

THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THESE SECURITIES ONLY IN THOSE JURISDICTIONS WHERE THEY MAY BE LAWFULLY OFFERED FOR SALE.

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.

NEW ISSUEPROSPECTUS

AINSWORTH RESOURCES LTD.  
300,000 UNITS  
Consisting of 300,000 Shares  
and  
300,000 Series "A" Warrants

<u>Price to Public</u>	<u>Underwriting Discount</u>	<u>Proceeds of Issue</u>
Per unit...\$0.85 (1)	\$0.15	\$0.70
Total - \$255,000	\$45,000 (2)	\$210,000 (3)

- (1) The price of Units has been determined by the Company in negotiation with the Underwriter.
- (2) The Underwriter has a Series "B" non-transferable share purchase warrant entitling it to purchase 100,000 shares at \$0.95 per share, see "Plan of Distribution".
- (3) Before deduction of expenses of this issue estimated to be \$20,000.

THERE IS NO MARKET FOR THE COMPANY'S SECURITIES AND A PURCHASE OF THE SHARES OFFERED HEREBY MUST BE CONSIDERED A SPECULATION.

THE COMPANY'S MINERAL PROPERTIES, WHICH ARE LOCATED IN BRITISH COLUMBIA ARE WITHOUT A KNOWN BODY OF COMMERCIAL ORE AND THE PROPOSED PROGRAMS ARE EXPLORATORY SEARCHES FOR ORE. NO SURVEY HAS BEEN MADE OF THE COMPANY'S LOCATED MINERAL CLAIMS AND THEREFORE, IN ACCORDANCE WITH THE MINING LAWS OF THE PROVINCE OF BRITISH COLUMBIA IN WHICH SUCH CLAIMS ARE SITUATED, THEIR EXISTENCE AND AREA COULD BE IN DOUBT. A PURCHASE OF THE UNITS OFFERED HEREUNDER MUST BE CONSIDERED A SPECULATION.

REFERENCE SHOULD ALSO BE MADE TO THE CAPTION, "PRINCIPAL HOLDERS OF SECURITIES" ON PAGE 15 AND THE COMPARISON OF THE PERCENTAGE OF SECURITIES BEING OFFERED TO THE PUBLIC BY THIS PROSPECTUS AND THOSE ALREADY ISSUED BY THE COMPANY TO PROMOTERS, DIRECTORS AND CONTROLLING PERSONS FOR CASH AND PROPERTIES.

We, as principal, conditionally offer these Units, subject to prior sale, if, as and when issued by the Company and accepted by us in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" on page 3 and subject to approval of all legal matters on our behalf by Swinton & Company, Barristers and Solicitors, Vancouver, B.C. and on behalf of Ainsworth Resources Ltd. by Clark, Wilson & Company, Barristers and Solicitors, Vancouver, B.C.

CANARIM INVESTMENT CORPORATION LTD.

February 7, 1980

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## THE COMPANY

Ainsworth Resources Ltd. (hereinafter called the "Company") was incorporated by Memorandum under the British Columbia Companies Act on April 6th, 1979. The head office of the Company is situated at 1015 - 837 West Hastings Street, Vancouver, British Columbia, and its registered and records offices are situated at 17th floor, 750 West Pender Street, Vancouver, British Columbia. The authorized capital of the Company consists of 5,000,000 shares without par value.

## PLAN OF DISTRIBUTION

Under an Agreement dated January 9th, 1980 between the Company and Canarim Investment Corporation Ltd., of 1350 - 409 Granville Street, Vancouver, British Columbia, (the "Underwriter") as Underwriter, the Company has agreed to sell and the Underwriter has agreed to purchase on the seventh business day following the date of acceptance for filing of this Prospectus by the Superintendent of Brokers for the Province of British Columbia 300,000 Units at a price of \$0.70 per Unit payable in cash to the Company against delivery of the Units. The obligations of the Underwriter under the Agreement may be terminated at its discretion on the basis of its assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriter is, however, obligated to take up and pay for all Units if any of the Units are purchased under the Agreement.

The Units, consisting of one share and one Series "A" warrant of the Company being offered by this Prospectus including any shares acquired by the Underwriter through the exercise of the Series "B" warrants hereinafter described are to be offered to the public in the Province of British Columbia by the Underwriter as principal. The Underwriter will purchase the Units at a discount of \$0.15 per Unit and has been granted a Series "B" non-transferable share purchase warrant to purchase 100,000 shares in the capital of the Company at \$0.95 per share at any time prior to the close of business on August 1, 1980.

The Company has granted to the Underwriter for a period of 12 months from the date of acceptance for filing of this Prospectus the right of first refusal to carry out any financing involving securities of the Company.

## DESCRIPTION OF SECURITIES OFFERED

The securities offered by this Prospectus consist of Units comprising one share of the Company with one Series "A"

warrant attached. The Series "A" share purchase warrants will be registered in the name of the Purchaser and each warrant will entitle the holder thereof to purchase one share in the capital of the Company at any time up to the close of business on ~~August 1~~, 1980 at \$0.95 per share.  
SEPT. 15,

The Series "A" warrants will be transferable and will contain anti-dilution provisions including, among other things, provisions for appropriate adjustment in the Class, number and price of shares issuable pursuant to any exercise thereof upon the occurrence of certain events including any subdivision, consolidation or reclassification of shares, or the payment of stock dividends.

Any shares purchased by the Underwriter pursuant to the exercise of the Series "B" warrants are qualified for sale to the public in British Columbia at the market price prevailing from time to time.

The only difference between the Series "A" and Series "B" share purchase warrants is that the Series "A" share purchase warrants are transferable and the Series "B" share purchase warrants are non-transferable.

The Company has only one kind and class of share and each share ranks equally as to dividends, voting rights, participation and assets and in all other respects. The shares presently issued are not subject to any calls or assessments and the shares offered under this Prospectus will not be subject to any calls or assessments.

#### USE OF PROCEEDS

The Company has on hand in treasury \$7,396 which has been derived from prior sales of shares. The net proceeds to be derived by the Company from the sale of the securities being offered hereby, is \$210,000.

The aggregate sum of \$217,396 will be used primarily to complete stage I of the recommendations set out in the report dated 17 July 1979 on the Ainsworth Properties, Slocan Mining Division, by D.P. Taylor, P. Eng., (the "Taylor Report") and to complete the recommendations set out in the report dated December, 1979 on the Chief Property, Slocan Mining Division, by Alex Burton, P. Eng., (the "Burton Report"), copies of which are attached hereto and form part of this Prospectus. The following is a breakdown of expenditures in order of priority:

(a) Provision for Vancouver Curb Exchange Listing Fee	\$ 2,000.00
(b) To pay expenses of this issue (including legal, audit and printing)	\$ 20,000.00
(c) Claim purchase obligations Godfrey Penrod Elliot McLaughlin	\$ 23,500.00 \$ 2,000.00
(d) To carry out Stage I recommendations on the Ainsworth Properties set out in the Taylor Report	\$ 60,000.00
(e) To carry out Stage I recommendations on Cheif Property set out in the Burton Report	\$ 75,000.00
(f) General Corporate purposes	\$ 34,896.00
	<u>\$217,396.00</u>

If all the Series "A" and Series "B" warrants are exercised the Company will receive further proceeds in an amount of \$380,000. The Company proposes to use these funds to carry out the Stage II recommendations contained in the Taylor Report in an amount of \$130,000. The balance of \$250,000 will be held on deposit by the Company and used as general working capital. No proceeds will be used to acquire any properties or upon any of the Company's properties without prior acceptance by the appropriate regulatory authorities of an engineering report detailing work on such properties and expenditures therein.

No part of the proceeds will be used to invest, underwrite or trade in securities other than those that qualify as investments in which trust funds may be invested under the laws of the jurisdiction in which securities offered by this Prospectus may be lawfully 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 of the shareholders must first be obtained, and prior disclosure must be made to the securities regulatory bodies having jurisdiction over the sale of the securities.

SHARE AND LOAN CAPITAL STRUCTURE

Designation of Security	Amount Authorized	Amount Outstanding as of Oct. 31, 1979	Amount Outstanding as of Jan. 1, 1980	Amount Outstanding on completion of offering
<u>SHARE CAPITAL</u>				
Common Shares	5,000,000	1,400,000	1,400,000	1,700,000
Series A Warrants	300,000	nil	nil	300,000
Series B Warrants	100,000	nil	nil	100,000

SHARES SOLD FOR CASH AT THE DATE OF THIS PROSPECTUS

Number of Shares	Date Sold	Price	Commission	Cash Received
*500,000	June 1979	\$0.10	Nil	\$50,000.00
150,000	Oct. 1979	\$0.30	Nil	\$45,000.00

\*88,000 of these shares were issued for services rendered to the Company by Edmund Sonnenberg, Dennis Bialkoski and Joseph Hawes, who are directors and/or promoters of the Company.

DESCRIPTION OF BUSINESS AND PROPERTY OF THE COMPANY

The principal business of the Company is the acquisition, exploration and development of mineral properties of merit and in particular the silver lead-zinc properties described below.

A. AINSWORTH PROPERTIES

The Company has acquired a group of mineral properties near Ainsworth, B.C., in the Slocan Mining Division, Nelson Land Assessment Authority, which properties are composed of one located mineral claim (the "J & D Claim"), five Crown granted mineral claims referred to as the "Penrod Claims", two Crown granted mineral claims referred to as the "Buckeye Claims" and the Tia Marie Group of Claims described below, all of which Claims are collectively referred to as the "Ainsworth Properties".

Staking has now been completed of the former Crown granted mineral claims referred to in the Taylor Report as the Anna May Fr. No. 1, Anna May Fr. No. 2 and Ayesha Fr. These former Crown grants were staked by Edmund Sonnenberg and Dennis Bialkoski, promoters of the Company, and transferred to the Company for the cost of staking, estimated to be \$400.00. The claims were staked as the Tia Marie Group of claims and are described as follows:

<u>Claim Name</u>	<u>Record Number</u>	<u>Expiry Date</u>
Tia Marie 1-2	1368-1369	August 7, 1980
Tia Marie 3-6	1370-1373	August 7, 1980

Slocan, Mining Division, British Columbia

Although the Taylor Report refers to the staking of these claims D.P. Taylor, P. Eng. has not reviewed the staking and accordingly, it is not known whether the location of the Tia Marie Group corresponds exactly to the previous Crown Grants.

The Ainsworth Properties are located in the Slocan Mining Division of British Columbia and are approximately five kilometers northeast of Ainsworth, British Columbia and about three kilometers west of Kootenay Lake. The properties are easily accessible by paved secondary road from Kaslo, British Columbia and thence, via a short gravel road.

The Ainsworth area has a long mining history dating back to the late 1880's, with close to 1,000,000 tons of high grade ore having been shipped from various small properties. Numerous old mine workings, including portals, pits, open cuts, etc. are found throughout the entire area.

There are several old showings on the Ainsworth Properties, some of which have produced limited tonnages of high grade lead zinc ore. Mineralization occurs as lead zinc silver ore with pyrite and pyrrhotite in vein and replacement zones.

The J & D claim was formerly known as the Sullivan and Noranda Crown grants. The Noranda Crown grant contains a 120 meter long adit from which 2,400 tons of ore is reported to have been mined in 1964 and 1965. During the last year the Company has mined 2,000 tons of ore in the adit, 1,500 tons of which is stockpiled at the portal and 500 tons of broken ore remains in the stopes. A grab sample taken from the stockpile assayed 13.10% lead, 8.56% zinc and 7.21 ounces silver per ton.

The Ainsworth Properties also contain two relatively large older developments. Production records are not available for one development, the Silver Glance adit, however, sections of "high silver" have been reported in the workings by B.C. Department of Mines in its Bulletin 53, entitled Geology of Ainsworth-Kaslo Area, British Columbia, prepared by J.T. Fyles (1967).

Guichon Mines worked the Company's Buckeye claim, the other older development, in 1952 to 1954 (and also before 1918) producing 539 tons of ore averaging 2 oz. of silver per ton, 5% lead and just under 5% zinc.

With the exception of the adit on the J & D Claim (the former Noranda Crown grant), the underground workings located on the Ainsworth Properties require at least nominal expenditures to render them suitable for exploration and development work.

The Company proposes to carry out a program of geological mapping and sampling and ground geophysical exploration, supported by bulldozer trenching on the Ainsworth Properties, as recommended in the Taylor Report, at an estimated cost of \$60,000.00.

(i) The J & D Claim

The located mineral claim contained within the Ainsworth Properties and known as the J&D claim, Record No. 285, Slocan Mining Division, was acquired by the Company pursuant to an Agreement dated July 17, 1979 in consideration of 725,000 fully paid and non-assessable shares of the Company issued to the following parties as Vendors:

<u>Name and Address of Vendor</u>	<u>Number of Shares</u>
*Edmund Sonnenberg, Kaslo, B.C.	241,667 Shares
Joseph Hawes, Ainsworth, B.C.	241,667 Shares
*Dennis Bialkoski, New Denver, B.C.	241,666 Shares
*Edmund Sonnenberg and Dennis Bialkoski as Directors and Officers of the Company may be considered to be Promoters of the Company.	

The Vendors of the J & D claim subsequently transferred 75,000 escrow shares to John Brown and 25,000 escrow shares to Edis Koplovich in consideration for their joining the Board of Directors of the Company.



Accordingly, the 725,000 escrow shares issued originally for the J & D Claim are now held as follows:

<u>Name and Address of Escrowholder</u>	<u>Number of Shares</u>
Edmund Sonnenberg, Kaslo, B.C.	209,167 Shares
Joseph Hawes, Ainsworth, B.C.	206,667 Shares
Dennis Bialkoski, New Denver, B.C.	209,166 Shares
John Brown, 8091 Ash Street, Vancouver, B.C.	75,000 Shares
Edis Koplovich, 203-275 E. 13th Ave., Vancouver, B.C.	25,000 Shares

(ii) The Penrod Claims

The Company's Ainsworth Properties also include the following group of Crown granted mineral claims purchased from Godfrey E. Penrod of 704-4th Avenue, Lewiston, Idaho, U.S.A. ("Penrod") pursuant to an Agreement for Sale dated June 15, 1979 (the "Penrod Agreement"):

<u>Claim Name</u>	* <u>Legal Description</u>
Free Silver	Lot 4377
Silver Bell	Lot 4378
Harrison	Lot 4380
Silver Glance Fraction and Glenn Ellen	Registered in absolute charge book volume 21, Fol. 320, No. 56616D

\* The Crown Grants are all registered in the Nelson Land Title Office, Kootenay District.

The Penrod Agreement as amended required the payment of \$5,000.00 (U.S.) on execution of the Agreement with the balance of the purchase price of \$150,000.00 (U.S.) being payable as follows:

<u>Dates</u>	<u>Amounts</u>
February 15, 1980	\$ 20,000.00 (U.S.)

January 1, 1981	\$ 15,000.00 (U.S.)
June 1, 1981	\$ 25,000.00 (U.S.)
January 1, 1982	\$ 25,000.00 (U.S.)
June 1, 1982	\$ 30,000.00 (U.S.)
January 1, 1983	\$ 30,000.00 (U.S.)

In the event the Company defaults in any of the above payments, Penrod is entitled to recover possession of and retain title to the aforementioned Crown granted claims and is further entitled to retain all sums paid by the Company as liquidated damages. Penrod is entitled to receive a royalty of 2% on the net smelter returns realized by the Company from sales or disposition of ores, metals or concentrates derived from the above-mentioned claims and from the J & D Claim.

(iii) The Buckeye Claims

The Ainsworth Properties include two Crown granted mineral claims known as the Buckeye and Buckeye No. 2 Mineral Claims, situated in the Slocan Mining Division, Nelson Assessment Authority, of British Columbia and registered in the Nelson Land Title Office, and more particularly known and described as:

All minerals precious and base (save coal and petroleum) in or under Lots 6327 and 6328 respectively known as Buckeye and Buckeye No. 2 Mineral Claims, Kootenay District (hereinafter called the "Buckeye Claims").

The Company acquired the Buckeye Claims under an agreement for sale dated September 22, 1979, from Elliot McLaughlin ("McLaughlin") of 3210 West 2nd Avenue, Vancouver, British Columbia. The Company paid \$2,000.00 for an option to acquire the Buckeye Claims pursuant to the Agreement for Sale plus a further \$2,000.00 on exercise of the option both of which payments have been made by the Company. The Company must pay a further aggregate consideration of \$16,000.00 by instalments of \$2,000.00 each six months thereafter to acquire title to the Buckeye Claims. The next option payment must be made on or before March 22, 1980. In the event the Company defaults in any of the payments required to be made under the agreement McLaughlin is entitled to recover possession of and retain title to the Buckeye Claims and is further

entitled to retain all sums paid by the Company pursuant to the agreement as liquidated damages. The Company has also agreed to pay McLaughlin a royalty of 2% on the net smelter returns realized by the Company from the sale or disposition of ores, metals or concentrates derived from the Buckeye Claims.

B. CHEIF CLAIMS

The Company has acquired the Cheif mineral claim record number 202 located near Slocan City, British Columbia, in the Slocan Mining Division (the "Cheif Property").

The Company purchased the Cheif Property from Norman L. Block, businessman, of Slocan City, British Columbia, pursuant to an Agreement dated August 20th, 1979 and thereafter amended by written Agreement dated October 1st, 1979 and verbal Agreement of January 30th, 1980, in consideration of the sum of \$14,000 plus 25,000 shares in the capital stock of the Company, issued at a deemed price of 10¢ per share. These shares are held in escrow by Guaranty Trust Company of Canada (see heading "Escrowed Shares").

Access to the Cheif Property is by paved highway for a distance of 7 km. from the town of Slocan and thence via gravel roads a further 35 km, to the 5400 foot elevation of Mt. Rupel. Access to the claim from there is via a trail to the 7200 foot elevation. The Company proposes to bulldoze a road the 4 km from the 5400 foot elevation to the property at an estimated cost of \$20,000.00.

The Cheif Property was previously known as the "Dry Ridge Group" and earlier as the "Alexandria Mine".

Norman Block, the Vendor of the property, conducted surface mining operations on the property in 1976 and 1977, producing approximately 3.7 tons and 4.4 tons respectively. Smelter records for the shipments indicated assays as follows:

<u>Assays</u>	<u>Gold</u> (oz/ton)	<u>Silver</u> (oz/ton)	<u>Lead</u> (%)	<u>Zinc</u> (%)	<u>Tons</u>
1976	0.16	142.9	4.9	0.2	3.78
1977	0.07	51.8	3.0	0.2	4.45

Particulars of the previous workings are contained within the Burton Report.

The Burton Report indicates a vein carrying zone approximately 64 meters by 20 meters on the surface. The veins are narrow high grade, and numerous. Their width varies from a knife edge fracture to plus 10 cm. Their spacing can vary from 10 cm to 1 meter, but their frequency and width across the float covered zone are unknown.

The Company proposes to carry out a mapping and geo-chemical sampling program, followed by trenching to expose the veins and then sampling, as recommended in the Burton Report, at an estimated cost of \$75,000.00, included therein is an allowance of \$20,000 to bulldoze a road to the property.

C. YUKON TERRITORY - MOLLY CLAIMS

The Company has entered into an Option dated November 15th, 1979, with Alexander Black ("Black") of Watson Lake, Yukon Territory, to purchase certain mineral claims, known as the Molly Claims, situate in the Mount Murray area of Watson Lake, Yukon Territory and more particularly described as:

<u>Mineral Claim</u>	<u>Grant No.</u>	<u>Expiry Date</u>
Molly One to Six	YA35543 to YA35548	September 22, 1981
Molly Seven to Twelve	YA36849 to YA36854	June 5, 1980

The Company paid \$2,500 on execution of the Agreement with a further sum of \$2,500 due on exercise of the option. The Option must be exercised prior to midnight November 1, 1980. After exercise of the Option the Company is required to pay \$5,000 per year to Black, commencing on November 15, 1981 and on each November 15th thereafter until such time as the claims are placed into commercial production.

The agreement further provides for yearly explorations expenditures of \$25,000.00, after November 1, 1980 and a royalty to Black of 5% on the net smelter returns realized by the Company from the sale or disposition of ores, metals or concentrates derived from the Claims. The Company may after the exercise of the option pay Black \$1,000,000 to be relieved from any further payments or commitments.

There are indications of molybdenum mineralization on the Molly Claims but to date the Company has not conducted an examination of the same. The Molly Claims do not include any underground or surface plant and equipment. To date there has not been any underground or surface exploration and development, other than preliminary prospecting, conducted by Black during location of the claims.

It is not proposed to expend any of the proceeds of this issue on the Molly Claims.

D. AYESHA GROUP

The Company has acquired from Godfrey Penrod pursuant to an Agreement dated June 15, 1979, of 704 - 4th Avenue, Lewiston, Idaho, an option to purchase a group of seven Crown granted mineral claim adjacent to and southwest of the Ainsworth Properties (with the exception of the No. 9 Crown Grant which is west and contiguous to the Anna May Crown Grant) known and described as:

<u>Claim Name</u>	<u>*Legal Description</u>
Ayesha	Lot 143
Anna May	Lot 4804
New York Fractional	Lot 10697
Cecelia May Fractional	Lot 10698
No. 5	Lot 3655
No. 9	Lot 9661
No. 5 Fraction	Lot 3656

\*The Crown Grants are all registered in Absolute Fee Book No. 26376A, Nelson Land Title Office, Kootenay District.

The option agreement permits the Company to purchase the claims for \$150,000.00, with a royalty of 2% on net smelter returns, on the earlier of June 15, 1984 or 30 days after Penrod receives a bona fide offer to purchase the claims from a third party.

The Ayesha Group does not include any underground or surface plant and equipment. The Company is not aware of any past exploration and development work on the

Ayesha Group and to date has not conducted any exploration program on these claims.

The Company does not propose to spend any of the proceeds of this issue on the claims that are the subject of this option and will not spend any funds without first having obtained and filed with the regulatory authorities a report from a qualified engineer.

PRELIMINARY EXPENSES

As set out in the financial statements attached hereto, the following preliminary expenses were incurred by the Company:

Acquisition of mineral claims*	\$31,629
Option Agreement - Molly Claims	\$ 2,500
Exploration & Development	\$25,361
Administration	\$12,749
Incorporation expenses	\$ 462
Vehicle Purchase	<u>\$11,411</u>
TOTAL	<u>\$84,112</u>

Subsequent to the preparation of the financial statements, dated October 31, 1979, the Company expended the following sums (which sums are not indicated in the financial statements):

Accounts Payable	\$ 3,475
Consulting Fees	4,544
Claim Development, including equipment rental	4,804
Claim Registration and Assessments	500
Administration Expenses, including travel and expenses	2,701
Professional Fees	<u>450</u>
	\$ 18,480

Total Preliminary Expenses \$102,592

\*Subsequent to the preparation of the financial statements the Company paid a further \$2,000 to Norman Block, pursuant to a verbal agreement of January 1, 1980, bringing the total acquisition cost of the Chief Claims, as described under the caption "Description of Business and Property of the Company" to \$14,000 and 25,000 escrow shares.

Future development expenses are described under the heading "Use of Proceeds".

PROMOTERS

All of the directors of the Company being Edmund Sonnenberg, Edis Koplovich, Dennis Bialkoski and John A. Brown may be considered promoters as defined in the Securities Act of British Columbia in that they took the initiative in the organization of the Company.

Edmund Sonnenberg, Dennis Bialkoski and Joseph Hawes may be considered promoters in that they received shares, in the capital of the Company in consideration for selling their interest in the J & D Mineral Claim to the Company. Such shares represent a greater than 10% interest in the issued capital of the Company.

PENDING LEGAL PROCEEDINGS

Neither the Company or its property is the subject of any pending legal proceedings nor are any such proceedings known to be contemplated.

DIRECTORS AND OFFICERS

<u>Name and Address</u>	<u>Office Held</u>	<u>Principal occupation during last five years</u>
Edmund Sonnenberg	President & Director	Self-employed prospector - mineral exploration and development
Edis Koplovich	Secretary & Director	Self-employed - accounting and secretarial services
Dennis Bialkoski	Director	Self-employed logger and prospector - mineral exploration and development
John A. Brown	Director	Self-employed prospector since 1978. Previously Dispatcher Doman Marpole Transport

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The only remuneration paid to any of the Directors and Senior Officers was the 25,000 escrow shares and 75,000 escrow shares received by Edis Koplovich and John Brown, respectively, in consideration of their joining the Board of Directors.

### ESCROWED SHARES

As at the date of this Prospectus 750,000 shares are held in escrow by Guaranty Trust Company of Canada, 800 West Pender Street, Vancouver, British Columbia, subject to the direction or determination of the Superintendent of Brokers (the "Superintendent"). The escrow restrictions provide that the shares may not be traded in, dealt with in any manner whatsoever or released, nor may the Company, its transfer agent or escrowholder make any transfer or record any trading of shares without the consent of the Superintendent.

In the event the Company loses, abandons, or fails to obtain title to all or part of the property or assets for which it allotted all or part of the escrowed shares, the Company will declare any such event to the Superintendent by way of a Directors resolution; and the holders of such shares, the trustee thereof and the Company have agreed that such number of such shares as the Superintendent determines shall have become subject to cancellation, shall be transferred to the Company by way of gift for cancellation. The complete text of the escrow agreement is available for inspection at the registered office of the Company, 1700-750 West Pender Street, Vancouver, British Columbia.

<u>Designation of Class</u>	<u>No. of Shares held in Escrow</u>	<u>Percentage of Class</u>
Common shares without par value	750,000	53.57

### POOLED SHARES

500,000 shares, issued at \$0.10 per share and 150,000 shares issued at \$0.30 per share are held in pool by Guaranty Trust Company of Canada, 800 West Pender Street, by agreements dated June 15, 1979, and October 1, 1979 respectively. The agreements provide that the shares will be released from pool 30 days following completion of the first primary issue of shares to the public.

### PRINCIPAL HOLDERS OF SECURITIES

- (a) As at January 9, 1979 the following are particulars of the holders of 10% or more of the shares of the Company.



<u>Name and Address</u>	<u>Designation of Class</u>	<u>Type of Ownership</u>	<u>No. of Shares</u>	<u>Percentage of Shares</u>
Edmund Sonnenberg	Common	Beneficial & of Record	239,167 (209,167 escrow)	17.08%
Dennis Bialkoski	Common	Beneficial & of Record	237,166 (209,166 escrow)	16.94%
Joseph Hawes	Common	Beneficial & of Record	236,667 (206,667 escrow)	16.90%

- (b) The Promoters, Directors and Officers as a group own directly or indirectly, 883,000 shares of the Company representing 63.07% of the issued shares. On completion of the sale of units offered by this Prospectus, the Promoters, Directors and Officers will hold 51.94% of the issued shares of the Company. Shares being offered by this Prospectus, therefore, represent 17.65% of the shares to be issued on completion of this offering.

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

The directors of the Company have received the shares and remuneration described under the heading "Description of Business and Property of the Company".

#### AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditor of the Company is Kenneth M. Bolton, Chartered Accountant, 700 West Georgia Street, Vancouver, British Columbia. The transfer agent and registrar of the Company is the Guaranty Trust Company of Canada, 800 West Pender Street, Vancouver, British Columbia.

#### MATERIAL CONTRACTS

The contracts described in this Prospectus may be inspected during business hours at the registered office of the Company, 1700-750 West Pender Street, Vancouver, British Columbia.

#### STATUTORY RIGHTS OF REVISION AND WITHDRAWAL

Sections 61 and 62 of the Securities Act of the Province of British Columbia provide, in effect, that where a security is offered to the public in the course of primary distribution:

- (a) a purchaser has the 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 of the written confirmation of the sale of the securities to either of them. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice;

- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of 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 such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

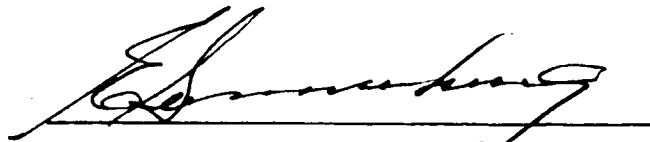
Reference is made to the aforesaid Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

AINSWORTH RESOURCES LTD.

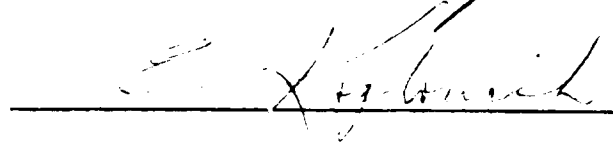
FINANCIAL STATEMENTS

OCTOBER 31, 1979

THESE FINANCIAL STATEMENTS HAVE  
BEEN APPROVED BY:

A handwritten signature in cursive script, appearing to read "J. H. ...", written over a horizontal line.

Director

A handwritten signature in cursive script, appearing to read "C. H. ...", written over a horizontal line.

Director

KENNETH M. BOLTON  
CHARTERED ACCOUNTANT

# KENNETH M. BOLTON

CHARTERED ACCOUNTANT

16<sup>TH</sup> FLOOR, PACIFIC CENTRE, BOX 10114, 700 WEST GEORGIA STREET, VANCOUVER, B. C. V7Y 1C5 TELEPHONE 689-7411

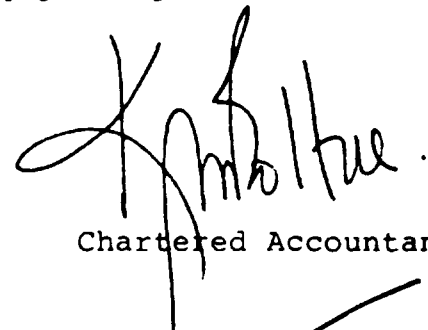
## AUDITOR'S REPORT

To the Shareholders of  
Ainsworth Resources Ltd.:

I have examined the balance sheet of Ainsworth Resources Ltd. as at October 31, 1979 and the statements of deferred expenditures and changes in financial position for the period then ended (Note 1). My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of Ainsworth Resources Ltd. as at October 31, 1979 and the changes in financial position for the period then ended in accordance with generally accepted accounting principles.

Vancouver, Canada  
January 7, 1980



Chartered Accountant

AINSWORTH RESOURCES LTD.

BALANCE SHEET  
OCTOBER 31, 1979  
(Note 1)

ASSETS

Current assets:		
Cash	\$ 22,376	
Subscriptions receivable	6,000	
Prepaid expenditures	<u>200</u>	
		\$ 28,576
Vehicle, at cost (Note 2(a))		11,411
Investments in mineral claims (Notes 2(c) and 3)		31,629
Deferred expenditures (Note 2(d))		38,110
Other assets:		
Incorporation cost (Note 2(b))	462	
Option (Note 4)	<u>1</u>	
		<u>463</u>
		<u>\$110,189</u>

LIABILITIES

Current liabilities:		
Accounts payable and accrued liabilities		\$ 5,439

SHAREHOLDERS' EQUITY

Share capital: (Note 5)		
Authorized -		
5,000,000 common shares without		
par value		
Issued -		
1,400,000 shares		<u>104,750</u>
Subsequent events (Note 7)		<u>\$110,189</u>

The accompanying notes are an integral part of these financial statements.

KENNETH M. BOLTON  
CHARTERED ACCOUNTANT

AINSWORTH RESOURCES LTD.

STATEMENT OF DEFERRED EXPENDITURES  
FOR THE PERIOD ENDED OCTOBER 31, 1979  
(Note 1)

Exploration and development:	
Consulting	\$ 5,523
Travel and vehicle	3,150
Field supplies and accommodation	1,041
Claim development	4,977
Equipment rental	<u>10,670</u>
	<u>25,361</u>
Administrative:	
Professional fees	8,001
Travel and promotion	2,930
Claim registration and assessments	490
Insurance	240
Office	485
Communication	272
Bank charges	104
Miscellaneous	<u>227</u>
	<u>12,749</u>
Total	<u><u>\$38,110</u></u>

The accompanying notes are an integral part of these financial statements.

KENNETH M. BOLTON  
CHARTERED ACCOUNTANT

AINSWORTH RESOURCES LTD.

STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE PERIOD ENDED OCTOBER 31, 1979  
(Note 1)

Financial resources were provided from:	
Issue of share capital (Note 5)	<u>\$104,750</u>
Financial resources were applied to:	
Acquisition of vehicle	11,411
Acquisition of mineral claims (Notes 3 and 5)	31,629
Option (Note 4)	1
Deferred expenditures	38,110
Incorporation	<u>462</u>
Total financial resources applied	<u>81,613</u>
Working capital at end of the period	<u><u>\$ 23,137</u></u>

The accompanying notes are an integral part of these financial statements.

KENNETH M. BOLTON  
CHARTERED ACCOUNTANT

AINSWORTH RESOURCES LTD.

NOTES TO THE FINANCIAL STATEMENTS  
OCTOBER 31, 1979

1. Incorporation:

The Company was duly incorporated under the laws of the Province of British Columbia April 6, 1979.

2. Accounting policies:

The undernoted accounting policies are set forth to facilitate an understanding of the accompanying financial statements.

a) Depreciation -

It is the Company's policy to record depreciation on fixed assets at the time commercial production is commenced. Consequently, no depreciation has been recorded in the accompanying financial statements.

b) Amortization -

It is the Company's policy to amortize its incorporation cost on a straight-line basis over a five-year period from the time commercial production is commenced. Consequently, no amortization has been recorded in the accompanying financial statements.

c) Investment in mineral claims -

It is the Company's policy to capitalize the acquisition costs as reflected by the amount of cash paid and/or the agreed-upon value of shares issued in exchange for mineral claims until such time as the property is brought into commercial production. These costs will be amortized over the estimated useful life of the mineral claim following commencement of production. At such time as the Company loses or abandons title or its interest in any property the accumulated costs of the property will be written off to deficit.

d) Deferred expenditures -

It is the Company's policy to defer exploration, development and administrative costs associated with its mineral claim investments until such time as the property is brought into commercial production. These costs will be amortized over the estimated useful life of the mineral claim following commencement of commercial production. At such time as the Company loses or abandons title or its interest in any property the accumulated exploration and development expenditure on such property and the attributable portion of administrative expenditures will be written off to deficit.



3. Investment in mineral claims:

Mineral claims:

As at October 31, 1979 the Company holds title to the following mineral claims:

a) J & D mineral claim -

The J & D mineral claim is a three unit claim situate in the Slocan Mining District, Province of British Columbia. By an agreement dated July 17, 1979 the Company acquired the mineral claim for 725,000 escrow shares with a stated value of \$.01 per share (Note 5).

\$ 7,250

b) Chief mineral claim -

The Chief mineral claim is a one unit claim situate in the Slocan Mining District, Province of British Columbia. By an agreement dated August 20, 1979 and amended October 1, 1979, the Company acquired the Chief claim for \$12,000 and 25,000 escrow shares with a stated value of \$.10 per share (Note 5).

14,500

Crown granted mineral claims:

As at October 31, 1979 the Company has entered into agreements to acquire all right, title and interest in the following Crown granted mineral claims:

a) Free Silver, Silver Bell, Harrison, Silver Glance Fraction and Glen Ellen.

By an agreement for sale of undersurface rights dated June 15, 1979 and for a consideration of \$150,000 (U.S.) with \$5,000 (U.S.) payable on execution of the agreement; \$10,000 (U.S.) payable on January 1, 1980 and June 1, 1980; \$15,000 (U.S.) payable on January 1, 1981; \$25,000 (U.S.) payable on June 1, 1981 and January 1, 1982 and \$30,000 (U.S.) payable on June 1, 1982 and January 1, 1983, the Company will acquire the rights, title and interest in the above referenced Crown granted claims located in the Slocan Mining

Carried forward

\$ 21,750

Brought forward \$ 21,750

District, Province of British Columbia. In the event of a default in the required payments, the Company will forfeit all sums paid and the vendor will recover possession and retain title to the claims. The costs of the claims recorded in the accompanying financial statements represent the payment of \$5,000 (U.S.) made on execution of the agreement.

5,879

By an agreement dated June 15, 1979 the Company has agreed to pay the vendor of the above referenced crown granted claims a royalty of 2% of the proceeds, less sampling charges and shipping costs, realized by the Company on disposition of ores, metals or concentrates derived from these Crown granted claims and from the J & D mineral claim.

b) Buckeye and Buckeye No. 2

By an agreement dated June 26, 1979 and for a consideration of \$2,000 the Company acquired an option to acquire the right, title and interest in the Buckeye Crown granted mineral claims located in the Slocan Mining Division, Province of British Columbia.

By an agreement for sale of undersurface rights dated September 22, 1979 and for consideration of \$2,000 payable on execution of the agreement and \$16,000 payable in equal installments of \$2,000 at six-month intervals from the date of the agreement the Company will acquire the right, title and interest in the Buckeye and Buckeye No. 2 claims located in the Slocan Mining District, Province of British Columbia. In the event of default on the required payments the Company will forfeit all sums paid and the vendor will recover possession and retain title to the claims. The costs of the claims recorded in the accompanying financial statements represents the \$2,000 paid under the terms of the option agreement and \$2,000 paid upon execution of the option right.

4,000

Carried forward

\$ 31,629

...4/

Brought forward \$ 31,629

By an agreement dated September 22, 1979 the Company has agreed to pay the vendor of the above referenced crown granted claims a royalty of 2% of the proceeds, less sampling charges and shipping costs, realized by the Company on disposition of ores, metals or concentrates from these Crown granted claims.

Total \$ 31,629

4. Option:

By an agreement dated June 15, 1979 the Company has acquired the right to purchase, for the consideration of \$50,000 on exercising the option and \$100,000 within six months thereafter, the following Crown granted mineral claims located in the Slocan Mining District, Province of British Columbia.

- Ayesha Mineral Claim - Lot 143
- Anna May Mineral Claim - Lot 4804
- New York Fractional Mineral Claim - Lot 10697
- Cecilia May Fractional Mineral Claim - Lot 10698
- No. 5 Mineral Claim - Lot 3655
- Number Nine (9) Fractional Mineral Claim - Lot 9661
- No. 5 Fraction Mineral Claim - Lot 3656

This option will expire when a bona fide offer for the Crown granted mineral claims is received by the option vendor from a third party and the Company declines to exercise its right of first refusal. Otherwise the option will expire on June 15, 1984.

5. Share capital:

Share capital was issued for the following consideration:

	<u>Shares</u>	<u>Amount</u>
For cash	562,000	\$ 86,200
For services	88,000	8,800
For mineral claims (Note 3)	750,000	9,750
Total	<u>1,400,000</u>	<u>\$104,750</u>

...5/

The 650,000 shares issued for cash and services as at October 31, 1979 will be pooled with Guaranty Trust Company of Canada subject to release 30 days following the completion of the primary distribution by the Company of its first public issue (Note 7(a)). The 750,000 shares issued for mineral claims (Note 3) will be escrowed with Guaranty Trust Company of Canada, subject to release upon approval of regulatory authorities.

6. Directors' remuneration:

No remuneration was paid during the period to any of the directors in their capacity as directors.

7. Subsequent events:

a) Underwriting agreement -

The Company will enter into an agreement with Canarim Investments Corporation Ltd., as underwriters, to sell 300,000 units of the Company's share capital at a price of \$.85 per unit to net the Company \$210,000 after deducting an underwriters discount of \$.15 per unit. Each unit will consist of one common share and one Series A warrant which will allow the holder the right to acquire one common share at a price of \$.95 prior to the close of business on August 1, 1980. In addition, pursuant to the terms of the agreement, the underwriter will be issued 100,000 non-transferable Series B warrants which may be exercised by August 1, 1980 and allow the holder the right to acquire one common share per warrant at a price of \$.95.

b) Option to acquire mineral claims -

The Company has entered into an option to acquire certain mineral claims in the area of Watson Lake, Yukon Territory. The Company has paid \$2,500 upon execution of the agreement and may exercise the option prior to the expiry date of November 1, 1980.

c) Crown granted mineral claims -

Under the agreement described in Note 3 to acquire the Free Silver, Silver Bell, Harrison, Silver Glance Fraction and Glenn Ellen Crown granted mineral claims the Company was required to pay \$10,000 (U.S.) on January 1, 1980. The Vendor of the Crown granted mineral claims has agreed to accept this payment on February 15, 1980 provided the Company also pays the June 1, 1980 installment of \$10,000 (U.S.) concurrently.

GEOLOGICAL REPORT

on the

AINSWORTH PROPERTIES

of

AINSWORTH RESOURCES LTD.

SLOCAN M.D., B.C.

for

AINSWORTH RESOURCES LTD.

Vancouver, B.C.

D.P. Taylor, P.Eng.  
July 17, 1979

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GEOLOGICAL REPORT  
on the  
AINSWORTH PROPERTIES  
of  
AINSWORTH RESOURCES LTD.,  
SLOCAN M.D., B.C.

INTRODUCTION

At the request of Messrs E. Sonnenberg and D. Bialkoski directors of Ainsworth Resources Ltd., the J & D claims were inspected by the writer on May 8th and 9th, 1979 in the company of these two men.

Since that date, on the writer's recommendation, adjacent properties have been optioned and a significantly large property has been accumulated by Ainsworth Resources Ltd.,

Recommendations are made to explore the property for massive lead-zinc mineralization.

LOCATION AND ACCESS

The properties lie 5 km northeast of Ainsworth, British Columbia, about 3 km west of Kootenay Lake, between Cedar and Lendrum Creeks. Coordinates for the property are:

49° 46'N; 116° 58'W

Access to the area is good, from the main Balfour to Kaslo paved road along the west side of Kootenay Lake, and via various old mining and logging roads.

The property is a little over one hour's drive from Castlegar airport and about 82 road miles from Trail, B.C.

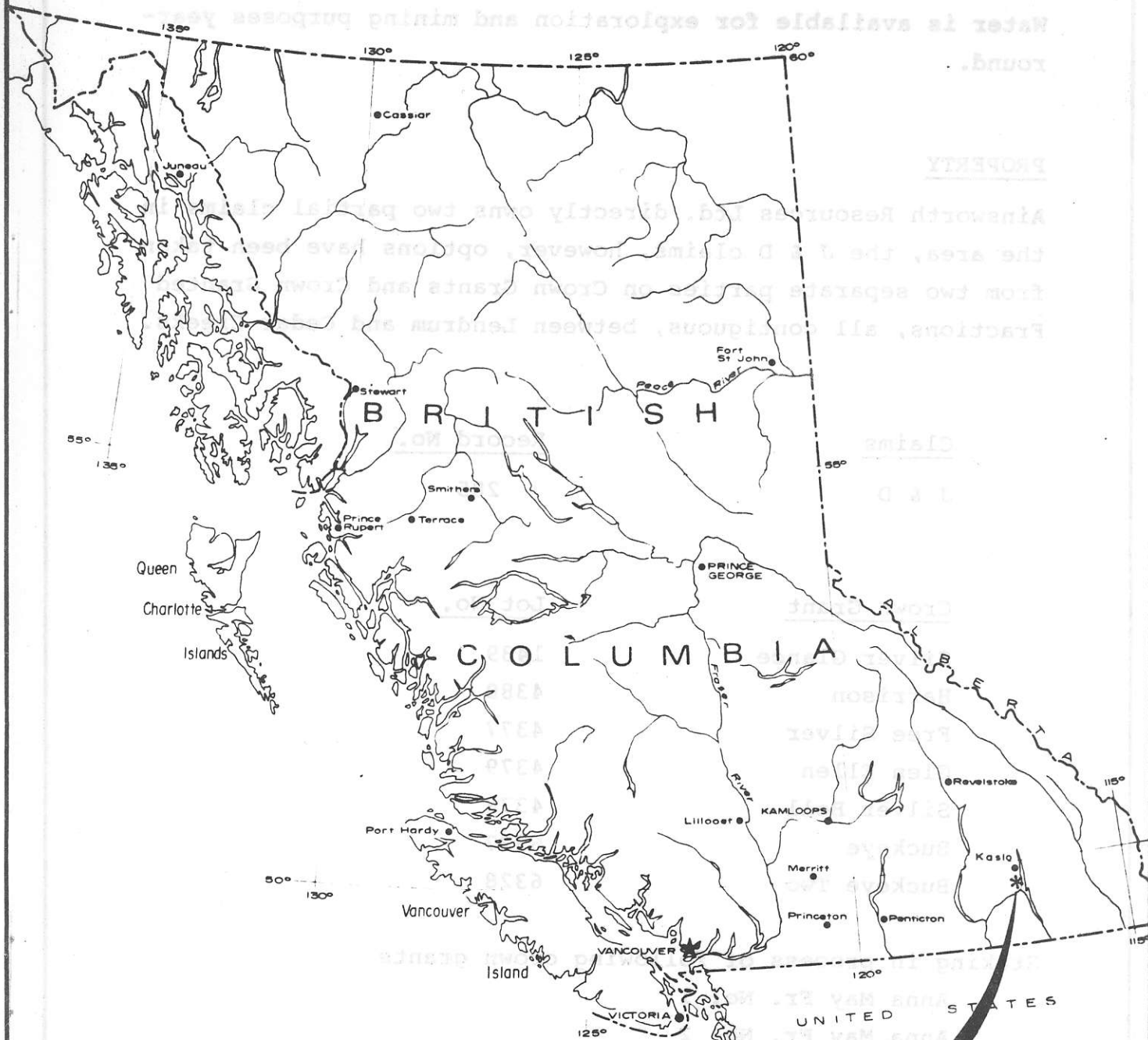
TOPOGRAPHY AND CLIMATE

The topography on the property is locally steep, particularly in Lendrum and Cedar Creeks, otherwise it is generally subdued, with moderate to locally steep eastward slopes toward Kootenay Lake. Elevations vary between 3-4,000 feet a.s.l. No access problems are created by topography.

Timber is of mixed spruce, hemlock and balsam with local stands of cedar. Buckbrush is dense in places.

Winters in the area are often cold with moderate to deep snow, summers are hot, generally with periodic precipitation.



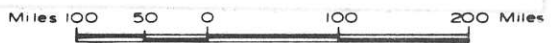


PROPERTY

*J.P. Taylor*

DTX CONSULTANTS LTD  
 AINSWORTH RESOURCES LTD.  
 AINSWORTH CLAIM GROUP  
 SLOCAN M.D., B.C.

# LOCATION MAP



Water is available for exploration and mining purposes year-round.

PROPERTY

Ainsworth Resources Ltd. directly owns two partial claims in the area, the J & D claims, however, options have been taken from two separate parties on Crown Grants and Crown Granted Fractions, all contiguous, between Lendrum and Cedar Creeks.

<u>Claims</u>	<u>Record No.</u>
J & D	285

<u>Crown Grant</u>	<u>Lot No.</u>
Silver Glance	1439
Harrison	4380
Free Silver	4377
Glen Ellen	4379
Silver Bell	4378
Buckeye	6327
Buckeye Two	6328

Staking in process of following crown grants

- Anna May Fr. No. 1
- Anna May Fr. No. 2
- Ayesha Fr.

B.T. CONSULTANTS LTD.  
 AINSWORTH RESOURCES LTD.  
 AINSWORTH CLAIM GROUP  
 21 CANAL W.B.C.  
 LOCATION MAP

All claims and crown grants are in the Slocan Mining Division of British Columbia.

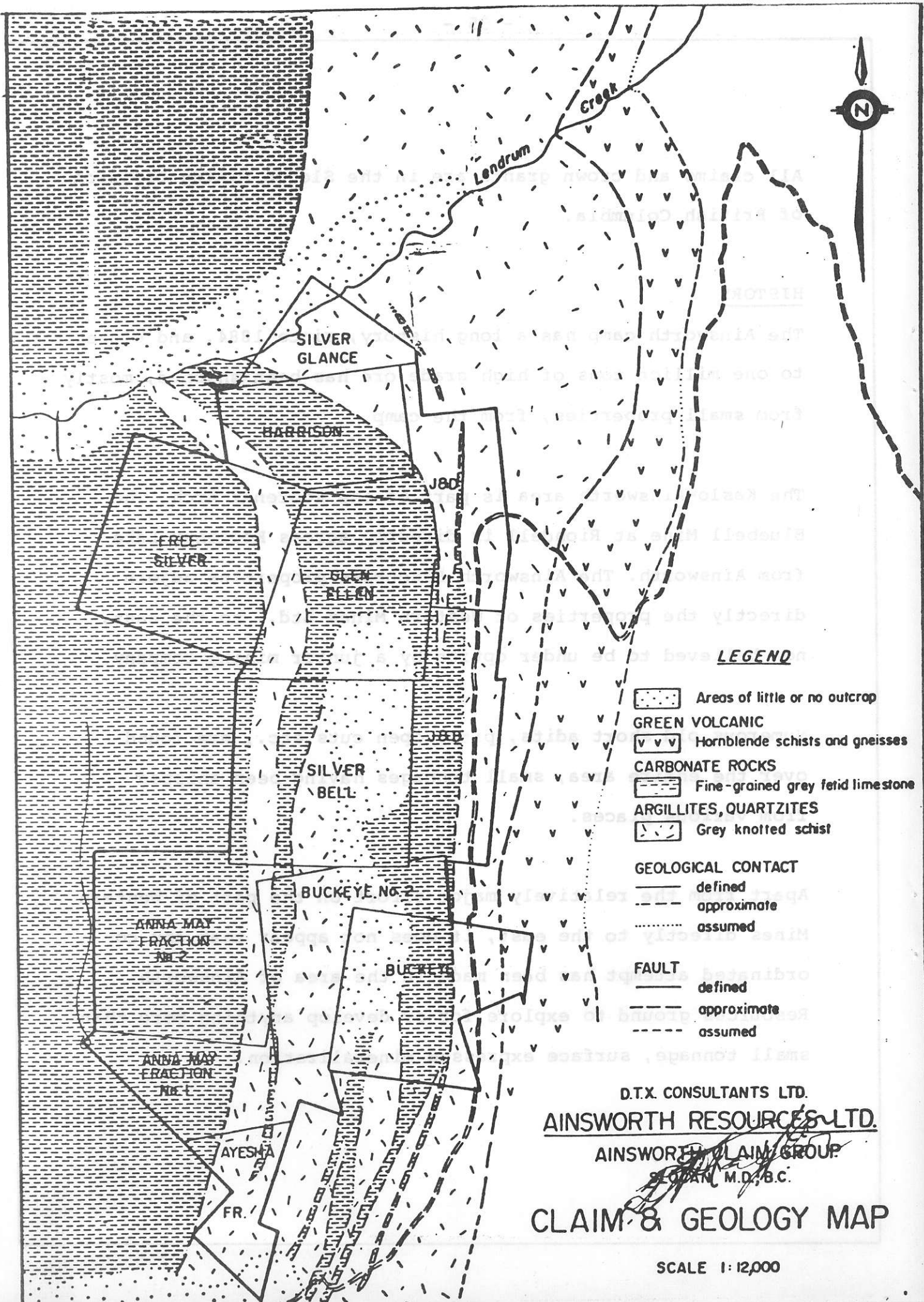
HISTORY

The Ainsworth camp has a long history, since 1884, and close to one million tons of high grade ore has been shipped, mostly from small properties, from the camp.











The Kaslo-Ainsworth area is part of the Kootenay Arch. The Bluebell Mine at Riondell is directly across Kootenay Lake from Ainsworth. The Ainsworth Resources properties adjoin directly the properties of Western Mines Ltd., to the east, now believed to be under option by a junior mining company.

Numerous old short adits, pits, open cuts etc., are found over the entire area, small tonnages having been shipped from various places.

Apart from the relatively major effort on the part of Western Mines directly to the east, it does not appear that any coordinated attempt has been made in the area of Ainsworth Resources ground to explore for or develop anything more than small tonnage, surface expressed mineralization.



**LEGEND**

-  Areas of little or no outcrop
- GREEN VOLCANIC**
-  Hornblende schists and gneisses
- CARBONATE ROCKS**
-  Fine-grained grey fetid limestone
- ARGILLITES, QUARTZITES**
-  Grey knotted schist
  
- GEOLOGICAL CONTACT**
-  defined
-  approximate
-  assumed
  
- FAULT**
-  defined
-  approximate
-  assumed

D.T.X. CONSULTANTS LTD.  
**AINSWORTH RESOURCES LTD.**  
 AINSWORTH CLAIM GROUP  
 SQUAN, M.D., B.C.

**CLAIM & GEOLOGY MAP**

SCALE 1:12,000

REGIONAL GEOLOGY

The most recent and comprehensive coverage of the property area is the B.C. Department of Mines Bulletin 53, Geology of the Ainsworth-Kaslo Area, British Columbia by J. T. Fyles (1967).

The most prominent regional feature is the north-south striking sedimentary-metamorphic and volcanic series. The structure is dipping moderately to the west with strike faults along structure and foliation. Fyles uses these faults to split the geology into "slices", there being four on the west side of Kootenay Lake. Ages range from Lower Cambrian to Upper Triassic.

The first slice contains Lardeau Series rocks of metamorphosed sediments along the lake shore. The second slice is separated by the Lakshore Fault and is composed of Milford Group schists and sediments. Some exposure of Kaslo Group metamorphics and volcanics lies on the western edge of slice 2 against the Josephine Fault. Slice 3 is more or less a repeat of slice 2, as is slice 4 across the Gallagher Fault. Nelson intrusives are found west of slice 4 but are not known to intrude the property area.

Mineralization in the property area, according to Fyles, has a predominant strike across the regional formations at N60°W, with moderate to steep southerly dips. Mineralization occurs as lead-zinc-silver ore with pyrite and pyrrhotite in vein and replacement zones. Parallels exist regionally between the Ainsworth mineralization and that found at the Bluebell Mine.

#### PROPERTY GEOLOGY

Apart from areas of old workings, there is about five percent outcrop exposure on the property, the remainder is covered by shallow overburden. The local geology is similar to the regional situation outlined above. The property lies within the bounds of slices 3 and 4 but would be underlain at depth by sections of the westerly dipping slice 2 and Josephine Fault.

There are several old showings on the property, some of which have produced limited tonnages of relatively high grade ore. During the property inspection the old Sullivan and Noranda Crown Grants (now the J & D claims) were inspected. There is a 120m long adit on the old Noranda Crown Grant from which 2400 tons of ore is reported to have been mined in 1964 and 1965. Bialkoski has been mining this working and the dump at the portal assayed 13.10% Pb, 8.56% Zn and 7.21 oz/Ag from a grab sample.

The mineralization is associated with narrow limestone beds in grey knotted schist. Showings have been opened for 1000m south but are generally very limited in extent. Mineralization was noted striking northerly and west-northwesterly, dips were generally between 30 and 55 degrees. Northerly striking mineralization in the area is replacement, normally in limestones. Northwesterly to westerly trending material is related to cross fracturing.

Within the bounds of the property there are two relatively large old developments. The Silver Glance adit is 1050 feet long and is collared on the bank of Lendrum Creek. No production records are available from this working. Sections of "high silver" are reported by Fyles in the workings. The Buckeye showing was worked by Guichon Mines in 1952-1954, and also before 1918. In the later production, 549 tons of ore averaging 2 ounces of silver, 5% lead and just under 5% zinc was extracted.

The mineralization in showings opened to date are associated with varying amounts of pyrite and pyrhorite mineralization.



CONCLUSIONS

The Ainsworth property of Ainsworth Resources Ltd covers an extensive area of favourable geology for lead-zinc-silver mineralization. Minor tonnages of ore have been shipped in the past from crown grants on the property.

No co-ordinated search, using modern techniques, has been conducted on the property accumulated by Ainsworth Resources Ltd.

Several aspects of the geology and mineralization on the Ainsworth ground are similar to those of the old Bluebell Mine of Cominco at Riondel, directly across the Kootenay Lake from the Ainsworth property.

Massive lead-zinc-silver mineralization in the area is such that it should be amenable to geophysical detection. The suggested methods of detection are magnetometer surveys to define areas of pyrrhotite mineralization and electromagnetic surveys to detect conductive bodies to a depth of at least 250 feet beneath surface. Establishment of a grid will be necessary to conduct such surveys. These surveys should be conducted on the ground rather than from the air as anomalies sought are at depth and should not be well expressed in airborne surveys.

Geophysical anomalies should express any massive mineralization



to a depth of 250 feet, such anomalies should be tested by diamond drilling.

Geochemical sampling of the property would be of dubious value in terms of cost effectiveness due to the known widely distributed mineralization on the ground.

#### RECOMMENDATIONS

A programme of geological mapping and sampling and ground geophysical exploration, supported by bulldozer trenching, is recommended as a first stage of exploration on the Ainsworth property. A grid will have to be established on the property for this purpose. The grid should have east-west lines 60m apart with stations at 30m intervals.

Facility for fill-in grid and geophysical work is part of the Stage I work as the project should be completed while equipment is on the property. Horizontal loop EM surveying is the most effective EM method for detecting the type of mineralization expected on the Ainsworth property.

Geological mapping of the entire property should be conducted on a scale of at least 1:2000 and sampling of all old showings and accessible underground workings performed.

On completion of Stage I all geological and geophysical structures and anomalies should be assessed by a consultant and a diamond drilling programme instituted to test the areas of potential economic interest.

A third stage of detailed drilling might follow Stage II to delineate and define any mineralization encountered in Stage II.

Estimated costs of the above programme are:

STAGE I

Establishment of picketed grid 35 km at \$120/km	\$4,200
Facility for fill-in grid	2,000
Geological survey and sampling	5,000
Assays (Pb, Zn, Ag) say 100 samples	2,000
Magnetometer survey at \$150/line km	5,250
Horizontal loop EM survey at \$300/line km	10,500
Facility for fill-in magnetometer and EM survey	11,000
Bulldozer, say 45 hours at \$75/hour	3,375
Engineering and Supervision	5,000
	<hr/>
	48,325
Contingencies at 15%	<hr/>
	7,248
	<hr/>
TOTAL.....	55,573
	<hr/>
SAY	\$60,000
	<hr/> <hr/>

STAGE II

Diamond drilling of anomalies say

10 AQ holes of 100m depth at \$60/m \$60,000

Short-hole exploration drilling of

shallow anomalies, say \$10 AQ holes of

50m depth at \$75/m 37,500

Bulldozer support, say 30 hours at

\$75/hour 2,250

Assaying (Pb, Zn, Ag) say 200 samples 4,000

Engineering and supervision 7,000

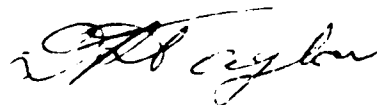
110,750

15% contingency 16,579

127,329

Say \$130,000

Respectfully submitted,



David P. Taylor, P.Eng.,

Vancouver, B.C.

July 17th, 1979

CERTIFICATION

I, David P. Taylor, residing at 1884 West 7th Avenue, Vancouver British Columbia, do hereby certify that:

1. I am an exploration geologist residing at the above address.
2. I am a registered member, in good standing, of the Association of Professional Engineers of the Province of British Columbia.
3. I am a graduate of the Royal School of Mines, London University, M.Sc., (Mineral Exploration), 1971.
4. I have practised as an exploration geologist for eleven years.
5. I have no interest, nor expect to receive any interest in Ainsworth Resources Ltd., of any of the properties of that company.
6. I consent to the use of this report in any Prospectus or Statement of Material Facts by Ainsworth Resources Ltd.



D.P. Taylor, P.Eng.

Vancouver, B.C.  
July 17, 1979

## INTRODUCTION

The Cheif is an old, but little explored silver prospect. It was previously known as the "Dry Ridge Group," and earlier as the Alexandria Mine. Narrow veins in the Nelson granite carry quartz, galena and high silver values. Shipments of hand cobbled vein material in 1976 ran 142.9 oz. Ag per ton plus 4.9% Pb for 3.7 tons and in 1977 ran 51.8 oz. Ag per ton plus 3% Pb for 4.4 tons. There were values in gold and zinc as well. Ainsworth Resources Ltd. proposes to explore the prospect to see if the number, width and grade of the narrow veins is sufficient to permit mining across all or part of the vein carrying zone. From preliminary examination the zone is known to be 64 metres wide and 20 metres deep.

The property was examined by me in August, 1979 accompanied by Mr. Norman Block the claim owner, who mined the two smelter shipments. The examination was hindered somewhat by dense fog.

## LOCATION & ACCESS

The Cheif Claim is in the Slocan Range of the Selkirk Mountains in the Slocan District of British Columbia. It is on the west south west spur of Mt. Ruppel

REPORT ON THE CHEIF  
MINERAL CLAIM 202(7)

TAG NO. 22078

SLOCAN MINING DIVISION, B.C.

Latitude 49° 45' N  
Longitude 117° 16' W

for

AINSWORTH RESOURCES LTD.

by

ALEX BURTON, P. ENG.,  
Burton Consulting Inc.,  
5-924 West Hastings Street,  
Vancouver, B.C. V6C 1E4

DECEMBER, 1979

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whose peak is just west of Kokanee Glacier Park.  
Latitude is 49° 45' N and Longitude is 117° 16' W. N.T.S.  
grid is 82F11W.

Road access from Highway 6 starts about 7 km south of the town of Slocan up the Lemon Creek road some 30 km to the Taggart Creek road which is driveable to the 5,420 foot (1,652 m) elevation. From there a flagged trail leads up to the notch on the ridge crest at 6,340 feet (1,932 m) on the west south west spur ridge of Mt. Ruppel. From the notch the ridge crest is followed up to the treeless alpine slope at elevation 7,240 feet (2,207 m) at the showings.

I have walked the route which appeared difficult, but feasible to build a bulldozer access road. The principals of Ainsworth have since had a local contractor examine the route for feasibility and for a price estimate for the roughly 2½ miles (4 km) of access road.

CLAIM

The principal claim is the Cheif 202(7) with L.C.P. tag no. 22078.

## GEOLOGY

The veins are in typical Nelson granodiorite. Mechanically weathered rounded bosses of Nelson granodiorite outcrop sporadically across the treeless alpine slope. On the steeper slopes outcrops are fresher and a reticulated pattern of lamprophyre dykes is evident with attitudes of N20E/70-80N and N23W/80S. Other lamprophyre attitudes are N40<sup>o</sup> W/60N and N80E/80S.

Narrow pegmatite veinlets were seen with attitudes of N20E, N-S, N60W all vertical.

In the open cuts to the west of the old shaft the silver-lead quartz veins have attitudes of N60E/60SE, N28E/87E, N60E/8SE and a pair with N40E and N90E with sheets to N80E.

A vein shear well exposed in a trench was N80E/80S with about 10 cm. of quartz filling plus sulphides. Two to five centimetre pieces of quartz vein float were abundant on the mechanically weathered surface at the showings across a 63 metre measured distance of the main veined zone. The veined zone is presumed to strike NE to E with N80E being the best estimate at present.

Quartz float on the surface appears to be



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uniform in quantity and quality across the 63 metre zone and not different from the area where the smelter shipments were mined.

Faulting offsets some of the lamprophyres with right hand offset of a few to 10 metres, but in other locations in a granodiorite terraine faults were indistinguishable from fractures.

Mineralization consists of veins and vein shears ranging from a fracture width to 2 to 15 cms. of quartz vein with variable amounts of galena in the granodiorite. Sphalerite was identified in some specimens and tetrahedrite - tenantite is presumed from the presence of malachite on weathering surfaces. Judging from the assays silver minerals must be present. In the smelter records one pound of Bismuth was reported in each shipment, no arsenic or antimony in one shipment and 0.1% each of arsenic and antimony in the other shipment.

A note on a sketch map by George Addie, P. Eng., P. Geology, District Geologist at Nelson states:

"Vein is in typical "Nelson" granite. Mineralization (Pb-Ag-Au-Cu) is both normal vein filling and breccia filling."

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The breccia type of vein was not seen on the surface and the underground workings where it is likely to be seen were not examined.

#### SURFACE AND UNDERGROUND WORKINGS

Past operators sunk a shaft and then drove an adit about 20 m (60 feet) lower. The adit crosscut into the hill nearly 12 m (40 feet) and then drifted along a vein for 120 m (400 feet). The drift may be on a different vein than that in the shaft pit and is definitely different from the veins Mr. Norman Block mined on the surface.

#### ASSAYS AND SHIPMENTS

The highest silver assay on a specimen from the property ran 2075.3 oz. Ag per ton, and the lowest ran trace.

Out of the total of 38 specimens assayed by previous samplers only 11 ran less than 10 oz. Ag per ton, while 21 ran greater than 50 oz. Ag per ton.

On most specimens the lead values do not correlate with high silver values. Lead values bunch at 1 or 2% then 10 to 15% plus a couple at 29 and 45%.

### CONCLUSIONS

Significant silver values plus worthwhile gold and lead values are found in the Chief veins.

The veins are narrow high grade, and numerous. Their widths vary from a knife edge fracture to plus 10 cm. Their spacing can vary from 10 cm to 1 metre, but their frequency and width across the float covered zone are unknown. The vein float zone is 63 metres wide and could be wider. The length of the zone is unknown.

### RECOMMENDATIONS

The prospect should be explored to see if a wide zone could be bulk mined by open pit or underground methods or both.

A mapping and geochemical sampling program followed by trenching to expose the veins and then sampling is recommended for a first step. An access route for a bulldozer should be constructed so that sufficient trenching can be done on the showings. When this information is plotted then a diamond drilling program can be laid out to drill across the zone.

The high copper assay was 0.23%.

With the exception of one gold assay at 0.34% oz. per ton the typical high gold value was 0.10 oz. per ton and again there was no direct relationship between gold or silver and lead values.

Most of the specimens assayed are not located or well described. Of greater importance are the smelter records from the shipments of 3.7 tons in 1976 and 4.4 tons in 1977. Shipment grades are shown in the following table.


<u>Assays</u>	<u>Au</u>	<u>Ag</u>	<u>Pb</u>	<u>Zn</u>	<u>Tons</u>
1976	0.16	142.9	4.9	0.2	3.78
1977	0.07	51.8	3.0	0.2	4.45

From visual inspection of the mining site and discussion in the field with the operator Mr. Norman Block the two shipments represent similar vein material. Mr. Block's experience is that the mineralized vein matter can not be visually estimated for its silver content with any significant degree of confidence.

ESTIMATED COSTS  
FOR CHEIF CLAIM  
AINSWORTH RESOURCES LTD.

November 21, 1979

Rough bulldozer road	\$20,000
Trenching	5,000
Grid and Geology and Geochem sampling	5,000
Assays and analyses	2,000
Helicopter support	5,000
Drilling (1,000 feet)	<u>30,000</u>
	\$67,000
Contingencies	<u>8,000</u>
	<u>\$75,000</u>

  
Alex Burton, P. Eng.  
Consulting Geologist



C E R T I F I C A T E

I, ALEX BURTON, DO HEREBY CERTIFY:  
that I am a Consulting Geologist with an office at #5, 924  
West Hastings Street, Vancouver, British Columbia, V7C 1E4.

I FURTHER CERTIFY THAT:

- (1) I am a graduate from the University of British Columbia and hold a B.Sc. degree in Geology.
- (2) I am a Professional Engineer registered with the Association of Professional Engineers of British Columbia, Certificate No. 6262, and a Fellow of the Geological Association of Canada.
- (3) Since 1954 I have been engaged in mineral exploration work, both for major mining companies in senior positions and as an independent consultant.
- (4) The information contained in this report came from an examination in August of 1979 by myself.
- (5) I have no direct or indirect interest whatsoever in either the property or securities of Ainsworth Resources Ltd., or its affiliates, nor do I expect to receive any such interest.
- (6) I consent to the use by Ainsworth Resources Ltd. of my report on the Chief Mineral Claim dated December of 1979 in any statement of material facts or prospectus of Ainsworth Resources Ltd. and the filing of such a report with the Vancouver Stock Exchange and/or Superintendent of Brokers for British Columbia.

DATED this 15th day of February, 1980.

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Alex Burton, P. Eng.  
Consulting Geologist


CERTIFICATE

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

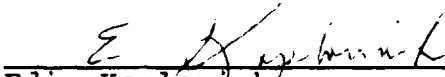
DATED the *7<sup>th</sup>* day of *February*, 1980 at the City of Vancouver, in the Province of British Columbia.

  
\_\_\_\_\_  
Edmund Sonnenberg  
Director and Promoter

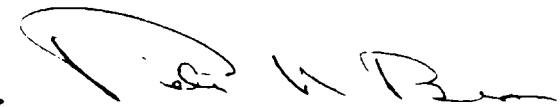
  
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Joseph Hawes  
Promoter

  
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Dennis Bialkoski  
Director and Promoter

  
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John A. Brown  
Director and Promoter  
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\_\_\_\_\_  
Edis Koplovich  
Director and Promoter

CANARIM INVESTMENT CORPORATION LTD.

Per:   
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