

92I/11W EM-77

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.

009559

PROSPECTUS

of

PENN ENERGY CORPORATION
#305 - 1030 WEST GEORGIA STREET
VANCOUVER, BRITISH COLUMBIA

RECEIVED
SEP 26 1977
SUPERINTENDENT
OF BROKERS

92I/11W
PROPERTY FILE

92INWGEA-05

92INW080

NEW ISSUE

250,000 COMMON SHARES

20¢ PER SHARE

250,000 Shares	Price to Public	Underwriting Discounts or Commissions	Proceeds to Company if all Shares Sold
Per Unit	20¢	5¢	15¢
Total	\$50,000	\$12,500	\$37,500 (1)

(1) BEFORE DEDUCTION OF LEGAL, AUDIT AND PRINTING EXPENSES PAYABLE BY THE COMPANY ESTIMATED NOT TO EXCEED \$5,000.

THE SHARES OF THE COMPANY MUST BE CONSIDERED SPECULATIVE SECURITIES AS THE COMPANY'S MINING PROPERTIES ARE IN THE EXPLORATION AND DEVELOPMENT STAGE AND THERE IS NO KNOWN BODY OF COMMERCIAL ORE.

AT THE PRESENT TIME, THERE IS NO MARKET FOR THE SHARES OF THE COMPANY.

A MINIMUM SUBSCRIPTION OF \$15,000 OR 100,000 SHARES MUST BE SOLD UNDER THE TERMS OF THIS PROSPECTUS: REFERENCE IS MADE TO THE SECTION "USE OF PROCEEDS" ON PAGE 7 HEREIN.

REFERENCE IS MADE TO THE HEADING "SHARE OFFERING AND PLAN OF DISTRIBUTION" AND THE COMPARISON OF THE PERCENTAGE OF SECURITIES BEING OFFERED TO THE PUBLIC FOR CASH AND ALREADY ISSUED BY THE COMPANY TO PROMOTERS' DIRECTORS' OFFICERS AND CONTROLLING PERSONS.

THERE IS NO LAND SURVEY OF THE COMPANY'S PROPERTIES AND UNTIL SUCH LAND SURVEY IS COMPLETED THE BOUNDARIES OF THE PROPERTIES COULD BE IN DOUBT.

TRANSFER AGENT AND REGISTRAR

CANADA TRUST COMPANY
Vancouver, British Columbia

THIS PROSPECTUS IS DATED THIS 26th DAY OF AUGUST, A.D., 1977.

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THE COMPANY

PENN ENERGY CORPORATION ("PENN") was incorporated on 16 December 1976 under the Companies Act of the Province of British Columbia by registration of its Memorandum. At the date hereof, PENN is a Reporting Company.

The Head Office for the Company is #305 - 1030 West Georgia Street, Vancouver, British Columbia, V6E 2Y3, and the Registered Office and Records Office is #202 - 900 West Pender Street, Vancouver, British Columbia, V6C 1L1.

THE BUSINESS

PENN is a mining Company engaged in the acquisition, exploration and development of mining properties. PENN owns or has interests in the properties described under "the Property" and intends to seek and acquire additional properties worthy of exploration and development.

THE PROPERTY

KAMLOOPS PROPERTY

By Agreement dated 4 August 1977 between Gary R. Schell, of #2601 - 2020 Haro Street, Vancouver, British Columbia, and PENN, PENN acquired the EM-77 Mineral Claim, Record No. 795 , which expires on 2 May 1978 in the Kamloops Mining Division of the Province of British Columbia, in consideration for FIFTEEN HUNDRED (\$1,500) DOLLARS and SEVEN HUNDRED AND FIFTY THOUSAND (750,000) SHARES in the capital of PENN as follows:

- (a) The sum of \$1,500 to be paid by PENN to Mr. Schell upon execution of this Agreement;
- (b) The aforesaid 750,000 shares are to be allotted and issued by PENN to Mr. Schell upon execution of this Agreement.

Gary R. Schell is the President and a Director and the Promoter of PENN.

The Kamloops Property was acquired by PENN on 4 August 1977, subsequent to the date of the financial statements attached hereto (30 June 1977).

The aforementioned EM-77 Mineral Claim was acquired by Gary R. Schell at an approximate cost of \$1,500.

The Mineral Claim encompasses twelve (12) units and is located immediately to the west of the Trans-Canada Highway seven miles north of Spences Bridge. Access to the Property is provided by a road branching off to the property nine miles north of Spences Bridge. The main showing, near the centre of the group, may be reached on foot by a steep climb from the highway or alternatively by a good dirt road which turns west from the highway approximately two miles beyond the claim and doubles back south to the showings.

Several old hand trenches and a 40 foot shaft are located in the vicinity of the main showings and appear to have been the result of exploration approximately 30 years ago. Three old drill stations are located to the west of the main showings.

There is no available information on the above exploration.

In 1970 and 1971 work on the property included three line miles of E.M. and magnetometer surveys and 95 feet of pack sack drilling in two holes.

The claim group covers an "inlier" of Triassic sedimentary rocks of the Nicola Group which is bounded by the Permean Cache Creek Group of an assemblage of metamorphosed volcanic and sedimentary rocks. The Guichon Creek Batholith which is the host to the large orebodies of the Highland Valley is three miles east of the Property.

Regional northerly and northeasterly structures are reflected on the Property by steeply dipping shear zones.

Outcrops of black and shaly limestone with interbedded chert occur on the Property. Intermediate to basic volcanic dykes intrude the limestone.

Chalcopyrite mineralization, in association with magnetite, occurs within a skarn zone as well as in relation with the dykes or shear zones.

For a further description of the geology on the Property, reference is made to the Engineering Report of Thomas R. Tough, P.Eng., dated 25 July 1977, which is attached hereto and forms part of this Prospectus.

To date, there is no underground or surface plant or equipment on PENN's Property.

Present Management of PENN has not carried out any exploration or development work on the Property.

THE GREENWOOD PROPERTY, BRITISH COLUMBIA

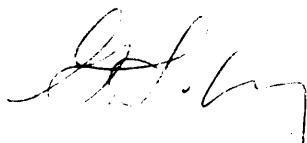
By Agreement dated 1 February 1977 between Gary R. Schell, of #2601 - 2020 Haro Street, Vancouver, British Columbia, and PENN, PENN acquired the GS #200 and GS #300 mineral claims, Record numbers 825 and 826, respectively, situated in the Greenwood Mining Division of the Province of British Columbia, in consideration for the sum of FOUR THOUSAND TWO HUNDRED (\$4,200) DOLLARS.

The GS claims were acquired by Mr. Schell by staking at a cost of approximately \$2,200.

The Greenwood Property is located near Idabel Lake, South-east of Kelowna, and access to the Property is by road. There is no history of previous exploration or work on the Property. However, the general area has been subject to considerable exploration and development work for uranium and the Company considers the Greenwood Property a reasonable prospect in this respect.

No part of the proceeds to be derived from the sale of securities offered hereunder will be applied to the exploration or development of the GS claims. PENN may use a portion of funds presently on hand for preliminary investigation of the GS claims.

THE PROPOSED PROGRAMME ON PENN'S PROPERTY IS AN EXPLORATORY SEARCH FOR ORE AND THE PROPERTY IS WITHOUT ANY KNOWN BODY OF COMMERCIAL ORE.



SHARE OFFERING AND PLAN OF DISTRIBUTION

PENN by this Prospectus offers to sell 250,000 of its shares as fully paid and non-assessable at the price of 20¢ per share subject to an underwriting discount or commission in respect of some or all of such shares, not exceeding 5¢ per share. The shares will be sold through registered securities dealers. PENN reserves the right to accept applications for these shares in whole or in part and to reject any application and withdraw this offer at any time without notice. Subject as aforesaid PENN intends to allot and issue the shares from time to time as applications are received whether or not the issue is or becomes fully subscribed.

Of the shares to be issued and outstanding on completion of this offering 34.3% will be issued for cash and 65.7% for properties. Of the shares to be issued and outstanding on completion of this offering 21.8% will be issued to the public for cash and 71.3% will be issued to Promoters, Directors, Officers and controlling persons for cash and property.

USE OF PROCEEDS

The net proceeds to be derived by PENN from the sale of the shares offered hereunder, less legal, audit and printing expenses in respect thereof estimated not to exceed \$5,000, will be used for the following purposes:

- (a) Expenses of the Offering: \$ 5,000
- (b) To complete Phase I of the recommendations of Thomas R. Tough, P.Eng., in his Report dated 25 July 1977, which is attached hereto on the Company's Kamloops Property:

PHASE I

Geological mapping -	\$ 3,000	
Magnetometer Survey -12 line miles@\$150 -	\$ 1,800	
Geochemical Survey - 750 samples @ \$4.50/sample -	\$ 3,375	
	<hr/>	
	\$ 8,175	\$ 8,175

- (c) Reserve for Phase II of the Kamloops Property as recommended in the Report of Thomas R. Tough, P.Eng., dated 25 July 1977:

PHASE II

Diamond Drilling - 500 feet @ 16/foot -	\$ 8,000	
Engineering and Supervision -	\$ 3,000	
Assaying -	\$ 1,000	
Field Expenses -	\$ 1,000	
Contingencies -	\$ 2,000	
	<hr/>	
	\$15,000	\$ 15,000

(d)	To provide working capital for PENN, such working capital to be used for administrative expenses, acquisition of additional property and reserve for additional exploration as well as to meet normal corporate expenses -	\$ 9,325
	TOTAL:	\$ 37,500 =====

The Company shall have 120 days from the date of the receipt of the filing of the Prospectus by the Superintendent of Brokers in which to raise the sum of \$15,000, being the minimum subscription required to carry out Phase I of the program recommended by Thomas R. Tough, P.Eng., on PENN's Kamloops Property. All funds raised during this 120 day period will be deposited in an account at the Canada Trust Company, 901 West Pender Street, Vancouver, British Columbia, separate and apart from PENN's general account, until the full amount of the minimum subscription has been raised by the sale of shares sold pursuant to this Prospectus in British Columbia or in any other jurisdiction in which the shares have been qualified for sale, and the Superintendent of Brokers has consented to the release of funds. If the minimum amount is not raised within the 120 day period, all subscription for the shares of PENN will be returned immediately to the subscribers in full.

PENN may, pursuant to the recommendations of a qualified engineer, abandon in whole or in part any of its properties or may alter as work progresses the work program recommended, or may make arrangements for the performance of all or any portion of such work by other persons or companies and may use any monies so diverted for the purpose of conducting work or examining other properties acquired by PENN after the date of this Prospectus although PENN has no present plans in this regard. In any such event, the shareholders will be notified and if this occurs during the primary distribution of the shares referred to in this Prospectus, an amendment to this Prospectus will be filed.

Should the actual proceeds prove insufficient to accomplish the purposes set out above, PENN intends to use such monies now on hand and the proceeds from shares sold hereunder to carry out the exploration program in order of priority set forth above.

Should PENN elect not to proceed with the Phase II on the Kamloops Property the monies allocated therefore will be used to acquire and develop additional properties.

No part of the proceeds shall be used to invest, underwrite or trade in securities other than those that qualify as an investment in which trust funds may be invested under the laws of the jurisdiction in which the securities offered by this Prospectus may be lawfully sold. Should PENN propose to use the proceeds to acquire non-trustee type securities after the initial distribution of the securities offered by this Prospectus, approval by the Shareholders must be obtained and disclosure made to the regulatory securities bodies having jurisdiction over the sale of the securities offered by this Prospectus. In addition, the proceeds will not be advanced to other persons or companies except to the extent necessary to enable PFNN to implement its exploration and development program as set forth in this Prospectus and any amendments thereto.

SHARE AND LOAN CAPITAL STRUCTURE

Designation of Security	Amount Authorized	Amount Outstanding as of 30 June 1977	Amount Outstanding as of 26 August, 1977	Amounts to be Outstanding on completion of Offering
Common Shares	10,000,000	142,002	892,002	1,142,002

- (1) 142,002 shares were sold at 10¢ per share; 750,000 shares were issued for mineral properties; 250,000 shares are being offered hereunder. The total cash received by PENN for the sale of the above shares was \$14,200. There were no commissions paid by the Company on the sale of any of the above shares. The 750,000 shares issued for mineral properties were issued subsequent to 30 June 1977, the date of the financial statements attached hereto.

DESCRIPTION OF SHARES

The authorized capital of PENN consists of 10,000,000 shares without par value, of which 892,002 shares are issued as fully paid and non-assessable. All shares of PENN both issued and unissued are common shares of the same class and rank equally as to dividends, voting powers and participation in assets. No shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights and no provision for redemption, purchase for cancellation, surrender or sinking or purchase funds. Provisions as to the modifications, amendments or variations of such rights or such provisions are contained in the Companies Act of the Province of British Columbia.

PROMOTERS

Under the definition of "Promoter" contained in Section 2 of the Securities Act of the Province of British Columbia, Gary R. Schell may be considered the Promoter of PENN in that he took the initiative in the founding of PENN, but he has received no consideration in the form of cash, shares or otherwise from PENN for so acting. Shares were issued to him for cash and property as follows:

<u>NAME</u>	<u>SHARES FOR CASH</u>	<u>SHARES FOR PROPERTY</u>
Gary R. Schell	60,002	750,000

All shares issued to the Promoter for cash were issued at \$.10 per share.

The Kamloops Property was initially acquired by the Promoter on 3 August 1977 at a cost to the Promoter of \$1,500.

The Greenwood Property was initially acquired by the Promoter on 1 February 1977 at a cost to the Promoter of \$2,200.

In April 1976, PENN acquired an option to purchase the "Sunnynook Royalty Interest" from Gary R. Schell in consideration for 600,000 shares. The option was not exercised by PENN and the 600,000 shares have now been cancelled.

ESCROWED SHARES

Set forth hereunder are particulars of the escrowed shares in the capital stock of PENN as of the date of this Prospectus:

<u>Designation of Class</u>	<u>Number of Shares Held in Escrow</u>	<u>Percentage of Class</u>
Common	750,000	84.08%

The 750,000 shares were issued in consideration for the Kamloops Property, referred to under the Section "The Property" herein.

At the date hereof, 750,000 shares are held in escrow by the Canada Trust Company, subject to the direction or determination of the Superintendent of Brokers ("Superintendent of Brokers"). The escrow restrictions provide that the shares may not be traded in, dealt with in any manner whatsoever, or released nor may PENN, its transfer agent or escrow holder make any transfer or record any trading of the shares without the consent of the Superintendent of Brokers.

In the event that PENN loses or abandons or fails to obtain title to all or part of the properties or assets for which it allotted all or part of the escrow shares, PENN will declare any such event to the Superintendent of Brokers by way of directors resolution and the holders of such shares, the trustee thereof and PENN have agreed that such number of said shares, as the Superintendent of Brokers determines shall become subject to cancellation, shall be surrendered to PENN by way of gift for cancellation. The complete text of the escrow agreement is available for inspection at PENN's registered office, #202 - 900 West Pender Street, Vancouver, British Columbia.

DIRECTORS AND OFFICERS

The names, addresses and principal business occupations in which each of the Directors and Officers of PENN have been engaged during the immediately preceding five years are as follows:

NAME AND ADDRESS &
POSITION WITH COMPANY

OCCUPATIONS

GARY R. SCHELL
#2601 - 2020 Haro Street
Vancouver, British Columbia
PRESIDENT/DIRECTOR

Professional Engineer;
President, Claytron
Energy Corporation,
March 1969 to date

GORDON YUEN
1256 West 27th Avenue
Vancouver, British Columbia
SECRETARY-TREASURER/DIRECTOR

Self-Employed Architect

JAMES WILFRED DOYLE
846 - 53A Street
Delta, British Columbia
DIRECTOR

Businessman; Owner, Doyle
Travel Limited, June, 1976,
to date; Airline pilot, Air
Canada, October, 1951 to
June, 1976.

REMUNERATION OF DIRECTORS & SENIOR OFFICERS
AND INTEREST IN MANAGEMENT IN MATERIAL TRANSACTIONS

No direct remuneration has been paid to any of the Officers or Directors of PENN as such. PENN does not intend to pay any such remuneration in the future. However, if PENN receives revenue or funds other than under this Prospectus, the Directors may decide to pay such remuneration.

PRINCIPAL SHAREHOLDERS

At the date hereof, the number and percentage of shares of PENN owned of record or beneficially, directly or indirectly, by each person or company who owns of record or is known by PENN to own beneficially, directly or indirectly, more than 10% of the shares of PENN is as follows:

<u>Name and Address</u>	<u>Designation of Class</u>	<u>Type of Ownership</u>	<u>Number of Shares Owned</u>	<u>Percentage of Class</u>
GARY R. SCHELL #2601-2020 Haro Vancouver, B.C.	Common	Direct, of Record & Beneficial	810,002	90.80%

The number and percentage of shares in PENN beneficially owned, directly or indirectly, by all Directors and Senior Officers of PENN as a group is as follows:

<u>Designation of Class</u>	<u>Number of Shares Beneficially Owned</u>	<u>Percentage of Class</u>
Common	815,002	91.36%

PRIOR SALES

During the twelve calendar months prior to the date of this Prospectus, PENN sold the following shares for cash:

<u>Number of Shares</u>	<u>Price Per Share</u>	<u>Commissions Paid Per Share Sold</u>	<u>Cash Received</u>
142,002	10¢	NIL	\$14,200.20

77,000 shares previously sold for cash have been voluntarily pooled with The Canada Trust Company subject to release at the expiration of thirty days following completion of the primary distribution of the shares offered under this Prospectus.

65,002 shares previously sold for cash and held by the Directors have been voluntarily pooled with The Canada Trust Company subject to release at the discretion of the Superintendent of Brokers.

INCORPORATION WITHIN ONE YEAR - PRELIMINARY EXPENSE

As at 30 June 1977, PENN has incurred administrative expense of \$ 7,565.65 and it anticipates to incur approximately a further \$5,000 in the near future, being the cost related to the filing of this Prospectus. As at the same date, PENN has not incurred any exploration or development expenses and does not intend to incur any further development expenses, except as set out in the Section "Use of Proceeds" herein.

AUDITORS

The name and address of the Auditors of PENN are Smith, Flynn, Staley & Co., Chartered Accountants, #225 - 4299 Canada Way, Burnaby, British Columbia, V5G 1H3.

REGISTRAR AND TRANSFER AGENT

The Registrar and Transfer Agent of PENN is Canada Trust Company, 901 West Pender Street, Vancouver, British Columbia.

MATERIAL CONTRACTS

Particulars of all material contracts entered into by PENN within two years preceding the date of this Prospectus, other than in the ordinary course of business, are as follows:

1. Agreement dated 1 February 1977, between PENN and Gary R. Schell, regarding the acquisition of the GS#200 and #300 Mineral Claims, in consideration for the sum of \$4,200.

2. Agreement dated 4 August 1977, between PENN and Gary R. Schell, regarding the acquisition of the Kamloops Property, referred to under "The Property" hereunder.

3. Agreement dated 8 February 1977, between PENN and Gary R. Schell, regarding the acquisition of the Sunnynook Property, in the Province of Alberta, in consideration for the allotment and issuance of 600,000 shares.

This option was not exercised by PENN and the 600,000 shares have now been cancelled.

PURCHASER'S STATUTORY RIGHT OF WITHDRAWAL AND RESCISSION

Sections 61 and 62 of the Securities Act (British Columbia) provide 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 securities, 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 Superintendent of Brokers 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 or any amended Prospectus offering such security contains an untrue statement of 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 the expiration of 90 days from the latter of the date of such contract or the date on which such Prospectus or amended Prospectus is received or 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.

PENN ENERGY CORPORATION

FINANCIAL STATEMENTS

30 JUNE 1977

SMITH, FLYNN, STALEY & CO.

CHARTERED ACCOUNTANTS

225 - 4299 CANADA WAY,
BURNABY, B.C. V5G 1H3
TELEPHONE: 434-1384

R. C. SMITH C.A.
A. R. FLYNN C.A.
D. L. STALEY C.A.

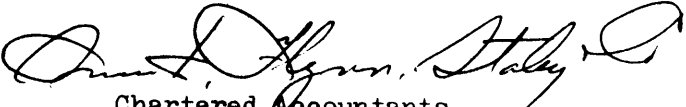
AUDITORS' REPORT

To the Shareholders of
Penn Energy Corporation

We have examined the balance sheet of Penn Energy Corporation as at 30 June 1977 and the source and application of funds statement for the period then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at 30 June 1977 and the source and application of its funds for the period then ended in accordance with generally accepted accounting principles.

10 August 1977


Chartered Accountants

PENN ENERGY CORPORATION
(Incorporated in the Province of British Columbia
16 December 1976)
BALANCE SHEET AS AT 30 JUNE 1977

ASSETS

CASH	\$ 2,434.55
MINERAL RIGHTS, at cost	4,200.00
DEFERRED COSTS - Schedule 1 (Note 1)	<u>7,565.65</u>
	<u>\$ 14,200.20</u>

LIABILITIES

CURRENT LIABILITIES NIL

SHARE CAPITAL

AUTHORIZED - 10,000,000 shares without par value	
ISSUED AND FULLY PAID - (Note 2)	
For cash: 142,002 shares	\$ 14,200.20
APPROVED ON BEHALF OF THE BOARD:	
<u><i>Gary R. Schell</i></u> , Director	
<u><i>W. F. Doyle</i></u> , Director	
	<u>\$ 14,200.20</u>

NOTES TO FINANCIAL STATEMENTS
30 JUNE 1977

1. ACCOUNTING PRINCIPLES

The company is in a formative stage of operations. During the period covered by these statements all expenses have been treated as deferred costs.

2. SUBSEQUENT EVENTS

Pursuant to an agreement dated 4 August 1977 the company purchased a mineral claim in the Kamloops Mining Division of the Province of British Columbia from Gary R. Schell. The consideration for the purchase is \$ 1,500 cash and 750,000 shares of the capital stock of the company. The 750,000 shares will be held in escrow subject to the direction of the governing regulatory bodies.

PENN ENERGY CORPORATION
 SOURCE AND APPLICATION OF FUNDS STATEMENT
 FOR THE PERIOD FROM 16 DECEMBER 1976 (DATE OF INCORPORATION)
 TO 30 JUNE 1977

SOURCE OF FUNDS		
Sale of treasury shares		\$ 14,200.20
APPLICATION OF FUNDS		
Deferred costs - Schedule 1	\$ 7,565.65	
Purchase of mineral rights	<u>4,200.00</u>	<u>11,765.65</u>
WORKING CAPITAL, being cash on hand as at 30 June 1977		<u><u>\$ 2,434.55</u></u>

SCHEDULE OF DEFERRED COSTS
 FOR THE PERIOD FROM 16 DECEMBER 1976 (DATE OF INCORPORATION)
 TO 30 JUNE 1977

Schedule 1

Legal fees and expenses	\$ 2,604.47
Printing	1,447.45
Licences and recording fees	1,010.00
Engineers' report	948.35
Incorporation costs	658.11
Office and telephone	595.57
Accounting and audit fees	420.00
Interest income	<u>(118.30)</u>
	<u><u>\$ 7,565.65</u></u>

**GEOLOGICAL REPORT
ON THE
EM77 CLAIM
FOR
PENN ENERGY CORPORATION
KAMLOOPS M.D. 921-11W**

**July 25, 1977
Vancouver, B.C.**

**Thomas R. Tough, P. Eng.,
Consulting Geologist**

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ILLUSTRATIONS

SCALE

LOCATION MAP

1" = 136 miles

CLAIM MAP

1" = 3000 feet

PAST EXPLORATION RESULTS

1" = 200 feet

SUMMARY

The EM77 claim consists of 12 units located seven miles north of Spences Bridge and immediately to the west of the Trans-Canada Highway.

Access to the showings on the property is provided by a road branching off to the property nine miles north of Spences Bridge.

Water is available for all phases of the exploration and development programme.

Diesel-electric power would be required for the initial stages of development.

Most supplies are obtainable in Spences Bridge, Hope or Ashcroft.

Railhead facilities are available at Spences Bridge.

Several old exploratory workings on mineralized zones are located on the property.

A magnetometer and an E.M. survey were carried out on the property in 1970 and 1971. A localized anomaly was outlined over the shaft area.

A drill hole put down on this anomaly returned .45% Cu over 13.5 feet, the length of the hole.

A second anomaly 800 feet long occurs 400 feet west of the shaft area.

The claim covers an area underlain by limestones and cherty limestones of the Nicola Group of rocks. Mineralization appears to be related to a skarn zone and to intermediate to basic dykes intruding the limestone.

Chalcopyrite mineralization generally associated with varying degrees of magnetite occurs within northerly trending steeply dipping shear zones. Chip samples taken by the writer over widths of five to twenty feet returned from .40% Cu to 2.50% Cu.

Previous samples taken from trenches over widths of six to thirty-five feet returned from .33% Cu to 1.31% Cu.

CONCLUSIONS

Surface outcroppings and numerous workings reveal widespread chalcopyrite mineralization generally associated with magnetite.

A magnetometer survey over a portion of the property outlined two northeasterly trending anomalies.

The more localized anomaly over a shaft was drilled disclosing 13.5 feet of .45% Cu.

An 800 foot long anomaly to the west of the shaft may indicate a mineralized zone in association with magnetite.

Widespread mineralization in relation to encouraging geologic indicators enhances the prospect of locating economic ore zones on the property.

RECOMMENDATIONS

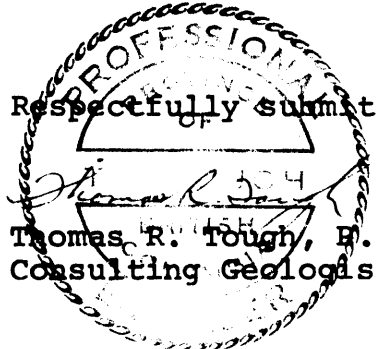
It is recommended that a magnetometer and a geochemical survey should be completed to explore the entire claim for potential mineral-bearing zones.

Geological mapping would be helpful in interpreting the results of the above programmes.

Contingent upon the results of Phase I, a small drill programme should be initiated to test anomalous conditions.

It is also recommended that Penn Energy Corporation allocate the sum of \$23,000.00 to initiate and execute the recommended exploration and development programme.

Respectfully submitted,

A circular professional seal for a geologist. The outer ring contains the text "PROFESSIONAL ENGINEER" at the top and "BRITISH COLUMBIA" at the bottom. Inside the ring, the number "534" is visible. The seal is partially obscured by a signature and the typed name of the consultant.
Thomas R. Tough, E.Eng.,
Consulting Geologist

July 25, 1977
Vancouver, B.C.

INTRODUCTION

The following report has been compiled from information obtained by the writer during a property examination on September 26, 1973, and on July 2, 1977, from previous reports on the property and from a review of pertinent government publications.

The purpose of the examination was to examine the showings on the property and to propose an exploration programme to assist in assessing the potential of the property.

PROPERTY

The property consists of one located mineral claim containing 12 units.

<u>CLAIM NAME</u>	<u>RECORD NUMBER</u>	<u>NO. OF UNITS</u>	<u>EXPIRY DATE</u>
EM-77	795	12	May 2, 1978

LOCATION AND ACCESS

The property is located immediately to the west of the Trans Canada Highway, seven miles north of Spences Bridge. The main showing, near the centre of the group, may be reached on foot by a steep climb from the highway or alternately by a good dirt road which turns west from the highway approximately two miles beyond the claim and doubles back south to the showings.

WATER

Water is readily available for all phases of the exploration and development programme.

POWER

Diesel-electric power would be required for the initial stages of development.

SUPPLIES

Supplies not available in Spences Bridge would be obtainable from larger centres as Hope or Ashcroft.

TRANSPORTATION

Railhead facilities are available at Spences Bridge.

HISTORY

Several old hand trenches and a 40 foot shaft are located in the vicinity of the main showings and appear to have been the result of exploration approximately 30 years ago. Three old drill stations are located to the west of the main showings.

There is no available information on the above exploration.

In 1970 and 1971 work on the property included three line miles of E.M. and magnetometer surveys and 95 feet of pack sack drilling in two holes.

GEOLOGY

The claim group covers an "inlier" of Triassic sedimentary rocks of the Nicola Group which is bounded by the Permian Cache Creek Group of an assemblage of metamorphosed volcanic and sedimentary rocks. The Guichon Creek Batholith which is the host to the large orebodies of the Highland Valley is three miles east of the property.

Regional northerly and northeasterly structures are reflected on the property by steeply dipping shear zones.

Outcrops of black and shaly limestone with interbedded chert occur on the property. Intermediate to basic volcanic dykes intrude the limestone.

Chalcopyrite mineralization, in association with magnetite, occurs within a skarn zone as well as in relation with the dykes or shear zones.

PREVIOUS WORK

MAGNETOMETER SURVEY

Three line miles of a magnetometer survey were completed in 1970 and 1971.

A localized anomaly occurs centered over the shaft area where mineralization with magnetite is known to occur. This was tested by D.D.H. 2 with a 13.5 foot hole which returned a weighted average grade of .45% Cu.

A northeasterly trending anomaly 800 feet long occurs up to 400 feet west of the shaft. This anomaly was the target of three previous drill holes, however the results are not available.

E.M. SURVEY

The E.M. survey provided little information.

This was probably due to the orientation of the zones (E.W.) relative to the transmitting station in Seattle (S).

MINERALIZATION

Surface exposures reveal malachite and azurite occurring as splashes on limestone which contains pyrite and chalcopyrite mineralization.

Disseminations, blebs and intermittent discontinuous stringers of chalcopyrite with lesser pyrite occurs in association with magnetite within steeply dipping shear zones striking 070° to 090° .

The writer sampled a 20-foot wide shear zone containing a more prominent magnetite-chalcopyrite, and a chloritic zone, which returned 0.40% Cu..

A five-foot sample near the shaft and across a siliceous and chloritic zone containing chalcopyrite, pyrite, malachite, azurite and magnetite assayed 0.77% Cu.

A five-foot sample of a mineralized shear zone approximately 800 feet southwest of the shaft assayed 2.50% Cu. A grab sample taken from the shaft area assayed 1.45% Cu, Tr. Au, 0.18 oz/ton Ag.

D.D.H. 2 located next to the shaft was drilled to a depth of 13.5 feet. Assays were as follows:

	<u>Length</u>	<u>% Cu</u>	<u>Au oz/ton</u>	<u>Ag oz/ton</u>
0- 5	5 feet	.85	.005	.10
5-10	5 feet	.16	Tr	Tr
10-13.5	3.5 feet	.29	.005	.02

Other trench samples taken by qualified persons assayed as follows:

<u>Location</u>	<u>Interval (feet)</u>	<u>Assay</u>		
		<u>% Cu</u>	<u>Au oz/ton</u>	<u>Ag oz/ton</u>
Tr #1	30	.42	.005	.05
Tr #3	35	.33	.004	.05
Tr #7	6	.50	Tr	Tr
Tr #7b	23	.74	Tr	Tr
Tr #9	6	1.31	Tr	.03

EXPLORATION AND DEVELOPMENT PROGRAMME

A magnetometer survey in conjunction with a geochemical survey and geological mapping should be performed over the unexplored areas to locate additional zones of potential mineralization.

A 500-foot diamond drill programme should be carried out to trace and delineate the known mineralized zones and to test anomalous areas.

COST OF RECOMMENDED EXPLORATION AND DEVELOPMENT PROGRAMME

PHASE I

Geological mapping	\$ 3,000.00
Magnetometer survey - 12 line miles @ \$150	1,800.00
Geochemical survey - 750 samples @ \$4.50/sample	<u>3,375.00</u>
	\$ 8,175.00

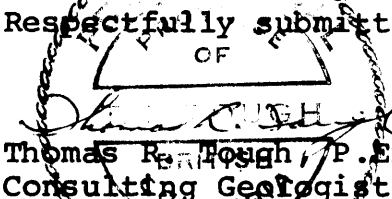
PHASE II

Diamond drilling - 500 feet @ \$16/foot	\$ 8,000.00
Engineering and Supervision	3,000.00
Assaying	1,000.00
Field Expenses	1,000.00
Contingencies	<u>2,000.00</u>
	\$ 15,000.00

TOTAL PHASES I & II \$ 23,175.00

The programme is estimated to take two months to complete.

Respectfully submitted,
OF
Thomas R. Tough
Thomas R. Tough, P. Eng.,
Consulting Geologist



July 25, 1977
Vancouver, B.C.

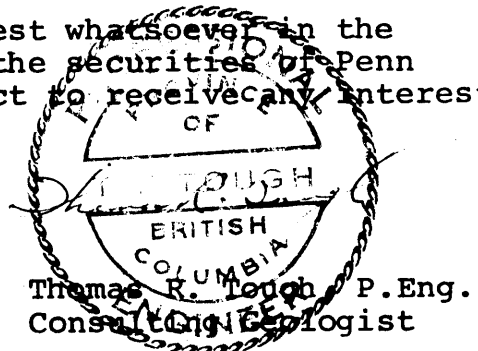
CERTIFICATE

I, THOMAS R. TOUGH, of the City of Richmond, in the Province of British Columbia, do hereby certify:

That I am a Consulting Geologist and an associate of T.R. Tough & Associates Ltd., with offices located at #420 - 890 West Pender Street, Vancouver, B.C.

I further certify:

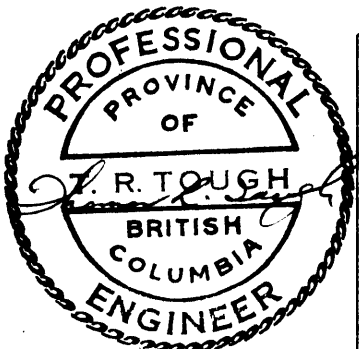
1. That I am a graduate of the University of British Columbia (1965) and hold a B.Sc. degree in Geology.
2. I have been practising in my profession for the past twelve years.
3. I am registered with the Association of Professional Engineers of British Columbia.
4. This report is based on information obtained by the writer during personal examinations of the property September 26, 1973 and July 2, 1977, from a study of available data and from government and other publications.
5. I have no direct or indirect interest whatsoever in the property described herein, nor in the securities of Penn Energy Corporation and do not expect to receive any interest therein.



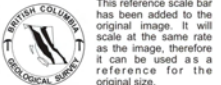
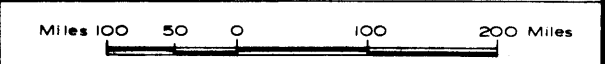
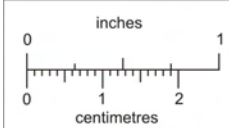
July 25, 1977
Vancouver, B.C.



**PROPERTY
LOCATION**

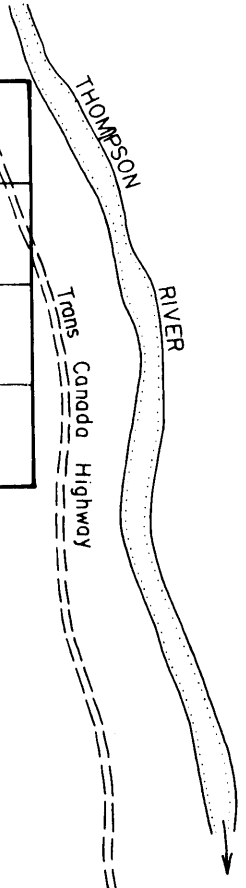
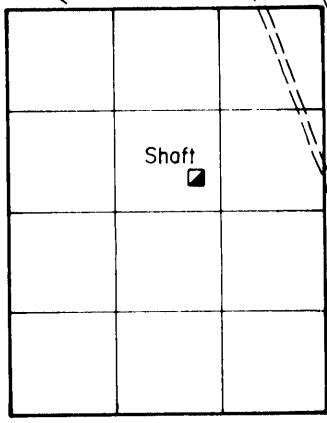


T. R. TOUGH ASSOCIATES LTD.
 PENN ENERGY CORPORATION
 EM 77 CLAIM
LOCATION MAP
 KAMLOOPS M.D., B.C.

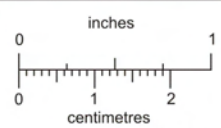




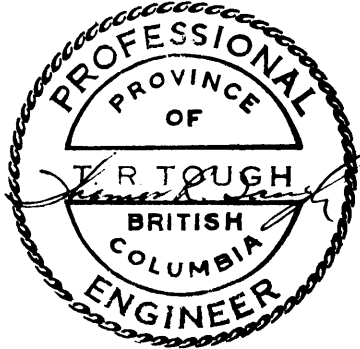
EM 77 CLAIM



Spences
Bridge
7 Miles



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.



T.R. TOUGH & ASSOCIATES LTD.		
PENN ENERGY CORPORATION		
EM 77 CLAIM		
CLAIM MAP		
KAMLOOPS M.D., B.C.		
SCALE 1" = 3000 FEET		
DRAWN : ALTAIR	CHECKED :	DATE : July-1977

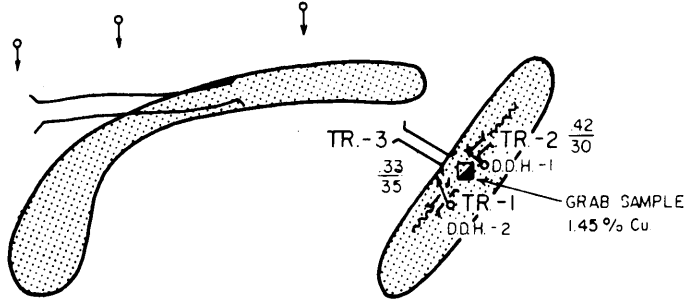
AREA OF 1970-1971
MAGNETOMETER & E.M. SURVEYS



TR-9
 $\frac{131}{6}$



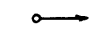
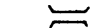

TR-8

TR-7
 $\frac{50}{6}$ $\frac{74}{23}$



$\frac{2.50}{5}$

LEGEND

-  MAGNETIC ANOMALY
-  SHEAR
-  DRILL HOLES
-  TRENCH
-  SHAFT
- $\frac{250}{5}$ % Cu
INTERVAL IN FEET



T.R. TOUGH & ASSOCIATES LTD.

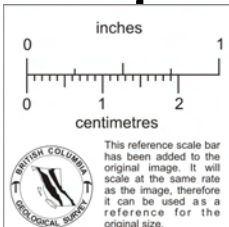
PENN ENERGY CORPORATION
EM 77 CLAIM
PAST EXPLORATION RESULTS

KAMLOOPS M.D., B.C.
SCALE: 1" = 200 FEET

DRAWN: ALTAIR

CHECKED:

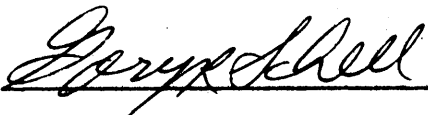
DATE: July-1977



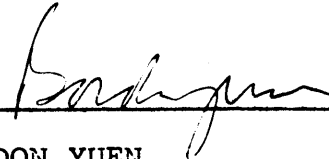
CERTIFICATE

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 (British Columbia) and the regulations thereunder.

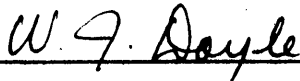
DATED at Vancouver, British Columbia, this 26th day of AUGUST, A.D., 1977.



GARY R. SCHELL
PRESIDENT/DIRECTOR/PROMOTER



GORDON YUEN
SECRETARY-TREASURER/DIRECTOR



JAMES WILFRED DOYLE
DIRECTOR