

THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THE SECURITIES ONLY IN THOSE JURISDICTIONS WHERE THEY MAY BE LAWFULLY OFFERED FOR SALE AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES.

NO SECURITIES COMMISSION OR OTHER 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

GENIE RESOURCES LTD.
Incorporated under the laws
of the Province of British Columbia
C112 - 255 West 1st Street
North Vancouver, British Columbia
V7M 3G8

(hereinafter called the "Issuer")

NEW ISSUE

1,000,000 shares at \$2.25 per share

	Price to Public	Commission	Proceeds to the Issuer if all the Shares are sold
Per Share	\$2.25	\$.225	\$2.025
Total	\$2,250,000.00	\$225,000.00	\$2,025,000.00(1)

(1) Before deduction of expenses of this offering, estimated not to exceed \$30,000.00.

THIS OFFERING BY THE ISSUER IS SUBJECT TO A MINIMUM SUBSCRIPTION FOR SECURITIES BEING RECEIVED WITHIN 180 DAYS OF PARTICULARS OF WHICH ARE SET FORTH ON PAGE "1" UNDER THE HEADING "PLAN OF DISTRIBUTION".

THERE IS NO MARKET FOR THE SECURITIES OF THE ISSUER.

A PURCHASE OF THE SECURITIES OFFERED BY THIS PROSPECTUS MUST BE CONSIDERED A SPECULATION AS THE PROPERTIES IN WHICH THE ISSUER HAS AN INTEREST ARE IN THE EXPLORATION AND DEVELOPMENT STAGE ONLY.

NO PERSON IS AUTHORIZED BY THE ISSUER TO GIVE 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.

REFERENCE IS MADE TO THE HEADING "PRINCIPAL SHAREHOLDERS" ON PAGE "16" HEREOF AND THE COMPARISON OF THE PERCENTAGE OF SHARES BEING OFFERED TO THE PUBLIC FOR CASH AND ALREADY ISSUED BY THE ISSUER TO PROMOTERS, DIRECTORS, OFFICERS AND CONTROLLING PERSONS.

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

YORKTON SECURITIES INC.
P.O. Box 10350, Stock Exchange Tower
800 - 609 Granville Street
Vancouver, British Columbia
V7Y 1G5

DATE: June 16, 1986

EFFECTIVE DATE:

GENIE RESOURCES LTD.

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PLAN OF DISTRIBUTION

By an Agreement dated for reference the 16th day of June, 1986, between Genie Resources Ltd. (the "Issuer") and Yorkton Securities Inc. (the "Agent") of P.O. Box 10350, Stock Exchange Tower, 800 - 609 Granville Street, Vancouver, British Columbia, the Agent agreed to use its best efforts to sell to the public 1,000,000 shares of the Issuer's capital stock at a price of \$2.25 per share.

The securities qualified for sale under this Prospectus will be offered for sale to the public in British Columbia.

The Agent, notwithstanding anything to the contrary, reserves the right to offer selling group participation in the normal course of the brokerage business to selling groups or other licensed broker dealers, brokers and investment dealers.

All funds received by the Issuer will be delivered to Yorkshire Trust Company, 1100 Melville Street, Vancouver, British Columbia, pending receipt of the minimum subscription. The minimum subscription of \$2,250,000.00 to be received by Yorkshire Trust Company on the sale of 1,000,000 shares must be obtained within 180 days from the date this Prospectus is accepted for filing by the Office of the Superintendent of Brokers of the Province of British Columbia, failing which Yorkshire Trust Company will return the proceeds received from the subscribers without any deduction whatsoever, and no further securities will be offered under this Prospectus.

The obligations of the Agent under the foregoing Agreement between the Agent and the Issuer may be terminated prior to the completion of the sale of the minimum subscription of 1,000,000 shares offered hereunder 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 Issuer has granted the Agent a right of first refusal to provide future public equity financing of the Issuer for a period of 12 months from the effective date of this Prospectus.

Subject to the minimum subscription being received, the Issuer will pay the Agent a commission of \$.225 for each share sold, otherwise, 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 securities offered hereunder.

The Directors, Officers and Insiders of the Issuer may purchase securities offered hereunder.

The shareholders holding 5% or more of the issued and outstanding share capital of the Agent are Allen Barry Van Stone, Stewart David Vorberg, Frank Giustra, Donald Risling, Lorne J. Levy, Arthur J. Thomas and Matthew Jong.

NAME AND INCORPORATION OF THE ISSUER

The full name of the Issuer is Genie Resources Ltd. Its registered and records office is located at 708 - 1111 West Hastings Street, Vancouver, British Columbia. The Issuer's head office is located at C112 - 255 West 1st Street, North Vancouver, British Columbia.

The Issuer was incorporated on May 26, 1983 by registration of its Memorandum and Articles under the Company Act of the Province of British Columbia. The Issuer will be a reporting company as defined by the Company Act of the Province of British Columbia upon this Prospectus being accepted for filing pursuant to the Securities Act of the Province of British Columbia.

THE BUSINESS OF THE ISSUER

The Issuer is a natural resource company engaged in the acquisition, exploration and development of natural resource properties. The Issuer owns or has an interest in the properties described under the heading "The Properties" and intends to place those properties into commercial production. The Issuer intends to seek and acquire additional properties worthy of exploration and development.

THE PROPERTIES

Otter Creek Properties
Atlin Mining Division
Province of British Columbia

The Issuer is the holder of a 100% beneficial interest in and to 21 placer leases located approximately 20 kilometres east of Atlin in northwestern British Columbia in the Atlin Mining Division of the Province of British Columbia (the "Otter Creek Properties"), particulars of which are as follows:

A. Drain leases:

<u>Name</u>	<u>Record Number</u>	<u>Expiry Date</u>
Drain Lease	1697	Oct. 12, 1986
PL	4607	Oct. 28, 1986
PL	4606	Oct. 28, 1986
PL	4605	Oct. 28, 1986
PL	4604	Oct. 28, 1986
PL	1739	Oct. 12, 1986
PL	1528	Oct. 12, 1986
PL	2302	Oct. 12, 1986

B. Dan leases:

<u>Name</u>	<u>Record Number</u>	<u>Expiry Date</u>
Snoopy	1687	Sept. 30, 1987
Rose	1702	Sept. 30, 1987
Joy	1703	Sept. 30, 1987
Lake	1745	Oct. 12, 1987
Dan	1782	Oct. 12, 1987
Randy	1849	Oct. 12, 1987
Lucy	1866	Oct. 12, 1987
Pauline	1867	Oct. 12, 1987
Ford	1868	Oct. 12, 1987
Surprise	1869	Oct. 12, 1987
PL	4688	Oct. 17, 1987
PL	4689	Oct. 17, 1987
PL	4690	Oct. 17, 1987

The Drain leases were acquired pursuant to an Agreement dated September 6, 1983 entered into by the Issuer with Rutherford Day and Lucy Day both of 1015 N.E. 38th Street, Fort Lauderdale, Florida, U.S.A., and Gordon McIntyre and G. & D. Mining Ltd. both of 58 - 11th Avenue, Whitehorse, Yukon Territory (the "Vendors") whereunder the Issuer agreed to pay a purchase price of \$3,000,000.00 plus two minimum advance royalties of \$125,000.00 each (of which total sum, \$3,125,000.00 has been paid to date and one \$125,000.00 royalty is outstanding) to acquire the Drain leases, subject to a 10% gross overriding royalty on all mineral products won from the ground underlying these leases until the Vendors have received the outstanding \$125,000.00 advance royalty. In addition, the Drain lease 1697 is subject to a 1.875% gross overriding royalty in favour of Island Cash Buyers Ltd. of C112 - 255 West 1st Street, North Vancouver, British Columbia and a 1.875% gross overriding royalty in favour of Johil Developments Ltd. of 155 Rexdale Boulevard, Rexdale, Ontario and Gibson Lake Holdings Inc. of 30 Gibson Lake Drive, Palgrave, Ontario.

The Issuer acquired a 50% beneficial interest in the Dan leases pursuant to an Assignment Agreement entered into as of February 29, 1984 with Sebrev Holdings Ltd. ("Sebrev") of C112 - 255 West 1st Street, North Vancouver, British Columbia, a company 100% beneficially owned and controlled by Kenneth Albert O'Connor, the President, a Director, Insider and Promoter of the Issuer, whereunder the Issuer agreed to reimburse Sebrev for 50% of its actual costs incurred in respect of the Dan leases. The Issuer acquired the balance of its 100% beneficial interest in the Dan leases pursuant to an Agreement made as of April 2, 1984 with Sebrev whereunder Sebrev assigned its 50% beneficial interest in the Dan leases. As a result of the April 2, 1984 assignment, the Issuer assumed all the benefits and obligations of Sebrev under an Agreement dated October 20, 1983 among the Issuer, Sebrev and 124664 Canada Inc. ("124664") under which 124664 received the right to purchase an undivided 50% beneficial interest in the Drain leases and Dan leases and agreed to reimburse Sebrev for the balance of its actual costs incurred in respect of the Dan Leases. 124664 failed to pay the balance of consideration due and payable to the Issuer and Sebrev who then exercised their joint option to buy back the interest of 124664 in the Drain leases and Dan leases by agreeing to repay the holders of investment units of 124664 the \$1,100,000.00 advanced by them through 124664 to the Issuer and Sebrev on account of the purchase made by 124664 plus accrued interest in cash or in kind at the option of these unit holders, all on or before November 1, 1985. To date, the Issuer has paid \$15,000.00 to one unit holder and is liable to pay the \$1,085,000.00 balance plus interest. The Issuer is presently negotiating settlement arrangements with the unit holders with respect to the payment of this \$1,085,000.00. Reference is made to the heading "Pending Legal Proceedings" for particulars of two legal actions commenced against the Issuer by two of the unit holders. The Issuer has been invoiced \$1,548,374.00 by Sebrev for its actual costs incurred in respect of the Dan Leases, of which sum \$1,208,167.00 has been paid and \$383,509.00 on account of principal and interest is outstanding as at March 31, 1986. The foregoing \$383,509.00 unpaid balance bears interest at the rate of 15% per annum which interest is presently being added to principal.

As a result of the foregoing Agreements and underlying Agreements in which the Issuer was not a party, the Dan leases are burdened by gross overriding royalties totaling 10% of all gold and other minerals produced from the Dan leases and held as follows:

- i. a 1.25% gross overriding royalty is held by Johil Developments Ltd.;

- ii. a 1.25% gross overriding royalty is held by Gibson Lake Holdings Inc.;
- iii. a 5% gross overriding royalty is held by Melanie R. Stevens of P.O. Box 459, Clinton, British Columbia;
- iv. a 2.5% gross overriding royalty is held by Cypress Consulting Services Inc. of 4958 Thornwood Place, Burnaby, British Columbia, payable to Cypress Consulting Services Inc. until it has received \$1,000,000.00 whereupon payment of this royalty shall be made to Melanie R. Stevens.

In addition to the foregoing burdens, the Issuer is obligated to process no less than 150,000 cubic yards of material annually from the Dan leases commencing in 1984 and requiring minimum royalties of \$75,000.00 per year to Johil Developments Ltd. (as to 25%), Gibson Lake Holdings Inc. (as to 25%) and Melanie R. Stevens (as to the balance).

The Issuer has entered into an Agreement dated June 11, 1986 with 666030 Ontario Limited of 277 King Street West, Kitchener, Ontario (the "Purchaser") whereunder the Purchaser agreed to purchase for \$2,000,000.00 the unencumbered absolute right and privilege to receive 40% of the total production of refined gold from the Otter Creek Properties until unencumbered title to 5,000 troy ounces of refined gold has been delivered without deduction to it and in any event, by not later than October 30, 1986. On June 13, 1986, the foregoing \$2,000,000.00 was advanced by the Purchaser to 307784 B.C. Ltd. (the "Operator") which company was retained to act as operator of the Otter Creek Properties under an Operating Agreement dated June 11, 1986 and entered into between the Issuer and the Operator. The Operator agreed to conduct its services as operator for reimbursement of its operating costs incurred in operating the Otter Creek Properties. The Operator has advanced the following sums from the foregoing \$2,000,000.00 paid by the Purchaser:

Paid Atlin Mining for 1984 stripping costs incurred by the Issuer:	\$450,000.00
Paid Western & Pacific Bank to reduce a bank loan of the Issuer:	100,000.00
Paid to itself for working capital:	<u>90,000.00</u>
Total:	<u>\$640,000.00</u>

The \$1,360,000.00 balance of the foregoing \$2,000,000.00 has been deposited in a trust account to the credit of the Operator for use in the start-up, first 30 days operations and contingencies to be carried out in accordance with the recommendations of W.G. Hainsworth, P.Eng., in his report to the Issuer as hereinafter described.

In consideration of the Purchaser advancing the foregoing \$2,000,000.00, Lyle S. Hallman has been appointed the Vice-President of the Issuer. In addition, Kenneth Albert O'Connor, the President, a Director, Insider and Promoter of the Issuer, has agreed to transfer 100,000 shares of the capital stock of the Issuer to Lyle S. Hallman within escrow and the Issuer has granted to the Purchaser the sole and exclusive right to purchase a 50% undivided right, title and interest in and to the Otter Creek Properties subject to the present gross overriding royalties in existence as aforesaid for and in consideration of the payment of an additional \$2,000,000.00 to the Issuer. Reference is made to the heading "Material Contracts" for particulars of this latter agreement between the Issuer and the Purchaser.

Island Cash Buyers Ltd. is a company 100% beneficially owned equally by Kenneth Albert O'Connor and by Lawrence Foort of 3352 South Island Highway, Campbell River, British Columbia.

Johil Developments Ltd. is a company 100% beneficially owned by Hilda Vroom, care of 155 Rexdale Boulevard, Rexdale, Ontario.

Gibson Lake Holdings Inc. is a company 100% beneficially owned by Lisa Rae Dennis, 30 Gibson Lake Drive, Palgrave, Ontario.

Cypress Consulting Services Inc. is a company 100% beneficially owned equally by Gerald D. Wright and John M. Darch both care of 402 - 2001 Beach Avenue, Vancouver, British Columbia.

666030 Ontario Limited is a company 100% beneficially owned by Lyle S. Hallman of 230 Gage Avenue, Kitchener, Ontario.

307784 B.C. Ltd. is a company 100% beneficially owned by Matthew W. Jones, a Director and Insider of the Issuer.

The Otter Creek Properties encompass approximately 2.8 square kilometers of land and are located on Lower and Middle Otter Creek and on Surprise Lake approximately 59 degrees, 37 minutes north latitude and 133 degrees, 23

minutes west longitude. The mine site is accessible by a good gravel all weather road from Atlin, British Columbia. Access to most of the balance of claims is possible using existing rough tractor and four-wheel drive roads along both sides of Otter Creek. The section of creek covered by the claims is about two kilometres long. The gravels encompassed by the claims are free of permafrost and sluicing at Otter Creek can be carried out from about May 20 to October 1 yearly.

Located on the claims is a fully equipped modern gold recovery base camp and cleaning room, earth moving and recovery equipment presently capable of processing approximately 1,500 cubic yards of gravel per day, pumping equipment, fuel storage facilities and mechanical repair facilities complete with welding equipment and replacement parts.

History of Previous Mining

The first recorded history of mining undertaken on Otter Creek was carried out using small scale ground sluicing and hydraulic operations on the upper part of the creek from about 1899 and until 1903. A large scale hydraulic operation started about 1908, financed by a French company which first worked the lower reaches of the existing Otter Creek channel and then the ancient Otter Creek tertiary channel located approximately one kilometre to the east. These hydraulic operations were only moderately successful until the ancient tertiary channel was located and worked. Gold recoveries increased significantly at this point.

Underground mining and development work initially started in 1922, continued until 1928, then started again in 1932. At this time, the Strand shaft was sunk to rim bedrock on the right limit of the channel at 670 metres from the lake. Gold bearing tertiary gravel was discovered at the bottom of the Strand shaft and the Strand level was developed. In 1934, La Cie. Francoise des Mines d'Or du Canada sank an inclined shaft from the bottom of the hydraulic cut at the upstream face. This shaft found bedrock about 609 metres from the lake. The grade of this material was extremely good (over 0.5 ounces per cubic yard in 462 cubic yards) and led to the development of other pay levels within the ancient tertiary channel.

Extensive drifting operations were conducted from 1935 to 1939 on the Bedrock, Strand and Moran levels. Another higher pay horizon (Suoboda) was also found. Average mined grade was about 0.20 ounces per cubic yard for 28,300 cubic yards mined during the period 1935 to 1939.

From 1939 to 1943, laymen continued to mine underground on Otter Creek. Some very high grade pockets of over one ounce grade were found but production gradually declined due to bad air in the underground workings and the miners losing the high grade pay streaks.

At the outbreak of World War II, the French company was obliged to sell its interest in the property and the ground was acquired by The Walter Johnston Dredging Company of San Francisco, California, U.S.A. in 1939. This company performed surveying, mapping, sampling and underground development work to estimate values in the intermediate underground levels. Very little additional work was done on the property during the period 1944 to 1975. The claims held by The Walter Johnston Dredging Company were allowed to lapse in 1975, a number of years after the death of a principal of The Walter Johnston Dredging Company. The ground was then staked by a local prospector, Thomas Connolly, and a portion of the property was subsequently sold to the Rutherford Day group from whom the Issuer acquired its interest. Under these parties, a mechanical mining operation in the area of the old hydraulic pit in the present Drain lease mine area was commenced in about 1978. This operation was commercially successful and was continued to the end of the 1983 field season. About that time, the Issuer acquired the Drain lease 1697 and six other claims. This acquisition was made after the Issuer completed a total of 1856 metres of Becker Hammer drilling in 84 holes and defined a large number of reserves on the Dan leases located adjacent to and upstream from the Drain lease. To confirm continuity of the tertiary channel within the Drain lease, 14 of these holes were drilled in the Drain lease pit.

The acquisition of the Drain leases which included equipment, camp and permits has allowed the Issuer to commence production and further development of the present large scale operation and will allow it to move unobstructed up the channel onto the Dan leases.

At the commencement of the 1984 season, the Issuer undertook the projects of pit survey, setting out new haul and access roads and the pit perimeter, and the estimation of stripping and mining volumes. Sampling of tailings from the Drain lease pit were carried out and the pit itself was drained of accumulated runoff and seepage.

Overburden stripping began about July 15, 1984. Mr. G. McIntyre, former manager of the Drain lease operations for the Rutherford Day group, was engaged to act as general manager. M.D. Kierans, P.Eng., was retained as an advisor. Sampling of materials from the tailing pile was carried out

using a centrifugal concentrator. Also, the Snake Creek channel discovery was trenched and bulk sampled.

The Issuer retained M.D. Kierans, P.Eng., to prepare a report dated February 10, 1985, a copy of which report has been filed with the Superintendent of Brokers for British Columbia. In his report, M.D. Kierans, P.Eng., provided full particulars of the work undertaken and results achieved by the Issuer on the Otter Creek Properties during the 1984 season. In summary, M.D. Kierans, P.Eng., states:

"The major emphasis of Genie Resources Ltd.'s 1984 project was to consolidate the overall mine plan, re-evaluate the previous operations on the Drain lease and redesign and upgrade pit operations, strip and prepare ground for the seasons mining operations. In particular, the state of development at the Drain lease pit resulted in a major time and cash commitment to drain the pit and redesign access, berms and sideslopes to provide greater efficiency of operation. Production from the Drain lease recommenced, under Genie Resources Ltd. management, about July 15th and ended for the season on October 16th, 1984.

A total of about 150,000 cubic yards of pay gravels was mined and sluiced during the season. The average recovery grade was 0.022 oz./C.Y., but taking into account recovery system losses and dilution factors the actual average grade of the material mined could be about 0.056 oz/C.Y. The material mined in 1984 was taken from areas which have previously been subjected to underground hand mining, and also from the margins of the ancient stream channel. Therefore it was to be expected that the production grade would be lower than the average expected for the overall Otter Creek project. It was only in the later part of the season that higher grade areas of the reserve were mined."

Mineral Property Evaluation Report

The Issuer has received a report dated April 14, 1986 prepared by W.G. Hainsworth, P.Eng., a copy of which report is attached to and forms a part of this Prospectus. In his report, W.G. Hainsworth, P.Eng., summarizes the reserves of the Otter Creek Properties as follows:

"Summary of Reserves

<u>Block</u>	<u>Drill Proven</u>	<u>Possible</u>	<u>Grade</u>	<u>Ounces</u>
1782	320,000		.080	25,600
		400,000	.078	31,200
1702	125,000		.075	9,375

<u>Block</u>	<u>Drill Proven</u>	<u>Possible</u>	<u>Grade</u>	<u>Ounces</u>
1697	70,000	340,000	.075	25,500
			.080	5,600
Stock Pile	175,000		.033	5,775
Total		1,530,000 C.Y.		103,050"

1986 Mining Proposal

In his report, W.G. Hainsworth, P.Eng., states:

"The 1984 operation developed from the hydraulic pit saw some 400,000 cubic yards of overburden and glacial till debris stripped in advance of planned mining operations.

It is proposed to continue stripping in the coming season with mining following in behind. Stripping rates of 6000 cubic yards per day and mining production rates up to 3000 cubic yards per day are projected, the latter during a 100 day season.

The company's projections show that mining and processing of the proposed 250,000 to 300,000 cubic yards of pay gravels should return a recovery of 15,000 to 20,000 ounces of placer gold. Immediately available to the company is 20,000 cubic yards of pre-stripped pay gravel near the boundary of the hydraulic pit claim and the adjoining upstream leases.

In addition the proposal advances the intention of the company to contract out the mining of the pay gravels to the point of delivery of the washing plant hopper.

It is the intention of the company to acquire a local operational recovery plant and install it in place of the present, poorly designed system. This should lead to improved recovery grades.

The washing plant will consist of a grizzly, with pulsating water jets, which will separate the minus four inch material from the oversize and send the smaller size to a screen arrangement where it will be sorted into two sizes, the minus 1 inch and the minus 1/4 inch. The more coarse, minus 1 inch will go into a short sluice box designed to retain gold nugget sizes. To accommodate the large amounts of minus 1/4 inch material there will be three sluice boxes with pulsating riffles.

The wash plant will be staffed and operated by the company. The system is designed to process up to 300 cubic yards per hour."

W.G. Hainsworth, P.Eng., has set out the following cost estimates in respect of his recommended plan:

"START-UP

1. New gold-recovery unit (replacement)	300,000.	
2. Equipment mobilization	150,000.	
3. Mining Camp set-up	<u>7,500.</u>	457,500.

FIRST 30 DAYS OPERATING

1. Stripping contract - 100,000 cu. yds. @ \$2.25	225,000.	
2. Clean out and extend settling ponds	50,000.	
3. Supervision and recovery labour	45,000.	
4. Engineer/geologist	10,000.	
5. Excavating & pay-dirt hauling to recovery plant	<u>262,500.</u>	592,500.

CONTINGENCY

100,000."

\$1,150,000.

The Issuer has accepted the foregoing recommendations of W.G. Hainsworth, P.Eng. The required \$1,150,000.00 plus an additional \$210,000.00 has been deposited to the credit of the Operator with a trustee for disbursement at the direction of the Operator, all incidental to the foregoing Agreement entered into with the Purchaser relating to the foregoing purchase of gold. As a result, the 1986 mining plan recommended by W.G. Hainsworth, P.Eng., will be instituted on June 16, 1986.

USE OF PROCEEDS

As a result of the advance of \$2,000,000.00 to the Operator by the Purchaser in respect of the purchase of gold more particularly described under the heading "The Properties", the accounts payable of the Issuer as at March 31, 1986 have been reduced from \$1,169,944.00 to approximately \$619,944.00. In addition, the Operator of the Otter Creek Properties has been provided with \$90,000.00 in

working capital and with a trust advance of \$1,360,000.00 for use in carrying out the 1986 mining plan, all as more particularly disclosed under the heading "The Properties". This \$1,360,000.00 advance together with the \$8,433.00 in current assets at March 31, 1986 and the \$2,025,000.00 net proceeds to be derived by the Issuer from the sale of 1,000,000 shares offered by this Prospectus, will be used for the following purposes:

1. To pay the estimated legal, audit and printing expenses of this Prospectus:	\$ 30,000.00
2. To pay current liabilities:	619,944.00
3. To pay Rutherford Day principal and interest owing to March 31, 1986:	152,708.00
4. To establish a reserve for the payment of interest to Rutherford Day from April 1, 1986 to May 31, 1986:	4,375.00
5. To pay the balance of principal to Western & Pacific Bank:	149,053.00
6. To pay the balance of interest owing to unit holders for the period April 1, 1986 to April 30, 1986:	13,562.00
7. To establish a reserve for the payment of interest to unit holders for the period May 1, 1986 to November 1, 1986 and due November 1, 1986:	81,375.00
8. To establish a reserve and pay for the 1986 mining plan recommended by W.G. Hainsworth, P.Eng. in his report to the Issuer dated April 14, 1986 in respect of the Otter Creek Properties:	
Start-up:	\$457,500.00
First 30 days:	592,500.00
Contingency:	<u>100,000.00</u>
	1,150,000.00

9. To provide a reserve for an additional contingencies in respect of the foregoing 1986 mining plan:	\$ 210,000.00
10. To be added to working capital:	<u>982,416.00</u>
Total:	<u>\$3,393,433.00</u>

The Issuer will retire loans payable to associated companies and to the shareholder and officer as more particularly described in Notes 7 and 8 of the March 31, 1986 financial statements from the general working capital as the Issuer deems appropriate.

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

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 Issuer 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 shareholders of the Issuer must first be obtained and notice of the intention must be filed with the regulatory bodies having jurisdiction over the sale of the securities offered by this Prospectus.

DESCRIPTION OF SHARES

The authorized capital of the Issuer consists of 20,000,000 common shares without par value of which 6,515,700 shares have been issued and allotted as fully paid and non-assessable shares. All of the shares of the Issuer, 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 rights or conversion rights and no provision for redemption, purchase for cancellation, surrender or sinking fund or purchase funds have been made. 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.

SHARE AND LOAN CAPITAL STRUCTURE

Designation of Security	Amount Authorized	Amount Out- standing as at March 31, 1986	Amount Out- standing as at date of Prospectus	Amount to be Outstanding on Completion of Offering
Common Shares Without Par Value	20,000,000	6,515,700	6,515,700	7,515,700

DIRECTORS AND OFFICERS

The names, addresses and principal occupations in which each of the Directors and Officers of the Issuer have been engaged during the immediately preceding five (5) years are as follows:

<u>Name and Address</u>	<u>Position with Issuer</u>	<u>Principal Occupation</u>
KENNETH ALBERT O'CONNOR* 3602 Creery Avenue West Vancouver, B.C.	President and Director	President of Genie Resources Ltd. and Island Cash Buyers Ltd.
DRUVAL WOOKEY WESTCOTT 396 Mathers Avenue West Vancouver, B.C.	Director	Director of Westburn International Industries Ltd., Westburn Industrial Enterprises Ltd. and United Westburn Industries Limited
GEORGE ROBERT PATERSON* 6926 Marine Drive West Vancouver, B.C.	Director	Vice-President of Logging and Forestry Operations for Naden Harbor Timber Company

<u>Name and Address</u>	<u>Position with Issuer</u>	<u>Principal Occupation</u>
MATTHEW WARD JONES* 4145 Burkehill Road West Vancouver, B.C.	Director	Director of Genie Resources Ltd.
LYLE SHAUNCE HALLMAN 230 Gage Avenue Kitchener, Ont.	Vice-President	Self-employed Real Estate Developer
ARTHUR LEONARD CAMERON, C.G.A. 3201 Edgemont Blvd. North Vancouver, B.C.	Secretary	Certified General Accountant

*Member of Audit Committee.

Kenneth A. O'Connor was President and Chief Executive Officer of O'Connor Logging Ltd. and Kamdo Logging Ltd. from 1951 to 1981. These companies were the largest independent logging operations in British Columbia with an excess of 2.5 billion board feet of timber produced during the period 1951 to 1981. Mr. O'Connor has also been involved in the mining business, fishing industry and land development. From 1968 to 1985, he has been President of Island Cash Buyers Ltd., a fish company that is primarily involved with buying and exporting salmon. He has been a Director of several reporting mining companies. Mr. O'Connor was the founding shareholder of the Issuer.

Druval W. Westcott is the past President and is a current Director of Westburn Industrial Enterprises Ltd., Westburn International Industries Ltd. and United Westburn Industries Limited, the largest wholesale plumbing, electrical and electronic distributors in the world.

George R. Paterson has been employed as the Vice-President of Logging and Forestry Operations for Naden Harbor Timber Company since January, 1978.

Matthew W. Jones has been employed in an administrative capacity for several reporting mining companies since his graduation from Simon Fraser University with a Bachelor of Arts Degree majoring in Business Administration. In addition, he has been a Director of several reporting mining companies and in 1983, Mr. Jones became a Director of the Issuer and has devoted his full time to the business of the Issuer.

Arthur L. Cameron is a Certified General Accountant and for the 15 years ending in 1980, he was Secretary/Treasurer of Norpac Fisheries Ltd. Since 1980, Mr. Cameron has been employed in various capacities including that of Chief Financial Officer of several reporting mining companies.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

To March 31, 1986, the Issuer is liable to pay a Director \$29,778.00 in respect of interest payable on a loan made by a Director to the Issuer as more particularly described in Note 7 to the March 31, 1986 financial statements. An additional \$44,156.00 is payable to a Director in respect of a personal advance made by a Director to the Issuer as more particularly described in Note 8 to the March 31, 1986 financial statements.

The Issuer is required to pay a 1.875% gross overriding royalty on production won from the Drain leases forming a part of the Otter Creek Properties more particularly described under the heading "The Properties" to a company 50% beneficially owned by a Director of the Issuer.

Save and except as aforesaid, the Issuer did not pay nor is it liable to pay any remuneration to the Directors and Senior Officers of the Issuer since the date of incorporation.

PRINCIPAL SHAREHOLDERS

Set forth hereunder are the particulars of shareholders of the Issuer as of the date of this Prospectus who own 10% or more of the issued shares of the Issuer:

<u>Name and Address</u>	<u>Class, Type of Ownership</u>	<u>Number of Shares Owned</u>	<u>Percentage</u>
Kenneth Albert O'Connor 3602 Creery Avenue West Vancouver, B.C.	Common escrow	750,000*	23.79
	Common free	800,000	

*Kenneth Albert O'Connor has agreed to transfer 100,000 of these shares within escrow to Lyle S. Hallman.

The percentage of shares of the Issuer being offered to the public for cash will represent 13.30% of the shares issued and outstanding upon completion of the minimum subscription of 1,000,000 shares.

The percentage of shares of each class of equity shares of the Issuer beneficially owned, directly or indirectly, by all Directors and Senior Officers of the Issuer, as a group, are as follows:

<u>Designation of Class</u>	<u>Percentage of Class</u>
Common	34.99

PROMOTERS

Kenneth Albert O'Connor may be considered a Promoter of the Issuer by reason of the initiative taken by him in founding the Issuer and in accordance with the definition contained in Section 1 of the Securities Act of the Province of British Columbia.

Reference is made to the caption "The Properties" wherein the interests of the Directors and Officers in the property interests acquired by the Issuer and the consideration in respect thereof is disclosed.

ESCROWED SHARES

As of the date of this Prospectus, 750,000 shares are held in escrow by Yorkshire Trust Company, 1100 Melville Street, Vancouver, British Columbia, subject to the direction or determination of the Superintendent of Brokers. The escrow restrictions provide that the shares may not be traded in or dealt with in any manner whatsoever, or released, nor may the Issuer, its Transfer Agent or Escrow Holder make any transfer or record any trading of the shares without the consent of the Superintendent of Brokers, before the Issuer's shares are called for trading on the Vancouver Stock Exchange and without the consent of the Vancouver Stock Exchange thereafter. In addition, the escrow restrictions provide that any shares not released from the terms of escrow within ten years of the effective date of this Prospectus, shall be cancelled. The complete text of the Escrow Agreement will be available for inspection at the Issuer's registered office, 708 - 1111 West Hastings Street, Vancouver, British Columbia, during primary distribution hereunder.

<u>Designation of Class</u>	<u>Number of Shares Held in Escrow</u>	<u>Percentage of Class</u>
Common	750,000	11.51

DIVIDEND RECORD

The Issuer has not since incorporation paid any dividend on any of its shares. The Issuer has no present intention of paying 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.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Kenneth A. O'Connor received 750,000 shares of the Issuer at a price of \$.01 per share, which shares are held subject to escrow restrictions as more particularly described under the heading "Escrowed Shares".

Island Cash Buyers Ltd. is a company 50% beneficially owned by Kenneth Albert O'Connor. The Issuer is indebted to Island Cash Buyers Ltd. for principal loaned to the Issuer and interest totalling \$19,214.00 at March 31, 1986. The loan is repayable on demand of principal plus interest at the rate of prime plus 2%. Island Cash Buyers Ltd. is the holder of a 1.875% gross overriding royalty in respect of production which may be won from the Drain leases forming part of the Otter Creek Properties as more particularly described under the heading "The Properties".

Sebrew Holdings Ltd. is a company 100% beneficially owned and controlled by Kenneth Albert O'Connor. Sebrew Holdings Ltd. was a vendor of an interest in the Otter Creek Properties acquired by the Issuer as more particularly described under the heading "The Properties". Sebrew Holdings Ltd. holds a substantial number of mineral properties located contiguous to or in proximity of the Otter Creek Properties of the Issuer. The Issuer is indebted to Sebrew Holdings Ltd. for \$383,509.00 to March 31, 1986 repayable on demand of principal plus interest at the rate of 15% per annum.

666030 Ontario Limited is a company 100% beneficially owned by Lyle S. Hallman. 666030 Ontario Limited is the purchaser of gold as described under the heading "The Properties" and has an option to acquire a 50% beneficial interest in and to the Otter Creek Properties as described under the heading "Material Contracts".

Quatesi Investments and Development Co. Ltd. is a company 100% beneficially owned equally by Kenneth Albert O'Connor and by his brother, David O'Connor of 1705 - 2045 Nelson Street, Vancouver, British Columbia. Quatesi Investments and Development Co. Ltd. loaned the Issuer \$100,000.00 on April 17, 1985 which sum is repayable on demand of principal plus interest at the rate of 15% per annum. The balance of principal and interest due on this loan on March 31, 1986 was \$126,640.00.

Kenneth Albert O'Connor has advanced loans to the Issuer repayable on demand of principal plus interest at the rate of prime plus 2%. The balance of principal and interest due on this loan on March 31, 1986 was \$646,181.00.

Save and except as aforesaid, the Directors, Officers, Insiders and Promoters of the Issuer do not have any interest, direct or indirect, by way of beneficial ownership of shares or otherwise in material transactions except for any interest arising from the ownership of shares of the Issuer where the shareholder will receive no extra or special benefit or advantage not shared on a pro rata basis by all holders of shares in the capital of the Issuer.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditor of the Issuer is Dunwoody & Company, Chartered Accountants, of 1800 - 1055 Dunsmuir Street, Vancouver, British Columbia. The Issuer's Registrar and Transfer Agent is Yorkshire Trust Company of 1100 Melville Street, Vancouver, British Columbia.

PENDING LEGAL PROCEEDINGS

The Issuer is a defendant in two separate court actions commenced by two unit holders. One action claims \$53,932.00 and the other action claims \$346,500.00. The Issuer is negotiating a settlement of the claims of these and all of the other unit holders.

MATERIAL CONTRACTS

A. Earning Option

The Issuer has entered into an Agreement dated June 11, 1986 with 666030 Ontario Limited incidental to the sale of gold to 666030 Ontario Limited as more particularly described under the heading "The Properties". An additional term of this Agreement provides 666030 Ontario Limited with the right to earn a 50% undivided right, title and interest in and to the Otter Creek Properties subject to the present gross overriding royalties in existence. The earning option shall terminate unless \$2,000,000.00 is paid to the Issuer within seven days following the delivery by the Operator of the 5,000 troy ounces of gold purchased by 666030 Ontario Limited and in any event, on or before November 7, 1986.

If and when the earning option has been exercised, a 50% right, title and interest in and to the Otter Creek Properties shall pass to 666030 Ontario Limited free and clear of all liens, charges and encumbrances, save and except for gross overriding royalties now in existence and the Otter Creek Properties shall thereafter be operated on a joint venture basis for the equal benefit of the Issuer and 666030 Ontario Limited. In addition, the \$2,000,000.00 advanced by 666030 Ontario Limited in the purchase of gold as aforesaid shall be considered instead to have been advanced on account of its

earning the foregoing 50% beneficial interest in and to the Otter Creek Properties.

On exercise of the earning option, 666030 Ontario Limited shall be entitled to a return of the \$4,000,000.00 spent to exercise the earning option by the following allocation of mineral products won from the Otter Creek Properties:

- i. in 1986, 666030 Ontario Limited shall be entitled to receive \$2,000,000.00 plus 50% of the remaining net returns less the value of gold delivered to the credit of 666030 Ontario Limited pursuant to the said June 11, 1986 Agreement as determined by reference to the second London fixed price of gold on the dates of delivery;
- ii. in 1987, Lyle S. Hallman shall be entitled to receive \$2,000,000.00 plus 50% of the remaining net returns;

In 1988, 666030 Ontario Limited shall be entitled to receive all net proceeds generated from the Otter Creek Properties until it has received any shortfall in the \$4,000,000.00 to be received by it as aforesaid and not received in 1986 and 1987. Thereafter, the Issuer shall be entitled to receive \$4,000,000.00 to offset the \$4,000,000.00 repaid to 666030 Ontario Limited as aforesaid by the following allocation of mineral products won from the Otter Creek Properties:

- i. once 666030 Ontario Limited has received the \$4,000,000.00 referred to above by the foregoing allocation of net proceeds, and commencing not earlier than 1988, the Issuer shall be entitled to receive the next \$2,000,000.00 plus 50% of the remaining net returns;
- ii. in the next year, the Issuer shall be entitled to receive \$2,000,000.00 plus 50% of the remaining net returns;
- iii. thereafter, the Issuer shall be entitled to receive all net returns until it has received any shortfall in the \$4,000,000.00 to be received by it as aforesaid and not received.

Once 666030 Ontario Limited and the Issuer have received their respective \$4,000,000.00 generated from the sale of products won from the Otter Creek Properties, net proceeds shall be shared equally between the Joint Venture participants.

Revenues shall be considered to be net after payment to the Operator for operating costs relative to the Otter Creek Properties and after payment of gross overriding royalties.

B. Directors and Key Employee Stock Options

The Issuer has granted Directors and Key Employee stock options on 750,000 shares of the Issuer's capital stock exercisable in whole or in part at a price of \$2.25 per share at any time after a final receipt is issued for this Prospectus and prior to November 30, 1987. The Directors of the Issuer have allocated the foregoing stock options as follows:

<u>Name</u>	<u>Option Designation</u>	<u>Number of Shares</u>
Kenneth A. O'Connor	Key Employee	225,000
Arthur L. Cameron	Key Employee	100,000
Audrey Isaacs	Key Employee	50,000
Matthew W. Jones	Director	175,000
Druval W. Westcott	Director	100,000
George R. Paterson	Director	100,000

Save and except as aforesaid, there are no other material contracts except as disclosed in this Prospectus, all of which may be inspected at the registered office of the Issuer during normal business hours while primary distribution of the shares offered by this Prospectus is in progress and for a period of thirty (30) days thereafter.

OTHER MATERIAL FACTS

There are no other material facts.

PURCHASER'S STATUTORY RIGHT OF WITHDRAWAL AND RESCISSION

Sections 60 and 61 of the British Columbia Securities Act provides in effect, that where a security is offered to the public in the course of primary distribution:

1. 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 Superintendent of Brokers, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the date 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.

2. A purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the Prospectus or any amended Prospectus offering such security contains an untrue statement of material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of ninety (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.

CERTIFICATE OF THE DIRECTORS AND PROMOTERS OF THE ISSUER

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, and the regulations thereunder.

KENNETH ALBERT O'CONNOR
President, Director and
Promoter

DRUVAL WOOKEY WESTCOTT
Director



GEORGE ROBERT PATERSON
Director

MATTHEW WARD JONES
Director

DATED at Vancouver, British Columbia, the 16th day
of June, 1986.

CERTIFICATE OF THE AGENT

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 VII of the Securities Act of the Province of British Columbia, and the regulations thereunder.

YORKTON SECURITIES INC.

Per: _____

DATED at Vancouver, British Columbia, the 16th day
of June, 1986.