This is an important document that requires your careful review and consideration. Inquiries concerning the information in this document should be directed to Joseph Durante, Managing Director and Chief Financial Officer of Ranchero Oil & Gas Ltd. at (403) 781-1277.

RANCHERO OIL & GAS LTD.

Directors' Circular

relating to the Offer by

Newquest Energy Inc.

to purchase all of the common shares of

Ranchero Oil & Gas Ltd.

The Board of Directors of Ranchero Oil & Gas Ltd. unanimously recommends acceptance of the offer made by Newquest Energy Inc. for all of the common shares. The Board of Directors further recommends that the holders of common shares tender their common shares to the offer made by Newquest Energy Inc.

January 28, 2000

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RANCHERO OIL & GAS LTD.

DIRECTORS' CIRCULAR

This Directors' Circular is issued by the board of directors (the "Board of Directors") of Ranchero Oil & Gas Ltd. ("Ranchero" or the "Corporation") in connection with the offer (the "Offer") made by Newquest Energy Inc. ("Newquest") to purchase all of the outstanding common shares (including common shares issuable upon the exercise of stock options and other rights to purchase common shares) ("Ranchero Shares") of Ranchero upon the terms and subject to the conditions of the Offer set forth in the Offer to Purchase and Take-Over Bid Circular (together, the "Circular") of Newquest dated January 28, 2000. The consideration under the Offer consists of 2.86 Class A shares ("Newquest Shares") of Newquest for each Ranchero Share. The expiry time of the Offer is 6:00 p.m. (Calgary time) on February 22, 2000 (the "Expiry Time"), unless withdrawn or extended. The Offer was made pursuant to the terms of an acquisition agreement between Ranchero and Newquest dated January 26, 2000 (the "Acquisition Agreement").

Reference is made to the Circular for details of the terms and conditions of the Offer.

Capitalized terms used herein and not otherwise defined have the meanings ascribed thereto in the Circular. Unless otherwise indicated, all dollar amounts in this Directors' Circular are expressed in Canadian dollars.

RECOMMENDATION OF THE BOARD OF DIRECTORS

The Board of Directors of Ranchero unanimously recommends that the Offer be accepted and that holders of Ranchero Shares (the "Shareholders") tender their Ranchero Shares to the Offer.

BACKGROUND

In October, 1999, Ranchero and Newquest initiated discussions and exchanged certain information for the purposes of evaluating a possible business combination and Ranchero appointed Charles W. Berard, the sole independent director of the Corporation, to form a special committee (the "Special Committee") of the Board of Directors. On November 18, 1999, the Board of Directors appointed Terry J. Owen, an independent director of the Corporation, as an additional member of the Special Committee.

The mandate of the Special Committee was (i) to supervise and evaluate the terms of a proposed business combination with Newquest, (ii) to report its findings to the Board of Directors and (iii) to make such recommendations as the Special Committee considered appropriate. The Special Committee was further authorized to retain, at the expense of Ranchero, such advisors as the Special Committee considered necessary or desirable to perform its mandate, on such terms as the Special Committee considered appropriate.

From late November to December 9, 1999, Ranchero and Newquest had a number of discussions, conducted negotiations and considered various business combination proposals. On December 9, 1999, Newquest made a proposal which the Special Committee determined was of sufficient merit to proceed with further negotiations and the parties entered into a letter of intent. Following the execution of the letter of intent, Ranchero and Newquest conducted a detailed review of the assets, business and opportunities of the other and Newquest provided Ranchero with a proposed form of acquisition agreement. The Special Committee reviewed the principal terms of the Acquisition Agreement with Newquest and sought legal advice with respect to its duties and responsibilities generally and with respect to the matters before it. The Special Committee subsequently finalized the terms of the Acquisition Agreement with Newquest. The Board of Directors then met to receive and consider the recommendations of the Special Committee and the terms of the Acquisition Agreement. The Board of Directors unanimously approved the Acquisition Agreement on January 26, 2000.

Concurrent with the negotiations relating to the Offer, the directors, officers and certain shareholders of Ranchero agreed to tender their Ranchero Shares under the Offer pursuant to a tender agreement and to exchange their options to acquire Ranchero Shares ("Ranchero Options") for options to acquire Newquest Shares ("Newquest Options"). See "Tender Agreements".

REASONS FOR RECOMMENDATION

In reaching its decision to recommend acceptance of the Offer, the Board of Directors of Ranchero considered a number of factors, including the following:

(a) information relating to the business, operations, properties and prospects of Ranchero and Newquest and their respective prospects for the future;

(b) the Offer provides Shareholders with an opportunity to continue to participate in the oil and gas industry through a company with a larger asset base;

(c) Shareholders should enjoy enhanced liquidity for their investment as Newquest will have a significantly larger market capitalization than Ranchero, together with a listing on The Toronto Stock Exchange;

(d) sizeable tax pools which will provide shelter for future revenues;

(e) the terms of the Offer and the Acquisition Agreement;

(f) under the terms of the Acquisition Agreement, the Board of Directors can respond to other proposals, as further described herein under "Acquisition Agreement"; and

(g) in conjunction with the Offer, Newquest has negotiated (i) a non recourse arrangement with its secured lender over its current asset base; and (ii) a joint venture agreement covering a capital work program over its developed and undeveloped land base. The non-recourse agreement is subject to final documentation as a condition precedent to the completion of the Offer. These arrangements will permit new equity to be invested in Newquest's reserve base for growth opportunities and any interests earned as well as the assets and shares of Ranchero will be outside of the lender's security coverage. Upon the completion of a successful capital program, Newquest is obligated to accept the outstanding indebtedness or, should the program not be successful, Newquest may relinquish the secured assets and certain tax pools for forgiveness of the entire debt. Should the assets be relinquished, Newquest would retain the following benefits from the transaction: any interests earned through the capital program, remaining tax pools, the right to earn an interest in the undeveloped land base for one year and The Toronto Stock Exchange listing.

ACQUISITION AGREEMENT

The Offer

Ranchero and Newquest have entered into the Acquisition Agreement pursuant to which Newquest agreed to make an offer to purchase all of the Ranchero Shares on the basis of 2.86 Newquest Shares for each Ranchero Share. The Acquisition Agreement provides that the Offer is subject to certain conditions including, among other things, that a minimum of 66 2/3% of the Ranchero Shares (calculated on a fully diluted basis) other than those owned at the date of the Offer by Newquest, its associates or affiliates (as defined in the *Business Corporations Act* (Alberta) (the "ABCA")) be tendered and not withdrawn under the Offer (the "Minimum Condition"), that all Ranchero Options shall either have been exchanged for Newquest Options or otherwise exercised, terminated or surrendered and that all regulatory approvals be obtained.

Newquest is permitted under the Acquisition Agreement, in its sole discretion, to amend, extend, vary or waive any term or condition of the Offer, provided that Newquest shall not, without the consent of Ranchero, change the number of Ranchero Shares for which the Offer is made, waive or reduce the Minimum Condition to below 50% of the outstanding Ranchero Shares (on a fully diluted basis), impose additional conditions to the Offer, decrease the consideration to be paid for each Ranchero Share or make any other change to the Offer which is materially adverse to the holders of Ranchero Shares.

Approval by Ranchero Directors

For the purposes of this Directors' Circular: "Acquisition Proposal" means, in respect of Ranchero, any inquiry or the making of any proposal to Ranchero or the Shareholders from any person which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions): (i) an acquisition from Ranchero or its Shareholders of any securities of Ranchero or its subsidiaries; (ii) any acquisition of a substantial amount of assets of any of Ranchero or its subsidiaries; (iii) an amalgamation, arrangement, merger, or consolidation of any of Ranchero or its subsidiaries; or (iv) any take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization into a royalty trust or income fund or similar transaction involving any of Ranchero or its subsidiaries or any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by the Acquisition Agreement or the Offer or which would or could reasonably be expected to materially reduce the benefits to Newquest under the Acquisition Agreement or the Offer; and "Take-over Proposal" means, in respect of Ranchero or its assets, a bid or offer to acquire 20% or more of the outstanding Ranchero Shares or any proposal, offer or agreement for a merger, consolidation, amalgamation, arrangement, recapitalization, liquidation, dissolution, reorganization into a royalty trust or income fund or similar transaction or other business combination involving Ranchero or its subsidiaries or any proposal, offer or agreement to acquire 25% or more of the assets of Ranchero.

Pursuant to the Acquisition Agreement, Ranchero confirmed that its Board of Directors has unanimously determined to recommend that the Offer be accepted by Shareholders, subject to the right of the Board of Directors to withdraw, modify or change its recommendation regarding the Offer if, in the opinion of the Board of Directors, acting reasonably and upon advice of counsel, such withdrawal, modification or change is appropriate in the discharge of its fiduciary duties. In the event of receipt of any inquiries, offers or proposals with respect to a Ranchero Acquisition Proposal, Ranchero is obligated to notify Newquest and provide to Newquest a copy of any written Ranchero Acquisition Proposal received by it.

Termination and Expense Fees

Ranchero has agreed to pay to Newquest a termination fee (the "Ranchero Termination Fee") of $200,000 in the event that: (i) the Board of Directors shall have withdrawn, or in any manner materially adverse to the Offer, modified or changed its recommendation, provided that such modification or change is not due to a material misrepresentation made by Newquest; or (ii) another bona fide Ranchero Take-over Proposal is publicly announced or made to the Shareholders and at the Expiry Time any such Ranchero Take-over Proposal has not expired or been withdrawn, and the Minimum Condition has not been satisfied. Any such payment shall be made by Ranchero to Newquest within three business days of the earliest event giving rise to the payment obligation.

Provided the Ranchero Termination Fee is not paid by Ranchero, Ranchero has agreed to pay a fee (the "Ranchero Expense Fee") of up to $200,000 representing the actual costs and expenses incurred by Newquest in making the Offer in the event that certain conditions to taking up and paying for Ranchero Shares are not satisfied, such amount to be based on a statement of expenses certified by an officer of Newquest and paid within two business days of the earlier of (i) delivery of a statement of expenses and (ii) the expiry of the Offer.

Newquest has agreed to pay to Ranchero a termination fee (the "Newquest Termination Fee") of $500,000 in the event that (i) the Board of Directors of Newquest withdraws or, in a manner adverse to the Shareholders of Ranchero, modifies or changes the Offer; or (ii) a bona fide Newquest Take-Over Proposal is publicly announced or made and at the Expiry Time such Newquest Take-Over Proposal has not expired or been withdrawn and the Minimum Condition shall not have been satisfied. Any such payment shall be made by Newquest to Ranchero within three business days of the earliest event giving use to the payment obligation.

Provided the Newquest Termination Fee is not paid by Newquest, Newquest has agreed to pay a fee (the "Newquest Expense Fee") of up to $50,000 representing the actual costs and expenses incurred by Ranchero in negotiating, considering and responding to the Offer, such amount to be based on a statement of expenses certified by an officer of Ranchero and paid within two business days of the earlier of (i) delivery of a statement of expenses and (ii) the expiry of the Offer.

Termination

The Acquisition Agreement may, subject to its specific terms, be terminated: (i) by mutual written consent of Newquest and Ranchero; (ii) by Ranchero if the Offer is mailed and then withdrawn by Newquest because of the announcement or making of a Newquest Take-Over Proposal; (iii) by Ranchero if Newquest and its secured lender have not entered into definitive agreements, on terms satisfactory to Ranchero, acting reasonably, on or before 4:30 p.m. (Calgary time) on the last business day prior to the expiry of the Offer; (iv) by either Newquest or Ranchero if Newquest shall not have taken up and paid for the Ranchero Shares under the Offer on or before the time required by the Acquisition Agreement unless the absence of that occurrence shall be due to the failure of the party seeking to terminate the Acquisition Agreement to perform its obligations thereunder; (v) by either Newquest or Ranchero if a court of competent jurisdiction or a governmental, regulatory or administrative agency or commission shall have issued an order, decree, or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting any of the transactions contemplated by the Acquisition Agreement and such order, decree, ruling or other action shall have become final and non-appealable, provided that the party seeking to terminate the Acquisition Agreement has used all commercially reasonable efforts to remove such order, decree, ruling or injunction; (vi) by Ranchero if Newquest has not taken up and paid for Ranchero Shares on or before March 20, 2000; (vii) by Ranchero if Ranchero enters into an agreement providing for a Ranchero Acquisition Proposal and Ranchero has paid to Newquest the Ranchero Termination Fee; (viii) by Newquest if Newquest enters into an agreement providing for a Newquest Acquisition Proposal and Newquest has paid to Ranchero the Newquest Termination Fee; (ix) by either Newquest or Ranchero if there has been a material breach by the other party of any material covenant, agreement or representation contained in the Acquisition Agreement; (x) by Newquest if any of the conditions to the obligation of Newquest to make the Offer outlined in the Acquisition Agreement have not been satisfied; (xi) by Ranchero if there shall occur a material adverse change (which shall not include a drop in trading price of the Newquest Shares in and of itself) in the assets, liabilities, business, operations or affairs of Newquest or (xii) by Newquest if there shall occur a material adverse change which shall not include a drop in trading price of Newquest Shares in and of itself) in the assets, liabilities, business, operations or affairs of Newquest.

Other

Ranchero has agreed to use all reasonable best efforts to cooperate with Newquest and to take all reasonable action to support the Offer and not to solicit, initiate or encourage any inquiry or the making of any Ranchero Acquisition Proposal or participate in discussions or negotiations regarding a Ranchero Acquisition Proposal or furnish to any other person any information respecting the business, properties, operations, prospects or conditions (financial or otherwise) of Ranchero or its subsidiaries or a Ranchero Acquisition Proposal, except that the Board of Directors may respond or act in such manner as the Board of Directors, acting reasonably and upon written advice of counsel, determines is required to discharge its fiduciary duties or is required by law. Ranchero has also agreed that, between the time the Acquisition Agreement was executed and the termination of the Acquisition Agreement, it will conduct its business in the ordinary course and will not, among other things, incur any significant liabilities or expenditures out of the ordinary course of business. The Acquisition Agreement further requires Ranchero to use reasonable commercial efforts to cause each of the directors and officers of Ranchero to tender, and not withdraw, their Ranchero Shares pursuant to the Offer.

TENDER AGREEMENTS

Newquest has entered into tender agreements dated January 26, 2000 (each a "Tender Agreement") with the directors and officers of the Corporation and certain shareholders (collectively, the "Locked-up Securityholders") pursuant to which the Locked-up Securityholders have agreed to tender pursuant to the Offer and not to withdraw the Ranchero Shares beneficially owned by them except in certain circumstances. In addition, the Locked-up Securityholders have agreed to exchange their Ranchero Options for Newquest Options on the basis of 2.86 Newquest Options for each Ranchero Option at an exercise price of $0.13 per Newquest Share, exercisable until November 17, 2004. As at January 26, 2000, the Locked-up Securityholders beneficially owned an aggregate of 4,200,796 Ranchero Shares, representing approximately 50.8% of the outstanding Ranchero Shares, and 454,000 Ranchero Options, representing 100% of the outstanding Ranchero Options.

INTENTION WITH RESPECT TO THE OFFER

To the knowledge of directors and senior officers of Ranchero, after reasonable inquiry, none of the persons referred to in this Directors' Circular under the heading "Ownership, Direction and Control Over Ranchero Shares", nor any of their respective associates, or any person or company holding more than

10% of the Ranchero Shares, or any person or company acting jointly or in concert with Ranchero has indicated an intention to deposit or not to deposit under the Offer any Ranchero Shares held of record or beneficially owned by them, other than the Locked-up Securityholders pursuant to the Tender Agreements in respect of an aggregate of 4,200,796 Ranchero Shares held or controlled by them.

OWNERSHIP, DIRECTION AND CONTROL OVER RANCHERO SHARES

The names of the directors and senior officers of Ranchero and the number of Ranchero Shares, beneficially owned, directly or indirectly, or over which control or direction is exercised by them or, to their knowledge after reasonable inquiry, their respective associates or any person or company acting jointly or in concert with Ranchero are as follows:

Name	Position Held	Number of Ranchero Shares (Percentage of Outstanding Ranchero Shares)	Number of Ranchero Options (Percentage of Outstanding Ranchero Options)
635242 Alberta Ltd.	Associate	50,113 (0.6%)	--
Charles W. Berard	Director	406,036 (4.9%)	36,000 (7.9%)
Joseph S. Durante	President and Director	504,009 (6.1%)	82,500 (18.2%)
Katherine A. Durante	Associate	25,000 (0.3%)	--
Frances E. Heisler	Associate	269,270 (3.3%)	--
Robert P. Heisler	Director	415,000 (5.0%)	36,000 (7.9%)
Heisler Family Trust	Associate	61,012 (0.7%)	--
Jennifer K. Kennedy	Corporate Secretary	--	10,000 (2.2%)
Lost Antler Resources Ltd.	Associate	81,350 (1.0%)	--
Kelly J. Ogle	Director	539,009 (6.5%)	36,000 (7.9%)
Terry Owen	Director	93,748 (1.1%)	36,000 (7.9%)
Owen Family Trust	Associate	31,252 (0.4%)	--

The directors and senior officers of Ranchero do not know of, after reasonable inquiry, any person or corporation who beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the outstanding Ranchero Shares.

DEALINGS IN SECURITIES OF RANCHERO

Except as disclosed in the following table and the table which follows it that discloses the grants of Ranchero Options or other issuances of securities, none of Ranchero, the directors and senior officers of Ranchero nor, to the knowledge of the directors and senior officers of Ranchero after reasonable inquiry, any of their respective associates, any person or company holding more than 10% of the Ranchero Shares, or any person or company acting jointly or in concert with Ranchero has traded in any securities of Ranchero during the six month period preceding the date of this Directors' Circular.

Name	Date	Description of Securities and Trade	Sale/Purchase Price Per Security
635242 Alberta Ltd.	November 18, 1999	50,113 Ranchero Shares disposed of pursuant to transfer within escrow	$0.225
Charles W. Berard	November 18, 1999	391,036 Ranchero Shares issued upon amalgamation(1)	--
Charles W. Berard	November 18, 1999	15,000 Ranchero Shares acquired pursuant to transfer within escrow	$0.225
Joseph S. Durante	November 18, 1999	504,009 Ranchero Shares issued upon amalgamation(1)	--
Katherine A. Durante	November 18, 1999	25,000 Ranchero Shares acquired pursuant to private placement	$0.40
Frances E. Heisler	November 18, 1999	108,018 Ranchero Shares issued upon amalgamation	--
Frances E. Heisler	November 18, 1999	161,252 Ranchero Shares acquired pursuant to private placement	$0.40
Robert P. Heisler	November 18, 1999	400,000 Ranchero Shares issued upon amalgamation(1)	--
Robert P. Heisler	November 18, 1999	15,000 Ranchero Shares acquired pursuant to transfer within escrow	$0.225
Heisler Family Trust	November 18, 1999	61,012 Ranchero Shares acquired pursuant to private placement	$0.40
Lost Antler Resources Ltd.	November 18, 1999	81,350 Ranchero Shares acquired pursuant to transfer within escrow	$0.225
Kelly J. Ogle	November 18, 1999	504,009 Ranchero Shares issued upon amalgamation(1)	--
Kelly J. Ogle	November 18, 1999	15,000 Ranchero Shares acquired pursuant to transfer within escrow	$0.225
Kelly J. Ogle	November 18, 1999	20,000 Ranchero Shares acquired pursuant to private placement	$0.40
Terry J. Owen	November 18, 1999	93,748 Ranchero Shares acquired pursuant to private placement	$0.40
Owen Family Trust	November 18, 1999	31,252 Ranchero Shares acquired pursuant to private placement	$0.40

Note:

(1) Effective November 18, 1999, Ranchero amalgamated with Boom Capital Corporation. Pursuant to the amalgamation all shareholders of Ranchero received one Ranchero Share for each common share held and shareholders of Boom Capital Corporation received 0.4009 of a Ranchero Share for each common share held.

Except as disclosed in the preceding and following table, no Ranchero Shares or securities convertible into Ranchero Shares have been issued to any of the directors or senior officers of Ranchero during the two year period preceding the date of this Directors' Circular.

Name	Date	Description of Security	Number	Issue/Exercise Price Per Security
Charles W. Berard	November 18, 1999	Options	36,000	$0.375
Joseph S. Durante	November 18, 1999	Options	82,500	$0.375
Robert P. Heisler	November 18, 1999	Options	36,000	$0.375
Jennifer K. Kennedy	November 18, 1999	Options	10,000	$0.375
Kelly J. Ogle	November 18, 1999	Options	36,000	$0.375
Terry J. Owen	November 18, 1999	Options	36,000	$0.375

ARRANGEMENTS BETWEEN RANCHERO AND DIRECTORS AND SENIOR OFFICERS

Except as disclosed below, no arrangement or agreement has been made or is proposed to be made between Ranchero and any of its directors or senior officers pursuant to which a payment or other benefit is to be made or given by way of compensation for loss of office or as to their remaining in or retiring from office if the Offer is successful.

Prior to the commencement of the Offer, Ranchero entered into indemnity agreements with each of its directors and officers pursuant to which, in accordance with the provisions of the by-laws of Ranchero and the ABCA, Ranchero has agreed to indemnify, to the fullest extent permitted by the ABCA, each director and officer in respect of all costs and liabilities which each of them may incur as a result of such individual having acted as a director and/or officer of Ranchero.

ARRANGEMENTS BETWEEN NEWQUEST AND DIRECTORS, SENIOR OFFICERS AND SHAREHOLDERS OF RANCHERO

No contract, arrangement or agreement has been made or is proposed to be made between Newquest and any directors or senior officers of Ranchero and no payment or other benefit is proposed to be made or given by Newquest to any directors or senior officers of Ranchero by way of compensation for loss of office or as to their remaining in or retiring from office if the Offer is successful, provided that Newquest may retain some or all of the current senior officers of Ranchero, as described below. If the Offer is successful, Newquest intends to appoint Messrs. Charles W. Berard and Terry J. Owen to the Board of Directors of Newquest and each of Messrs. J. Thomas Code and Raymond A. F. Wilkinson will resign from the Board of Directors of Newquest. In addition Mr. Durante will be appointed Managing Director and Chief Financial Officer and Mr. Heisler will be appointed Managing Director.

In the Agreements to Tender, Newquest has also agreed: (i) to use reasonable commercial efforts to secure directors' and officers' liability insurance coverage for Ranchero's current and former directors and officers on a seven year "trailing" or "run off" basis from and after the date Newquest first takes up and pays for any Ranchero Shares pursuant to the Offer; and (ii) to assume the obligations of Ranchero under the indemnity agreements between Ranchero and the current and former directors and officers of Ranchero provided that such agreements are in substantially the form previously provided to Newquest.

Other than the Tender Agreements with the Locked-up Securityholders who are directors and officers of Ranchero (being Messrs. Berard, Durante, Heisler, Ogle and Owen and Ms. Kennedy), to the knowledge of the directors and senior officers of Ranchero, after reasonable inquiry, no special contract, arrangement or understanding, formal or informal, has been made or is proposed to be made between Newquest and any Shareholder with respect to the Offer. See "Tender Agreements".

None of the directors and senior officers of Ranchero is a director or senior officer of Newquest or any subsidiary or affiliate of Newquest, other than Messrs. Durante, Heisler and Ogle who are each directors of Newquest and Mr. Durante who was appointed Chief Financial Officer of Newquest on January 26, 2000.

INTEREST OF DIRECTORS AND SENIOR OFFICERS OF RANCHERO IN MATERIAL CONTRACTS OF NEWQUEST

None of the directors and senior officers of Ranchero, their respective associates, nor, to the knowledge of the directors and senior officers of Ranchero after reasonable inquiry, any person or company holding more than 10% of the Ranchero Shares, has any interest in any material contract to which Newquest is a party.

OWNERSHIP OF SECURITIES OF NEWQUEST

Other than as set forth in the tables below, none of Ranchero, the directors or senior officers of Ranchero, or to the knowledge of the directors and senior officers of Ranchero, after reasonable inquiry, any associates of the directors or senior officers of Ranchero, any person or company holding more than 10% of the Ranchero Shares or any person or company acting jointly or in concert with Ranchero, owns or exercises control or direction over any securities of any class of Newquest:

Name	Number of Newquest Shares	Percentage of Outstanding Newquest Shares
Joseph S. Durante (1)	357,143	1.5%
Frances E. Heisler	125,048	0.5%
Robert P. Heisler (1)	366,333	1.5%
Kelly J. Ogle (1)	--	--
Terry J. Owen	47,619	--

Note:

(1) Each of Messrs. Durante, Heisler and Ogle were granted options to acquire 200,000 Newquest shares.

RECENT DEVELOPMENTS WITH RESPECT TO RANCHERO

On November 26, 1999, Ranchero announced that it had completed an amalgamation with Boom Capital Corporation, a junior capital pool corporation listed on The Alberta Stock Exchange (now the Canadian Venture Exchange), which formed the Major Transaction for Boom Capital Corporation. In connection with the Major Transaction, Ranchero completed a private placement of an aggregate of 875,000 Units at a price of $1.60 per Unit, each Unit consisted of three Ranchero Shares and one flow-through Ranchero Share. Since that date, the only material event regarding Ranchero has been the announcement by Ranchero of the Offer, as discussed in this Directors' Circular.

STATUTORY RIGHTS OF ACTION

Securities legislation in certain of the provinces and territories of Canada provides securityholders with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, if there is a misrepresentation in a circular or notice that is required to be delivered to such securityholders, however such rights must be exercised within prescribed time limits. Shareholders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult with a lawyer.

APPROVAL OF DIRECTORS' CIRCULAR

The contents of this Directors' Circular have been approved, and the delivery hereof has been authorized, by the Board of Directors.

CERTIFICATE

January 28, 2000

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

On behalf of the Board of Directors

(Signed) Charles W. Berard Director	(Signed) Terry J. Owen Director