673049

KNIGHT INLET RESOURCES LTD.

(Non-personal Liability)

4421 Dawson Street, Burnaby, B.C.

P R O S P E C T U S

4th November 1971

New Issue

250,000

Common Shares

	Price to public	Commission	Proceeds to issuer if all the shares are sold
Per Unit	One share at 80¢ each	20¢	60¢ per share
Total	$200,000.00	$50,000.00	$150,000.00

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

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.

NO SURVEY OF ANY PROPERTY OR PROPERTY INTERESTS HELD BY THE COMPANY HAS BEEN MADE AND THEREFORE THE EXISTENCE OF AND THE AREAS OF SUCH PROPERTIES COULD BE IN DOUBT.

A PURCHASE OF THE SHARES OFFERED BY THIS PROSPECTUS MUST BE CONSIDERED A SPECULATION. THE EXPLORATIONS CARRIED ON TO THE DATE HEREOF ON THE COMPANY'S PROPERTIES INDICATE THE PRESENCE OF A LARGE BODY OF MARBLE BUT THE ECONOMICS OF QUARRYING AND THE MARKET AVAILABLE FOR THE MARBLE AND HENCE THE PROFIT WHICH MIGHT BE EARNED BY THE COMPANY, IF ANY, IS NOT KNOWN WITH ANY DEGREE OF CERTAINTY. REFERENCE SHOULD ALSO BE MADE TO THE CAPTION "PRINCIPAL HOLDERS OF SHARES" AND THE COMPARISON OF THE PERCENTAGE OF SECURITIES BEING OFFERED TO THE PUBLIC FOR CASH AND THOSE ALREADY ISSUED BY THE COMPANY TO ACQUIRE ITS PROPERTIES.

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NAME AND INCORPORATION OF ISSUER

KNIGHT INLET RESOURCES LTD. (NON-PERSONAL LIABILITY) herein referred to as "the Company" was incorporated on the 2nd June 1969 under the laws of the Province of British Columbia by Memorandum and Articles of Association. The Company was incorporated as a private company and was converted to a public company on the 9th August 1971. The Company's registered office is at 1880 - 1055 West Hastings Street, Vancouver, British Columbia, and its head office is at 4421 Dawson Street, Burnaby, British Columbia.

PLAN OF DISTRIBUTION

By this Prospectus the Company is offering 250,000 Common Shares without nominal or par value. The Company may sell its shares through persons or companies registered under the Securities Act 1967 and in such case will pay a commission up to 25% or 20¢ per share to such persons or companies for each such share sold. The Company may also sell its shares directly to the public. In the case of any sales made by directors of the Company, no commission will be paid to any directors of the Company on any share sales made by them. In the event that the Company sells its own shares directly, it may allow a commission of up to 25% or 20¢ per share to the purchaser thereof for each share subscribed for.

DESCRIPTION OF SHARE CAPITAL STRUCTURE

The Company is authorized to issue 3,000,000 shares without nominal or par value at a maximum selling price of $1.00 each. 1,120,902 Common Shares of the Company are presently issued as fully paid and non-assessable. The Company's share capital consists of one class of share only. All issued shares and shares offered by this Prospectus rank equally as to voting rights, dividend rights and as to any distribution of assets on winding-up or liquidation of the Company. There are no pre-emptive or conversion rights and the shares of the Company are not subject to any provisions for redemption, purchase for cancellation or surrender or sinking or purchase fund arrangements. No shares have been issued subject to call or assessment and no shares are proposed to be issued subject to call or assessment. Accordingly, upon payment by subscriber of the price agreed to be paid by him to the Company for his shares, the shares will not be subject to further call or assessment by the Company.

Designation of security	Amount authorised by Memorandum of Association	Amount outstanding as at 15th September 1971 (date of balance sheet contained in Prospectus)
Common shares no par value	3,000,000	1,120,902 *

Amount outstanding as at 4th November 1971	Amount to be outstanding if all securities being issued are sold
1,120,902 *	1,370,902 *

SECURITIES SOLD FOR CASH

Number of shares	Price per share	Yield to the Company	Commission paid
98,766	25¢	$24,691.50	Nil
35,834	37½¢	$13,437.50	Nil
36,302	50¢	$18,151.00	Nil
350,000	10¢	$35,000.00	Nil
520,902		$91,280.00	

ESCROWED SHARES

A total of 600,000 common shares are held in escrow by Canada Permanent Trust Company, 455 Granville Street, Vancouver, British Columbia, as of the 4th November 1971 and are subject to release only with the written consent of the Superintendent of Brokers and in the event of the Company losing or not obtaining a good and marketable title to, or abandoning or discontinuing development of the property for which such shares were issued, the Superintendent of Brokers may require all or any part of the escrowed shares to be surrendered by the Company.

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* 150,000 shares issued for mineral claims and properties have been conveyed to the company's solicitor, Martin Chambers, acting as trustee upon an irrevocable trust, to surrender these shares back to the company's treasury by way of free deed and gift at the next Annual General Meeting of the company. Mr. Chambers has undertaken not to vote the said 150,000 shares. These shares are not reflected in the above analysis of shares outstanding as of 15th September and 4th November 1971 and as of the date when all securities issued hereunder are sold.

Owner	Number of shares
Douglas R. Copp	24,000
R. Kelly Robertson	116,800
T. Arden Robertson	4,000
William P. Smith	48,000
W.J. Christensen	36,000
John Eichhorst	26,400
Gordon A. Hazlewood	56,800
Roger H. Rogers, M.D.	48,000
P.B.M. Exploration & Development Co. Ltd. (N.P.L.)	240,000
	600,000

Class of shares	Number in escrow	Percentage of class
Common	600,000	53.53

PRINCIPAL HOLDERS OF SHARES

The particulars of the present principal holders of shares of the Company are as follows:-

Name and address	Class of share	Type of ownership	Number of shares	Percentage of class
P.B.M. Exploration & Development Co. Ltd. (N.P.L.) 329 Seymour River Place, North Vancouver, B.C.	Common	Legal and beneficial (pooled & escrowed)	390,000	34.79
R. Kelly Robertson 1109 Eyremount Drive, West Vancouver, B.C.	Common	Legal and beneficial (pooled & escrowed)	330,801	29.51
Martin Chambers 1820 Trafalgar St. Vancouver, B.C.	Common	Legal and beneficial as trustee for the Company (escrow)	150,000	*

* The 150,000 common escrow shares of the Company held by its solicitor, Martin Chambers, are held by him as trustee, upon an irrevocable trust, to be surrendered back to the Company's treasury at its next Annual General Meeting by way of free deed and gift. Mr. Chambers has undertaken not to vote the said shares. Consequently the said 150,000 shares are not included in any share totals shown in this Prospectus.

Percentage of shares of the Company owned directly or indirectly by all Directors and senior officers of the Company as a group is 32.17 per cent if all the shares offered by this Prospectus are sold. Mr. Peter Auxier, one of the Directors of the Company, is also the President of and a substantial shareholder in P.B.M. Exploration & Development Co. Ltd. (N.P.L.) which holds 390,000 common shares of the Company constituting 28.45 per cent of the common shares of the Company if all the shares offered by this Prospectus are sold.

170,902 shares of the capital of the Company sold for cash at prices varying between 25 cents and 50 cents have been voluntarily pooled with the Canada Permanent Trust Company subject to release 30 days from the date following the cessation of primary distribution of the shares offered pursuant to this Prospectus. 150,000 shares of the capital of the Company sold for cash at a price of 10 cents per share and issued to P.B.M. Exploration & Development Co. Ltd. (N.P.L.) have been voluntarily pooled with the Canada Permanent Trust Company subject to release 90 days from the date following the cessation of primary distribution of the shares offered pursuant to this Prospectus and 200,000 shares of the capital of the Company sold for cash at a price of 10 cents per share and issued to R. Kelly Robertson have been voluntarily pooled with the Canada Permanent Trust Company subject to release 90 days from the date following the cessation of primary distribution of the shares offered pursuant to this Prospectus.

For further details of the contracts governing the sale of shares by the Company to P.B.M. Exploration & Development Co. Ltd. (N.P.L.) at a price of 10 cents per share see the headings "Interest of Management and Others inMaterial Transactions" and "History of the Company".

DIRECTORS AND OFFICERS

Name and address	Principal occupation for past five years	Position held with Company
T. Arden Robertson 2950 Heather Street Vancouver, B.C.	Contractor and President of Arden Robertson Construction Ltd.	President, Treasurer and Director
Douglas R. Copp 2650 Colwood Street North Vancouver, B.C.	Manager, Industrial Commercial and Investment Division, General Realty Ltd. Prior thereto Executive with Shell Canada Ltd. and Pacific Petroleums Ltd.	Secretary and Director
Peter W. Auxier 329 Seymour River Place, North Vancouver, B.C.	Self-employed Contractor	Director
R. Kelly Robertson 1109 Eyremount Drive West Vancouver, B.C.	World Book Childcraft of Canada Ltd. Branch Sales Manager	Director
William P. Smith 11288 - 89th Avenue Delta, B.C.	Regional Sales Manager World Book Childcraft of Canada Ltd. Prior thereto School Teacher with District number 68, Nanaimo, B.C.	Director

HISTORY OF THE COMPANY

The Company was formed to acquire an option on 11 recorded mineral claims situated in the Knight Inlet area, Vancouver Mining Division in the Province of British Columbia and 2 mineral leases in the Slocan Mining Division of the Province of British Columbia and certain books and records of one R. Campbell Campbell-Johnson, an early mining engineer and promoter in the Province of British Columbia, all of which were owned by a company called P.B.M. Exploration & Development Co. Ltd. (N.P.L.) which was a private mining company duly incorporated under the laws of the Province of British Columbia, P.B.M. Exploration & Development Co. Ltd. (N.P.L.) sold the Company the option to purchase the said mineral claims, mineral leases, books and records for a price, upon exercise of the option, of $15,000.00 and 276,000 escrow shares of the Company to be issued at a deemed value of 10 cents per share. P.B.M.

Exploration & Development Co. Ltd. (N.P.L.) had spent prior to the time of the exercise of the option the sum of $16,585.49 on the said mineral claims and mineral leases. P.B.M. Exploration & Development Co. Ltd. (N.P.L.) had also expended a figure of $3,168.51 on administration through the period that work was being done on the said mineral claims and mineral leases. Upon receiving the said $15,000.00 P.B.M. Exploration & Development Co. Ltd. (N.P.L.) purchased 150,000 shares from the Company at a price of 10 cents per share. The Company has issued 240,000 of the said 276,000 escrow shares of the Company to P.B.M. Exploration & Development Co. Ltd. (N.P.L.) and, pursuant to direction, has issued 36,000 of the said escrow shares to one William James Christensen, as nominee for P.B.M. Exploration & Development Co. Ltd. (N.P.L.). Reference is made to the headings "Escrow Shares" and "Principal Holders of Shares" for further information in regard to these shares.

The Company has done a limited amount of exploratory and development work on its mineral leases in the Slocan Mining Division but no funds raised by the shares sold pursuant to this Prospectus will be expended in any area other than the Company's mineral claims and quarrying lease in the Knight Inlet area. Further reference is made to the heading "Use of Proceeds".

Further reference is also made to the heading "Description of Business and Property of Issuer".

DESCRIPTION OF BUSINESS AND PROPERTY OF ISSUER

The principal business carried on and intended to be carried on by the Company is the acquisition, exploration and development of mineral deposits and deposits of stone for building, ornamental jewellery and other purposes. Specifically the Company intends to develop a body of marble which is presently held by the Company in the Knight Inlet area into a producing marble quarry. This property now consists of 28 full-sized mineral claims and 1 fraction mineral claim situated in the mid-reaches of Matsiu Creek approximately 1½ miles from its confluence with Knight Inlet at a point some 50 miles to the northeast of Campbell River on Vancouver Island. The actual quarry site itself is covered by

a Special Use Permit number 6785 issued by the Forest Service of the Province of British Columbia which covers an area of approximately 1,244 feet by 350 feet on parts of the mineral claims Catherine 7 and 8, John 1Fr and John 2. Special Use Permits have also been issued by the Forest Service to cover the camp site (Special Use Permit number 6581) and road (Special Use Permit number 6582) which has already been built. Access to the property is by boat or aircraft from Campbell River.

Description of Mineral Claims and Leases

The recorded mineral claims comprising the Company's property are all situated in Vancouver Mining Division. The sole mineral lease which is still in the Company's possession is located in the Slocan Mining Division. All of the mineral claims and leases are recorded in the name of the Company and are presently in good standing and assessment work has been performed and recorded or payment of cash in lieu of assessment work has been made sufficient to keep the claims in good standing all as hereinafter set forth:-

Name of claim	Record number	Recorded owner	Expiry date
Catherine 1-3	15107-15109)		August 21, 1973
Catherine 5-8	15110-15113)		August 21, 1973
KIR 1-7	17345-17351)		July 8, 1973
Bill 2	17297)		June 5, 1973
John 1Fr	17936)		November 30, 1972
John 2	17937)	Knight Inlet	November 30, 1972
John 3	17938)	Resources Ltd.	November 30, 1972
John 1	18132)	(N.P.L.)	March 8, 1972
Marble 1	18133)		March 8, 1972
George 1-3	18134-18136)		March 8, 1972
Kelly 1-3	18137-18139)		March 8, 1972
Bill 1	18140)		March 8, 1972

Name of mineral lease	Description	Recorded owner	Expiry date
Mineral lease number M353	Mineral claims Cold Blow, Black Prince and Clipper; lot numbers 2218, 5758 and 5759	Knight Inlet Resources Ltd. (N.P.L.)	February 12, 1972

In 1969 the property was acquired by the Company from P.B.M. Exploration & Development Co. Ltd. (N.P.L.). During the fall of 1969 and the summer of 1970 the Company carried on general exploratory work on the property and constructed a camp at Tide Water where Matsiu Creek joins Knight Inlet consisting of 2 frame buildings, one 16' x 20' and the other 16' x 12' with full cooking and accommodation facilities for 8 men. A road was constructed from the beach and camp area to the marble zone over a distance of some 1½ miles and a climb in elevation of 1,000 ft. The road is passable for four-wheel drive vehicles but needs to be surfaced with gravel in order to be suitable for the transportation of the marble from the quarry site to barges at the beach. The beach has already been used for barging but, for continuous use, a small but good harbour would be made by bulldozing the beach boulders into the Inlet a short distance at low tide to form a breakwater and placing log bumpers on the sea face of the breakwater.

After the Company completed the road through to the marble zone several small trenches and 3 main trenches were excavated to expose the marble for examination.

Three of the 4 adit tunnels which were mines by hand methods by the previous owners of the property into the marble and skarn in search of copper mineralisation walls were examined in detail by the Company's representative and mapped.

Three diamond drill zones were also cored by the Company to test the marble zone in the vicinity of the number 2 adit tunnel.

In order to locate the marble zone a chain and transit survey was made from below tunnel number 1 up to Marble Creek and a Brunton compass survey was made from the number 1 tunnel to Matsiu Creek and from the beach camp up the road to the number 2 tunnel and across the marble zone and the bed of Marble Creek.

Matsiu Creek is considered to provide an excellent flow of water all year round for all quarrying and other purposes.

The Company concludes that its property covers an extensive marble zone and that a quarry development is feasible and justified.

The above information is based on the report on the Company's marble deposit prepared by Alfred R. Allen, P.Eng., of Allen Geological Engineering Ltd. dated the 24th day of September 1971 and the report of Luigi S. Marchesi dated the 12th day of July 1971. Copies of the said reports are attached hereto and form part of this Prospectus.

The Company has exercised its option on 7 of the 11 mineral claims, namely the Catherine 1-3 and Catherine 5-8 mineral claims and has also exercised its option on mineral lease number 353 covering the Cold Blow mineral claim (lot 2218), the Black Prince mineral claim (lot 5758) and the Clipper mineral claim (lot 5759) from P.B.M. Exploration & Development Co. Ltd. (N.P.L.) and has also exercised its option with P.B.M. Exploration & Development Co. Ltd. (N.P.L.) to obtain the 3 Special Use Permits which either had been granted or were in the process of being granted at the time of the exercise of the option.

Mineral claims Kelly 1-3 inclusive were acquired from R. Kelly Robertson by the Company for 116,800 vendor shares at a deemed price of 10 cents per share.

Mineral claims Bill 1, Bill 2, John 1Fr, John 2, John 3 and George 1-3 were located by and on behalf of John Eichhorst, Gordon A. Hazlewood, Roger H. Rogers, Thomas Arden Robertson, William P. Smith and Douglas Russell Copp, who were respectively issued at a deemed price of 10 cents per share, 26,400 shares, 56,800 shares, 48,000 shares, 4,000 shares, 48,000 shares and 24,000 shares in exchange for the said mineral claims. The balance of the mineral claims were located by the Company by staking.

All the above-named vendors are insiders of the Company. The claims were acquired by all the vendors by staking themselves or by their agents. The approximate cost to P.B.M. Exploration &

Development Co. Ltd. (N.P.L.) prior to the time of the exercise of the option was $16,585.49 for the mineral claims and mineral leases and $3,168.51 on administration through the period that work was being done on the said mineral claims and mineral leases. The approximate cost to the balance of the vendors, namely, R. Kelly Robertson, John Eichhorst, Gordon A. Hazlewood, Roger H. Rogers, Thomas Arden Robertson, William P. Smith and Douglas Russell Copp was $1,655.00.

USE OF PROCEEDS

The estimated net proceeds to be derived from the sale of shares offered by this Prospectus by the Company is the sum of $150,000.00. This sum will be used to carry out the development work as recommended in the reports of Alfred R. Allen, P.Eng., and Luigi S. Marchesi, respectively dated the 24th September 1971 and 12th July 1971. Funds not expected to exceed $7,500.00 will be used to eliminate the working capital deficit of $2,086.00 and pay for legal and accounting services with respect to the preparation of this Prospectus. The expenditures recommended in the report of Alfred R. Allen, P.Eng. as hereinafter set forth include provisions for Vancouver office and overhead of $8,000.00 and operating capital of $25,000.00 and contingencies fund of $15,000.00, totalling $48,000.00 and the aforesaid $7,500.00 will come out of these recommended expenditure funds.

The breakdown of the expenditures recommended in the aforementioned reports are as follows:-

Description	Amount $
Acquire a small but seaworthy boat for transportation of personnel and supplies from Kelsey Bay to Matsiu Creek campsite	3,000.00
Acquire the following good used equipment, where practicable as much of it as possible on a rental purchase basis:-	
1 Electric generating plant for the beach camp requirements	
1 D-6 Caterpillar tractor, or equivalent, with blade, winch, front end loader and fork lift attachments	
1 heavy duty truck, suitable for hauling marble products from the quarry, 1½ miles to the beach loading area	
1 compressor	
1 airtrack drill, steel, bits etc.	
1 winch and boom	
The necessary spare parts, tools and camp furnishings and services	35,000.00
Quarry planning and preparation	27,000.00
Barge loading facilities	1,000.00
Road improvements	10,000.00
Lease a suitable site for unloading and storage of marble products. The most practical location appears to be on the Fraser River near Vancouver	8,000.00
Foundations for a stiff leg derrick and mooring dolphins	10,000.00
Marketing and sales promotion	8,000.00
Vancouver office and overhead	8,000.00
Operating capital	25,000.00
Contingencies fund	15,000.00
TOTAL	$150,000.00

The work recommended in the said reports is expected to take approximately 1 year. Upon completion of this work and the expenditure of the said $150,000.00 the Company would then be in production and any expansion of the operation would depend entirely upon the marketing results obtained.

The Company has no plans at the present time to finance programmes of acquisition, staking, exploration or development of other properties either alone or in concert with others or to carry out general exploration programmes. If the opportunity does arise for it to do so, it will not expend any of the funds raised by the sale of the shares authorised in this Prospectus, except under the following terms and conditions:-

1. If the shares offered by this Prospectus are still in the course of primary distribution, the funds will not be expended unless an amendment to the Prospectus is filed and accepted by the Superintendent of Brokers of the Province of British Columbia.

2. If the shares offered by this Prospectus have been sold and primary distribution completed hereunder, then the Company undertakes to inform the Superintendent of Brokers and the shareholders before expending such funds.

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

PROMOTERS

R. Kelly Robertson, acting in his capacity as a Director of the Company, and Peter W. Auxier, as the President and a Director of P.B.M. Exploration & Development Co. Ltd. (N.P.L.), may be considered the Promoters of the Company in accordance with Section 2 (1) of the Securities Act, 1967. Reference is made to the caption "Escrowed Shares" and "Principal Holders of Shares" wherein the interest of R. Kelly Robertson and Peter W. Auxier in the escrowed shares issued with respect to the Company's property is disclosed.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

No remuneration has been paid to any Officer or Director of the Company during the period from its incorporation to the date of this Prospectus, except for the payment to R. Kelly Robertson, a Director of the Company, of $250.00, and none is proposed to be paid during the next year. The general administrative expenses of the Company for the period of time required to bring the quarry operation into full production have been provided in the expenditures recommended by the reports of Alfred R. Allen, P.Eng. and Luigi S. Marchesi.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Reference is made to the caption "Description of Business and Property of Issuer" and "Escrowed Shares" and "Principal Holders of Shares" for the shares issued to the Directors and insiders for property.

There are no contracts material to this Prospectus in existence other than the contracts which the Company has made with P.B.M. Exploration & Development Co. Ltd. (N.P.L.). The original contract between the Company and P.B.M. Exploration & Development Co. Ltd. (N.P.L.) was entered into on the 25th November 1969 and represented a consolidation of negotiations and agreements which had been entered into from time to time between P.B.M. Exploration & Development Co. Ltd. (N.P.L.) and

the Company. The contract of the 25th November 1969 gave to the Company an option from P.B.M. Exploration & Development Co. Ltd. (N.P.L.) to purchase certain mineral properties, mineral claims, quarrying leases and rights to mineral leases and quarrying leases. Subsequently a contract of 24th December 1970 amended the contract of 25th November 1969 and finally a contract of the 8th February 1971 between the Company and P.B.M. Exploration & Development Co. Ltd. (N.P.L.) provided that the Company had complied with all the requirements of the previous contract and amendments thereto and had done all the things necessary to exercise its option. In particular the Company has issued to P.B.M. Exploration & Development Co. Ltd. (N.P.L.) 150,000 of its fully paid and non-assessable shares at the price of 10 cents per share for certain books, records and other assets of P.B.M. Exploration & Development Co. Ltd. (N.P.L.) having a value of $15,000.00 and has issued 240,000 of its shares as escrow shares to P.B.M. Exploration & Development Co. Ltd. (N.P.L.) and 36,000 of its shares as escrow shares to a nominee of P.B.M. Exploration & Development Co. Ltd. For further references to the terms and conditions of the Company's contract with P.B.M. Exploration & Development Co. Ltd. (N.P.L.), reference is made to the notes to the financial statements which are annexed to this Prospectus. All material contracts hereinbefore mentioned can be viewed at the offices of the Company's Solicitors, Messrs. Wilder, Young, Trotter & Rodger, at 1880-1055 West Hastings Street, Vancouver, British Columbia, between the hours of 9.00 a.m. and 5.00 p.m.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors of the Company are Dunwoody & Company, Chartered Accountants, 660 - One Bentall Centre, 505 Burrard Street, Vancouver, British Columbia. The Company's registrar and transfer agent is the Canada Permanent Trust Company, 455 Granville Street, Vancouver, British Columbia.

MISCELLANEOUS

There are no rights under any option or underwriting agreement presently outstanding respecting shares of the Company or respecting shares offered by this Prospectus and the Company does not propose to grant any such rights.

No dividends have ever been paid by the Company.

The Company has no loans outstanding from the shareholders or Directors or from any other source as of the date of this Prospectus except for a loan from a shareholder in the amount of $779.48.

There are no options outstanding on the Company's shares nor is it planned that any be granted.

There are no pending legal proceedings against the Company, nor are the Directors aware of any claims which might lead to proceedings being taken against the Company.

PURCHASER'S STATUTORY RIGHT OF RESCISSION

Sections 61 and 62 of the Securities Act, 1967, R.S.B.C. Chapter 45 provides in effect that where a security is offered to the public in the course of primary distribution:

(a) a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last Prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of internation to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of 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 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 reoeived 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.

OTHER MATERIAL FACTS

There are no other facts relating to the securities offered by this Prospectus which are not disclosed under the foregoing captions.

CERTIFICATE OF DIRECTORS AND PROMOTERS

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

DATED this 4th day of November 1971.

Director and Promoter - R. Kelly Robertson

Director and Promoter - Peter W. Auxier

Director Douglas R. Copp

Director T. Arden Robertson

Director William P. Smith

KNIGHT INLET RESOURCES LTD. (N.P.L.)

Index to the financial statements

15 September 1971

DUNWOODY & COMPANY

CHARTERED ACCOUNTANTS

660 - 505 Burrard Street, Vancouver 1, B.C. (604) 688-5421

INTERNATIONALLY
LASSER, HARMOOD BANNER & DUNWOODY

13 October 1971

To the Shareholders,
Knight Inlet Resources Ltd. (N.P.L.)
Vancouver, B.C.

We have examined the balance sheet of Knight Inlet Resources Ltd. (N.P.L.) as at 15 September 1971 and the statements of deferred exploration, development and administrative costs and source and application of funds for the period from 1 February 1971 to 15 September 1971. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at 15 September 1971 and the results of its operations and the source and application of its funds for the period then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the previous period.

Dunwoody & Company

Chartered Accountants.

KNIGHT INLET RESOURCES LTD. (N.P.L.)

Balance sheet

as at 15 September 1971

	15 September 1971	31 January 1971		15 September 1971	31 January 1971
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	$ 2,974	$ 8,094	Accounts payable	$ 4,180	$ 577
			Shareholders' loans	880	779
MINERAL CLAIMS AND PROPERTIES,				5,060	1,356
at cost - Note 1(a)	76,350	40,500			
OPTION TO PURCHASE MINING PROPERTIES			SHAREHOLDERS' EQUITY		
AND MINERALOGICAL DOCUMENTS AND			Share capital		
RECORDS - Note 1(b)	-	50,100	Authorized		
			3,000,000 common shares without nominal or par value, maximum selling price $1.00 per share (increased 24 March 1971)		
DEFERRED EXPLORATION, DEVELOPMENT					
AND ADMINISTRATION COSTS	75,297	67,223			
ORGANIZATION COSTS	1,719	1,719	Issued - Note 2	151,280	166,280
	$156,340	$167,636		$156,340	$167,636

Approved on behalf of the Board

Director

Director

KNIGHT INLET RESOURCES LTD. (N.P.L.)

Statement of deferred exploration,

development and administration costs

for the period 1 February 1971 to 15 September 1971

	Period from 2 June 1969 (date of incorporation) to 31 January 1971	Expended during period	Total
EXPLORATION AND DEVELOPMENT - KNIGHT INLET, B.C.			
Roads	$38,000	$ -	$38,000
Buildings and equipment	7,000	-	7,000
Assessment work	370	-	370
Engineering and geological studies	10,875	1,756	12,631
Travel	2,247	840	3,087
Consulting and other	471	61	532
	58,963	2,657	61,620
ADMINISTRATION			
Audit and accounting	875	900	1,775
Bank charges and interest	1,270	105	1,375
Legal fees	3,810	3,885	7,695
Transfer fees	-	500	500
Management fee	700	-	700
Office	293	65	358
Consulting and market research	1,313	-	1,313
	8,261	5,455	13,716
Less - interest earned on Savings account	-	39	39
	8,261	5,416	13,677
	$67,224	$ 8,073	$75,297

KNIGHT INLET RESOURCES LTD. (N.P.L.)

Statement of source and application of funds

for the period 1 February 1971 to 15 September 1971

	1 February 1971 to 15 September 1971	2 June 1969 to 31 January 1971
SOURCE OF FUNDS		
Issue of shares for cash	$15,000	$ 76,280
Issue of shares for mineral claim option	-	49,500
Issue of shares for mineral claims	-	40,500
	15,000	166,280
APPLICATION OF FUNDS		
Acquisition of mining properties, mineral exploration and assay reports	750	40,500
Payments on option (cancellation of shares in payment) to purchase mining properties and mineralogical documents and records	(15,000)	50,100
Exploration and development and administration costs	8,073	67,224
Organization costs	-	1,719
Cancellation of share capital, previously issued for mineralogical documents, pursuant to an agreement dated 31 August 1971	15,000	-
Surrender by escrow holders of 150,000 shares by free deed and gift (see Note 2 (b)	15,000	-
	23,823	159,543
INCREASE (DECREASE) IN WORKING CAPITAL	(8,823)	6,737
WORKING CAPITAL, beginning of period	6,737	-
WORKING CAPITAL (DEFICIENCY), end of period	$(2,086)	$ 6,737

KNIGHT INLET RESOURCES LTD. (N.P.L.)

Notes to the financial statements

as at 15 September 1971

Note 1 - Mineral claims and properties

(a) The company is the registered owner, free and clear of all encumbrances, of the following claims and properties, all of which are in good standing with the respective Mining Recorder's Offices in the Province of British Columbia.

Description	Mining Division in the Province of British Columbia	Expiring date	Consideration	
7 claims	Vancouver	8 July 1973)		
1 claim	Vancouver	5 June 1973)	600,000	
9 claims	Vancouver	8 Mar. 1972)	escrowed	
3 claims	Vancouver	30 Nov. 1971)	shares at	
7 claims	Vancouver	21 Aug. 1973)	10¢ per	
Mineral lease # M353 for 3 claims	Slocan	12 Feb. 1972)	share	$ 60,000
Purchase of mineral exploration and assay reports			Cash	15,000
Cost of amendment to option agreement dated 24 December 1971			Cash	600
Cost on execution of option pursuant to agreement dated 24 March 1971 - see (b) below			Cash	750
				$ 76,350

(b) Pursuant to an agreement dated 24 March 1971 the company acquired full rights, title and interest in certain mineral properties, mineral claims quarrying leases and rights to mineral leases and quarrying leases, having duly exercised the option granted to it under the terms of an agreement dated 25 November 1969 and amended on 24 December 1970 and 8 February 1971 with P.B.M. Exploration and Development Co. Ltd. (N.P.L.)

Note 2 - Issued share capital	No. of shares	
(a) Issued for cash	520,902	$ 91,280
Issued for mineral claims and properties	600,000	60,000
	1,120,902	$151,280

..2

KNIGHT INLET RESOURCES LTD. (N.P.L.)

Notes to the financial statements

as at 15 September 1971

Note 2 - Issued share capital - continued

(b) 150,000 shares issued for mineral claims and properties have been conveyed to the company's solicitor, acting as trustee upon an irrevocable trust, to surrender these shares back to the company's treasury by way of free deed and gift at the next meeting of the company. These shares are not reflected in the above analysis of issued share capital.

(c) The 600,000 shares issued for mineral claims and properties will be held in escrow subject to release only by the Superintendent of Brokers of the Province of British Columbia.

REPORT

ON

THE MARBLE DEPOSIT

OF

KNIGHT INLET RESOURCES LTD.(NPL)

By:

ALLEN GEOLOGICAL ENGINEERING LTD.

303 - 325 Howe Street

Vancouver, B.C.

September 24, 1971.

C O N T E N T S

* * * * * * * * *

THE MARBLE DEPOSIT

OF

KNIGHT INLET RESOURCES LTD. (N.P.L.)

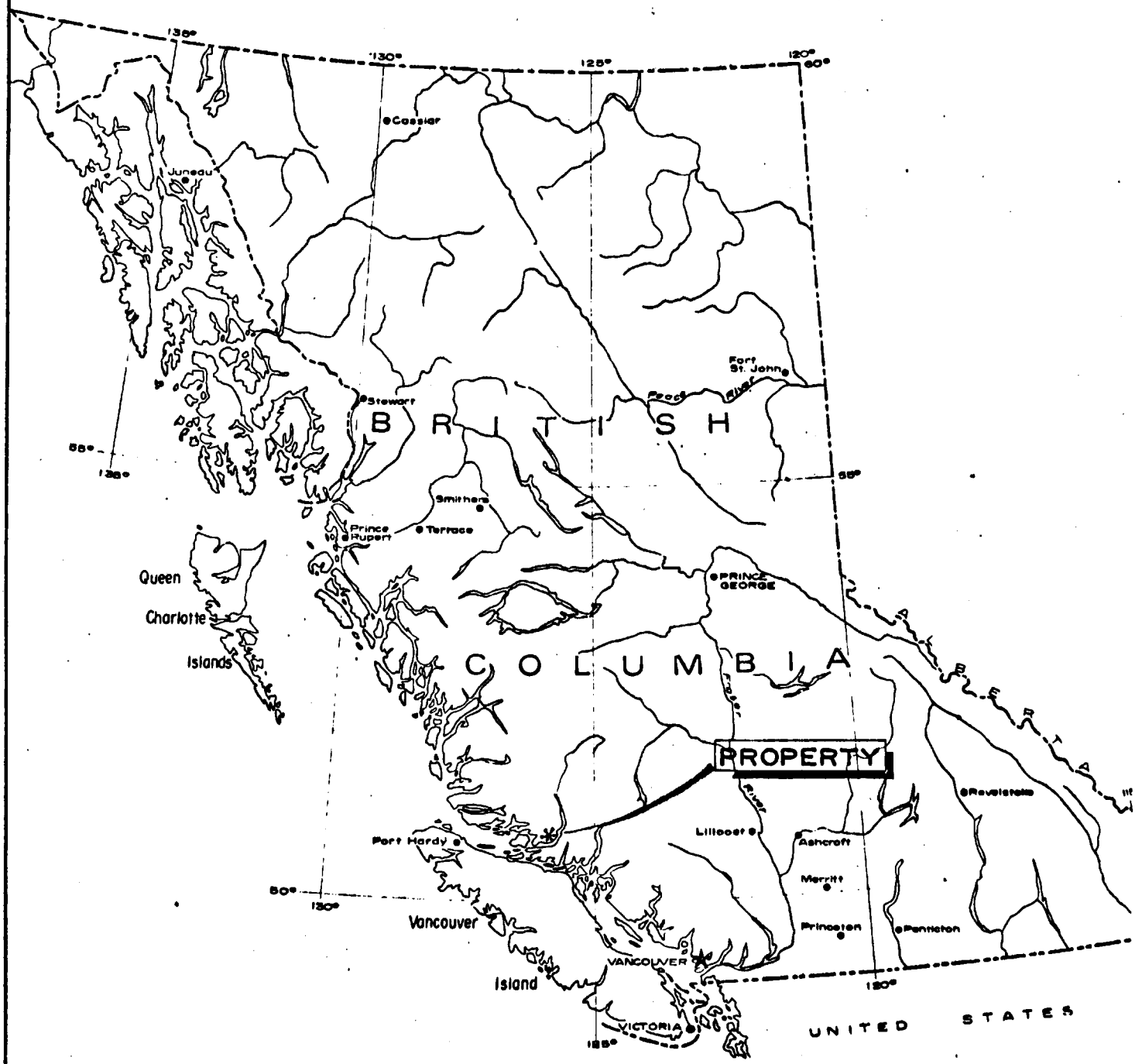
INTRODUCTION

For the past year the writer has directed a works programme on the vari-coloured marble deposit of Knight Inlet Resources, located on the steep east slopes of Matsiu Creek one and one half miles from tidewater.

From October 5th. to 12th., last, the writer and assistants T. Thomas and R. Thomas examined all showings and workings and, using chains and transit, mapped the area.

A camp, comprising two wood-frame buildings, has been established at the beach. A road has been constructed to the marble zone. In addition to the four adit tunnels which were excavated on the marble zone in the 1920's, trenching and diamond drilling have recently been employed to provide additional information preparatory to finalizing production plans.

The purpose of this report is to correlate all data acquired to date, and to recommend a works programme considered to be most practicable to bring the project to the production stage.



Allen Geological Engineering Ltd.
Knight Inlet Resources Ltd.
LOCATION MAP
Marble Deposit
Scale 1"=136 miles
Sept. 24, 1971 Alfred R. Allen

LOCATION AND ACCESSIBILITY

The marble deposit of Knight Inlet Resources is located on the north side of Knight Inlet. It is a short distance west from the sharp swing from an easterly to northerly direction of that fiord-like waterway. It is on the east side of Matsiu Creek, one and one half miles north of the beach.

Geographic location is 125°- 49' - 00" west longitude and 50°- 43' - 40" north latitude.

Access is via boat or aircraft from Campbell River, fifty miles to the southwest on Vancouver Island.

PROPERTY

The following located mineral claims are held by Knight Inlet Resources Ltd.(N.P.L.) or in trust for same.

Catherine	1-3	inclusive
Catherine	5-8	inclusive
George	1-3	inclusive
Kelly	1-3	inclusive
Bill	1	
KIR	1-7	inclusive
Bill	2	
John	1 Fr	
John	1-3	
Marble	1	

The claim posts have been examined by the writer and are staked in accordance with the British Columbia Mineral Act.

Campsite, road and quarry licenses have been arranged.

HISTORY

Prior to 1920, the Princess Copper Mining Company held the ground and established trails and camps as well as excavating several open cuts and adit tunnels.
The exploratory work was directed toward exposing the sparse and widely scattered sulphide mineralization in skarn and marble.
In 1928 Cambria Copper Company took on the search, and before abandoning the property, completed number one tunnel to 100 feet, number two to 410 feet, number three an estimated 40 feet (it is now caved near the portal), and the upper or number four tunnel 15 feet.
In 1966 the property was acquired by P.B.M. Exploration Ltd. (N.P.L.). Exploratory work was directed toward investigation of the marble.
In 1969 Knight Inlet Resources Ltd. (N.P.L.) was formed to develop the marble potential of the property.

TOPOGRAPHY

The Knight Inlet area is mountainous. The property lies on the lower west slopes of Mount Catherine. The steep slopes of the mountain are scarred by narrow, deeply incised creek valleys extending to Matsiu Creek which flows seutherly into Knight Inlet.

The marble zone has been exposed from the number one adit tunnel, elevation 950 feet, up the steep sidehill to Marble Creek, elevation 1,900 feet. It is known to extend to higher elevations, but appears to bottom near the number one tunnel level.

CLIMATE

The climate is typical of the British Columbia coast area. Rainfall is moderate to heavy. Logging and mining operations can be carried on continuously throughout the year.

GEOLOGY

Knight Inlet is located within the Coast Range batholith, a granitic mass 50 to 100 miles wide extending the full length of the British Columbia coast. Entrapped within this granitic material is an irregularly-shaped body of older rock. The

latter has been altered by tremendous heat and pressure exerted by the former, and the original mineral constituents recrystallized and otherwise changed. This is particularly evident in a band of limestone which has been converted to a hard, compact, multi-coloured marble.

The shape and extent of the entire older rock mass has not been determined but the marble zone has been traced for a considerable distance along the west slope of Mount Catherine. It strikes northwest and dips steeply southwest. There is evidence to indicate that it may not extend down the mountainside much below the lowest adit tunnel, and that between this and the number two tunnel it is twisted and split into narrow bands separated by skarn. It has been intermittently exposed in outcrops, trenches and tunnels up the steep slopes to the southeast, however, and has been mapped over a distance of fifteen hundred feet measured horizontally and one thousand feet vertically. It is believed to extend far beyond the headwaters of Marble Creek.

The marble is fine to medium grained, compact and relatively free of fractures. It is coloured white, grey, greenish grey, cream, brown and light azure blue. In places the various colours are banded, and in others the pure clear white, grey or blue extends over widths in excess of ten feet.

Throughout the marble there are a few bands and lenses of skarn and other impurities, particularly in the adit tunnels where small lamprophyre dykes were noted, and very small and limited streaks, fracture fillings and disseminations of pyrite, chalcopyrite, bornite, sphalerite, galena and pyrrhotite occur. For the most part, probably 80% of the marble zone is free of impurities.

The wall rocks are skarn, composed chiefly of garnet, epidote and calc-silicates; banded meta-diorite and metagranodiorite; and fine-grained siliceous rock containing considerable finely disseminated pyrite and pyrrhotite. Both walls of the marble zone are sharply defined. The marble and the wall rocks hold well and there is a minimum of caving in either the tunnels or on the steep surface exposures.

THE MARBLE ZONE

The marble zone strikes northwest, dips steeply southwest, and has been mapped in excess of 1,500 feet horizontally and 1,000 feet vertically. It appears to be a fairly uniform body 50 to 100 feet thick.

The best surface exposure is in the bed of Marble Creek 1,700 to 1,900 feet above sea level. There,

Starting on the hangingwall and proceeding up the creek bed to the footwall, the sequence is as follows:
Actual hangingwall contact not well exposed.
A narrow, probably 2-foot, zone of grey marble.
Ten feet of banded light grey, cream and brown marble with the one-inch to two-inch bands slightly curved but clearly defined.
Fifteen feet of blue marble.
Four feet of white marble.
Ten to twenty feet of brown, hard, compact skarn.
Thirty feet of white and light grey marble, with some bands of blue marble.
Four feet of white to light grey marble.
Footwall well exposed, dipping 80 degrees southwest, containing about one-half inch of black scaley fine-grained rock grading into hard metadiorite.

Between Marble Creek and the upper or number 4 adit there are numerous outcrops of marble. At the number four adit the zone is well exposed as follows:

On the hangingwall, 12 feet of skarn and marble overlain by hard grey altered metadiorite with narrow pink granitic phases.
Eight feet of fine-grained skarn made up chiefly of brown garnetiferous rock, and containing scattered narrow veins of quartz and sulphides. The adit is driven southeast 15 feet along the footwall of this zone.

Forty feet of gray, blue and white marble. The footwall is a grey metamorphic complex rock with what appear to be narrow elongated xenoliths of metadiorite, parallelling the contact. The contact is clearly defined and both the marble and footwall rocks are extremely competent.

There is an exposure of fine blue marble along with some white, in the number three trench close to the hangingwall of the zone 200 feet lower in elevation than the number 4 tunnel. The trench is 22 feet long and exposes only the surface 2 or 3 feet of the zone where it is noticeably affected by surface weathering.

Underground in the number two tunnel, which was directed southerly across the marble zone for about 400 feet, there is the following sequence from hanging to footwall:

A hard well-defined metadiorite wallrock. This lies against a fault zone, striking southeast and dipping 80 degrees to the northeast. On the footwall side of the fault there is six feet of skarn underlain by 5 feet of grey and white marble. This lies against a 12-foot zone of mixed skarn and metadiorite which shows a small amount of copper mineralization at the contact with what appears to be the actual massive marble zone.

The contact with an impure white and grey 20 foot band of marble appears to dip southwest at 45 degrees.

A band of about 30 feet of white marble and skarn.

A 20 foot band of white and light grey marble with 10 feet of skarn near the middle.

Twenty feet of blue marble.

Ten feet of white marble with some grey banding.

The footwall is a mixture of marble and skarn underlain by metadiorite and a flinty hard fine-grained rock with considerable disseminated pyrite.

The lowest or number one tunnel appears to be directed into and along the hangingwall of a narrow zone of grey, brown and cream banded marble. This grades into skarn and altered wall-rock for 30 feet and then into metadiorite. Towards the footwall side there are narrow bands of marble and fine-grained siliceous rock with much disseminated pyrite for 40 feet, then a covered zone 50 feet wide, and Tunnel creek where the bedrock is granodiorite.

It would appear that the marble zone terminates a short distance below this number one tunnel.

CAMP

Two frame buildings 16 by 20 and 16 by 12 feet, with Duroid roofing and aluminum sash windows have been built at the mouth of Matsiu Creek on tidewater.

BEACH LOADING FACILITIES

There is a beach near camp which is protected by a rock wall on the east and mounds of boulders on the west. This has been used for barging recently.

For continuous use, a small excellent harbour may be made by bulldozing the beach boulders into the inlet a short distance at low tide to form a breakwater, and placing log bumpers on the steep rock face.

By the use of a standard barge ramp, equipment and supplies may be unloaded, and marble slabs may be trucked directly onto the barge.

ROAD FROM BEACH TO MARBLE ZONE

A road has been constructed from the camp at tidewater to the marble zone. It is a distance of one and one-half miles and a climb of 1,000 feet. With gravel surfacing on some sections this road will be suitable for the transportation of marble from a quarry directly onto a barge at the beach.

STRIPPING AND TRENCHING

Several small trenches, and three main trenches were excavated near the adit tunnels to expose the marble for examination.
The longest trench, number one, was located between tunnels 1 and 2. Over a length of 300 feet bedrock was mined to a maximum depth of 10 feet. Except for a narrow band of marble at the south end of the trench, the projected marble zone was found to be chiefly light grey skarn and highly altered and silicified wall rock. This information suggests that the marble zone bottoms at or just below the elevation of the number one adit tunnel.

The number two trench was started on an outcrop of marble. It is 50 feet southeast and up the steep sidehill from the south end of trench number one. At this location the marble was found to be confined to a narrow band surrounded by skarn. The entire outcropping is badly weathered. The trench was abandoned after excavating to a depth of 10 feet.

The number three trench was excavated at or near what is considered to be the hangingwall of the marble zone, 250 feet southeast of and 200 feet higher in elevation than the number two adit tunnel. The trench is 25 feet long in a north-south direction and up to 6 feet into bedrock. Several skarn bands were exposed and the rock is badly weathered, but several feet of excellent blue marble was exposed.

ADIT TUNNELS

Three of the four old adit tunnels which were mined by hand methods into the marble and skarn in search of copper mineralization are in good condition, and were examined and mapped.

The number one adit is located at elevation 950 feet above sea level about 100 feet south of Tunnel Creek. It was directed southeasterly into the hangingwall of a narrow marble zone. This appears to be at or near the lowest extremity of the marble zone on Mount Catherine.

The number two adit, located up the steep sidehill from number one adit at an elevation of 1,214 feet above sea level, is directed almost south into the hillside and acutely across the marble zone. It is 410 feet long and there are two short crosscuts 10 to 15 feet long. An 80-foot zone of marble is opened up with a 20-foot band of blue near the middle, grey on the footwall, and grey, brown and white, with some skarn, on the hangingwall.

Number three adit tunnel is caved at the portal. It is believed to be about 40 feet long. It is southeast of number two, at elevation 1,307 feet above sea level.

Number four adit is in skarn and marble on the hangingwall of the marble zone at elevation 1,635 feet above sea level. It was mined southeast into the steep sidehill on several ½inch stringers of

copper mineralization. Adjacent to it is 40 feet of marble, white, grey and blue in colour and very slightly folded.

DIAMOND DRILLING

Three diamond drill holes were cored to test the marble zone in the vicinity of the number two adit tunnel.

Hole one was collared about 100 feet south of the portal of number two adit tunnel. It was drilled in an east direction at an angle of -38 degrees. It started near the hangingwall of the marble zone and penetrated to what appears to be the skarn and impure marble of the footwall.

The log is as follows:

From Feet	To Feet	Rock penetrated
0	11	skarn and metadiorite
11	84½	grey, blue and white marble 28-28½ lamprophyre dyke 33-38 skarn 48½-50 skarn
84½	87	impure marble and skarn, footwall(?)

Hole two was collared 120 feet southeast of the number two adit portal, on what appears to be the footwall of the marble zone. In an attempt to drill into and down the zone it was directed south at -45 degrees. Badly broken and weathered marble and skarn were encountered and the hole was stopped at a depth of 25 feet.

Hole three was located 51½ feet south 75 degrees from hole one, up the steep sidehill at the portal of caved number three adit tunnel. It was believed to be on the marble zone a short distance northeast of the hangingwall. It was drilled at -45 degrees for 67 feet, as follows:

From Feet	To Feet	Rock penetrated
0	11½	Grey and greenigh grey marble with several very thin skarn bands
11½	12½	Grey and buff coloured skarn
12½	13	Grey marble
13	23	Skarn
23	26	White and grey marble
26	27½	Skarn
27½	39½	Grey, grey-green and blue banded marble
39½	63	Grey and white banded marble
63	67	Light coloured skarn, green and brown garnets, footwall(?)

The cored marble is hard, compact and finely crystalline. It is not badly fractured and has a colour range from white, to brown, grey, grey-green and blue.

TRANSIT SURVEY

In order that the marble zone may be located with relation to the local topography and adit tunnels, a chain and transit survey was made from below tunnel

number one up to Marble creek.
Tied into this, chain and Brunton compass surveys were made from the number one tunnel to Matsiu Creek, from the beach camp up the road to the number two tunnel and across the marble zone in the bed of Marble Creek.
The data acquired by the surveys was used to compile the maps and sections accompanying this report.

WATER

Matsiu Creek provides an excellent flow of water all year. Tunnel and Marble creeks may be reduced to very small flows during the one or two driest summer months.

MARKETS

The market for quality marble for architectural purposes is growing, as evidenced by Italian production which expanded from 600,000 tons in 1950 to 2,000,000 tons in 1968. Italian marble bears a transportation cost of about $40.00 per ton landed on the West coast of America.
An Italian authority, L.S. Marchesi, when interviewed in Vancouver in December 1968, stated that a local price of $60.00 per ton for rough quarried marble would not be an unreasonable figure. He also stated that the blue marble will obtain a ready preference as comparable stone is not readily available.

A quarry feasibility and market study has recently been submitted by Luigi S. Marchesi, President of Pacific Marble and Granite Limited. A copy of Mr. Marchesi's report is appended to this report.

SUMMARY AND CONCLUSIONS

A marble deposit is located one and one-half miles from tidewater on Knight Inlet, 150 miles from Vancouver.

Using a newly constructed road, marble may be transported directly from a quarry onto a barge and towed to Vancouver.

The marble zone has been surveyed over an exposed length of 2,000 feet and it is known to extend farther up the steep westerly slopes of Mount Catherine.

The quality of the stone has been pronounced as excellent by an Italian authority, L.S. Marchesi of Cararra, who advised that the light colouration, particularly the blue tones, should command a premium price.

It is concluded that the Knight Inlet marble deposit, by reason of its large available quantity and excellent quality, be prepared for production.

RECOMMENDATIONS

It is recommended that the marble deposit be brought into production on an initial capacity of 90 tons per day of saleable products.

The estimated costs for the first year are as follows:

	Estimated Costs
1. Acquire a small but seaworthy boat for transportation of personnel and supplies from Kelsey Bay to Matsiu Creek campsite	$ 3,000.00
2. Acquire the following good used equipment, where practicable as much of it as possible on a rental purchase basis:	
1 Electric generating plant for the beach camp requirements	
1 D-6 Caterpillar tractor, or equivalent, with blade, winch, front end loader and fork lift attachments	
1 Heavy duty truck, suitable for hauling marble products from the quarry, $1\frac{1}{2}$ miles to the beach loading area	
1 Compressor	
1 Airtrack drill, steel, bits etc.	
1 Winch and boom	

	Estimated Costs
The necessary spare parts, tools and camp furnishings and services	$35,000.00
3. Quarry planning and preparation	27,000.00
4. Barge loading facilities	1,000.00
5. Road improvements	10.000.00
6. Lease a suitable site for unloading and storage of marble products. The most practical location appears to be on the Fraser River near Vancouver	8,000.00
7. Foundations for a stiff leg derrick and mooring dolphins	10,000.00
8. Marketing and sales promotion	8,000.00
9. Vancouver office and overhead	8,000.00
10. Operating capital	25,000.00
11. Contingencies fund	15,000.00
Total estimated costs	$150,000.00

Respectfully submitted,

ALLEN GEOLOGICAL ENGINEERING LTD.

Per Alfred R. Allen P.Eng.
Alfred R. Allen

Vancouver, B.C.
September 24, 1971

REFERENCES

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Roscoe, R.L., Knight Inlet Mining Co., Ltd., Cambria Property, March 24, 1969

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ALLEN GEOLOGICAL ENGINEERING LTD.
303 - 325 HOWE STREET
VANCOUVER 1, B.C.

September 24, 1971.

CERTIFICATE

I, Alfred R. Allen, certify that:

I am a graduate of the University of British Columbia and hold the following degrees therefrom:

BASc Geological Engineering 1939

MASc Geological Engineering 1941

I am a member of the Association of Professional Engineers of the Province of British Columbia.

I have practised my profession for the past twenty-eight years.

I hold no interest in the properties or securities of Knight Inlet Resources Ltd. (N.P.L.), or affiliates thereof, nor do I expect to receive any, directly or indirectly.

My report of September 24, 1971, entitled "Report on the Marble Deposit of Knight Inlet Resources," is based upon field examination, October 6th. to 12th., inclusive, 1970, and numerous previous examinations during 1969 and 1970.

I consent to this report being filed with the British Columbia Securities Commission in a Prospectus by Knight Inlet Resources Ltd. (N.P.L.)

I have examined most of the claims and am of the opinion that they are staked in accordance with the British Columbia Mineral Act.

Alfred R. Allen P.Eng.

Alfred R. Allen

REPORT ON THE FEASIBILITY OF ESTABLISHING A QUARRY ON THE MARBLE DEPOSIT OF KNIGHT INLET RESOURCES LTD. (N.P.L.)

INTRODUCTION:

Since 1968 the writer has known about the extensive marble deposits of Knight Inlet Resources Ltd. (N.P.L.) located on the east slope of Matsiu Creek, approximately one and one half miles from Tidewater, at Knight Inlet, British Columbia. A preliminary report entitled "Independent Report on Crystaline Marble Deposit" dated 11th December 1968 was prepared by the writer at the request of P.B.M. Exploration & Development Co. Ltd., (N.P.L.), the predeceasor in title to the marble deposit of Knight Inlet Resources Ltd. (N.P.L.). That report dealt briefly with the type and quality and saleability of the marble located in the Knight Inlet deposit.

In May 1971 representatives of Knight Inlet Resources approached the writer and requested that he examine the marble deposit in detail and advise on the feasibility of establishing a quarry on the deposit, and on the economics of profitably disposing of the product of the quarry.

On 23rd May and 24th May 1971 the writer and Peter Auxier, a Director of both P.B.M. Exploration & Development Co. Ltd. and Knight Inlet Resources Ltd. (N.P.L.) examined all working and outcroppings of the marble on the property with particular reference to the feasibility of establishing a quarry on the property. For a detailed explanation of the property, its location, all previous workings and the known size and location and type of the marble deposit, reference is made to the report of Alfred R. Allen, P. Eng., dated 30th October 1970 and updated on 15th March 1971.

The writer did not actively explore the property as his instructions were to determine the best location and type of quarry on the deposit which had already been mapped and established by Mr. Allen's report. There may well be additional quarry sites on the marble deposit, but additional funds would have to be expended on exploratory work, particularly trenching, to locate such sites, and it is the writer's opinion, as will be set forth later in this report, that there is a good and economically feasible quarry site on the already known and located areas of marble.

This report is essentially divided into two sections; one dealing with the feasibility of the actual

establishment of the quarry and the costs of bringing it into full production, and the other dealing with the marketing of the product and the potential profitability of the quarry on the basis of the production volume which the writer feels the quarry can economically produce and that the present market can absorb.

FEASIBILITY OF ESTABLISHING QUARRY:

In Mr. Allen's updating letter to Knight Inlet Resources Ltd. (N.P.L.) of 15th March 1971 annexed to his report of 30th October 1970, he recommends the expenditure of $150,000.00, in two phases; the first phase in the amount of $90,000.00 and the second phase in the amount of $60,000.00. The writer agrees with the total estimated expenditure of $150,000.00 on both phases, but is of the opinion that the program should not be split into two phases, since there is no point in establishing the quarry if funds are not available to carry on production on an economic scale for several months.

The marble formation is vast and has already been relatively well defined by the tunneling, trenching and drilling which has taken place. There is also a great variety of colours in the deposit, and it is clear that there are merchantable quantities of at least blue, white, cream or off-white, grey, green and tan or light brown marble. As was enumerated in the writer's report of 11th October 1968, the blue marble which is the predominant type is a premium marble of coarse grain with a very low water absorption rate which takes an excellent polish and is well suited to exterior building surfaces, as well as for interior and ornamental uses. The light blue colour is unique and is, in the writer's opinion, a colour which the market will receive very favourably. To the writer's knowledge, there is no blue marble of this light colour available on the West Coast of North America, and the production of it in Europe is extremely limited and always obtains a premium price.

The actual quarry site should be an open quarry, for reasons of economics, and also located so as to produce as much of the blue marble as possible, although all of the colours produced by this quarry will be in demand. It is the writer's opinion that an excellent quarry site is available approximately one hundred feet due south of the portal to tunnel No. 2. For the location of tunnel No. 2 reference is made to the map annexed to Mr. Allen's report

entitled "Claims; workings; drill holes; topographs and marble zone". One Hundred feet due south of the portal to tunnel No. 2 represents a point approximately 50 feet in elevation above the tunnel. At this point a trench of approximately twelve feet in depth should be dug and blasted, directly north-west along the hillside for approximately one hundred feet. This trench will be the initial quarry face and can be really described more acurately as a one quarter section out of the face of the hillside. The trench will approximately parallel the contour of the hillside, and will expose the marble sufficiently to ascertain the colour of the marble zone. The zone exposed will correspond to Section C-C of the map entitled "Vertical section showing marble zone" which is annexed to Mr. Allen's report. This is the zone intersected by Tunnel No. 2 and because of this is the best explored section of the marble deposit. The proximity to the road is convenient and the steepness of the mountain simplifies the removal of the overburden and waste rock. The marble should then be examined carefully and the section of the trench showing the greatest exposure of the best marble, including all the blue marble, should then be selected in an approximate length of seventy feet and the quarry face opened up by blasting and bulldozing in 6 to 8 feet steps down the hillside, removing the overburden and weathered marble so as to expose the deposit at sufficient depth below the surface to provide unweathered marble. During the process of the opening up of the quarry face, more chip and rubble marble should be removed and stockpiled and the balance of the undesirable material bulldozed over the edge of the quarry site so as to increase its working area. In addition, all overburden taken off should also be used as fill to expand the working area of the quarry.

The writer is unable to state on the basis of his examination whether or not the quarry will be able to produce large blocks of marble. It is quite possible that the quarry will do so but, initially, the aim of the quarry should be to produce rubble and chip marble as the surface fracturing will persist to a considerable depth due to the vertical stratification of the marble. The marble in the tunnel seems relatively solid, but the tunnel does not cut directly across the face of the marble, so that it is difficult to predict the percentage of solid blocks that the quarry will produce. Subsequently, in this report, an analysis will be made of the saleability of rubble and chip marble but suffice to say that it is the writer's opinion that the quarry will be feasible and profitable solely on the basis of producing rubble and chip marble and small blocks of marble.

Due to the stratification of the marble which the writer has observed in the various tunnels, it is the writer's opinion that the cleavage lines of the marble are parallel and that the marble will split easily into flat pieces ideally sized for stone masonry. By way of reference, the category of "rubble" in the ornamental stone trade refers to small blocks or chunks of marble suitable for masonry purposes such as fireplaces, and rough stone faces of buildings. "Chip" marble, on the other hand, is marble which is crushed and sized by screening into small chips which are used as stucco-dash and in making terrazzo floors, exposed aggregate architectural panels, and blocks of reconstituted marble. Larble blocks of marble are naturally more valuable than small blocks or rubble or chip, but, on the other hand, large blocks are substantially more expensive to quarry and ship and far heavier equipment is needed to handle them. Having particular regard to the type and quality of chip, rubble and small blocks which will be produced from this quarry, there is no economic necessity to have the quarry produce large blocks. The quarry will, however, produce substantial amounts of excellent small blocks, as well as chip and rubble.

The marble body lies almost vertical and, as mentioned above, in layers banded or stratified regularly. The removal of the blasted marble on the quarry face will therefore prove to be easy, and the blasting will produce ideally sized rubble for the masonry trade.

In the writer's opinion the small blocks that would be available during the initial stages of quarrying would vary from 0.4 to 1.5 cubic metres. In the event that, as the quarrying proceeds, the rock surface and stratification shows promise of producing large blocks, then the method of quarrying would be varied from blasting after random drilling to set patterns of drilling and plugging and feathering as well as black powder blasting so as to quarry large blocks. At this point it would be essential to engage an experienced quarry master as the production of large blocks and the proper development of the quarry for that purpose could not be done by anybody without a considerable degree of skill and experience in assessing the grain and pattern of the deposit so as to produce blocks with consistent colour and grain. Such quarry masters aro generally not available in British Columbia but can easily be hired in Italy and brought to British Columbia.

The cost of removing the fractured marble from the quarry site after it has been blasted and turned into rubble is normally very low as it is basically like blasting any rock formation into small sized pieces. Drilling the holes, spaced at about 18 inches, varying according to the stratification of the marble, and blasting the rock, would cost a maximum of $1.00 per ton, subject only to the fact that if large quantities of non-utilizable rock were blasted the cost of saleable marble would rise. Some hand splitting would be necessary to size the larger pieces into thicknesses of four or five inches. Normally two men can trim and split about 6 to 7 tons of solid stone per day, but as in the case of this quarry, only about 20 per cent of the stone will require further splitting, and because the marble is, in the writer's opinion, one of the easiest to split that he has seen, it would be reasonable to expect two men to process about thirty tons per day after the marble has been properly blasted and bulldozed away from the quarry face. This operation would then cost another $3.00 per ton of marble produced (due to the fact that only 20% of the rubble would require further splitting, as stated above).

The various colours of marble obtained would then require sorting, and this should be done on the site to avoid sending out undesirable material. This operation would cost approximately an additional $2.00 per ton. As this is done, the marble could be placed on pallets and covered with wire or mesh. At the same time the marble should be sorted for size and the scraps kept for chip material. If this is done properly it will give the marble of all colours a great competitive edge on the market as much of the stone presently sold is transported in bulk, and consequently a certain proportion of the rubble is broken into pieces which are awkward to use. This would cost about $1.00 per ton including pallets, and would ensure that the marble would be of the highest quality, and suffer no damage in transporting.

The marble would then be transported from the quarry site to the beach at Knight Inlet and deposited there in stock piles of individual colours.

The road now in existence from Tidewater to the quarry site will need additional improvements by way of culverts and gravel or stone rubble surfacing if a truck is to be used for transportation. It would appear to be necessary that a truck be used to minimize the cost of transportation. The distance from the quarry site to Tidewater is approximately one and a half miles and if a tandem truck with eight drive wheels is used, having a capacity of twelve tons, it would be able to transport from the quarry site to the beach at least ninety tons per day after being loaded by a suitable front end loader. The cost of loading and transportation to the beach will be approximately $2.00 per ton. It will be essential that the truck be in excellent condition and have the highest standard air brakes available, due to the gradient of the road.

The cost of loading a barge at Tidewater at Knight Inlet and unloading it at an appropriate stock-piling site, preferably on industrial zoned land adjacent to a navigable arm of the Fraser River would not, in the writer's opinion, exceed $1.00 per ton, and the writer has obtained a quote from Gulf of Georgia Towing Co. Ltd. of $2.50 per ton for minimum shipments of 2,000 tons from Knight Inlet to the Fraser River. That figure of $2.50 per ton includes arbitage on the barge for four days at Knight Inlet for loading purposes and four days on the Fraser River for unloading purposes. The total cost of the marble rubble landed at Vancouver and segregated by colour, would be $11.50 per ton.

It should be noted that all the estimates herein-before set forth are inclusive of all operating expenses, such as powder bits, fuel, small repairs to machinery, camp maintenance, wages, etc. but do not include overhead and administration for the company or maintenance of the stock piling site in the Vancouver area and in other areas, if necessary, and do not include any costs associated with advertising, distributing or selling the product from the stockpile site.

In the writer's opinion, a reasonable initial production for the quarry would be 90 tons per day, and that would require a crew of 10 men at the quarry, including a working foreman and cook. A figure of approximately $2.00

per ton for contingencies and incidental expenses should also be allowed for, and the total production cost per ton landed in Vancouver would then be $13.50per ton.

Ultimately, in calculating the profitability of the quarry it will be necessary to allow for administrative expenses of the company, expenses of advertising and sale, etc.; as previously mentioned.

In general, the cost of producing large blocks of marble is about $25.00 to $30.00 per ton, for a normal producing quarry, and it is not economical to produce blocks if the cost exceeds that figure, unless the marble is of an exceptionally good quality, the writer refrains, nevertheless, from giving an estimate for this particular operation for this quarry as it is too early to assume that large sound blocks can be obtained from the quarry and, in any event, as stated above, the quarry will be economically feasible without them.

SALE OF MARBLE:

The volume of rubble marble sold in British Columbia is, in the writer's estimation, approximately 4,000 to 5,000 tons per year, a majority of which is imported. It is almost impossible to ascertain exactly the volume of chip material sold in British Columbia due to the wider variety of uses and users and the writer can say no more than that the volume certainly exceeds 5,000 tons per annum.

The price of rubble marble in the Vancouver area varies from approximately $35.00 per ton to $80.00 per ton, depending on the colour of the marble and the quality. For example, the cream marble and honey-white marble which would be available from this quarry can only be obtained from Washington State at the present time and sells for $65.00 to $70.00 per ton. The blue rubble marble, because of its attractive coloration and lack of any competition, would, in the writer's opinion, command a higher price. These prices, however, are retail prices and it is estimated that the average price received by the producers from a wholesaler for all the colours extracted from this quarry would average about $35.00 per ton. Sales of 2,000 to 3,000 tons per year of rubble marble should be obtained in a British Columbia

market with proper selling and proven delivery capacity.

The sale of the blue marble rubble would, however, be substantial outside the Province as this is clearly an exportable item. Knight Inlet Resources Ltd. (N.P.L.) should expect to receive in excess of $50.00 per ton for the blue marble rubble and the sales of the blue marble rubble on the export market on the western seaboard of the United States alone should exceed 3,000 per annum and might greatly exceed that figure if large individual contracts were bid for and obtained. The writer cannot particularize sales for the other colours of marble rubble on the Pacific Coast of the United States, but is of the general opinion that that marble would be competitive with the products presently consumed and the quarry's costs of production would enable it to compete in that market, because of the low rate for barging from Canadian waters to U.S. Pacific Coast ports.

The use of marble chips in North America is large and is constantly increasing. There are several producers supplying different colours of chips, mostly in the State of Washington. On the West Coast of North America blue marble chips have never been available and thus have never been introduced to the market. In the writer's opinion there would be an extremely large market for blue marble chips throughout the West, and it should certainly exceed 10,000 tons per annum. For the colours presently available on the market, the price of the chips ranges between $30.00 and $35.00 per ton, sacked in 100lb. bags. The cost of producing chips is, however, somewhat higher than that of producing rubble.

All the basic costs applicable to producing rubble marble are also applicable to producing chip marble, except for the cost of hand splitting, but in addition the chips must be crushed, screened and bagged. The cost of bagging is $2.50 per ton, and the crushing and screening should be contracted out in Vancouver. The price of crushing and screening in Vancouver for quantities of 10,000 tons or more is $2.00 per ton.

The cost of producing chip marble bagged and landed in Vancouver is therefore about $15.00 per ton.

The local market in British Columbia could not absorb any considerable number of either small or large blocks of any of the types of marble that could be produced by this quarry, and in fact does not absorb any large quantities of any marble or other ornamental stone in block form. In general terms, the writer feels, however, that there would be an excellent international market available for small and large blocks, including not only the U.S.A. but also Japan. An extensive market survey would have to be made by a Japanese trading house for the Japan market and it would be necessary to ship several small and several large blocks to Japan. This quarry will, initially, only produce small blocks. Unfortunately small blocks produce a high proportion of waste, and a lower price is generally paid for them by the supplier because of this. It would therefore be more profitable to cut the small blocks into tiles or slabs locally in Vancouver and then export them as a finished product. Knight Inlet Resources could choose either to contract the cutting locally or enter into the manufacturing field itself. Pacific Marble & Granite Limited in Vancouver has offered Knight Inlet Resources $80.00 per ton for the small sound blocks of blue marble. (Minimum dimensions of 3 feet by 2 feet by one and one half feet).

SUMMARY AND CONCLUSIONS:

A commercial marble deposit is covered by a Special Use Permit and Mineral Claims held and owned by Knight Inlet Resouroes Ltd. (N.P.L.) on the east slope of Matsiu Creek, approximately one and a half miles from Tidewater and Knight Inlet. The quality of the stone is excellent and a wide variety of colours are available, including a premium blue marble, which has no direct competition in North America.

The cost of quarrying the marble for rubble marble and small blocks should not exceed $13.50 per ton, and the cost of quarrying chip marble should not exceed $15.00 per ton.

The sale price received by the Company for all rubble marble sold in Vancouver should average $35.00 per ton, and the blue rubble will command a price in excess of $50.00 per ton, and for blue chip marble should be over $35.00 per ton, and for small blocks should average at

least $80.00 per ton. The volumes of marble that can be sold cannot be exactly estimated, but should be 2,000 to 3,000 tons for all colours of rubble marble in British Columbia, and approximately another 3,000 tons of blue marble rubble for the export market, and in excess of 10,000 tons for chip marble for the British Columbia and export market. The volume for small blocks cannot be estimated until the material is introduced in the market, but the great beauty and rarity of the blue marble should ensure a good demand.

It is therefore concluded that, by reason of the large quantity of marble available and the varied colours of marble and its excellent quality (all as enumerated in Alfred R. Allen P. Eng's report entitled "Report on Marble Deposit of Knight Inlet Resources Ltd. (N.P.L.)), and by reason of the markets available for the marble and the economics of production, that a quarry be established on the marble deposit of Knight Inlet Resources Ltd. (N.P.L.) and the quarry be brought into production on a scale of 90 tons per day.

In the event that the market available for the marble does not equal the approximate production of 25,000 tons of marble per annum which could be produced on the basis of 90 tons per day, then the quarry should be operated for as many months a year as required to satisfy the market and keep a stockpile of 5,000 tons on hand, as this is probably the most economical rate of production.

In the writer's opinion the quarry will be able to operate on the basis of 90 tons per day at a good profit.

RECOMMENDATIONS:

It is therefore recommended that the quarry be prepared for production on the Knight Inlet marble deposit in a single phase program as follows:

1. Acquire a small but seaworthy boat for transporting personnel and supplies from Kelsey Bay at Campbell River to Matsiu Creek - $3,000.00.

2. Surface the road with local gravel and excess stone and rubble from the quarry site - $10,000.00.

3. Rent equipment as follows, for 5 months, utilizing used equipment where possible:

(a) 1 DC6 front-end loading bulldozer;
(b) 1 12-ton tandem truck;
(c) 1 generating plant;
(d) 1 compressor and air track drill;

(estimated cost $20,000.00)

4. Improve facilities for barge loading at beach - $1,000.00.

5. Construction of foundation for stiff leg derrick and mooring dolphins - $10,000.00.

6. Prepare quarry for production and extend road to quarry site - $27,000.00.

7. Commence marketing and sale promotion - $8,000.00.

8. Office overhead - $8,000.00.

9. Lease and prepare unloading and stockpiling site adjacent to Fraser River up to commencement of first sales of product - $8,000.00.

10. Purchase of other quarrying equipment and transportation - $15,000.00
To include at least

(a) Winch and boom
(b) Scale
(c) Radio Telephone
(d) Installation of air brakes on truck
(e) Fork Lift adaption for DC6 front-end loading cat.
(f) Plugs, feathers, hammers and miscellaneous quarrying equipment.

11. Operating capital fund - $25,000.00

12. Contingencies - $15,000.00

The estimated capital requirements as per the above total $150,000.00 and are calculated on the basis of bringing the quarry into full production. After full

production has been arrived at, such items as rental of equipment, marketing and sales promotion, office overhead, will constitute a continuing expense to the company and will naturally be met out of general revenue received by the company for the sale of its product.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

LUIGI S. MARCHESI

President of Pacific Marble and Granite Ltd.)

VANCOUVER, BRITISH COLUMBIA.
12TH JULY 1971.

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