has not sought a ruling from Revenue Canada and risk exists that the deductible expenses may be contested.

In accordance with the present prevailing practice in the industry the Issuer understands that, depending upon a subscriber's status, the subscriber may deduct from taxable income all or part of the cumulative CEE and CDE made on his behalf; but the Issuer does not purport to give tax advice in this Prospectus and each subscriber should satisfy himself as to the tax consequences of subscription to the Flow-Through Offering and the tax consequences of receiving the Flow-Through Shares consequent upon such expenses. Each subscriber should consult legal and tax counsel before subscribing, both in respect to the tax consequences and to the effects of the attached Flow-Through Unit Participation Agreement, and must not rely exclusively upon any discussion herein.

In addition, there can be no surety that the Issuer will be able to expend the funds in the year of subscription by the subscribers, that it will have sufficient eligible expenditures or that the expenses will not be disallowed in whole or in part, nor that the tax laws will not be detrimentally amended.