

Kalum Project 671656

THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THESE SECURITIES ONLY IN THOSE JURISDICTIONS IN WHICH THIS PROSPECTUS HAS BEEN ACCEPTED FOR FILING 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.

PROSPECTUS

DATED: JANUARY 14th, 1987

# CANNON EXPLORATIONS LTD.

(the "Company")

1013 - 837 West Hastings Street,  
Vancouver, B.C. V6C 1B6

## PUBLIC OFFERING

### 275,000 Common Shares Without Par Value

	Price to Public	Commission	Net Proceeds to be Received by the Company(1)
Per Share .....	\$ 0.33	\$ 0.03	\$ 0.30
Total .....	\$ 90,750.00	\$ 8,250.00	\$ 82,500.00

(1) Before deduction of the costs of the Issue, estimated to be \$5,000.

A PURCHASE OF THE SECURITIES OFFERED BY THIS PROSPECTUS MUST BE CONSIDERED AS SPECULATION. ALL OF THE PROPERTIES IN WHICH THE COMPANY HAS AN INTEREST ARE IN THE EXPLORATION AND DEVELOPMENT STAGE ONLY AND ARE WITHOUT A KNOWN BODY OF COMMERCIAL ORE. NO SURVEY OF ANY PROPERTY OF THE COMPANY HAS BEEN MADE AND THEREFORE IN ACCORDANCE WITH THE LAWS OF THE JURISDICTION IN WHICH THE PROPERTIES ARE SITUATE, THEIR EXISTENCE AND AREA COULD BE IN DOUBT. SEE ALSO PARAGRAPH "SPECULATIVE ASPECTS" ON PAGE 9.

THIS OFFERING IS SUBJECT TO A MINIMUM SUBSCRIPTION OF 250,000 SHARES BEING RECEIVED BY THE COMPANY WITHIN 180 DAYS OF THE EFFECTIVE DATE. FURTHER PARTICULARS ARE DISCLOSED ON PAGE 8 UNDER THE CAPTION "MINIMUM SUBSCRIPTION".

THE VANCOUVER STOCK EXCHANGE HAS CONDITIONALLY LISTED THE SECURITIES BEING OFFERED PURSUANT TO THIS PROSPECTUS. LISTING IS SUBJECT TO THE COMPANY FULFILLING ALL THE LISTING REQUIREMENTS OF THE VANCOUVER STOCK EXCHANGE ON OR BEFORE JULY 28TH, 1987 INCLUDING PRESCRIBED DISTRIBUTION AND FINANCIAL REQUIREMENTS.

NO PERSON IS AUTHORIZED BY THE COMPANY 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 COMPANY.

UPON COMPLETION OF THIS OFFERING THIS ISSUE WILL REPRESENT 17.68% OF THE SHARES THEN OUTSTANDING AS COMPARED TO 50.16% THAT WILL THEN BE OWNED BY THE CONTROLLING PERSONS, PROMOTERS, DIRECTORS AND SENIOR OFFICERS OF THE COMPANY AND ASSOCIATES OF THE AGENTS. REFER TO THE HEADING "PRINCIPAL HOLDERS OF SECURITIES" ON PAGE 14 HEREIN FOR DETAILS OF SHARES HELD BY DIRECTORS, PROMOTERS AND CONTROLLING PERSONS AND ASSOCIATES OF THE AGENTS.

ONE OR MORE OF THE DIRECTORS OF THE ISSUER HAS AN INTEREST, DIRECT OR INDIRECT, IN OTHER NATURAL RESOURCE COMPANIES. REFERENCE SHOULD BE MADE TO THE ITEM "SPECULATIVE ASPECTS" ON PAGE 9 FOR A COMMENT AS TO THE RESOLUTION OF POSSIBLE CONFLICTS OF INTEREST.

WE, AS AGENT, CONDITIONALLY OFFER THESE SECURITIES SUBJECT TO PRIOR SALE, IF, AS AND WHEN ISSUED BY THE COMPANY AND ACCEPTED BY US IN ACCORDANCE WITH THE CONDITIONS CONTAINED IN THE AGENCY AGREEMENT REFERRED TO UNDER "PLAN OF DISTRIBUTION" ON PAGE 7 OF THIS PROSPECTUS.

Name and Address of Agents:

GEORGIA PACIFIC SECURITIES CORPORATION  
1500 - 789 West Pender Street  
Vancouver, B.C.  
V6C 1H2

EFFECTIVE DATE: JANUARY 29, 1987.

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## NAME AND INCORPORATION

Cannon Explorations Ltd. (the "Company") was incorporated on February 19th, 1986 under the Company Act of the Province of British Columbia by the registration of its Memorandum and Articles under the name "304832 B.C. Ltd.". On the 27th day of June, 1986, it changed its name to "Cannon Explorations Ltd.". By the provisions of the Company Act, R.S.B.C. 1979 as amended, the Company will be deemed to be a reporting company upon the issue of a receipt for this Prospectus.

The address of the head office of the Company is 1013 - 837 West Hastings Street, Vancouver, British Columbia, V6C 1B6.

The address of the records and registered office of the Company is 101 - 744 West Hastings Street, Vancouver, B.C. V6C 1A5.

## DESCRIPTION OF BUSINESS AND PROPERTY

### Business

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

### Property

- 1) KALUM PROPERTY  
Skeena Mining Division  
Province of British Columbia

By an agreement dated August 15th, 1986 between the Company as Optionee and Fred Loutitt of Terrace, B.C. on behalf of himself, Sandy Loutitt and Cecil C. Pratt as Optionor, the Company has the right to acquire up to a 100% undivided interest subject to a royalty set out below, in the mineral claims described below, in consideration for:

(a) Payment of \$5,000.00 (which was paid);

(b) The payment of \$100,000 and the issue and allotment of 100,000 shares on or before three years after the execution of the agreement after the completion of work programs at a cost of not less than \$235,000, subject to the filing of an Engineering Report acceptable by the Office of Superintendent of Brokers or in the event that the Company's shares are listed on the Vancouver Stock Exchange, by the

Vancouver Stock Exchange, describing the work program and recommending further work on the property;

(c) Carrying out exploration work on the property and expending not less than \$60,000 within one year after the date of the agreement (which has been expended);

(d) Carrying out exploration work on the property and expending a further \$75,000 within two years after the date of the agreement;

(e) Carrying out exploration work on the property and expending a further \$100,000 within three years after the date of the agreement.

The Company shall have earned a 50% undivided interest by doing the work and expending the monies described in sub-paragraph (c) and (d) above.

The Company shall have earned an additional 25% undivided interest by doing the work and expending the monies described in sub-paragraph (e) above.

The Company shall have earned a 100% interest by carrying out all of the work and issuing the shares and paying the monies described herein, subject to the royalty set out herein.

The consideration shall be divided 10% to Cecil C. Pratt, 45% to Fred Loutitt and 45% to Sandy Loutitt.

Upon placing the property in commercial production, the Optionors shall receive a 2 1/2% net smelter return royalty from such commercial production.

The property consists of the following claims:

<u>Claim Name</u>	<u>Record No.</u>	<u>Expiry Date</u>	<u>Recorded Owner</u>
KALUM #1	3553(9)	September 21, 1987	Fred Loutitt
KEN No. 1	31042	May 4, 1988	Cecil Clarence Pratt
KEN No. 2	31043	May 4, 1987	Cecil Clarence Pratt

The following paragraphs have been quoted from the Engineering Report dated November 12th, 1986 prepared by Peter A. Christopher, P.Eng. PhD.

"The Kalum Property, consisting of 15 claim units and the Ken No. 1 and Ken No. 2 two-post claims, covers about 375 hectares at the northeast corner of Kitsumkalum Lake, about 35 kilometers north of Terrace via the Terrace-Stewart Highway. The property is centered at geographic coordinates 54 47'N latitude and 128 46'W longitude within NTS map sheet 103 I/15 and the Skeena Mining Division."

"The Terrace-Stewart Highway, paved to the north end of Kitsumkalum Lake, passes through the central part of the Kalum #1 claim. The highway provides excellent year round access to the property and a network of logging roads permit access to the eastern part of the claim. The six units at the west end of the Kalum #1 claim extend into Kitsumkalum Lake."

### History

"The main showings on the present Kalum Property were initially staked in 1914 as the Treatwell No. 2 and Juneau claims and subsequently as the Maloya and Lake Shore claims in 1931 and the Belway and Rex Claims in 1937. Early development work consisted of a few pits, one shallow shaft and two short adits."

"The area of the main showings was staked Steve Piskulski on April 25, 1967 as the Ken No. 1 and Ken No. 2 claims and sold to Cecil Clarence Pratt on July 25, 1972. The Kalum #1, 15 unit modified grid claim was staked over the Ken claims by David Johnson in September 1982 and sold to Fred Loutitt on April 14, 1983. Recent exploration of the property included rock and soil sampling around known mineralized occurrences by Silver Standard Mines Ltd. (1981) and Weymark Engineering Ltd. (Weymark, 1981); trenching, sampling, geological mapping and a proton magnetic survey was conducted for Gerle Gold Ltd. in 1983 (Belik, 1983); soil sampling for Cominco Ltd. in 1984 (Pauwels, 1984); showings were verified and sampled by Dr. Tom Richards (1985) and J.C. Stephen (1986)."

"The property was optioned to Cannon Explorations Ltd. on August 1, 1986 with Peter Christopher & Associates Inc. retained to provide consulting and engineering and J.C. Stephen Explorations retained to conduct an initial geological, geochemical and geophysical exploration program over the Kalum Property. The initial Exploration program was conducted between September 1, 1986 and September 29, 1986 (Lambert and Stephen, 1986) with property examinations by the writer on August 18, 1986 and September 25, 1986."

### 1986 Work Program

"The 1986 field program was conducted by J.C. Stephen Explorations Ltd. between September 1st and September 29th, 1986. The program included detailed geological mapping of the road and showing area and 1:2,000 scale mapping of the grid area. A grid was cut, chained and picketed in the forested area east of the main access road with lines at 50 meter intervals and stations at 12.5 meter intervals. Magnetic and VLF-EM readings were collected at 12.5 meter stations while 25 meter station were used for I.P. survey. A total of 22.05 line kilometers were surveyed with I.P. and 27.5 line kilometers were surveyed with VLF-EM and magnetics."

The Company has expended \$65,846 on the exploration of the mineral claims by carrying out a program of geological mapping and I.P., VLF-Em and magnetic surveys, including rock sampling.

The Company intends to carry out Stage I of the program recommended by Peter A. Christopher, P.Eng., PhD. in his report dated November 12th, 1986, which forms part of this Prospectus. Stage I consists of a geochemical follow-up and diamond drilling at an estimated cost of \$50,000. Contingent on the results from Stage I, the Company may carry out Stage II of the recommended program consisting of diamond drilling at an estimated cost of \$75,000. Contingent upon the results of Stages I and II, the Company may carry out Stage III of the recommended program which would consist of further diamond drilling at an estimated cost of \$110,000.

There is no surface or underground plant or equipment on the property.

THERE IS NO KNOWN BODY OF COMMERCIAL ORE ON THIS PROPERTY.

The proposed program is an exploratory search for ore.

- 2) VJ PROPERTY  
Valrennes and Joutel Townships  
Province of Quebec

By an Option Agreement dated August 15th, 1986 with Comox Resources Ltd. of 1458 Rupert Street, North Vancouver, B.C. (the "Comox Agreement"), the Company has an option to acquire a 50% undivided interest in an Option Agreement which Comox Resources Ltd. has with Exploration Miniere Mike Lavoie Ltee of CP 386, Val d'or, Quebec Jens E. Hansen of P.O. Box 11385, Station "H", 19 Nepean Street, Nepean, Ontario and Glen H. Harper of 150 - 1300 Eighth Street S.W., Calgary, Alberta (the "Lavoie Agreement") to acquire an interest in the VJ Group of mining claims set out below.

Comox Agreement (Part 1)

Under the terms of the Comox Agreement, the Company may earn a 50% undivided interest in the Lavoie Agreement by:

(a) On or before November 30th, 1986 carrying out an exploration program and expending not less than \$40,000 on that program (the Company has spent \$35,229 and Comox Resources Ltd. has waived the further expenditures at this time);

(b) On or before November 30th, 1987 carrying out an exploration program and expending not less than an additional \$50,000 on that program;

(c) On or before November 30th, 1988 carrying out an exploration program and expending not less than an additional \$60,000 on that program (for a total of \$150,000).

At that time, the Company will have earned a 50% interest in the Lavoie Agreement and the Company and Comox shall enter into a Joint Venture Agreement to further develop the property.

Comox Agreement (Part 2)

Under the terms of the Comox Agreement, Comox Resources Ltd. has agreed to arrange that in the event of Comox Resources Ltd.'s default under the Lavoie Agreement, the Company may at its option, take the place and stead of Comox Resources Ltd. with an extension of six months to carry out Comox Resources Ltd.'s covenants under the Lavoie Agreement. In that event, shares of the Company will be issued to the Optionors under the Lavoie Agreement rather than shares of Comox Resources Ltd. and the Company will acquire a 100% interest in the said Agreement.

Lavoie Agreement (Part 1)

Under the terms of the Lavoie Agreement, Comox Resources Ltd. may earn a 100% undivided interest in the property set out below by:

(a) Carrying out exploration on the property and expending monies as follows:

(i) \$15,000.00 on or before November 30th, 1986 (which has been done by the Company);

(ii) An additional \$75,000.00 on or before November 30th, 1987;

(iii) An additional \$110,000.00 on or before November 30th, 1988;

(b) making property payments as follows:

(i) \$5,000.00 on or before December 15th, 1985 to Lavoie (which has been done);

(ii) An additional \$5,000.00 to Lavoie, \$2,500.00 to Hansen and \$2,500.00 to Harper on or before December 31st, 1985 (which has been done);

(iii) An additional \$7,500.00 to Lavoie, \$3,750.00 to Hansen and \$3,750.00 to Harper on or before December 31st, 1986 (which has been done);

(c) Issuing and allotting shares (1/2 to Lavoie, 1/4 to Hansen and 1/4 to Harper) as follows:

(i) 25,000 shares on or before January 31st, 1986 (which has been done);

(ii) A further 25,000 on or before November 30th, 1986 (which has been done);

(iii) A further 25,000 on or before November 30th, 1987; and

(iv) A further 25,000 shares on or before November 30th, 1988.

### Lavoie Agreement (Part 2)

In the event the property is placed into commercial production, the Optionors under the Lavoie Agreement will receive a 2% Net Smelter Return Royalty. One-half of the royalty will be subject to a cash buyout for the sum of \$300,000 up to the close of business on December 11th, 1989.

The property is described as follows:

<u>Claim Number</u>	<u>Date of Staking</u>
436829 - 1 to 5	November 30, 1985
436830 - 1 to 5	December 1, 1985
436831 - 1 to 5	December 2, 1985

The VJ property is 6 kilometers northwest of the Agnico-Eagle Mine at Joutel, Quebec which is 200 kilometers north of Val d'or, Quebec.

Access during the summer is by boat downstream from the Agnico-Eagle Mine on the Harricana River. Access during the winter is by snowmobile or truck along the frozen Harricana River.

### History

There is no previous exploration history on this property.

During the period September 5 to October 30, 1986 a program of geological mapping, minor geochemical sampling and induced polarization surveying was conducted on the 15 V-J claims.

The exploration program conducted on behalf of Cannon Explorations Ltd. consisted, firstly of geological mapping and limited geochemical sampling. Secondly, the work program included an IP survey over 19 km of line conducted by Mertens & MacNeil Geophysical Surveys Ltd.

The geological mapping documents outcrops of volcanic rock covering less than 5% of the surface area of the claim group. Iron pyrite, pyrrhotite and magnetite mineralization with traces of chalcopyrite mineralization were located in some outcrops. Low, 30 to 50 ppb gold, and up to 1.5 ppm silver, values were obtained in humus samples over one geophysical anomaly.



The IP survey outlined a complex pattern of high to low resistivity which is very useful in interpretation of bedrock geology and as an aid in interpretation of VLF-EM anomalies. The surveys also outlined several weak to moderate chargeability anomalies which may indicate sulphide mineralization.

The Company has expended \$35,229 on the exploration work described above.

At the present time, the Company does not intend to carry out further work and will not do so unless funds become available from sources other than the proceeds of the Offering.

There is no surface or underground plant or equipment on the property.

THERE IS NO KNOWN BODY OF COMMERCIAL ORE ON THIS PROPERTY.

The program carried out and any additional work which will be carried out, if funds become available, are exploratory searches for ore.

#### PLAN OF DISTRIBUTION

The Company, by an agreement (the "Agency Agreement") dated November 21st, 1986, appointed Georgia Pacific Securities Corporation as its Agent ("Agent") to offer the Shares through the facilities of the Vancouver Stock Exchange (the "Exchange").

The Company by its Agent hereby offers (the "Offering") to the public through the facilities of the Exchange 275,000 shares (the "Shares") of the Company at a price of \$0.33 per share (the "Offering Price"). The Offering will be made in accordance with the rules and policies of the Exchange and on a day (the "Offering Day") 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 Shares of the Company are conditionally listed on the Exchange.

The Agent will receive a commission of \$0.03 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 licensed broker dealers, broker 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 Offering Day at the

Agent's discretion on the basis of its assessment of the state of the financial markets and may also be terminated at any time upon the occurrence of certain stated events.

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

The following beneficially own, directly or indirectly, in excess of 5% of each class of the issued shares of Georgia Pacific Securities Corporation:

R.B.A. Investments Ltd., wholly owned by R. Brian Ashton, KWS Investment Co. Ltd., wholly owned by Kwong C. Kam, Duggan Securities Ltd., controlled by Dean Duggan, Pacific High Management Ltd., wholly owned by Larry A. Martin and Jusco Investments Ltd., wholly owned by Colin Chow.

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 Company may purchase shares from this Offering.

#### CONDITIONAL LISTING ON THE VANCOUVER STOCK EXCHANGE

The Exchange has conditionally listed the securities being offered pursuant to this Prospectus. Listing is subject to the Company fulfilling all the listing requirements of the Exchange on or before July 2Sth, 1987, including prescribed distribution and financial requirements.

#### Minimum Subscription

In the opinion of the Directors of the Company, the proceeds of this Offering will be sufficient to carry out the recommended program of work and to maintain the Company's properties in good standing. In the opinion of the Company's Directors, it will be necessary to sell 250,000 shares offered by this Prospectus in order to raise sufficient funds to carry out the above recommendations and to provide for administration and adequate working capital. All monies received from the sale of shares sold pursuant to this Prospectus in British Columbia during the 180 day period following the date of acceptance for filing of the Prospectus by the Superintendent, shall be held in trust by Pacific Corporate Services Ltd. until the minimum subscription has been sold, and if the minimum subscription of 250,000 shares have not been sold within 180 days of the Effective Date, all monies will be returned in full to the subscribers.

## SPECULATIVE ASPECTS

The shares offered by this Prospectus must be considered speculative, generally because of the nature of the Company's business. In particular:

1. There is no known body of ore on the Company's mineral properties. The purpose of the present offering is to raise funds to carry out further exploration with the objective of establishing ore of commercial tonnage and grade. If the Company's exploration programs are successful, additional funds will be required for the development of an economic ore body and to place it in commercial production. The only source of future funds presently available to the Company is through the sale of equity capital. The only alternative for the financing of further exploration would be the offering by the Company of an interest in its properties to be earned by another party or parties carrying out further exploration or development thereof, which is not presently contemplated.

2. There is no established market for the shares of the Company.

3. Exploration for minerals is a speculative venture necessarily involving some substantial risk. There is no certainty that the expenditures to be made by the Company in the acquisition of the interests described herein will result in discoveries of commercial quantities of ore.

4. The mining industry in general is intensely competitive and there is no assurance that even if commercial quantities of ore are discovered, a ready market will exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any substances discovered.

5. The existence of title opinions should not be construed to suggest that the Company has good and marketable title to all of the properties described in this Prospectus. The Company follows usual industry practice in obtaining title opinions with respect to its properties. The Company must expend monies to carry out further work on the properties described in this Prospectus in order to earn the interests as described under the heading "Business and Property" on page 1 of this Prospectus.

6. The Company's properties which consist of mineral claims have not been surveyed, and therefore, the precise location of these properties may be in doubt.

Certain of the Directors serve as directors of other reporting companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the Directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. From time to

time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programmes, permitting involvement in a greater number of programmes and reducing financial exposure in respect of any one programme. It may also occur that a particular company will assign all or a portion of its interest in a particular programme to another of these companies due to the financial position of the Company making the assignment.

In accordance with the laws of the Province of British Columbia, the Directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular programme and the interest therein to be acquired by it, the Directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

#### USE OF PROCEEDS

The net proceeds to be derived by the Company from the Offering will be the sum of \$82,500 which together with working capital on hand of \$14,027 (as at November 21st, 1986) shall be spent as follows:

1. To pay for the costs of Issue, estimated at	\$ 5,000
2. To carry out Stage I of the Program recommended by Peter A. Christopher, P.Eng. PhD., as set out in his report dated November 12th, 1986 on the Kalum Property;	50,000
3. To reserve for general corporate matters;	<u>41,527</u>
	<u>\$96,527</u>

No part of the proceeds will 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 the Company intend to use the proceeds to acquire other than trustee type securities after the distribution of the securities offered by this Prospectus, approval by the members of the Company must first be obtained and notice of the intention must be filed with the Securities Regulatory bodies having jurisdiction over the sale of the securities offered by this Prospectus.

The proceeds from the sale of shares offered by this Prospectus are intended to be used for the purposes set forth above, and in carrying out the above program of work, and the Company will not discontinue or depart from the recommended program of work unless advised in writing by its consulting engineer to do so. Should the Company contemplate any such change or departure, notice thereof will be given to all shareholders.

In the event of any material change in the affairs of the Company during the primary distribution of the shares offered by this Prospectus, an amendment to this Prospectus will be filed.

Following completion of the primary distribution of the shares offered by this Prospectus, shareholders will be notified of changes in the affairs of the Company in accordance with the requirements of the appropriate regulatory authorities.

#### DESCRIPTION OF SHARES

The authorized capital of the Company consists of 20,000,000 common shares without par value. As of the date of this Prospectus, 1,280,000 common shares were issued and outstanding.

All common shares of the Company, both issued and unissued, 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 Company Act of the Province of British Columbia.

<u>Designation of Security</u>	<u>Amount Authorized</u>	<u>Amount Issued &amp; Outstanding as of January 14th, 1987</u>	<u>Amount Out- standing as of October 31st, 1986</u>	<u>Amount Out- standing if all Securit- ies are Sold</u>
Common	20,000,000	1,280,000	1,250,000	1,555,000

#### PRIOR SALES

During the period from incorporation of the Company on February 19th, 1986 to the date of this Prospectus, the Company sold the following shares for cash:

<u>Number of Shares</u>	<u>Price per Share</u>	<u>Commissions Paid</u>	<u>Net Cash Received</u>
750,000	\$0.01	Nil	\$ 7,500.00
<u>530,000*</u>	\$0.25	Nil	<u>132,500.00</u>
1,280,000			\$140,000.00

\* The 400,000 shares issued for \$0.25 per share were sold on a flow through basis. These funds were expended on Canadian mineral claims.

### PRELIMINARY EXPENSES

Since incorporation and until October 31st, 1986, the Company has expended \$19,898 on administrative expenses and \$106,075 for exploration and development expenses. The Company expects to expend \$30,000 for administrative expenses and \$50,000 on exploration and development expenses during 1987.

### SALES OTHERWISE THAN FOR CASH

No securities are being offered under this Prospectus otherwise than for cash.

### DIRECTORS AND OFFICERS

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

<u>Name and Address</u>	<u>Office Held</u>	<u>Principal Occupation For Past Five Years</u>
BALBIR JOHAL* 431 Southeast Marine Drive, Vancouver, B.C.	President and Director	President and Director, Cinnabar Resources Ltd.; President and Director, Goldenlode Resources Ltd.; Corporate Counsel (Barrister & Solicitor); TRM Engineering Ltd. 1985-1986; former part- ner, Johal & Gangji, law practice

LARRY ROBERT JAMES* 311 - 6420 Silver Avenue, Burnaby, B.C.	Director	Secretary, Cinnabar Resources Ltd.; Director of Goldenlode Resources Ltd.; Barrister & Solicitor, sole Practitioner
BRIAN LYLE EAMOR* 2024 Meadowood Park, Burnaby, B.C. V5A 4G2	Director	Pilot, Air Canada
WILLIAM EDWARD SCHMIDT, 2920 West 20th Avenue, Vancouver, B.C.	Secretary	Self-Employed Barrister & Solicitor, Hemsworth, Schmidt; Director and Officer of several natural resource development companies

\* member of the Audit Committee

Peter A. Christopher, P.Eng. PhD. has agreed to act as the consultant to the Board of Directors of the Company in respect to property development. Dr. Christopher has practiced his profession for over 15 years. He is a consulting geological engineer registered with the Association of Professional Engineers of British Columbia since 1976.

#### REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

No direct remuneration, pension benefits or other remunerations have been paid or is payable by the Company to the Company's directors and senior officers except the sum of \$10,000 paid (as at October 31st, 1986) as management fees to Lion Management Corp. Lion Management Corp. is a non-reporting British Columbia company of which Balbir Johal, President of the Company, owns 50% of the issued shares. Lion Management Corp. will provide management and administrative services to the Company and will receive \$2,000.00 per month for such services.

The Directors and senior officers of the Company have no interest in any other material transaction in which the Company is involved, except as described herein.

#### OPTIONS TO PURCHASE SECURITIES

Pursuant to a Directors Stock Option Agreement and an Employees Stock Option Agreement dated November 21st, 1986 (the "Option Agreements"), the Company has granted options to the following Directors and Employees in such numbers of common shares as is set opposite the name of each Director or Employee:

Directors

Larry Robert James - 52,500 Shares  
 Brian Lyle Eamor - 25,000 Shares

Employees

Balbir Johal - 77,500 Shares

The Option Agreements provide that the option price is \$0.33 per share and that the options are exercisable during that period of time commencing on the Effective Date of this Prospectus ending two years thereafter. There are no other options to purchase securities under this Prospectus.

PRINCIPAL HOLDERS OF SECURITIES

As of the date of this Prospectus, the following table sets forth the number of shares owned of record or beneficially, directly or indirectly, by each person who owns more than 10% of the Company's shares.

Name and Address	Type of Ownership	Designation of Class	Number of Shares	Percentage of Shares Outstanding
Balbir Johal 431 Southeast Marine Drive, Vancouver, B.C.	Direct, Beneficial	Common	375,000	29.39%
Larry Robert James 311 - 6420 Silver Avenue, Burnaby, B.C.	Direct, Beneficial	Common	405,000	31.64%

The percentage of common shares held by all directors, promoters, senior officers and underwriters and their associates is 60.94% of the total issued common shares of the Company. After completion of this Offering, this percentage will be 50.16%.

ESCROWED SHARES

As of the date of this Prospectus, 750,000 common shares are held in escrow by Pacific Corporate Services Limited of 830 - 625 Howe Street, Vancouver, B.C. subject to the direction or determination of the Office of Superintendent of Brokers ("Superintendent"). The escrow restrictions provide that the shares may not be traded in, dealt with in



any manner whatsoever or released, nor may the Company, its Transfer Agent or Escrow holder make any transfer or record any trading of shares without the consent of the Superintendent.

The complete text of the escrow agreement is available for inspection at the registered office of the Company at 1013 - 837 West Hastings Street, Vancouver, B.C.

<u>Designation of Class</u>	<u>Number of Shares Held in Escrow</u>	<u>Percentage of Class</u>
Common	750,000	58.59%

#### POOLED SHARES

No shares are pooled.

#### DIVIDEND RECORD

The Company has not since the incorporation of the Company on February 19th, 1986 paid any dividends on any of its shares. The Company has no present intention to pay dividends, but, the future dividend policy will be determined by the Board of Directors on the basis of earnings, financial requirements and other relevant factors.

#### PROMOTERS

By virtue of the definition as set out in Section 1(1) of the Securities Act (British Columbia), the Directors of the Company are the Promoters of the Company.

The Promoters have acquired the following common shares in the capital of the Company:

<u>Name</u>	<u>Number of Shares</u>	<u>Price per Share</u>
Balbir Johal	375,000 Escrow	\$0.01 (cash paid)
Larry Robert James	375,000 Escrow 30,000 Free	\$0.01 (cash paid) \$0.25 (cash paid)

Under the headings "Remuneration of Directors and Senior Officers" and "Options to Purchase Securities" there are set out further details in respect to the Promoters.

**PENDING LEGAL PROCEEDINGS**

The Company is not a party with respect to any legal proceedings.

**INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The Directors and Senior Officers of the Company have no interest in any material transactions in which the Company has participated or intends to participate at this time, save and except as disclosed in this Prospectus and, in particular, those matters disclosed under the heading "Description of Business and Property".

**MATERIAL CONTRACTS**

There are no material contracts entered into by the Company other than as disclosed in this Prospectus.

Material contracts may be inspected at the offices of the Company of 1013 - 837 West Hastings Street, Vancouver, B.C. during normal business hours during the period of primary distribution of the securities being offered under this Prospectus.

**OTHER MATERIAL FACTS**

There are no other material facts relating to the offering of securities under this Prospectus other than as disclosed herein.

**TRANSFER AGENTS AND REGISTRARS AND AUDITORS**

The Registrar and Transfer Agent for the Company is Pacific Corporate Services Limited, of 830 - 625 Howe Street, Vancouver, B.C. The Auditor for the Company is Bishop & Wallace, Chartered Accountants, of 200 - 6300 No. 3 Road, Richmond, B.C. V6Y 2B3.

**PURCHASER'S STATUTORY RIGHT OF WITHDRAWAL AND RESCISSION**

Sections 60 and 61 of The British Columbia Securities Act 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 purpose of a security, while still the owner thereof, if a copy of the last prospectus,

together with financial statements and reports and summaries of reports relating to the securities as filed with the 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 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 delivery of the written confirmation, but no action shall be commenced after the expiration of three (3) 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 a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

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

REPORT ON THE KALUM PROPERTY  
KALUM #1, KEN No. 1 AND KEN No. 2 CLAIMS  
KITSUMKALUM LAKE AREA  
SKEENA MINING DIVISION, BRITISH COLUMBIA

LOCATION

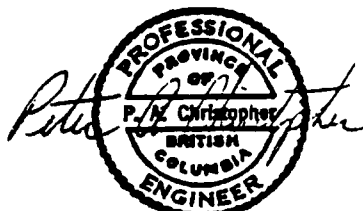
NTS: 103 I/15E & 15W  
LATITUDE: 54° 47' N.  
LONGITUDE: 128° 46' W.

FOR

CANNON EXPLORATION LTD.  
1013-837 West Hastings Street  
Vancouver, British Columbia V6E 3V4

PREPARED BY

Peter A. Christopher Ph.D., P.Eng.  
PETER CHRISTOPHER & ASSOCIATES INC.  
3707 West 34th Avenue  
Vancouver, British Columbia V6N 2K9



NOVEMBER 12, 1986

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### SUMMARY

The Kalum Property, consisting of the Kalum #1 metric claim and the Ken No. 1 and Ken No. 2 two-post claims, is located in the Skeena Mining Division at Ketchumkalum Lake in the Nass Range. The property has excellent access to Terrace, B.C. about 35 kilometers southerly via paved highway. The property covers old precious metal and copper showings that were discovered before the turn of the century and previously explored as the Treadwell, Belway and Rex properties.

Gold-copper mineralization is known to occur in several showings along a 500 meter stretch of the main highway with the northern 240 meters of the zone containing more consistent and stronger mineralization. Four samples collected by the writer range from 325 ppb to 1.706 oz Au/ton for a select dump sample from near the presently inaccessible shaft from which Brewer (1915) reported an 8 foot chip sample with 0.42 oz Au/ton.

The 1986 work program tested the area of the main showing with detailed geological mapping and rock sampling. Forested and overburden covered areas west of the main showing were tested with VLF-Em, magnetic and induced polarization (IP) surveys. Several strong IP, VLF-Em and magnetic anomalies were indicated by the surveys with follow-up geochemical surveys needed to rank geophysical anomalies and indicate priority Stage I drill targets.

The initial exploration program conducted for Cannon Exploration Ltd. (Lambert and Stephen, 1986) has been successful in obtaining significant gold values over narrow widths in a wide zone. The possibility exists that several narrow zones may coalesce at depth into a sizable zone of moderate to high grade. Two diamond drill holes totaling 150 to 175 meters are recommended to test the shaft-north adit zone and south adit zone at depth.

A staged exploration program is recommended for testing anomalous geophysical and geochemical responses obtained from the Kalum Property. A Stage I program of geochemical follow-up and 300 meter diamond drill test is estimated to cost \$50,000. Contingent on the results of the Stage I program, a 600 meter Stage II drill program is estimated to cost \$75,000 and a contingent Stage III, 1000 meter drill program is estimated to cost \$ 110,000.

## INTRODUCTION

The Kalum Property, consisting of the Kalum #1, 15 unit metric claim and the Ken No. 1 and Ken No. 2, straddles the Terrace-Stewart Highway between about 34 and 35.5 kilometers north of Terrace, British Columbia. The property was optioned by Cannon Exploration Ltd. by agreement dated August 1, 1986. The writer was retained by the management of Cannon Exploration Ltd. to examine the geological setting and mineral occurrences on the Kalum Property in order to propose a program for further exploration, if warranted. An initial examination was conducted on August 18, 1986 with an initial program of grid geological mapping, geochemical sampling and VLF-EM, magnetic and induced polarization surveys recommended. A second examination was conducted on September 25, 1986 in order to review the progress of the exploration program.

This report is based on personal examinations of the Kalum property, a review of government and company reports on the Kalum Property and the results of the initial exploration program (Lambert, E.E., and Stephen, J.C., 1986). Based on the encouraging results of the initial exploration program, a three stage exploration program is outlined in this report.

## LOCATION AND ACCESS (FIGURES 1 & 2)

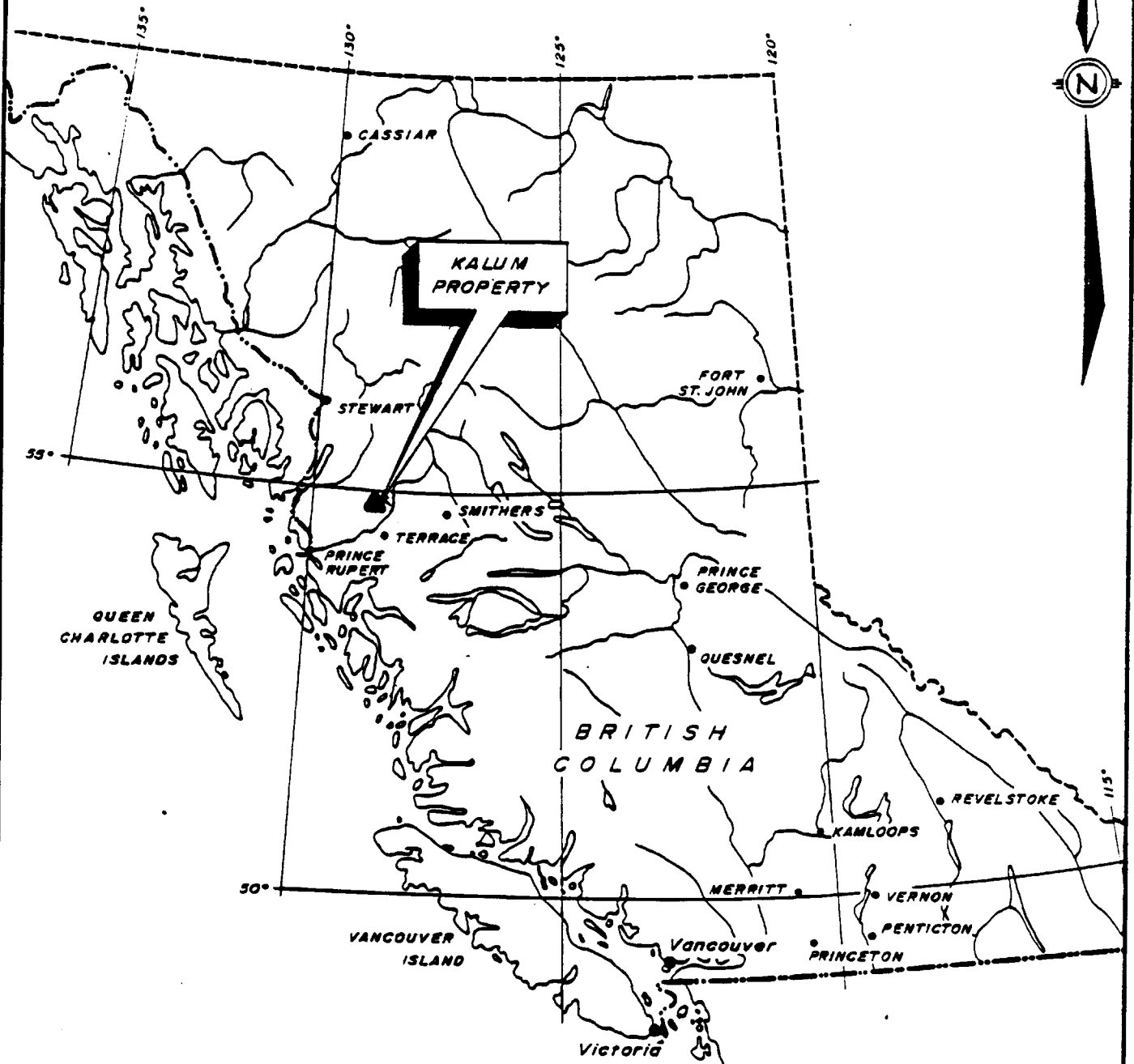
The Kalum Property, consisting of 15 claim units and the Ken No. 1 and Ken No. 2 two-post claims, covers about 375 hectares at the northeast corner of Kitsumkalum Lake, about 35 kilometers north of Terrace via the Terrace-Stewart Highway. The property is centered at geographic coordinates  $54^{\circ} 47' N$  latitude and  $128^{\circ} 46' W$  longitude within NTS map sheet 103 I/15 and the Skeena Mining Division.

The Terrace-Stewart Highway, paved to the north end of Kitsumkalum Lake, passes through the central part of the Kalum #1 claim. The highway provides excellent year round access to the property and a network of logging roads permit access to the eastern part of the claim. The six units at the west end of the Kalum #1 claim extend into Kitsumkalum Lake.

## PHYSIOGRAPHY AND VEGETATION

The Kalum Property is situated near the eastern edge of the Coast Mountains in the Nass Range. Elevations on the Kalum #1 claim range from about 150 meters a.s.l. at Kitsumkalum Lake to about 600 meter along the eastern boundary of the property. Relief is moderate to steep with local bluffs. Outcrop is abundant along the main road and lake with the eastern part of the property mainly overburden covered.

Vegetation over most of the property consists of commercial stands of cedar, spruce, balsam and fir. Active logging has been conducted within the claim area with nearby areas presently being logged.

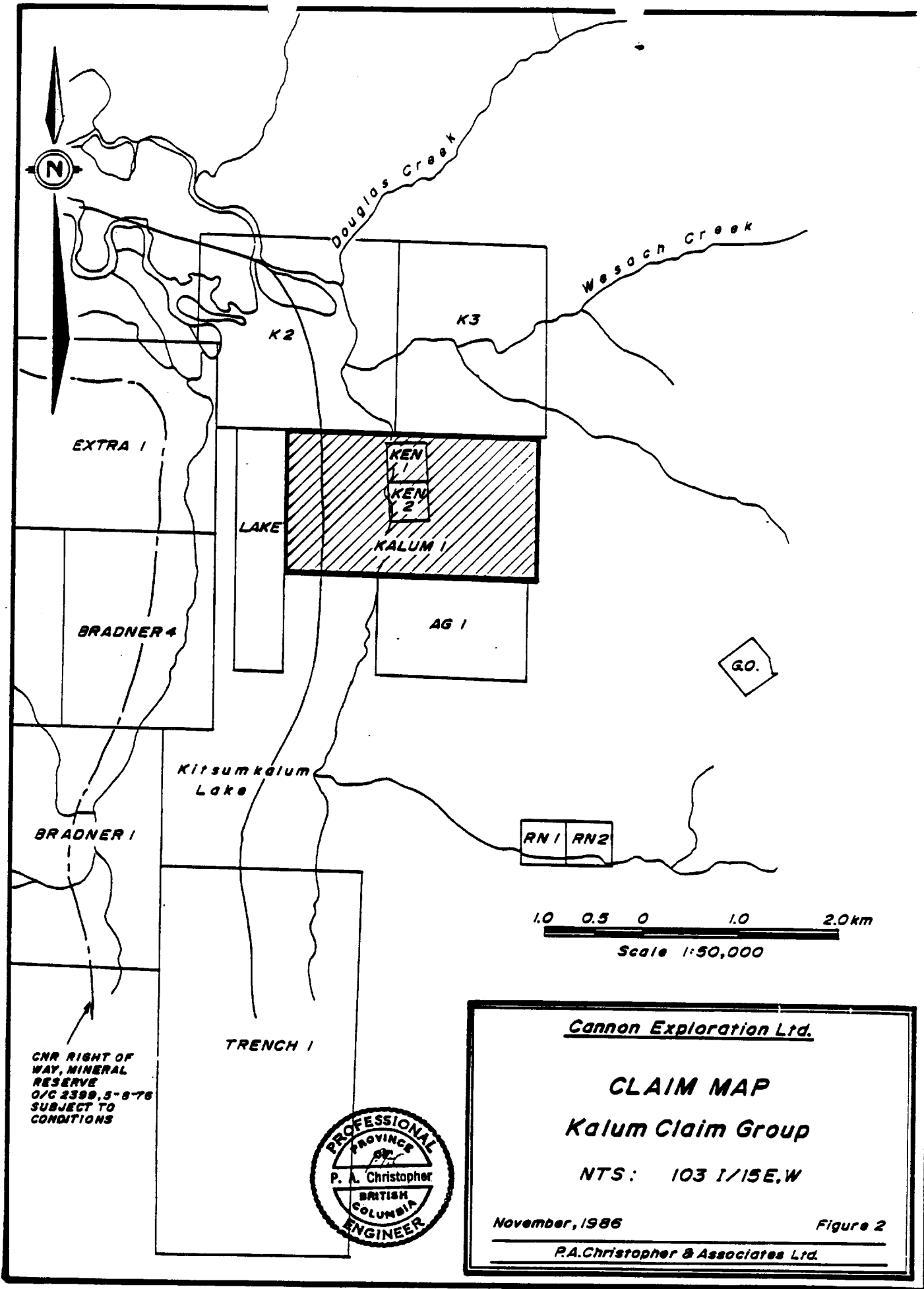


SCALE: 1 cm = 87 km



Cannon Exploration Ltd.  
**LOCATION MAP**  
**Kalum Property**  
 Skeena Mining Division  
 NTS: 103 1/15  
P.A. Christopher & Associates Ltd.





CNR RIGHT OF WAY, MINERAL RESERVE  
O/C 2399.5-8-76  
SUBJECT TO CONDITIONS



Cannon Exploration Ltd.

**CLAIM MAP**

**Kalum Claim Group**

NTS: 103 1/15E.W

November, 1986 Figure 2

P.A.Christopher & Associates Ltd.

## PROPERTY DEFINITION

The Kalum Property covers an area of 375 hectares in the Skeena Mining Division, British Columbia. The property extends 3 units south and 5 units west from a legal corner post that is located approximately as shown on Figure 2. The Ken No. 1 and Ken No. 2, two-post claims are entirely within the area of the Kalum #1 claim. The writer examined the legal corner post for the Kalum #1 and the initial and final posts for Ken No. 1 and Ken No. 2 on September 25, 1986. Pertinent claim data for the Kalum and Ken claims is presented in Table 1.

TABLE 1. Pertinent Claim Data For Kalum and Ken Claims.

<u>Name</u>	<u>Units/Shape</u>	<u>Record #</u>	<u>Record Date</u>	<u>Expiry</u>	<u>Recorded</u>	<u>Owner*</u>
Kalum #1	15/3Sx5W	3553(9)	Sept.21/1982	1987	Fred Loutitt	
Ken No. 1	1/2-Post	31042	May 4/1967	1988	Cecil C. Pratt	
<u>Ken No. 2</u>	<u>1/2-Post</u>	<u>31043</u>	<u>May 4/1967</u>	<u>1987</u>	<u>Cecil C. Pratt</u>	

\* Fred Loutitt, 4815 Pohley Street, Terrace, British Columbia.

\* Cecil Clarence Pratt, 4904 Davies Street, Terrace, British Columbia.

## HISTORY

The main showings on the present Kalum Property were initially staked in 1914 as the Treadwell No. 2 and Juneau claims and subsequently as the Maloya and Lake Shore claims in 1931 and the Belway and Rex Claims in 1937. Early development work consisted of a few pits, one shallow shaft, and two short adits.

The area of the main showings was staked Steve Piskulski on April 25, 1967 as the Ken No. 1 and Ken No. 2 claims and sold to Cecil Clarence Pratt on July 25, 1972. The Kalum #1, 15 unit modified grid claim was staked over the Ken claims by David Johnson in September 1982 and sold to Fred Loutitt on April 14, 1983. Recent exploration of the property included rock and soil sampling around known mineralized occurrences by Silver Standard Mines Ltd. (1981) and Weymark Engineering Ltd. (Weymark, 1981); trenching, sampling, geological mapping and a proton magnetic survey was conducted for Gerle Gold Ltd. in 1983 (Belik, 1983); soil sampling for Cominco Ltd. in 1984 (Pauwels, 1984); showings were verified and sampled by Dr. Tom Richards (1985) and J.C. Stephen (1986).

The property was optioned to Cannon Exploration Ltd. on August 1, 1986 with Peter Christopher & Associates Inc. retained to provide consulting and engineering and J.C. Stephen Explorations retained to conduct an initial geological, geochemical and geophysical exploration program over the Kalum Property. The initial Exploration program was conducted between September 1, 1986 and September 29, 1986 (Lambert and Stephen, 1986) with property examinations by the writer on August 18, 1986 and September 25, 1986.

## 1986 WORK PROGRAM

The 1986 field program was conducted by J.C. Stephen Explorations Ltd. between September 1st and September 29th, 1986. The program included detailed geological mapping of the road and showing area and 1:2,000 scale mapping of the grid area. A grid was cut, chained and picketed in the forested area east of the main access road with lines at 50 meter intervals and stations at 12.5 meter intervals. Magnetic and VLF-Em readings were collected at 12.5 meter stations while 25 meter station were used for the I.P. survey. A total of 22.05 line kilometers were surveyed with I.P. and 27.5 line kilometers were surveyed with VLF-Em and magnetics.

## REGIONAL GEOLOGY

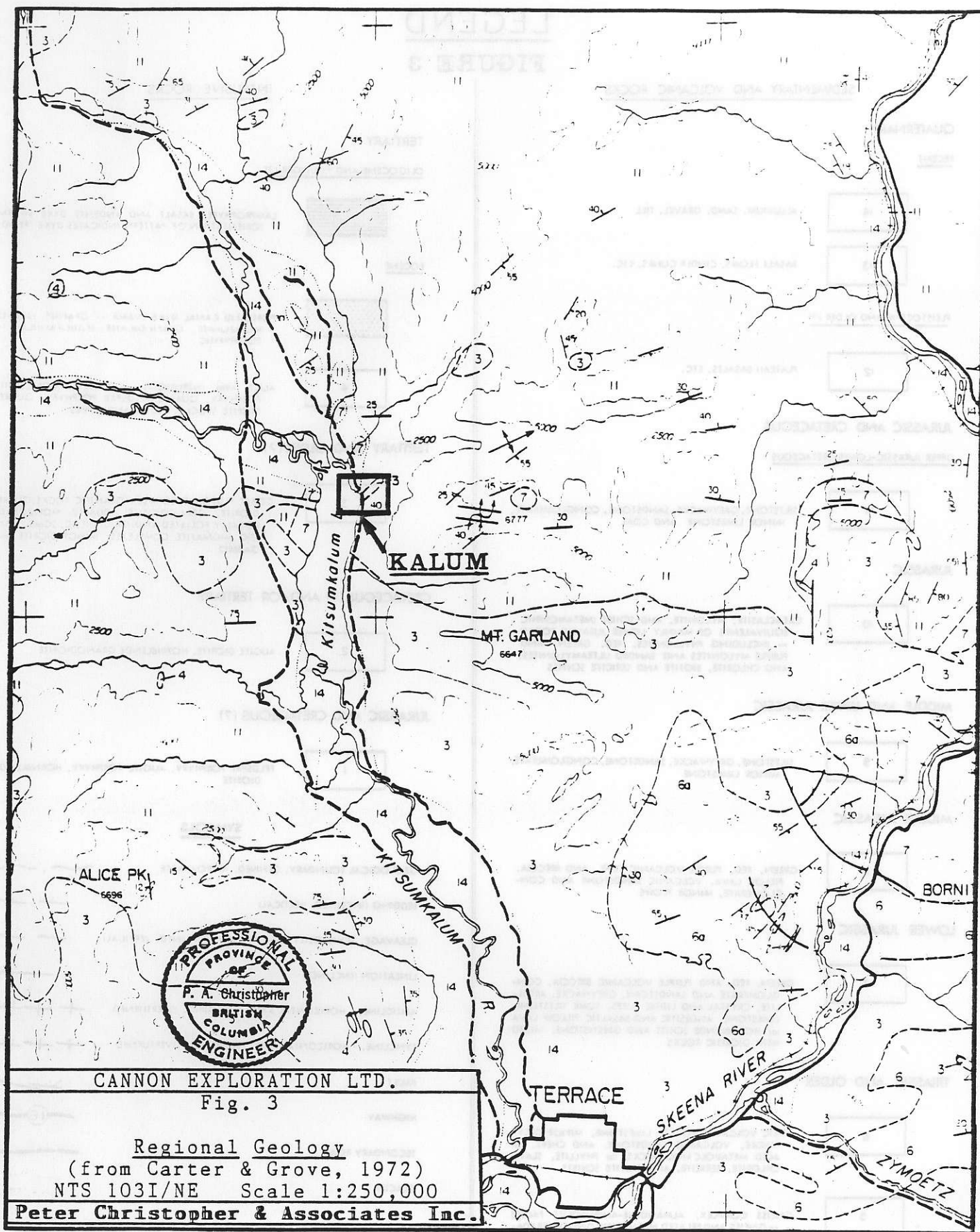
The Kalam Property is located in a tectonic transition zone with the Coast Crystalline Complex to the west and the Intermontane Belt to the east. During Jurassic period uplifts referred to as the Skeena Arch and Atlin Horst developed which shed detritus into a successor basin, the Jura-Cretaceous Bowser Basin. A thick succession of marine and nonmarine shales, greywacke, and conglomerate was deposited in the Bowser Basin. In the area of the Kalum Property, sedimentary rocks of the Bowser Basin are intruded by crystalline rocks of the Coast Crystalline Complex and lie unconformably upon the Hazelton Group.

The regional geology of the Kitsumkalum Lake area is shown on a compilation map produced by Carter and Grove (1972) (see Figure 3) with regional geology mapped by Duffell and Souther (1964) and compiled by Hutchison (1967) for the Geological Survey of Canada. They show Hazelton Group volcanic rocks and Bowser Group sedimentary rocks intruded by Coast Plutonic Complex rocks and Early Tertiary granodiorite. During the Nassian and Columbian tectonic events, rocks of the Kitsumkalum Lake area underwent green schist facies metamorphism and north to northwest penetrative folding.

## PROPERTY GEOLOGY

The Kalum Property has been mapped at scales of 1:500 along the highway cut and lake shore with 1:2000 scale mapping in forested areas east of the main highway (Lambert and Stephen, 1986). Lambert and Stephen have mapped 5 sedimentary units, 2 volcanic units and 4 dyke or sill types. The following description mainly summarizes available property mapping.

The Kalum Property is underlain by a package of sedimentary and tuffaceous rocks with interbedded basic flows of probable Jurassic age. The rocks have undergone moderate to intense deformation and green schist metamorphism resulting in quartzites, argillites, schists, gneisses and greenstone. The rocks display foliation subparallel to bedding and a number of small scale folds. Basic and acidic dykes cut both sedimentary and volcanic units, with volcanic units concentrated in the area of the main showings.



CANNON EXPLORATION LTD.

Fig. 3

Regional Geology  
 (from Carter & Grove, 1972)  
 NTS 103I/NE Scale 1:250,000

**Peter Christopher & Associates Inc.**

# LEGEND

## FIGURE 3

### SEDIMENTARY AND VOLCANIC ROCKS

#### QUATERNARY

##### RECENT

14 ALLUVIUM, SAND, GRAVEL, TILL

13 BASALT FLOWS, CINDER CONES, ETC.

##### PLEISTOCENE AND OLDER (?)

12 PLATEAU BASALTS, ETC.

#### JURASSIC AND CRETACEOUS

##### UPPER JURASSIC-LOWER CRETACEOUS

11 SILTSTONE, GREYWACKE, SANDSTONE, CONGLOMERATE, MINOR LIMESTONE AND COAL

#### JURASSIC

10 CATACLASITE, MYLONITE, AND SCHIST (METAMORPHIC EQUIVALENTS OF MAINLY LOWER JURASSIC ROCKS) -- INCLUDING PHYLONITES, RED, GREEN, AND PURPLE MYLONITES AND BANDED ULTRAMYLONITES, AND CHLORITE, BIOTITE AND SERICITE SCHISTS

#### MIDDLE AND UPPER JURASSIC

9 SILTSTONE, GREYWACKE, SANDSTONE, CONGLOMERATE, MINOR LIMESTONE

#### MIDDLE JURASSIC

8 GREEN, RED, PURPLE VOLCANIC TUFF AND BRECCIA, PILLOW LAVA, VOLCANIC SANDSTONE AND CONGLOMERATE, MINOR FLOWS

#### LOWER JURASSIC

7 GREEN, RED, AND PURPLE VOLCANIC BRECCIA, CONGLOMERATE AND SANDSTONE, GREYWACKE, ARGILLITE, CRYSTAL AND LITHIC TUFFS, SOME SILTSTONE, LIMESTONE, ANDESITIC AND BASALTIC PILLOW LAVA (a) HORNBLLENDE SCHIST AND GREENSTONE, MIXED WITH DIORITIC ROCKS

#### TRIASSIC AND OLDER

6 MAFIC VOLCANIC ROCKS, LIMESTONE, MINOR GREYWACKE, VOLCANIC SANDSTONE, AND CHERT, (a) ACID METAVOLCANIC ROCKS (b) PHYLLITE, SLATE, CHLORITE, SERICITE, AND BIOTITE SCHISTS

5 GNEISS COMPLEX, ALMANDINE-AMPHIBOLITE FACIES -- GNEISS AND RELATED MIGMATITIC GNEISS, GRADATIONAL TO GNEISSIC DIORITE, QUARTZ DIORITE, AND GRANODIORITE

### INTRUSIVE ROCKS

#### TERTIARY

##### OLIGOCENE AND YOUNGER (?)

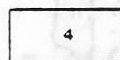


LAMPROPHYRE, BASALT AND ANDESITE DYKE SWARMS (ORIENTATION OF PATTERN INDICATES DYKE TRENDS)

##### Eocene

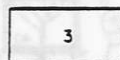


PORTLAND CANAL DYKE SWARMS -- GRANITE, QUARTZ MONZONITE, GRANODIORITE, GABBRO, AND PORPHYRY



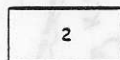
ALICE ARM INTRUSIONS -- QUARTZ MONZONITE PORPHYRY, QUARTZ FELDSPAR PORPHYRY, QUARTZ DIORITE STOCKS, PLUGS AND DYKES

#### TERTIARY AND OLDER (?)



COAST PLUTONIC COMPLEX: GRANITIC ROCKS: QUARTZ DIORITE, GRANODIORITE, QUARTZ MONZONITE, LOCALLY FOLIATED AND/OR GNEISSIC, SOME GRANITIC MIGMATITE COMPLEXES, MINOR DIORITE AND GABBRO

#### CRETACEOUS (?) AND/OR TERTIARY



AUGITE DIORITE, HORNBLLENDE GRANODIORITE

#### JURASSIC AND CRETACEOUS (?)



FELDSPAR PORPHYRY, AUGITE PORPHYRY, HORNBLLENDE DIORITE

#### SYMBOLS

GEOLOGICAL BOUNDARY, DEFINED, APPROXIMATE

BEDDING (INCLINED, VERTICAL)

CLEAVAGE, SCHISTOSITY, GNEISSOSITY (INCLINED, VERTICAL)

LINATION (INCLINED)

ANTICLINE, - HORIZONTAL AXIS, PLUNGING, OVERTURNED

SYNCLINE, - HORIZONTAL AXIS, PLUNGING, OVERTURNED

FAULT

HIGHWAY

SECONDARY ROAD

GLACIER



Beds generally strike northeasterly and dip from 10° to 55° northwesterly with the most common foliation attitude being 55° strike and 35° northwest dip. Faulting and shearing is common on the property with gouge zones, slickensides, and offset of bed and veins apparent in roadcuts and lake shore outcrops. A number of northeast trending shear zones are apparent in the area of the main showings.

In addition to the regional green schist metamorphism of the sedimentary and volcanic units, rocks are locally altered to sericite, epidote and chlorite with development of mafic biotitic and chloritic schist and gneiss in the area of the north adit and shaft. Porous tuffaceous units display varying degrees of silicification with epidote, garnet and magnetite developed in limy zones.

### MINERALIZATION

Pyrite, bornite, chalcopyrite with interesting precious metal values occur in shear zone controlled quartz stringers, in quartz-hematite-epidote pods and veins and in epidotized and silicified magnetite enriched tuffs. Copper carbonates and possibly sulphides appear to be controlled by the schistosity in the biotite and chlorite schist and gneiss unit.

Gold-copper mineralization is known to occur in several showings in a 240 meter section along the main highway (see Figure 4). A number of high grade, chip, grab and select samples have been obtained from this zone by the writer and previous workers. Table 2 summarizes some of the assay results.

Table 2. Summary of Assay Results.

<u>Sample</u>	<u>Type/Width</u>	<u>Au</u>	<u>Ag</u>	<u>Cu%</u>	<u>Description/sampler</u>
PCK-1	Chip/8'	0.325ppm	2.3ppm	.25%	Unit N @G-10 /writer
PCK-2	Grab	1.700ppm	33.0ppm	>1%	@G-9 /writer
PCK-3	Select Dump	1.706oz/t	54.0ppm	>1%	30%Bn @G-3 /writer
PCK-4	Grab Dump	1.004oz/t	62.0ppm	>1%	10%Bn @I /writer
		<u>Brewer, Annual Rept. 1914</u>			
	Chip?/8'	0.42oz/t	0.5oz/t		@ Shaft /Brewer
	Chip?/6'	0.18oz/t	0.7oz/t		@ Open Cut /Brewer
		<u>Schroeter, Fieldwork 1984</u>			
K-13	Grab	4.1ppm	100ppm		@ Road Show/Schroeter
		<u>Lambert &amp; Stephen, 1986</u>			
L39	Chip/6cm	0.198oz/t	0.37oz/t	1.05	@ J2 Rd.Show/Lambert
L57	Grab	0.224oz/t	0.96oz/t	1.22	Rd.Show Float/Lambert
L50	Chip/4cm	0.233oz/t	0.36oz/t	0.75	NW Shaft /Lambert
L52	Grab	1.054oz/t	1.75oz/t	9.47	SE Shaft @G3 /Lambert
L53	Grab	0.256oz/t	0.74oz/t	1.64	@ G4 SE Shaft/Lambert
L54	Grab	0.296oz/t	0.85oz/t	1.05	S. Adit @I2 /Lambert
L55	Chip/17cm	0.176oz/t	0.67oz/t	0.39	S. I2-14m /Lambert
L58	Grab?	0.028oz/t	0.23oz/t	0.34	S. Ditch @J10/Lambert
L59	Grab	0.100oz/t	0.31oz/t	0.50	S. Ditch @ M6/Lambert
L60	Chip/15cm	0.036oz/t	0.20oz/t	0.39	S. Ditch @ M6/Lambert
<u>L61</u>	<u>Chip/60cm</u>	<u>0.060oz/t</u>	<u>0.18oz/t</u>	<u>0.24</u>	<u>S. Ditch @ M6/Lambert</u>

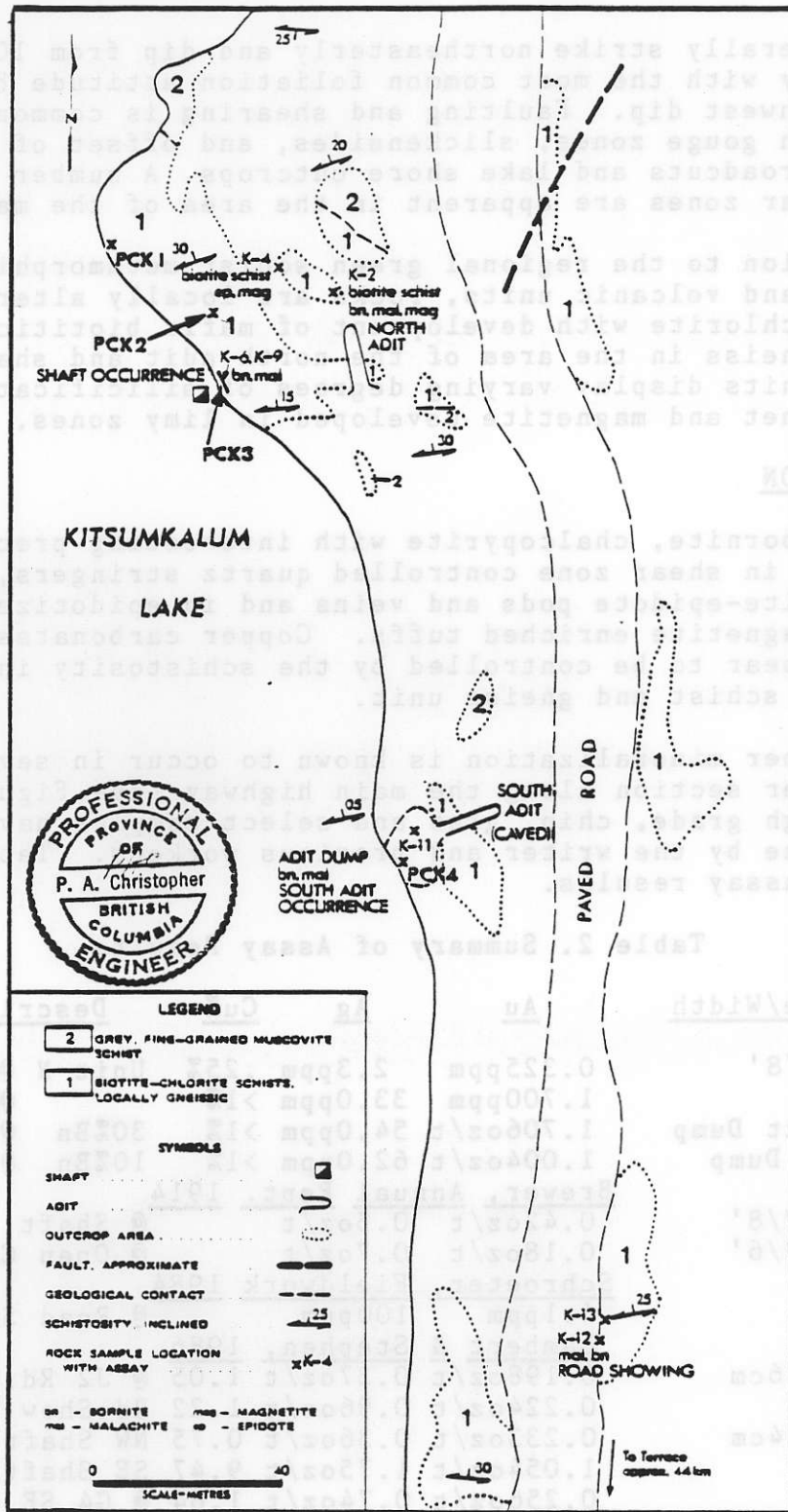


Figure 4. Plan of part of the Kalum Property (after Schroeter, 1985).



Four main showings, described by Lambert and Stephen (1986), are the shaft and north adit; south adit; Road Show; and Southern Ditch. The writer obtained 3 samples from the shaft and north adit area and one from the south adit dump (see Figure 4). The writers samples vary from strongly anomalous to high grade with the later representing a select sample and grab from a well mineralized pile. The writers results support the strongly anomalous and high grade values reported by Lambert and Stephen (1986). The shaft, from which Brewer (1915) reported an 8 foot chip sample with 0.42 oz Au/t, is presently below the level of Kitsumkalum Lake.

The four main showings occur along a 500 meter stretch of the main highway with the northern 240 meters of the zone containing more consistent and stronger mineralization. This area should be the focus of the Staga I follow-up with at least one drill hole directed at the shaft area and at least one drill directed at the southern adit. The holes should test the high grade gold values reported for the old shaft and obtained from mineralization in the southern adit dump.

#### GEOPHYSICAL PROGRAM

Grid geophysical coverage of mainly overburden covered parts of the Kalnm Property included about 27 line kilometers of magnetics and VLF-Em and 22 line kilometers of induced polarization (I.P.). A number of magnetic, VLF-Em and I.P. anomalies were detected. The writer feels that the five I.P. anomalies outline by Lambert and Stephen (1986) should be carefully geochemical sampled to select targets for drilling. One or two drill holes should be allotted for initial testing of the anomalies with the best geochemical response.

#### CONCLUSIONS AND RECOMMENDATIONS

The initial exploration program conducted for Cannon Exploration Ltd. has been successful in obtaining significant gold values over narrow widths in a wide zone. The possibility exists that several narrow zones may coalesce at depth into a sizable zone of moderate to high grade. The writer recommends two diamond drill hole totaling 150 to 175 meters to test the shaft-north adit and south adit zones at depth.

The writer agrees with the recommendation of Lambert and Stephen (1986) that geochemical methods be used to rank the several strong geophysical anomalies. One or two holes totaling 125 to 150 meters should be allotted to test the strongest coincident geochemical and geophysical anomaly.

A staged exploration program is recommended for testing anomalous geophysical and geochemical responses obtained from the Kalum Property. A Stage I program of geochemical follow-up and 300 meter diamond drill test is estimated to cost \$50,000. Contingent on the results of the Stage I program, a 600 meter Stage II drill program is estimated to cost \$75,000 and a contingent Stage III, 1000 meter drill program is estimated to cost \$ 110,000.



COST ESTIMATES

STAGE I. GEOCHEMICAL FOLLOW UP AND DIAMOND DRILLING

GEOCHEMICAL FOLLOW UP	\$ 7,000
DIAMOND DRILLING 300 METERS @ \$90ea (all incl.)	27,000
ANALYTICAL COSTS	3,000
MANAGEMENT, SUPERVISION	5,000
REPORT PREPARATION	3,000
CONTINGENCY	<u>5,000</u>

STAGE I TOTAL \$ 50,000

STAGE II. DIAMOND DRILLING AND SITE PREPARATION

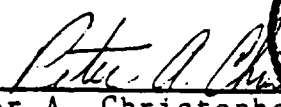
SITE PREPARATION	\$ 6,000
DIAMOND DRILLING 600 METERS @ \$80ea (all incl)	48,000
ANALYTICAL COSTS	3,000
MANAGEMENT AND SUPERVISION	8,000
REPORT PREPARATION	3,000
CONTINGENCY	<u>7,000</u>

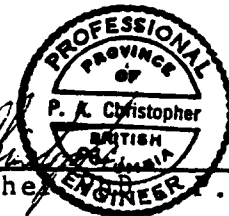
STAGE II TOTAL \$ 75,000

STAGE III. DIAMOND DRILLING AND SITE PREPARATION

SITE PREPARATION	\$ 7,000
DIAMOND DRILLING 1,000 METERS @ \$75ea (all incl)	75,000
MANAGEMENT AND SUPERVISION	10,000
ANALYTICAL COSTS	4,000
REPORTING COSTS	4,000
CONTINGENCY	<u>10,000</u>

STAGE III TOTAL \$ 110,000

  
Peter A. Christopher, P. Eng.  
November 12, 1986




BIBLIOGRAPHY

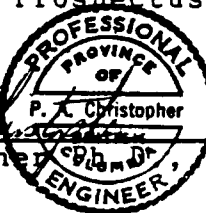
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CERTIFICATE

I, Peter A. Christopher, with business address at 3707 West 34th Avenue, Vancouver, British Columbia, do hereby certify that:

- 1) I am a consulting geological engineer registered with the Association of Professional Engineers of British Columbia since 1976.
- 2) I am a Fellow of the Geological Association of Canada and a member of the Society of Economic Geologists.
- 3) I hold a B.Sc. (1966) from the State University of New York at Fredonia, a M.A. (1968) from Dartmouth College and a Ph.D. (1973) from the University of British Columbia.
- 4) I have been practising my profession as a Geologist for over 20 years.
- 5) I have no direct or indirect interest, nor do I expect to receive any interest directly or indirectly in the property or securities of Cannon Exploration Ltd.
- 6) I have based this report on field examinations of the Kalum Property on August 18, 1986 and September 25, 1986, on a review of government and company reports and on the results of the 1986 work program.
- 7) I consent to the use of this report by Cannon Exploration Ltd. in any Filing Statement, Statement of Material Facts, or Prospectus.

  
Peter A. Christopher, P.Eng.  
November 12, 1986



**Peter Christopher & Associates Inc.**  
GEOLOGICAL & EXPLORATION SERVICES  
3707 West 34th Ave., Vancouver, B.C. V6N 2K9

Office/Res: 263-6152  
Bus: 688-3363  
Telex: 04-51313


November 12, 1986

CANNON EXPLORATION LTD.  
1013-837 West Hastings Street  
Vancouver, British Columbia V6E 3V4

Dear Sirs:

I Peter A. Christopher, Ph.D., P.Eng., hereby consent to the use of my report dated November 12, 1986 on the Kalum Property, Skeena Mining Division, British Columbia, in any Filing Statement, Statement of Material Facts or Prospectus to be issued by Cannon Exploration Ltd.

DATED at Vancouver, British Columbia, this 12th day of November, 1986.

  
*Peter A. Christopher*  
Peter A. Christopher, P.Eng.

**CANNON EXPLORATIONS LTD.**

**AUDITORS' REPORT**

**FINANCIAL STATEMENTS**

**OCTOBER 31, 1986**

AUDITORS' REPORT TO THE DIRECTORS

We have examined the balance sheet of Cannon Explorations Ltd. as at October 31, 1986 and the statement of changes in financial position 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 October 31, 1986 and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

*Bishop & Wallace*

Richmond, B.C.  
November 14, 1986  
(January 26, 1987, as to Notes 3, 4 and 7)

CHARTERED ACCOUNTANTS

CANNON EXPLORATIONS LTD.  
Balance Sheet  
as at October 31, 1986

ASSETS

CURRENT ASSETS

Cash	\$	22,006
Prepaid expenses		<u>2,000</u>
		24,006

MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Note 3) (Schedule 1)		<u>125,973</u>
	\$	<u>149,979</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accruals	\$	17,479
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SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 4)		132,500
COMMITMENTS (Note 3 and Note 4)		
SUBSEQUENT EVENTS (Note 7)		
	\$	<u>149,979</u>

APPROVED BY THE DIRECTORS

  
\_\_\_\_\_

  
\_\_\_\_\_

See accompanying notes to financial statements.

CANNON EXPLORATIONS LTD.  
Statement of Changes in Financial Position  
For the Five Month Period from  
June 1, 1986 to October 31, 1986 (Note 1)

SOURCE OF CASH

Capital stock issued for cash consideration	\$ 132,500
Accounts payable and accruals	<u>17,479</u>
	<u>149,979</u>

USE OF CASH

Acquisition of mineral properties	5,060
Exploration and development of mineral properties	101,015
Deferred administration costs	19,898
Prepaid expenses	<u>2,000</u>
	<u>127,973</u>

CASH - END OF PERIOD	\$ <u>22,006</u>
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See accompanying notes to financial statements.



**CANNON EXPLORATIONS LTD.**  
**Schedule of Mineral Properties and Related Deferred Costs**  
**For the five month period from**  
**June 1, 1986 to October 31, 1986 (Note 1)**

**EXPLORATION AND DEVELOPMENT**

Assays	\$ 833
Engineering and Consulting	8,386
Field Personnel	33,821
Field Travel	4,824
Geophysical Costs	39,908
Mapping and Drafting	9,051
Miscellaneous	646
Room and Board	3,546
Staking and Acquisition Costs	<u>5,060</u>
	106,075

**ADMINISTRATION COSTS**

Accounting and Legal	7,744
Bank Charges and Interest Income (net)	(988)
Management Fees	10,000
Public Relations and Promotion	<u>3,142</u>
	<u>19,898</u>

**BALANCE - END OF PERIOD** **\$ 125,973**

See accompanying notes to financial statements.

CANNON EXPLORATIONS LTD.  
Notes to Financial Statements  
October 31, 1986

1. INCORPORATION AND NATURE OF OPERATIONS:

The Company was incorporated under the Company Act of the Province of British Columbia on February 19, 1986, and was inactive until June 1, 1986.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete development, and upon future profitable production.

2. SIGNIFICANT ACCOUNTING POLICY:

The Company records its interest in mineral properties and areas of geological interest at cost less option payments received and other recoveries. Exploration, development, and administration costs relating to these interests and projects are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or allowed to lapse. Administration costs incurred are deferred and allocated to mineral properties and areas of geological interest. Deferred exploration and administration costs will be amortized over the useful life of the orebody following attainment of commercial production or will be written off if the property or project is abandoned.

3. MINERAL PROPERTIES AND RELATED DEFERRED COSTS

KALUM PROPERTIES, SKEENA MINING DIVISION,  
BRITISH COLUMBIA:

Exploration and development costs	\$ 70,846
Administration costs	<u>13,290</u>
	<u>84,136</u>

V-J PROPERTY, VALRENNES AND JOUTEL TOWNSHIPS,  
QUEBEC:

Exploration and development costs	35,229
Administration costs	<u>6,608</u>
	<u>41,837</u>
	<u>\$ 125,973</u>

CANNON EXPLORATIONS LTD.  
Notes to Financial Statements  
October 31, 1986

3. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Con't):

Pursuant to an agreement dated August 15, 1986, the Company acquired an option to earn a 100% undivided interest in the Kalum property under the following terms and conditions:

- Payment of \$5,000.00 by September 15, 1986 (paid)
- Minimum annual expenditures to be incurred by the Company for exploration on the property as follows:
  - \$60,000 by August 15, 1987
  - a further \$75,000 by August 15, 1988
  - a further \$100,000 by August 15, 1989
- after the Company expends the monies described above the optionor shall receive a further cash payment of \$100,000 and shall be issued 100,000 fully paid and non-assessable common shares of the Company.
- Should the Company meet the initial two expenditure requirements it shall have earned a 50% undivided interest in the property. A further minimum expenditure of \$100,000 by August 15, 1989 will earn the Company an additional 25% interest (aggregate 75% interest) in the property. The cash payment of \$100,000 and the issuance of 100,000 common shares will earn the company the remaining 25% interest in the property. Should the Company fail to meet the initial two expenditure requirements its option to earn an interest in the property terminates.
- To date, the Company has spent \$65,846 on exploration and accordingly has met the initial expenditure requirement.

Pursuant to an agreement dated August 15, 1986, the Company acquired an option to earn a 50% undivided interest in the V-J property under the following terms and conditions:

- Minimum annual expenditures to be incurred by the Company for exploration of the property as follows:
  - \$40,000 by November 30, 1986
  - an additional \$50,000 by November 30, 1987
  - an additional \$60,000 by November 30, 1988

CANNON EXPLORATIONS LTD.  
Notes to Financial Statements  
October 31, 1986

3. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Con't):

- Should the Company fail to expend the amounts above, its option to earn an interest in the property will lapse.
- To October 31, 1986 the Company has expended \$35,229 on exploration of the property.
- By November 30, 1986, the Company had met the initial expenditure requirement.

4. CAPITAL STOCK:

Authorized

20,000,000 Common Shares  
without par value

Issued and outstanding                      1,250,000 Shares      \$132,500

750,000 of the issued shares are subject to escrow restrictions.

By Agreement dated November 21, 1986, the Company has granted options to purchase 155,000 common shares to directors and an employee of the Company. The option price is \$0.33 per share and the options expire two years after the 'Effective date' of the prospectus referred to in Note 7.

Subsequent to October 31, 1986 a further 30,000 shares were issued to a director for cash consideration of \$7,500.

5. RELATED PARTY TRANSACTIONS:

The Company has entered into a management agreement with a corporation for a fee of \$2,000 per month. The Company is committed to payments for management fees of \$2,000 during the period from October 31, 1986 to May 31, 1987. The President of the Company is also a director of that corporation.

A director of the Company has received \$494 for legal services rendered.

6. INCOME TAXES

Exploration expenditures of \$100,000 in connection with the allotment of 400,000 common shares are not available to the Company in future as a deduction for income tax purposes.

CANNON EXPLORATIONS LTD.  
Notes to Financial Statements  
October 31, 1986

7. SUBSEQUENT EVENTS:

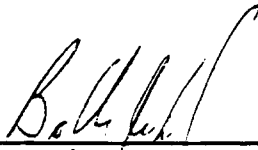
On November 10, 1986, the company issued 30,000 common shares to a subscriber for \$7,500 cash received, as described in Note 5 above.

By prospectus dated January 14, 1987 the Company is offering to the public 275,000 common shares at a price of \$0.33 per share to net the Company, after commission, \$82,500 in aggregate.

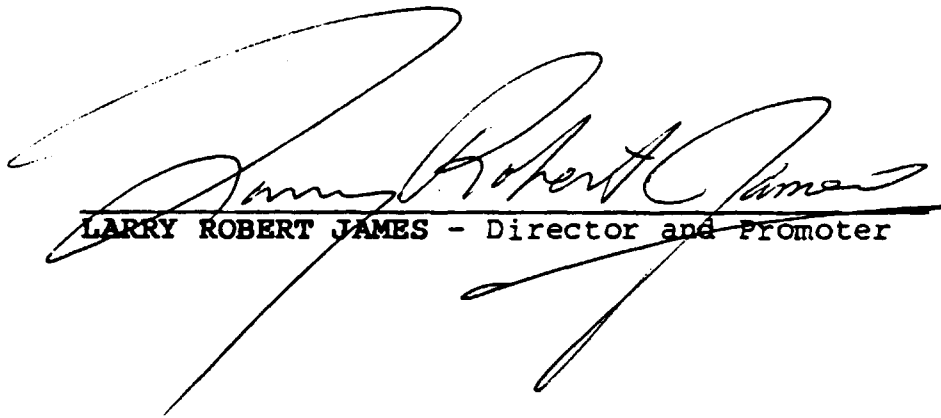
CERTIFICATE

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part 7 of the Securities Act of British Columbia and the regulations hereunder.

DATED: January 14th, 1987



BALBIR JOHAL - Director and Promoter



LARRY ROBERT JAMES - Director and Promoter



BRIAN LYLE EAMOR - Director and Promoter

CERTIFICATE

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 Part 7 of the Securities Act of British Columbia and the regulations hereunder.

GEORGIA PACIFIC SECURITIES CORPORATION

Per: \_\_\_\_\_

*R. Brian Calkin*

DATED this 14th day of January, A.D. 1987.

JONAS EXP

KALUM - March, April 50-100 000 (part flow thru)

JONAS EXP

Della Terra - March. \$ 60 000

MARIAN

Buffalo Mtn - March 10 \$ 35,000

CINN-COM - (NIM)

12 7 31

JONAS EXP

Donanza Mtn - July Aug. 50,000