This document is important and requires your immediate attention. If you are in doubt as to how to deal with it, you should consult your financial or legal advisor. No securities commission or similar authority in Canada or the United States has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

January 15, 2001

NOTICE OF VARIATION

by

MESQUITE EXPLORATION LTD.

and

MESQUITE ACQUISITION INC.

of their

OFFER TO PURCHASE

all of the Common Shares of

KB RESOURCES INC.

on the basis of, at the election of each shareholder,

$0.62 cash for each Common Share of KB or
0.564 of one common share of Mesquite for each Common Share of KB
or a combination thereof

The Offer, as amended in accordance with this Notice, is open for acceptance until 5:00 p.m. (Calgary time) on Friday, January 26, 2001, unless extended or withdrawn.

Holders of KB Shares who wish to accept the Offer must properly complete and execute the Letter of Acceptance (printed on blue paper) or a manually executed photocopy thereof which accompanied the Offer and deposit it, together with certificates representing their KB Shares, in accordance with the instructions in the Letter of Acceptance. Alternatively, Shareholders may follow the procedure for guaranteed delivery set forth under Section 3 of the Offer, "Manner and Time of Acceptance - Procedure for Guaranteed Delivery". **Persons whose KB Shares are registered in the name of a nominee should contact their broker, investment dealer, bank, trust company or other nominee for assistance in depositing the KB Shares.**

Shareholders of KB should be aware that, during the period of the Offer, Mesquite Exploration Ltd. and Mesquite Acquisition Inc. (hereinafter collectively referred to as "Mesquite") or its affiliates, directly or indirectly, may bid for or make purchases of the securities to be distributed (the Mesquite Shares) or to be exchanged (the KB Shares), or certain related securities, as permitted by applicable laws or regulations of Canada or its provinces or territories.

Questions and requests for assistance may be directed to Mesquite or the Depositary and additional copies of this Notice, the Offer and Circular, the Letter of Acceptance and the Notice of Guaranteed Delivery may be obtained without charge on request from Mesquite or the Depositary at any of their respective offices shown on the last page of this Notice.

NOTICE OF VARIATION

TO: **THE SHAREHOLDERS OF KB RESOURCES INC.**

This Notice of Variation (the "Notice") amends and supplements the Offer and Circular dated December 21, 2000 of Mesquite pursuant to which Mesquite is offering to purchase all of the common shares of KB on the terms and conditions set forth in the Offer and Circular.

Except as otherwise set forth in this Notice, the terms and conditions previously set forth in the Offer and Circular continue to be applicable in all respects, and this Notice should be read in conjunction with the Offer. Unless the context requires otherwise, terms denoted by initial capital letters and not defined herein shall have the meanings set forth in the Offer and Circular. The term "Amended Offer" means the Offer as amended by this Notice.

1. Extension of the Offer

The Expiry Date is hereby amended so as to mean January 26, 2001 unless the Amended Offer is extended (pursuant to Section 6 of the Offer), in which event the Expiry Date shall mean the latest date on which the Amended Offer as so extended expires.

2. Recent Developments

On January 15, 2001, the Depositary advised Mesquite that 96.3% of the outstanding KB Shares, other than KB Shares owned at the date of the Offer by Mesquite, its controlled companies or KB Shares previously held by persons whose KB Shares may not be included as part of the minority approval of a Subsequent Acquisition Transaction, had been deposited under the Offer and not withdrawn. As at the date hereof, Mesquite has not advised the Depositary to take up any KB Shares deposited pursuant to the Offer. Upon receipt by Mesquite of relief from certain requirements of the securities laws of some of the jurisdictions in which Shareholders of KB are resident or upon waiver of the requirement to receive such relief by Mesquite, and assuming that upon receipt of, or waiver of the requirement for, such relief, the Minimum Condition under the Offer continues to be met, Mesquite intends to instruct the Depositary to take up all KB Shares deposited under the Offer. Mesquite will then pay for such KB Shares pursuant to the terms of the Offer within the time periods required by applicable securities law.

In addition, Section 7 of the Offer is hereby amended by adding the following:

> "Alternatively, Mesquite may avail itself of certain rules (the "Rules") of the securities commissions in certain Canadian provinces, which provide exemptive relief from the prospectus and registration requirements and first trade restrictions regarding the Mesquite Shares so issued. If such Rules are relied upon, Mesquite Shares issued pursuant to the Offer will generally be "freely tradeable" (other than by virtue of any control block issues which may arise by virtue of ownership thereof) under applicable securities laws of such provinces of Canada, provided that the first trade is executed through the facilities of the CDNX. Shareholders are urged to consult their legal advisors to determine the extent of all applicable resale provisions."

3. Depositing Shares

The time for which KB Shares deposited pursuant to the Amended Offer may be deposited by or on behalf of a depositing shareholder is at any time on or before 5:00 p.m. (Calgary time) on January 26, 2001, unless the Amended Offer is extended (pursuant to Section 6 of the Offer), in which event KB Shares may be deposited at any time on or before the latest date on which the Amended Offer expires.

4. Payment of Deposited Shares

Mesquite will, upon the terms and subject to the conditions contained in the Amended Offer, take up and pay for all KB Shares deposited and not withdrawn under the Amended Offer within the period required by applicable securities law and, in any event, except as required by applicable law, not later than ten days after the expiry of the Amended Offer if all the terms and conditions of the Amended Offer have been complied with or waived.

5. Right to Withdraw

Except for Shareholders who have executed Agreements to Tender, the time for which KB Shares deposited pursuant to the Amended Offer may be withdrawn by or on behalf of a depositing Shareholder is at any time before 9:00 a.m. (local time) on January 26, 2001. If KB Shares deposited pursuant to the Amended Offer are not taken up and paid for on or before February 5, 2001, except for Shareholders who have executed Agreements to Tender, any KB Shares deposited by a Shareholder may be withdrawn by the depositing Shareholder at any time after such date.

6. Amendments to Offer and Letter of Acceptance

The Offer, the Circular, the Letter of Acceptance and the Notice of Guaranteed Delivery shall be amended *mutatis mutandis* to reflect the amendments contemplated by this Notice.

7. Statutory Rights

Securities legislation in certain of the provinces and territories of Canada provides holders of KB Shares 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 holders of KB Shares. 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 and Certificate

January 15, 2001

The contents of this Notice of Variation have been approved and the sending, communication or delivery thereof to the holders of common shares of KB Resources Inc. has been authorized by the board of directors of Mesquite Exploration Ltd. The foregoing contains no untrue statement of 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. In addition, the foregoing does not contain any misrepresentation likely to affect the value or the market price of the securities which are the subject of the Offer.

Mesquite Exploration Ltd.

(signed)	Scott St. John President	(signed)	Stewart Larsen chief financial officer

On behalf of the Board of Directors

(signed)	Christina M. Fehr Director	(signed)	Robert D. McCue Director

Mesquite Acquisition Inc.

(signed)	M. Scott St.John President and chief executive officer	(signed)	Stewart Larsen chief financial officer

On behalf of the Board of Directors

(signed)	Christina M. Fehr Director	(signed)	Robert D. McCue Director

Office of the Depositary, Valiant Corporate Trust Company

By Mail

Stock Transfer Services
510, 550 - 6th Avenue S.W.
Calgary, Alberta T2P 0S2
Telephone: 403-233-2801
Fax: 403-233-2857

Offices of Mesquite Exploration Ltd. and Mesquite Acquisition Inc.

1545, 101 - 6th Avenue S.W.
Calgary, Alberta   T2P 3P4
Telephone: (403) 263-5355

Any questions and requests for assistance may be directed by KB Shareholders to Mesquite or to the Depository at the telephone numbers and locations set out above.