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PROSPECTUS

DATED: January 22, 1987



LUCERO RESOURCE CORP.

821613

(Incorporated under the laws of the Province of British Columbia)

PUBLIC OFFERING: 750,000 shares at \$1.00 per share

	Price to Public	Underwriter's Discount	Net Proceeds to be Received by the Company *
Per Share	\$1.00	\$0.10	\$0.90
Total	\$750,000	\$75,000	\$675,000

* Before deduction of legal, audit, printing and other expenses payable by the Company in connection with this Prospectus, estimated not to exceed \$25,000.

THERE IS NO MARKET FOR THE SECURITIES OF THE COMPANY. A PURCHASE OF THE SECURITIES OFFERED BY THIS PROSPECTUS MUST BE REGARDED AS SPECULATIVE. ALL OF THE PROPERTIES IN WHICH THE COMPANY HAS AN INTEREST ARE IN THE EXPLORATION AND DEVELOPMENT STAGE ONLY AND ARE WITHOUT A KNOWN BODY OF COMMERCIAL ORE. NO SURVEY OF THE COMPANY'S PROPERTIES HAS BEEN MADE, AND THEREFORE, THE EXISTENCE OF AND THE AREA OF THE PROPERTY COULD BE IN DOUBT.

THE VANCOUVER STOCK EXCHANGE HAS CONDITIONALLY LISTED THE SECURITIES BEING OFFERED PURSUANT TO THIS PROSPECTUS. LISTING IS SUBJECT TO THE COMPANY FULFILLING ALL THE LISTING REQUIREMENTS OF THE VANCOUVER STOCK EXCHANGE ON OR BEFORE AUGUST 31, 1987, INCLUDING PRESCRIBED DISTRIBUTION AND FINANCIAL REQUIREMENTS.

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

WHEN ALL OF THE SHARES OFFERED BY THIS PROSPECTUS ARE SOLD TO THE PUBLIC, THE ISSUE WILL REPRESENT 32.3% OF THE SHARES THEN OUTSTANDING AS COMPARED TO 46.3% THAT WILL THEN BE OWNED BY THE PROMOTERS, DIRECTORS, SENIOR OFFICERS AND CONTROLLING PERSONS OF THE COMPANY OR BY ASSOCIATES OF UNDERWRITERS AS DEFINED IN LOCAL POLICY 3-30 OF THE SUPERINTENDENT OF BROKERS, AND WHICH WERE ISSUED FOR CASH. AT THAT TIME, ASSOCIATES OF UNDERWRITERS WILL OWN 4.3% OF THE SHARES OUTSTANDING AS MORE PARTICULARLY DESCRIBED UNDER THE HEADING "OTHER MATERIAL FACTS".

THIS PROSPECTUS ALSO QUALIFIES FOR SALE TO THE PUBLIC AT THE MARKET PRICE FOR THE SHARES AT THE TIME OF SALE OF ANY SHARES OF THE COMPANY WHICH THE UNDERWRITER MAY ACQUIRE PURSUANT TO THE GREENSHOE OPTION AND THE BROKER'S OPTION. REFERENCE SHOULD BE MADE TO "SHARE OFFERING AND PLAN OF DISTRIBUTION" ON PAGE 1.

ONE OR MORE OF THE DIRECTORS OF THE COMPANY HAS AN INTEREST, DIRECT OR INDIRECT, IN OTHER NATURAL RESOURCE COMPANIES. REFERENCE IS MADE TO "DIRECTORS AND OFFICERS" ON PAGE 23 FOR A COMMENT AS TO THE RESOLUTION OF POSSIBLE CONFLICTS OF INTEREST.

WE, AS PRINCIPAL, CONDITIONALLY OFFER THESE SECURITIES SUBJECT TO PRIOR SALE, IF, AS AND WHEN ISSUED BY THE COMPANY AND ACCEPTED BY US IN ACCORDANCE WITH THE CONDITIONS CONTAINED IN THE UNDERWRITING AGREEMENT REFERRED TO UNDER "SHARE OFFERING AND PLAN OF DISTRIBUTION" ON PAGE 1 OF THIS PROSPECTUS.

Name and Address of Underwriter
CANARIM INVESTMENT CORPORATION LTD.
2200 - 609 Granville Street
Vancouver, B.C.
V7Y 1H2

EFFECTIVE DATE: MARCH 3, 1987

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THE COMPANY

Lucero Resource Corp. (the "Company") was incorporated on December 12, 1985 by filing a Memorandum and Articles with the Registrar of Companies under the British Columbia Company Act. The Company's head office is situate at 1088 - 999 West Hastings Street, Vancouver, British Columbia, V6C 2W2, and its registered and records offices are situate at 3000 - 1055 West Georgia Street, Vancouver, British Columbia, V6E 3R3. The Company was extra-provincially registered in Newfoundland effective November 25, 1986.

The Company has a wholly owned subsidiary, Lucero Resource Inc., which was incorporated on September 9, 1986 by filing Articles of Incorporation with the Secretary of State for Nevada, U.S.A.

SHARE OFFERING AND PLAN OF DISTRIBUTION

Offering and Appointment of Underwriter

By an agreement dated December 12, 1986 (the "Underwriting Agreement") Canarim Investment Corporation Ltd. (the "Underwriter") agreed to underwrite a total of 750,000 common shares (the "Shares") of the Company.

The Underwriter has agreed to purchase the Shares at the purchase price of \$0.90 per share payable within ten business days of the issuance of a receipt for this Prospectus (the "Effective Date") by the Superintendent of Brokers for British Columbia (the "Superintendent"). The Underwriter is obligated to take up and pay for all of the Shares if any of the Shares are purchased under the Underwriting Agreement. The Shares are for primary distribution to the public through the facilities of the Vancouver Stock Exchange (the "Exchange") at a price of \$1.00 per share (the "Offering").

The Offering shall be made through the facilities of the Exchange pursuant to the Exchange's Initial Distribution Rule B.5.00 and on a day (the "Offering Day") determined by the Underwriter and the Company, with the consent of the Exchange, within a period of 180 days from the date upon which the Common shares of the Company are conditionally listed on the Exchange.

The Underwriter is entitled to overallot the Shares and in such case, the Company has granted to the Underwriter an option (the "Greenshoe Option") to purchase at \$0.90 per share such number of shares of the Company

being the lesser of 15% of the Offering or the actual number of shares subscribed for by way of an oversubscription during primary distribution of the Shares. The Greenshoe Option is exercisable for a period of 30 trading days from the Offering Day. The number of shares subject to the Greenshoe Option shall be determined on the Offering Day.

The Underwriter is in the alternative entitled to cover such oversubscription by making purchases of the Company's shares on the open market through the facilities of the Exchange at the market price from time to time.

The Underwriter has been granted an option (the "Broker's Option") to purchase up to a further 150,000 common shares of the Company at the purchase price of \$1.10 per share, to be exercised within 180 days from the date of listing of the Company's shares on the Exchange or 12 months from the date of this Prospectus, whichever is earlier. If the shares of the Company sell on any stock exchange at a price in excess of 150% of the exercise price of the Broker's Option, the Underwriter will forthwith exercise the entire option or any part thereof remaining outstanding.

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

The obligations of the Underwriter under the Underwriting Agreement may be terminated at the Underwriter's discretion at any time prior to the Effective Date on the basis of its assessment of the state of the financial markets or upon the occurrence of certain stated events. In addition, if the Underwriter has filed within 10 days of the Effective Date a distribution list satisfactory to the Exchange, the Underwriter may terminate its obligations if the Company has not satisfied the listing requirements of the Exchange and caused the Exchange to effect listing of the shares.

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

The persons or corporations holding more than 5% of the capital of the Underwriter are Michael Wayne Murphy and Intercan Holdings Ltd. The persons beneficially

owning a 5% or greater interest in Intercan Holdings Ltd. are Alfred Turton, Peter Brown, Brian Harwood and Charles Channing Buckland.

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 this Offering.

The directors, officers and other insiders of the Company may purchase shares from this Offering.

An application has been made to conditionally list the securities being offered herein on the Exchange. Listing is subject to the Company fulfilling the listing requirements of the Exchange.

Additional Offering

The Prospectus also qualifies for sale to the public at the market price prevailing at the time of the sale, any shares acquired by the Underwriter on the exercise of the Broker's Option at any time up to 180 days from the date of listing of the Company's shares on the Exchange but not more than 12 months from the date of this Prospectus. The Company will not receive any proceeds from the sale of any such shares by the Underwriter, all of which proceeds will in such event accrue to the Underwriter.

DESCRIPTION OF BUSINESS AND PROPERTIES OF THE COMPANY

BUSINESS

The Company is in the business of exploring for and acquiring mining properties of exceptional potential. Its business strategy is to identify, at an early stage, ore deposits which have the potential to become substantial mines. These deposits will then be developed to a sufficient extent to attract financing from major companies who will earn an interest in the properties by developing them further and if commercially feasible, bringing them into production. James M. Dawson, P. Eng., a Geologist (President of the Company) and Brian Mountford, P. Eng., a Mining Engineer (Chairman of the Board) bring wide ranging expertise to the business of the Company and represent the core of the Company's management team. They are supported by R.H. Sillitoe, Ph.D. and L. Riccio, Ph.D. who are consultants to the Company and have world-wide experience in mine finding.

The Company owns or has rights to acquire an interest in the mineral properties described below.

PROPERTIES

A. Wolf Property, Omineca Mining Division, British Columbia

Description

The Wolf Property is situate in the Omineca Mining Division, Province of British Columbia, and consists of nine contiguous mineral claims totalling 136 units more particularly described as follows:

<u>Claim Name</u>	<u>No. of Units</u>	<u>Record Number</u>	<u>Expiry Date</u>
Wolf	20	5565(7)	July 18, 1991
Wolf 2	9	5566(7)	July 18, 1991
Wolf 3	12	5567(7)	July 18, 1991
Wolf 5	20	6676(9)	September 26, 1991
Wolf 6	8	6677(9)	September 26, 1991
Wolf 7	15	6678(9)	September 26, 1991
Wolf 8	12	6679(9)	September 26, 1988
Wolf 9	20	6680(9)	September 26, 1988
Wolf 10	20	6681(9)	September 26, 1988

(hereinafter referred to as the "Wolf Property" or the "Property").

Particulars of Acquisition

Pursuant to an agreement dated September 23, 1986 with Lornex Mining Corporation ("Lornex"), of 1650 - 609 Granville Street, Vancouver, B.C., the Company has the option to earn interests in the Wolf Property on the terms described below and in consideration for the option, has committed to spend \$150,000 on work on or related to the Property by December 31, 1987.

40% Interest

In order to earn a 40% interest in the Wolf Property, the Company must expend a total of \$400,000 on work on or related to the Property by December 31, 1988. It must notify Lornex of the vesting of the 40% interest on completion of the expenditures and within 60 days of such notice, provide a report on the work and the results thereof to Lornex. Within 60 days of receipt of the

report, Lornex is required to provide an initial budget and program of work on the Property and within 30 days thereafter, the Company must elect to either:

- (a) participate as to 40% in the initial budget and program of work, or
- (b) take a 20% Net Profits Royalty Interest, as defined.

60% Interest

If Lornex elects not to submit an initial budget and program of work, the Company can elect to acquire a 60% interest in the Property by making further expenditures to a cumulative total of \$700,000 on work on the Property by the end of 12 months from the date of the election notice from Lornex. Following completion of the expenditures, the Company must notify Lornex of the vesting of the 60% interest in the Property and within 60 days thereafter, must provide Lornex with a report summarizing the work carried out and the results thereof, together with an initial program and budget for further work on the Wolf Property. Lornex then has the option to either:

- (a) participate as to 40% in the budget and program of work, or
- (b) take a 20% Net Profits Royalty Interest.

In the event the Company elects to earn a 60% interest in the Wolf Property but fails to expend the \$700,000 on work on the Property, its interest in the Property will remain at 40%.

In either case, if one party elects to participate in the initial budget and program of work presented by the other party, the parties will enter into a joint venture agreement and will establish an Operating Committee which would appoint the party owning the 60% interest as the initial Operator. In the event of non-participation by either party, its interest will be subject to dilution as determined pro rata to the actual and deemed expenditures of the parties. Should the interest of either party in the Property be reduced to 20%, such interest will immediately vest in the other party subject to a 20% Net Profits Royalty Interest to the non-participating party.

The Company may terminate its option as to all or any of the claims comprising the Wolf Property at any time provided that such claims are in good standing for a further period of at least 12 months.

The Wolf Property is subject to a 5% net profits royalty interest payable to Rio Algom Explorations Inc.

Lornex is a British Columbia reporting company whose shares are listed on the Vancouver Stock Exchange. Its controlling shareholder is Rio Algom Explorations Inc.

Location, Size and Access

The Wolf Property, which is approximately 8,500 acres in size, is located in central British Columbia, 115 kilometres south-southeast of Burns Lake between Entiako and Johnny Lakes. Present access to the Property is by helicopter from Burns Lake or Prince George. The Kluskus Road, one of many logging roads originating in Vanderhoof, leads to within 10 kilometres of the eastern boundary of the Property and construction of an access road to the Property can be easily accomplished.

History and Previous Work

The Wolf Property was discovered by Rio Algom Explorations Inc. in 1983 during the course of a regional lake sediment sampling programme. Subsequent work by this company or its subsidiary, Lornex, in 1984 and 1985 included soil and rock sampling, geological mapping, VLF-EM surveys, as well as trenching and diamond drilling.

Work to date has identified five mineralized zones and several silver in soil geochemical anomalies. Trench samples from one of these mineralized zones (the Ridge Zone) returned economic precious metal values (8.49 grams/tonne gold, 42.2 grams/tonne silver) over mineable widths (7.5 metres). Drilling below the surface mineralization established that faulting had displaced its down dip extension. Future work will be directed towards locating this both at depth and along strike. At the Pond Zone, anomalous gold values (200 to 500 ppb gold) occur at surface and have been intersected in drill core over significant lengths (greater than 50 metres). The Pond Zone is open to the south and silver in soil geochemical values indicate that grades may increase in that direction.

To date, Rio Algom and/or Lornex have expended a total of \$344,120 on exploration of the Wolf Property.

Mineralization

The claims comprising the Wolf Property are underlain by subaerial rhyolitic to andesitic flows, pyroclastic and epiclastic rocks of the Tertiary Ootsa Lake Group. Several north- to northeast-trending silicified epithermal zones have been outlined on the Property. The silicified zones are characterized by chalcedonic to microcrystalline quartz veins and stockworks which contain anomalous to significant gold and silver values. Gold/silver values in rocks correlate with silver anomalies in soils.

Underground and Surface Plant and Equipment

There is no underground or surface plant or equipment on the Wolf Property.

Work Done by the Company and Future Exploration

The Report on the Wolf Property prepared by Luca Riccio, Ph.D., Geological Consultant, (a minority shareholder in the Company) dated September 5, 1986, is reproduced in this Prospectus. The Report and the results of the work on the Property have been reviewed by John S. Vincent, Consulting Geologist who concurs with the conclusions and recommendations of Dr. Riccio that the Property is of exceptional merit and size. The Report recommends an exploration program to investigate silicified zones and geochemical targets outlined by previous work, and to evaluate overburden-covered areas. Phase I of the program of work recommends that an access road branching off the Kluskus logging road be built into the Property and be followed up by a program of trenching, mapping, prospecting, rock sampling, and silver soil geochemistry in selected areas, at an approximate cost of \$179,463. Contingent upon the results of Phase I, a Phase II program would consist of additional trenching and diamond drilling at an estimated cost of \$301,400.

The Company anticipates that work on this project will commence in the spring of 1987 and will take approximately six months to complete. The Company will contract out the majority of the work.

THE WOLF PROPERTY IS WITHOUT A KNOWN BODY OF ORE
AND THE PROPOSED PROGRAM IS AN EXPLORATORY SEARCH FOR ORE.

B. Grass Valley Property,
Lander County, Nevada

Description

The Grass Valley Property is situate in Lander County, Nevada and consists of 17 unpatented mineral claims known as the Verscio Claims and 64 unpatented mineral claims known as the Grass Valley Claims, more particularly described as follows:

Verscio Claims

Name	VERSCIO #1 - #17
Section	19, 20, 29
Township	21N
Range	45E
Book	170
Page number	#1 - #14 = pp. 1 - 14 #15, 16, 17 - pp. 147, 148, 149
Claim number	#1 - 14 - 96566-79 #15, 16, 17 - 96581-83

Grass Valley Claims

Name	GRASS VALLEY #1 - #64
Section	7, 8, 17, 18, 19, 20
Township	21N
Range	45E

<u>Book</u>	<u>Claims</u>	<u>Pages</u>
#248	1 - 3	521-526
	7	533-534
	11, 12	541-544
	16 - 20	551-560
#257	4 - 6 (as amended)	296-301
	8 -10 (as amended)	302-307
	13 - 15 (as amended)	308-313
	21 - 44	247-294
#261	45 - 64	57-96

(hereinafter referred to as the "Grass Valley Property" or the "Property").

Particulars of Acquisition

By an Option and Joint Venture Agreement made as of November 15, 1986 (the "Option Agreement") among Bow

Valley Mining, Inc. ("Bow Valley"), of 2020 - 1177 West Hastings Street, Vancouver, B.C., Brican Resources (U.S.) Inc. ("Brican"), of P.O. Box 795, Vernon, B.C., (Bow Valley and Brican acting as joint venturers pursuant to a joint venture agreement dated May 15, 1985, as amended, and hereafter together referred to as the "Nevada Joint Venture"), and the Company's wholly owned subsidiary, Lucero Resource Inc. ("Lucero U.S."), Lucero U.S. has been granted an option to acquire an undivided 50% right, title and interest in and to the Grass Valley Property and the Maestretti Agreement (hereafter described) as follows:

- (a) by completing on or before July 31, 1987, Phase I Operations consisting of a program pursuant to which Property Expenditures of not less than \$150,000 (U.S.) shall be incurred by Lucero U.S. including the completion of not less than 5,000 feet of reverse circulation drilling;
- (b) by incurring Property Expenditures in an aggregate amount of not less than \$250,000 (U.S.) on or before December 31, 1987;
- (c) by incurring Property Expenditures in an aggregate amount of not less than \$500,000 (U.S.) on or before December 31, 1988;
- (d) to comply with and fulfill the applicable terms and conditions of the Maestretti Agreement (hereafter described) after September 5, 1986.

The Option Agreement will terminate:

- (a) on July 31, 1987, unless Phase I Operations are completed;
- (b) on December 31, 1987, unless Lucero U.S. has incurred Property Expenditures in an aggregate amount of \$250,000 (U.S.);
- (c) on December 31, 1988 unless Lucero U.S. has incurred Property Expenditures in the aggregate amount of \$500,000 (U.S.).

The Nevada Joint Venture has granted a credit of \$40,000 (Canadian) against Property Expenditures required to be incurred during the periods referred to in (b) or (c) above in recognition of expenditures incurred by Lucero (U.S.) prior to the date of the Option Agreement.

In the event Lucero U.S. fails to complete 5,000 feet of reverse circulation drilling on or before July 31, 1987, Lucero U.S. will pay within 15 days of termination of the option a penalty of \$10 (U.S.) per foot to the Nevada Joint Venture for each foot of drilling not so completed.

Once Lucero U.S. has completed the foregoing and provided that it is not otherwise in default, Lucero U.S. shall have then acquired an undivided 50% of the right, title and interest of the Nevada Joint Venture in and to the Grass Valley Property and the Maestretti Agreement. Lucero U.S. shall then deliver a notice stating that it has exercised the option, together with a comprehensive report of the work performed on the Property, the results thereof, and recommendations with respect to further work. Forthwith upon exercise by Lucero U.S. of the foregoing option, Lucero U.S. and the Nevada Joint Venture shall associate as a joint venture for the purposes of further exploration and development, and if warranted, to equip the Grass Valley Property for commercial production and to operate it as a mine.

Maestretti Agreement

By an agreement made as of January 31, 1986 among Stan Maestretti, Bonnie M. Maestretti, Lee Maestretti and Rene Maestretti (the "Maestrettis") and Brican, the Nevada Joint Venture was granted an exclusive option to purchase the Verscio Claims subject to:

- (a) the payment to the Maestrettis of the sum of \$1,250,000 (U.S.) as follows:
 - (i) \$10,000 (U.S.) on or before December 31, 1986; (paid)
 - (ii) \$15,000 (U.S.) on or before December 31, 1987;
 - (iii) \$20,000 (U.S.) on or before December 31, 1988;
 - (iv) \$25,000 (U.S.) on or before December 31, 1989;
 - (v) \$30,000 (U.S.) on or before December 31, 1990;
 - (vi) \$30,000 (U.S.) each December 31st thereafter during currency of the Maestretti Agreement and any permitted extension thereof; and
 - (vii) any balance owing on the exercise of the option to purchase;

- (b) the obligation to perform for the benefit of the Verscio Claims work of a value of not less than \$10,000 (U.S.) on or before December 31, 1986;
- (c) the obligation to perform for the benefit of the Verscio Claims for each year during the currency of the Maestretti Agreement sufficient work to satisfy all annual assessment work requirements applicable to the Verscio Claims;
- (d) to pay all taxes;
- (e) in the event the Verscio Claims are placed into commercial production, to pay to the Maestrettis an amount equal to 6% of net smelter returns from the proceeds received from commercial production.

A further 23 unpatented mineral claims were recently staked to protect and expand the Property and, pursuant to the perimeter clause of the Option Agreement, form part of the Property. Data is not yet available.

Bow Valley is a wholly owned U.S. subsidiary of Bow Valley Industries Ltd., a reporting company whose shares are listed on the Toronto, American, Montreal and London Stock Exchanges.

Brican is a wholly owned U.S. subsidiary of Brican Resources Ltd., a British Columbia public company whose shares are listed on the Vancouver Stock Exchange.

The Option Agreement was negotiated at arm's length by all the parties.

Location, Size and Access

The Grass Valley Property is located in central Nevada approximately 150 miles east of Reno and approximately 15 miles north-northeast of the town of Austin. The approximate geographic centre of the Property is at 39°41' north latitude and 116°57' west longitude. Access to the Grass Valley Property is gained by driving east from Reno on Highway 50 to Austin and then northeasterly on the Grass Valley road (State Route 21) for about 15 miles to the Grass Valley Ranch. Gravel roads then lead about six miles west up the valley of Callaghan Creek to the Property.

History and Previous Work

There is no record of early work on the Grass Valley Property; however, two short adits, several pits and small placer diggings are found in the southeast corner of the claim block. This work was probably done in the late 1930's by the Callaghan family who settled this area in the late 1800's. The southern third of the Property has been held intermittently by the Maestretti family of Austin, Nevada since the late 1970's; however, only minor trenching and road building was carried out by this group.

The Grass Valley Claims area of the Property was staked in 1984 by the Nevada Joint Venture during the course of a regional geochemical prospecting program, which detected strong gold-arsenic-antimony anomalies in several creeks draining the area. Additional claims were then staked and preliminary geological and geochemical surveys were undertaken in 1985. Follow-up prospecting of gold, arsenic and antimony heavy mineral drainage anomalies discovered jasperoid outcrops on the Verscio Claims. Subsequently, both the Grass Valley Claims and the Verscio Claims were gridded and geochemical soil and rock sampling and geological mapping were carried out. The Nevada Joint Venture identified the Grass Valley Property as its prime target after three years of extensive and detailed field work.

Mineralization

The Grass Valley Property is underlain by Cambrian carbonate and clastic sediments exposed in the "Callaghan Window", an exposed portion of lower plate rocks below the Roberts Mountain Thrust Fault. A major north-trending normal fault cuts through the Property and is the locus for a number of coincident gold-arsenic-antimony soil anomalies which occur intermittently over a 10,000 foot strike length.

Underground and Surface Plant and Equipment

There is no underground or surface plant or equipment on the Grass Valley Property.

Work Done by the Company and Future Exploration

Under an earlier agreement dated September 26, 1986 between Bow Valley, Brican and Lucero U.S. which has

been terminated and replaced by the November 15, 1986 agreement, Lucero U.S. completed ten rotary percussion drill holes to test five separate geochemical anomalies with coincident gold, arsenic and antimony values. The Company's expenditures on the Grass Valley Property to December 31, 1986 are \$109,100. Drill hole GV86-4 is located near a jasperoid outcrop in faulted, highly altered ground and intersected gold mineralization with the following values:

FOOTAGE INTERVAL	OZ/TON GOLD
160-165	0.023
165-170	0.012
170-175	0.022
175-180	0.361
180-185	0.048

The closest completed drill hole to GV86-4 is GV86-1 which is over 2,000 feet away. Holes GV86-2 and 3, located in the same area as GV86-1, were lost in fault zones at shallow depths. Both holes exhibited anomalous amounts of arsenic and antimony along with low gold values. Anomalous gold values were also intersected in hole GV86-5, 7,000 feet to the north of GV86-4.

Subsequently, during a routine follow-up of a gold anomaly in soils on November 30, 1986, a new zone of gold mineralization (the Rib Zone) was discovered. Rock chip sampling of rusty jasperoid over an area of 1,600 square feet returned gold values ranging from 0.005 oz. per ton to 0.048 oz. per ton with an average of 0.024 oz. per ton. The Rib Zone is located 2,000 feet southwest of the original jasperoid outcrop discovered on the Grass Valley Property during 1985.

The Summary Report on the Grass Valley Property prepared by John S. Vincent, P. Eng., Consulting Geologist, dated November 15, 1986, is reproduced in this Prospectus. The Report recommends an aggressive program of exploration to evaluate the Property's potential. Stage 1 of the program of work recommends detailed geological mapping, road building, drill site preparation, and 5,000 feet of reverse circulation drilling and evaluation, at an estimated cost of \$150,000 (U.S.). Contingent on the results of Stage 1, a Stage 2 program of work would consist of a further 3,500 feet of reverse circulation drilling at an estimated cost of \$102,500 (U.S.).

The Company anticipates that work on this project will commence in May of 1987, and it will take approximately two months to complete the Stage 1 program. The Company will contract out the majority of the work.

THE GRASS VALLEY PROPERTY IS WITHOUT A KNOWN BODY OF ORE AND THE PROPOSED PROGRAM IS AN EXPLORATORY SEARCH FOR ORE.

C. Newfoundland Properties

The Company owns a 100% interest in two properties in the Province of Newfoundland more particularly described as follows:

Lewis Hills Property

The Lewis Hills Property consists of two claim blocks more particularly described as follows:

(1) Blow-Me-Down Brook Block - Licence No. 2787

<u>Block No.</u>	<u>No. of Claims</u>	<u>Expiry Date</u>
4649	45	April 23, 1987
4646	25	April 23, 1987

(the "Blow-Me-Down Claims")

(2) Rope Cove Canyon Block - Licence No. 2779

<u>Block No.</u>	<u>No. of Claims</u>	<u>Expiry Date</u>
4645	50	March 24, 1987
4647	50	March 24, 1987
4648	24	March 24, 1987
4648	24	March 24, 1987
4650	64	March 24, 1987

(the "Rope Cove Claims")

(hereinafter together referred to as the "Lewis Hills Property").

The Lewis Hills Property was acquired by the Company by staking and recording at a cost of \$3,373.88.

The 70 contiguous claims comprising the Blow-Me-Down Claims are located in western Newfoundland at 49°01'N and 58°14'W approximately 22 kilometres

west-northwest of the city of Corner Brook, and cover 1,120 hectares. The 188 Rope Cove Claims are situated at 48°53'N and 58°28'W about 35 kilometres west-southwest of Corner Brook, and cover 3,008 hectares. Access to the Lewis Hills Property is by helicopter from Pasadena, Newfoundland which is approximately 30 kilometres east-northeast of Corner Brook.

The claims comprising the Lewis Hills Property were intermittently examined for their chromite potential during the past 75 years or so. In 1936, a Newfoundland government survey discovered magmatic nickel-copper sulphides at Rope Cove Canyon. Based on the presence of chromite and the nickel-copper showings, the Company staked the claims in order to evaluate their potential for hosting platinum group metals ("PGM").

In order to carry out a preliminary investigation of the Lewis Hills, a helicopter-supported, two-man program of prospecting, mapping and sampling was carried out by the Company during August, 1986. In the Rope Cove area, several magmatic-textured pyrrhotite, chalcopyrite and pentlandite occurrences were located in a coarse grained troctolite unit which forms the west wall of Rope Cove Canyon. Samples from these occurrences returned anomalous copper (up to greater than 10,000 ppm) and nickel (up to 8,400 ppm) values, but no corresponding platinum or palladium anomalies. Elsewhere in the Lewis Hills Property, newly discovered sulphide horizons in cumulate layers did not return anomalous platinum or palladium values. The only PGM anomalies were found in chromite layers from intercalated dunite-anorthosite units on the east side of Rope Cove Canyon (150 ppb platinum, 105 ppb palladium) and from the main dunite cumulate portion of the Blow-Me-Down massif (100 ppb platinum and 800 ppb palladium). Neither the talus fines collected at Rope Cove Canyon nor the fine panned concentrate from streams draining the area contained significant PGM values.

Grand Lake Claims

The Grand Lake block of claims consists of 36 claims more particularly described as follows:

Grand Lake Block - Licence No. 2874

<u>Block No.</u>	<u>No. of Claims</u>	<u>Expiry Date</u>
4510	36	October 30/87

The Grand Lake Claims were acquired by the Company by staking and recording at a cost of \$2,369.

The Grand Lake Claims, totalling 576 hectares, are located within the Long Range Mountains of west-central Newfoundland at 48°34'N and 57°50'W approximately 38 kilometres south-southeast of Corner Brook. Access is by means of a well maintained logging road which branches off the Trans Canada Highway 43 kilometres south of Corner Brook.

In the late 1970's, the belt of volcanic rocks on which the Grand Lake Claims are located was regionally investigated by Hudson's Bay Oil and Gas Company for volcanogenic massive sulphides and several airborne EM anomalies were identified. Two diamond core holes drilled to test one of the anomalies intersected base metal poor sulphide intercalations.

The Grand Lake Claims were staked by the Company following a roadside discovery along a new logging road built during the summer of 1986. Preliminary sampling of pyrite-bearing material has returned anomalous gold values (200 ppb). It is inferred that the exhalite horizons may represent distal portions of precious and base metal-bearing massive sulphide concentrations.

To December 31, 1986, the Company has spent \$47,950 on exploration of the Lewis Hill Property and the Grand Lake Claims. There is no underground or surface plant or equipment on either the Lewis Hills Property or the Grand Lake Claims. THERE ARE NO KNOWN BODIES OF COMMERCIAL ORE ON THESE PROPERTIES. None of the funds from the Offering have been allocated for work on these Properties. The Company does not intend to do any further work on them at the present time other than what may be required to keep them in good standing.

USE OF PROCEEDS

Available Funds

Working capital on hand as at December 31, 1986	\$ 25,200
Net Proceeds of this issue	<u>\$675,000</u>
Total funds available	<u>\$700,200</u>

Use of Available Funds (in order of priority)

To pay legal, printing and other expenses in connection with this Prospectus (estimated) \$ 25,000

Wolf Property

To carry out Phase I of the recommended program of work on the Wolf Property based on the Report of Luca Riccio, Ph.D., Geological Consultant, dated September 5, 1986, consisting of road construction, trenching, mapping, prospecting, rock sampling, and silver soil geochemistry \$179,463

Grass Valley Property

To carry out Stage 1 of the recommended program of work on the Grass Valley Property based on the Report of John S. Vincent, P. Eng. dated November 15, 1986, consisting of detailed geological mapping, road building, drill site preparation, and reverse circulation drilling - (\$150,000 U.S. - converted at \$1.39) \$208,500

To provide a reserve to carry out Stage 2 of the recommended program of work based on the Report of John S. Vincent, P. Eng. dated November 15, 1986 consisting of 3,500 feet of reverse circulation drilling and evaluation (\$102,500 U.S. - converted at \$1.39) \$142,475

To provide working capital \$144,762

TOTAL: \$700,200

Any funds received from the exercise in whole or in part of the Greenshoe Option and/or the Broker's Option will be added to working capital. Working capital will be used to defray normal administration costs, to maintain the Company's properties in good standing, for further mineral exploration, and for further mineral property acquisition by staking and recording, purchase or option,

as the directors of the Company may determine. Contingent upon the results of the Phase I program of work, working capital may be applied to the Phase II program on the Wolf Property. If the Directors decide not to proceed with Stage 2 of the program of work on the Grass Valley Property, the allocated funds of \$102,475 will be added to working capital.

The Company may, pursuant to the recommendations of a qualified engineer, abandon, in whole or in part, any of its properties or may alter, as work progresses, the work program recommended or may make arrangements for the performance of all or any portion of such work by other persons or companies and may use any money so diverted for the purpose of conducting work or examining other properties acquired by the Company after the date of this Prospectus. The Company 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 subsequent to the completion of the primary distribution, 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 investments in which trust funds may be invested under the laws of the jurisdiction in which the securities offered by this Prospectus may be lawfully sold. Should the Company intend to use the proceeds to acquire other than trustee type securities after the distribution of the securities offered by this Prospectus, approval by the shareholders of the Company must first be obtained and notice of the intention filed with the regulatory securities bodies having jurisdiction over the sale of the securities offered by this Prospectus.

CAPITALIZATION AND DESCRIPTION OF SHARES

Designation of Security	Amount Authorized	Amount Outstanding as of the Date of the Balance Sheet Contained in Prospectus		Amount Outstanding as of the date hereof	
		Amount Outstanding as of the Date of the Balance Sheet Contained in Prospectus	Amount Outstanding as of the date hereof	Amount Outstanding as of the date hereof	Amount Outstanding as of the date hereof
Common	20,000,000	1,420,000	1,570,000	2,320,000	

*In addition, the Company has reserved a total of 262,500 treasury shares in the event of the exercise of the Greenshoe Option and/or the Broker's Option.

All shares of the Company, both issued and unissued, are of the same class and rank equally as to dividends, voting powers and participation in assets of the Company on a winding-up or dissolution. No shares have been issued subject to call or assessment. There are no preemptive or conversion rights, and no provisions for redemption, purchase for cancellation, surrender, sinking fund or purchase fund. Provisions as to the creation of, modifications, amendments or variations of such rights or such provisions are contained in the Company Act of British Columbia.

PRIOR SALES

1,570,000 Common shares of the Company have been sold for cash since incorporation as follows:

<u>Date Sold</u>	<u>No. of Shares</u>	<u>Price Per Share</u>	<u>Commission</u>	<u>Cash Received</u>
Dec. 13, 1985	100	\$0.25	Nil	\$ 25.00
Sept. 26, 1986	750,000	\$0.01	Nil	\$ 7,500.00
Sept. 29, 1986	469,900	\$0.25	Nil	\$117,475.00
Sept. 30, 1986	200,000	\$0.50	Nil	\$100,000.00
Nov. 24, 1986	<u>150,000</u>	\$0.25	Nil	<u>\$ 37,500.00</u>
	1,570,000			\$262,500.00

The shares issued at \$0.25 and \$0.50 per share have been pooled with Montreal Trust Company, to be released as follows:

- (a) 25% of the shares on the first day the shares of the Company commence trading on the Exchange (the "Approval Date");
- (b) 25% of the shares three months following the Approval Date;
- (c) 25% of the shares six months following the Approval Date;
- (d) the balance of the shares nine months following the Approval Date.

The shares issued at \$0.50 per share have been pooled because they were subscribed for by the holders thereof at the same time as the \$0.25 shares and are deemed to have been acquired at an average price of \$0.375 per share.

In the event the Company is not listed for trading within 12 months of the date of issue of a receipt by the Superintendent or within eighteen months of the execution of the pooling agreements, all the pooled shares will be released to pooled shareholders and will be available for trading immediately upon listing on the Exchange.

ESCROWED SHARES

<u>Designation of Class</u>	<u>Number of Shares held in Escrow</u>	<u>Percentage of Class</u>
Common	750,000	47.8%

As at the date hereof, there are 750,000 escrowed Common shares held by Montreal Trust Company subject to the direction or determination of the Superintendent or the Exchange. These shares were issued as Principals' Shares at a price of \$0.01 per share. The escrow restrictions provide that the shares may not be sold, assigned, hypothecated, alienated, released from escrow, transferred within escrow, or otherwise in any manner dealt with, without the express consent of the Superintendent or the Exchange.

The terms of the Escrow Agreement provide that a portion of the consideration for the issuance of the escrowed shares is to encourage the escrow shareholders to act in the best interest of the Company, and if the Company becomes successful due in part to the efforts of the shareholders or any one of them, the shareholders shall be entitled to maintain their ownership of the escrowed shares and to a release of the shares from the terms of the Escrow Agreement, from time to time, in accordance with the general policies of the Superintendent or the Exchange.

The complete text of the Escrow Agreement is available for inspection at the records office of the Company, 3000 - 1055 West Georgia Street, Vancouver, B.C.

PRINCIPAL SHAREHOLDERS

Set forth below are the names and addresses of the holders of 10% or more of the Common shares of the Company and particulars of their shareholdings as at the date hereof:

<u>Name and Address</u>	<u>Designation of Class</u>	<u>Type of Ownership</u>	<u>Number of Shares Owned</u>	<u>Percentage of Class</u>
Primary Ventures Corporation ⁽¹⁾ 1580-999 W. Hastings St. Vancouver, B.C. V6C 2W2	Common	Direct	491,668 (375,000 escrowed, 116,668 pooled)	31.3%
Western Telluric Resources Ltd. ⁽²⁾ 203-455 Granville St. Vancouver, B.C. V6C 1T1	Common	Direct	475,000 (375,000 escrowed, 100,000 pooled)	30.3%

(1) Primary Ventures Corporation is a British Columbia non-reporting company beneficially owned one-third by Malcolm P. Burke, one-third by Brian Mountford, and one-third by David Yue. Malcolm Burke and Brian Mountford are Directors of the Company.

(2) Western Telluric Resources Ltd. is a British Columbia non-reporting company owned by James M. Dawson, the President and a Director of the Company.

The directors and senior officers as a group own, directly or indirectly, 974,168 Common shares of the Company representing 62.05% of the issued shares.

OPTIONS TO PURCHASE SECURITIES

A. Directors' Stock Options

By Agreements dated December 2, 1986, the Company granted stock options to its directors to purchase up to an aggregate of 116,000 Common shares in the capital stock of the Company exercisable for a period of five

years commencing on the date of issuance of a receipt for this Prospectus by the Superintendent of Brokers at a price per share equal to the price paid by the public for shares sold hereunder, as follows:

<u>Name</u>	<u>No. of Shares</u>
Brian Mountford	60,000
James M. Dawson	40,000
Malcolm P. Burke	16,000

B. Employee Stock Options

By Agreements dated December 2, 1986, the Company granted stock options to certain of its employees to purchase up to an aggregate of 116,000 Common shares in the capital stock of the Company exercisable for a period of five years commencing on the date of issuance of a receipt for this Prospectus by the Superintendent of Brokers at a price per share equal to the price paid by the public for shares sold hereunder, as follows:

<u>Name</u>	<u>No. of Shares</u>
Richard Sillitoe	40,000
David Yue	25,000
Luca Riccio	17,000
William Walls	14,000
Michael Dawson	10,000
Barney Magnusson	10,000

All of the foregoing options are non-assignable and terminate in the event the optionee ceases to be a director or employee of the Company, as applicable. The options granted to the directors are subject to shareholder approval prior to the exercise thereof.

Other than as disclosed in this Prospectus, there are no outstanding or proposed options to purchase securities of the Company.

DIRECTORS AND OFFICERS

<u>Name and Address</u>	<u>Office Held</u>	<u>Principal Occupation during Past Five Years</u>
JAMES MARTIN DAWSON 12 - 10820 Springmont Drive Richmond, B.C. V7E 3S5	Director and President	Geologist; Self-Employed, April/85 to present; Kerr Dawson & Associates Ltd., July/72 to March/85.
BRIAN MOUNTFORD 10230 - 173rd Street Surrey, B.C. V3T 4W2	Director	Mining Engineer, Self-Employed; President, Brian Mountford & Associates Ltd., Aug./77 to present; President, Centennial Minerals Ltd., Jan./84 to Oct./85. Chairman and Director, Brohm Resources Ltd., High River Resources Ltd.
MALCOLM PETER BURKE 5937 Churchill Street Vancouver, B.C. V6M 3H4	Director	Financier; President, Sopo Investments Ltd., over five years; Director of various public companies including Nelson Holdings International.
BARNEY MAGNUSSON 3556 Dunbar Street Vancouver, B.C. V6S 2C5	Secretary- Treasurer	Chartered Accountant, Self-Employed; Secretary- Treasurer, Brohm Resources Ltd., Feb./83 to present.

The directors and officers of the Company may also be directors and officers of other companies engaged in mineral exploration and development. Therefore, mineral exploration opportunities or prospects of which they become aware will not necessarily be made available to the Company. The Directors have agreed, however, to allocate these opportunities or prospects from time to time amongst the various companies in which they are involved on the basis of prudent business judgment and the relative financial abilities and needs of the companies to participate.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL CONTRACTS

Common shares were purchased for cash from the treasury of the Company by insiders of the Company not already disclosed under the heading "Promoters" as follows:

<u>No. of Shares</u>	<u>Price Per Share</u>
7,500	\$0.25

Other than as disclosed in this Prospectus, the directors, officers and principal shareholders and their respective affiliates or associates have no interest in any past or proposed material transaction of the Company.

AUDITORS AND TRANSFER AGENT

The auditors of the Company are Tierney & White, Chartered Accountants of 214 - 131 Water Street, Vancouver, British Columbia, V6B 4M3.

The Registrar and Transfer Agent of the Company is Montreal Trust Company, of 510 Burrard Street, Vancouver, B.C., V6C 3B9.

PENDING LEGAL PROCEEDINGS

There are no pending legal proceedings involving the Company as at the date of this Prospectus.

PRELIMINARY EXPENSES

To September 30, 1986, the Company spent \$13,396 on administrative expenses and \$82,508 on exploration expenses. The Company does not expect there will be any further preliminary expenses.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Since incorporation to the date hereof, the Company has not paid and does not intend to pay any direct remuneration, pension benefits and other remuneration to its directors and senior officers in their capacity as such.

During the period from incorporation to December 31, 1986, the Company paid a total of \$50,625 to

Dawson Geological Consultants Inc., a company controlled by James Dawson, the President of the Company, for professional geological services. Dawson Geological Consultants Ltd. will continue to provide professional geological services to the Company at a per diem rate of \$300.

PROMOTERS

Mr. James M. Dawson, the President and a Director of the Company, and Primary Ventures Corporation took the initiative in founding and organizing the Company and, pursuant to the Securities Act of British Columbia, are the Promoters of the Company.

Mr. Dawson has received no consideration in the form of cash, shares or otherwise for acting as Promoter. His wholly owned company, Western Telluric Resources Ltd., purchased a total of 475,000 Common shares in the capital of the Company for cash (375,000 escrowed shares at \$0.01 per share and 100,000 pooled shares at \$0.25 per share). See "Options to Purchase Securities" for details of a stock option granted to Mr. Dawson and "Remuneration of Directors and Senior Officers" for details of indirect remuneration to Mr. Dawson.

Primary Ventures Corporation has received no consideration in the form of cash, shares or otherwise for acting as Promoter. It purchased a total of 525,000 Common shares in the capital of the Company for cash (375,000 escrowed shares at \$0.01 per share and 150,000 shares at \$0.25 per share). It subsequently sold 33,332 of its \$0.25 shares and the remaining 116,668 shares are pooled.

Primary Ventures Corporation is a British Columbia non-reporting company beneficially owned one-third by each of Brian Mountford, Malcolm P. Burke, and David Yue. Messrs. Mountford and Burke are Directors of the Company. See "Options to Purchase Securities" for details of stock options granted to Brian Mountford, Malcolm P. Burke and David Yue.

DIVIDEND RECORD

No dividends have been paid or declared on any shares of the Company.

MATERIAL CONTRACTS

There are no material contracts other than that disclosed in this Prospectus, which contracts may be inspected at the records office of the Company during normal business hours while primary distribution of the shares offered hereunder is in progress and for a period of 30 days thereafter.

OTHER MATERIAL FACTS

1. Underwriters (as defined in Local Policy 3-30 of the Superintendent of Brokers) have purchased shares in the Company for cash as follows:

<u>Number of Shares</u>	<u>Price Per Share</u>
50,000	\$0.25
50,000	\$0.50

2. In addition to expenditures on properties in which it holds an interest, the Issuer spent a total of \$61,267 during the period from incorporation to September 30, 1986 on the evaluation of mineral properties and regional mineral potential, the results of which did not warrant any property acquisitions.

There are no other material facts relating to the shares offered under this Prospectus other than those disclosed pursuant to the foregoing items.

LUCERO RESOURCE CORP.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM DATE OF INCORPORATION
(DECEMBER 12, 1985) TO SEPTEMBER 30, 1986

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TIERNEY & WHITE
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Directors of
Lucero Resource Corp.

We have examined the accompanying consolidated balance sheet of Lucero Resource Corp. as at September 30, 1986 and the consolidated statements of deferred exploration and administrative expenditures, deficit and changes in financial position for the period from the date of incorporation (December 12, 1985) to September 30, 1986. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at September 30, 1986 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

Vancouver, B.C.
November 14, 1986,
except as to Note 8
which is as of December 15, 1986



Chartered Accountants

LUCERO RESOURCE CORP.

CONSOLIDATED BALANCE SHEET - SEPTEMBER 30, 1986

ASSETS

Current:	
Cash and term deposits	\$ 54,501
Advance (Note 2)	40,000
Interest receivable	<u>162</u>
	94,663
Mineral properties (Note 3)	82,508
Deferred administrative expenditures (Note 1)	<u>6,908</u>
	\$ 184,079
	=====

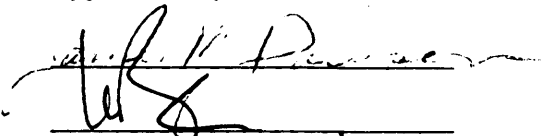
LIABILITIES

Current:	
Accounts payable (Note 6)	\$ <u>25,476</u>

SHAREHOLDERS' EQUITY

Capital stock:	
Authorized:	
20,000,000 common shares, no par value	
Issued:	
1,420,000 common shares (Note 4)	225,000
Deficit	<u>66,397</u>
	158,603
	<u>\$184,079</u>
	=====

Approved by the Directors:



LUCERO RESOURCE CORP.

CONSOLIDATED STATEMENT OF DEFERRED

ADMINISTRATIVE EXPENDITURES

FOR THE PERIOD FROM THE DATE OF INCORPORATION

(DECEMBER 12, 1985) TO SEPTEMBER 30, 1986

Administrative:	
Audit and accounting	\$ 1,500
Legal	1,739
Regulatory authorities	472
Office and administration	2,145
Printing	89
Promotion and travel	7,066
Bank charges and interest	69
Telephone	<u>316</u>
	13,396
Less: interest income	<u>1,358</u>
	12,038
Less: charged to deficit	<u>5,130</u>
Deferred administrative expenditures	\$ 6,908
	=====

LUCERO RESOURCE CORP.
CONSOLIDATED STATEMENT OF DEFICIT
SEPTEMBER 30, 1986

Balance, beginning of period	\$ -
Property evaluation expenditures	61,267
Administrative expenditures	<u>5,130</u>
Balance, end of period	\$66,397 =====

LUCERO RESOURCE CORP.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FROM THE DATE ON INCORPORATION

(DECEMBER 12, 1985) TO SEPTEMBER 30, 1986

Cash resources provided by operating activities:	
Deficit for period	\$ (66,397)
Charges to operations not resulting in an outlay of funds:	
Advance	(40,000)
Interest receivable	(162)
Accounts payable	<u>25,476</u>
	(81,083)
	<hr/>
Cash resources provided by financing activities:	
Issuance of shares	225,000
	<hr/>
Cash resources used in investing activities:	
Investment in mineral properties	82,508
Deferred administrative expenditures	<u>6,908</u>
	89,416
	<hr/>
Increase in cash and term deposits	54,501
Cash and term deposits, beginning of period	<hr/> -
Cash and term deposits, end of period	\$ 54,501 =====

LUCERO RESOURCE CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1986

1. Summary of significant accounting policies:

(a) Consolidation:

These financial statements include the accounts of the company and its wholly-owned U.S. subsidiary Lucero Resource Inc.

(b) Mineral properties and related exploration and administrative expenditures:

The company defers all direct expenditures on properties and areas in which it has an interest and all administrative expenditures. At such time as the company loses or abandons title or its interest in any property, the accumulated expenditure on such property and the attributable portion of administrative expenditures are charged to deficit. If any property reaches commercial production, applicable deferred expenditures will be amortized against related production revenues on the unit production method based on the property's estimated reserves.

The amounts shown for mineral properties represent costs to date and do not necessarily represent present or future values.

(c) Translation of foreign currency:

Amounts stated in foreign currency have been translated to Canadian dollars as follows:

(i) Mineral properties, exploration and administrative expenditures are translated at the rate of exchange in effect at the date the expenditures are made.

(ii) All other assets and liabilities are translated at the rate of exchange in effect at the balance sheet date.

2. Advance:

At September 30, 1986, \$40,000 has been advanced for future exploration work to be performed on the Grass Valley property.

Lucero Resource Corp.

Notes to consolidated financial statements

(continued)

3. Mineral properties:

(a) Grass Valley property:

The company's wholly-owned U.S. subsidiary, Lucero Resource Inc., has been granted an option by a joint venture (the "Nevada Joint Venture") between Bow Valley Mining Inc. and Brican Resources (U.S.) Inc. to acquire a 50% interest in 81 unpatented mineral claims located in Lander County, Nevada, U.S.A.

In order to earn its interest, the Subsidiary must make property expenditures as follows:

- i) \$150,000 U.S. by July 31, 1987, which must include 5,000 feet of reverse circulation drilling.
- ii) A further \$100,000 U.S. by December 31, 1987.
- iii) A further \$250,000 U.S. by December 31, 1988.
- iv) Until such time as the option is exercised, the Subsidiary is fully responsible for complying with the terms and conditions of the Maestretti Agreement. Once the option is exercised, the Subsidiary is responsible for complying with 50% of the terms and conditions of the Maestretti Agreement.

In the event that the Subsidiary does not complete the 5000 feet of drilling referred to in (i) above, it will, on the termination of the option agreement, pay to the Nevada joint venture a penalty of \$10 U.S. per foot of drilling not so completed.

The commitments under the Maestretti Agreement are as follows:

a) pay to the Maestretti's the sum of \$1,250,000 U.S. as follows:

- i) \$10,000 U.S. by December 31, 1986.
- ii) \$15,000 U.S. by December 31, 1987.
- iii) \$20,000 U.S. by December 31, 1988.
- iv) \$25,000 U.S. by December 31, 1989.
- v) \$30,000 U.S. by December 31, 1990.
- vi) \$30,000 U.S. on each December 31st thereafter.
- vii) any balance owing on the exercise of the option to purchase.

b) perform work on the 17 unpatented mineral claims (the "Verscio Claims") to the value of not less than \$10,000 U.S. by December 31, 1986.

Notes to consolidated financial statements

(continued)

- c) perform sufficient work each year to satisfy annual assessment work requirements.
- d) pay all taxes.
- e) pay the Maestretti's 6% of net smelter returns from the proceeds of commercial production in the event that the Verscio Claims are placed into commercial production.

Cost	\$ 26,052
------	-----------

(b) Wolf property:

The company has acquired an option to earn up to a 60% interest in 136 mineral claims located in Omineca Mining Division, British Columbia. This option is subject to a 5% net profits royalty interest.

In order to earn its interests, the company must make expenditures on the mineral claims as follows:

- \$150,000 by December 31, 1987 in consideration for the option
- A further \$250,000 by December 31, 1988 to earn a 40% interest
- A further \$300,000 by December 31, 1989 to earn a 60% interest

Upon obtaining a 40% interest in the mineral claims, the company may convert its interest to a 20% net profits royalty interest by electing not to make future expenditures.

Upon the company obtaining a 60% interest in the mineral claims, the optionor may convert its 40% interest to a 20% net profits royalty interest.

Cost	\$ <u>6,921</u>
------	-----------------

(c) Lewis Hills and Grand Lake property:

The company owns 294 mineral claims located in western Newfoundland

Cost	49,535
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Total	\$82,508 =====
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~Lucero Resource Corp.

Notes to consolidated financial statements

(continued)

(4) Capital stock:

During the period the company issued 1,420,000 common shares for cash consideration of \$225,000.

(5) Directors' remuneration:

During the period no remuneration was paid to any of the directors in their capacity as such.

(6) Related party transactions:

Included in accounts payable is \$14,653 which is due to a company owned by a director. During the period, a director's company and a shareholder performed various professional services and incurred expenses on behalf of the company amounting to \$39,000 and \$66,934 respectively.

(7) Date of incorporation:

The company was incorporated on December 12, 1985 pursuant to the laws of British Columbia. The company's subsidiary, Lucero Resources Inc., was incorporated on September 9, 1986 under the laws of Nevada, U.S.A.

(8) Subsequent events:

a) Capital Stock:

Subsequent to September 30, 1986, 150,000 common shares were issued to Kaystan Investments Limited for cash consideration of \$37,500.

b) Stock options:

By agreements dated December 2, 1986, the company has granted stock options to directors and employees of the company to purchase Common shares at a price of \$1.00 per share as follows:

	<u>No of Shares</u>
Directors	116,000
Employees	<u>116,000</u>
	232,000
	=====

The options are non-assignable and terminate in the event that the optionee ceases to be a director or employee of the company. The options granted to the directors of the company are subject to shareholder approval prior to being exercised.

Lucero Resource Corp.

Notes to consolidated financial statements

(continued)

c) Grass Valley property:

By an agreement dated November 15, 1986, the company's subsidiary, Lucero Resource Inc., has been granted credit of \$40,000 Canadian against property expenditures required to be incurred for the periods ending December 31, 1987 and December 31, 1988. (See note 3(a), (ii) and (iii)).

REPORT ON THE WOLF PROPERTY

Prepared for

**Lucero Resource Corporation,
1580 - 999 West Hastings Street,
Vancouver, British Columbia
V6C 2W2**

OMINECA MINING DIVISION

NTS 93F / 3W

Prepared by

**Luca Riccio, Ph.D.
Geological Consultant**

September 5, 1986

REPORT ON THE WOLF PROPERTY

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SUMMARY

The Wolf Property was acquired by Lucero Resource Corporation after an extensive investigation of properties which had the overall size and potential to host a new gold mining district in Canada. This large property consists of nine contiguous claims totalling 136 units or 8500 acres, located in moderate, forested terrain about 115 kilometers south of Burns Lake in central British Columbia. Road access via 150 miles of logging road from the northern Trans-Provincial Highway at Vanderhoof is currently within ten kilometers of the property. Construction of this remaining access road can be easily accomplished.

The property was discovered by Rio Algom Explorations Inc. (now Lornex Mining Corporation) in 1983, during the course of a regional lake sediment sampling programme. Subsequent work by this company in 1984 and 1985 included soil and rock sampling, geological mapping, VLF-EM surveys, as well as limited trenching and diamond drilling.

The claims are underlain by subaerial rhyolitic to andesitic flows, pyroclastic and epiclastic rocks of the Tertiary Ootsa Lake Group. Several north to northeast-trending silicified epithermal zones have been outlined on the property. The silicified zones are characterized by chalcedonic to microcrystalline quartz veins and stockworks which contain anomalous to significant gold and silver values. Gold/silver values in rocks correlate with silver anomalies in soils.

It is believed that the geological setting and style of mineralization at the Wolf Property can be compared to other Tertiary epithermal deposits in British Columbia, and is analogous to volcanic hosted, epithermal precious metal deposits found in some of the large districts of the western United States (for example, Paradise Peak, 10 million tons grading 0.1 oz gold and 3.0 oz silver per ton; and Round Mountain, 12 million tons grading 0.06 oz gold and 0.07 oz silver per ton).

Work on the Wolf Property to date has identified two potential target types:

(a) High grade vein deposits, for example the Ridge Zone, where trench sampling returned values of 8.49 grams/tonne gold (0.25 oz/ton) and 42.2 grams/tonne silver (1.25 oz/ton) over 7.5 meters (24.7 feet);

(b) Large tonnage, lower grade, open pit deposits, as in the Pond Zone where sampling over widths of up to 30 to 40 meters (100 - 130 feet) over strike lengths of at least 350 meters (1155 feet) encountered consistently anomalous gold values with assays up to 0.06 oz gold/ton.

A two-phase exploration programme is highly recommended by the writer to further evaluate the property. The first phase, which will include access road construction, extensive trenching, as well as rock and soil sampling, is estimated to cost \$179,463.00. Phase II, contingent upon the success of Phase I, will consist of additional trenching and diamond drilling at an estimated cost of \$301,400.00.

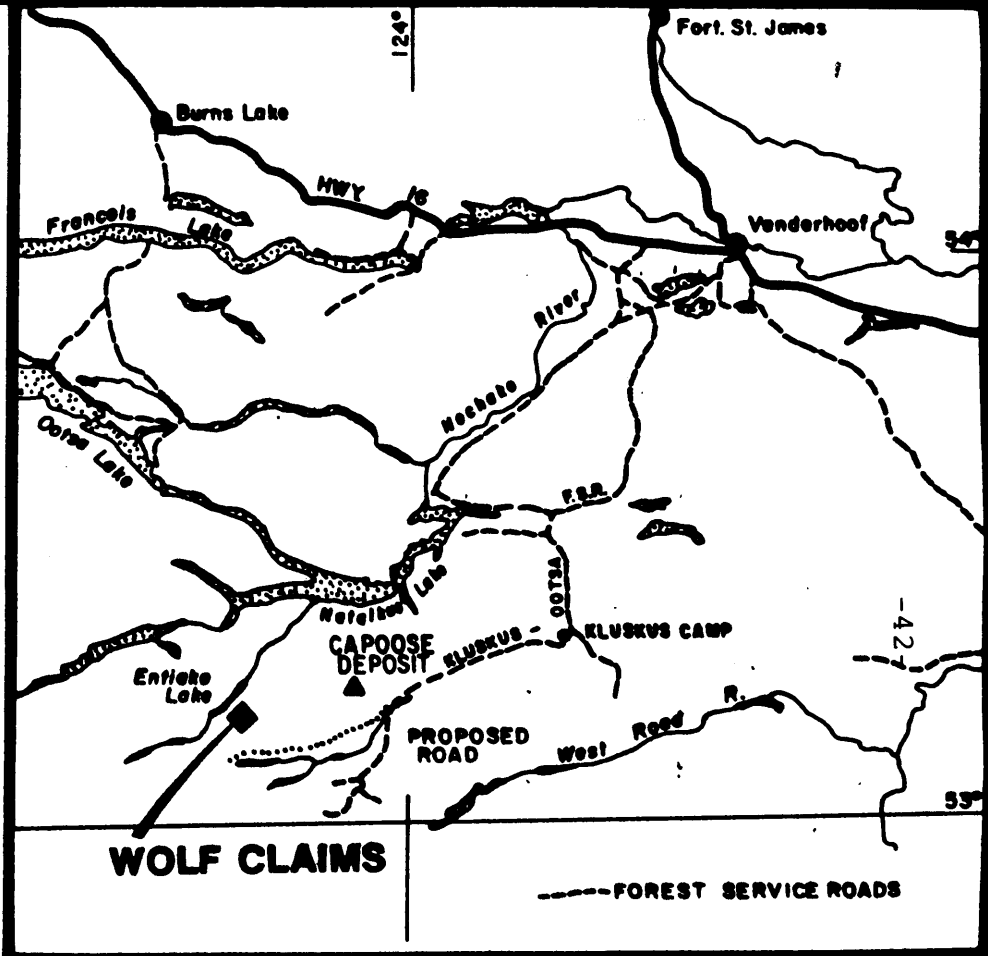
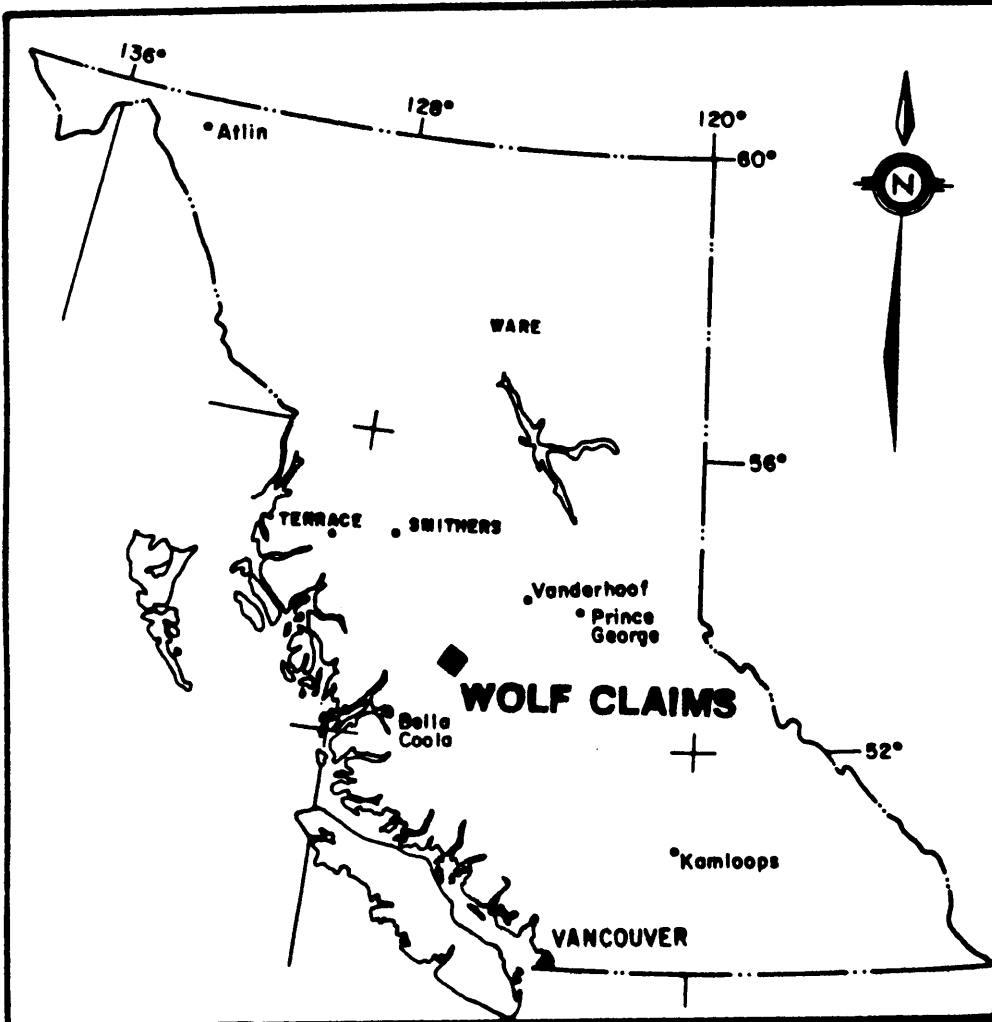
INTRODUCTION

Lucero Resource Corporation has commissioned L. Riccio to compile this report on the Wolf Property, synthesizing the work carried out to date and recommending an appropriate exploration program for further evaluation.

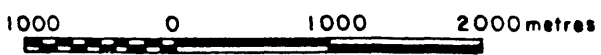
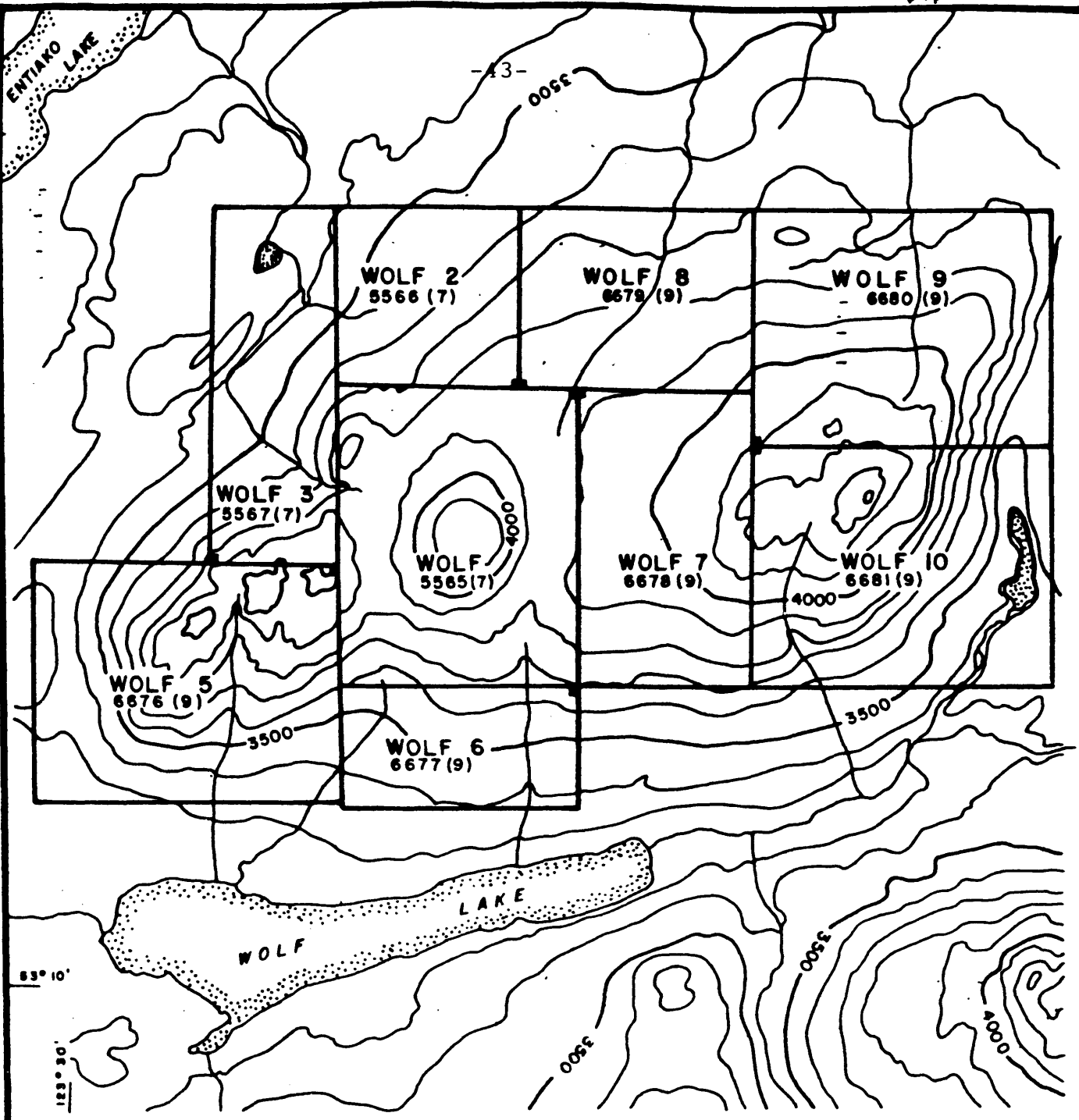
This report is based on a field examination carried out on July 15, 1986 and a review of all available literature.

LOCATION, PHYSIOGRAPHY AND ACCESS

The claims are located in central British Columbia, 115 kilometers south-southeast of Burns Lake, between Entiako and Johnny Lake. The claims are centered at 53°12'N latitude and 125°27'W longitude (Figure 1).



LUCERO RESOURCE CORPORATION		
WOLF CLAIMS		
OMNECA M.D. - B.C. NTS:93F/3		
LOCATION MAP		
DATE: AUG. 1986 BY: J.D./rwr FIGURE: 1		



LUCERO RESOURCE CORPORATION
WOLF CLAIMS OMINECA M.D.-B.C. NTS:93F/3
CLAIM MAP
DATE: AUG. 1986 BY: J.D./rwr FIGURE: 2

The claims are located in moderate to rolling terrain at elevations ranging from 975 meters to 1350 meters. A forest cover of immature jack pine mantles the property.

Present access to the property is by helicopter from Burns Lake or Prince George. The Kluskus Road, one of many logging roads originating in Vanderhoof, leads to within 10 kilometers of the eastern boundary of the claim block. The extension of this road to the property is relatively easy and will be completed during the first phase of exploration.

PROPERTY AND OWNERSHIP

The Wolf Property consists of nine claims totalling 136 units (Figure 2). The claims are recorded as follows:

<u>Claim Name</u>	<u>No. of Units</u>	<u>Record Number</u>	<u>Date Staked</u>	<u>Date Recorded</u>
Wolf	20	5565	13 Jul '83	18 Jul '83
Wolf 2	9	5566	15 Jul '83	18 Jul '83
Wolf 3	12	5567	14 Jul '83	18 Jul '83
Wolf 5	20	6676	23 Sep '84	26 Sep '84
Wolf 6	8	6677	22 Sep '84	26 Sep '84
Wolf 7	15	6678	23 Sep '84	26 Sep '84
Wolf 8	12	6679	22 Sep '84	26 Sep '84
Wolf 9	20	6680	21 Sep '84	26 Sep '84
Wolf 10	20	6681	22 Sep '84	26 Sep '84

The registered owner of the claims is Rio Algom Explorations Inc.

HISTORY AND PREVIOUS WORK

The Wolf claims were located by Rio Algom Explorations Inc. as a result of anomalous silver values (2.1 ppm) in lake sediments in the area. Subsequent follow up work (Spence, 1983) consisting of soil and rock geochemical sampling on three grids led to the discovery of anomalous gold (up to 9700 ppb) and silver (up to 65 ppm) values associated with north-northeast trending silicified epithermal zones.

Field work in 1984 (Cann, 1984) included geological mapping, soil sampling over extensions of previous grids, chip sampling of silicified zones, trenching and additional staking (seven claims). Trench samples from the Ridge Zone assayed up to 8.49 grams/tonne gold and 42.4 grams/tonne silver over 7.5 meters. Chip sampling at other localities led to the discovery of several additional areas of multiphase silicification with accompanying gold and silver mineralization.

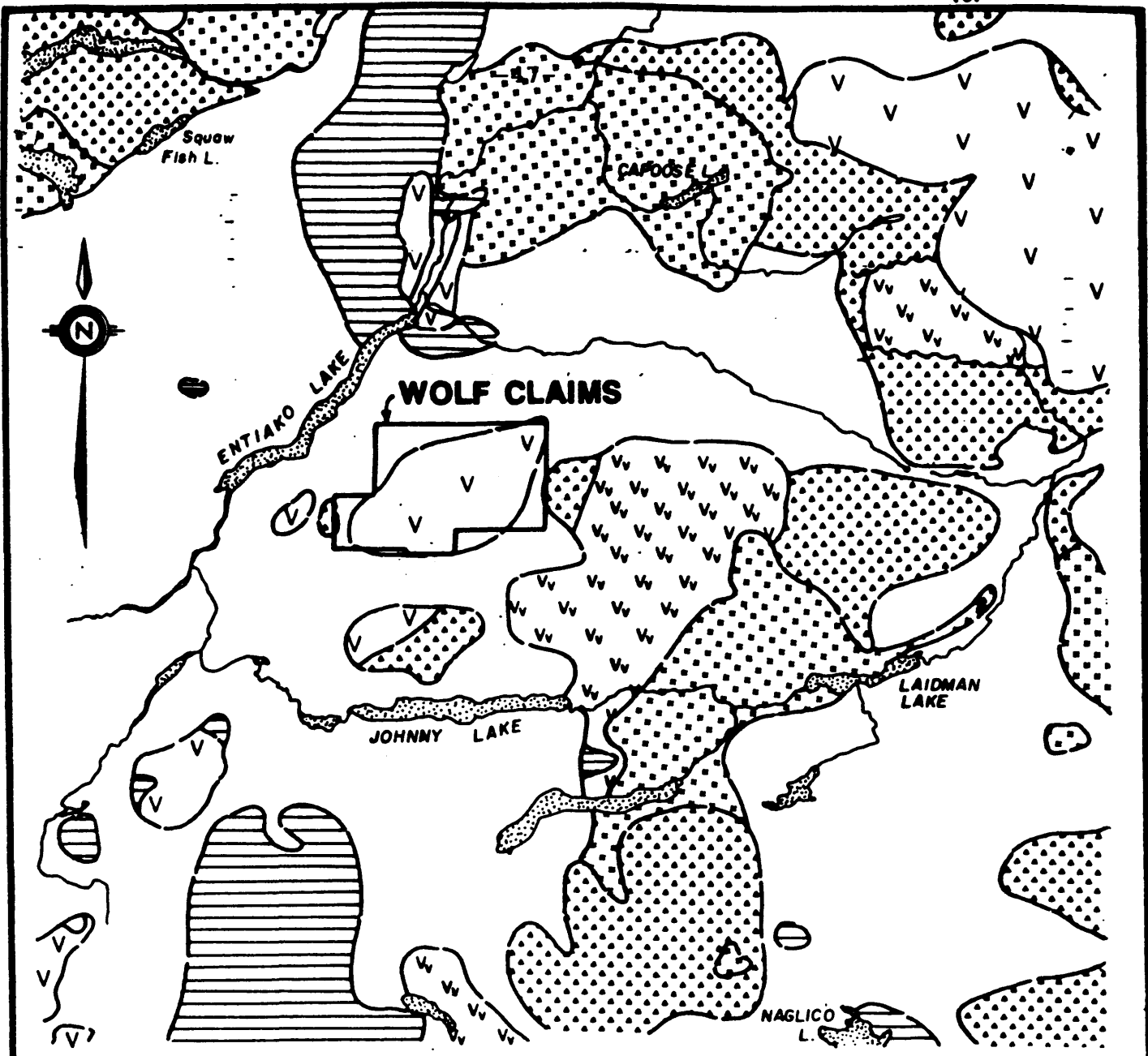
The 1985 program (Holmgren and Cann, 1985) was aimed at drill testing the Ridge Zone, evaluating overburden-covered areas in the vicinity of this zone using geophysics and trenching, and investigating the eastern portion of the property. Four holes totalling 344.1 meters drilled on the Ridge Zone did not intersect mineralization and indicated that the zone is truncated by a fault. Magnetic and VLF-EM surveys were only partially useful in tracing the zone, but did outline lithologic contacts. Rock sampling to the southeast of the Ridge Zone identified a new, large gold/silver-bearing zone (Pond Zone). Two exploratory holes (249.4 meters) drilled on the Pond Zone, confirmed the presence of anomalous gold and silver values at depth. Geochemical and geological surveys on the eastern portion of the property outlined a 1.2-kilometer by 0.4-kilometer silver in soil geochemical anomaly, coinciding with outcrops of silicified rhyolite.

REGIONAL GEOLOGY AND MINERALIZATION

Basement rocks in the region are volcano-sedimentary sequences of the Upper Triassic to Lower Jurassic Takla Group (Figure 3). Takla Group rocks include basic volcanic flows, breccias and tuffs, with interbedded clastic sediments and minor limestone beds. The Takla Group is unconformably overlain by andesitic rocks and clastic sediments of the Middle Jurassic Hazelton Group. Both Takla and Hazelton group rocks are intruded by granitoid bodies of post Middle Jurassic age. Overlying the Mesozoic rocks are non-marine, Tertiary Ootsa Lake Group rocks, consisting of rhyolite, andesite and minor sediments. The Ootsa Lake Group is overlain unconformably by the non-marine, late

Tertiary Endako Group, an essentially underformed succession of plateau basaltic flows, breccias and tuffs. The nature and distribution of Tertiary volcanic rocks in the region indicates that Tertiary volcanic activity took place in an extensional basin and range tectonic setting.

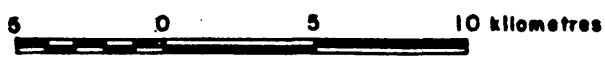
Mineral occurrences in the region include copper-molybdenum porphyries genetically related to post Middle Jurassic granitoids and the bulk tonnage silver-lead-zinc (copper-gold) Capoose deposit. The latter is hosted by Hazelton Group volcanics.



SIMPLIFIED AFTER TIPPER (1963)

LEGEND

- PLEISTOCENE & RECENT**
- Till, gravel, sand and silt.
- MIOCENE & LATER (ENDAKO GROUP)**
- Mainly subaerial Basalt
- UPPER CRETACEOUS TO OLIGOCENE (OOTSA LK. GROUP)**
- Basalt to Rhyolite, minor sediments
- UPPER JURASSIC & /OR CRETACEOUS**
- Granitoids
- MIDDLE & LOWER JURASSIC (HAZELTON GROUP)**
- Andesitic rocks, clastic sediments.
- UPPER TRIASSIC & LOWER JURASSIC (TAKLA GROUP)**
- Mafic flows, tuffs, breccias; Argillite and minor Limestone



LUCERO RESOURCE CORPORATION
WOLF CLAIMS OMINECA M.D.-B.C. NT8:93F/3
WOLF PROPERTY REGIONAL GEOLOGY
DATE: AUG. 1986 BY: J.D./rwr FIGURE: 3

PROPERTY

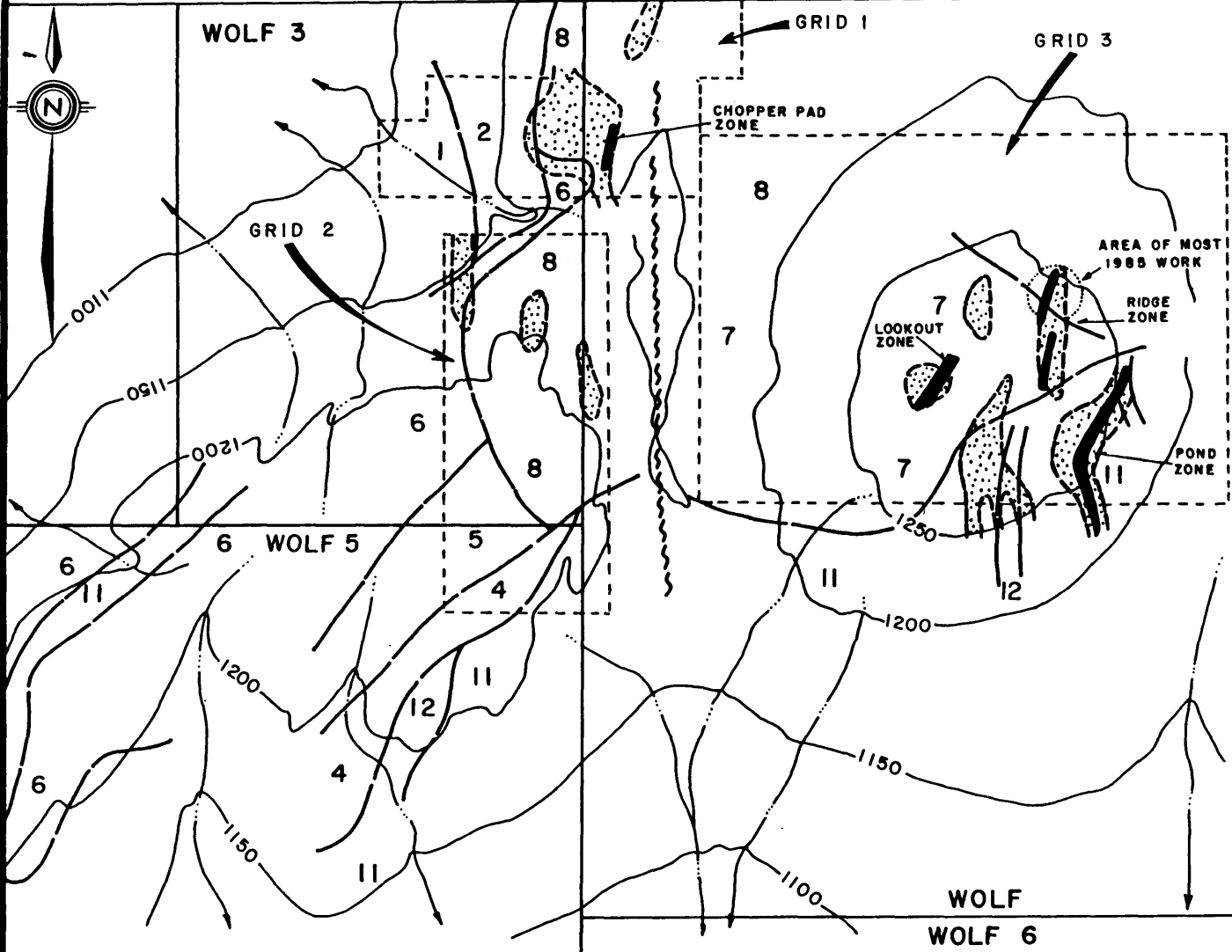
GEOLOGY

Geological compilations (Andrew et al, 1985) of the western and eastern portions of the Wolf Property are shown in Figures 4 and 5, respectively. Four assemblages and 12 map units have been recognized in the Western Claims (Figure 4). The 'basal' package of volcanic conglomerate felsic lapilli tuff and porphyritic andesite is characterized by steeply-dipping sedimentary and tuffaceous units, possibly reflecting proximity to a major ring fault. The 'pyroclastic' package consists of flat-lying tuffs and K-feldspar - quartz porphyry and is interpreted as representing a tuff ring. The 'dome and vent' package is made up of rhyolite, commonly flow-banded and spherulitic, and related volcanic breccias of possible hydrothermal origin. The 'late stage and intrusive' package contains extrusive andesitic phases and intrusive rhyolite porphyry and quartz-eye porphyry.

MINERALIZATION, ALTERATION AND GEOCHEMISTRY

Mineralization at the Wolf Property consists of structurally controlled north to northeast trending, weakly to pervasively silicified, quartz-vein/stockwork zones, apparently restricted to the youngest or stratigraphically highest units. The silicified zones display typical epithermal features such as microcrystalline to chalcedonic silica, drusy and vuggy quartz, and multistage veining. Weak argillic and sericitic alteration is found within silicified zones. All mineralization zones are characteristically sulphur-poor, and are not appreciably anomalous in either high level elements (As, Sb, Hg) or base metals.

Work on the property to date has identified five areas of epithermal quartz veining containing anomalous to economic gold-silver values in rocks and several large silver in soil anomalies. The location of these mineralized zones and of the gold-silver geochemical anomalies is shown in Figures 4 and 5. A summary description of each zone is given below.



(GEOLOGY AFTER ANDREW, GODWIN, CANN 1985)

LEGEND:

- 12 QUARTZ EYE PORPHYRY
- 11 RHYOLITE PORPHYRY
- 10 DARK GREEN PORPHYRIC ANDESITE
- 9 VOLCANIC BRECCIA
- 8 RHYOLITE
- 7 GREY-MAROON CRYSTAL TUFF
- 6 MAROON, K-FELDSPAR QUARTZ PORPHYRY
- 5 CREAM APHANITIC ASH TUFF
- 4 GREY GREEN LITHIC CRYSTAL TUFF
- 3 PORPHYRITIC ANDESITE & ANDESITE BRECCIA
- 2 FELSIC LAPILLI TUFF
- 1 VOLCANIC CONGLOMERATE



SILVER SOIL ANOMALY (>0.6 ppm. Ag)



SILICIFIED ZONE

DOME LATE STAGE
 AND VENT INTRUSIVE
 PACKAGE
 PYROCLASTIC
 PACKAGE
 BASAL
 PACKAGE



LUCERO RESOURCE CORPORATION

WOLF CLAIMS

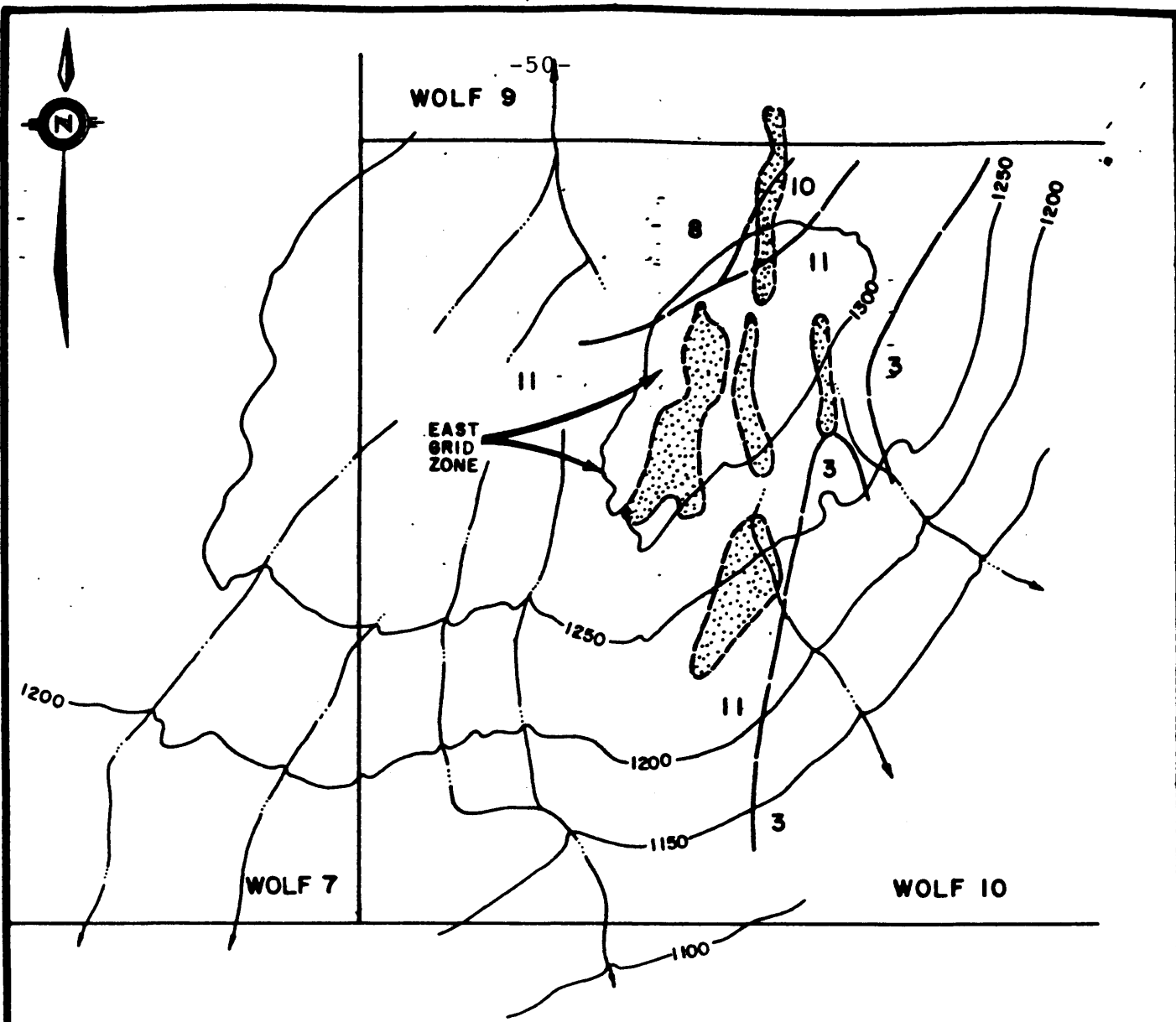
OMINECA M.D.-B.C. NTS:93F/3

**WOLF PROPERTY
GEOLOGY AND GEOCHEMISTRY
(WESTERN HALF)**

DATE: AUG. 1986

BY: J.D./rwr

FIGURE: 4



(GEOLOGY AFTER ANDREW, GODWIN, CANN 1985)

LEGEND:

- 12 QUARTZ EYE PORPHYRY
- 11 RHYOLITE PORPHYRY
- 10 DARK GREEN PORPHYRIC ANDESITE
- 9 VOLCANIC BRECCIA
- 8 RHYOLITE
- 7 GREY-MAROON CRYSTAL TUFF
- 6 MAROON, K-FELDSPAR QUARTZ PORPHYRY
- 5 CREAM APHANITIC ASH TUFF
- 4 GREY GREEN LITHIC CRYSTAL TUFF
- 3 PORPHYRITIC ANDESITE & ANDESITE BRECCIA
- 2 FELSIC LAPILLI TUFF
- 1 VOLCANIC CONGLOMERATE

DOME LATE STAGE AND VENT INTRUSIVE PACKAGE
 PYROCLASTIC PACKAGE
 BASAL PACKAGE

SILVER SOIL ANOMALY (>0.6 ppm. Ag)



LUCERO RESOURCE CORPORATION
WOLF CLAIMS OMINECA M.D.-B.C. NTS:93F/3
WOLF PROPERTY GEOLOGY AND GEOCHEMISTRY (EASTERN GRID)
DATE: AUG. 1986 BY: J.D./rwr FIGURE: 5

- o The **Ridge Zone** is a north-northeast trending silicified zone extending for 200 meters before disappearing beneath overburden to the north. Thirteen trenches, hand-blasted over an area 60 meters long and 30 meters wide, have uncovered moderately to severely brecciated quartz-eye tuff. Highly brecciated portions are intensely silicified and cut by a network of anastomosing chalcedonic and microcrystalline quartz veins. Visible mineralization in all trenches ranges from nil to one percent pyrite. Gold and silver values correlate positively with the degree of brecciation, silicification and quartz veining. Best trench assays (Trench No.6) are 8.49 grams/tonne gold and 42.2 grams/tonne silver over 7.5 meters and 13.58 grams/tonne gold over 1.7 meters. Drilling beneath the mineralized zone (four holes totalling 344.1 meters) failed to intersect the mineralized surface material. Drill data indicate that the mineralization (?) is cut off by a shallow-dipping fault whose surface expression is probably a gully immediately west of the trench area.

Sample descriptions and analytical results from rocks and soils collected by the writer from the Ridge Zone are given in Appendices 1 and 2 respectively. It is important to note that the two soils collected immediately above trench material assaying around 10 grams/tonne gold are NOT anomalous in gold (5 ppb Au). On the other hand, both soils are enriched in silver (2.6 and 7.3 ppm Ag). The importance of this fact is that previously, the absence of gold in soils, whether silver was present or not, was taken as a negative indicator. Thus potentially promising areas were not investigated further. This new evidence makes it essential to re-examine for gold those areas where soils report only anomalous silver.

- o The **Pond Zone** is a northeast to north trending, 350-meter long, 30-to 40-meter wide, silicified zone, located south and east of the Ridge Zone. The zone is underlain by variably silicified and quartz veined feldspar-quartz porphyry, characterized by mutually crosscutting

microcrystalline to chalcedonic quartz veins and bands or veins of bladed sinter-like white silica. Detailed chip sampling over an area 160 meters long and 50 meters wide returned values averaging several hundred ppb gold and three to four ppm silver, with individual values as high as 2200 ppb gold and 38.6 ppm silver. Two holes drilled under this zone intersected similar grades over core lengths in excess of 50 meters. The Pond Zone is open to the south as indicated by highly anomalous silver in soil values (up to 5.0 ppm) occurring along the southernmost line of grid 3.

- o The **Lookout Zone** is a northeast trending, 150-meter long and 30- to 40-meter wide zone of irregular chalcedonic quartz veining cutting maroon crystal tuff. Rock chip sampling to date has returned weakly anomalous gold (30 to 40 ppb) and silver (less than 1 ppm) values. The best single assay from this zone was 2.1 grams/tonne gold and 20.5 grams/tonne silver.
- o The **Chopper Pad Zone** is a north-northeast trending, rhyolite-hosted, silicified zone, lying on the eastern margin of a broad silver in soil geochemical anomaly, covering an area 400 meters long and up to 300 meters wide. Chip sampling over a weakly quartz veined zone, 130 meters long and 20 to 40 meters wide, has failed to encounter appreciable gold or silver values. The sampled area is located on a small ridge surrounded by low-lying terrain devoid of outcrop. Consequently, the cause of the large silver in soil geochemical anomaly remains unexplained.
- o **East Grid Anomalies** - Several large silver in soil geochemical anomalies characterize the East Grid area (Figure 5). The anomalies are mainly restricted to a weakly quartz-veined rhyolite porphyry unit (Unit 11). Preliminary sampling has identified a few anomalous silver values (0.7 to 2.5 ppm) with no corresponding gold values.

CONCLUSIONS AND RECOMMENDATIONS

The Wolf showings are believed to represent the first reported discovery of significant epithermal gold-silver mineralization within Tertiary Ootsa Lake Group rocks. Similar geologic settings, age and style of mineralization are also found at the Blackdome and Dusty Mac gold-silver deposits in southern British Columbia, as well as at much larger deposits located in the western United States, for example, Paradise Peak and Round Mountain, Nevada.

Work to date has identified five mineralized zones and several silver in soil geochemical anomalies. Trench samples from one of these mineralized zones (the Ridge Zone) returned economic precious metal values (8.49 grams/tonne gold, 42.2 grams/tonne silver) over mineable widths (7.5 meters). Although drilling beneath this zone failed to encounter economic mineralization, the faulted off portion of the mineralized system and its extension along strike remain to be investigated. At the Pond Zone, anomalous gold values (200 to 500 ppb gold) occur at surface and have been intersected in drill core over significant lengths (greater than 50 meters). The Pond Zone is open to the south and silver in soil geochemical values indicate that grades may increase in that direction.

It is the writer's opinion that this property has considerable potential for bonanza and bulk-tonnage gold-silver deposits. Aims of the proposed exploration program are to 1) investigate silicified zones and geochemical targets outlined by previous work, and 2) to evaluate overburden-covered areas. In order to accomplish these objectives, it is imperative that an access road branching off the Kluskus logging road be built into the property. This should be followed up by an extensive Phase I program of trenching, mapping, prospecting, rock sampling and silver soil geochemistry in selected areas. A contingent Phase II program should consist of additional trenching and diamond drilling.

The work by Rio Algom Exploration Inc. has so far focused on areas of outcrop along ridge tops. Furthermore, the exploration programs have been somewhat hampered by difficult access and heavy forest cover. The completion

of the road access will open up this large property for the more thorough investigation it definitely warrants.

Cost estimates of the investigation are summarized below.

COST ESTIMATES

Phase I

Road Construction (15 km @ \$6000/km)	\$	90,000	
Cat & Backhoe Trenching		15,000	
Soil Samples (1000 @ \$6/sample)		6,000	
Rock Samples (500 @ \$10/sample)		5,000	
Personnel (4 X \$200 X 40 days)		32,000	
Supervision		5,000	
Camp Costs, Food, etc.		<u>10,000</u>	\$ 163,000
Contingency @ 10%			<u>16,300</u>
			<u>\$ 179,463</u> ⁷
			179,300

Phase II

Cat & Backhoe Trenching	\$	20,000	
NQ Diamond Drilling (2000 m @ \$100/m)		200,000	
Assays (1000 samples @ \$10/sample)		10,000	
Supervision and Report Preparation		10,000	
Personnel (2 X \$200 X 60 days)		24,000	
Camp Costs, Food, etc.		<u>10,000</u>	\$ 274,000
Contingency @ 10%			<u>27,400</u>
			<u>\$ 301,400</u>

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Andrew, K. P. E., Godwin, C. L., and Cann, R. M. (1986): Wolf Epithermal Precious Metal Vein Prospect, Central British Columbia (93F /3W). British Columbia Ministry of Energy, Mines and Petroleum Resources, Geological Fieldwork, 1985. Paper 1986-1, p.317-320.

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Tipper, H. W. (1963): Nechako River Map-Area, British Columbia. Geological Survey of Canada Memoir 324, 59 pp.

CERTIFICATE OF QUALIFICATIONS

I, LUCA RICCIO, hereby certify that:

1. I am a consulting geologist residing at 1440 Paisley Road, North Vancouver, British Columbia, V7R 1C3.
2. I was awarded a BSc (Honours) Geology degree at the University at Turin, Italy in 1969, and a MSc and a PhD in Geology at the University of Western Ontario in 1972 and 1976 respectively.
3. I have been involved in mineral exploration, both seasonally and full-time since 1969.
4. I am a Fellow of the Geological Association of Canada and a Member of the Canadian Institute of Mining and Metallurgy.
5. I personally reviewed the literature on the Wolf Property and examined the property on July 15, 1986.
6. I have an interest in Lucero Resource Corporation in that I own 50,000 shares in this Company.
7. I consent to the inclusion of this report in a Prospectus or Statement of Material Facts for the purpose of raising funds through the Vancouver Stock Exchange or other financial institutions.

DATED at Vancouver, British Columbia this 5th day of September, 1986.



Luca Riccio

Luca Riccio, PhD.
Geological Consultant

APPENDIX 1

ROCK AND SOIL SAMPLE DESCRIPTIONS:
SAMPLES COLLECTED BY
L. RICCIO

ROCK AND SOIL SAMPLES COLLECTED BY L. RICCIO

<u>Sample No.</u>	<u>Description</u>
88713	8-centimeter piece of split drill core from 16.2 meters in Drill Hole No.2.
88714	5-centimeter piece of split drill core from 46.8 meters in Drill Hole No.1.
88715	6-centimeter piece of very friable black argillite with finely-divided pyrite from 48.5 meters in Drill Hole No.1.
88716	8-centimeter piece of split drill core from 57.3 meters in Drill Hole No.6.
88717	6-centimeter piece of split drill core - black pyritic siltstone from 49.2 meters in Drill Hole No.1.
88718	Selected sample of heavily-veined, altered rhyolite from Trench No.4, Ridge Zone.
88719	Grab sample from high grade zone in Trench No.4, Ridge Zone.
88720	Grab sample form lower grade quartz stockwork area in Lookout Zone.
88721	Grab sample from area approximately 300 meters south of Pond Zone; altered and silicified rhyolite with 30% veining by chalcedonic silica.
88722	Selected sample from 'higher grade material' in Trench No.1, Ridge Zone.
88723	Grab sample from moderately silicified and veined rhyolite in Trench No.7, Ridge Zone.
88724	Grab sample from heavily silicified and veined rhyolite in Trench No.7, Ridge Zone.
88725	Grab sample from Trench No.3 in Ridge Zone; silicified rhyolite with chalcedonic quartz stockwork and abundant black limonitic pitch in vuggy zones.
T6	Soil collected over highly auriferous portion of Trench No.6, Ridge Zone.
T7	Soil collected over highly auriferous portion of Trench No.7, Ridge Zone.

APPENDIX 2

ANALYTICAL RESULTS:
SAMPLES COLLECTED BY L. RICCIO

Certificate of GEOCHEM

Company: LUCERO RES. CORP.

Project:

Attention: J. DAWSON

File: 6-550

Date: AUG 4/86

Type: ROCK ASSAY

We hereby certify the following results for samples submitted.

Sample Number	AG PPM	HG PPB	AS PPM	AU PPB	SB PPM
------------------	-----------	-----------	-----------	-----------	-----------

88713	1.3	160	23	180	1
88714	1.5	195	50	5	1

88715	2.2	120	68	10	1
88716	4.0	105	23	35	1
88717	2.4	135	48	5	1
88718	128.0	110	12	8500	1
88719	61.5	100	27	8750	1

88720	2.3	60	13	50	1
88721	3.9	65	5	1200	2
88722	15.8	55	22	5900	1
88723	19.6	75	30	2350	1
88724	46.5	65	17	6800	1

88725	3.5	80	110	135	9
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Some of these should have been requested for assay.

Certified by



MIN-EN LABORATORIES LTD.

MIN-EN LABORATORIES LTD.

Specialists in Mineral Environments

705 West 15th Street North Vancouver, B.C. Canada V7M 1T2

-61-

PHONE: (604) 960-8814 OR (604) 968-4524

TELEX: 04-751822

Certificate of GEOCHEM

Client: LUCERO RESOURCE CORP.

File: 6-550

Project:

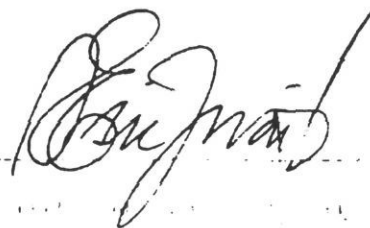
Date: AUGUST 1/86

Location: KICCOLOVO, DAWSON

Type: SOIL GEOCHEM

We hereby certify the following results for samples submitted.

Sample Number	AG PPM	AU PFB
T6	2.6	5
T7	7.3	5



John S. Vincent Limited Consulting Geologists

530 - 800 WEST PENDER STREET, VANCOUVER, B.C. V6C 2V6

Telephone: (604) 683-2306

Lucero Resources Corp.,
1530 - 999 W. Hastings St.,
Vancouver, B.C.

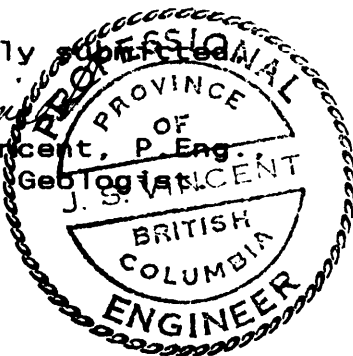
September 24, 1986.

Dear Sirs:

As you requested, I have reviewed the report on the Wolf Property dated September 5, 1986, and discussed the results with the author, Dr. Luca Riccio.

Continued evaluation is fully warranted, and I concur with the conclusions and recommendations set out in the above mentioned report.

Respectfully,
John S. Vincent, P. Eng.
Consulting Geologist

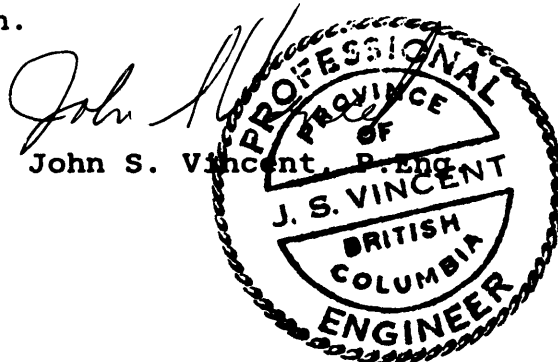


CERTIFICATE

I, John S. Vincent, P. Eng., of Vancouver, British Columbia, do hereby certify that:

1. I am a Consulting Geologist with offices located at 530-800 West Pender St., Vancouver, B.C.
2. I am a graduate of Queen's University, Kingston, Ont., B.Sc. 1959, and a graduate of McGill Univ. in Montreal, M.Sc. 1962. Both degrees being in Mining Geology.
3. I have practiced my profession continuously for 27 years. I am a member in good standing of the Professional Engineers of British Columbia, and a Fellow of the Geological Association of Canada.
4. I have no interest direct or indirect in the securities or properties of Lucero Resource Corporation.

Vancouver, B.C.,
November 15, 1986.



John S. Vincent, P. Eng.

A SUMMARY REPORT
on the
GRASS VALLEY PROPERTY
Lander County
Nevada, USA

For

LUCERO RESOURCE CORPORATION
Suite 1580-999 West Hastings Street,
Vancouver, British Columbia

By

John S. Vincent, P.Eng.
Consulting Geologist

November 15, 1986.

Vancouver, B.C.

John S. Vincent, P. Eng.

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SUMMARY & CONCLUSIONS

The GRASS VALLEY Property is comprised of 81 contiguous unpatented lode claims located approximately 15 miles northeast of Austin, Nevada, which were acquired as a result of a regional geochemical survey. This prospect represents one of two discoveries which are regarded as having a most attractive economic potential. A strong gold and arsenic response in heavy mineral samples served to identify the area of interest very effectively.

The area is underlain by Cambrian carbonate and clastic sediments of the 'eastern' or Carbonate to Transitional assemblage which are exposed as an outcropping of lower plate rocks below the Roberts Mountains thrust fault. A strong northerly-striking high-angle fault zone is overlain by prominent gold-arsenic-antimony anomalies in soil and bedrock, and exposures of jasperoids and auriferous spongy silica occur in the immediate vicinity of the structure. Drilling to date has confirmed a subsurface stratigraphic section of thinly bedded shaly limestones, limy argillites, carbonate rocks, and units rich in carbonaceous material. There are intervals in the sequence rich in arsenic and antimony with a significant association of gold. One intersection below the jasperoid, and at the bottom of a fault gouge intersection, returned 5 feet with a grade of 0.332 ounces of gold per ton. There is an excellent correlation of the suite of indicator elements, gold, arsenic, and antimony, with the overall geological setting.

It is concluded that the exploration project has been successful in identifying a target of merit, and continuing evaluation is fully warranted. A two-phase work program is recommended to accomplish this at a total cost of U.S. \$252,500.

John S. Vincent, P. Eng.

INTRODUCTION

At the request of Mr. J.M. Dawson, P.Eng., President of Lucero Resource Corporation, the writer has prepared a summary report on the GRASS VALLEY Property in Nevada, U.S.A. The report is based on a thorough review of exploration results compiled to date, and on observations made during an examination of the property on October 17, 1986.

The body of the report consists of a review of the geological and geochemical setting, a discussion of the exploration results, and a recommended work program to effectively evaluate the economic potential.

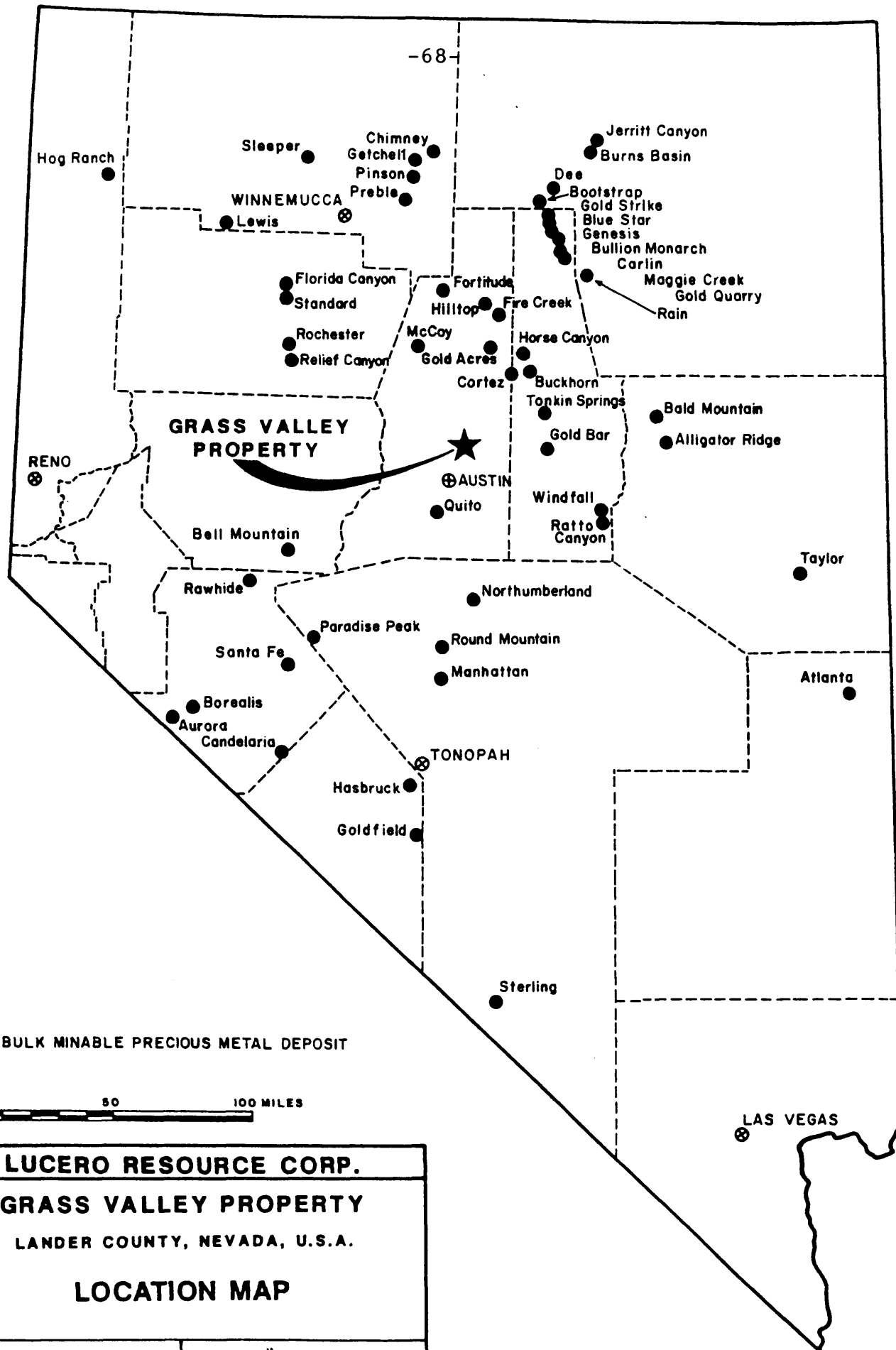
PROPERTY, LOCATION & ACCESS

The property consists of 81 contiguous unpatented lode claims located in the Grass Valley area of central Nevada, about 150 miles east of Reno and 15 miles north-northeast of Austin. The geographic centre of the claim group is 39 41 north latitude and 116 57 west longitude.

Access to the area is gained from the Grass Valley road which turns north from Hwy 50 about 5 miles east of Austin. At the Grass Valley ranch, 15 miles to the north, a ranch road branches to the west into the Callaghan Creek valley and leads up to the claim group. Drill roads have been cut which provide 4x4 access through the areas of interest.

The property covers a portion of the summit and eastern slopes of the Toiyabe Range in central Nevada, and lies on moderate to steep slopes of a ridge dominated by Mount Callaghan which rises

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LUCERO RESOURCE CORP.

GRASS VALLEY PROPERTY

LANDER COUNTY, NEVADA, U.S.A.

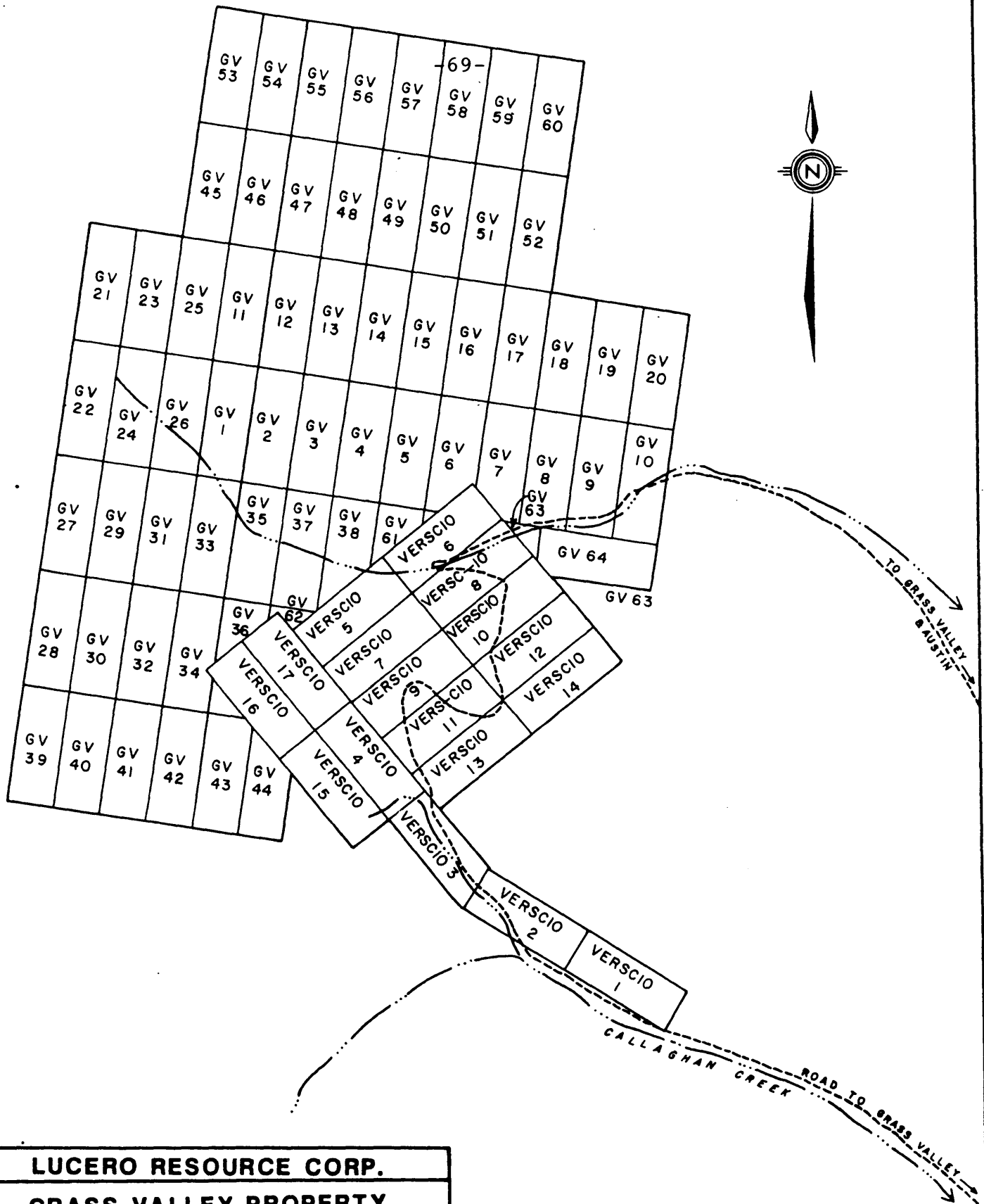
LOCATION MAP

DATE: SEPT., 1986

SCALE: 1" = 50 MILES

DRAWN BY: J.D./rwr

FIG N^o 397 - 1



LUCERO RESOURCE CORP.
GRASS VALLEY PROPERTY
 LANDER COUNTY, NEVADA, U.S.A.

CLAIM MAP

DATE: SEPT., 1986

SCALE: 1" = 1800' Approx.

DRAWN BY: J.D./rwr

FIG N^o 397-2

0 1800 3600 FEET

to an elevation of 10,187 feet above sea level. The relief on the property is about 2500 feet with the northwest corner at an elevation of 9600 feet and the southeast at 7000. The vegetation is sagebrush and desert shrubs with occasional clumps of juniper and willow in the valley bottoms. The topography over the claims is rounded and bedrock exposure is most prominent on bluffs and hill tops.

The claims and their respective legal descriptions are listed in an Appendix to this report, and Figures 397-1 and 2 illustrate the location and configuration of the claim group.

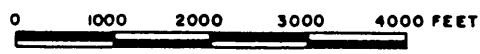
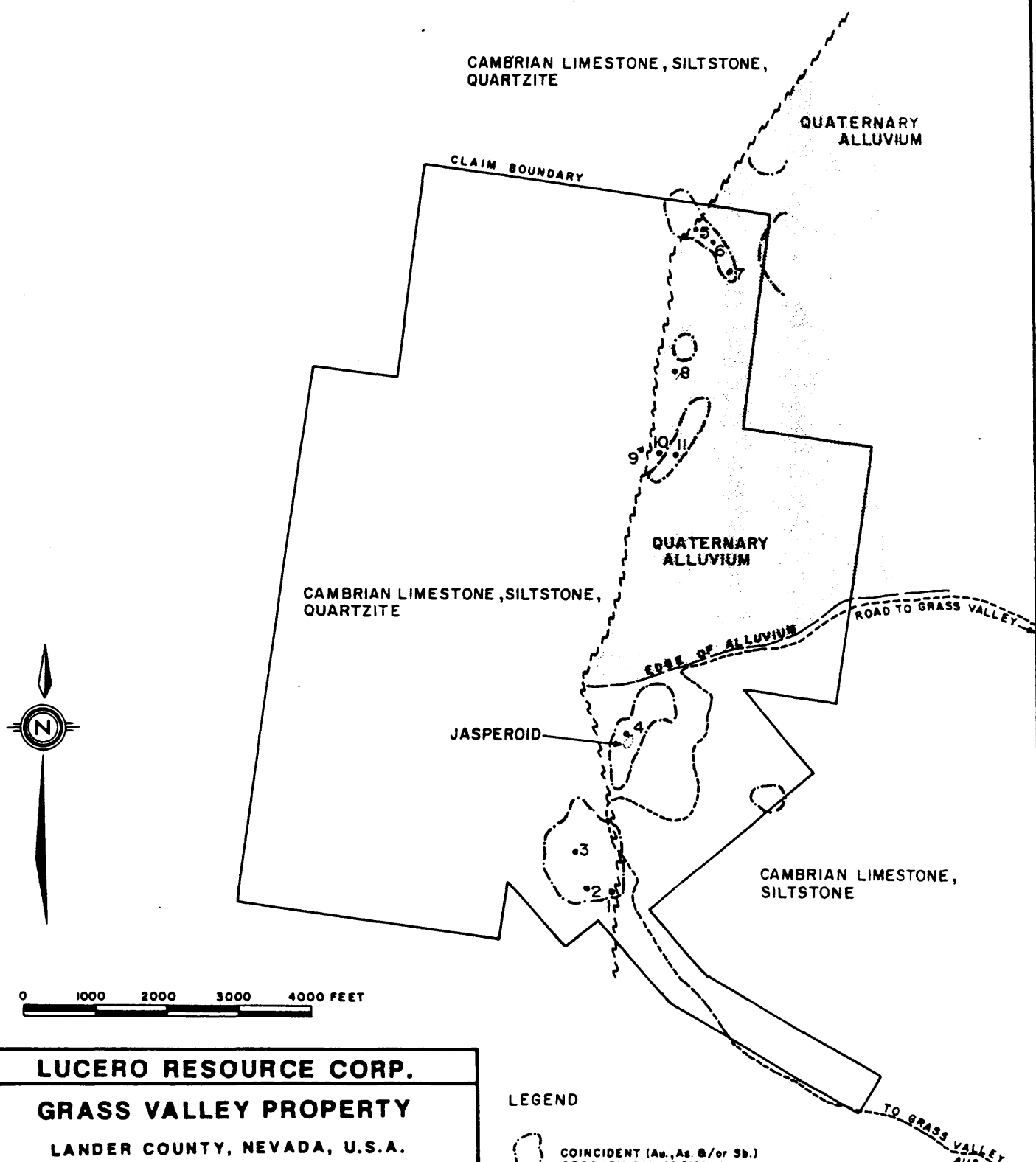
HISTORY & WORK TO DATE

There is no record of early work on the property, but two short adits and several shallow pits attest to earlier interest. Small placer workings have been located in Callaghan Creek in the southeast corner of the claim block. This work may have been done by the Callaghan family who settled the ranch area in the late 1800's. The Verscio claims have been held by the Maestretti family of Austin for the past 7 years, and they have carried out some minor road work for assessment purposes.

Nevada Joint Venture Work:




The GRASS VALLEY Property represents 1 of 2 of the best targets located by the Brican-Bow Valley Joint Venture Group during the course of regional geochemical prospecting. Their broad regional program was based on heavy mineral and stream sediment surveys in selected areas underlain by a geological setting which has the potential to produce sediment-hosted disseminated precious metal mineralization. The Operator of the Joint Venture, Brican, has considerable past experience in the techniques used, and the

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LUCERO RESOURCE CORP.
GRASS VALLEY PROPERTY
LANDER COUNTY, NEVADA, U.S.A.
GEOLOGY & GEOCHEMISTRY

DATE: SEPT., 1986	SCALE: 1" = 2000' Approx.
DRAWN BY: J.D./rwr	FIG N ^o : 397-3

- LEGEND
-  COINCIDENT (Au, As, Sb, or Pb) GEOCHEMICAL ANOMALY
 -  FAULT
 -  DRILL HOLES GV86 1-10

present surveys very effectively identified prime areas for detailed follow-up.

Heavy mineral samples anomalous in gold, arsenic, and antimony led to the staking of the claim group, and further wide-spaced geochemical sampling was carried out to locate the source of the drainage responses. More detailed grid sampling of composite soil and rock served to outline significant anomalies in all three metals, and an initial phase of rotary drilling was undertaken to evaluate the soil signatures.

GEOLOGY

The property is underlain by Cambrian carbonate and clastic sediments of the 'eastern' or Carbonate to Transitional assemblage. These rocks are exposed in the 'Callaghan Window', an outcropping portion of the 'lower plate' rocks below the Roberts Mountains thrust fault. A prominent north-trending normal fault is interpreted to cross the property and appears to be the locus for anomalous gold, arsenic and antimony found in the soils; Figure 397-3.

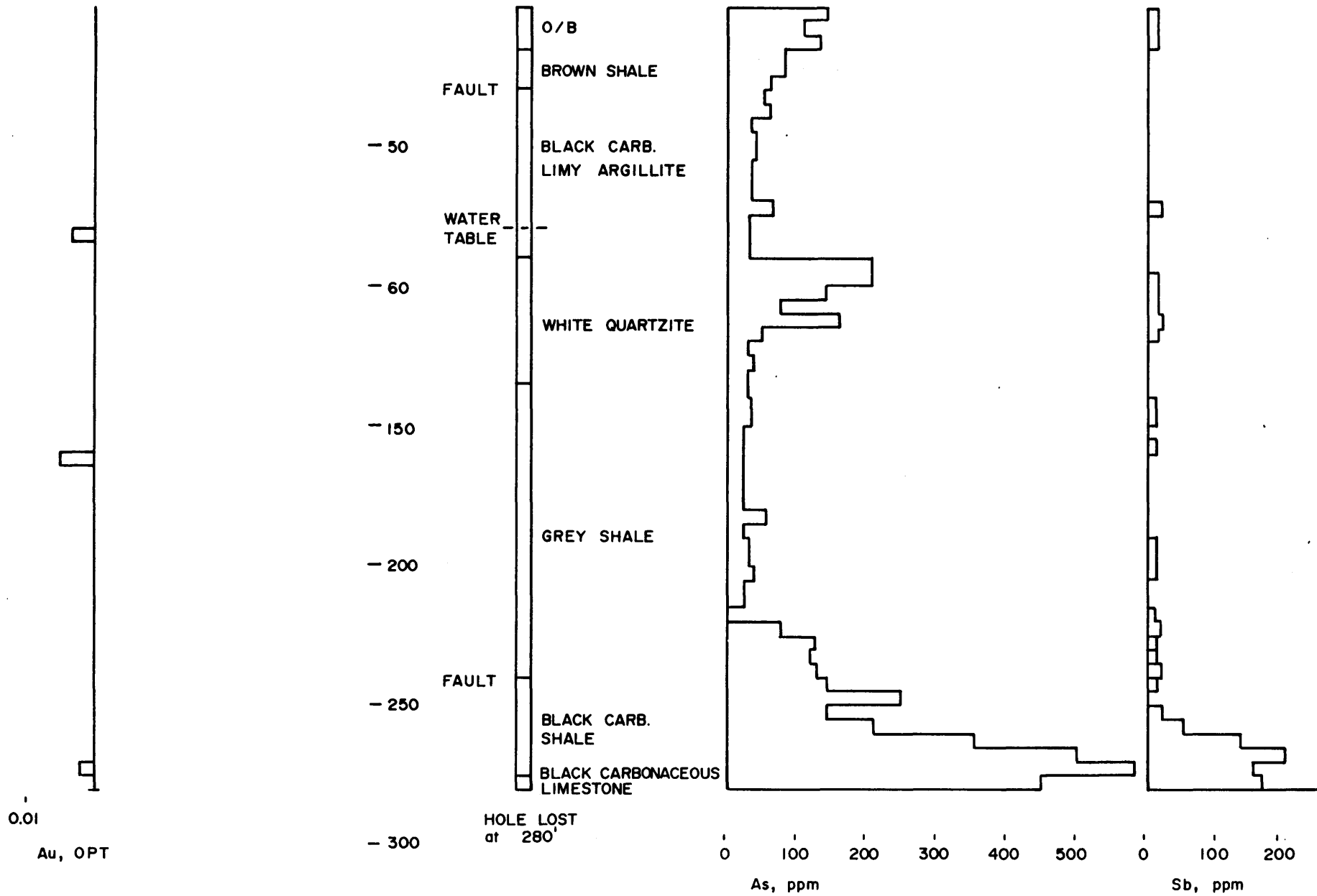
South of the north fork of Callaghan Creek, which has been interpreted as the expression of an easterly-trending fault zone, the sediments consist primarily of dark to medium grey laminated platy limestone. This sequence is occasionally overlain by ledge-forming limestone and minor siltstone.

North of the north fork of the creek outcrop is primarily confined to the west of the prominent north-trending normal fault; Figure 397-3. East of this fault bedrock is largely obscured by varying thicknesses of fan and Quaternary alluvium. West of the fault the stratigraphy has been mapped as several

northwesterly-trending wedges of greenish-grey siltstone and pale yellowish-brown coarse siltstone to sandstone, rare limey siltstone and limestones. These rocks are locally overlain by the platy ledge-forming limestone. Towards the north end of the property the rocks to the west of the fault are mapped as white to yellowish-grey thin bedded medium grained quartzite with minor amounts of greenish-grey siltstone. Drill holes GV-5 through 10 are located east of the projected trace of the fault, and cut a stratigraphic section of shales and argillites with varying minor amounts of black carbonates.

The drill holes have provided important insights to the stratigraphy, particularly at the south end within the area of the well defined gold-arsenic anomaly. The road cut to provide drill sites for holes 2, 3, and 4 exposed thinly bedded shaly limestones, and the drill section through GV-2 shows a section of argillites with a lower sequence of carbonaceous sediments. GV-1 is located 100 feet lower in the section and cuts a 280 foot package of shales, limy argillites, and carbonaceous sediments. The lower 50 feet is rich in carbon with a corresponding strong increase in arsenic and antimony. GV-4 is located 2000 feet to the north and collared 540 feet higher in elevation. The top 30 feet cuts the jasperoid exposed on surface, and then enters a 150 foot interval of fault gouge. This interval is very strongly anomalous in arsenic and moderately so in antimony. At the base of the fault intersection a 5 foot section returned a value of 0.332 ounces of gold per ton.

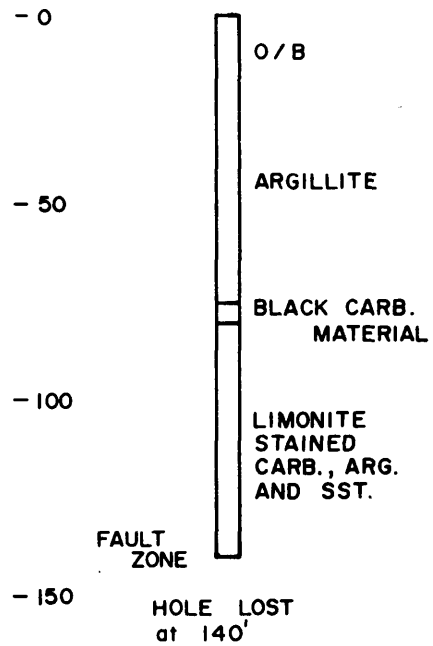
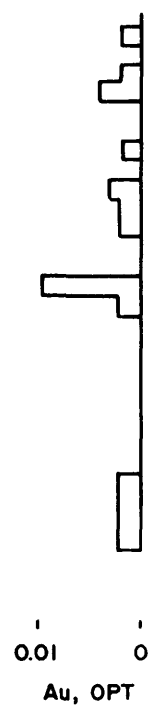
Figure 3 illustrates the location of all the drill holes, and Figure 5 shows the 4 at the south end within the large anomalous area. Figures 6 through 15 are profile plots correlating the drill sections and the geochemistry, and Figure 16 is a



-75-

GV86-1 27 + 25S / 16 + 25W

FIGURE 397 - 6



GV86 -2 26+00S / 20+00 W

FIGURE 397- 7

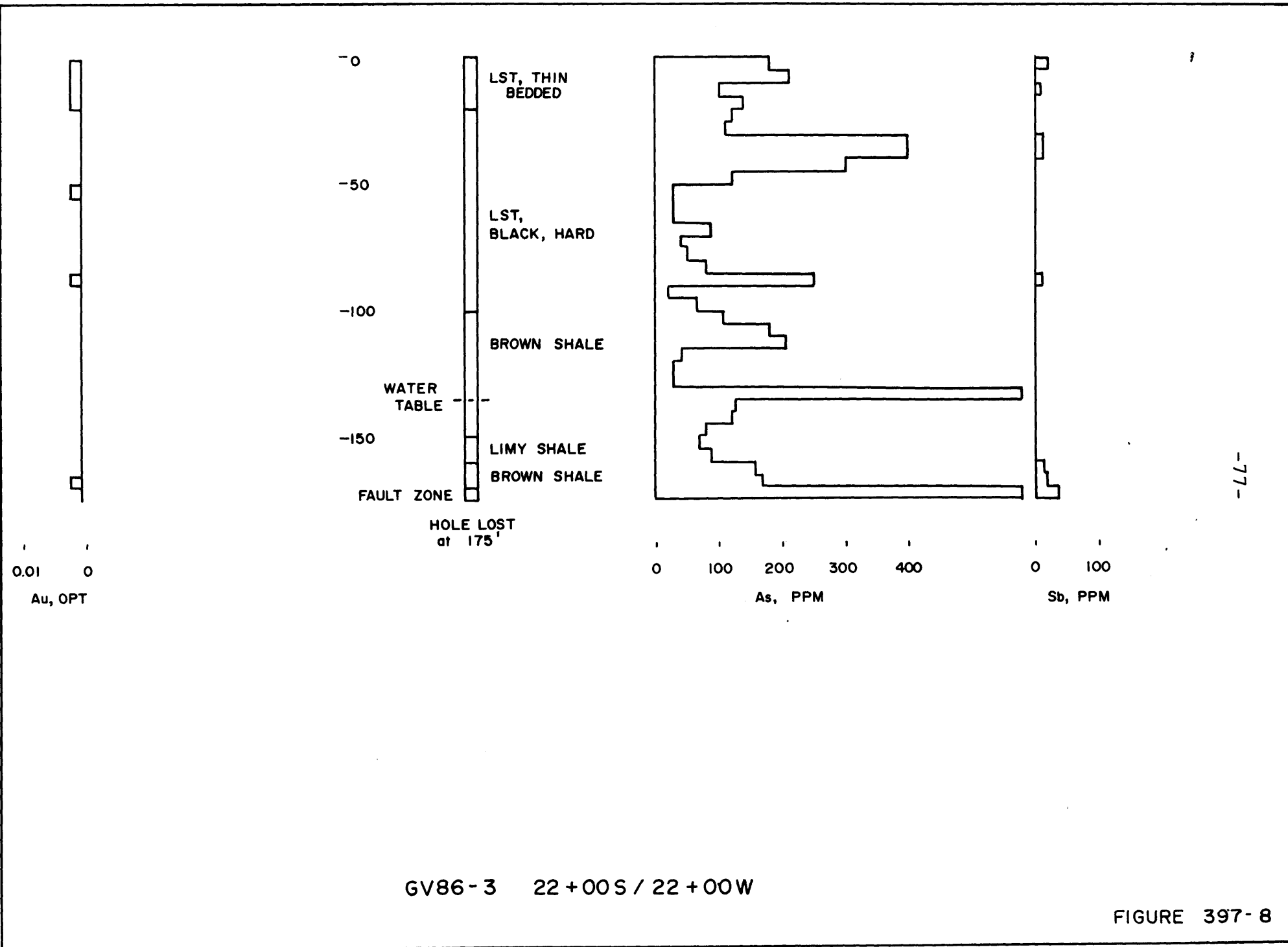
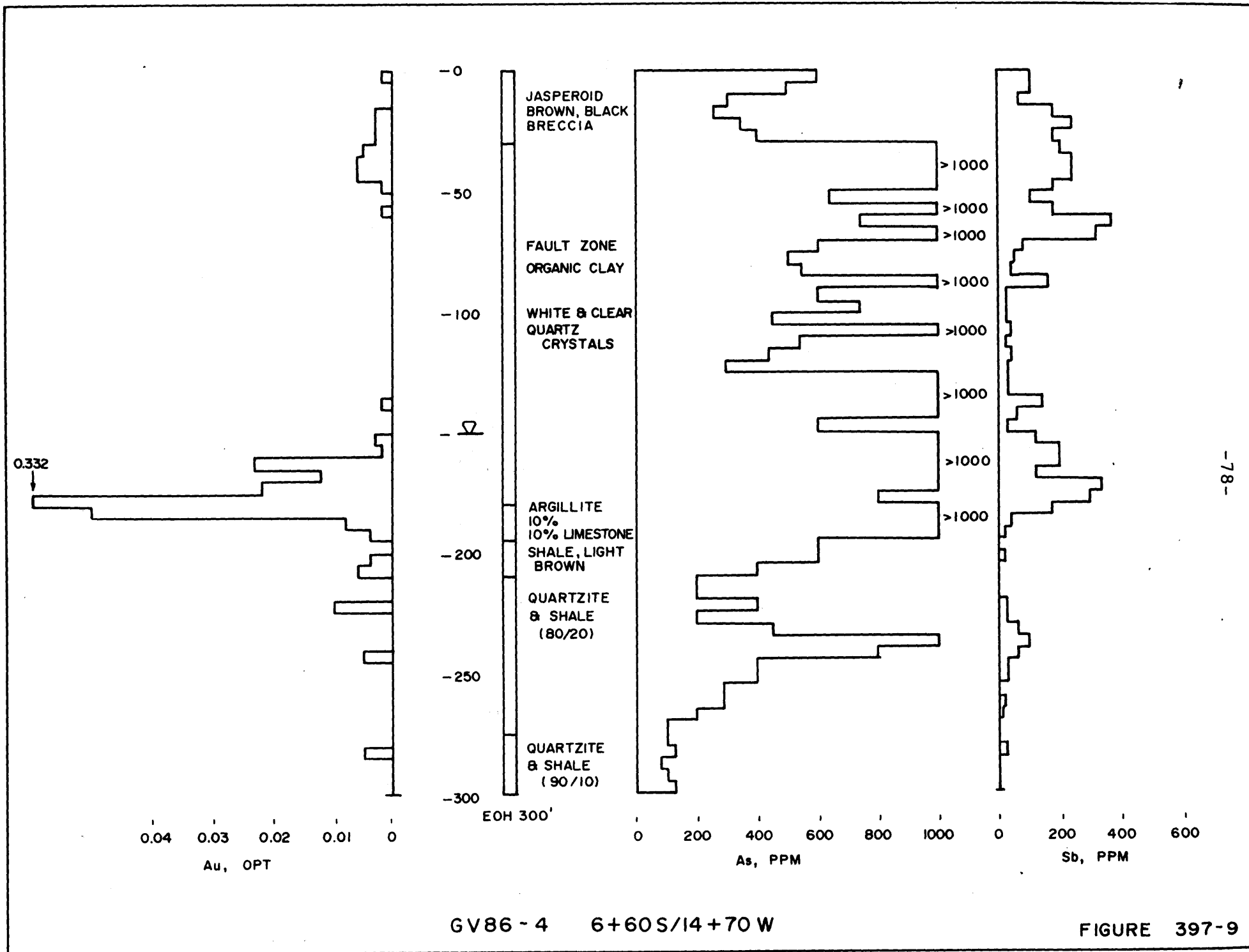
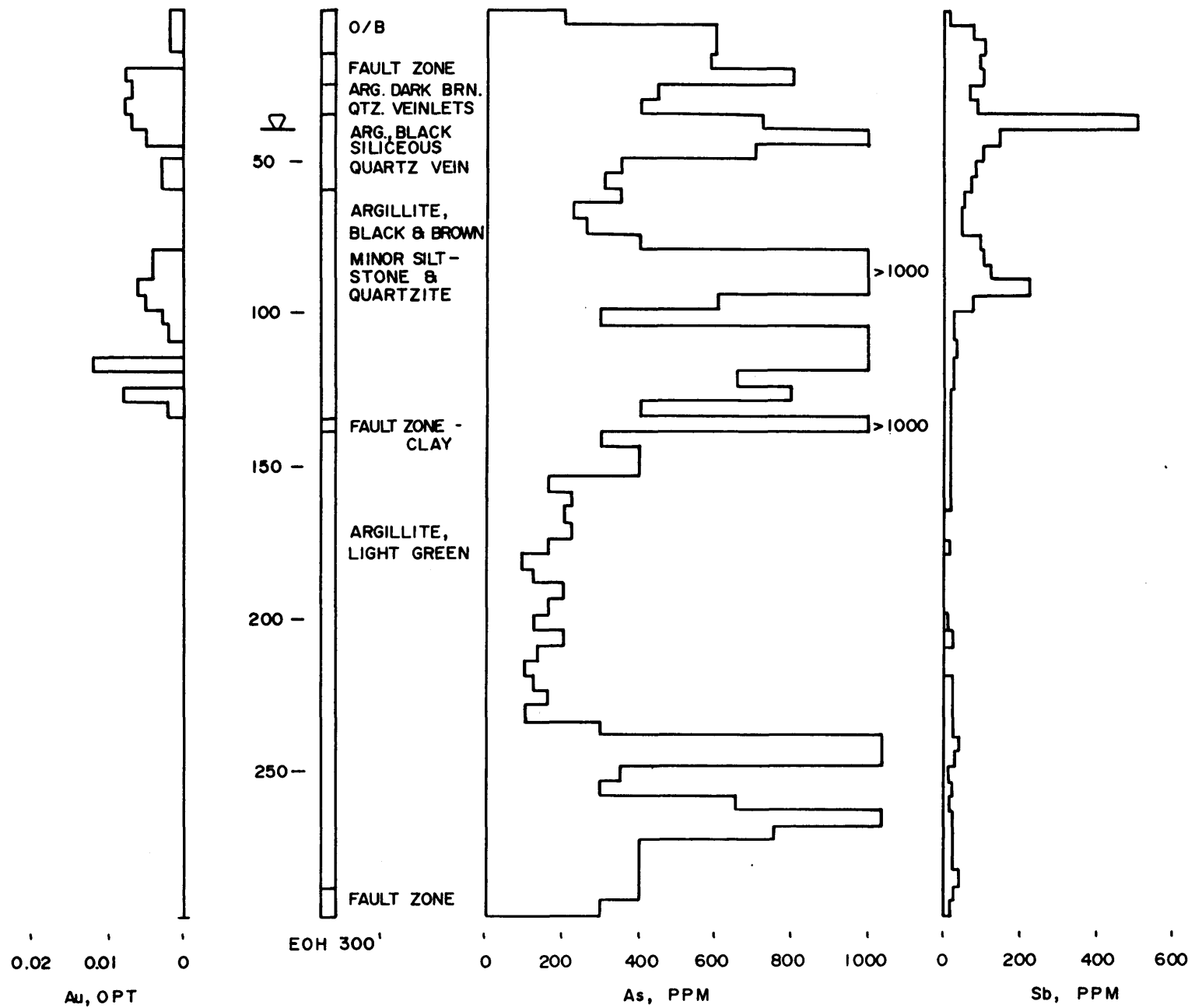


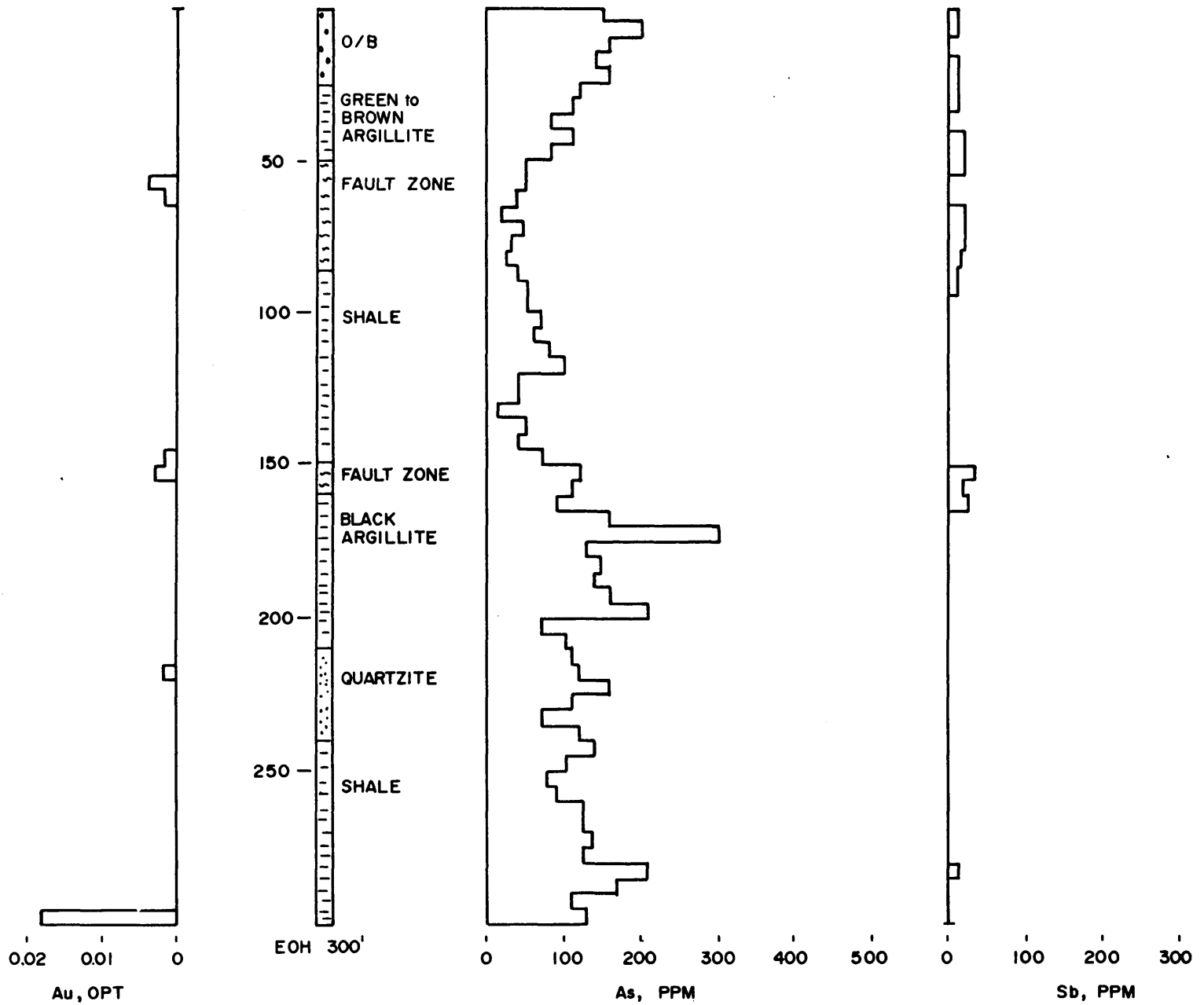
FIGURE 397-8





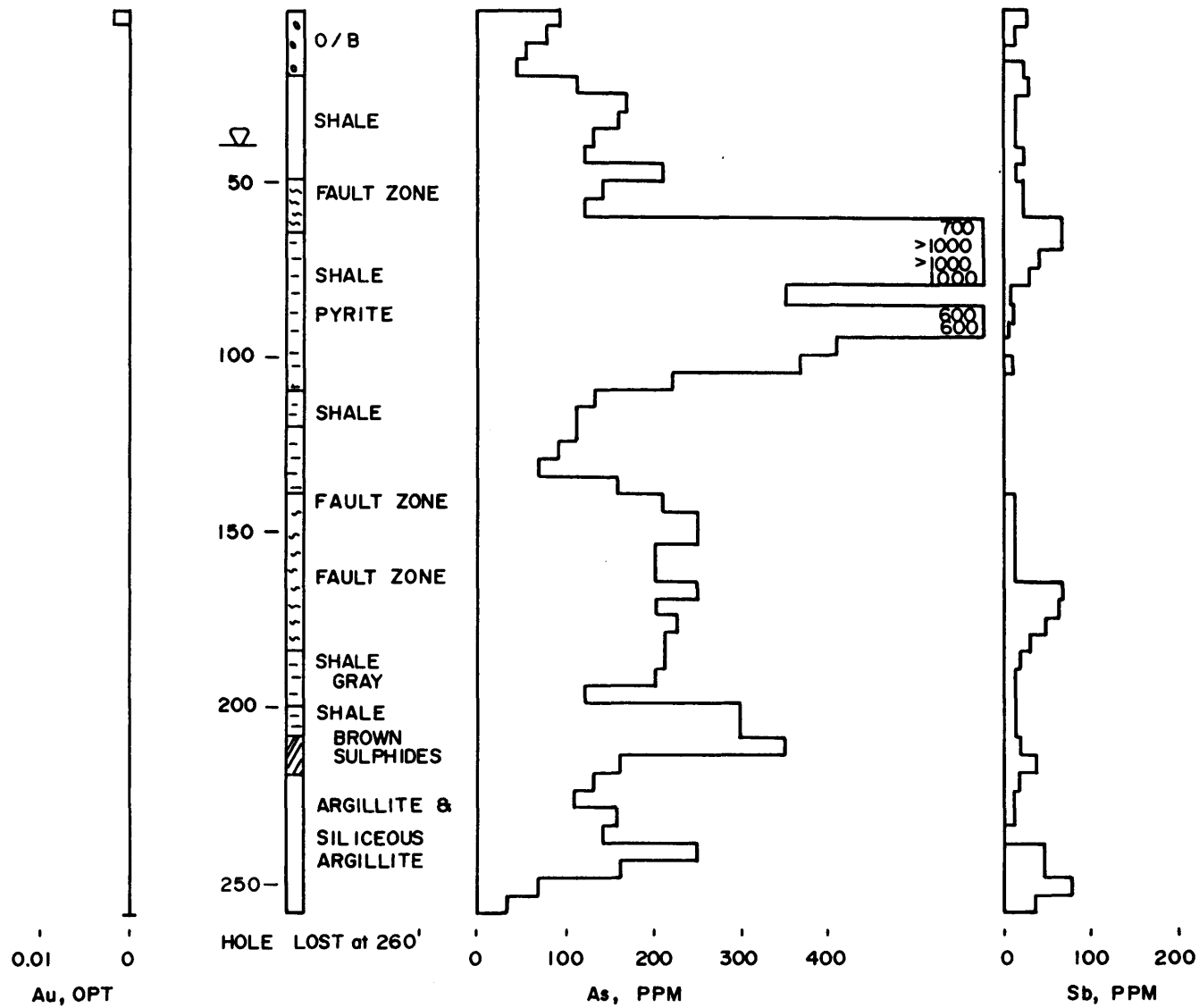
GV86-5 65 + 20N / 1 + 80W

FIGURE 397-10



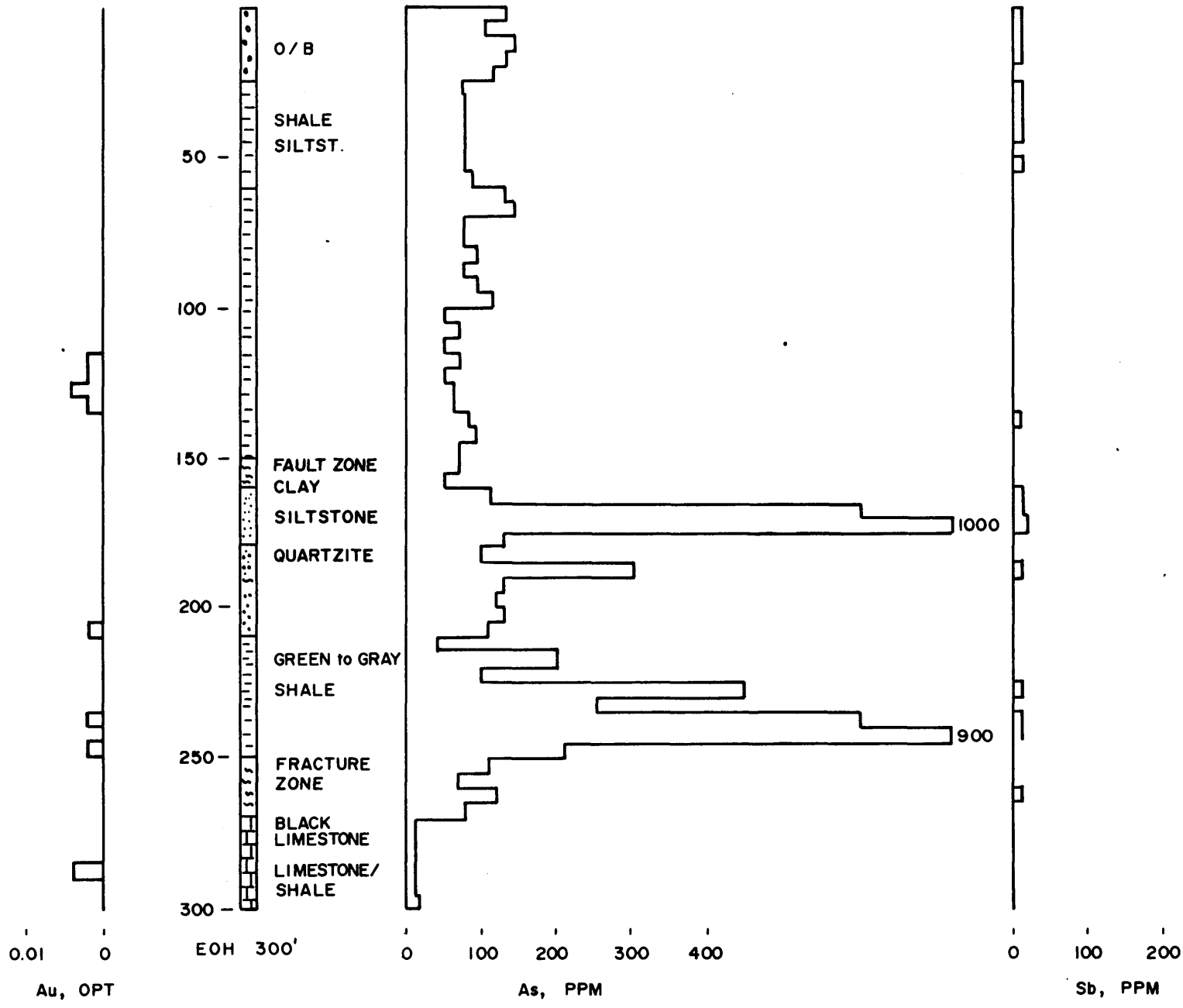
GV86-6

FIGURE 397-11



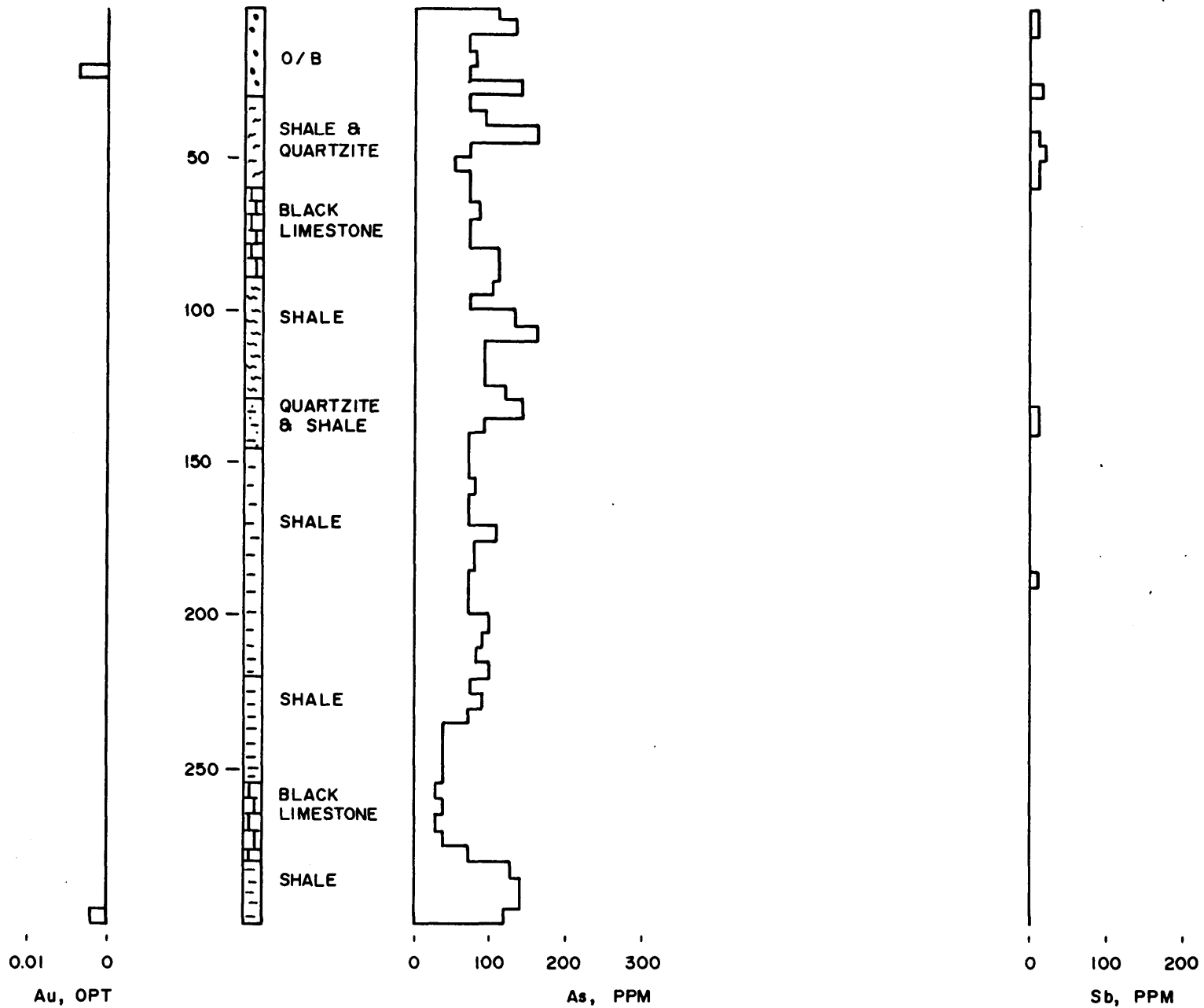
GV86 - 7 6120N / 120 E

FIGURE 397-12



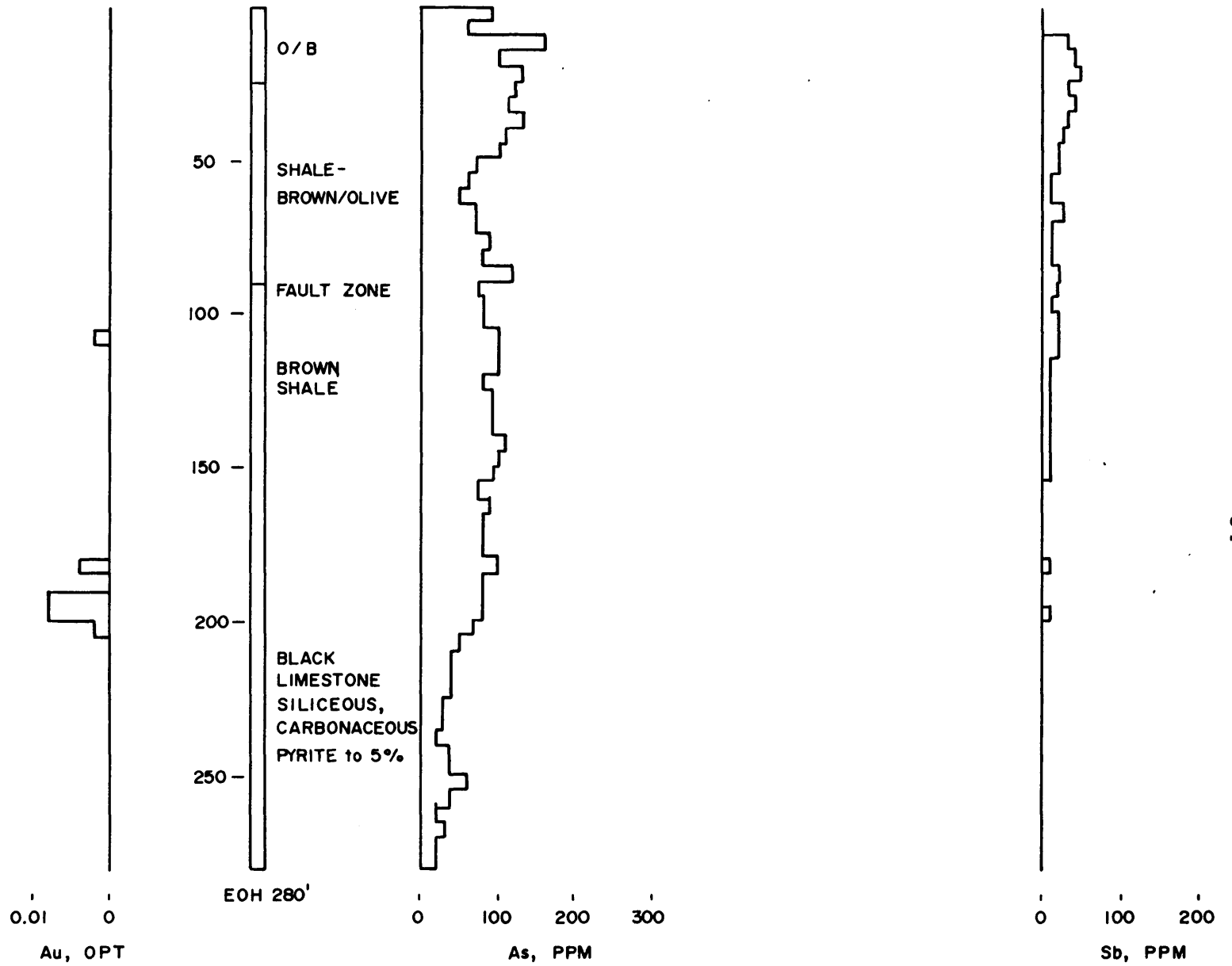
GV86-8 4800 N / 350 W

FIGURE 397-13



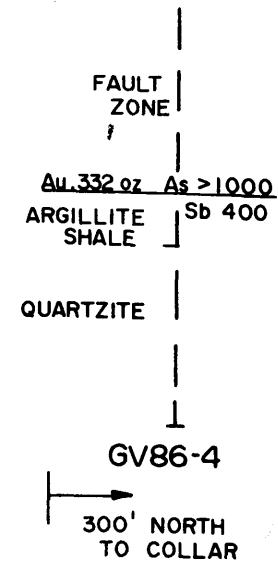
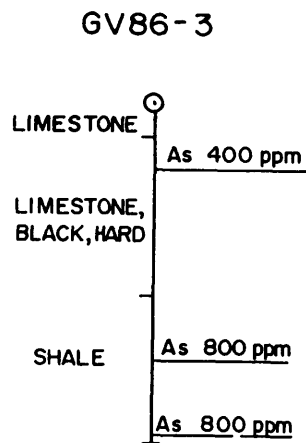
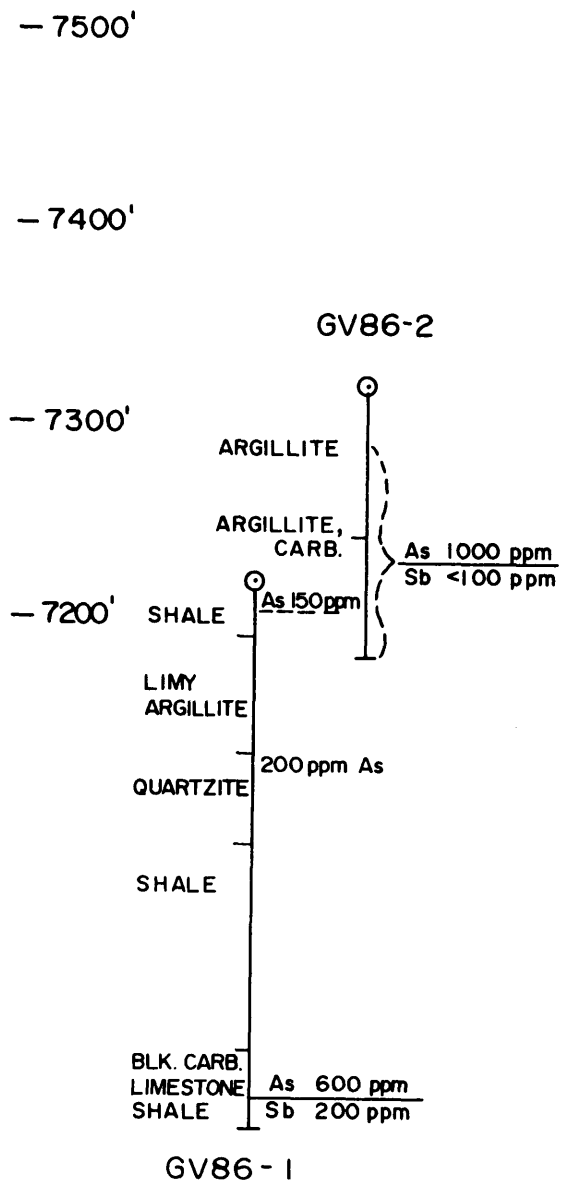
GV86 - 9 3550N / 900W

FIGURE 397-14



GV86 - 10 3550N / 600W

FIGURE 397-15



LUCERO RESOURCE CORP.
GRASS VALLEY PROPERTY

LONGITUDINAL PROFILE
 SOUTH ANOMALY

VERT. SCALE 1" = 100'
 HOR. SCALE 1" = 200'

FIGURE 397-16

longitudinal profile to illustrate the relative stratigraphic positions of holes GV-1 to 4 and their significant geochemical responses. Much more drilling is required before the stratigraphy can be fine-tuned, but the setting which is apparent consists of upper units of limestone which are underlain by thinly bedded shaley limestones, limy argillites, shale, and quartzites. There is an appreciable carbon content at several levels through the section, and there is a strong association of arsenic and antimony with scattered significant gold responses.

The fault zone which has been projected along the flank of the slope was intersected in holes 3 and 4, and the material sampled is strongly anomalous in arsenic and antimony; ie > 1000 ppm, and up to 400 ppm respectively.

Silicification has been mapped and sampled at the south end of the property within the area delineated by the prominent soil/rock anomaly outlined in Figure 5. The north slope above the spring at the headwaters of the creek has a number of exposures of white to light grey spongy silica with a sucrosic texture. Light oxidation is evident at a few places. There are two short adits and several shallow pits which attest to earlier interest in the mineralization. The lower adit is driven in blue-grey limestone heavily veined with white calcite stringers and minor quartz. A grab sample collected from the dump by J. Dawson, P.Eng., yielded 5 ppb gold, 232 ppm arsenic, and 190 ppm antimony. About 300 feet north and uphill from this adit, there are three shallow pits in similarly veined limestone. A grab sample here returned 970 ppb gold, 57 ppm arsenic, and 45 ppm antimony.

About 400 feet to the north-northwest a second short adit is located in similar material. A grab sample from a pile of

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selected quartz vein material at the portal returned 32,000 ppb gold, 52 ppm arsenic, and 190 ppm antimony. A dump at a small pit 30 feet to the northwest contains red-brown earthy gossan-like material with remnants of jasperoid, and a grab sample assayed 130 ppb gold, 5300 ppm arsenic, and 870 ppm antimony.

Jasperoid is well represented in a prominent area of outcrop at the north end of the south anomaly. The rock is dark reddish-brown, fine grained and dense with up to 20% quartz vein fragments in the breccia texture. The outcrop area has been sampled by a number of character samples which are anomalous in gold, arsenic and antimony. The strongest sample yielded 280 ppb gold, 1000 ppm arsenic, and 440 ppm antimony. Two samples collected by J. Dawson, P.Eng., returned 175 ppb gold, 220 ppm arsenic, 45 ppm antimony, and 340 ppb gold, 1000 ppm arsenic, and 180 ppm antimony.

GEOCHEMISTRY

The location of the anomalous areas are summarized and outlined on Figure 397-3, after Dawson. Gold, arsenic, and antimony coincide well in the large southern zones while gold is only sporadic in the smaller northern ones. The location of the anomalies follows the trace of the interpreted fault zone, and it appears that the structure cuts through the area covered by the southern one.

Figure 5 provides an outline of the prominent southernmost anomaly which is 2000 feet long and up to 150 feet wide. The 10 ppb countour outlines an area of interest against a background of < 5, and values range to spot highs of 80 ppb. Anomalous rock-chip locations are also spotted along with the jasperoid outcrop area and drill holes GV-1 through 4. Within this gold signature

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arsenic values range to spot highs of 700 ppm, and antimony to 165 ppm.

Rock chip sampling and prospecting over these claims has identified the strongly silicified zones previously described, and this works together to confirm the validity of the soil signatures. The lithogeochemical response in the drill holes provides an excellent correlation with stratigraphy and shows that carbon-rich units in the stratigraphic sequence have strongly anomalous levels of arsenic and antimony along with significant gold associations. The chemistry definitely indicates that the gold-bearing hydrothermal system has been active.

The anomalies to the north suggest continuity of hydrothermal activity along the fault zone, but the signature is somewhat weaker. Spot arsenic highs range to 400 ppm and antimony to 36.

DRILLING

A total of 2,655 feet of open hole down-hole-hammer drilling has been completed in 10 holes located as shown on Figure 3. The initial plan allowed for 5000 feet, but poor ground conditions and drilling problems resulting from heavy water flows forced early termination of the program. Further drilling will require reverse-circulation tools and different sampling techniques to handle the water flows.

Samples were collected over 5 foot intervals and sent to Bondar-Clegg in Reno for analysis. Gold is reported in ounces per ton, and arsenic and antimony in parts-per-million (ppm). The results are shown in Figures 6 through 15 where analysis are plotted against the field log of the respective hole.

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ECONOMIC POTENTIAL

The Nevada Joint Venture has been designed to explore for sediment-hosted disseminated precious-metal deposits; often referred to as Carlin-type. The concept embodies the known characteristics of a growing large number of gold occurrences being discovered and mined in the State. A range of geological and chemical features have been identified between the dominantly disseminated Carlin deposit and the silica-rich jasperoid type; each of which can be regarded as end members of a series. A wide variation of these features have been found in many of the deposits discovered to date. Mineralization is genetically related to epithermal hydrothermal processes which require faults and related fracture development to provide the necessary ground preparation for the solutions. The patterns of alteration and mineralization depend on temperatures, pressures, and the composition of the host rock sequence. Figure 397-4 (after Hollister) illustrates the variety of related features which can develop. Although this is an idealized cross-section, it illustrates the potential relationship between mineralization and impure calcareous sediments in which the ground has been prepared by faulting and fracturing. Silicification is an important indicator, and the associated jasperoids are regarded as very positive features.

Characteristics which are common to these deposits can be grouped as follows:

Lithology includes sediments of any age which include thinly bedded silty or shaly carbonate rocks or calcareous siltstones or shales.

Structural features include high-angle normal or strike-slip faults, and folding on both regional and local scales.

Igneous rocks are usually present, either in the district or

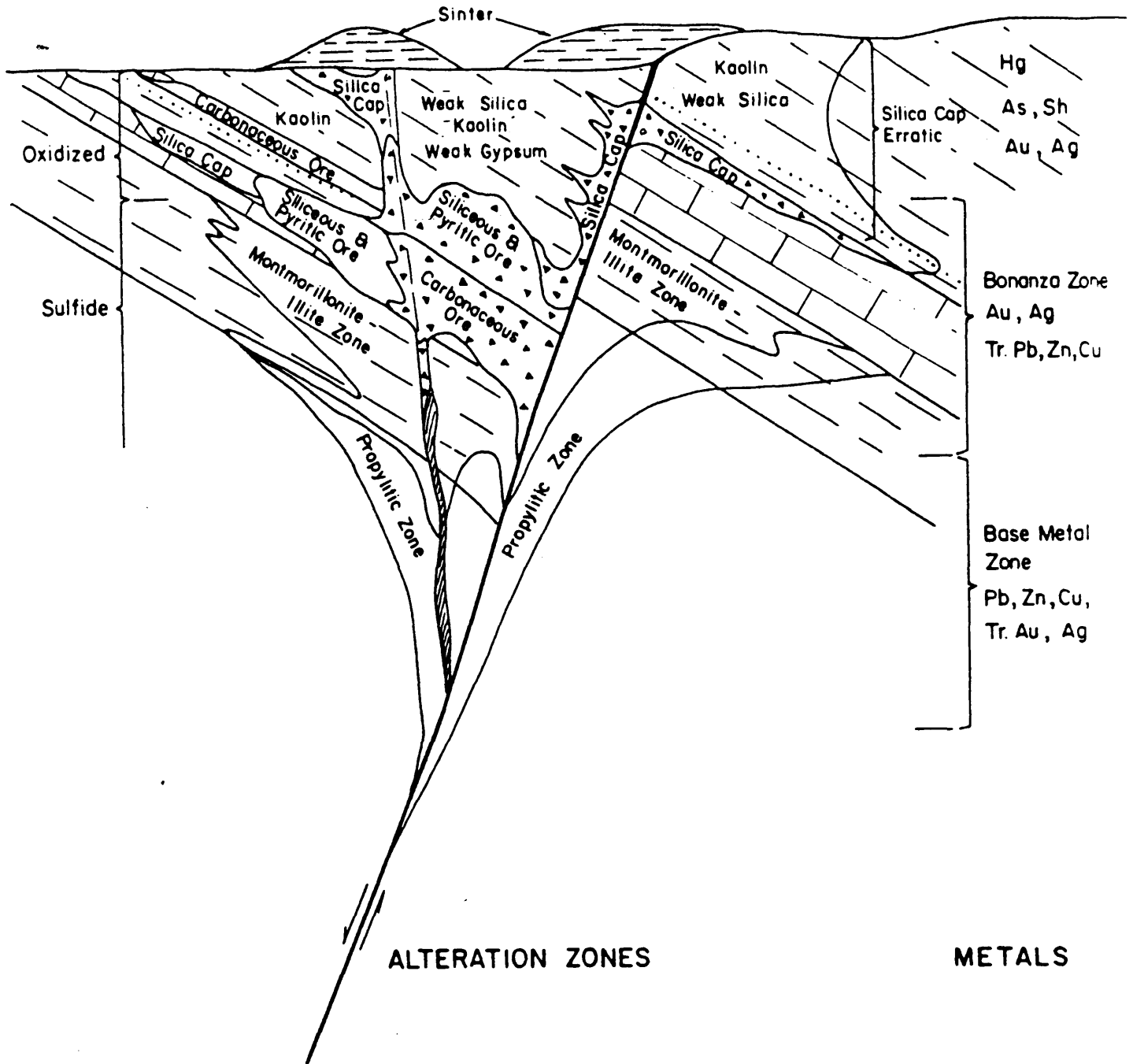


FIG. 2. Schematic cross section of the epithermal model in sedimentary rocks. This portion of the epithermal model includes replacement ore as well as the sinter, silica cap, bonanza breccia and stockwork zone ores and base metal ore when deposited in sedimentary rocks. Limestone is replaced preferentially among the sedimentary rocks. The silica cap commonly contains a jasper-rich mass popularly called jasper. However, kaolin, gypsum and weak silicification occur in the silica cap with the jasper and quartz. Sulfide ores equivalent to the bonanza zone of the volcanic-hosted epithermal system are divisible in many districts into siliceous pyritic and carbonaceous ores (e.g., Carlin and Santa Fe, Nevada).

FIGURE 397-4

Schematic Cross Section of the Epithermal Model in Sedimentary Rocks (after Hollister 1985).

within the deposit.

Gold particles are submicroscopic and associated with pyrite, clay, silica, and organic matter.

The trace elements arsenic, antimony, and mercury are well known associates in varying concentration. High values are not necessary to define areas of interest, rather the presence of the indicator suite must be regarded as significant.

The silica content may vary from quartz veining to intense silicification with the formation of jasperoids.

The model supported by these features has served as an effective exploration guide for the joint venture work.

At the GRASS VALLEY Property anomalous gold, arsenic, and antimony values in soil and rock are found intermittently over a distance of approximately 10,000 feet in association with a northerly-trending fault zone. This structure cuts thinly bedded clastic and carbonate sediments which have a varying carbon content. The jasperoid and spongy auriferous silica observed within the largest anomaly is further evidence which indicates that the geological setting is typical of a sediment-hosted disseminated precious metal environment.

The economic potential has been enhanced considerably with the intersection of gold in drill hole GV86-4, and by the fact that the 4 holes in the south anomaly cut metal-rich intervals of carbonaceous sediments. An aggressive exploration program is required to evaluate the target.

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RECOMMENDATIONS

A two-phase program is recommended which allows for an effective follow-up by expanding the drilling. The first phase allows for detailed geological mapping and 5000 feet of reverse-circulation drilling. Contingent on these results, a second phase of 3,500 feet of reverse-circulation will be warranted.

Cost Estimate:

The estimated cost is outlined as follows: U.S.Dollars

Phase 1:

Road building and drill site preparation	\$20,000
Detailed geological mapping	
Reverse circulation drilling at \$25 per foot; all in costs for 5000 feet	125,000
Evaluation	<u>5,000</u>
Total Phase 1	\$150,000

Phase 2:

Contingent on positive results from Phase 1, a further 3,500 feet of reverse circulation drilling is planned at \$25 per foot	\$87,500
Site preparation, engineering, and evaluation	<u>15,000</u>
Total Phase 2	\$102,500

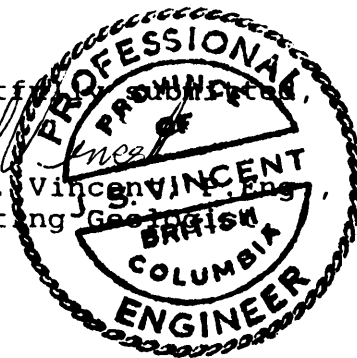
Total Phase 1 and 2 U.S. \$252,500

Vancouver, B.C.
November 15, 1986.

Respectfully,

John S. Vincent
John S. Vincent

Consulting Geologist



John S. Vincent, P. Eng.

REFERENCES

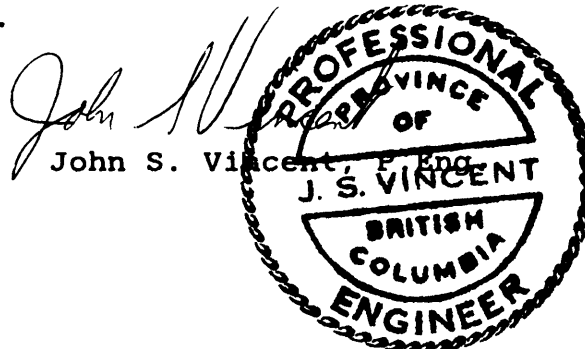
- Stewart, J.H. et al Geology and Mineral Deposits of Lander County, Nevada; Nevada Bureau of Mines and Geology, Bulletin 88., 1977.
- Hollister, V.F. Discoveries of Epithermal Precious Metal Deposits; AIME Case Histories of Mineral Discoveries, Vol. 1. 1985.
- Daughtry, K.L. Personal Communications, 1986.
Various maps and files from the Joint Venture work.
- Bagby, W.C., &
Berger, B.R. Geological Characteristics of Sediment-Hosted, Disseminated Precious-Metal Deposits in the Western United States

CERTIFICATE

I, John S. Vincent, P. Eng., of Vancouver, British Columbia, do hereby certify that:

1. I am a Consulting Geologist with offices located at 530-800 West Pender St., Vancouver, B.C.
2. I am a graduate of Queen's University, Kingston, Ont., B.Sc. 1959, and a graduate of McGill Univ. in Montreal, M.Sc. 1962. Both degrees being in Mining Geology.
3. I have practiced my profession continuously for 27 years. I am a member in good standing of the Professional Engineers of British Columbia, and a Fellow of the Geological Association of Canada.
4. The data upon which this report has been prepared is based on an examination of the GRASS VALLEY Property and on a review of the maps and results generated by the Nevada Joint Venture program.
5. I have no interest direct or indirect in the securities or properties of Lucero Resource Corporation.

Vancouver, B.C.,



John S. Vincent, P. Eng.

APPENDIX

Grass Valley Claims

The property consists of eighty-one contiguous, unpatented claims as follows:

<u>Claim Name</u>	<u>Book</u>	<u>Page</u>	<u>Map No.</u>	<u>NMC No.</u>
Grass Valley 1	248	521	126593	333265
Grass Valley 2	248	523	126593	333266
Grass Valley 3	248	525	126593	333267
Grass Valley 4	257	296	129756	333268
Grass Valley 5	257	298	129756	333269
Grass Valley 6	257	300	129756	333270
Grass Valley 7	248	533	126593	333271
Grass Valley 8	257	302	129756	333272
Grass Valley 9	257	304	129756	333273
Grass Valley 10	257	306	129756	333274
Grass Valley 11	248	541	126593	333275
Grass Valley 12	248	543	126593	333276
Grass Valley 13	257	308	129756	333277
Grass Valley 14	257	310	129756	333278
Grass Valley 15	257	312	129756	333279
Grass Valley 16	248	551	126593	333280
Grass Valley 17	248	553	126593	333281
Grass Valley 18	248	555	126593	333282
Grass Valley 19	248	557	126593	333283
Grass Valley 20	248	559	126593	333284
Grass Valley 21	257	247	129746	348304
Grass Valley 22	257	249	129746	348305

<u>Claim Name</u>	<u>Book</u>	<u>Page</u>	<u>Map No.</u>	<u>NMC No.</u>
Grass Valley 23	257	251	129746	348306
Grass Valley 24	257	253	129746	348307
Grass Valley 25	257	255	129746	348308
Grass Valley 26	257	257	129746	348309
Grass Valley 27	257	259	129746	348310
Grass Valley 28	257	261	129746	348311
Grass Valley 29	257	263	129746	348312
Grass Valley 30	257	265	129746	348313
Grass Valley 31	257	267	129746	348314
Grass Valley 32	257	269	129746	348315
Grass Valley 33	257	271	129746	348316
Grass Valley 34	257	273	129746	348317
Grass Valley 35	257	275	129746	348318
Grass Valley 36	257	277	129746	348319
Grass Valley 37	257	279	129746	348320
Grass Valley 38	257	281	129746	348321
Grass Valley 39	257	283	129746	348322
Grass Valley 40	257	285	129746	348323
Grass Valley 41	257	287	129746	348324
Grass Valley 42	257	289	129746	348325
Grass Valley 43	257	291	129746	348326
Grass Valley 44	257	293	129746	348327
Grass Valley 45	261	57	131181	357427
Grass Valley 46	261	59	131181	357428
Grass Valley 47	261	61	131181	357429
Grass Valley 48	261	63	131181	357430
Grass Valley 49	261	65	131181	357431
Grass Valley 50	261	67	131181	357432
Grass Valley 51	261	69	131181	357433
Grass Valley 52	261	71	131181	357434
Grass Valley 53	261	73	131181	357435
Grass Valley 54	261	75	131181	357436

<u>Claim Name</u>	<u>Book</u>	<u>Page</u>	<u>Map No.</u>	<u>NMC No.</u>
Grass Valley 55	261	77	131181	357437
Grass Valley 56	261	79	131181	357438
Grass Valley 57	261	81	131181	357439
Grass Valley 58	261	83	131181	357440
Grass Valley 59	261	85	131181	357441
Grass Valley 60	261	87	131181	357442
Grass Valley 61	261	89	131181	357443
Grass Valley 62	261	91	131181	357444
Grass Valley 63	261	93	131181	357445
Grass Valley 64	261	95	131181	357446
Verscio 1	170	1	95762	96566
Verscio 2	170	2	95762	96567
Verscio 3	170	3	95762	96568
Verscio 4	170	4	95762	96569
Verscio 5	170	5	95762	96570
Verscio 6	170	6	95762	96571
Verscio 7	170	7	95762	96572
Verscio 8	170	8	95762	96573
Verscio 9	170	9	95762	96574
Verscio 10	170	10	95762	96575
Verscio 11	170	11	95762	96576
Verscio 12	170	12	95762	96577
Verscio 13	170	13	95762	96578
Verscio 14	170	14	95762	96579
Verscio 15	170	147	99509	96581
Verscio 16	170	148	99509	96582
Verscio 17	170	149	99509	96583

STATUTORY RIGHTS OF RESCISSION AND WITHDRAWAL

Sections 60 and 61 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:

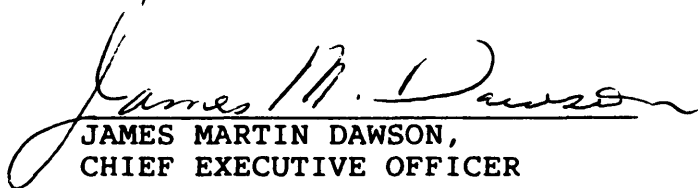
- (a) a purchaser has the right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus together with financial statements and reports and summaries of reports relating to the securities as filed with the Superintendent were not delivered 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 the expiration of 90 days from the latter 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.

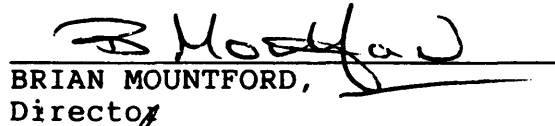
Reference is made to the aforesaid Act for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

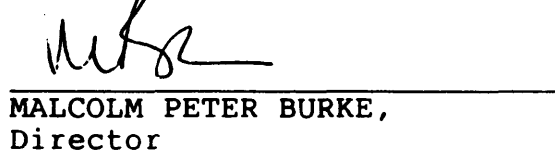
CERTIFICATES

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


JAMES MARTIN DAWSON,
CHIEF EXECUTIVE OFFICER


BARNEY MAGNUSSON,
CHIEF FINANCIAL OFFICER

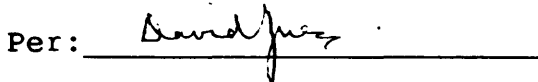

BRIAN MOUNTFORD,
Director


MALCOLM PETER BURKE,
Director

PROMOTERS:


JAMES MARTIN DAWSON

PRIMARY VENTURES CORPORATION

Per: 

DATED: January 22, 1987.

UNDERWRITER

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 the Securities Act and its regulations.

CANARIM INVESTMENT CORPORATION LTD.

Per: _____

A handwritten signature in cursive script, appearing to be 'A. M. ...', written over a horizontal line.

DATED: January 22, 1987.