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Form 12

Securities Act

Date Accepted
For Filing March 31, 1983

SUPERINTENDENT OF BROKERS
AND
VANCOUVER STOCK EXCHANGE

#81-83

STATEMENT OF MATERIAL FACTS

DEVELOPMENT SECTION

Name of Section

ARK ENERGY LTD.

Name of Issuer

1102-675 West Hastings St., Vancouver, B.C.

Address of Head Office of Issuer

400-750 West Pender St., Vancouver, B.C.

Address of Registered Office of Issuer

400-750 West Pender St., Vancouver, B.C.

Address of Records Office (Section 39 - Company Act)

National Trust Company, Limited, 510 Burrard St., Vancouver, B.C.

Name & address of Registrar & Transfer Agent
for Issuer's shares in British Columbia.

Neither the Superintendent of Brokers nor the Vancouver Stock Exchange has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

ITEM 1 DETAILS OF THE CIRCUMSTANCES RELATING TO THE OFFERING OF SECURITIES

By an Agreement dated February 25, 1983 (the "Agency Agreement"), Ark Energy Ltd. (the "Issuer") of #1103-675 West Hastings Street, Vancouver, British Columbia, appointed West Coast Securities Ltd., of 511-837 West Hastings Street, Vancouver, British Columbia (hereinafter referred to as the "Agent"), the Issuer's agent to offer through the facilities of the Vancouver Stock Exchange ("Exchange") 400,000 shares of the Issuer with Series "A" Share Purchase Warrants (the "Warrants") attached (one (1) Common share and two (2) Series "A" Share Purchase Warrants hereinafter referred to as a "Unit") to the public at a fixed price on the floor of the Exchange. Such offering will take place not more than thirty (30) business days after the date this Statement of Material Facts is accepted for filing by the Exchange and the Superintendent of Brokers (the "Superintendent"). On the trading day immediately preceding the Offering Day from immediately after the close of the market until 5:00 p.m., and between the hours of 6:30 a.m. and 6:55 a.m. on the Offering Day, all times being local Vancouver time, the Agent shall maintain a book on the floor of the Exchange to receive and record orders for the purchase of the Units. The "Offering Day" shall be the day the unit offering commences. The date this Statement of Material Facts is accepted for filing by the Exchange and the Superintendent shall be referred to as the "Effective Date".

Under the applicable By-laws and rules of the Exchange, the offering price of the Units will be 10% higher than the trading price of the Issuer's shares as traded on the Exchange on the day the price of the Unit is set as determined by the Issuer and the Agent with the approval of the Exchange. The Issuer and the Agent have agreed that the offering price will not be less than \$0.40 per Unit. Under the terms of the Agency Agreement, the Agent may reserve up to but not more than 80% of the Units for its clients and not less than 20% of the Units shall be available and shall be offered to other members of the Exchange.

The Agent has agreed to purchase any Units unsubscribed for within the time limit of the offering in consideration for which the Issuer has agreed to issue to the Agent a Series "B" non-transferable Share Purchase Warrant entitling the Agent to purchase up to 200,000 shares in the capital stock of the Issuer any time up to the close of business 180 days from the Offering Date, at a price which is 15% higher than the trading price of the Issuer's shares as traded on the Exchange on the day the price of the Unit is set as determined by the Issuer and the Agent with the approval of the Exchange.

Any shares purchased by the Agent pursuant to the Series "B" Share Purchase Warrant, if not sold within the period of qualification provided for by the Statement of Material Facts, must be qualified for sale to the public by a subsequent Statement of Material Facts of the Issuer or by the preparation, execution and delivery of any documents which may effect qualification before they can be sold.

The Agent will receive a commission at the time the Units are sold of 7.5% of the gross sales. The purchasers of any Unit under the offering will be required to pay regular commission rates as specified by the rules of the Exchange.

The Series "A" Share Purchase Warrants to be issued pursuant to this offering will be in bearer form, and two (2) Series "A" Share Purchase Warrants shall entitle the holder thereof to purchase one (1) Common share of the Issuer at any time up to 180 days from the Offering Date at a price which is 15% higher than the trading price of the Issuer's shares as traded on the Exchange on the day the price of the Unit is set as determined by the Issuer and the Agent with the approval of the Exchange. Any Series "A" Share Purchase Warrants not exercised on or before the expiration of such 180-day period will thereafter be void.

The Series "A" Share Purchase Warrants and the Series "B" Share Purchase Warrants will both contain anti-dilution provisions, including among other things, provisions for appropriate adjustment in class, number and price of shares issuable pursuant to any exercise thereof upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the shares of the Issuer. Additionally, a provision attached to both series of warrants will be that no meeting of warrant holders may be convened for the purpose of extending the time period within which the warrants may be exercised.

There are no sub-underwriting or sub-option agreements. The Agent, notwithstanding anything to the contrary, however, reserves the right to offer selling group participation, in the normal course of the brokerage business to selling groups of other licenced broker dealers, brokers and investment dealers, who may or who may not be offered part of the commissions or bonuses derived from this offering.

The obligations of the Agent under such Agency Agreement may be terminated at its discretion on the basis of its assessment of the state of the financial markets, if there should occur an event which seriously affects such financial markets, if a cease trading order is issued against the Issuer or if an investigation is commenced or threatened against the Issuer, its officers or directors.

The Issuer cannot estimate with certainty the price at which the Units will be sold. If all the Units are sold at the estimated price of \$0.40 per Unit, the Issuer will receive estimated net proceeds of \$148,000 after deducting payment of the Agent's commission in the amount of \$12,000.

The Vancouver Stock Exchange (Development Section) is the only Exchange where the shares of the Issuer are listed.

No payments in cash, securities or other consideration are being made or are to be made to a promoter, finder or any other person or company in connection with the unit offering contained herein.

The Agent has been granted a right of first refusal for all financings to be done through the Exchange within 12 months from the Effective Date.

Subject to the By-laws of the Exchange, the Agent may make purchases and sales of the shares of the Issuer for the purpose of maintaining an orderly market for shares and warrants of the Issuer and to assist in the distribution of the offered Units. The Agent may be considered the "market maker" of the shares of the Issuer during the period of primary distribution of this offering and for sixty (60) days thereafter. The signatories hereto have no knowledge of any other market maker.

Insiders of the Issuer may purchase Units from this offering.

The range of the market price of the shares of the Issuer and the volume of sales for the four weeks immediately preceding the Effective Date of this Statement of Material Facts is as follows:

<u>Week</u>	<u>Market Range</u>			<u>Volume</u>
	<u>High</u>	<u>Low</u>	<u>Close</u>	
February 4 - March 4	\$0.37	\$0.31	\$0.35	31,300
March 7 - March 11	\$0.34	\$0.32	\$0.32	3,000
March 14 - March 18	\$0.36	\$0.27	\$0.31	9,600
March 21 - March 25	\$0.35	\$0.31	\$0.34	25,100

The following beneficially own, directly or indirectly, in excess of 5% of each class of the issued shares of West Coast Securities Ltd.:

<u>Name and Address</u>	<u>Number and Class of Shares</u>	<u>Percentage</u>
2007 Investments Ltd. *	Class "A" Common 399	99.75%
2007 Investments Ltd.	Class "B" Common 395	53.74%
Leonard Earl Meltzer	Class "B" Common 115	15.65%
2008 Investments Ltd. **	Class "B" Common 55	7.48%
Robert Devente	Class "B" Common 50	6.80%
Leonard Earl Meltzer	Class "B" Preference 193	40.38%
Robert Devente	Class "B" Preference 84	17.57%
Maurice Delamore Lee	Class "B" Preference 50	10.46%

Douglas Francis Corrigan	Class "B" Preference 25	5.23%
Garry Robert Henry	Class "B" Preference 25	5.23%
Russell Sidney Bissett	Class "B" Preference 25	5.23%
Surjiet Johal	Class "B" Preference 25	5.23%
Ruth Rosaline Wade	Class "B" Preference 25	5.23%
Earl Wilfred Hope	Class "B" Preference 25	5.23%
2007 Investments Ltd.	Class "C" Preference 1,327	93.38%

* 2007 Investments Ltd. is wholly owned by James Dalton Thomas.

** 2008 Investments Ltd. is wholly owned by James Harwick Thomas and Craig Dalton Thomas, each as to 50%.

All of the above have addresses at 511-837 West Hastings Street, Vancouver, B.C.

The number and percentage of the issued and outstanding securities of the Issuer, beneficially owned, directly or indirectly, by directors, senior officers and persons holding more than 10% of the issued shares of the Issuer as a group is 659,200 shares representing 31.2% of the issued capital of the Issuer.

SECONDARY OFFERING

A. In addition to qualifying for sale to the public the Units hereinbefore set out, this Statement of Material Facts qualifies for sale to the public by the Agent for a period of 180 days from the Offering Date, any shares purchased by the Agent upon the exercise of the Series "B" Share Purchase Warrant. The Issuer will receive the exercise price of the shares purchased pursuant to the Series "B" Warrants but will not receive any of the proceeds from the sale of such shares by the Agent.

B. This Statement of Material Facts also qualifies for a period of ninety(90) days from conclusion of the share offering through the facilities of the Exchange at the market price of the shares at the time of sale, any and all of the aggregate of 35,000 shares owned by Mr. Harry L. Williams, the net proceeds of which will accrue to the selling shareholder, and not to the Issuer.

Details of shares which might be offered for sale by Harry L. Williams is as follows:

<u>Name of Selling Shareholder</u>	<u>Number of Shares Owned</u>	<u>Number of Shares Being Offered for Sale</u>	<u>Number of Shares to be Owned on Completion of the Offering</u>
Harry L. Williams	464,700	35,000	429,700

ITEM 2 PARTICULARS CONTRIBUTING TO THE SPECULATIVE NATURE OF THE SECURITIES BEING OFFERED

There is no known body of commercial ore on the Issuer's mining properties and the proposed programs are an exploratory search for ore. The shares of the Issuer must be considered speculative securities as the Issuer's mining properties are in the exploration and development stage. No survey has been made of the Issuer's located mineral claims and therefore, in accordance with the mining laws of the jurisdictions in which they are situated, the existence and area of such claims could be in doubt.

While some of the Issuer's oil and gas properties contain reserves of oil and gas, there has been, to date, insufficient testing to quantify such reserves.

ITEM 3 DETAILS OF ANY MATERIAL CHANGES OR PROPOSED MATERIAL CHANGES IN THE AFFAIRS OF THE ISSUER

Mr. Malcolm K. Lorimer was not re-elected to the Board of Directors of the Issuer at the Annual General Meeting held on November 29, 1982.

Mr. Douglas H. Moffat resigned as Secretary of the Issuer and Morlene M. Williams was appointed Secretary of the Issuer on November 29, 1982.

Mr. Eric N. Ascroft was appointed to the Board of Directors of the Issuer on December 2, 1982.

There have been no other material changes in the affairs of the Issuer since it filed its Statement of Material Facts accepted for filing by the Exchange on April 14, 1980, except as otherwise disclosed herein.

ITEM 4 THE ESTIMATED NET PROCEEDS OF THE ISSUER ARE TO BE SPENT IN THE FOLLOWING MANNER

The Issuer cannot estimate with certainty the price at which the shares will sell, but if all shares are sold at the price of \$0.40, the Issuer will receive \$160,000 less commission of \$12,000 for total net proceeds of \$148,000.

The principal purposes for which the net proceeds are to be spent, are as follows:

- | | | |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| (a) | To pay for the cost of this issue, including legal, audit and printing costs (approx.) | \$ 12,000 |
| (b) | To pay current liabilities | \$ 50,311 |
| (c) | To carry out the exploration program on the Golden Ark Property recommended by Stanley B. Reamsbottom, Ph.D., P.Eng., in his report dated July 14, 1982 | \$ 15,000 |

(d) To carry out the exploration program on the Lori Claims recommended by Mr. J.B.P. Sawyer, P.Eng. in his report on the property dated January 27, 1983	\$ 25,127.50
(e) Reserve for working capital	<u>\$ 45,561.50</u>
TOTAL:	<u>\$148,000.00</u>

The Issuer will not spend any material part of the proceeds received from this offering on additional material property acquisitions or on exploration or development work on the Issuer's properties other than as set out in this Statement of Material Facts without filing consulting or engineering reports accepted by the Exchange.

ITEM 5 THE FULL NAME, HOME ADDRESS AND CHIEF OCCUPATION, THE NUMBER OF SHARES OF THE ISSUER BENEFICIALLY OWNED, DIRECTLY OR INDIRECTLY, BY EACH SENIOR OFFICER OR DIRECTOR OF THE ISSUER AND IF EMPLOYED DURING THE PAST FIVE YEARS, THE NAME OF EACH EMPLOYER

<u>Name and Address and Present Office Held</u>	<u>No. of Shares of Issuer Beneficially Owned</u>	<u>Principal Occupation</u>
Harry Leonard Williams 2002 West 19th Avenue Vancouver, B.C. President & Director	382,000 Escrow <u>82,700</u> 464,700	Prospector
John Patrick Crean 2548 West 5th Avenue Vancouver, B.C. Director	175,000 Escrow <u>19,500</u> 194,500	Prospector and President of Univex Mining Corp. Ltd.
Douglas Haig Moffat 5612 Gordon Avenue Burnaby, B.C. V5E 3L8 Director	Nil	Self-employed Accountant
Eric Norman Ascroft 1878 West 37th Avenue Vancouver, B.C. V6M 1N4 Director	Nil	Businessman; President and Director of Silver Cloud Mines Ltd.
Morlene Margarie Williams 2002 West 19th Avenue Vancouver, B.C. Secretary	Nil	Housewife

ITEM 6 PARTICULARS OF THE CORPORATE STANDING OF THE ISSUER

The Issuer was incorporated on July 4, 1966 under the laws of the Province of British Columbia by Memorandum and Articles of Association.

All filings required to be made by the Issuer under the Securities Act and the Company Act of British Columbia are up to date. The Issuer filed an Annual Report with the Registrar of Companies as at July 4, 1982.

By certificate dated September 24, 1973, the Issuer changed its name from Spa Mines Ltd. (N.P.L.) to Copperust Mines Ltd. (N.P.L.) and by certificate dated October 20, 1978, the Issuer changed its name from Copperust Mines Ltd. (N.P.L.) to Ark Energy Ltd.

The last Annual General Meeting of the Issuer was held on November 29, 1982 at which time the audited financial statements to the fiscal year ended June 30, 1982 were placed before the shareholders.

The audited financial statements to the year ended June 30, 1982 and consolidated financial statements as at December 31, 1982 are attached hereto and form part of this Statement of Material Facts.

There is no business which the Issuer is restricted from carrying on, however, the Issuer is primarily engaged in the business of acquiring and developing natural resource properties.

ITEM 7 THE AUTHORIZED AND ISSUED SHARE CAPITAL OF THE ISSUER

The authorized capital of the Issuer consists of 9,836,000 shares without par value of which 2,112,900 shares are issued and outstanding.

In September 1973, the Issuer consolidated its shares on a three-for-one basis. To date, there are 561,720 post-consolidation, unexchanged shares being held by National Trust Company pending exchange. There are no conversion rights, no special liquidation rights, pre-emptive rights or subscription rights attached to the shares of the Issuer.

ITEM 8 THE PRICES AT WHICH SECURITIES OF THE ISSUER HAVE BEEN ISSUED DURING THE PAST YEAR

<u>No. of Shares</u>	<u>Deemed Price Per Share</u>	<u>Date Issued</u>	<u>Reason for Issuance</u>
123,000	\$0.01	March 1, 1982	Lori Claim Group - Escrow Property
25,000	\$0.25	November 16/82	Exercise of directors' stock option - Mr. Harry L. Williams

50,000	\$0.25	November 24, 1982	Gold Valley Property acquisition
12,000	\$0.01	November 24, 1982	Reimbursement respecting downpayment provided to Vendors - Gold Valley Property
34,000	\$0.25	Feb. 3/83	Exercise of directors' stock option - Mr. Harry L. Williams
12,500	\$0.25	Feb. 3/83	Exercise of directors' stock option - Mr. J. Patrick Crean
12,500	\$0.25	Feb. 4/83	Exercise of directors' stock option - Mr. Douglas H. Moffat

The 123,000 shares were issued as follows:

Harry L. Williams	41,000 shares
H. Stanley Cornwell	41,000 shares
First Northern Mortgage Co. Inc. *	41,000 shares

The 50,000 shares were issued as follows:

Hans Buhr	12,500 shares
Jim McDonald	12,500 shares
Edward Asano	12,500 shares
Donna Louise Van Norman	12,500 shares

* First Northern Mortgage Co. Inc. is a non-reporting company owned and controlled by Messrs. William A. Rand and Brian D. Edgar.

ITEM 9 PARTICULARS OF ANY BONDS, DEBENTURES, NOTES MORTGAGES, CHARGES, LIENS OR HYPOTHECATIONS OF THE ISSUER

Mr. Harry L. Williams, the President and director of the Issuer, personally guaranteed a line of credit to the Issuer in the amount of \$35,000 as authorized by The Toronto-Dominion Bank. To date, approximately \$20,000 has been advanced. Upon the approval of the regulatory authorities, the Issuer will issue to Mr. Williams 8,750 common shares in the capital stock of the Issuer in consideration for such guarantee.

There are no other bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding against the Issuer or any of its properties.

ITEM 10 PARTICULARS OF IMPORTANT PROPERTIES PRESENTLY OWNED, LEASED, HELD UNDER OPTION OR OPERATED BY THE ISSUER OR ANY SUBSIDIARY THEREOF OR PROPOSED TO BE OWNED, LEASED, HELD UNDER OPTION OR OPERATED BY THE ISSUER OR ANY SUBSIDIARY THEREOF

**A. GOLDEN ARK PROPERTY
YAVAPAI COUNTY, ARIZONA, U.S.A.**

The Issuer has a 100% working interest (subject only to a 15% carried interest) in thirty-five (35) mineral claims located in Yavapai County, Arizona, U.S.A., more particularly described as follows:

- Leach 1 to 22, inclusive, Township 13N, Ranges 8 and 9 West;
- Dough 1, Township 13N, Range 8 West;

Mud 1, Township 13N, Range 8 West;

Joe 4 and 5, Township 13N, Range 8 West;

Tip 12 and 21, Township 13N, Range 8 West;

Pan 17, 18, 20, 21, 23, 24 and 26, Township 13N, Range 9 West;

Over the past year, the Issuer has incurred only nominal expenses with relation to the property, including an Engineering Report on the property prepared by Stanley B. Reamsbottom, Ph.D., P. Eng. dated July 14, 1982, a copy of which is included and forms part of this Statement.

A total of 189 claims have been staked on the property at a cost of \$22,065.30, however, the Issuer allowed 154 of these claims to lapse on September 1, 1982, due to the lack of available funds to perform required assessment work.

The Issuer intends to carry out the recommendations contained in Mr. Reamsbottom's report, at an estimated cost of \$15,000.

There is no known body of commercial ore on the property.

B. RJKI CLAIMS
LAKE COUNTY, CALIFORNIA, U.S.A.

By agreement dated July 20, 1981, as amended, the Issuer's wholly-owned U.S. subsidiary, Ark Energy (U.S.) Inc. ("Ark U.S.") acquired the sole and exclusive right and option to purchase an undivided 75% interest in and to the following mineral claims located in Lake County, California, U.S.A., from Mr. John Karnish of 6301 Longcroft Drive, Oakland, California, U.S.A.:

RJKI Claim Nos. 1 to 7, 9 to 11, and 13 to 18, all located in Section 34, Township 12 North, Range 5 West, Lake County, California.

By agreement dated July 21, 1981, as amended, Ark U.S. acquired the sole and exclusive right and option to purchase an undivided 75% interest in and to the following mineral claims located in Lake County, California, U.S.A., from Major Resources Ltd., of 516-850 West Hastings Street, Vancouver, British Columbia:

RJKI Claim Nos. 8 and 12 and 19 to 32 inclusive, all located in Section 33, Township 12 North, Range 5 West, Lake County, California.

During the past year Ark U.S. conducted a geochemical soil and silt sampling survey at a cost of approximately \$5,000. The survey indicated some strong anomalous areas that warrant further exploration.

Ark U.S. has no immediate plans to do any further work on this property.

There is no known body of commercial ore on the property.

C. GOLD VALLEY PROPERTY, BRITISH COLUMBIA

The Issuer owns a 20% undivided beneficial interest in four mineral claims comprising sixty (60) units and four (4) old two post mineral claims located in the Slocan Mining Division, British Columbia. The Issuer has performed no exploration work on the property to date, however, an exploration program is proposed to be carried out as detailed in Item 11 herein. The remaining 80% beneficial interest in the property is owned as follows:

Univex Mining Corp. #1103-675 W. Hastings Street, Vancouver, B.C.	20%
Aquarius Resources Ltd. 920-475 Howe Street Vancouver, B.C.	55%
Fritz Jordan P.O. Box 314 Nakusp, B.C.	5%

Mr. Patrick Crean, a director of the Issuer is the President and a Director of Univex. Aquarius Resources Ltd. is a reporting company listed on the Vancouver Stock Exchange.

D. MAGNA TEXAS NO. 2 JOINT VENTURE

Ark U.S. Energy (U.S.) Inc. ("Ark U.S."), the wholly-owned U.S. subsidiary corporation of the Issuer, entered into an agreement dated for reference January 30, 1981 with Chungo Resources Inc. ("Chungo"), and Joe D. Shropshire, doing business as Jay-Dee Operating Company ("Jay-Dee"), to form a joint venture along with various other corporations and persons to be known as the "Magna Texas No. 2 Joint Venture" for the purposes of acquiring, exploring for, developing, producing, gathering, treating and marketing petroleum substances within the United States.

Pursuant to the agreement, Ark U.S. has agreed to acquire a 5% participating interest, by paying 5.8823% of the costs involved, in the petroleum, natural gas or any other hydrocarbons or minerals which may be acquired by the Joint Venture, while Chungo and Jay-Dee will maintain carried working interests of 5% and 10% respectively. The total projected costs of the Joint Venture were estimated to be \$10,000,000 U.S. (\$12,160,000 Cdn.). Ark U.S. has paid for lease costs, \$41,761.77 U.S. (\$50,782.23 Cdn.) under this agreement but does not intend to participate with further drilling.

Jay-Dee has been designated the Operator of the Joint Venture.

At present, the Joint Venture has acquired the following prospects:

<u>Lease</u>	<u>No. of Acres</u>	<u>Total Cost (U.S. \$)</u>	<u>Company's Share of Costs (Est. U.S. \$)</u>
W.B. Stokes Lease Webb & LaSalle Counties, Texas	1,435.79	\$ 71,789.50	\$ 4,645.16
Hugo Lease Frio County, Texas	125.96	12,500.00	808.82
Kincaid Lease Frio County, Texas	151.85	15,000.00	970.59
Schallert Lease Duval County, Texas	3,100.64	527,575.00	34,137.21
Stout Lease Frio County, Texas	<u>79.11</u>	<u>20,000.00</u>	<u>1,199.99</u>
Totals:	4,893.35	\$646,684.50	\$41,761.77

(a) W.B. Stokes Lease, Webb and LaSalle Counties, Texas - 1435.79 acres

The Operator has indicated that he intends to drill one well on the lease, however Ark U.S. will not participate in this well.

(b) Hugo Lease, Frio County, Texas - 125.96 acres

It is proposed to drill three wells on this lease. The Hugo Hardin No. 1 well has been completed to a depth of 7,100 feet. The well was fractured, but the operation was unsuccessful. The well is being acidized and fractured for a second time. Each of the three wells has a projected depth of approximately 7,000 feet. Ark U.S. has paid \$33,481.00 U.S. (\$40,712.90 Cdn.) for drilling costs to completion on the Hugo Hardin No. 1 well. The Lessors royalty on this lease are 3/16th's of production. There is an overriding royalty of 1/8th of production to Mobil Producing Texas and New Mexico Inc. Ark U.S.'s net revenue interest is 3.4375%. There are no plans to drill the other two wells at this time.

To date, Ark U.S. has not received any proceeds for the Hugo Hardin No. 1 well.

(c) Kincaid Lease, Frio County, Texas - 151.85 acres

One well is projected to be drilled on this lease. The Operator has informed Ark U.S. that the drilling commitment is overdue on this lease, but the

Farmor has informed the Operator that there will be no immediate demand to drill the well because of economic conditions in the industry.

(d) Schallert Lease, Duval County, Texas - 3,100.64 acres

The Schallert No. 1 and Schallert No. 15 wells have been drilled to approximately 1,800 feet but not tested or completed due to lack of funds on the part of the participants. Ark has paid \$2,574.17 U.S. (\$3,130.19 Cdn.) for drilling costs on the Schallert No. 1 and No. 15 wells.

Upon the necessary funds becoming available, Ark U.S. intends to participate in testing and completing the Schallert wells Nos. 1 and 15 and will also participate in reworking the following seven existing wells on the Schallert Lease:

<u>Well</u>	<u>Interest</u>	<u>Ark U.S.'s Estimated Cost</u>
Schallert #2	.04910714	\$ 73.66
Schallert #5	.04910714	100.17
Schallert #6	.04910714	127.19
Schallert #10	.04910714	127.19
Schallert #12	.04910714	149.29
Schallert #13	.04910714	161.56
Schallert #14	.04910714	195.94
		<u>\$935.00</u>

Ark U.S. also intends to drill the following wells:

Schallert #3	.04910714	\$1,117.19
Schallert #4	.04910714	586.83
Schallert #8	.04910714	1,117.19
		<u>\$2,821.21</u>

Total estimated cost to Ark U.S. is \$3,756.21 U.S. (\$4,567.55 Cdn.). The source of funds for this expenditure will be from a bank loan previously arranged. This work is necessary to maintain the 3,100 acre Schallert Lease in good standing. The work on the lease must be continuous and may not cease for a period exceeding 60 days. This expenditure does however depend on the ability of all the venturers to pay their portion of the costs.

Ark U.S.'s interest in this lease is subject to royalties of 25%.

(e) Stout Lease, Frio County, Texas - 79.11 acres

It was proposed that two wells be drilled on this lease, the Stout No. 1 and Stout No. 2 wells. The Stout No. 1 well has been drilled successfully, and was tested at 210 bbl/day and 200 Mcfp/d. Mechanical problems with the well have reduced production to under 100 bbl/day. The Issuer does not have a calculation of oil and gas reserves. Ark U.S. has paid \$33,710.93 U.S. (\$40,992.49 Cdn.) for drilling costs to completion on this well. The royalties payable under this lease are

25% being 1/8th of production to the Lessors, and overriding royalties of 1/8th of production to Mobil Producing Texas and New Mexico Inc. Ark U.S. has been advised by the Operator that the Stout No. 2 well will not be drilled due to the poor production results on the Stout No. 1 well.

As at June 30, 1982, Ark U.S.'s share of production proceeds from the Stout No. 1 well amounted to \$4,173 U.S. (\$5,074.37 Cdn.).

A report has been prepared on the Stout Lease by McCartney Engineering Ltd. dated March 5, 1981. A report dated June 10, 1981 has been prepared on the Kincaid, Schallert and Hugo Lease by McCartney Engineering Ltd.

The Issuer has paid \$788.07 U.S. (\$958.29 Cdn.) for engineering work on the project.

Each lease contained in the Joint Venture will be treated on a separate basis. Therefore, should Ark U.S. elect not to proceed with the development of any one particular lease it will forfeit any further interest in that lease while retaining its full right and title to any spacing unit developed before such election. Ark U.S.'s interests in the remaining leases in the Joint Venture for which it has paid its proportionate share will not be affected.

E. LORI CLAIM GROUP,
PROVINCE OF BRITISH COLUMBIA

The Issuer has a 100% interest in the Lori 1, 2, 3 and 4 mineral claims in the Siwash Creek Area of the Similkameen Mining Division of British Columbia.

During the past year, the Issuer has paid approximately \$6,063 in respect of engineering and assay costs. The amount of geochemical soil sampling carried out was not great enough to permit any interpretation of the results. The Issuer plans to carry out a work program consisting of a magnetometer survey, geochemical survey and trenching at a cost of approximately \$25,127.50 as recommended by J.B.P. Sawyer, P.Eng. in his report on the property dated January 27, 1983, a copy of which is attached hereto and forms part of this Statement of Material Facts.

There is no known body of commercial ore on the property.

F. ORPHAN BOY CLAIM GROUP
PROVINCE OF BRITISH COLUMBIA

The Issuer has a 100% interest in the following crown-granted mineral claims known as the Orphan Boy Group in the Revelstoke Mining Division of British Columbia:

<u>Claim</u>	<u>Lot</u>
Orphan Boy	2663

Olde Bowl	2497
Old Bowl Fr.	2498
Mammoth 11	2768
Golden Eagle	2725
Bear Fr.	2500
Gold Hill Fr.	2654
Big Bend Bell	2499

During the past year, the Issuer has done no work on the property, however, it is maintaining its interest in the claims by keeping the required tax payments up to date. The Issuer paid \$62.71 for taxes during 1981.

By Joint Venture Agreement dated January 26, 1983 between the Issuer and Aurun Mines Ltd. ("Aurun") of 910-640, 8th Avenue S.W., Calgary, Alberta, the Isser and Aurun agreed to jointly explore and develop the Orphan Boy Property together with adjacent claims owned by Aurun. The Issuer retains a 43% interest in the Joint Venture with Aurun owning the remaining 57% interest. Contributions to exploration programs will be made pro rata according to these percentage interests.

Aurun is the operator and is responsible to conduct exploration programs on the property.

Aurun is a private Alberta based company extra-provincially registered in British Columbia and controlled by J.A. Chapman, P.Eng., J.E. Dagenais, B.Sc., S.B. Gieni, B.Comm., R.I.A. and D.W. Philip, P.Eng., all of Calgary, Alberta and R.A. Wattie, L.L.B. of Abbotsford, British Columbia.

There is no known body of commercial ore on the property.

G. ENDLESS ENERGY INC. CLAIMS
YAVAPAI COUNTY, ARIZONA

The Issuer holds a 25% undivided interest in 18 mineral claims in this group. Only assessment work was done in the last year consisting of shallow drilling and leach testing. Drilling results were inconclusive and leach testing confirmed the inefficiency of leaching course material. Approximately \$2,000 U.S. (\$2,432.00 Cdn.) in expenses was incurred for this work.

ITEM 11 PARTICULARS OF THE COST OF PROPERTIES ACQUIRED BY THE ISSUER, OR ANY SUBSIDIARY THEREOF, WITHIN THE PAST THREE YEARS OR PROPOSED TO BE ACQUIRED BY THE ISSUER OR THE SUBSIDIARY THEREOF

A. GOLDEN ARK PROPERTY
YAVAPAI COUNTY, ARIZONA, U.S.A.

By an agreement dated the 11th day of January 1980, between the Issuer and Quest Inc. of P.O. Box 495, Apache Junction, Arizona, U.S.A. ("Quest"), the Issuer acquired a 70% interest in and to the following mineral claims located in Yavapai County, Arizona, U.S.A.:

Leach 1 to 11, inclusive, Township 13N, Ranges 8 and 9 West, Yavapai County, Arizona;

Leach 14 to 19, inclusive, Township 13N, Ranges 8 and 9 West, Yavapai County, Arizona.

In consideration for such 70% interest, the Issuer was required to pay to Quest the sum of \$23,100 U.S. (\$28,089.60 Cdn.) which has been paid.

By an agreement dated the 8th day of May 1980, between the Issuer and Quest, the Issuer acquired a 70% interest in and to the following mineral claims located in Yavapai County, Arizona, U.S.A., at a cost of \$45,300 U.S. (\$55,084.80 Cdn.):

Leach 12 and Leach 13, Township 13N, Ranges 8 and 9 West.

On July 16, 1980, Quest quit-claimed to the Issuer all its right, title and interest to the following mineral claims:

Leach 1 to 32 inclusive; Dough 1; Mud 1 to 3 inclusive; Joe 1 to 5 inclusive; Rise 1 to 6 inclusive; Tip 1 to 21 inclusive; Pan 1 to 42 inclusive; WS 1 to 79.

By an agreement dated the 15th day of October 1981, the Issuer acquired a 100% interest in the property and Quest retains a 15% carried interest in any consideration or income flowing to the Issuer from any option, lease sale or operation of the property described in the aforesaid agreements. Quest owes the Issuer \$78,919 U.S. (\$95,965.50 Cdn.) regarding funds expended on the property by the Issuer pursuant to the foregoing agreements which sum bears interest at the rate of 12% per annum and is repayable from production.

Due to a lack of sufficient funds to perform necessary assessment work, the Issuer allowed 154 claims to lapse on September 1, 1982, leaving a total of 35 claims, more particularly described in Item 10.

The Issuer is the operator of the property and as operator is required to carry out exploration and development activities on the property.

The Issuer intends to carry out the recommendations contained in an Engineering Report on the property prepared by Stanley B. Reamsbottom, Ph.D., P. Eng. dated July 14, 1982, a copy of which is attached hereto and form part of this Statement of Material Facts, at an estimated cost of \$15,000.

Quest is a private company owned by Harold E. Best and John D. Best of Box 495, Apache Junction, Arizona, U.S.A.

B. RJKI CLAIMS
LAKE COUNTY, CALIFORNIA, U.S.A.

By agreement dated July 20, 1981, as amended, Ark U.S. acquired the sole and exclusive right and option to purchase an undivided 75% interest in and to 16 lode mining claims being RJKI Claim Nos. 1 to 7, 9 to 11, and 13 to 18, all

located in Section 34, Township 12 North, Range 5 West, Lake County, California, from Mr. John Karnish ("Karnish") of 6301 Longcroft Drive, Oakland, California, 94611, in consideration for the sum of \$10,000. In order to exercise its option to purchase, Ark U.S. is to provide Karnish with evidence of the expenditure of a minimum of \$50,000 for exploration and development work on the property by July 20, 1983. Ark U.S. is to be the operator of the property and all exploration and development expenses relating to the property in addition to the aforesaid \$50,000 to be provided by Ark U.S. is to be provided as to 75% by Ark U.S. and as to 25% by Karnish, provided always that Karnish may at any time elect not to contribute to such cost and thereby his interest in the property is to be reduced to a 12.5% carried net profits interest and Ark U.S.'s interest increased accordingly. The agreement also provides that in the event Ark U.S. fails to make the full expenditure of \$50,000 for exploration and development expenses within the time allowed, Ark U.S. may pay the shortfall in cash to Karnish and shall be thereby deemed to have exercised its option to purchase the property and to have acquired the undivided 75% interest. Ark U.S. and Karnish have agreed that should either party acquire an interest in any property lying within one mile of the outer boundary of the claims, they are to advise the other party of the acquisition and the other party may elect to contribute its proportionate share of the cost of such acquisition and in such case the after-acquired property is to become subject to the terms of the July 20, 1981 agreement.

By agreement dated July 21, 1981, as amended, made between Ark U.S. and Major Resources Ltd. ("Major") of 516 - 850 West Hastings Street, Vancouver, B.C., Ark U.S. acquired the sole and exclusive right and option to purchase an undivided 75% interest in and to 16 lode mining claims being RJKI Claim Nos. 8 and 12 and 19 to 32 inclusive, all located in Section 33, Township 12 North, Range 5 West, Lake County, California, for the sum of \$10,000 and subject to the same terms and conditions as referred to above with respect to the acquisition of the 16 mining claims from Mr. John Karnish.

The principals of Major, a public company, are: Cardinal Properties, John Tancowny, Douglas Wallace, George Jones and Thomas Tough.

C. GOLD VALLEY PROPERTY
BRITISH COLUMBIA

By agreement dated August 20, 1982 between the Issuer and Univex Mining Corp. Ltd. ("Univex") of 1103-675 West Hastings Street, Vancouver, British Columbia, as Purchasers, and Hans Buhr, James McDonald, Steve Buchan and Edward Asano, all of 621-602 West Hastings Street, Vancouver, British Columbia, as Vendors, the Issuer acquired a 50% undivided interest in four (4) mineral claims comprising sixty (60) units and four (4) two-post mineral claims all located in the Slocan Mining Division, British Columbia.

The sixty (60) unit group was acquired directly, however, the four (4) additional mineral claims are subject to an option to purchase agreement dated August 14, 1982 between James McDonald ("McDonald") and Fritz Jordan ("Jordan") of P.O. Box 314, Nakusp, British Columbia. This agreement, which has

been assigned to the Issuer and Univex pursuant to the August 20, 1982 agreement requires the Issuer and Univex jointly to pay Jordan a total of \$11,000 as follows:

\$500 by October 15, 1982 with like payments on the 15th of every second month until June 15, 1985.

Jordan is to retain a 5% net profits carried interest in the property and other property acquired by McDonald with a 1 kilometer radius of the property. This area extends into the sixty (60) unit group and renders the entire property subject to Jordan's 5% net profits interest.

The Issuer and Univex have agreed to pay the Vendors the sum of \$12,000 cash and issue 50,000 shares of each company to the Vendors so that each Vendor will receive 12,500 shares of the Issuer and 12,500 shares of Univex. To date, Univex has paid its \$6,000 cash consideration and the Issuer has paid \$3,000. James McDonald and Steve Buchan agreed to accept 6,000 shares of the Issuer in lieu of \$1,500 cash which shares were provided from the personal holdings of Mr. Harry L. Williams. The Issuer received the approval of the regulatory authorities to the issuance of shares to the Vendors and Mr. Williams and accordingly, the following treasury shares were issued:

<u>Name</u>	<u>Number of Shares</u>
Hans Buhr	12,500
Edward Asano	12,500
James McDonald	12,500
Steve Buchan	12,500
Harry Williams	<u>12,000</u>
	62,000

The sixty (60) unit group was acquired by the Vendors for the cost of staking and a total of \$2,100 has been paid by the Vendors as initial option payments pursuant to the McDonald/Jordan August 14, 1982 option agreement.

By agreement dated November 10, 1982 between the Issuer, Univex and Aquarius Resources Ltd. ("Aquarius") of 920-475 Howe Street, Vancouver, B.C., the Issuer and Univex granted to Aquarius the option to purchase an undivided 55% beneficial interest in the property. Aquarius paid each of the Issuer and Univex \$5,000 upon execution of the agreement and must make all required payments under the Jordan agreement and spend \$200,000 on exploration of the property in order to earn its 55% beneficial interest. The \$200,000 expenditure is to be made by December 1, 1984. If the full \$200,000 is not spent by December 1, 1983, Aquarius is to pay \$5,000 to each of the Issuer and Univex.

D. MAGNA TEXAS NO. 2 JOINT VENTURE

Ark U.S. entered into an agreement dated for reference January 30, 1981 as amended effective the same date, with Chungo Resources Inc. ("Chungo") a Colorado corporation with an office at 200-925 26th Street N.E., Calgary,

Alberta, and Joe D. Shropshire, doing business as Jay-Dee Operating Company ("Jay-Dee") of P.O. Box 6715, Corpus Christi, Texas, to form a joint venture along with various other corporations and persons to be known as the "Magna Texas No. 2 Joint Venture" for the purposes of acquiring, exploring for, developing, producing, gathering, treating and marketing petroleum substances within the United States. Pursuant to the agreement, Ark U.S. has agreed to acquire a 5% participating interest (3.4375% revenue interest), by paying 5.882353% of the costs involved, in the petroleum, natural gas or any other hydrocarbons or minerals which may be acquired by the Joint Venture. The only persons who have more than 5% of the issued shares of Chungo are Ross Lancaster, as to 25% and Bill Lancaster, as to 50%, both of 200-925 26th Street N.E., Calgary, Alberta.

The Venture parties are described as follows:

<u>Name & Address</u>	<u>Cost Interest</u>	<u>Participating Interest</u>
Bounty Resources Inc. 812, 409 Granville St. Vancouver, B.C. V6C 1T2	11.764706%	10%
Deex Investment Corporation 812, 409 Granville St. Vancouver, B.C. V6C 1T2	11.764706%	10%
Halven Oil Ltd. 812, 409 Granville St. Vancouver, B.C. V6C 1T2	11.764706%	10%
Ark Energy (U.S.) Inc. 1103, 675 W. Hastings St. Vancouver, B.C. V6B 1N2	5.882353%	5%
Pacific Ridge Resources Corporation 1103, 675 W. Hastings St. Vancouver, B.C. V6B 1N2	5.882353%	5%
Zeron Resources Ltd. 805 Grand Boulevard North Vancouver, B.C.	5.882353%	5%
Petrolux Energy Corp. c/o Dave Fraser & Co. 777 Hornby Street Vancouver, B.C.	5.882353%	5%

Fairwinds Petroleum Resources Ltd. 206, 2777 Oak Street Vancouver, B.C.	5.882353%	5%
Univex Mining Corporation 1103, 675 W. Hastings St. Vancouver, B.C. V6B 1N2	5.882353%	5%
Jay-Dee Operating Company P.O. Box 6715 Corpus Christi, Texas 78411	17.547059%	15%
Chungo Resources Inc. 200, 925-26th Street N.E. Calgary, Alberta T2A 6K8	5.882352%	5%
Chungo Resources Inc. 200, 925-26th Street N.E. Calgary, Alberta T2A 6K8	0.0%	5% Carried Interest
Jay-Dee Operating Company P.O. Box 6715 Corpus Christi, Texas 78411	0.0%	10% Carried Interest
	100.0%	100.0%

The cost includes drilling, completion and operating costs.

The leases which form part of this Joint Venture are described as follows:

<u>Lease Name</u>	<u>County</u>	<u>Acreage</u>
W.B. Stokes	Webb & LaSalle	1435.79
Hugo	Frio	125.96
Kincaid	Frio	151.85
Schallert	Duval	3100.64
Stout	Frio	79.11

Ark U.S. paid for lease costs, \$41,761.77 U.S. (\$50,782.31 Cdn.) under this agreement. Ark U.S. must pay its share of drilling and completion costs for the drilling of wells on the leases subject to the Joint Venture. The program was to consist of a minimum of 10,000 acres located in West Texas. However, Ark U.S. does not intend to participate in the acquisition of greater acreage than that presently held.

In the event that Ark U.S. fails to pay its proportionate share of the drilling of a well proposed by the Operator, it will lose its right to participate in that well and any further wells to be drilled on that lease. However, if a well has already been drilled on the lease and Ark U.S. has paid its proportionate share, it shall retain its rights and interests in the well for which it paid its proportionate share of drilling and completion costs.

E. LORI CLAIM GROUP,
PROVINCE OF BRITISH COLUMBIA

By agreement dated October 25, 1978, the Issuer and Mr. Harry Williams of 2002 West 19th Avenue, Vancouver, British Columbia, Mr. J. Patrick Crean of 2548 West 5th Avenue, Vancouver, British Columbia, and Mr. Robert Stoddart of 5449 Nelson Avenue, Burnaby, British Columbia, the Issuer acquired its 100% interest in the Lori 1, 2, 3 and 4 claims situate in the Similkameen Mining Division of British Columbia for and in consideration of the issue of 750,000 escrowed shares to the vendors as follows:

- (a) 541,000 escrowed shares, upon approval of the said agreement;
- (b) The balance of 209,000 escrowed shares, from time to time as the currently outstanding escrowed shares of the Issuer are cancelled.

To date a total of 582,000 shares have been issued to the vendors and an additional 82,000 shares have been issued to First Northern Mortgage Co. Inc., 400-750 West Pender Street, Vancouver, British Columbia and to Mr. H. Stanley Cornwell, 600-789 West Pender Street, Vancouver, British Columbia, each as to 41,000 shares.

The Issuer plans to carry out a work program consisting of a magnetometer survey, geochemical survey and trenching at a cost of approximately \$25,127.50 as recommended by J.B.P. Sawyer, P.Eng. in his report on the property dated January 27, 1983.

Messrs. Williams and Crean are directors of the Issuer.

F. ORPHAN BOY CLAIM GROUP
PROVINCE OF BRITISH COLUMBIA

By agreement dated April 15, 1969 between the Issuer and Stanmack Mining Company Ltd. (N.P.L.) ("Stanmack"), the Issuer acquired its 100% interest in the Orphan Boy Group of mineral claims in the Revelstoke Mining Division of

British Columbia, the claims being more particularly described in Item 10 hereof.

The Issuer acquired the claims in consideration for spending \$2,500 on exploration and development work on the mineral claims during the first year and making annual \$2,500 option payments each year thereafter, until the claims are brought into commercial production, at which time Stanmack will be entitled to a 20% net profits interest.

The Issuer has entered into a Joint Venture Agreement for the development of the property and surrounding claims, owned by Aurun Mines Ltd., as set out in Item 10F herein. The Issuer has a 43% undivided interest in the joint venture.

G. CAVE CREEK PROPERTY,
MARICOPA COUNTY, ARIZONA, U.S.A.

By agreement dated August 14, 1979, as amended by Agreement dated for reference March 21, 1980, between the Issuer and John D. Best and Quest Inc., both of P.O. Box 495, Apache Junction, Arizona, the Issuer acquired the following mineral interests:

- (a) Prospecting Permit covering NE $\frac{1}{4}$ and NE $\frac{1}{4}$ of NW $\frac{1}{4}$ of Section 16, T6N, R4E, Maricopa County, Arizona;
- (b) Mining claims including TIN 6, 8, 9 and 10, RUNNER 1-10, 13-15 and NOB 1 and 2, all claims being situated in Maricopa County, Arizona.

This property has now been abandoned. Prior to abandoning this property, the Issuer spent approximately \$14,300 in respect of engineering, assay and drilling costs on the property as well as \$3,540 in respect of property payments.

H. GORDY PROPERTY
PROVINCE OF BRITISH COLUMBIA

By Bill of Sale of Mineral Claim dated January 10, 1980, the Issuer acquired a 100% interest in and to certain mineral claims comprising twenty (20) units situate in the Similkameen Mining Division, Province of British Columbia from Mr. William Ashley of Box 1067, Princeton, British Columbia.

The sum of \$305 was spent to evaluate the Gordy Claims. As the results were unsatisfactory, the Issuer decided to allow the claims to lapse.

I. VAN-TENN PROJECT
PICKETT COUNTY, TENNESSEE, U.S.A.

By agreement dated November 19, 1979 between Mr. Earl Ball of 4554 Southridge Crescent, Langley, British Columbia and the Van Tenn Project, a

partnership consisting of the Issuer, Kenver Resources Ltd., Mr. R.J. Wilson and Mr. J. Patrick Crean, the Issuer acquired a 25% working interest in an oil and gas lease containing 676 acres located in Pickett County, Tennessee. By subsequent agreement dated February 20, 1980, Mr. J. Patrick Crean acquired the interests of Kenver Resources Ltd. and Mr. R.J. Wilson, leaving Mr. Crean with a 75% working interest. Mr. Crean is a director of the Issuer.

The total cost to the Van-Tenn Project of acquiring the lease was \$22,921.77 (Cdn.). The Issuer paid \$6,000 (Cdn.) representing its share of lease acquisitions costs. This property has now been abandoned. Prior to abandonment, the Issuer spent an additional \$6,127 in respect of engineering, assay and drilling costs.

J. OSPREY LAKE MOLYBDENUM CLAIMS

By a letter agreement dated April 29, 1981 between Harry L. Williams ("Williams"), and J. Patrick Crean ("Crean"), of 1103 - 675 West Hastings Street, Vancouver, B. C. and the Issuer and Univex Mining Corporation Ltd. ("Univex"), Williams and Crean transferred to the Issuer and Univex, as to 50% each, all their right, title and interest in the following mineral claims situate in the Similkameen Mining Division of British Columbia:

<u>Claim</u>	<u>No. of Units</u>
P.H.	12
Shinish	20
MOR-1	1
MOR-2	1
MOR-3	1

All the claims held under the April 29, 1981 option agreement by the Issuer and Univex were allowed to lapse on August 7, 1982 and the property was subsequently abandoned. Prior to abandonment, the Issuer contributed the sum of \$9,947 to the Property, which amount includes acquisition costs, travel and labour costs.

K. ENDLESS ENERGY INC. CLAIMS
YAVAPAI COUNTY, ARIZONA

On May 30, 1980, Caledonia Resources Ltd. ("Caledonia"), Jalna Resources Limited ("Jalna") and Raven Electronics Ltd. ("Raven") and the Issuer formed a private corporation known as Endless Energy Inc. ("Endless"). Each party contributed \$15,000 U.S. for a 25% interest. Endless acquired from Quest Inc., of P.O. Box 495 Apache Junction, Arizona, the following properties at a cost of \$30,000 U.S.:

Big Stick (8 claims)
Dusty Hill (10 claims)
State Lease (Pack Rat)

The State Lease was subsequently dropped. In November 1981, Mr. H. Williams acquired the interest of Caledonia, Jalna and Raven and the Issuer received a refund from Endless aggregating \$4,307.90 U.S. plus \$398.70 Cdn.

ITEM 12 THE NAME AND ADDRESS OF ANY PERSON OR COMPANY WHO OR THAT IS OR HAS BEEN A PROMOTER OF THE ISSUER WITHIN THE PRECEDING TWO YEARS AND THE NATURE AND AMOUNT OF ANYTHING OF VALUE RECEIVED OR TO BE RECEIVED FROM THE ISSUER

Mr. Harry L. Williams, President and director of the Issuer, of 2002 West 19th Avenue, Vancouver, British Columbia, and Mr. J. Patrick Crean, a director of the Issuer, of 2548 West 5th Avenue, Vancouver, British Columbia, may be considered the promoters of the Issuer.

During the twelve month period ended December 31, 1982, Mr. Williams received a total of \$6,125 with respect to management fees and \$600 for equipment rental.

Mr. Williams also received a further 41,000 escrowed shares in addition to the 341,000 escrowed shares previously issued, which are part of the 450,000 escrowed shares to be issued to him as one of the vendors of the Lori Property purchased by the Issuer for a total 750,000 escrowed shares. Mr. Crean has received a total of 175,000 escrowed shares which is the total amount of escrowed shares to be issued to him as one of the vendors of the same property, pursuant to the escrow agreement dated October 25, 1978.

At the Issuer's Annual General Meeting held on October 29, 1981, the shareholders approved the granting of stock options to the directors of the Issuer to purchase a total of 95,000 shares in the capital stock of the Issuer at \$0.25 per share, at any time and from time to time up to February 5, 1983. Of the total shares under the said stock option, Mr. Williams was granted an option to purchase 65,000 shares and Mr. Crean was granted an option to purchase 12,500 shares.

Mr. Williams has exercised his option as to 59,000 shares and Mr. Crean has fully exercised his option as to 12,500 shares.

The Issuer will seek the approval of the Vancouver Stock Exchange to the cancellation of the options presently outstanding, and request the approval of the Vancouver Stock Exchange to the granting of new stock options, more particularly set out in Item 17 hereof.

ITEM 13 **THE NUMBER OF SHARES OF THE ISSUER HELD IN ESCROW OR IN POOL AND A BRIEF STATEMENT OF THE TERMS OF THE ESCROW OR POOLING AGREEMENT**

A total of 750,000 escrow shares were issued at a deemed price of \$0.01 per share while the Issuer was known as "Spa Mines Ltd. (N.P.L.)". The holders of these 750,000 pre-consolidated escrow shares and their respective shareholdings are as follows:

<u>Name</u>	<u>Number of Shares</u>
Alyn Fix	123,000
Harry L. Williams	123,000
Charles Fix, Sr.	123,000
Charles Fix, Jr.	123,000
Keith Rains	123,000
Norman Fix	123,000
Joseph Rosso	<u>12,000</u>
TOTAL	750,000

The capital of the Issuer was subsequently consolidated on a three-for-one basis reducing the number of escrow shares to 250,000 shares. The escrow property was subsequently abandoned and documents prepared to effect the cancellation of the escrow shares by way of gift to the Issuer were mailed to all escrow shareholders. To date, a total of 164,000 shares, held by Harry L. Williams, Charles Fix Sr., Keith Rains and Norman Fix, each as to 41,000 shares, have been cancelled, leaving a total of 86,000 post-consolidation escrow shares outstanding pending cancellation.

By agreement dated October 29, 1978, between the Issuer and Messrs. J. Patrick Crean, Robert Stoddart and Harry L. Williams, the Issuer agreed to issue a total of 750,000 escrow shares in consideration for the acquisition by the Issuer of the Lori Property.

To date, a total of 664,000 have been issued with the balance of 86,000 shares to be issued upon the cancellation of the old escrow position or upon the order of the Superintendent of Brokers.

As at the date hereof, the name, address and shareholdings of the greater than 5% escrowed shareholders of the Issuer are as follows:

<u>Name and Address</u>	<u>Number of Shares</u>
Alyn Fix Box 8200 Fairview, Alberta	41,000
Harry L. Williams 2002 West 19th Avenue Vancouver, B.C.	382,000

Charles Fix, Jr. 40 Lakeshore Drive Penticton, B.C.	41,000
J. Patrick Crean 2548 West 5th Avenue Vancouver, B.C.	175,000
Harry Stanley Cornwell 600-789 West Pender St. Vancouver, B.C.	41,000
First Northern Mortgage Co. Inc. 400-750 West Pender St. Vancouver, B.C.	41,000

Upon the cancellation, by way of gift, of the remaining 86,000 old escrow shares and the subsequent issuance of the balance of the 86,000 new escrow shares, as aforesaid, a total of 68,000 escrow shares will be issued to Mr. Harry L. Williams, and 9,000 escrow shares will be issued to each of Mr. Harry Stanley Cornwell and First Northern Mortgage Co. Inc.

First Northern Mortgage Co. Inc. is a non-reporting company owned and controlled by Messrs. William A. Rand and Brian D. Edgar

There are no shares held in pool.

ITEM 14 THE NUMBER OF EQUITY SHARES OF THE ISSUER OWNED BENEFICIALLY, DIRECTLY OR INDIRECTLY, BY EACH PERSON OR COMPANY WHO OWNS OR IS KNOWN BY THE SIGNATORIES HERETO TO OWN BENEFICIALLY, DIRECTLY OR INDIRECTLY, MORE THAN 10 PERCENT OF THE EQUITY SHARES OF THE THE ISSUER

The following owns or is known by the signatories hereto to own beneficially, directly or indirectly, more than 10% of the equity shares of the Issuer:

<u>Name and Address</u>	<u>Number of Shares</u>	<u>Percentage</u>
Harry L. Williams * 2002 West 19th Avenue Vancouver, B.C.	464,700	22%

* Of the shares held by Mr. Williams, 382,000 shares are escrowed.

ITEM 15 A BRIEF STATEMENT OF ANY MATERIAL LEGAL PROCEEDINGS TO WHICH THE ISSUER OR ANY OF ITS SUBSIDIARIES IS A PARTY OR WHOSE PROPERTY IS THE SUBJECT OF SUCH PROCEEDINGS

There are no material legal proceedings to which the Issuer or any of its subsidiaries are a party.

ITEM 16 THE AGGREGATE, DIRECT OR INDIRECT, REMUNERATION PAID OR PAYABLE BY THE ISSUER AND ITS SUBSIDIARIES DURING THE PAST YEAR TO INSIDERS OF THE ISSUER

During the period ended December 31, 1982, the Issuer has paid Mr. Harry L. Williams, the President and director of the Issuer \$6,125 for administration and management services and \$600 for equipment rental.

ITEM 17 BRIEF PARTICULARS OF ALL OPTIONS TO PURCHASE SECURITIES OF THE ISSUER UNLESS OTHERWISE DISCLOSED HEREIN

By agreements dated February 5, 1982, the Issuer granted the following directors' stock options:

- (a) To Mr. Harry L. Williams an option to purchase up to 65,000 shares of the Issuer at \$0.25 per share, at any time and from time to time up to February 5, 1983;
- (b) To Mr. J. Patrick Crean an option to purchase up to 12,500 shares of the Issuer at \$0.25 per share, at any time and from time to time up to February 5, 1983;
- (c) To Mr. Douglas Haig Moffat an option to purchase up to 12,500 shares of the Issuer at \$0.25 per share, at any time and from time to time up to February 5, 1983;

These options were approved by the shareholders of the Issuer at the 1981 Annual General Meeting of the Issuer held on October 29, 1981.

Mr. Williams exercised 59,000 shares of his option and Messrs. Crean and Moffat fully exercised their options.

The Issuer will seek the approval of the Vancouver Stock Exchange to granting the following new options to certain directors/officers and employees of the Issuer:

- (a) To Mr. Harry L. Williams an option to purchase up to 102,500 shares of the Issuer at \$0.34 per share, at any time and from February 25, 1983 up to February 25, 1988;
- (b) To Mr. J. Patrick Crean an option to purchase up to 30,800 shares of the Issuer at \$0.34 per share, at any time and from February 25, 1983 up to February 25, 1988;
- (c) To Mr. Douglas Haig Moffat an option to purchase up to 10,000 shares of the Issuer at \$0.34 per share, at any time and from February 25, 1983 up to February 25, 1988;

- (d) To Mr. Eric Norman Ascroft an option to purchase up to 30,800 shares of the Issuer at \$0.34 per share, at any time and from February 25, 1983 up to February 25, 1988;
- (d) To Morlene M. Williams an option to purchase up to 30,800 shares of the Issuer at \$0.34 per share, at any time and from February 25, 1983 up to February 25, 1988;

Shareholders' approval was received at the Annual General Meeting of the Issuer held on November 29, 1982, to the Issuer granting incentive stock options to certain of its directors/officers and employees of the Issuer upon the expiration of the aforesaid options presently in effect, being February 5, 1983.

ITEM 18 THE DATES OF AND PARTIES TO AND THE GENERAL NATURE OF EVERY MATERIAL CONTRACT ENTERED INTO BY THE ISSUER OR ANY SUBSIDIARY WITHIN THE PRECEDING TWO YEARS WHICH IS STILL IN EFFECT AND NOT PREVIOUSLY DISCLOSED HEREIN

There are no material contracts entered into by the Issuer or any subsidiary of the Issuer within the past two years which is still in effect and not previously disclosed herein.

All material contracts referred to in this Statement of Material Facts are available for inspection at the offices of Rand & Edgar, Barristers and Solicitors, 400 - 750 West Pender Street, Vancouver, B. C., during the primary distribution of the securities offered hereunder and for a period of 30 days following completion of the primary distribution.

ITEM 19 PARTICULARS OF OTHER MATERIAL FACTS RELATING TO THE SECURITIES BEING OFFERED AND NOT DISCLOSED UNDER ANY OTHER ITEM

There are no other material facts relating to the securities being offered herein which have not previously been disclosed in the foregoing.

MacKinnon & Company Chartered
Accountants

Norman J.R. MacKinnon, C.A.
Peter J. Lewis, C.A., R.I.A.

1407 - 675 W. Hastings St.
Vancouver, B.C. V6B 1N2
(604) 687-0026


ARK ENERGY LTD.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1982

AUDITORS' REPORT

To the Shareholders of
Ark Energy Ltd.

We have examined the consolidated balance sheet of Ark Energy Ltd. as at June 30, 1982 and the consolidated statements of administration expenses and deficit and consolidated changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at June 30, 1982 and the results of its operations and changes in its financial position for the year then ended, on a basis consistent with that of the preceding year.


MACKINNON & COMPANY
Chartered Accountants

July 13th, 1982
Vancouver, Canada

ARK ENERGY LTD.
 CONSOLIDATED BALANCE SHEET
 JUNE 30, 1982

A S S E T S


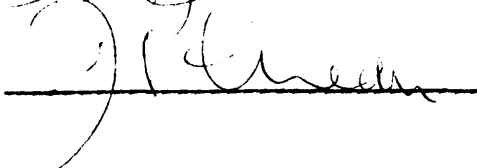
	<u>June 30,</u> 1982	<u>June 30,</u> 1981
Current assets:		
Cash	\$ 3,030	\$ 7,026
Term deposits	-	35,000
Accounts receivable	<u>998</u>	<u>1,675</u>
	<u>4,028</u>	<u>43,701</u>
Mineral claims (Note 2)	308,657	295,021
Oil and gas interests (Note 3)	151,209	133,088
Fixed assets (Note 4)	9,310	12,310
Investment and advances to affiliated company (Note 5)	12,112	17,633
Incorporation costs	<u>2,225</u>	<u>2,225</u>
	<u>\$ 487,541</u>	<u>\$ 503,978</u>

L I A B I L I T I E S

Current liabilities:		
Bank overdraft and loans (Note 6)	\$ 15,000	\$ -
Accounts payable	<u>26,649</u>	<u>9,852</u>
	<u>41,649</u>	<u>9,852</u>

SHAREHOLDERS' EQUITY

Share capital: (Note 7)		
Authorized -		
9,836,000 shares with no par value		
Issued -		
1,967,400 shares	988,745	988,745
Deficit	<u>(542,853)</u>	<u>(494,619)</u>
	<u>445,892</u>	<u>494,126</u>
APPROVED BY THE DIRECTORS:	<u>\$ 487,541</u>	<u>\$ 503,978</u>

 Director
 Director

ARK ENERGY LTD.
 CONSOLIDATED STATEMENTS OF ADMINISTRATION EXPENSES AND DEFICIT
 FOR THE YEAR ENDED JUNE 30, 1982

	June 30, 1982	June 30, 1981
Expenses:		
Accounting and audit	\$ 3,843	\$ 5,000
Assays	431	356
Auto	-	1,373
Bank charges	967	275
Depreciation	3,000	3,715
Equipment rental and insurance	358	709
Legal	5,064	13,753
Licenses and taxes	1,337	1,391
Management fees	9,000	9,000
Miscellaneous	2	610
Office expenses	2,228	3,213
Printing	470	641
Rent, utilities and telephone	12,094	12,385
Recording and filing fees	850	-
Transfer agent	2,867	5,357
Travel	2,806	1,362
	<u>45,317</u>	<u>59,140</u>
Less: interest income	916	30,764
gain on exchange	46	3,032
oil revenue (Note 8)	1,983	-
rental income	11,978	-
	<u>14,923</u>	<u>33,796</u>
Net administration costs for the period	<u>30,394</u>	<u>25,344</u>
Cost of abandoned property	17,840	4,745
Deficit, beginning of year	<u>494,619</u>	<u>464,530</u>
Deficit, end of year	<u>\$ 542,853</u>	<u>\$ 494,619</u>

ARK ENERGY LTD.
 CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
 FOR THE YEAR ENDED JUNE 30, 1982

	<u>June 30,</u> 1982	<u>June 30,</u> 1981
Sources of working capital:		
Items not affecting working capital -		
Depreciation	\$ 3,000	\$ 3,715
Issue of shares -		
For cash	-	84,715
For mineral claims	-	1
Advance from affiliated company	<u>5,521</u>	<u>-</u>
	<u>8,521</u>	<u>88,431</u>
Application of working capital:		
Mineral claims - acquisition, exploration and development costs	31,476	188,931
Oil and gas interest	18,121	127,088
Purchase of auto and office furniture	-	2,082
Advances to an affiliated company	-	6,800
Incorporation costs of U.S. subsidiary	-	735
Net administration costs	<u>30,394</u>	<u>25,344</u>
	<u>79,991</u>	<u>350,980</u>
Increase (decrease) in working capital	(71,470)	(262,549)
Working capital (deficiency), beginning of year	<u>33,849</u>	<u>296,398</u>
Working capital (deficiency), end of year	<u>\$ (37,621)</u>	<u>\$ 33,849</u>
Represented by:		
Current assets	\$ 4,028	\$ 43,701
Current liabilities	<u>41,649</u>	<u>9,852</u>
	<u>\$ (37,621)</u>	<u>\$ 33,849</u>

ARK ENERGY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1982

1. SUMMARY OF ACCOUNTING POLICIES:

(a) Principles of Consolidation -

The consolidated financial statements include the accounts of the Company and Ark Energy (U.S.) Inc., a wholly owned subsidiary incorporated in the State of Delaware, U.S.A. on May 9, 1981.

(b) Mineral Claim -

The amount shown for mineral claims represent all acquisition, exploration and development costs to date and do not necessarily reflect present or future values. The Company defers these costs and amortizes them over the useful life of the properties upon commencement of commercial production or writes off the costs to deficit if the properties or prospects are abandoned or allowed to lapse.

(c) Oil and Gas Interests -

The Company follows the full cost method of accounting which provides that all costs incurred in connection with the exploration for and the acquisition and the development of oil and gas reserves are capitalized by cost center. A separate cost center is established for each country in which the Company operates, presently in the United States. Costs include land acquisition costs, geological and geophysical expenditures, carrying charges on non-producing property, costs of drilling both production and non-productive wells. Such costs are depleted by cost center using the composite unit of production method based upon estimated proven developed reserves. Related administrative expenditures are written off in the year incurred.

(d) Foreign Currency Translation -

Accounts recorded in foreign currency are translated to Canadian dollars as follows:

- (i) Current assets and current liabilities at year end exchange rates;
- (ii) Other assets at historical rates;
- (iii) Revenue and expenses at the average rate of exchange for the year.

ARK ENERGY LTD.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 1982

1. SUMMARY OF ACCOUNTING POLICIES: (Cont'd)

(e) Depreciation -
 The fixed assets are depreciated on the declining balance method using the following rates per annum:

Automotive	25%
Furniture and fixtures	20%

2. MINERAL CLAIMS:

	JUNE 30, 1982	JUNE 30, 1981
(a) Leach Claim Group, Yavapai County, Arizona, U.S.A.	\$ 264,255	\$ 263,065
(b) Lori Claim Group, Similkameen Mining Division, B. C.	9,053	9,053
(c) Osprey Lake Molybdenum Claims, Sililkameen Mining Division, B. C.	9,947	5,000
(d) Orphon Boy Group, Revelstoke Mining Division, B. C.	63	63
(e) Cave Creek Property, Maricopa County, Arizona, U.S.A.	-	17,840
(f) RJKI Claims, Lake County, California U.S.A.	25,339	-
	\$ 308,657	\$ 295,021

(a) The Company has an 85% interest in these claims. In the event that the minority shareholder does not re-imburse the Company for funds expended on its behalf, the Company is entitled to receive 100% of the net proceeds from production until the Company is fully repaid amounts advanced on behalf of the minority holder, from time to time, including accrued interest at the rate of 12% per annum.

(b) Lori Claim Group consists of four claims. These claims were acquired from the directors of the Company for and in consideration of the issue of 750,000 escrow shares of the Company upon the cancellation of the old escrow position. To date, 664,000 shares have been issued, with the balance of 86,000 shares to be issued upon cancellation of the old escrow position.

ARK ENERGY LTD.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 1982

2. MINERAL CLAIMS: (Cont'd)

- (c) The Company has a 50% interest in a joint venture to explore and develop Osprey Lake Claims. Under the terms of the agreement, two directors have a 10% net profit interest in the property.
- (d) The vendor of the property has retained a 20% interest in the net profit.
- (e) The property has been abandoned and the cost written-off to deficit (see Exhibit B).
- (f) The Company has acquired an undivided 75% interest in 32 lode mining claims for \$20,000. Under the terms of the agreement, the Company has to spend \$100,000 for exploration and development work on the property by July 1983 in order to register the title to the property into it's name. After having spent the initial \$100,000, the Company's share of any additional expenditure is 75% of such costs.

3. OIL AND GAS INTERESTS:

	<u>June 30,</u> <u>1982</u>	<u>June 30,</u> <u>1981</u>
Magna, Texas No. 2 Venture - The Company has a 5% net revenue interest	\$ 139,082	\$ 120,962
Van-Tenn Project - The Company has a 25% interest in oil and gas lease situated in Pickett County, Tennessee, U.S.A. The other 75% interest in the property is owned by a company whose president is a director of Ark Energy Ltd.	<u>12,127</u>	<u>12,126</u>
	<u>\$ 151,209</u>	<u>\$ 133,088</u>

ARK ENERGY LTD.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 1982

4. FIXED ASSETS:

	Cost:	Accumulated Depreciation:	Net Book Value:	
			June 30, 1982	June 30, 1981
Automotive	\$ 14,068	\$ 6,006	\$ 8,062	\$ 10,750
Furniture and fixtures	<u>1,957</u>	<u>709</u>	<u>1,248</u>	<u>1,560</u>
	<u>\$ 16,025</u>	<u>\$ 6,715</u>	<u>\$ 9,310</u>	<u>\$ 12,310</u>

Depreciation for the year was \$3,000 (1981 - \$3,715).

5. INVESTMENTS AND ADVANCES TO AFFILIATED COMPANY:

The Company has a 25% interest in Endless Energy Inc., a company incorporated in British Columbia to acquire and develop mineral properties.

	June 30, 1982	June 30, 1981
Shares	\$ 1	\$ 1
Advances	<u>12,111</u>	<u>17,632</u>
	<u>\$ 12,112</u>	<u>\$ 17,633</u>

6. BANK OVERDRAFT AND LOANS:

Bank overdraft and loans include a bank loan of \$15,000. Interest rate is prime plus 2%.

ARK ENERGY LTD.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 1982

7. SHARE CAPITAL:

(a) The issued share capital of the Company at June 30, 1982 was as follows:

	June 30, 1982	June 30, 1981
For cash	\$ 920,634	\$ 920,634
For mineral properties	68,111	68,111
	\$ 988,745	\$ 988,745

During the year, 123,000 escrow shares were gifted back to the Company and cancelled; subsequently 123,000 escrow shares were issued to fulfill a prior agreement for the prior acquisition of the "Lori" property.

(b) The authorized share capital at June 30, 1982 consists of 9,836,000 common shares without par value (1981 - 9,959,000). The authorized share capital was reduced during the year by the cancellation of 123,000 escrow shares.

8. DIRECTORS' REMUNERATION:

(a) The following remuneration was paid to the directors during the year:

\$9,000 for management fees
 \$ 200 for accounting fees

9. OIL REVENUE:

Oil revenue is from the Magna Texas 2 Venture and is shown net of operating expenses.

Oil revenue	\$ 4,173
Operating expenses	2,190
Net oil revenue	\$ 1,983

10. STOCK OPTIONS:

The Company has granted to directors a non-assignable option to purchase a total of 95,000 shares between February 5, 1982 and February 5, 1983 at \$0.25 per share.

MacKinnon & Company

Chartered
Accountants

Norman J.R. MacKinnon, C.A.
Peter J. Lewis, C.A., R.I.A.

1407 - 675 W. Hastings St.
Vancouver, B.C. V6B 1N2
(604) 687-0026

ARK ENERGY LTD.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1982

COMMENTS ON UNAUDITED INTERIM
FINANCIAL STATEMENTS

To the Directors of
Ark Energy Ltd.

We have prepared the accompanying unaudited interim financial information comprising of a Consolidated Balance Sheet, Consolidated Statement of Administration Expenses and Deficit, Consolidated Statement of Changes in Financial Position and related notes thereto for the six months ended December 31, 1982 from the records of Ark Energy Ltd. and its subsidiary company and from other information supplied to us by the company and have reviewed such interim financial information. Our review, which was made in accordance with standards established for such reviews, consisted primarily of enquiry, comparison and discussion.

We have not performed an audit and consequently do not express an opinion on this interim financial information. The most recent audited financial statements on which we have expressed an opinion were for the year ended June 30, 1982.

Mackinnon & Company

MACKINNON & COMPANY
Chartered Accountants

January 24, 1983
Vancouver, Canada

ARK ENERGY LTD.
 CONSOLIDATED BALANCE SHEET
 DECEMBER 31, 1982
 (Prepared without audit)

A S S E T S


	December 31, <u>1982</u>	December 31, <u>1981</u>
Current assets:		
Cash	\$ 1,893	\$ 1,725
Accounts receivable	<u>975</u>	<u>1,675</u>
	<u>2,868</u>	<u>3,400</u>
Mineral claims (Note 2)	312,360	322,456
Oil and gas interests (Note 3)	138,217	142,222
Fixed assets (Note 4)	7,976	12,310
Investment and advances to affiliated company (Note 5)	12,755	12,111
Incorporation costs	<u>2,225</u>	<u>2,225</u>
	<u>\$ 476,401</u>	<u>\$ 494,725</u>

L I A B I L I T I E S

Current liabilities:		
Bank overdraft and loans (Note 6)	\$ 20,000	\$ -
Accounts payable	<u>30,311</u>	<u>14,846</u>
	<u>50,311</u>	<u>14,846</u>

SHAREHOLDERS' EQUITY

Share capital: (Note 7)		
Authorized -		
9,836,000 shares with no par value		
Issued -		
2,054,400 shares (June 30 - 1,967,400 shares)	1,010,495	988,745
Deficit	<u>(584,405)</u>	<u>(508,866)</u>
	<u>426,090</u>	<u>479,879</u>
APPROVED BY THE DIRECTORS:	<u>\$ 476,401</u>	<u>\$ 494,725</u>

 Director

 Director

ARK ENERGY LTD.
 CONSOLIDATED STATEMENT OF ADMINISTRATION EXPENSES AND DEFICIT
 FOR THE SIX MONTHS ENDED DECEMBER 31, 1982
 (Prepared without audit)

	December 31, 1982	December 31, 1981
Expenses:		
Accounting and audit	1,758	\$ 1,594
Assays	998	-
Auto	135	-
Bank charges	3,980	126
Depreciation	1,334	-
Equipment rental and insurance	600	-
Legal	447	4,648
Licenses and taxes	62	336
Management fees	6,125	4,500
Miscellaneous	-	2
Office expenses	1,052	1,066
Printing	714	424
Rent, utilities and telephone	6,488	6,214
Recording and filing fees	1,940	850
Transfer agent	1,362	1,920
Travel	-	2,807
	<u>26,995</u>	<u>24,487</u>
Less: Interest income	-	804
Gain on exchange	924	2
Oil revenue (Note 9)	304	2,684
Rental recoveries	6,289	6,750
	<u>7,517</u>	<u>10,240</u>
Net administration costs for the period	<u>19,478</u>	<u>14,247</u>
Cost of abandoned property	22,074	-
Deficit, beginning of period	<u>542,853</u>	<u>494,619</u>
Deficit, end of period	<u>\$ 584,405</u>	<u>\$ 508,866</u>

ARK ENERGY LTD.
 CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
 FOR THE SIX MONTHS ENDED DECEMBER 31, 1982
 (Prepared without audit)

	December 31, <u>1982</u>	December 31, <u>1981</u>
Sources of working capital:		
Items not affecting working capital -		
Depreciation	\$ 1,334	\$ -
Issue of shares -		
For cash	6,250	-
For mineral claims	15,500	-
Advances from affiliated company	<u>-</u>	<u>5,521</u>
	<u>23,084</u>	<u>5,521</u>
Application of working capital:		
Mineral claims - acquisition, exploration and development costs, net	13,650	27,435
Oil and gas interest	(865)	9,134
Advance to an affiliated company	643	-
Net administration costs	<u>19,478</u>	<u>14,247</u>
	<u>32,906</u>	<u>50,816</u>
Decrease in working capital	9,822	45,295
Working capital (deficiency), beginning of period	<u>(37,621)</u>	<u>33,849</u>
Working capital (deficiency), end of period	<u>\$ (47,443)</u>	<u>\$ (11,446)</u>
Represented by:		
Current assets	\$ 2,868	\$ 3,400
Current liabilities	<u>50,311</u>	<u>14,846</u>
	<u>\$ (47,443)</u>	<u>\$ (11,446)</u>

Note 1. SUMMARY OF ACCOUNTING POLICIES: (Cont'd)

(e) Depreciation -
 The fixed assets are depreciated on the declining balance method
 using the following rates per annum:

Automotive	25%
Furniture and fixtures	20%

Note 2. MINERAL CLAIMS:

	December 31, 1982	December 31, 1981
(a) Leach Claim Group, Yavapai County, Arizona, USA		
- Acquisition	\$ 83,174	\$ 83,174
- Exploration	<u>181,081</u>	<u>182,274</u>
	<u>264,255</u>	<u>265,448</u>
(b) Lori Claim Group, Similkameen Mining Div., B.C.		
- Acquisition	7,500	7,500
- Exploration	<u>1,553</u>	<u>1,553</u>
	<u>9,053</u>	<u>9,053</u>
(c) Osprey Lake Molybdenum Claims, Similkameen Mining Division, B. C.		
- Acquisition	-	7,448
- Exploration	<u>-</u>	<u>-</u>
	<u>-</u>	<u>7,448</u>
(d) Orphan Bay Group, Revelstoke Mining Div., B.C.		
- Acquisition	-	-
- Exploration	<u>63</u>	<u>63</u>
	<u>63</u>	<u>63</u>
(e) RJKI Claims, Lake County, California, USA		
- Acquisition	25,339	22,604
- Exploration	<u>-</u>	<u>-</u>
	<u>25,339</u>	<u>22,604</u>
(f) HJ Claims, Revelstoke Mining Division, B.C.		
- Acquisition	13,650	-
- Exploration	<u>-</u>	<u>-</u>
	<u>13,650</u>	<u>-</u>
(g) Cave Creek Property, Maricopa County, Arizona, USA		
- Acquisition	-	-
- Exploration	<u>-</u>	<u>17,840</u>
	<u>-</u>	<u>17,840</u>
Totals:		
Acquisition	129,663	120,726
Exploration	<u>182,697</u>	<u>201,730</u>
	<u>\$ 312,360</u>	<u>\$ 322,456</u>
	=====	=====

Note 2. MINERAL CLAIMS, continued...

- (a) The Company has an 85% interest in these claims. In the event that the minority shareholder does not re-imburse the Company for funds expended on its behalf, the Company is entitled to receive 100% of the net proceeds from production until the Company is fully repaid amounts advanced on behalf of the minority holder, from time to time, including accrued interest at the rate of 12% per annum.
- (b) Lori Claim Group consists of four claims. These claims were acquired from the directors of the Company for and in consideration of the issue of 750,000 escrow shares of the Company upon the cancellation of the old escrow position. To date, 664,000 shares have been issued, with the balance of 86,000 shares to be issued upon cancellation of the old escrow position.
- (c) This property has been abandoned and the cost written off to Deficit. (See Exhibit B)
- (d) The vendor of this property has retained a 20% interest in the net profit.
- (e) The Company has acquired an undivided 75% interest in 32 lode mining claims for \$20,000. Under the terms of the agreement, the Company has to spend \$100,000 for exploration and development work on the property by July 1983 in order to register the title to the property into its name. After having spent the initial \$100,000, the Company's share of any additional expenditure is 75% of such costs.
- (f) The Company acquired an undivided 50% interest in four mineral claims for a total of \$6,000 and 50,000 common shares. As partial payment of the \$6,000 an additional 12,000 common shares were issued. The remaining 50% interest in the property is owned by a company whose president is a director of Ark Energy Ltd.

Subsequently, the Company sold, for the sum of \$5,000, and an option as described below, the right to a 55% working interest in the entire property. As part of the arrangements the purchaser must expend \$200,000 on developing the property within the next two years. Upon exercising the option Ark Energy Ltd. will receive either the sum of \$2,000,000 or 500,000 shares of the purchasing company. The form of payment is at Ark Energy Ltd.'s discretion.

Note 3. <u>OIL AND GAS INTERESTS:</u>	December 31, 1982	December 31, 1982
Magna, Texas No. 2 Venture - The Company has a 5% net revenue interest		
- Acquisition	\$ 50,782	\$ 50,782
- Development	87,435	79,314
	138,217	130,096
Van-Tenn Project - Abandoned and written off to deficit. (See Exhibit B)		
- Acquisition	-	12,126
- Development	-	-
	-	12,126
Totals:		
- Acquisition	50,782	62,908
- Development	87,435	79,314
	\$ 138,217	\$ 142,222
	=====	=====

Note 4. FIXED ASSETS:

	Cost	Accumulated Depreciation	Net Book Value	
			December 31, 1982	December 31, 1981
Automotive	\$ 14,068	\$ 7,215	\$ 6,853	\$ 10,750
Furniture & fixtures	1,957	834	1,123	1,560
	\$ 16,025	\$ 8,049	\$ 7,976	\$ 12,310

Depreciation for the period was \$1,334.

Note 5. INVESTMENTS AND ADVANCES TO AFFILIATED COMPANY:

The Company has a 25% interest in Endless Energy Inc., a company incorporated in British Columbia to acquire and develop mineral properties.

	December 31, 1982	December 31, 1982
Shares	\$ 1	\$ 1
Advances	12,754	12,111
	\$ 12,755	\$ 12,112

Note 6. BANK OVERDRAFT AND LOANS:

Bank overdraft and loans include a bank loan of \$20,000. Interest rate is prime plus 2%.

Note 7. SHARE CAPITAL:

(a) The issued share capital of the Company at December 31, 1982 was as follows:

	<u>December 31, 1982</u>	<u>December 31, 1981</u>
For cash	\$ 926,884	\$ 920,634
For mineral properties	<u>83,611</u>	<u>68,111</u>
	<u>\$ 1,010,495</u>	<u>\$ 988,745</u>

(b) The authorized share capital at December 31, 1982 consists of 9,836,000 common shares without par value.

(c) During the period 62,000 shares were issued for a mineral claim referred to in Note 2(f). The deemed value of these shares is \$15,500.

In addition, 25,000 common shares were issued for cash pursuant to an option granted to a director. The issue price was \$0.25 per share for a total consideration of \$6,250.

Note 8. DIRECTORS' REMUNERATION:

(a) The following remuneration was paid to the directors during the period:

\$6,125 for management fees
 \$ 600 for equipment rental

NOTE 9. OIL REVENUE:

Oil revenue is from the Magna Texas 2 Venture and is shown net of operating expenses.

Oil revenue	\$	956
Operating expenses		<u>652</u>
Net oil revenue	\$	<u>304</u>

NOTE 10. STOCK OPTIONS:

The Company has granted to directors a non-assignable option to purchase a total of 95,000 shares between February 5, 1982 and February 5, 1983 at \$0.25 per share, 25,000 shares were taken up during the period. Additional options totalling 205,000 shares at a price to be set by the Vancouver Stock Exchange on February 7, 1983 were granted. These options are for a period of five years and expire February 7, 1988.

ARK ENERGY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED DECEMBER 31, 1982
(Prepared without audit)

Note 1. SUMMARY OF ACCOUNTING POLICIES:

(a) Principles of Consolidation -

The consolidated financial statements include the accounts of the Company and Ark Energy (U.S.) Inc., a wholly owned subsidiary incorporated in the State of Delaware, U.S.A. on May 9, 1981.

(b) Mineral Claims -

The amount shown for mineral claims represent all acquisition, exploration and development costs to date and do not necessarily reflect present or future values. The Company defers these costs and amortizes them over the useful life of the properties upon commencement of commercial production or writes off the costs to deficit if the properties or prospects are abandoned or allowed to lapse.

(c) Oil and Gas Interests -

The Company follows the full cost method of accounting which provides that all costs incurred in connection with the exploration for and the acquisition and the development of oil and gas reserves are capitalized by cost center. A separate cost center is established for each country in which the Company operates, presently in the United States. Costs include land acquisition costs, geological and geophysical expenditures, carrying charges on non-producing property, costs of drilling both production and non-productive wells. Such costs are depleted by cost center using the composite unit of production method based upon estimated proven developed reserves. Related administrative expenditures are written off in the year incurred.

(d) Foreign Currency Translation -

Accounts recorded in foreign currency are translated to Canadian dollars as follows:

- (i) Current assets and current liabilities at period end exchange rates;
- (ii) Other assets at historical rates;
- (iii) Revenue and expenses at the average rate of exchange for the period.

GEOLOGICAL REPORT
ON THE
GOLDEN ARK PROPERTY
YAVAPAI COUNTY
ARIZONA, U.S.A.

FOR

ARK ENERGY LIMITED

BY

STANLEY B. REAMSBOTTOM, Ph.D., P.Eng.
KYLE CONSULTANTS LIMITED

JULY 1982

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INTRODUCTION

At the request of Mr. H. Williams, the writer has reviewed the status of the Golden Ark property in Yavapai County, Arizona, U.S.A.

The following report reviews the property data and presents a programme for additional evaluation.

LOCATION AND ACCESS

The Golden Ark property is located approximately seven air miles southeast of Bagdad in Yavapai County, Arizona (T13N; R8, 9W; Sections 12, 13 and 18). The pertinent map sheet which covers the property is Thorn Peak (7.5 minute-series). The co-ordinates of a point at the center of the property are $113^{\circ}08'45''\text{E}$; $24^{\circ}28'10''\text{N}$.

The property is a few miles to the east of Highway 97 which links the Bagdad-Hillside road (Highway 96) with the main Phoenix-Kingman road (Highway 93). A rough, four-wheel drive road which leads to the property leaves Highway 97 at Bridle Creek. The distance of the property by road from Bagdad is approximately 16 miles. Prescott, the Yavapai County seat, is approximately 38 air miles east-northeast of the property. (Figure 1.)

PHYSIOGRAPHY

The property is part of a complex of semi-arid mountain ranges in the Prescott map sheet which include

the Bradshaw Mountains, the Santa Maria Mountains, the Mohon Mountains, the Weaver Mountains, and the Date Creek Mountains. The ranges in the Bagdad area have no specific name. Elevations in the claim area range from 2000 to 4344 feet with the average elevation on the property being approximately 3400 feet. This high, rocky desert country of Arizona is characterized by abundant cacti (saguaro, prickly-pear, ocotillo, yucca) mesquite, and other desert shrubs.

As streams run only intermittently, water for camp or mine operation would have to be pumped from wells drilled near the Santa Maria River or Bridle Creek.

PROPERTY

The property consists of 168 claims staked by location by Quest Inc. in 1979 and 1980.

The claims have been recorded at the Yavapai County Courthouse in Prescott, Arizona, and with the Bureau of Land Management in Phoenix, Arizona.

Claims names and recordation data are listed in Table 1, and shown in Figure 2.

Ark Energy Ltd., acquired the claims from Quest Inc. for considerations of cash and a royalty from production.

TABLE 1

GOLDEN ARK PROPERTY CLAIM DATA

<u>CLAIM</u>	<u>STAKED</u>	<u>RECORDED YAVAPAI COUNTY</u>	<u>APPLICATION TO BLM MADE</u>	<u>BLM RECORD NO. ASSIGNED DEC. 3/79</u>	<u>RANGE</u>	<u>T13N SECTION</u>
Leach 1	2 Aug/79	4 Sept/79	1 Oct/79	A MC 68490	9W	12
Leach 2	2 Aug/79	4 Sept/79	1 Oct/79	A MC 68491	9W	13
Leach 3	2 Aug/79	4 Sept/79	1 Oct/79	A MC 68492	9W	13
Leach 4	2 Aug/79	4 Sept/79	1 Oct/79	A MC 68493	9W	13
Leach 5	2 Aug/79	4 Sept/79	1 Oct/79	A MC 68494	9W	13
Leach 6	2 Aug/79	4 Sept/79	1 Oct/79	A MC 68495	9W	13
Leach 7	9 Aug/79	5 Sept/79	1 Oct/79	A MC 68496	8;9W	13;18
Leach 8	9 Aug/79	5 Sept/79	1 Oct/79	A MC 68497	8;9W	13;18
Leach 9	9 Aug/79	5 Sept/79	1 Oct/79	A MC 68498	8;9W	13;18
Leach 10	9 Aug/79	5 Sept/79	1 Oct/79	A MC 68499	8;9W	13;18
Leach 11	9 Aug/79	5 Sept/79	1 Oct/79	A MC 68500	8;9W	13;18
Leach 14	9 Aug/79	5 Sept/79	1 Oct/79	A MC 68701	9W	12
Leach 15	9 Aug/79	5 Sept/79	1 Oct/79	A MC 68502	9W	13
Leach 16	9 Aug/79	5 Sept/79	1 Oct/79	A MC 68503	9W	13
Leach 17	9 Aug/79	5 Sept/79	1 Oct/79	A MC 68504	9W	13
Leach 18	9 Aug/79	5 Sept/79	1 Oct/79	A MC 68505	9W	13
Leach 19	9 Aug/79	5 Sept/79	1 Oct/79	A MC 68506	9W	13

TABLE 1
(continued)

<u>CLAIM</u>	<u>County Recorder</u>		<u>BLM</u>	<u>Township</u>	<u>Range</u>
	<u>Book</u>	<u>Page</u>	<u>AMC Number</u>		
Leach 20-32	1297,	388-401	Applied for	13N	8, 9W
Dough 1	1245,	598	69472	13N	8W
Rise 1-6	1302,	915-921	Applied for	13N	8W
Tip 1-21	1302,	392-372	Applied for	13N	8W
Pan 1-42	1297,	332-374	Applied for	13N	9W
WS 1-79	1302,	393-549	Applied for	13	8, 9W

HISTORY

The large porphyry copper-gold deposit at Bagdad was first discovered in 1882. The mine became active in the mid-thirties following a long period of dormancy, and gradually increased its production from an underground operation utilizing block-caving mining methods (300 t.p.d.) in 1930 through a combination of block-caving and glory holes (1945), to an open pit operation in 1950 (4500 t.p.d.). The mine presently processes 40,000 tons of ore per day, with a minimum grade of 0.5% copper.

In addition to the Cyprus Mine porphyry deposit at Bagdad, the area contains the Copper King zinc deposit and several gold-bearing veins, of which the Hillside and Crosby have been notable producers.

The Hillside Mine, which is located to the north of Bagdad on Boulder Creek, was discovered in 1887 and produced 13,094 tons of ore which yielded 9329 ounces of gold and 219,918 ounces of silver between 1887 and 1949.

The Crosby Mine, which is 3 miles northeast of the Golden Ark property, produced intermittently between 1906 and the 1960's. Production records for the mine are vague and incomplete.

The small adits, shafts and pits on the Leach claims were probably sunk by "old-timers" during the period of initial mineral exploration in the Eureka District. The claim area had been staked several times prior to Quest Inc.'s restaking of the property in 1979 and 1980.

A brief property examination in which several of the mineralized showings were sampled was undertaken in May 1979 (Sawyer, 1980).

Samples collected at this time gave significant values of gold which ranged between less than 0.005 ounces of gold per ton to 2.55 ounces of gold per ton. The description, assay values and approximate location of these samples is tabulated below.

ASSAY TAG NO.	Au OZ/TON	Ag OZ/TON	DESCRIPTION
17137	0.699	0.16	#1 Grab sample from first location, up hill to east of prospect.
17138	2.55		#2 Grab sample from same vein as #1, but 25 feet to east.
17139	0.213		#3 Grab, from same vein as #1, but 10 feet east and 5 feet above sample #2.
17140	0.537	0.07	#4 Grab sample from area of 4 or 5 old pits, approx. 300 feet northwest (310°) from samples #1, 2 & 3.
17141	0.201		#5 Special grab sample from large cut, shaft, and drift - 200 feet west of #4 pit area.
17142	0.049		#6 Chip sample across about 8 feet in west wall of pit which includes some hematitic stained material.
17143	0.132		#7 Grab sample from a vein in the pit.
17144	0.361		#8 Grab sample of selected material from a dump from another cut.
17145	0.230		#9 Chip sample across 4½ feet.
17146	0.136		#10 Grab sample of altered hematitic and limonitic material similar to that at the earlier locations.
17147	<0.005		#11 Grab sample from 4'-5' qtz. vein between road and wash (southeast of wash) collected by Carl Clay.

In 1979 the previous property owner, Mr. Best, stripped approximately 500 tons of near-surface mineralized rock and heap-leached it on a small pad. Gold was extracted from the pile using cyanide solutions and absorbed on activated carbon. According to Mr. Best, a significant amount of gold was recovered from the heap. Detailed metallurgical data on the test leach are unknown to the writer.

In 1980, the writer mapped, sampled and geochemically surveyed the northern portion of the property (Reamsbottom, 1980). Thirty-six samples collected in and around the area of previous sampling, and from obviously mineralized and geochemically anomalous zones on the property, were fire assayed for gold and silver. Their description, approximate locations, and gold-silver values are given below.

<u>SAMPLE NO.</u>	<u>DESCRIPTION</u>	<u>Oz/Ton</u>	
		<u>Au</u>	<u>Ag</u>
<u>TANK PIT AREA</u>			
P 1	Grab sample from dump material. Tank pit area.	0.008	NIL
P 2	8' chip sample around pit face.	0.008	NIL
P 3	8' chip from pit. Tank pit area.	0.104	NIL
P 4	Grab sample from trench in screen of mica schist Tank pit area.	0.003	NIL
P 5	12' chip sample in hem-stained pegmatitic granite.	0.032	NIL
P 6	Chips within zone of red hem- stained altered granite with sulphides and obvious free gold.	0.008	NIL
<u>MAIN PIT AREA</u>			
P 7	8' chip sample around pit B.L. 6 + 25N.	< 0.001	NIL
P 8	Grab sample from dump around water filled shaft.	< 0.001	NIL
P 9	Grab sample from 10' wide trench.	0.035	NIL
P 10	Grab sample from dump around small pit. Granite siliceous, limonite stained.	0.018	NIL
P 11	Grab sample from dump around 30' deep shaft.	0.028	NIL
P 12	Grab sample from dump around small pit.	0.095	NIL
P 13	Grab sample from dump around small pit.	0.040	NIL
P 14	Grab sample from dump around small pit.	0.003	NIL
P 15	Grab sample from dumps.	0.035	NIL
P 16	Grab sample from dumps around small pit.	0.208	NIL

<u>SAMPLE NO.</u>	<u>DESCRIPTION</u>	<u>Oz/Ton</u>	
		<u>Au</u>	<u>Ag</u>
<u>MAIN PIT AREA</u>			
P 17	Grab and chip sample from dumps and small pit.	0.020	<u>NIL</u>
P 18	Selected sample of red hematite-stained altered pegmatitic granite.	0.140	NIL
<u>WESTERN PIT AREA</u>			
P 19	Grab sample from dump in front of 30 foot open cut.	0.04	NIL
P 20	Grab sample from dump around small shaft.	0.030	NIL
P 21	Chip sample taken over a wide area (150' x 100') in altered tan granite.	0.175	NIL
<u>MAIN PIT AREA</u>			
P 22	45' channel sample on surface of area which was stripped and moved to leach pad in 1979.	0.007	NIL
P 23	25' channel sample on surface of stripped area..	0.008	NIL
P 24	50' channel sample on surface of stripped area.	0.010	NIL
P 25	Grab samples from mounds of surface material on stripped zone.	0.018	NIL
P 26	Grab sample from pit dumps 9 + 50N; 1 + 50W.	0.015	NIL
P 27	Grab sample from dump around shallow shaft 11 + 40N; 0 + 40E.	0.020	NIL
P 28	5 + 00N; 14 + 00E: Grab sample of surface rock chips near contact between peg. and tan granites. Surface soils had panned free gold.	<0.001	NIL

<u>SAMPLE NO.</u>	<u>DESCRIPTION</u>	<u>Oz/Ton</u>	
		<u>Au</u>	<u>Ag</u>
<u>MAIN PIT AREA</u>			
P 29	5 + 00N; 20 + 00E; Grab sample of rusty, limonite-stained tan granites. Surface soils had panned free gold.	< 0.001	NIL
<u>EASTERN ZONE</u>			
P 30	Grab sample from pit in red hematite-stained altered peg. granite.	0.035	NIL
P 31	Grab sample from dump of small adit.	0.045	NIL
P 32	Grab sample from dump of adit. Note adit mainly in screen of mica-schist.	0.004	NIL
P 33	Selected chip sample of red hematite-stained altered peg. granite.	0.030	NIL
<u>LEACH PAD</u>			
LP-1	Surface channel sample across leach pad.	0.004	NIL
LP-2	Surface channel sample across leach pad.	0.010	NIL
LP-3	Surface channel sample across leach pad.	0.002	NIL

Average gold-silver values of samples collected from the different areas are as follows:

	<u>Oz/Ton</u>	
	<u>Au</u>	<u>Ag</u>
West Pit Area	0.082	NIL
Main Pit Area	0.039	NIL
Tank Pit Area	0.027	NIL
Eastern Area	0.029	NIL

In the period May - December 1980, a programme of surface trench sampling, downhole-hammer percussion drilling and geochemical sampling was conducted on the property. Drilling and trenching was concentrated in the areas of defined gold-silver mineralization.

Twenty-nine (29) downhole-hammer percussion drill holes were completed on the mineralized areas on the property. The holes ranged in depth between 30 and 200 feet. Total footage drilled amounted to 5330 feet.

In addition to the above holes, seven exploratory holes were drilled in the area of the Dough Boy vein. These holes ranged between 40 and 210 feet. Total footage drilled was 1000 feet. Pertinent drill data are listed in Table 2. Locations of drill holes are shown in Figure 3.

Samples were collected over ten foot intervals, split by a Jones-type riffle splitter and submitted for fire assay to Jacobs Assay Office, Tucson; Ron King Assay Office, Humboldt, Arizona; or General Testing Laboratories, Vancouver, B.C. Canada.

A summary of drill assay results for each drill hole is given in Table 3.

TABLE 2

PERCUSSION DRILL HOLE DATA

<u>ARK</u>	(Ft)	(o)	(o)	Location	
	<u>Elevation</u>	<u>Angle</u>	<u>Azimuth</u>	<u>Northing</u>	<u>Easting</u>
1	3330	-60	270	7+00 N	2+80 W
2	3330	-60	090	7+00 N	2+50 W
3	3325	-60	000	6+75 N	3+00 W
4	3350	-60	090	8+00 N	2+50 W
5	3350	-60	270	8+00 N	2+50 W
6	3425	-60	290	6+50 N	7+60 W
7	3415	-60	290	7+40 N	7+80 W
8	3400	-60	300	8+00 N	8+00 W
9	3340	-60	270	7+00 N	0+00 B/L
10	3340	-60	090	7+00 N	0+00 B/L
11	3365	-60	090	8+00 N	0+00 B/L
12	3360	-60	270	8+00 N	0+80 W
13	3380	-60	270	9+00 N	0+00 B/L
13A	3380	-60	270	9+20 N	0+00 B/L
14	3380	-60	090	9+00 N	0+00 B/L
15	3390	-60	090	10+00 N	0+00 B/L
16	3390	-60	270	10+00 N	0+00 B/L
17	3400	-60	270	11+00 N	0+00 B/L
18	3400	-60	090	11+00 N	0+00 B/L
19	3360	-60	090	9+50 N	2+20 E
20	3345	-60	090	5+00 N	2+50 E
21	3340	-60	090	5+50 N	2+20 E
22	3350	-60	090	6+50 N	2+00 E
23	3355	-60	090	7+50 N	2+00 E
24	3350	-60	090	9+00 N	2+00 W
25	3350	-60	270	9+00 N	2+00 W
26	3380	-60	090	8+50 N	2+90 E
27	3300	-90	-	1+00 S	14+00 E
28	3280	-90	-	0+00	15+00 E
29	3300	-90	-	5+00 S	6+00 E
DB1-7	Dough Boy Zone				

TABLE 3

SUMMARY OF PERCUSSION DRILL ASSAY RESULTS

<u>HOLE</u>	<u>INTERCEPT</u>	<u>THICKNESS</u>	<u>Oz/Ton</u>	
			<u>Au</u>	<u>Ag</u>
ARK 1	0-20 -200	20 180	0.017 0.002	< .05 < .05
ARK 2A	0-40	40	0.007	0.33
ARK 2	0-20 -200	20 180	0.026 0.001	0.10 0.15
ARK 3A	0-30	30	0.018	1.78
ARK 3	0-200	200	0.003	< .05
ARK 4	0-150	150	0.002	< .05
ARK 5	0-40 40-200	40 160	0.018 0.005	0.2 0.11
ARK 6	0-180	180	0.004	<0.05
ARK 7	0-200	200	0.004	<0.05
ARK 8	0-160	160	Tr	<0.05
ARK 9	0-200	200	0.002	<0.05
ARK 10	0-190	190	Tr	0.10
ARK 11	0-170	170	0.003	0.07
ARK 12	0-10 10-120	10 110	0.031 0.001	0.15 < .05
ARK 13	0-30 30-50	30 20	0.008 Tr	< .05 < .05
ARK 13A	0-200	200	0.001	< .05
ARK 14	0-170	170	0.002	< .05
ARK 15	0-40 40-200	40 160	0.01 0.002	< .05 < .05
ARK 16	0-200	200	0.001	< .05
ARK 17	0-200	200	0.002	< .05
ARK 18	0-200	200	0.001	< .05
ARK 19	0-200	200	0.002	< .05

TABLE 3

SUMMARY OF PERCUSSION DRILL ASSAY RESULTS

-2-

<u>HOLE</u>	<u>INTERCEPT</u>	<u>THICKNESS</u>	<u>Oz/Ton</u>	
			<u>Au</u>	<u>Ag</u>
ARK 20	0-200	200	0.001	<.05
ARK 21	0- 50	50	0.007	<.05
	50-200	150	0.001	<.05
ARK 22	0-200	200	0.002	<.05
ARK 23	0- 90	90	Tr	<.05
	90-170	80	0.006	<.05
	170-200	30	0.003	<.05
ARK 24	0-200	200	0.002	<.05
ARK 25	0-190	190	0.001	<.05
ARK 26	0- 40	40	0.002	Tr
	40- 50	10	N.S.	
	50-120	70	0.013	Tr
	120-200	80	0.003	Tr
ARK 27	0- 60	60	0.002	Tr
	60- 80	20	0.017	Tr
	80-100	20	0.002	Tr
ARK 28	0-100	100	0.003	Tr
ARK 29	0-100	100	0.003	Tr
DB 1	0-210	210	0.004	Tr
DB 2	0- 40	40	0.002	Tr
	40- 90	50	0.010	Tr
	90-120	30	0.002	Tr
	120-130	10	0.03	Tr
DB 3	0-150	150	0.005	Tr
DB 4	0-200	200	0.005	Tr
DB 5	10- 20	10	0.034	Tr
	20-150	130	0.003	Tr
DB 6	0-120	120	0.002	Tr
DB 7	0- 40	40	0.040	Tr

The results of the trench and drill sampling programme on the property were disappointing. Neither the trench samples nor the drill samples defined significant "blocks" of mineralized rock whose average grade was close to the average grade indicated by the preliminary surface sampling of 1979 (Sawyer 1979) and 1980 (Reamsbottom 1980).

Most 20 foot trench samples yielded NIL to negligible amounts of gold. The highest value recorded over twenty feet was 0.065 oz/ton gold. However, higher than background values in the trenched areas did coincide with the mineralized and geochemically anomalous zones. Drill sampling was concentrated in these areas.

Drill samples returned equally disappointing and possibly ambiguous results.

Several drill holes in the area of the main pits (ARK 1, 2, 3A, 5) indicated gold in the range 0.010 to 0.030 oz/ton, with between 0.3 and 2.0 oz/ton silver, in the near-surface zone. Holes re-drilled within a few feet of one another in this area also showed inconsistent values in both gold and silver. (Ex Ark 2 2A, 3, 3A). These results indicate that the gold and silver in the near-surface zone occurs sporadically and irregularly within the rock. Its concentration in a near-surface zone may be the result of weathering and supergene enrichment. The spottiness of gold distribution in this zone was further borne out by results of check samples of retained "splits" of the upper 40 feet of ARK 5 (Table 4). Assaying by General Testing Labs indicated

values over 10 foot intervals which ranged between 0.004 and 0.182 oz/ton gold and averaged 0.072 oz/ton gold. Assays of the same sample splits by Bondar-Clegg Ltd. returned values which ranged between 0.004 and 0.110 oz/ton gold and averaged 0.033 oz/ton gold. The original samples (opposite-splits) returned values over the same interval of 0.018 oz/ton gold (Jacobs) and 0.006 oz/ton gold (General Testing).

TABLE 4

GOLDEN ARK: SUMMARY OF CHECK ASSAY DATA

<u>HOLE</u>	<u>INTERCEPT</u>	<u>LENGTH</u>	<u>Au</u>	<u>Ag</u>	<u>ASSAYER</u>
ARK 2	0- 20	20	0.026	0.10	Jacobs
	20-200	180	0.001	0.15	Jacobs
ARK 2	0- 20	20	0.011	Tr	General Testing
	20-200	180	0.002	Tr	General Testing
ARK 3	0-200	200	0.003	< .05	Jacobs
ARK 3	0-200	200	0.004	Tr	General Testing
ARK 4	0-150	150	0.002	<.05	Jacobs
ARK 4	0-150	150	0.002	Tr	General Testing
ARK 5	0- 40	40	0.018	0.2	Jacobs
	40-200	160	0.005	0.11	Jacobs
ARK 5	0- 40	40	0.006	Tr	General Testing
	40-200	160	0.003	Tr	General Testing
ARK 5	0- 10	10	0.014	0.13	General Testing
"SAMPLE SPLITS"	10- 20	10	0.004	Tr	
	20- 30	10	0.182	Tr	
	30- 40	10	0.086	Tr	
	0- 40	40	0.072	Tr	
ARK 5	0- 10	10	0.014	0.06	Bondar-Clegg
"SAMPLE SPLITS"	10- 20	10	0.005	0.04	Bondar-Clegg
	20- 30	10	0.110	0.07	
	30- 40	10	0.004	0.04	
	0- 40	40	0.033	0.05	
ARK 7	0-200	200	0.004	< .05	Jacobs
ARK 7	0-200	200	0.003	0.031	King
ARK 8	0-160	160	Tr	< .05	Jacobs
ARK 8	0-160	160	0.002	0.03	King
ARK 9	0-200	200	0.002	< 0.05	Jacobs
ARK 9	0-200	200	0.003	0.06	King

GEOLOGY

General

The area around the Golden Ark property is underlain by Precambrian granitic rocks; granitic schists and gneisses; the Yavapai Schist; and locally, centers of younger volcanic and intrusive rocks. (Fig. 3)

The major mineralization in the district, including the copper-gold mineralization at Bagdad, is related to the younger stocks and intrusive rocks which were emplaced during the Laramide orogeny. (Late Cretaceous to Early Tertiary time.)

Gold mineralization on the Golden Ark property is probably genetically related to the Laramide orogeny.

Property

The geology of the property was described previously by the author (Reamsbottom 1980).

A brief description of units encountered on the property is given below in the order of oldest to youngest.

Schist (s) - Screens and inclusions of quartz-mica schist (Yavapai schist?) are commonly enclosed in the Precambrian granites.

Tan Granite (TG) - This unit has a characteristic tan color on weathered surface, and crops out as blocky bluffs with manganese-stained joint surfaces.

It is composed of coarse-grained porphyritic, tabular crystals of potassium feldspar (1-3 cm) set in a medium-grained matrix of quartz, muscovite and minor biotite. The rock has a distinctly trachytoid texture and may have affinities with the syenites.

Foliate Tan-Granite (TGF) - This unit is similar to the tan granite. It differs in the respect that it has a pronounced foliation. Within the more foliated zones, the rock has an "augen-gneissic" texture. "Eyes" of potassium feldspar have been wrapped around by the micas of ground mass.

Zones of pervasive foliation are extensive within this unit and are not confined to the margins of the intrusive bodies.

Coarse-grained Pegmatitic Granite (PG) - The older tan granites have been intruded by a grey to white coarse-grained granite with a distinctly pegmatitic aspect. Contacts between the granites trend N30E and several dike-like fingers or apophyses from the pegmatitic granite cut the tan granite in the northwestern part of the mapped area.

This unit is composed of coarse-grained (4-5 cm) crystals of potassium-feldspar (orthoclase) quartz, biotite, and large books of muscovite. Locally, the rock contains clusters of black prismatic tourmaline crystals, which are indicative of the presence of boron-rich residual fluids during the late stages of the rock's crystallization.

The coarseness of grain and the presence of exotic minerals indicate that this granite crystallized slowly at depth from a water-rich, "sweaty" magma.

Bull-Quartz Vein (Qu)- An east-west trending vein of white "bull" quartz cuts the older granites at about 17 + 00 N. (Fig. 4) The vein extends for approximately 2000 feet and varies in thickness from a few feet to 40 feet.

Andesite Dyke (DY)- A thin dyke of tan-colored andesite cuts the granites between 10+00 and 16+00N. The dyke trends west-northwest across the property and is locally highly jointed and shattered.

MINERALIZATION

Mineralized areas appear to be closely related to the contact zones between the pegmatitic and tan granites and are concentrated mainly within altered pegmatitic granites, although the zone at 5 + 00N; 8 + 00W is within altered tan granites. It would, therefore, appear that mineralizing fluids have exploited zones of weakness and fracturing near the granite contacts.

Altered zones are characterized by pink-feldspars (orthoclase or hematite-stained potassium feldspar); thin stringers and veins of epithermal quartz, pyrite cubes, now

pseudomorphed by hematite and limonite; red hematite and limonite-stained joint and fracture surfaces; and locally, free-gold embedded in the pseudomorphs after pyrite. Surface samples collected from the altered, mineralized zones, when panned, invariably show good colors of fine-grained gold.

The trench and drill sampling programme carried out in 1980 was concentrated in the areas of gold mineralization.

CONCLUSIONS ON 1980 TRENCH AND DRILL SAMPLING PROGRAMME

The sampling programme on the Golden Ark property has not defined a gold deposit which is commercially viable. However, check assays of drill samples have indicated that the gold occurs sporadically within a near-surface zone of supergene enrichment. The spottiness of gold distribution is such that there is an extreme "nugget effect" on the present sampling technique. It would be advisable to test the samples from the drill programme (which have been saved at each drill site) by submitting them for column-leach tests to establish if sufficient gold is present in the sampled rock (albeit sporadically distributed) to support a leaching operation.

Dough Boy Area - Percussion holes DB1-7 drilled across or within the E-W trending Dough Boy shear zone, returned near-surface values which ranged between Trace and 0.040 oz/ton gold with no silver.

The anomalous zones would appear to be subparallel to contacts between the "younger and older" Precambrian granitic rocks, indicating that these contact zones may have played a role in the deposition of primary mineralization.

GENERAL CONCLUSIONS ON GOLDEN ARK PROPERTY

The 1980 exploration programme on the Golden Ark property demonstrated that the tenor of gold mineralization initially indicated by preliminary sampling within mineralized, altered, and geochemically anomalous zones in Precambrian granitic rocks did not stand up to the stringent test of detailed trench and percussion drill sampling.

The gold mineralization would appear to be spottily and irregularly distributed within near-surface zones of supergene enrichment from which selected samples returned assay values which ranged between trace and 2.55 oz/ton gold (Sawyer 1979). This irregular distribution of the gold produces a "nugget effect" on the assayed samples.

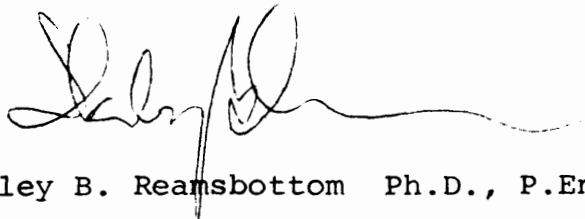
RECOMMENDATIONS

To resolve the nuggett effect noted in the 1980 sampling programme it would be advisable to bulk sample mineralized rock which showed good gold values in the preliminary sampling programme. Samples should be collected from the Western Zone by drilling and blasting, crushed, split and assayed. In addition either material from this proposed programme or material from sample rejects should be submitted for bottle-roll or column leach testing with cyanide solutions to test for "cyanide extractable" gold values. Results of this programme would enable one to evaluate the leaching potential of the near surface gold bearing rocks on the Golden Ark property.

BUDGET

Bulk sampling	\$5,000.00
Metallurgical testing	6,000.00
Travel and supervision	4,000.00
	<hr/>
	\$15,000.00
	<hr/>

Respectfully submitted,

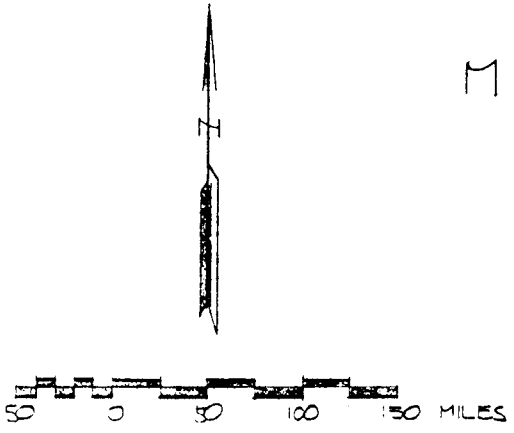
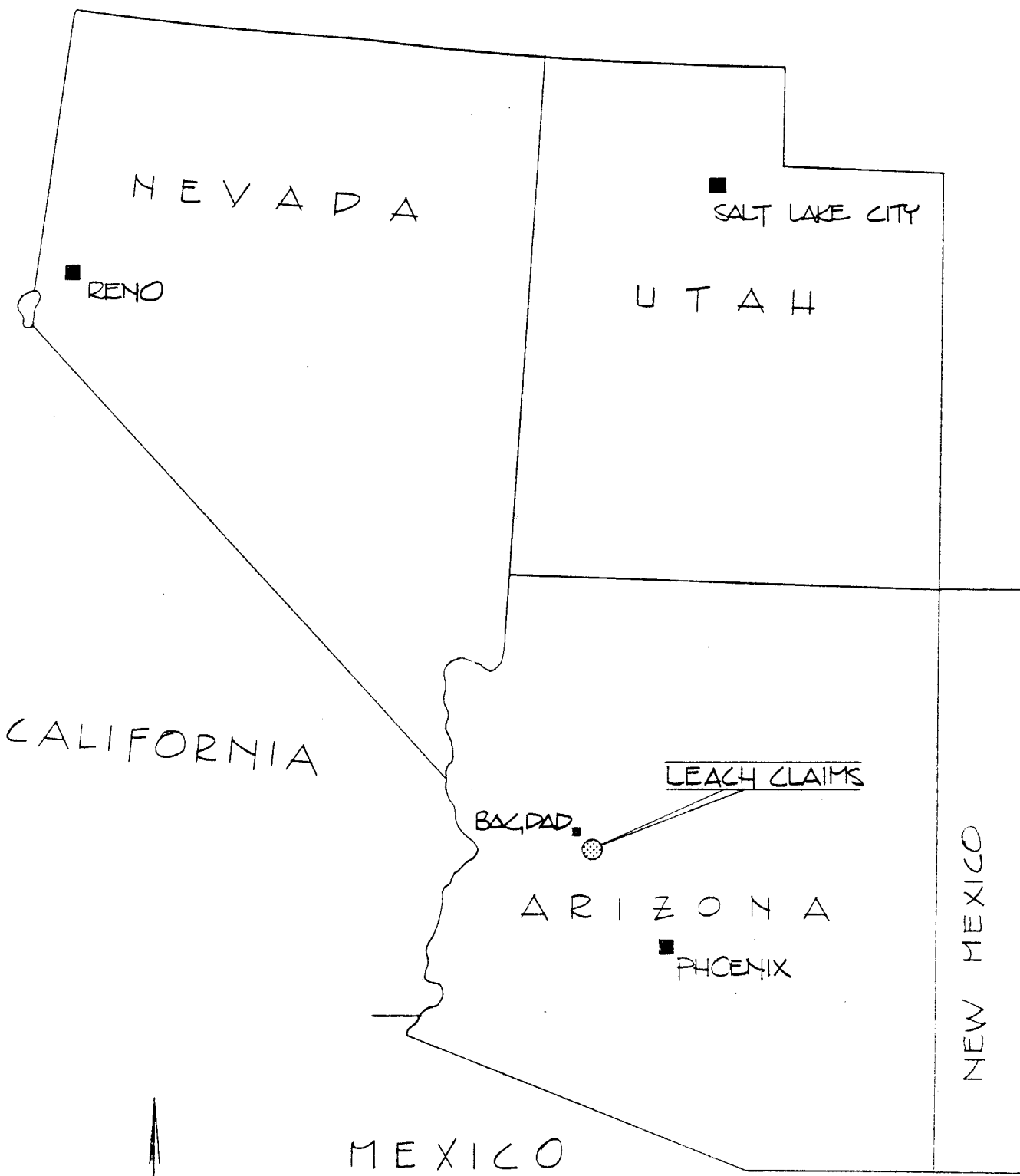


Stanley B. Reamsbottom Ph.D., P.Eng.

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DRAWINGS



ARK ENERGY LTD.	
— LEACH CLAIMS —	
YAVAPAI COUNTY, ARIZONA	
THORN PEAK QUADRANGLE	
— PROPERTY LOCATION MAP —	
KYLE CONSULTANTS LIMITED	
DATE: JULY, 1982	DRAWN BY: NZ
SCALE: 1" = 100 MILES	FIGURE NO. 1

113° 07' 30"

1	37	39	41	1	2	3		
2	PAN CLAIMS 1-42	38	40	42	4	5	2	1
3	30	31	14	13	1	RISE CLAIMS	3	4
4	29	32	1	12	2	1-6	5	6
5	28	15	2	11	1-3	1	2	
6	LEACH CLAIMS	16	3	10	5	4	3	
7	27	17	4	9	6	7	8	
8	20-32	18	5	8	11	TIP CLAIMS	10	9
9	24	19	6	7	12	1-20	13	14
10	23	20	21	22	21	16	15	
11	14	17	20	23	26	17	18	
12	15	18	21	24	27	20	19	
13	16	19	22	25	28	29	33	

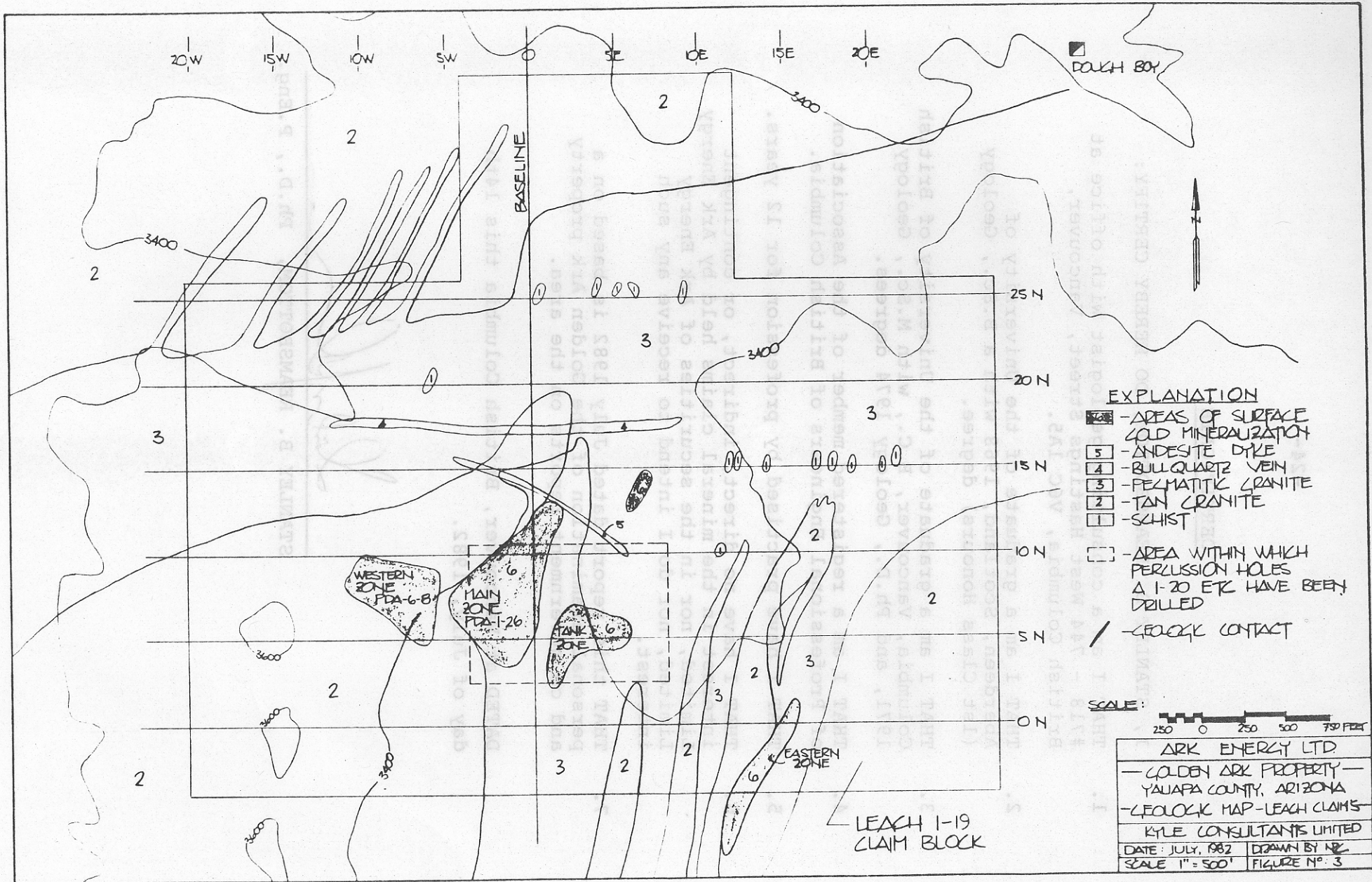
21° 30'

1	17	33	49	65	30	34
2	18	34	50	66	31	35
3	19	35	51	67	32	36
4	20	36	52	68	74	
5	W.S.	37	53	69	75	
6	22	38	54	70	76	
7	23	39 Sultan Mine	55	71	77	
8	24	40	56	72	78	
9	25	41	57	73	79	
10	26	42	58			
11	27	43	59			
12	28	44	60			
13	29	45	61			
14	30	46	62			
15	SANTA MARIA RIVER	47	63			
16	32	48	64			

1/2 MILE

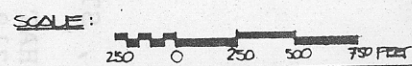
ARK ENERGY LTD
 GOLDEN ARK PROPERTY
 YAVAPAI COUNTY, ARIZONA
 CLAIM MAP

KYLE CONSULTANTS LIMITED
 DATE: JULY, 1982
 SCALE: DRAWN BY: NZ
 FIGURE NO: 2



EXPLANATION

- AREAS OF SURFACE GOLD MINERALIZATION
- ANDESITE DYKE
- BULL QUARTZ VEIN
- FELSPATHIC GRANITE
- TAN GRANITE
- SCHIST
- AREA WITHIN WHICH PERCUSSION HOLES Δ 1-20 ETC HAVE BEEN DRILLED
- GEOLOGIC CONTACT



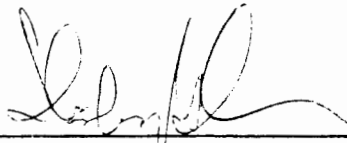
ARK ENERGY LTD	
— GOLDEN ARK PROPERTY —	
YAVAPAI COUNTY, ARIZONA	
— GEOLOGIC MAP — LEACH CLAIMS	
KYLE CONSULTANTS LIMITED	
DATE: JULY, 1982	DRAWN BY: NCL
SCALE: 1" = 500'	FIGURE NO: 3

CERTIFICATE

I, STANLEY B. REAMSBOTTOM, DO HEREBY CERTIFY:

1. THAT I am a consulting geologist with office at #718 - 744 West Hastings Street, Vancouver, British Columbia, V6C 1A5.
2. THAT I am a graduate of the University of Aberdeen, Scotland, 1968 with a B.Sc., Geology (1st Class Honours) degree.
3. THAT I am a graduate of the University of British Columbia, Vancouver, B.C., with M.Sc., Geology 1971, and Ph.D., Geology 1974 degrees.
4. THAT I am a registered member of the Association of Professional Engineers of British Columbia.
5. THAT I have practised by profession for 12 years.
6. THAT I have no direct, indirect, or contingent interest in the mineral claims held by Ark Energy Limited, nor in the securities of Ark Energy Limited, nor do I intend to receive any such interest.
7. THAT this report dated July 1982 is based on a personal examination of the Golden Ark property and on government reports on the area.

DATED at Vancouver, British Columbia this 14th day of July, 1982.



STANLEY B. REAMSBOTTOM, Ph.D., P.Eng.



SAWYER CONSULTANTS INC.

REPORT ON THE LORI CLAIMS

Similkameen Mining Division, B.C.

for

ARK ENERGY LTD.

JANUARY 27th, 1983

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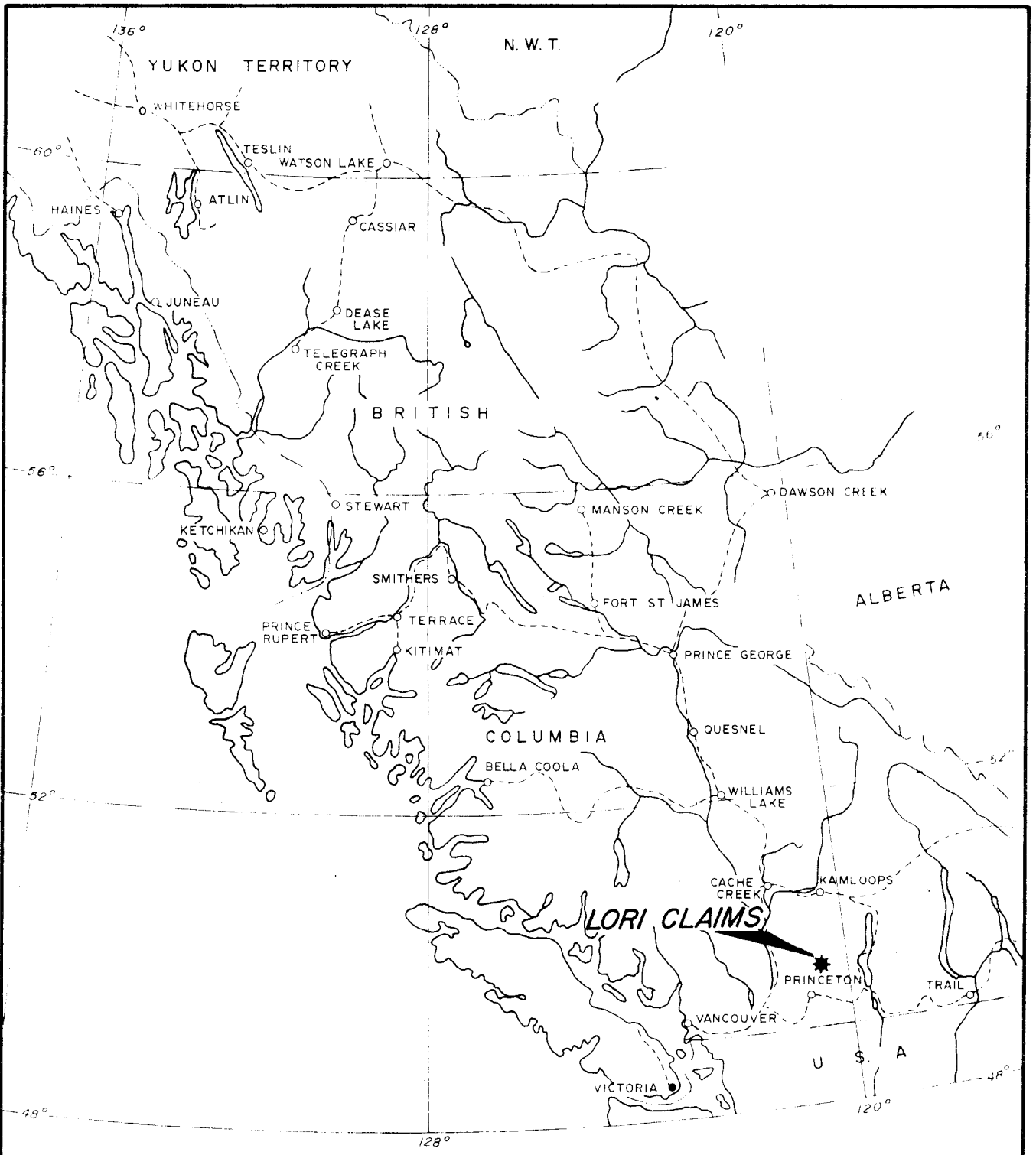
SAWYER CONSULTANTS INC.

INTRODUCTION

The area now covered by the Lori 1-4 claims is part of a larger area which has been held more or less continuously for the past fifteen years by principals of the current owner Company, Ark Energy Ltd., through this and predecessor companies. While an employee of Cyprus Exploration Corp. Ltd. in the late 1960's and 1970's the writer was involved in geological, geochemical, geophysical, and diamond drilling work programs carried out on the original property. The areas investigated at that time included part of or were adjacent to the current Lori claims but essentially within the same geological environment. The writer has not been directly involved in any of the more recent work on the property which has been carried out by or under the direction of D.W. Tully, P.Eng., and others. The most recent field work was carried out in 1980 by Strato Geological Ltd. implementing general recommendations prepared by D.W. Tully, P.Eng. The work consisted of line cutting, a magnetometer survey, and a very limited amount of geochemical soil sampling. The magnetometer survey results from this work were of some interest. At the request of Ark Energy Ltd. the writer compiled the field data from this work and prepared a brief assessment report which was submitted to the British Columbia Department of Mines in fulfillment of assessment work obligations.

This report, prepared at the request of Mr. H.L. Williams, President of Ark Energy Ltd., is based on the writer's previous knowledge of the property area and of the geological environment in which it is situated, and on reports and data prepared by D.W. Tully, P.Eng., and Strato Geological Ltd. respectively. The writer has not been on the property during the course of the most recent work or preparatory to compilation of this report.

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ARK ENERGY LTD.
LORI CLAIMS
 SIMILKAMEEN MINING DIVISION, B.C.
GENERAL LOCATION MAP

Scale 1 inch = 125 miles

FIGURE 1

SUMMARY

Ark Energy Ltd. is the beneficial owner of the Lori 1-4 mineral claims located in the Siwash Creek area of the Similkameen Mining Division, British Columbia. The general area of these claims has been the subject of a considerable amount of exploration work by a number of companies in the period 1967-1980. This work has defined at least two mineralized zones part of one of which, the Mabel Zone, is now on and at the boundary of the Lori claims. An incomplete exploration program was carried out in 1980 following in general the earlier recommendations of D.W. Tully, P.Eng. Because this program was incomplete the results do not permit of proper evaluation.

The most comprehensive work was done in the late 1960's and early 1970's by Spa Mines Ltd., a private company controlled by the present principals of Ark Energy Ltd., and by Quality Exploration Corporation, a subsidiary of the Cyprus Mines Corporation group of companies who optioned the property in the period 1969-1971. The writer was personally involved in the work programs carried out by Quality Exploration Corporation at that time.

Based on knowledge of the area gained from that work and from a review of more recent data a first stage exploration program, which in essence will repeat the work originally recommended by D.W. Tully, is recommended now. The work will include line cutting, detailed magnetometer survey, detailed geochemical soil sampling, stripping, trenching and sampling at an estimated cost of \$25,127.50.

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PROPERTY AND OWNERSHIP

The property consists of four claims staked under the two-post system provided for in the Regulations of the B.C. Department of Mines. Pertinent details of these claims are listed below.

<u>Claim Name</u>	<u>Registered Owner</u>	<u>Record No.</u>	<u>Expiry Date</u>	<u>Remarks</u>
Lori #1	Patrick Crean	416	Aug. 29, 1987	Recorded under B.C. Mining
Lori #2	Harry L. Williams	417	Aug. 29, 1987	Receipts Nos. 12378E & 12379E
Lori #3	Harry L. Williams	418	Aug. 29, 1987	at Princeton, B.C., dated
Lori #4	Harry L. Williams	419	Aug. 29, 1987	August 29, 1978

The claims are in the Similkameen Mining Division and are shown on B.C. Department of Mines claim maps M92H/16W and M92H/9W. Figure 2 is a reproduction of part of these maps.

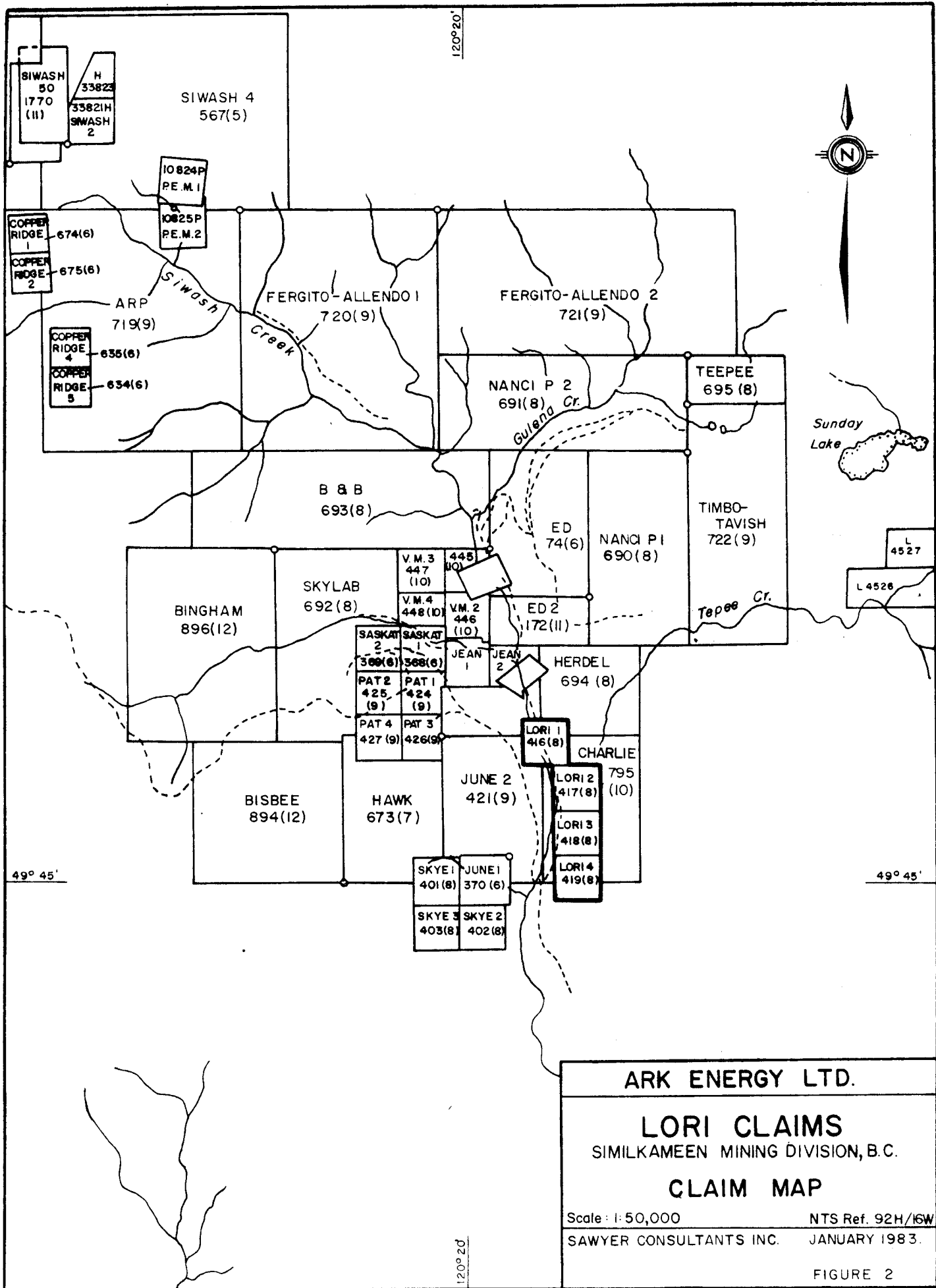
Reference to the above table shows that the claims are still recorded in the names of Messrs. Patrick Crean and Harry L. Williams however we understand that Ark Energy Ltd. is the beneficial owner of the claims. All of the claims are in good standing until their 1987 anniversaries.

LOCATION AND ACCESS

The property is located approximately 35 miles by road north of the town of Princeton on the lower part of Siwash Creek. Latitude $49^{\circ}45'N$ bisects the southernmost of the Lori claims, Lori #4 (see Figure 2); the claims are at longitude $120^{\circ}19'W$. The property area is covered by topographic map sheet 92H, Hope, in the 1:250,000 series, and by topographic maps 92H/16, Paradise Lake, and 92H/9, Bankeir, in the 1:50,000 series.

Access to the property is easily had from Bankeir on the Kettle River railroad line along logging roads to the property, a distance of approximately 6 miles. The use of four-wheel drive vehicle is necessary for part of the way.

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ARK ENERGY LTD.

LORI CLAIMS
SIMILKAMEEN MINING DIVISION, B.C.

CLAIM MAP

Scale: 1:50,000 NTS Ref. 92H/16W
SAWYER CONSULTANTS INC. JANUARY 1983.

FIGURE 2

PHYSIOGRAPHY

The property lies within the intermontane physiographic system and is well forested with a mixed cover of spruce, pine, etc., and some deciduous trees. Relief on the property is quite gentle with elevations ranging between 3800 feet and 4500 feet above sea level. The valley of Siwash Creek and the greater part of the property is overburden covered so that rock outcrops are relatively sparse. The depth of overburden is, however, quite shallow in much of the area and in the past trenching has proved an effective technique to investigate bedrock conditions.

Annual precipitation in the area is of the order of 50 centimetres.

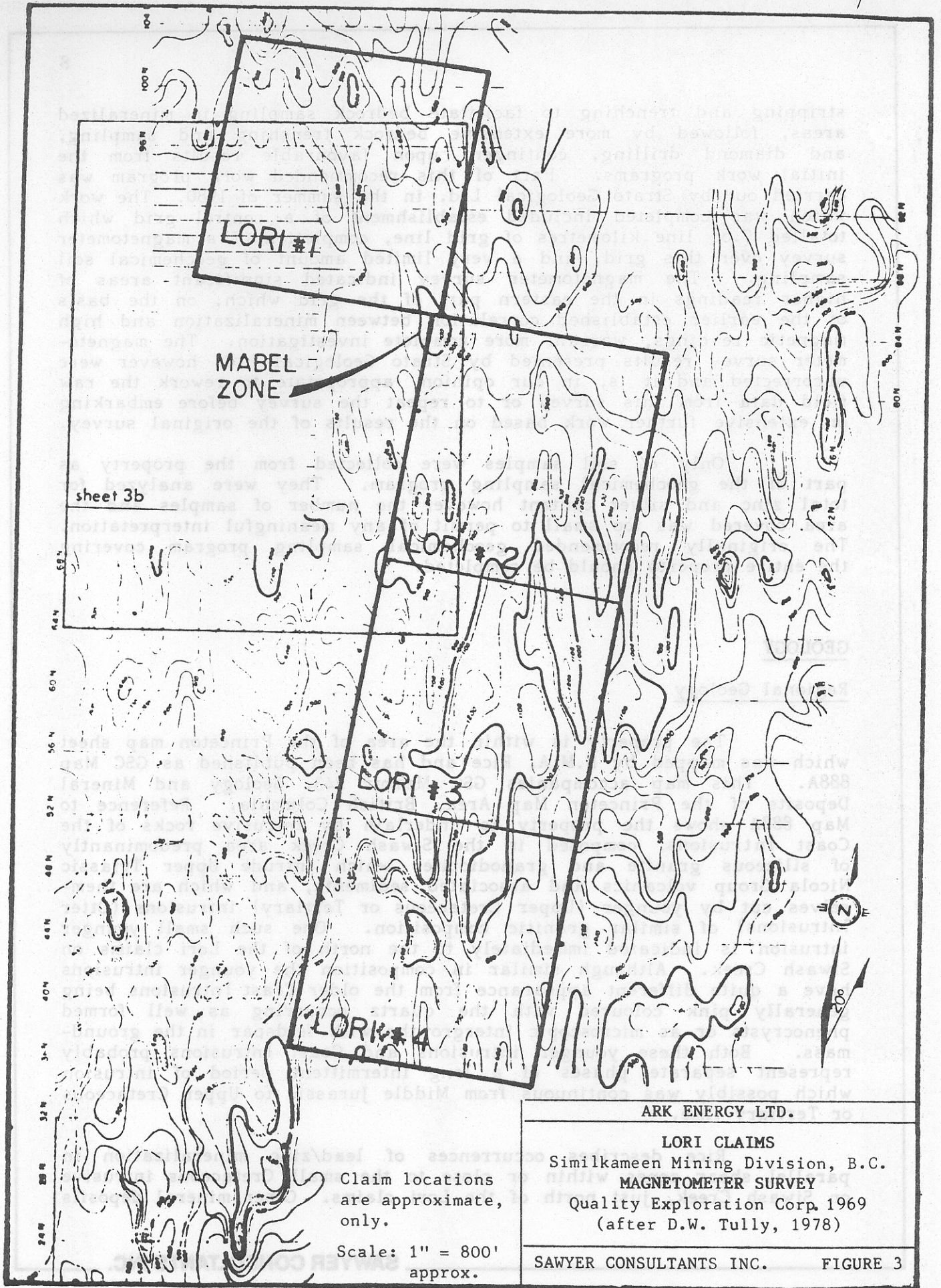
HISTORY AND PREVIOUS WORK

The Princeton map area includes a number of prospects and mineral showings dating at least from the early part of the century. Tully (1978) reports that silver was mined in small quantities from local high grade vein deposits in the general area during the period 1917-1929. There are reports in several of the Annual Reports of the B.C. Department of Mines for the period 1925-1934 describing work on a number of lode prospects and several references to placer operations on Siwash Creek itself. Some of the gold recovered from the gravels in the early days was apparently quite coarse but it seems doubtful that the placers have been fully exploited.

More recently, work including bulldozer trenching, sampling, and some geochemical work was carried out in 1966-67 on the Rosso #1 claim in the area of an old adit. This is part of what is known as the Mabel Zone which together with other parts of the claims, then held by Spa Mines Ltd. were more fully investigated in the period 1967-1970. Five diamond drill holes for a total of 2429 feet were put down in 1967 by Spa Mines Ltd. According to Tully (1978) assay results were fairly low but the mineralization persisted to depth. The property was optioned from Spa Mines Ltd. by Quality Exploration Corporation, a subsidiary of Cyprus Mines Corporation, in 1969. That company carried out fairly comprehensive work including geochemical soil sampling, ground magnetometer and induced polarization surveys, geological mapping, and diamond drilling. Some interesting mineralization was discovered which included fairly low but widespread silver values. This work established an interesting relationship between mineralization and magnetic features in the Mabel Zone area which can probably be usefully applied in the area in general. The Mabel Zone is located in the area of the common corner of the present Lori #1 and #2 claims.

In his 1978 report D.W. Tully, P.Eng., had recommended a three stage exploration program on the Lori claims which was to include a detailed magnetometer survey over the entire claim group,

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Claim locations are approximate, only.

Scale: 1" = 800' approx.

ARK ENERGY LTD.

LORI CLAIMS
 Similkameen Mining Division, B.C.
MAGNETOMETER SURVEY
 Quality Exploration Corp. 1969
 (after D.W. Tully, 1978)

SAWYER CONSULTANTS INC. FIGURE 3

stripping and trenching to facilitate bedrock sampling in mineralized areas, followed by more extensive bedrock trenching and sampling, and diamond drilling, contingent upon favourable results from the initial work programs. Part of this recommended work program was carried out by Strato Geological Ltd. in the summer of 1980. The work which was completed included establishment of a control grid which totalled 7.66 line kilometres of grid line, completion of a magnetometer survey over this grid, and a very limited amount of geochemical soil sampling. The magnetometer survey indicated significant areas of higher readings in the eastern part of the grid which, on the basis of the earlier established correlation between mineralization and high magnetic readings, warrant more complete investigation. The magnetometer survey results presented by Strato Geological Ltd. however were uncorrected and it is, in our opinion, appropriate to rework the raw field data from this survey or to repeat the survey before embarking on extensive further work based on the results of the original survey.

Only 44 soil samples were collected from the property as part of the geochemical sampling program. They were analyzed for total zinc and silver content however the number of samples and the area covered was too small to permit of any meaningful interpretation. The originally recommended geochemical sampling program covering the entire property should be completed.

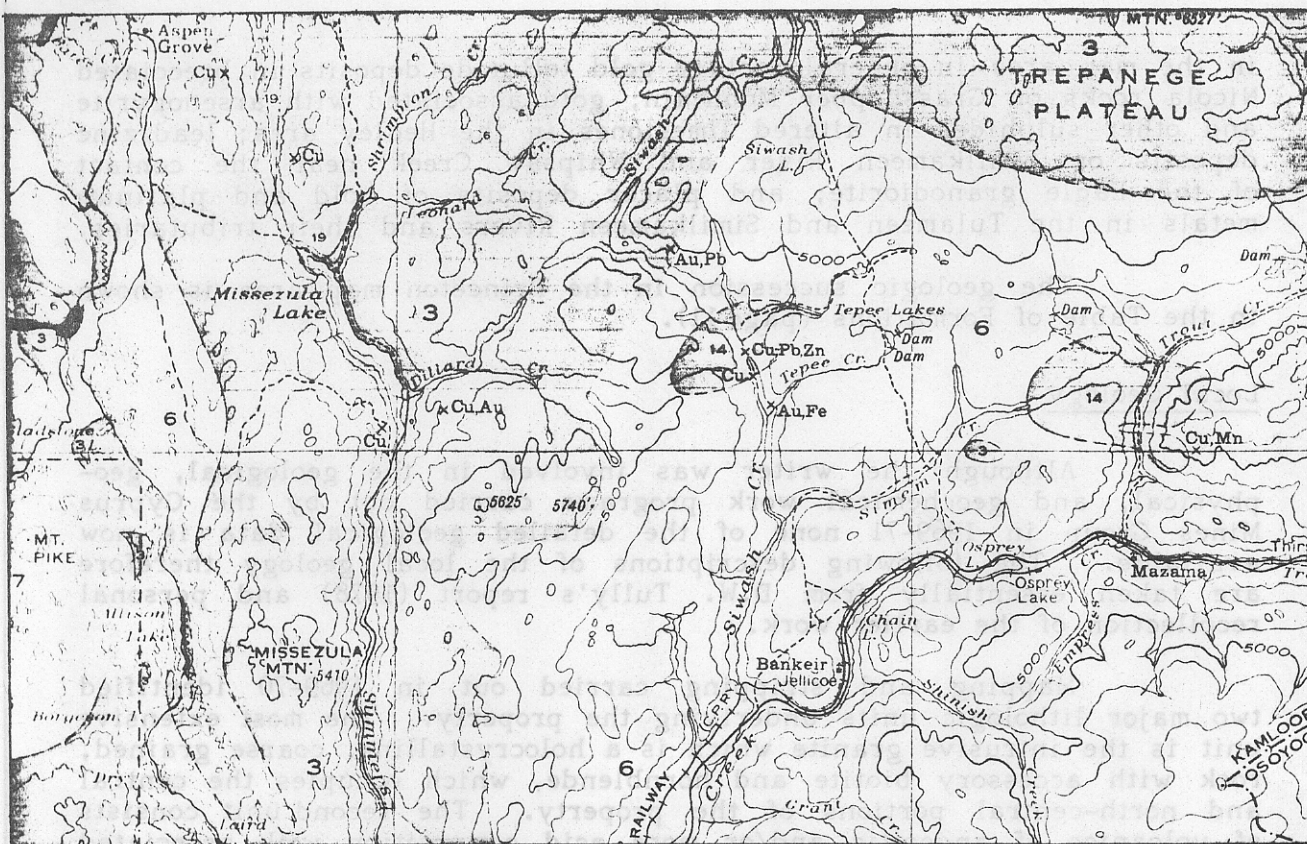
GEOLOGY

Regional Geology

The property is within the area of the Princeton map sheet which was mapped by H.M.A. Rice and has been published as GSC Map 888A. This map accompanies GSC Memoir 243, Geology and Mineral Deposits of the Princeton Map Area, British Columbia. Reference to Map 888A shows the property is underlain by intrusive rocks of the Coast Intrusions, composed in the Siwash Creek area predominantly of siliceous granite and granodiorite, which intrude Upper Triassic Nicola Group volcanics and associated sediments, and which are themselves cut by younger (Upper Cretaceous or Tertiary) intrusions (Otter Intrusions) of similar granitic composition. One such small younger intrusion is indicated immediately to the north of the Lori claims on Siwash Creek. Although similar in composition the younger intrusions have a quite different appearance from the older Coast Intrusions being generally pink coloured with the quartz occurring as well formed phenocrysts or as microscopic intergrowths with feldspar in the groundmass. Both these younger intrusions and Coast Intrusions probably represent separate phases of a long intermittent period of intrusion which possibly was continuous from Middle Jurassic to Upper Cretaceous or Tertiary time.

Rice describes occurrences of lead/zinc mineralization in parallel shear zones within or close to the small Cretaceous intrusive on Siwash Creek, just north of the Lori claims. Other mineral deposits

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MIOCENE or EARLIER
PRINCETON GROUP

17 Andesite, basalt

16 Shale, sandstone, conglomerate

CRETACEOUS or TERTIARY
OTHER INTRUSIONS

14 Granite, granodiorite

LOWER CRETACEOUS
KINGVALE GROUP

12 Mainly volcanic breccia

SPENCE BRIDGE GROUP

10 Hard, reddish andesite, basalt

JURASSIC or LATER
COAST INTRUSIONS

7 Light coloured granodiorite, quartz diorite

6 Mainly reddish, coarse siliceous granite, granodiorite

UPPER TRIASSIC
NICOLA GROUP

3 Lava, tuff, sediments, chlorite and sericite schist

REGIONAL GEOLOGY

PRINCETON

(Part of GSC Map 888A by H.M.A. Rice)

Scale: 1 inch = 4 miles

FIGURE 4

in the map area in general include gold telluride deposits in brecciated Nicola rocks on Grasshopper Mountain; gold associated with arsenopyrite and other sulphides in altered limestones in the Hedley area; lead/zinc deposits on Similkameen River and Whipsaw Creek near the contact of the Eagle granodiorite; and placer deposits of gold and platinum metals in the Tulameen and Similkameen Rivers and their tributaries.

The geologic succession in the Princeton map area is shown in the Table of Formations (page 11).

Local Geology

Although the writer was involved in the geological, geo-physical, and geochemical work programs carried out by the Cyprus Mines Group in 1969-71 none of the detailed geological data is now available. The following descriptions of the local geology therefore are taken essentially from D.W. Tully's report (1978) and personal recollection of the earlier work.

Mapping and stripping carried out in 1969-70 identified two major lithologic units underlying the property. The most extensive unit is the intrusive granite which is a holocrystalline, coarse grained, rock with accessory biotite and hornblende, which occupies the central and north-central portions of the property. The second unit consists of volcanics of andesitic and/or more acid composition with associated fragmental rocks. These occur in the northeastern and western parts of the property as roof pendants of the granitic intrusives.

The granitic rocks on the property exhibit sericitic and chloritic alteration particularly in the more heavily mineralized zones, such as the Mabel Zone. Similar strong alteration effects can be observed in the small (Otter Intrusion) Siwash Creek stock.

Siwash Creek itself follows a fairly strong generally north-south lineament which is thought to be a sheared fault zone and as such appears to have influenced the distribution of mineralization in the immediate area. A second, generally east-west lineament, occurs along the valley of Dillard Creek just north of the Lori claims and appears to terminate at the Siwash Creek structure. The work by Cyprus Exploration Corp. Ltd. in 1969-70 defined a second zone of mineralization, the Dillard Zone, along this structure also.

The Mabel Zone (see Figure 3) is a highly altered, kaolinized brecciated zone, perhaps a breccia pipe, of chloritized and sericitized granodiorite which carries sphalerite, tetrahedrite, galena, chalcopryrite, and pyrite, together with minor magnetite and specularite. Silver values related to the tetrahedrite are low but fairly uniform throughout the zone and although these were sub-economic at the time of the work by Cyprus Exploration Corp. Ltd. may be of interest with higher precious metal prices. There appears to be little or no information available as to any gold content in these rocks and it is not certain to what extent, if at all, gold assaying was carried out in the earlier work.

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TABLE OF FORMATIONS

Era	Period or epoch	Group or formation	Lithology
Cenozoic	Pleistocene and Recent		Glacial till; silt, sand, and gravel
		Unconformable contact	
	Miocene or later	Valley basalt	Mainly brown, red, and grey, vesicular basalt
			Relationship not known
		Plateau basalt	Mainly black and brown, amygdaloidal basalt
Unconformable contact			
	Miocene or earlier	Princeton group	Mainly brown, black, red, and green basalt and andesite, rarely conspicuously porphyritic; grey, mauve, green, and buff, fissile, fossiliferous shale, buff sandstone, and conglomerate
Unconformable contact			
Mesozoic or Cenozoic	Upper Cretaceous or later	Other intrusions	Pink granite and granodiorite, quartz generally inconspicuous and as microscopic inclusions. Some bodies, notably porphyritic, grey granodiorite, not easily distinguished from phases of the Coast intrusions
		Probably correlative with above	
		Lightning Creek intrusions	Light grey quartz diorite stocks; grey to greenish grey diorite and quartz diorite sills and dykes; conspicuous needles of amphibole common. None of these types easily distinguished from phases of the Coast intrusions
Intrusive contact			
		Kingsvale group	Basal beds of agglomerate, greywacke, and volcanic breccia, mostly green or brown; green, purple, grey, and black andesite and basalt. Much of the group carries orange-coloured feldspar phenocrysts
Relations not known, but apparently of the same age			
Lower Cretaceous		Pasayten group	Lower part mainly thick beds of greenish grit or greywacke; upper part dark brown, thin-bedded, fossiliferous argillite, yellowish sandstone with, near top, conglomerate, and a conspicuous horizon of purple tuff and lava
	Unconformable or disconformable with Kingsvale; not in contact with Pasayten		
		Spence Bridge group	Mainly hard, red, purple, buff, and grey rhyolite, dacite and basalt; in part spherulitic and porphyritic; pronounced flow-lines characteristic
In faulted contact with Pasayten; not in contact with Spence Bridge			
Upper Jurassic (?) and Lower Cretaceous		Dewdney Creek group	Division A: soft, crumbly, dark brown andesite or dacite tuff, breccia, and lava; Division B: argillite, brownish green greywacke, a little tuff, and buff-coloured sandstone; Division C: thick beds of conglomerate separated by much thinner beds of green grit or greywacke; Division D: sandy argillite, greywacke, and arkose
Not in contact with any of the above except Princeton group, which overlies it unconformably			
Mesozoic		Copper Mountain intrusions	Mainly syenogabbro, augite diorite, and pegmatite; generally pink to red; quartz conspicuously absent
	Not in contact		
	Jurassic or later	Coast intrusions	In three colour phases referred to, from oldest to youngest, as "grey," "red," and "white" granodiorite respectively; the grey phase a very uniform, slightly gneissic biotite, occasionally hornblende granodiorite, or quartz diorite, with pegmatite and apite dykes small and inconspicuous; red phase a variable textured, siliceous granite, granodiorite, and quartz diorite, mostly characterized by pink potash feldspar, and in places with orthoclase phenocrysts up to 3 inches long; white phase a white to light greenish grey granodiorite, quartz diorite, and gabbro characterised by dull white plagioclase crystals
		Intrusive contact in places, but in others possibly gradational	
Intrusive contact			Deep green, coarse-grained pyroxenite; coarse-grained gabbro; grey, brownish weathering peridotite; quartz diorite
	Upper Triassic	Nicola group	Principally green andesite and augite or feldspar porphyry; locally abundant grey, mauve, purple, and brick-red andesite and andesite porphyry, and areas containing many beds of tuff, tuffaceous argillite, and argillite; occasional lenses of limestone. In a broad belt parallel with the east contact of the Eagle granodiorite the above rocks are sheared into chlorite and talc-sericite schist. In the vicinity of Hedley are thick beds of limestone, thin-bedded argillite, cherty quartzite, and calcareous quartzite
Contact not observed			
Palaeozoic or later	Carboniferous or later	Bradshaw, Independence, Shoemaker, and Old Tom formations	Mainly green and grey chert, grey argillite and cherty argillite, limestone, and green andesite lava, locally altered to quartz mica schist and gneiss
		Fault contact with Dewdney Creek group	
		Hozomeen group	Mainly green, cherty andesite, chert, and limestone

CONCLUSIONS AND RECOMMENDATIONS

The Lori claims represent a modest land position within an area of interesting geology in which lead/zinc/silver mineralization is known to occur. Previous work in the area has established a relationship between magnetic features and mineralization and this relationship can be used to advantage in continuing exploration. The limited amount of field work carried out in 1980 was not sufficient in amount or quality to permit of any firm conclusions as to the mineral potential of the Lori claims but based on knowledge of the area in general further exploration is recommended.

The logical next phase of work on these claims will be to complete in more detail, or better to repeat, the magnetometer survey coverage, and to follow-up with trenching and sampling in magnetically anomalous areas. In addition, the earlier recommended complete geochemical soil sampling coverage should also be done.

A recommended work program for the Lori claims would, then, consist of:

- (1) Repeat the magnetometer survey work over the entire claim grid making sure that proper corrections are applied to the readings and that all of the data is handled in a proper manner.
- (2) In order to carry out the magnetometer survey and the subsequently recommended geochemical sampling it will be necessary to ensure that the picket line grid is still in existence. We are not certain whether the grid lines were cut or just blazed and whether the stations were picketed or flagged. Some allowance is therefore made in the cost estimates below for re-establishment of the grid.
- (3) Geochemical soil sampling should be carried out over the entire grid and samples should be analyzed for zinc and silver.
- (4) Areas of anomalous magnetic values or of high geochemical values should be investigated by trenching or stripping and subsequent sampling of bedrock. Rock samples collected from these zones should be analyzed for gold, silver, lead, and zinc.

The estimated costs of this work program are set out below.

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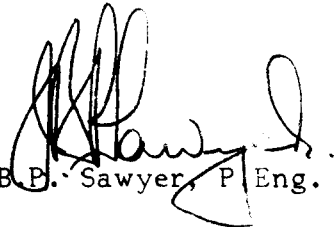
COST ESTIMATES

Control grid*		
Estimate 17 line miles @ \$185.00/mile		\$ 3,145.00
Magnetometer survey		
17 line miles @ \$120.00/mile		2,040.00
Geochemical sampling		
Sample collection	\$2,000.00	
Estimate 700 samples - geochemical analyses @ \$4.40/sample	3,080.00	
	<u>\$5,080.00</u>	5,080.00
Trenching		
Bulldozer, estimate 75 hours @ \$55.00/hr.	\$4,125.00	
Sampling, etc. - labour	1,500.00	
	<u>\$5,625.00</u>	5,625.00
Assaying		
Estimate 75 samples @ \$26.50/sample (Au,Ag,Pb,Zn)		1,987.50
Support Costs:		
Camp, accommodation, supplies		2,500.00
Transportation and fuel		750.00
Engineering & Supervision, reporting		2,000.00
Consulting		<u>2,000.00</u>
		<u>\$25,127.50</u>

* Line spacing at 100 feet.

Respectfully submitted,

SAWYER CONSULTANTS INC.


J.B.P. Sawyer, P. Eng.

SAWYER CONSULTANTS INC.

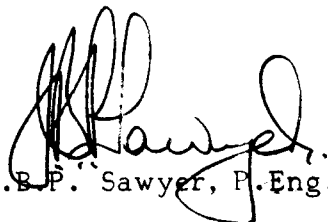
SELECTED REFERENCES

- Freeland, P.B., 1932: Similkameen Mining Division; in B.C. Dept. Mines Bull. No. 1, Lode Gold Deposits of British Columbia; p.89.
- Rice, H.M.A., 1947: Geology and mineral deposits of the Princeton map area, British Columbia; Geol. Surv. Can. Mem 243.
- Sawyer, J.B.P., 1980: Geophysical and geochemical report on the Lori 1-4 mineral claims, Similkameen Mining Division, British Columbia, 92H/16; Assessment report filed with B.C. Dept. Mines for Ark Energy Ltd.
- Tully, D.W., 1978: Report on the Lori #1,2,3,4 mineral claims, Siwash Creek area, Similkameen Mining Division, Princeton, B.C.; Consultants report for H.L. Williams and J.P. Crean.
- British Columbia - Annual Reports of the Minister of Mines for the years ending Dec. 31st,
- 1925, p.210.
1930, p.A210 re EJA, BH, HJB, Owen.
1931, p.A131.
1933, p.A174 re placers worked by Lohse, Cole, McAlpine.
1934, p.D23 re Siwash gold Placers Ltd. - 13 leases.
- Geology Exploration, & Mining in British Columbia
- 1969, p.280 re Top, Fix, Mabel, Hayes Creek.

CERTIFICATE

I, J.B.P. Sawyer, DO HEREBY CERTIFY:

- (1) That I am a consulting geologist with business office at 1201 - 675 West Hastings Street, Vancouver, B.C., V6B 1N2, and President of Sawyer Consultants Inc.
- (2) That I am a graduate in geology of Manchester University (B.Sc. - 1953) and of the University of Western Ontario (M.Sc. - 1957).
- (3) That I am a Registered Professional Engineer (geological) in the Association of Professional Engineers of the Province of British Columbia, and a Registered Chartered Engineer with the Council of Engineering Professions, London.
- (4) That I am a Fellow of the Geological Association of Canada, a Member of the Canadian Institute of Mining & Metallurgy, a Fellow of the Geological Society of London, and Fellow of the Institution of Mining & Metallurgy, London.
- (5) That I have practised my profession as a geologist for the past twenty-eight years.
- (6) That the information, opinions, and recommendations in the attached report are based on personal knowledge of the property area gained from work carried out in 1968-1970; from compilation of field data derived from work on the property by Strato Geological Ltd. in 1980, and from a review of published and private geological maps and reports.
- (7) That I own no interest in the LORI claims, nor in the shares or securities of Ark Energy Ltd., nor do I expect to receive any such interest.


J.B.P. Sawyer, P.Eng.

Dated at Vancouver, British Columbia, this 27th day of January, 1983.

SAWYER CONSULTANTS INC.

20. STATUTORY RIGHTS OF RESCISSION

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

- (a) A purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last Statement of Material Facts, together with financial statements and a summary of engineering reports as filed with the Vancouver Stock Exchange, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the 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 Statement of Material Facts or any amended Statement of Material Facts offering such security contains an untrue statement of material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such Statement of Material Facts or amended Statement of Material Facts is received or is deemed to be received by him or his agent.

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

21. CERTIFICATE OF THE DIRECTORS AND PROMOTERS OF THE ISSUER:

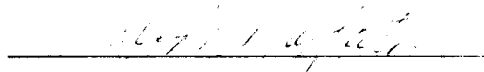
The foregoing constitutes full, true, and plain disclosure of all material facts relating to the securities offered by this Statement of Material Facts.

ARK ENERGY LTD.

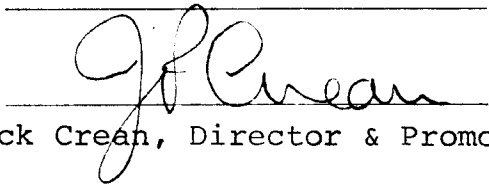
February 25, 1983
(Date)



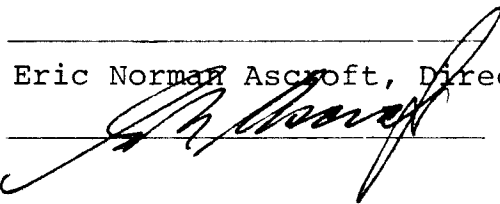
Harry Leonard Williams, Director & Promoter



Douglas Haig Moffat, Director



John Patrick Crean, Director & Promoter



Eric Norman Ascroft, Director

CERTIFICATE OF THE UNDERWRITER(S):

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 Statement of Material Facts.

February 25, 1983
(Date)

West Coast Securities Ltd.

