

EFFECTIVE DATE: MARCH 18, 1988

THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THESE SECURITIES ONLY IN THOSE JURISDICTIONS WHERE THEY 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 HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

018846

NEW ISSUE

PROSPECTUS

# FEST RESOURCES CORP.

(the "Issuer")

(Incorporated under the laws of British Columbia)

#334 - 475 Howe Street  
Vancouver, B.C.

FORMERLY  
KOMODY  
RES.

The Offering Price of the securities offered herein was established by negotiation between the Issuer and the Agent. The Offering Price of \$0.40 per Common Share exceeds the net tangible book value per Common Share by \$0.283 in effect to this Offering, representing a dilution of 70.7%. Reference is made to "Dilution". An investment in the securities offered herein should be regarded as speculative. Reference is made to "Risk Factors".

IS NO MARKET THROUGH WHICH THESE SECURITIES MAY BE SOLD.

## 550,000 Common Shares @ \$0.40 per share

	Price to Public	Commissions	Net Proceeds to be received by Issuer
.....	\$0.40	\$0.05	\$0.35
.....	\$220,000.00	\$27,500.00	\$192,500.00 *

Reduction of the cost of offering payable by the Issuer estimated not to exceed \$15,000.00.

THE OFFERING WILL REPRESENT 26.72% OF THE COMMON SHARES OUTSTANDING AFTER THE COMPLETION OF THIS OFFERING AS COMPARED TO 54.52% THAT WILL THEN BE OWNED BY THE ISSUER, DIRECTORS, AND OFFICERS ISSUED FOR CASH PRIOR TO THE DATE OF THIS PROSPECTUS. SEE PAGES 18 AND 25 HEREOF.

THE VANCOUVER STOCK EXCHANGE HAS CONDITIONALLY LISTED THE SECURITIES BEING OFFERED HEREIN IN ACCORDANCE WITH THE PROVISIONS OF THE VANCOUVER STOCK EXCHANGE ACT. LISTING IS SUBJECT TO THE ISSUER FULFILLING ALL THE LISTING REQUIREMENTS ON THE VANCOUVER STOCK EXCHANGE ON OR BEFORE SEPTEMBER 14, 1988, INCLUDING PRESCRIBED DISTRIBUTION AND FINANCIAL REQUIREMENTS.

THE DIRECTORS AND OFFICERS OF THE ISSUER ARE OR MAY BE DIRECTORS AND OFFICERS OF OTHER COMPANIES WHICH MAY OR DO CARRY ON SIMILAR TYPES OF BUSINESSES AND CONFLICTS OF INTEREST MAY RESULT. REFERENCE IS MADE TO "DIRECTORS AND OFFICERS" ON PAGE 21 HEREIN.

THE AGENT WILL RECEIVE AN AGENT'S WARRANT ENTITLING IT TO PURCHASE A TOTAL OF 50,000 COMMON SHARES IN RETURN FOR GUARANTEEING THE SALE OF SHARES OFFERED HEREBY. THIS PROSPECTUS ALSO QUALIFIES FOR SALE TO THE PUBLIC AT THE MARKET PRICE FOR THE SHARES AT THE TIME OF SALE ANY SHARES OF THE ISSUER WHICH THE AGENT MAY ACQUIRE PURSUANT TO THE AGENT'S WARRANT. REFERENCE SHOULD BE MADE TO THE "PLAN OF DISTRIBUTION" ON PAGES 1 - 2.

THE REGISTRAR AND TRANSFER AGENT OF THE ISSUER IS MONTREAL TRUST, 510 BURRARD STREET, VANCOUVER, BRITISH COLUMBIA.

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

THERE HAVE BEEN NO MATERIAL ADVERSE CHANGES IN THE FINANCIAL POSITION OF THE ISSUER SINCE THE DATE OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS CONTAINED IN THIS PROSPECTUS. REFERENCE SHOULD BE MADE TO THE "USE OF PROCEEDS" ON PAGES 2 AND 3.

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

## PACIFIC INTERNATIONAL SECURITIES INC.

1500 - 700 West Georgia Street  
Vancouver, B.C.

DATED: March 8, 1988

PROPERTY FILE  
D.L.  
Mobile 103 P/13V  
(AT-Viggoak 104 A--005)

## PROSPECTUS SUMMARY

The information given below is intended to provide a summary only of the principal Features of the Offering. Reference is made to the more detailed information appearing elsewhere in this Prospectus.

### THE OFFERING

- ISSUER:** FEST RESOURCES CORP. (the "Issuer")  
#334-475 Howe Street, Vancouver, British Columbia
- AMOUNT:** 550,000 Common Shares
- PRICE:** \$0.40 per Common Share
- ISSUE:** 550,000 Common Shares. This Issue will represent 26.72% of the Common Shares outstanding after the completion of this Offering as compared to 54.52% that will then be owned by promoters, directors, and officers issued for cash prior to the date of this Prospectus. See Pages 18 and 25 hereof.
- USE OF PROCEEDS:** The Issuer will have funds on hand upon completion of this Offering totalling \$192,534 comprised of \$34 on hand as at March 8, 1988 and net proceeds of \$192,500 from this Offering. The Issuer intends to expend \$70,000 for a Phase I work program to explore for silver and gold on a property located in the Skeena Mining Division and more fully described under "Description of Business" herein with a further \$50,000 to be expended for a Phase II work program contingent upon the results of Phase I. The remaining funds will be added to working capital. See "Use of Proceeds".
- DILUTION:** The offering price of \$0.40 per Common Share exceeds the net tangible book value per Common Share by \$0.283 after giving effect to the Offering, representing a dilution of 70.7% see "Risk Factors".
- RISK FACTORS:** Investment in the Common Shares offered under this Prospectus must be considered as speculative. A prospective investor should consider carefully the following factors:

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

The Issuer's mining properties are in the exploration and development stage, no land surveys have been conducted to determine the boundaries of its mineral claims and there are no known bodies of commercial ore.

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

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

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

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## PLAN OF DISTRIBUTION

### Conditional Listing

The Vancouver Stock Exchange has conditionally listed the securities being offered pursuant to this Prospectus. Listing is subject to the Issuer fulfilling all the listing requirements of the Vancouver Stock Exchange on or before September 14, 1988, including prescribed distribution and financial requirements.

### Offering

The Issuer by its Agent hereby offers (the "Offering") to the public through the facilities of the Vancouver Stock Exchange (the "Exchange") Five Hundred and Fifty Thousand (550,000) common shares (the "Shares"). The Offering will be made in accordance with the rules and policies of the Exchange and will take place on a day (the "Offering Day") as determined by the Agent and the Issuer, with the consent of the Exchange, within a period of 180 days from the date (the "Effective Date") upon which the securities of the Issuer are conditionally listed on the Exchange. The Offering price of the Shares will be \$0.40 per Share.

### Appointment of Agent

The Issuer, by an agreement (the "Agency Agreement") dated November 19, 1987 and amended February 18, 1988, appointed Pacific International Securities Inc. as its agent (the "Agent") to offer to the public through the facilities of the Exchange.

The Agent will receive a commission of \$0.05 per Share (representing 12.5% of the offering price per share).

The Agent has agreed to purchase any Shares not sold at the conclusion of the Offering. In consideration therefore the Agent has been granted a non-transferable share purchase warrant (the "Agent's Warrant") entitling it to purchase up to Fifty Thousand (50,000) shares of the Issuer at any time up to the close of business 365 days from the listing of the Issuer's shares on the Exchange, or twelve months from the date of this Prospectus, whichever is earlier, at a price of Forty-Six (\$0.46) Cents per share.

The Agent reserves the right to offer selling group participation in the normal course of the brokerage business to selling groups of other licenced broker-dealers, brokers and investment dealers, who may or may not be offered part of the commissions or bonuses derived from this Offering.

The obligations of the Agent under the Agency Agreement may be terminated prior to the opening of the market on the Offering Day at the Agent's discretion on the basis of its assessment of the state of the financial markets or upon the occurrence of certain other stated events.

The Issuer has granted the Agent a right of first refusal to provide future equity financing to the Issuer for a period of twelve (12) months from the Effective Date.

There are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder or any other person or company in connection with the Offering.

The Directors, Officers and other Insiders of the Issuer may purchase Shares from this Offering.

### Description of Securities Offered

#### Shares

The securities being offered to the public by this Prospectus are common shares of the Issuer. The Issuer has only one kind and class of share and each share ranks equally as to dividends, voting rights, participation in assets on winding-up and in all other respects. The shares to be issued pursuant to this Prospectus will be fully paid and will not be subject to any call or assessment.

#### Agent's Warrant

The Agent's Warrant will be non-transferable and in bearer form and will entitle the holder thereof to purchase up to Fifty (50,000) Thousand common shares in the capital of the Issuer at any time up to the close of business 365 days from the date of listing of the Issuer's shares on the Exchange or 12 months from the date of this Prospectus, whichever is earlier, at a price of \$0.46 per share.

#### Additional Offering

This Prospectus also qualifies for sale to the public at the market price prevailing at the time of the sale, any of the Common Shares which may be acquired on the exercise of the Agent's Warrant at any time up to three hundred and sixty-five (365) days from the listing of the Issuer's shares on the Exchange but not more than one (1) year after the Effective Date. The Issuer will receive the proceeds from any exercise of the Agent's Warrant. However, the Issuer will not receive any proceeds from the subsequent sale of any shares acquired by the Agent pursuant to any exercise of the Agent's Warrant, all of which proceeds will in such event accrue to the Agent.

### USE OF PROCEEDS

The net proceeds to be derived by the Issuer if all the shares offered hereunder are sold will be \$192,500. The net proceeds together with \$34 cash on hand as at March 8, 1988 will be used for the following purposes:

(a) Cost of Offering:	\$ 15,000.00
(b) Accounts Payable as at March 8, 1988	11,189.00
(c) Repayment of Director Loans	9,120.00
(d) To pay the cost of Phase I of the work program recommended by the engineering report of W.D. Groves, Ph.D., P.Eng., dated June 24, 1987 consisting of data geological mapping, geochem & geophysics, blasting & trenching	70,000.00
(e) Contingent upon the successful outcome of Phase I a reserve to pay part of the cost of Phase II of the work program recommended by the engineering report of W.D. Groves, Ph.D., P.Eng. dated June 24, 1987 consisting of diamond drilling and assays	50,000.00
(f) Working Capital:	<u>37,225.00</u>
<b>TOTAL:</b>	<b>\$192,534.00</b>

If the Agent exercises the warrant to purchase a further 50,000 common shares of the Issuer, the Issuer will receive up to \$23,000 which will be added to the Issuer's working capital.

There have been no material adverse changes in the financial position of the Issuer since the date of the unaudited interim financial statements contained in this Prospectus.

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

None of the funds from the proceeds of this offering or cash on hand will be used either directly or indirectly for the payment of expenses related to the litigation concerning the AM-Virginia K property and more particularly described under "Other Material Facts". The directors of the Issuer have undertaken to provide the funds required by the Issuer to cover these expenses. To date the directors have provided \$4,146 for the defence.

SHARE CAPITAL STRUCTURE

<u>Designation of Security</u>	<u>Amount Authorized</u>	<u>Amount out- Standing as of the date of the most recent balance sheet contained in the Prospectus</u>	<u>Amount out- standing as of March 8/88</u>	<u>Amount to be outstanding if all sec- urities being issued are sold</u>
Common shares	49,990,000	1,508,620	1,508,620	2,058,620

Pursuant to a directors resolution dated April 2, 1987, 10,000 shares were surrendered to the treasury for cancellation.

INTERCORPORATE RELATIONSHIPS

The Issuer has no subsidiaries.

NAME AND INCORPORATION OF THE ISSUER

Fest Resources Corp. ("the Issuer") was incorporated on the 18th day of April, 1980 under the name Komody Resources Ltd. under the Company Act of the Province of British Columbia, by registration of its Memorandum and Articles. On March 30, 1987 Komody Resources Ltd. changed its name to Fest Resources Corp. At the date hereof, the Issuer is not a reporting issuer pursuant to the Securities Act of British Columbia, but will become a reporting issuer when the receipt for the final Prospectus is issued.

The head office of the Issuer is #334-475 Howe Street, Vancouver, British Columbia and the Registered and Records Office is #401 - 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

DESCRIPTION OF BUSINESSThe Business

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



The PropertyMobile Property

Pursuant to a Bill of Sale, dated December 9, 1980, the Issuer acquired from Glacier Syndicate of 303-510 West Hastings Street, Vancouver, British Columbia, for the total payment of \$1,990 (representing costs of staking), a 100% beneficial interest in the four modified grid claims comprising the Mobile property. At that time, the Glacier Syndicate was owned by Eugene Stonehocker, a Director of the Issuer, and James G. McDonald, also a Director (since resigned) of the Issuer. At the time of sale the claims were known as the Glacier 1-4 claims.

The four modified grid claims are situated in the Skeena Mining Division, Province of British Columbia, and are now, after restaking, more particularly described as follows:

<u>Claim Name</u>	<u>Record No.</u>	<u>No. of Units</u>	<u>Expiry Date</u>
Mobile	5318	18	April 22/88
Mo 1	6134	9	May 5, 1988
Mo 2	6135	20	May 5, 1988
Mo 3	6136	18	May 5, 1988

Neither the Directors, any other insiders, nor any company that they are associated with own any contiguous claims.

A geological report on the Mobile property dated June 24, 1987, on file with The British Columbia Securities Commission and available for inspection during normal business hours during the primary distribution hereunder and for 30 days thereafter at #401-595 Howe Street, Vancouver, British Columbia, has been prepared by Dr. W.D. Groves, Ph.D., P. Eng., Consulting Engineer, from which the following excerpts are taken:

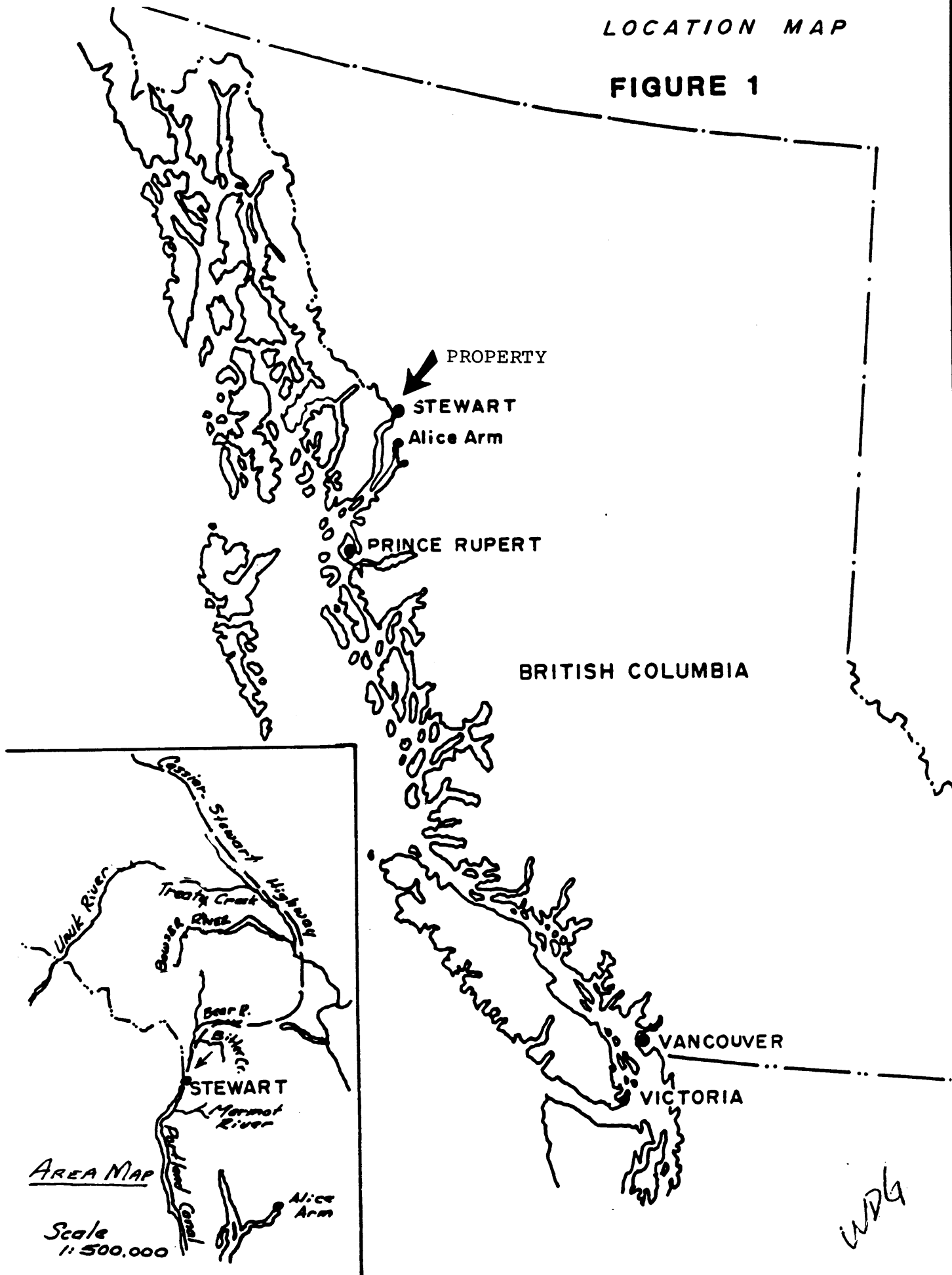
Location, Access and Physiography

The Mobile claim (and three tie-ons the Mo 1-3 claims) are located in the Glacier Creek Area, about five kilometres northeast of Stewart, British Columbia. Access at present is by helicopter from the base at Stewart to the campsite on the "Mobile" showings. A well defined trail, shown on Figure 3a, leads from the highway near the old Dunwell millsite to the old Portland Canal Mine and then beyond to the Mobile camp - a hike of about two and a half hours uphill and approximately one and a half hours down.

The "Mobile" showings lie between 1,100 and 1,300 meter elevation (just below treeline) along the western flank of the ridge separating Albany and Glacier Creeks. In the area of the showings, scrub forest cover alternates with large, open grassy patches. At lower elevations, the forest thickens into a heavy stand of timber on steep, bluffy slopes.

LOCATION MAP

FIGURE 1





Climate is typical of the Stewart area: frequent precipitation throughout the year with heavy snowfalls in winter. In normal season the property is open to exploration from mid-June to early October.

### Property - Claim Status

The property consists of four modified grid claims held in the name of the Issuer. Claim disposition is shown on Figure 2. The property was acquired in 1980 by Komody Resources Ltd. (previous name for the Issuer) from the Glacier Syndicate for costs of staking the claims comprising the property were known at that time as the Glacier 1-4 claims.

### History

The Mobile property has a lengthy history of exploration, beginning around 1919. A summary of activity is presented below:

- 1919-20 Known as the Mobile Group. Principal showings discovered. Open -cutting and sampling.
- 1920-26 Known as the Mobile Group. Work concentrated on development of what was later known as the "A" vein, a quartz-sulphide vein in a shear zone in argillites. Two short tunnels were driven in to expose high -grade silver shoots from which 15 tons grading 260 oz/ton were taken. A lower tunnel, driven 520 feet, failed to disclose similar mineralization.
- 1927 Known as the Kenneth. Further work on two other showings, the "B" vein and "C" replacement zone (as they were later known). Open -cutting and sampling.
- 1930-32 Known as the Argentine Syndicate. Cross-cut tunnel driven 113 feet to test the "B" vein. Five tons of high-grade ore from the "A" vein assaying 323 oz/ton in silver were shipped. Gold values were obtained from trenching in "C" replacement zone. Mineralized shear zones proximate to "B" vein tested by open-cutting.
- 1965-66 Explored by Anglo United Development Corporation. Survey of tunnels on property, geological mapping and sampling. Geochemical soil sampling program disclosed large Pb-Zn anomaly uphill from "B" vein exposure.
- 1980-85 Property staked by Komody Resources Ltd. Property visits and reports by E. Cruz, P. Eng. and E.W. Grove, Ph.D., P. Eng. Yearly assessment work programs to keep property in good standing, chiefly bulk sampling of high-grade lenses in "A" vein. A minor prospecting of other zones. Airborne and ground EM/Mag Survey by Apex Airborne.

1986-87 Metallurgical tests on sample from "A" vein. Report by W.D. Groves, P.Eng., Ph.D.

### Exploration Expenditures

Since the Issuer originally acquired the property in 1980, it has expended or caused to be expended at least \$57,320 in exploration. This work consisted primarily of bulk sampling of high-grade silver mineralization exposed on surface in the "A" zone, but also included blasting and trenching, trail cutting, airborne and ground geophysical surveys, metallurgical tests, and property examinations and geological reports by consulting engineers, E.W. Grove, Ph.D., P. Eng., and E. Cruz, P. Eng.

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

In addition to the expenditures on the Mobile property, the Issuer has also incurred substantial exploration expenditures on its gold-silver property in the American Creek area (currently under option, see AM-Virginia K Property, page 13) as well as on numerous mineral claims formerly held by the Issuer.

### Geology

The following description of the regional geology is excerpted from a 1982 report by E.W. Grove, Ph.D., P. Eng., on the Glacier claims (previous name for Mobile and Mo numbers 1-3 claims). Dr. Grove is also the author of Bulletin 58 of the B.C. Department of Mines entitled "Geology and Mineral Deposits of the Stewart Area".

"The basic geological outline of the Glacier Creek area is shown in (Fig. 3). The oldest rocks in the immediate vicinity comprise an assemblage of bedded and flow-type volcanics of late Lower Jurassic age which form part of the Unuk River Formation. This sequence is unconformably overlain by early Lower Middle Jurassic marine sediments of the Salmon River Formation. This siltstone-sandstone-greywacke unit has been folded into a canoe-shaped trough that persists as a structural remnant perched on top of the older eroded volcanics and their dynamically metamorphosed equivalents. All of these units have been intruded by the Glacier Creek augite porphyry stock of probable Cretaceous age and by a quartz monzonite satellite stock representing a portion of the underlying very extensive Tertiary Hyder batholith. Various lamprophyre dykes dated at about 34 my (BP) cut across all the major country rock units.

The (Mobile and Mo number 3) claims and the Mobile prospect in particular lie along the deformed west limb of a large Middle Jurassic structural trough. Deformation of the siltstone, and

sandstones along predominantly North-South directions west of Albany Creek has produced a melange of graphitic shears separating faulted blocks of various sizes.

The many quartz and quartz-sulfide veins that cut the siltstone unit in the Glacier Creek area are judged to have formed along fractures, faults and shears. Most of these veins have been subjected to faulting and brecciation producing what are commonly known as breccia veins."

The outline of the Mobile claim and approximate locations for Zones "A", "B" and "C" are shown on Figure 3--Regional Geology, after Dr. Grove's geological mapping in Bulletin 58, B.C. Department of Mines, 1971.

### Regional Economic Geology

The Mobile modified grid claim surrounds the principal three Crown Grant claims of the old Portland Canal Mine: the Gypsy, Little Joe and Lucky Seven claims, Lots 416, 873 and 874, respectively (see Figure 2). This was one of the first producers in the Stewart District, operating from 1907-1911, and treating approximately 7,000 tons of gold-silver-lead ore. The ore, taken from shoots in a well-defined quartz breccia vein hosted in Bowser siltstones and greywackes, reportedly averaged 0.12 to 0.3 ounces per ton in gold, 5 to 25 ounces per ton in silver, and 2.5 to 12% lead.

Another old producer, the Dunwell Mine, is situated approximately 2 km north of the Mobile prospect. It operated from 1926 to 1941 and yielded 9,876 oz. of gold and 329,805 oz. of silver from a little over 50,000 tons. Like the Portland Canal mine, the ore mineralization consisted of shoots in quartz breccia veins in graphitic siltstones of the Bowser Group.

Approximately 8 km to the south of the Mobile are the old Prosperity -Porter Idaho workings. These consist of a number of drifts exploring argentiferous veins in a parallel set of northerly/steep fault veins cutting Hazelton volcanics on the southeast side of Mt. Rainey. The vein systems produced almost 30,000 tons of high-grade ore containing 2,336,482 ounces of silver accompanied by values in copper, lead and zinc.

Exploration for precious metal deposits in the Stewart Complex (spanning approximately 120 miles from Anyox to the Iskut River) has increased sharply in past years. In 1986, significant reserves of gold-silver mineralization were reported at three major properties: the Premier mine (Westmin-British Silbak), Sulphurets (Newhawk-Lacana-Granduc) and the Reg (Skyline). Very recently, Westmin announced it would begin in mid 1987 construction of a mill to service the open-pit gold deposits at the old Premier and Big Missouri mines (about 20 km north of the Mobile property).

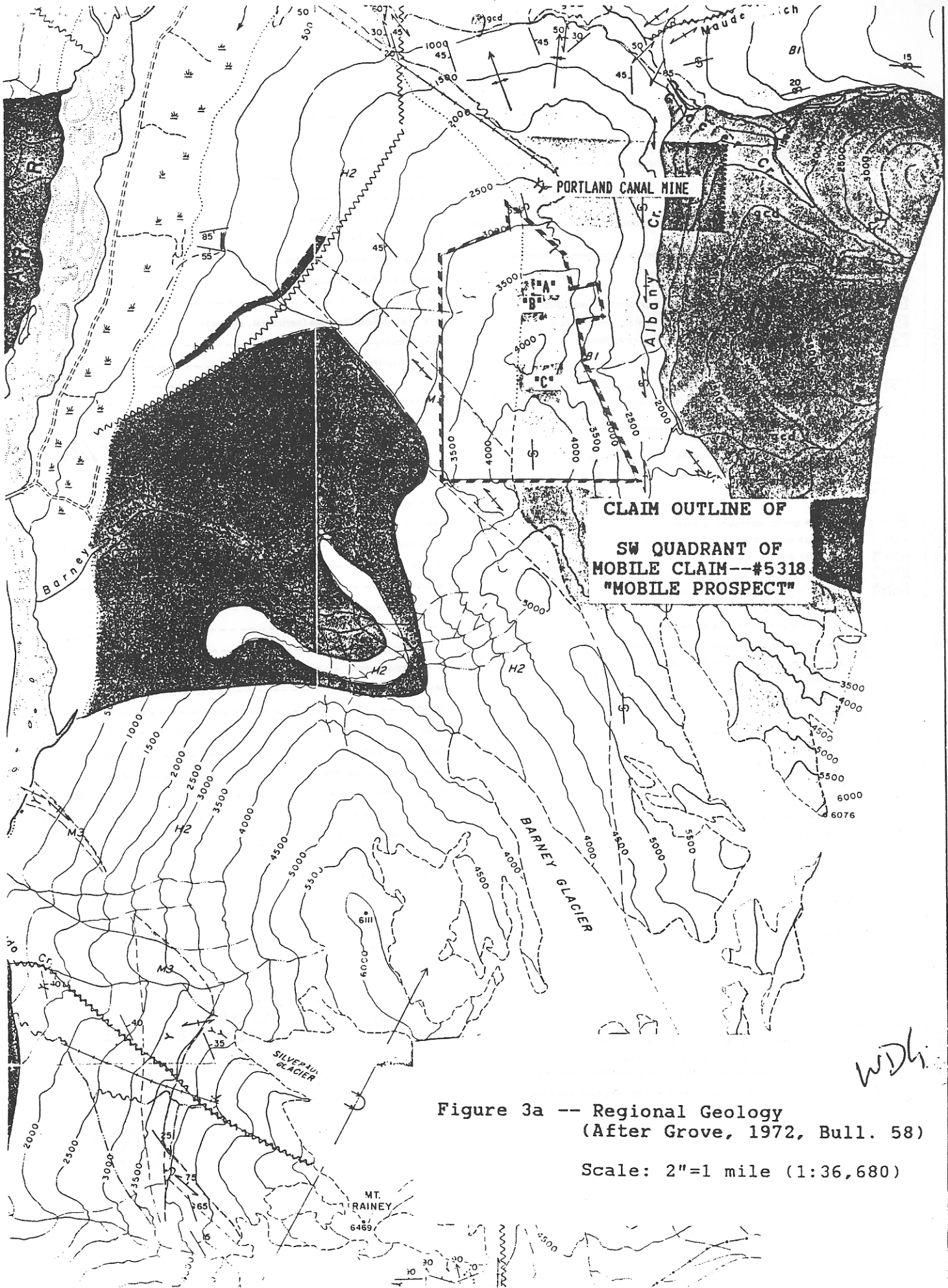


Figure 3a -- Regional Geology  
 (After Grove, 1972, Bull. 58)

Scale: 2"=1 mile (1:36,680)

*WDH*

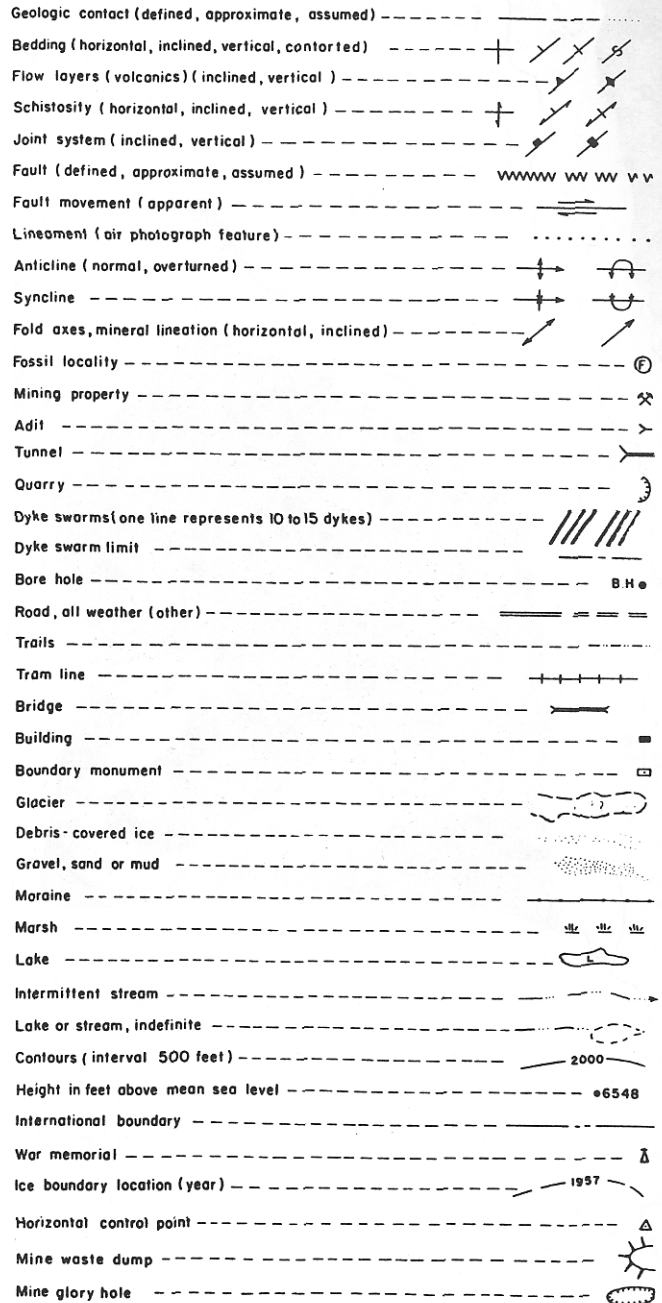
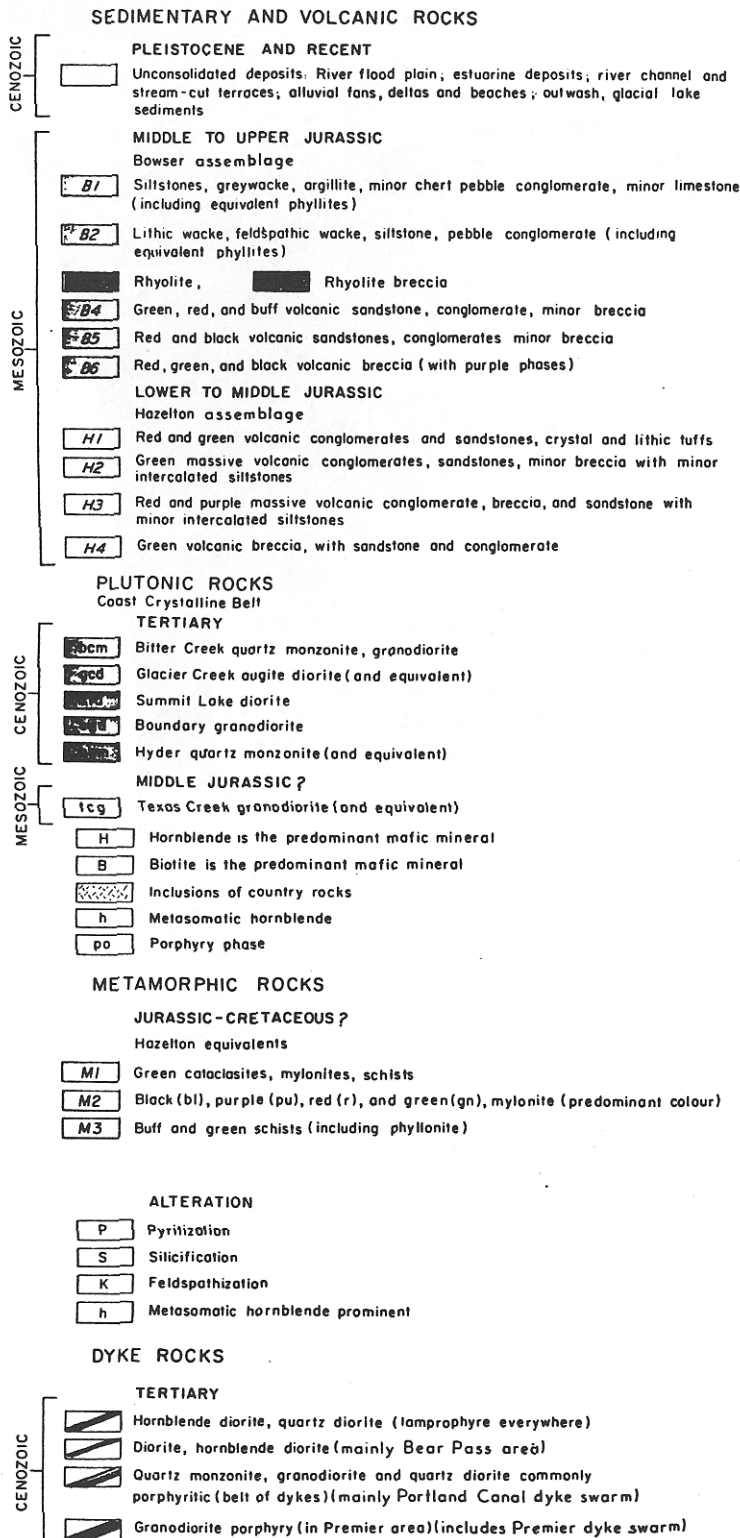


Fig. 3(b) -- LEGEND  
After Grove, Ref. 2

WDG



## Mineralization

Three principal zones of mineralization have been isolated in previous work on the Mobile property. These are the "A" quartz sulfide vein, the "B" quartz vein, and, what the author has dubbed as, the "C" replacement zone. Unfortunately, designation of various drifts and tunnels on the property as "A", "B", "C", "D", etc. (in the old Minister of Mines Reports), has created some confusion as to which zone they explore. The zones are described below.

### "A" Vein

This is the showing on which most of the work on the property has concentrated. The "A" quartz sulfide vein occurs in a north-south trending shear zone in siltstones and has been traced for over 200 meters on surface. Attitude is reported as 160/80W to vertical. Three tunnels have been driven in to explore the vein over a vertical range of 125 meters. The lowest tunnel was driven over 160 m but apparently did not intersect the same type of high-grade mineralization encountered in the upper two (which are considerably shorter).

Based on a property examination in 1982, E.W. Grove, Ph.D., P. Eng., described the vein as follows:

"At the surface the "A" vein was seen to consist of massive, dense quartz, sulfides, country rock fragments and vuggy, cross cutting white quartz carbonate veinlets forming a quartz breccia vein typical of the general area. The vein has a width of up to 25 cm in the footwall portion of the zone. Toward the hanging wall of the mineralized zone the massive breccia is succeeded by up to 60 cm of mineralized, altered siltstone with lenses of quartz sulfide, followed by pyritic quartz veins up to 15 cm wide and then by an oxidized hanging wall zone in which the thinly striped siltstones are bleached, indurated, and pyritized. The overall width of this quartz breccia-shear system in the No. 1 Trench is about 2 meters."

The weighted average of 6 samples taken across 0.91 m section of the "A" vein as exposed in No. 1 Trench was: silver - 46.9 oz/ton; gold - 0.06 oz/ton; lead - 1.0%; and zinc - 1.2%. Within this section a high-grade interval 0.15 m wide ran: silver - 182.48 oz/ton; gold - 0.075 oz/ton; lead - 0.52%; and zinc - 6.4%.

This compares with an earlier sample by E. Cruz, P. Eng., across 2.1 m, also a weighted average, as follows: silver - 37.0 oz/ton; gold - 0.028 oz/ton; lead - 0.84%; and zinc - 0.635%. A corresponding high-grade interval 0.15 m wide within this section ran: silver - 141.68 oz/ton; gold - 0.08 oz/ton; lead - 4.74%; and zinc - 0.29%.

The No. 1 Trench area appears to be the only surface exposure of the "A" vein presently known to contain high-grade silver values.

Sampling by Cruz, Ph.D., P. Eng., at five other trenches showed sub-economic silver values only.

Several small test shipments of ore have been made from the high -grade shoot exposed in No. 1 Trench and its downward projection in the upper two tunnels. The Minister of Mines Reports for 1923 states that 15 tons were taken out during development, assaying 260 oz/ton. Thereafter, in 1930, another five tons averaging 324 oz/ton in silver was reportedly shipped. In 1949, another eight tons was shipped averaging 192 oz/ton in silver.

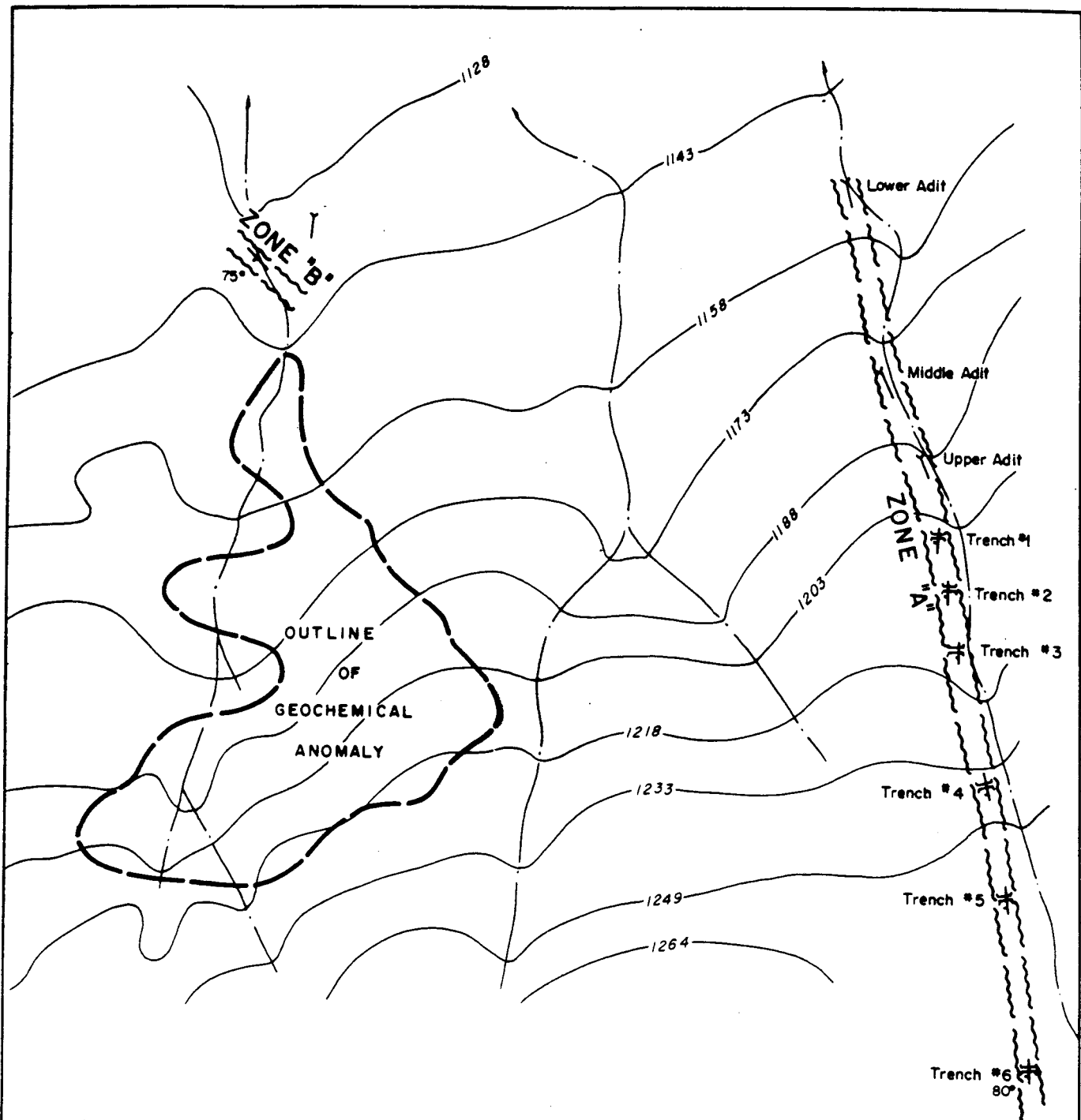
In 1981, Mr. Nick Benkovich of Stewart took out 5 tons reported to grade around 50 oz/ton in silver. During the 1983 assessment program, another 5 tons were removed from the No. 1 Trench area - a composite sample taken by E. Kruckowski, P. Geol., reportedly ran 82.9 oz/ton in silver. Mr. Kruckowski reported that the sample came from a 12 m long section of the vein which had been stripped of overburden by hand. This lens was apparently open to extension at both ends. During the latter program a stringer zone containing spectacular ruby silver mineralization was discovered in the hanging wall of the "A" vein. This zone undoubtedly contributed to the high grades reported by previous workers. A sample from the stringer zone, containing no visible ruby silver, ran 429 oz/ton in silver.

Dr. E.W. Grove, Ph.D., P. Eng., has described the mineralogy of the "A" vein as follows: "quartz, calcite, pyrite, sphalerite, galena, chalcopyrite, tetrahedrite, ruby-silver, and possible native silver are the most common minerals in decreasing order of abundance". The author has observed native silver in hand specimens from the "A" vein taken during the 1983 program.







### "B" Vein

The "B" vein is located approximately 160 m west of the "A" vein and has been explored by a large open cut and a cross-cut tunnel approximately 40 m long. Mineralogy and attitude of the "B" vein are similar to that of the "A" vein and it also occurs in a graphitic shear. Unlike the "A", however, no high-grade shipments of silver mineralization have been reported.

Although Minister of Mines Reports shows assays as high as 111 oz/ton in silver from the "B" vein, representative samples taken by Cruz, Grove and Kruckowski show silver values ranging from 0.01 to 3.78 oz/ton, only. A sample by Cruz, P. Eng., from a surface exposure over a 0.75 m width assayed: silver - 3.14 oz/ton; gold - 0.032 oz/ton; lead - 2.59%; and zinc - 11.09%. A sample by Grove, Ph.D., P. Eng., over a 2.0 m width exposed in the cross-cut tunnel ran: silver - 0.79 oz/ton; gold - 0.002 oz/ton; lead - 0.10%; and zinc - 3.60%.



**LEGEND**

-  MINERALIZED SHEAR ZONE
-  STRIKE AND DIP OF VEIN / LENS
-  TRENCH
-  ADIT
-  CREEK
-  -1203- CONTOUR (elevation in metres)



**KOMODY RESOURCES LTD.**

**MOBILE PROSPECT - MOBILE CLAIM**

**ZONES "A" & "B"**

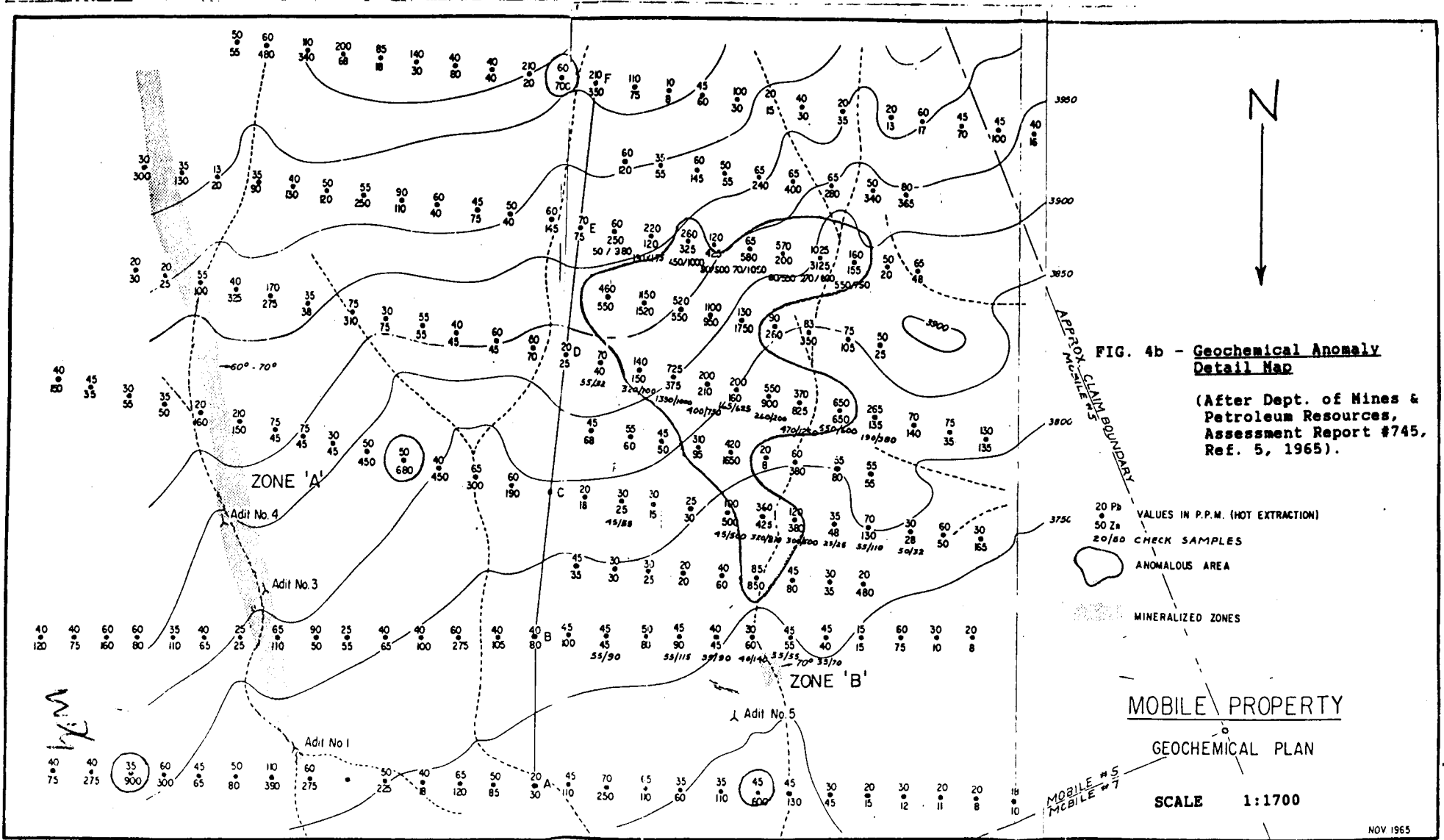
**SKEENA M.D., B.C.**

*W.D.G.*

0 20 80 METRES

To accompany report by  
W.D. Groves, P.Eng., Ph.D.

DATE: JUNE 1986  
FIGURE N<sup>o</sup> 4



### "C" Replacement Zone

The 1932 B.C. Minister of Mines Reports describes "C" zone as follows:

"Open-cutting has also been carried out on a replacement zone in dioritic rock lying 700 feet westerly of the southerly projection of "D" zone, which outcrops in places between elevation 4,100 feet and 4,300 feet along a distance of about 2,300 feet. An open-cut at elevation 4,100 feet on this replacement-zone shows a width of 10 feet mineralized with pyrrhotite in siliceous and semi-absorbed argillite. Another open-cut at 4,150 feet shows 8.5 feet mineralized with pyrrhotite, mispickel, stibnite, and zinc-blende.

A sample representative of the pyrrhotite phase exposed in these cuts assayed: Gold, trace; silver, trace. A sample of the mispickel phase with some pyrrhotite in these cuts assayed: Gold, 0.4 oz. per ton; silver, 1 oz. per ton."

No accounts of further work on this zone are contained in subsequent Minister of Mines Reports despite the promising gold value reported and the strength of the structure (the next account of work on the Mobile is in 1949 -- like many other Stewart properties, exploration all but ceased during the Depression and following World War).

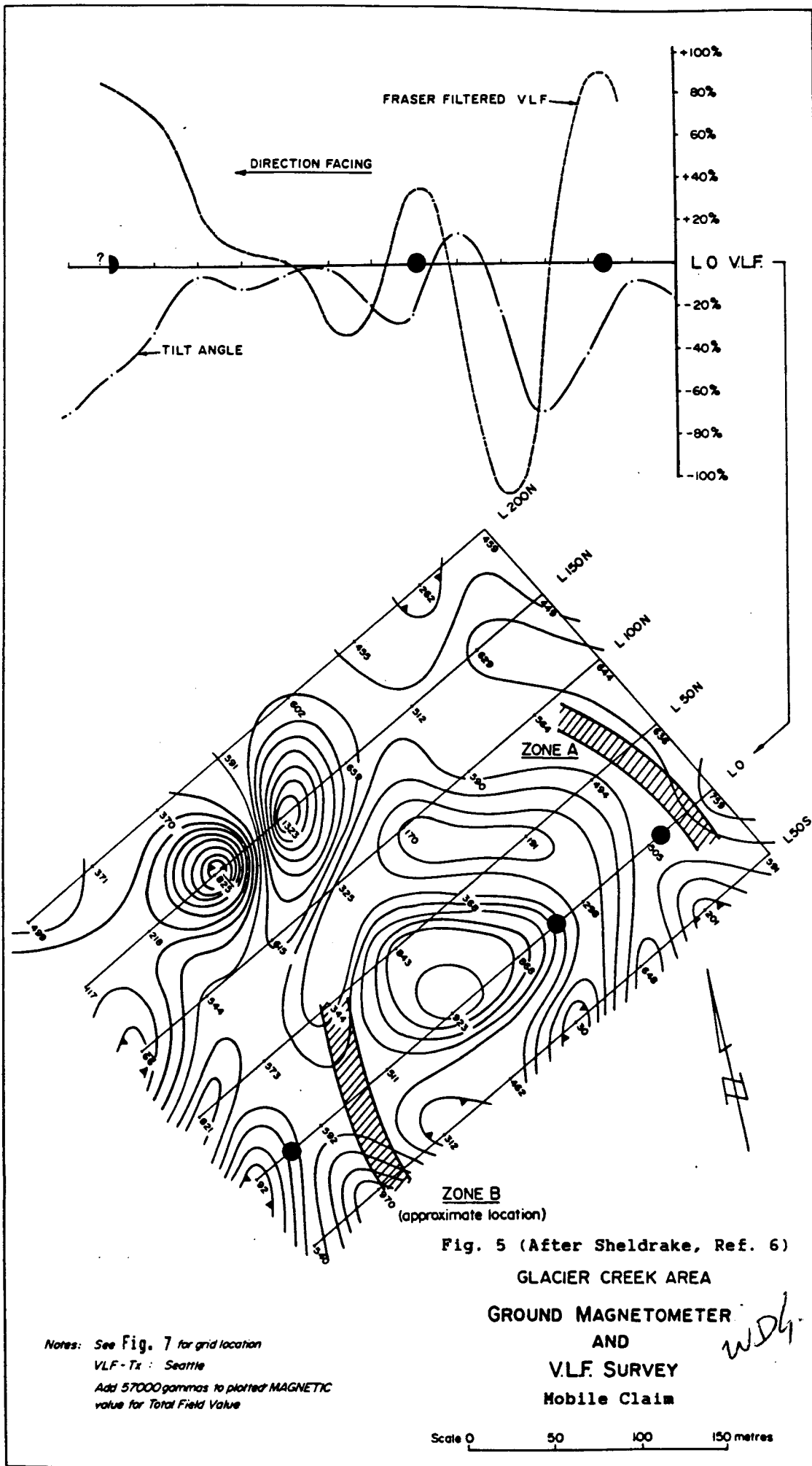
### Geochemistry

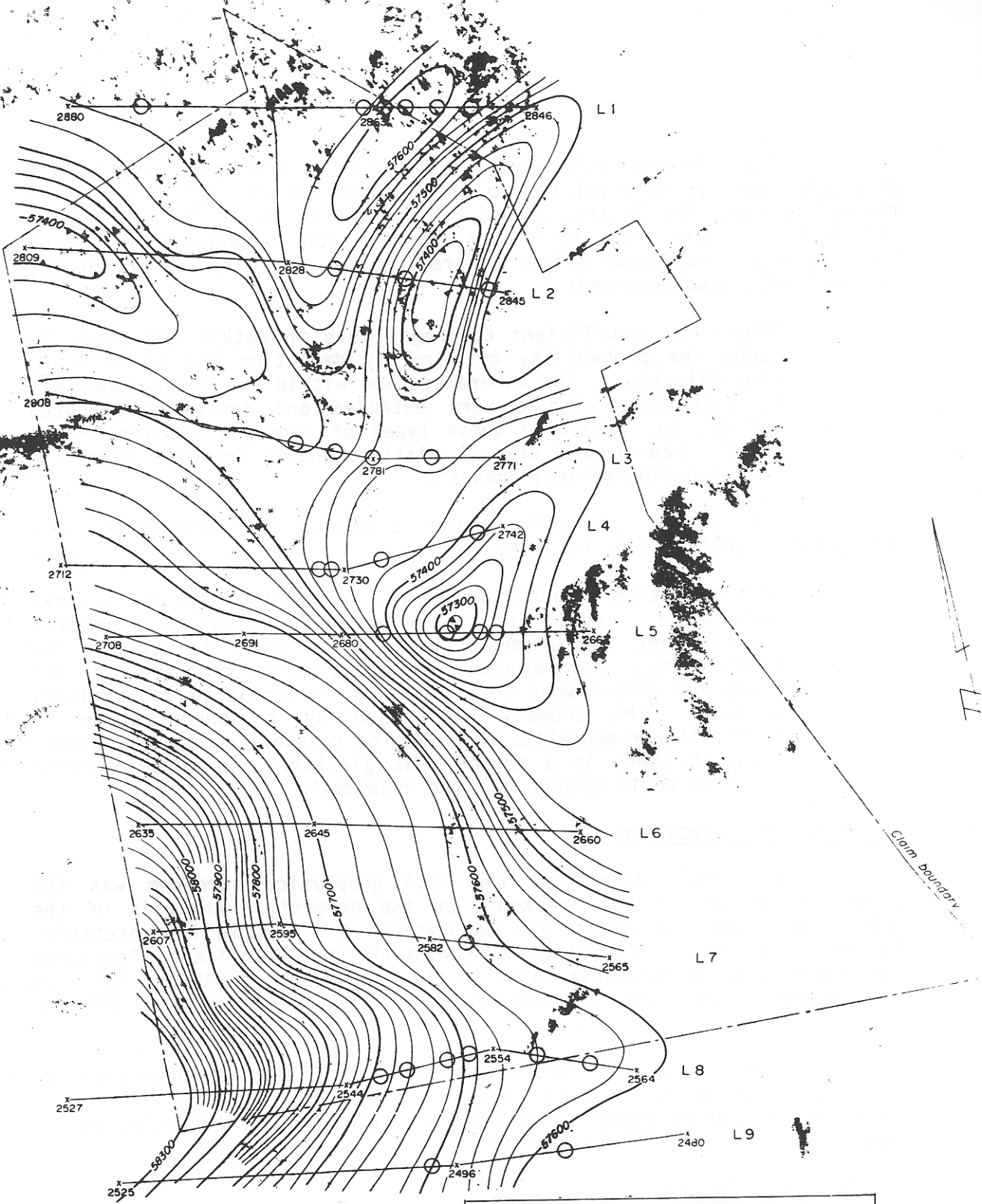
A soil sampling program carried out by Anglo United Development Corporation in 1965 concentrated on the area around zones "A" and "B". Samples were analyzed for lead and zinc content. A plot of values disclosed a broad geochemical anomaly centered about 150 m south (uphill) of the "B" vein exposure. Lead and zinc values within the anomalous area ranged from 65-1100 ppm and 95 -1600 ppm, respectively. Significantly, the geochem survey did not outline a zone of mineralization coincident with the "A" vein.

The anomaly, which can be characterized as fairly intense, is shown on Figure 4a and in more detail (with numerical values) on Figure 4b.

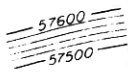
### Geophysics

During September, 1984 an airborne and ground geophysical program was carried out over a portion of what is now the Mobile claim. The airborne program consisted of seven kilometers of high sensitivity E.M. and Magnetic surveys run along nine east-west flight lines (see Figure 6 - Magnetic Contour & E.M. Conductor Map). A small ground survey was also undertaken over a 250m by 350m grid of the vicinity of Zones "A" and "B" (see Figure 5 - Ground Magnetometer and V.L.F. Survey).





LEGEND



Contour interval = 20 gammas



Magnetic low



Priority 1 Response



Priority 2 Response



Priority 3 Response

MOBILE PROSPECT AIRBORNE GEOPHYSICS  
MAGNETIC CONTOUR &  
E.M. CONDUCTOR MAP

GLACIER CREEK AREA  
Skeena Mining Division

SCALE	DATE	BY	NTS	FIG. 6
1:5000	FEB 5, 1985	dip	104 B/B	PLATE 1
APEX AIRBORNE SURVEYS LTD.		VANCOUVER, B.C.		
Scale 0 100 200 300 400 metres				

*W.D.H.*

The airborne E.M. survey detected 30 low order conductors attributed by the geophysicist to shear zones rather than silver vein mineralization. The limited ground E.M. survey in the vicinity of Zones "A" and "B" did not show any correlation between significant E.M. responses and known silver mineralization. However, Mr. Shel Drake, geophysicist, also remarked:

"There is insufficient coverage, both in detail and area, to judge the probability of directly detecting the Ag (silver) mineralization. The mineralization within the shear zones may be detectable with a very detailed and carefully executed survey, but typically these types of deposits (silver, rich, quartz shear-zones) are not distinguishable from the graphitic (but non-mineralized) shears".

The ground magnetic survey disclosed one anomalous area described by Shel Drake as follows:

"A two station magnetic anomaly (2148 gammas) on L 150 N., may provide a target for metallic mineralization, however insufficient measurements have been taken to assess its significance. The response lies along strike from Zone "B" and about 100 meters west of the previously mentioned geochemistry anomaly. The anomaly is caused by a concentration of pyrrhotite or magnetite which may be related to mineralization, although there is a chance that glacially deposited magnetic boulders could account for the response".

#### Air Photo Interpretation

A useful adjunct of the 1984 geophysical program was the definition of air photo lineaments on the property. Analysis of the major lineaments (see Figure 7 - Geophysical & Air Photo Interpretation Overlay) shows good correlation between the photo indicated fractures and known shear zones/quartz veins in the area of Zones "A" and "B". It also appears that Zone "B" lies along a major lineament over 500m in length.

Although the precise location of Zone "C" has not been recorded by any previous workers, it is likely to coincide or parallel the major, 1 km long, lineament running from L3 and L8 (the other intersected by the terminus of the Zone "B" lineament).

#### Metallurgical Testing

A 52 kg sample of "A" zone mineralization from the high-grade surface lens was subjected to flotation and thiourea leaching tests. The heads assay on the material subjected to flotation tests was as follows: silver 87.8 oz/ton; gold 0.108 oz/ton; lead 1.68% and zinc 1.47%. Results of the flotation tests showed:



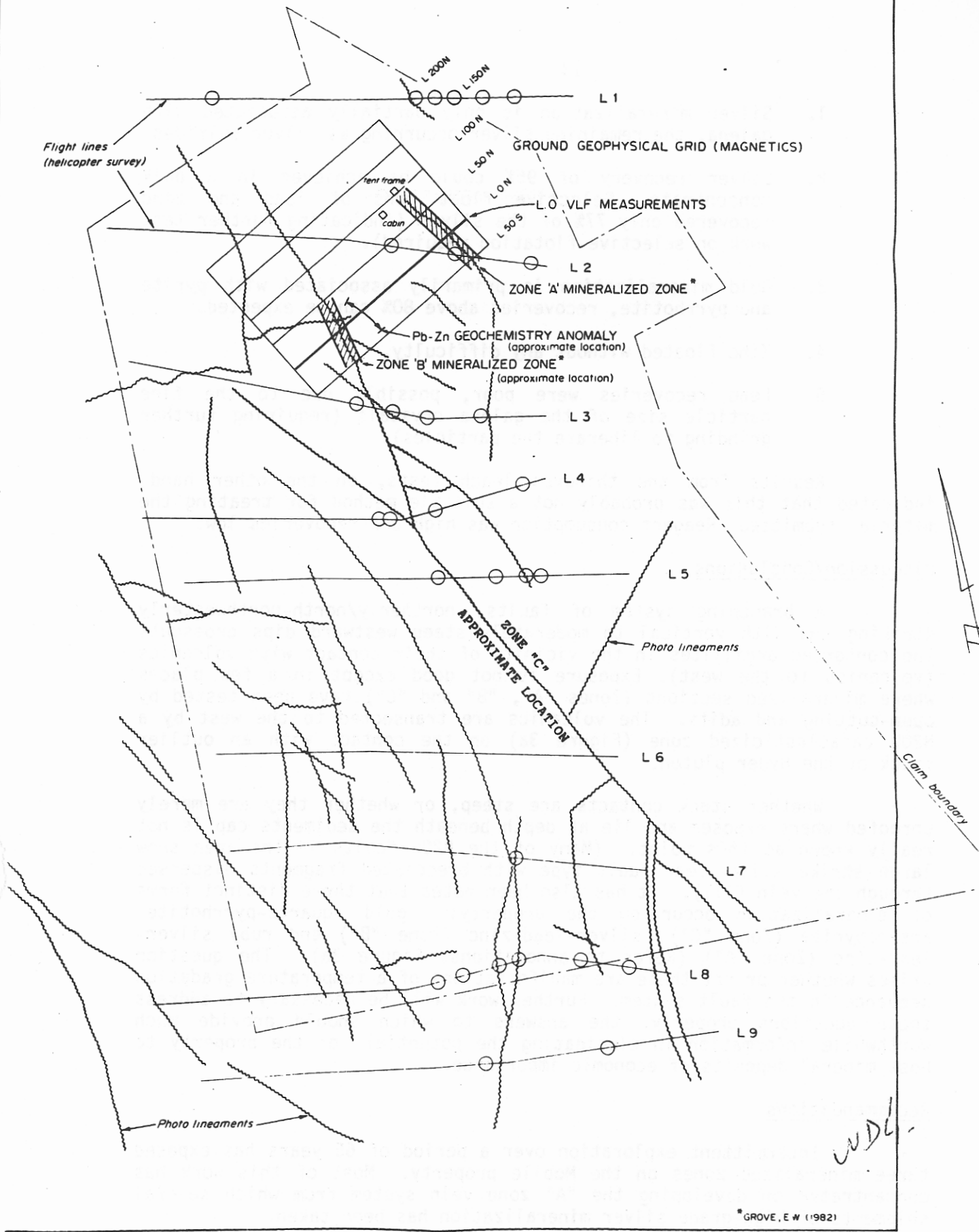


FIGURE 7  
 GEOPHYSICAL & AIR PHOTO INTERPRETATION OVERLAY

1. Silver mineralization is only partially associated with galena, the remaining silver occurring as silver sulfides.
2. Silver recovery of 95% could be achieved in a bulk concentrate. Selective float cons of lead and zinc recovered only 77% of the silver (indicating further test work on selective flotation required).
3. Gold mineralization is primarily associated with pyrite and pyrrhotite, recoveries above 80% can be expected.
4. Zinc floated without any difficulty.
5. Lead recoveries were poor, possibly due to the fine particle size of the galena crystals (requiring further grinding to liberate the particles).

Results from the thiourea leach tests, on the other hand, indicated that this was probably not a suitable method for treating the material submitted. Reagent consumption was high and recoveries low.

#### Discussion/Conclusions

A branching system of faults, northerly/north-northwesterly striking and with vertical to moderately steep westward dips crosscuts the contorted argillites in the vicinity of their contact with volcanics (volcanics to the west). Exposure is not good except in a few places where mineralized sections (Zones "A", "B" and "C") have been tested by open-cutting and adits. The volcanics are transected to the west by a N20W cataclasticized zone (Figure 3a) on the contact with an outlier stock of the Hyder pluton.

Whether stock contacts are steep, or whether they are merely unroofed where exposed and lie at depth beneath the sediments cap is not really known at this point. (Many of the N20W faults in the area show large strike slips--tear fault type with brecciated fragments dispersed through the vein fill). It has also been noted that three distinct forms of mineralization occur on the property: gold-quartz-pyrrhotite-arsenopyrite (Zone "C"), silver-lead-zinc (Zone "B") and ruby silver-lead-zinc (Zone "A") (Refer to annotations, Figure 3a). The question arises whether or not these are manifestations of a temperature gradation sequence in the fault system. Further work will be necessary to address these questions properly, the answers to which should provide much worthwhile information in elucidating the potential of the property to host mineral deposits of economic importance.

#### Recommendations

Intermittent exploration over a period of 65 years has exposed three mineralized zones on the Mobile property. Most of this work has concentrated on developing the "A" zone vein system from which several shipments of high-grade silver mineralization has been taken.

After carefully reviewing all data available on the property, the author is of the opinion that further exploration work is warranted. This work should include geological mapping, geochemical soil sampling, geophysical E.M. and magnetometer surveys, blasting & trenching and rock sampling. Such a Phase I program is estimated to cost \$70,000.

A four man crew, consisting of a geologist, blaster and two assistants, should be flown into the property during the period between mid-June and early October to carry out a 30 day work program. Emphasis should be placed on examining the property as a whole rather than limiting the work to the presently known zones. However, targets such as the Zone "C" mineralization, the large geochemical anomaly uphill from Zone "B" and the magnetic anomaly discovered during the 1984 program obviously deserve special attention. All air photo lineaments should be carefully mapped in the field and tested for possible mineral zones.

A 50m by 50m grid should be established over the Mobile claim to allow reconnaissance scale mapping. This should be accompanied by magnetic and VLF EM measurements as recommended by geophysicist, R. Sheldrake. Although the geophysics may not be directly helpful in locating gold/silver mineralization, it will be indirectly of great use in ascertaining formational features, faults, shears and alteration zones. Grid spacing should be reduced in the vicinity of Zones "A", "B" and "C" to 25m by 25m. For the purposes of check geochemical sampling, the spacing inside and around the known geochemical anomaly uphill from Zone "B" should be reduced to 15m by 15m.

A generous allowance of 1,000 soil geochemical samples has been provided in order to redo the previous grid (which unfortunately was not tested for the economically most interesting elements gold and silver) and also for reconnaissance grids in other locations which merit follow-up (e.g., areas along strike of shears). The author recommends that a power auger be used to get down through the soil horizons. The samples should be analyzed for gold content in parts per billion; a routine 30 element scan by Inductively Coupled Argon Plasma should also be carried out on the samples to determine mineral associations.

The Phase I budget also includes a provision for a blaster for 30 days to provide adequate exposure of the Zone "C" mineralization, extensions of Zone "B" along strike, and any other mineralized zones discovered during the work program. Two hundred samples have been allocated for rock samples from trenches.

Assuming favourable results from Phase I program, the author has budgeted a further Phase II program which consists primarily of diamond drilling targets discovered in Phase I. This 1,500 foot program is budgeted at \$75,000.

The Claims are without a known body of commercial ore and there is no plant or equipment located on surface or underground on the Claims. The proposed program is an exploratory search for ore.

AM-Virginia K Property

Pursuant to an option agreement dated the 30th day of July, 1986 (the "Agreement") between the Issuer and D.E.S. Equities Inc. ("D.E.S.") of 1108-409 Granville Street, Vancouver, British Columbia, in consideration of the payment to the Issuer of \$10,000, D.E.S. acquired a right to earn a 51% beneficial interest in and to nine (9) reverted Crown grant mineral claims and two (2) modified grid claims located in the Skeena Mining Division, Province of British Columbia and more particularly described as follows:

<u>Claim Name</u>	<u>Record No.</u>	<u>Units</u>	<u>Expiry Date</u>
Star No. 2 Fraction	328(10)	1	October 1, 1989
Virginia K Ext. No. 6	1967(1)	1	January 14, 1989
Virginia K Ext. No. 5	1969(1)	1	January 14, 1989
Virginia K Ext. No. 4	1970(1)	1	January 14, 1992
Virginia K Fr. No. 3	1971(1)	1	January 14, 1989
Virginia K No. 3	1972(1)	1	January 14, 1989
Virginia K No. 2	1973(1)	1	January 14, 1989
Star No. 3 Fr.	1974(1)	1	January 14, 1989
Virginia K No. 1	2298(5)	1	May 27, 1991
AM 1	5332(4)	18	April 22, 1992
AM2	5333(4)	18	April 22, 1992

In order to earn the 51% beneficial interest, D.E.S. shall expend the following amounts in the following manner pursuant to exploration and/or development work programs recommended by a qualified engineer or geologist:

- (a) \$100,000 to earn a 51% interest in the Issuer's right, title and interest in the Claims. If D.E.S. makes the required expenditures to earn its 51% interest, then the Issuer may elect to participate in all further exploration and development costs on the Claims which will be shared as to 49% to the Issuer and 51% to D.E.S., and the Issuer and D.E.S. will share any Net Profits as to 49% to the Issuer and 51% to D.E.S.
- (b) Should the Issuer elect not to participate as set out in paragraph (a), then D.E.S. may expend a further \$50,000 to earn an additional 25% interest in the Issuer's right, title and interest in the Claims. After D.E.S. has expended \$150,000 to earn its 76% interest, then the Issuer may elect to participate in all future exploration and development costs on the Claims which will be shared as to 24% to the Issuer and 76% to D.E.S., and the Issuer and D.E.S. will share any Net Profits on the basis of 24% and 76%, respectively.

- (c) Should the Issuer elect not to participate as set out in paragraph (b), then D.E.S. may expend a further \$100,000 to earn an additional 19% interest in the Issuer's right, title and interest in the Claims. After D.E.S. has expended \$250,000 to earn its 95% interest, then the Issuer shall retain a 5% Carried Net Profits Interest in and to the Claims.

D.E.S. shall expend the first \$50,000 pursuant to paragraph (a) for the first stage of the exploration and/or development program on or before December 31, 1986 and the second \$50,000 pursuant to paragraph (a) for the second stage of the exploration and/or development program on or before December 31, 1987. (Refer to "Legal Proceedings" for further details).

A comprehensive geological report on the AM-Virginia K property dated November 5, 1987 on file with The British Columbia Securities Commission and available for inspection during normal business hours during the primary distribution hereunder and for 30 days thereafter at #401-595 Howe Street, Vancouver, British Columbia, has been prepared by W.D. Groves, P. Eng., Ph.D, Consulting Engineer from which the following excerpts are taken:

#### Location, Access and Physiography

The Property, consisting of two modified grid claims and nine reverted Crown grants, represents an amalgamation of two old Stewart properties - the "Moonlight", and the "Virginia K". It is located at the head of American Creek, approximately 40 km north of Stewart, British Columbia. The gold-silver Sulphurets property now under development by Newhawk Gold Mines Ltd. and Granduc Mines Ltd. is located 27 km to the northwest, the gold-copper discovery of Noranda Exploration Company, Ltd. and Golden Nevada Resources Inc. 5 km to the southeast. Present access is by helicopter.

Elevations vary between about 900 meters in the area south of Kimball Lake to 1,900 meters atop the slopes of upper American Creek. Vegetation is sparse, mostly stunted mountain balsam growing in patches on raised rock benches along the valley walls.

The main rock units in the area are sediments, locally contorted black argillites topped by a thin laminar limestone, tuff and minor rhyolite flow unit (60-100 meters thick). These are capped on both the east and west ridges of American Creek by a thick, massive, fresh purple, green and red porphyritic extrusive unit. A massive intrusion of andesitic to dioritic composition cuts the argillites at the southern end of the property.

Intermittent exploration over a period of 58 years has exposed two high-grade forms of mineralization: gold-bearing, tension, quartz-carbonate veins related to a tuff-rhyolite horizon and silver-lead, fault

veins in argillites. Modest test shipments of high-grade ore, extracted from these veins by hand mining, took place during the 1930's.

A small, quartz calcite stringer on the old Moonlight property reportedly contained spectacular pockets of arborescent native gold. Selected high-grade from the stringer weighing 61 pounds was assayed at the Trail smelter and returned 338 ounces gold/ton and 164 ounces silver/ton. Grab samples from a series of north-south trending veins (widths up to three feet), located in the northern portion of the AM 1 claim and from the same general horizon, reportedly contained values of up to 2.1 oz. gold/ton. Chip samples taken in 1986 from these veins confirmed the high-grade nature of the mineralization.

A bulk sample weighing 1,500 pounds was taken in 1980 from an outcrop of a small silver-lead fault vein on the Virginia K No. 3 claim: it assayed, silver 181.7 oz./ton; lead 28.4; zinc 6.91%. Similar values have been reported from several other highly argentiferous fault veins known to occur on the property.

The property also features larger, fault-related, silver and base metal mineralization zones, widths 9 feet to 25 feet, that have potential for developing tonnage. A sample by the author across 20 feet at No. 1 Tunnel on the Virginia K No. 3 claim assayed: silver 6.71 oz./ton; lead 1.29%; zinc 1.32%. Previous work on two exposures now controlled by the AM 2 mineral claim resulted in the following values: showing "C" (across 24 feet), silver 7.7oz./ton, lead 1.63%, zinc 0.13%, and, showing "G" (across 9 feet), silver 14 oz./ton, lead 1%, zinc 4.2%. Continuity of these zones along strike is obscured by extensive talus cover.

The Issuer does not intend to expend any monies on the property this year, pending the results of litigation commenced by Glacier Resources Ltd. (formerly Square Gold Explorations Inc.) assignees of the option interest of D.E.S. Equities Inc. in the AM-Virginia K Property. (For further particulars please refer to "Legal Proceedings").

The Claims are without a known body of commercial ore and there is no plant or equipment located on surface or underground on the Claims. The proposed program is an exploratory search for ore.

### RISK FACTORS

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

#### Exploration Risks

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