

PRELIMINARY PROSPECTUS DATED July 19, 2000.

This is a preliminary prospectus relating to those securities, a copy of which has been filed with the Alberta Securities Commission but that has not yet become final for the purpose of a distribution. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time that a receipt is obtained from the Alberta Securities Commission for the final prospectus.

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale, and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

New Issue

! , 2000

KING CAPITAL CORPORATION

(a capital pool corporation)

1,500,000 Common Shares

Price: \$ 0.30 per Common Share

The purpose of this issue is to provide King Capital Corporation (the "Corporation") with a minimum of funds with which to examine opportunities in Canada or to identify and evaluate assets or businesses with a view to the potential acquisition of either a controlling or minority interest therein which acquisition will meet the requirements of a Qualifying Transaction. See "Business of the Corporation" and "Use of Proceeds". The funds received from the sale of the Common Shares offered hereunder will be retained by Valiant Corporate Trust Company and will not be released until \$450,000 has been deposited and the Agent has consented to such release.

This issue is not underwritten and is subject to the receipt by the Corporation of the total subscription of \$450,000 which must be raised within 90 days of the issuance of a receipt for filing of a final prospectus or such other time as may be authorized by the Executive Director of the Alberta Securities Commission and agreed to by the Agent. The Agent has agreed to act as sponsor for this offering. See "Plan of Distribution".

Pursuant to an agency agreement dated ! , 2000 among the Corporation, Canaccord Capital Corporation (the "Agent") and Valiant Corporate Trust Company ,(the "Agency Agreement"), the Agent will be granted an option to acquire up to 150,000 Common Shares of the Corporation at a price of \$ 0.30 per share which option expires 18 months from the date the Corporation's Common Shares are listed on The Canadian Venture Exchange (the "Agent's Option"). Stock options to acquire up to 315,000 Common Shares will also be granted to directors and officers of the Corporation at \$0.30 per share for a 5 year term.

The Corporation is hereby qualifying for distribution in the Province of Alberta 1,500,000 Common Shares being issued by the Corporation hereunder, the Agent's Option and the stock options to acquire an aggregate of 315,000 Common Shares by the directors and officers of the Corporation.

	Common Shares	Price to the Public	Agent's Commission ⁽¹⁾	Proceeds to Corporation ⁽²⁾
Per Common Share	1	\$ 0.30	\$ 0.030	\$ 0.270
Total Offering	1,500,000	\$ 450,000	\$ 45,000	\$ 405,000

Notes:

- (1) In addition to the commission, the Agent will be granted an option to purchase 150,000 Common Shares which equals 10% of the Common Shares sold under this offering at a price of \$ 0.30 per share which option expires 18 months from the date the Corporation's shares are listed on The Canadian Venture Exchange. The Agent's Option will be qualified under this prospectus. The Agent will be reimbursed for its expenses incurred pursuant to this

offering, including legal expenses, up to a maximum of \$5,500 plus G.S.T. and will receive a \$10,000 administration fee. See "Plan of Distribution" and note (2) below.

- (2) Before deducting the costs of this issue, estimated in aggregate at \$35,000 which includes the Agent's legal and administration fees and the listing and regulatory fees.

THESE SHARES ARE HIGHLY SPECULATIVE

These shares are highly speculative due to the proposed nature of the Corporation's business and its present stage of development. The Corporation was recently incorporated, has not yet carried on any business operations and has no assets other than cash. It has no specific plan for the acquisition of any assets or business and has not entered into an Agreement in Principle. The Corporation has neither a history of earnings nor has it paid any dividends and it is unlikely to enjoy earnings or pay dividends in the immediate or foreseeable future. There is no assurance that the Corporation will identify opportunities or businesses which will produce a profit. The amount of funds raised may not be sufficient for the Corporation to take a meaningful position and there is no assurance that the Corporation will identify assets or businesses in Canada which will warrant acquisition. Furthermore, if any assets or businesses are identified and the acquisition of an interest therein is warranted, the Corporation may not be able to finance the acquisition and additional funds may be required to meet such obligations. Where an acquisition is financed by the issuance of shares from the Corporation's treasury, control of the Corporation may change and shareholders may suffer further dilution to their investment. In addition, there are potential conflicts to which some of the officers and directors may be subject. As a result of these factors, this offering is suitable only to those investors who are willing to rely solely on the management of the Corporation by its promoters, directors and officers and who can afford a total loss of their investment. See "Business of the Corporation", "Management and Directors", "Directors and Officers", "Use of Proceeds", "Conflicts of Interest", and "Risk Factors".

Other than the initial distribution of securities pursuant to this prospectus and the grant of stock options, trading in all securities of the Corporation shall not be permitted during the period between the date of issuance of a receipt for the preliminary prospectus by the Alberta Securities Commission and the time the Common Shares are posted for trading on The Canadian Venture Exchange, without the consent of the Alberta Securities Commission.

The Canadian Venture Exchange has conditionally approved the listing of the Common Shares. Listing is subject to the Corporation's fulfilling all requirements of The Canadian Venture Exchange on or before the expiration of 90 days from the date hereof, including distribution of the Common Shares to a minimum number of public shareholders. Other than the initial distribution of the securities pursuant to this prospectus, the Agent's Option and stock options given to directors and officers as described under "Stock Options" no securities of the Corporation are permitted to be issued or traded during the period between the date the receipt was issued by the Alberta Securities Commission for the preliminary prospectus dated ! , 2000 and the time the Common Shares are posted for and begin trading on The Canadian Venture Exchange, except with the prior written acceptance by the Canadian Venture Exchange and the Alberta Securities Commission.

The Canadian Venture Exchange may suspend from trading or delist the Common Shares of the Corporation where the Corporation has failed to complete a Qualifying Transaction within 18 months of the date of listing.

In addition, each purchaser of Common Shares offered by this prospectus will incur an immediate dilution of investment of approximately \$0.08 per Common Share or approximately 26% based on the total proceeds without deduction of expenses or commissions. See "Dilution".

THERE IS NO ESTABLISHED MARKET THROUGH WHICH THE COMMON SHARES OFFERED BY THIS PROSPECTUS MAY BE SOLD AND PURCHASERS MAY NOT BE ABLE

TO DISPOSE OF THEM ON A TIMELY BASIS. The price of this offering has been arbitrarily determined by the Corporation. The maximum number of Common Shares which may be directly or indirectly purchased by any single shareholder purchasing under this offering is limited to two percent of the total offering or 30,000 shares. The maximum number of Common Shares which may be directly or indirectly purchased by any shareholder under this offering, together with that shareholder's associates and affiliates is limited to four percent of the total offering or 60,000 shares.

The Agent hereby offers on a "best efforts" basis, as agent on behalf of the Corporation 1,500,000 Common Shares without nominal or par value at \$0.30 per Common Share. Subscription proceeds will be held by Valiant Corporate Trust Company until the total subscription has been received. Subscription proceeds may be returned to subscribers should the total subscription not be received.

The Common Shares are offered subject to prior sale, if, as and when issued and in accordance with the conditions referred to under "Plan of Distribution", and subject to approval of Gowling Lafleur Henderson LLP, Barristers & Solicitors, Calgary, of such legal matters on behalf of the Corporation for which approval is specifically sought by the Corporation and approval of Burnet, Duckworth & Palmer, Barristers & Solicitors, Calgary, on behalf of the Agent. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close subscription books at any time without notice. It is expected that share certificates for the Common Shares evidencing the securities in definitive form will be available for delivery within 10 business days of the closing date, which is expected to be on or before ! , 2000.

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PROSPECTUS SUMMARY

The information in this summary is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus.

- Offering:** The total offering is 1,500,000 Common Shares at \$0.30 per Common Share. The offering is being made on a best efforts basis by the Agent and is not underwritten. In addition, King Capital Corporation will grant the Agent an option to purchase 150,000 Common Shares or 10% of the Common Shares sold on this offering at a price of \$0.30 per share for a period of 18 months from the date of listing of the Common Shares on The Canadian Venture Exchange, which option is qualified under and distributed pursuant to this Prospectus. See "Plan of Distribution". Further stock options will be granted to directors and officers of the Corporation to purchase an aggregate of 315,000 Common Shares, which options are qualified under this prospectus. See "Stock Options".
- Corporation:** The Corporation is a capital pool corporation and has no business or assets other than cash. The purpose of this issue is to provide the Corporation with a minimum of funds with which to identify and evaluate businesses or assets with a view to the potential acquisition of an interest therein which acquisition will meet the requirements of a Qualifying Transaction. As yet, the Corporation has not carried on any business nor has it entered into any Agreement in Principle. See "Business of the Corporation" and "Capital Pool Offering".
- Use of Proceeds:** The Net Proceeds will be used to provide funds to the Corporation with which to carry out the examination of, and possible participation in, opportunities identified by the directors within Canada. The Corporation may not have sufficient funds to carry out any participation or acquisition once identified and evaluated and additional funds may be required. At least 70% of the proceeds from the sale of Common Shares and prior sales will be utilized in pursuit of the intended business purposes and objectives. See "Use of Proceeds", "Business of the Corporation" and "Risk Factors".
- Directors and Management:** Roger H. Giovanetto - President, CEO and Director
Bruce D. Lyle - Director
Hon. Dr. Harvie Andre - Director
Michael Salomon - Director
Rodney D. Lachmuth - Director
Marcia L. Johnston - Secretary
See "Directors and Officers" and "Management".
- Dividend Policy:** It is not contemplated that any dividends will be paid on the Common Shares in the immediate or foreseeable future. See "Dividend Policy".
- Risk Factors:** Investment in these Common Shares must be regarded as highly speculative due to the proposed nature of the Corporation's business and its present stage of development. Investment in these Common Shares is suitable only to those investors who are willing to rely on the management of the Corporation and who can afford a total loss of their investment. See "Business of the Corporation", "Dilution", "Conflicts of Interest" and "Risk Factors".

THE CORPORATION

The Corporation was incorporated as 581740 Alberta Ltd. by Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (Alberta) on September 28, 1993. On November 18, 1993, the Corporation filed Articles of Amendment to alter its capital structure and change the Corporation's name to King Capital Corporation. The changes to the capital structure included changing the authorized capital from an unlimited number of Class "A", "B", "C", "D", "E" and "F" shares to an unlimited number of common shares and an unlimited number of preferred shares, removing the private company restrictions on the transfer of shares. In addition, the minimum and maximum number of directors were changed to 3 and 11 from 1 and 7 respectively. On June 6, 2000 the Corporation filed Articles of Amendment to delete provisions of the Articles in order to permit the Board to borrow money, permit fractional shares, require all new share issuances to be offered to the current shareholders, grant the Corporation a lien on shares held by debtors of the Corporation, permit acquisition and redemption of shares and require the Directors to hold shares and to add a provision to the Articles to permit additional Directors to be appointed between annual meetings up to the statutory maximum. The Corporation has not carried on business except for the purpose of this offering.

The head office of the Corporation is located at 1200, 700 - 2nd Street, S.W., Calgary, Alberta, T2P 4V5. The registered office of the Corporation is located at 1200, 700 - 2nd Street, S.W., Calgary, Alberta, T2P 4V5.

Preliminary expenses to date are the cost of incorporation and audit, legal and other expenses that have accrued in relation to the preparation of this offering.

CAPITAL POOL OFFERING

The Corporation is making this offering subject to the terms of Policy 2.4 of the Canadian Venture Exchange Corporate Finance Manual ("Policy 2.4"). The Corporation has no business operations or assets other than cash raised prior to this offering. The Corporation has not yet entered into an Agreement in Principle. Accordingly, the investor is invited to rely primarily on the management of the Corporation by its promoters, directors and officers. The Corporation will use the proceeds for the examination and possible participation in or acquisition of assets or businesses located within Canada with a view to the potential acquisition of either a controlling or minority interest therein which acquisition will meet the requirements of a Qualifying Transaction. The Corporation must maintain its listing on The Canadian Venture Exchange (the "Exchange") while it is subject to Policy 2.4 or a cease trading order may be issued. When a Qualifying Transaction has been completed, the requirements of Policy 2.4 will not be applicable to the Corporation. See also "Business of the Corporation", "Shareholder Approval of Qualifying Transaction", "Escrowed Securities" and "Securities Issued on a Qualifying Transaction".

For the purposes of Policy 2.4, the term Agreement in Principle means any enforceable agreement or any other agreement or similar commitment which identifies the fundamental terms upon which the parties agree or intend to agree which:

- (a) identifies assets or a business to be acquired which would reasonably appear to constitute Significant Assets and the acquisition of which would reasonably appear to constitute a Qualifying Transaction;
- (b) identifies the parties to the Qualifying Transaction;

- (c) identifies the consideration to be paid for the Significant Assets or otherwise identifies the means by which the consideration will be determined; and
- (d) identifies the conditions to any further formal agreements to complete the transaction; and

in respect of which there are no material conditions to closing (other than the receipt of shareholder approval and Exchange Acceptance), the satisfaction of which is dependent upon third parties and beyond the reasonable control of the Related Parties to the Corporation or the Related Parties to the Qualifying Transaction.

BUSINESS OF THE CORPORATION

History and Operations of the Corporation

The Corporation has not conducted any operations as of the date hereof other than to enter into discussions for the purpose of identifying and evaluating opportunities for the acquisition of assets or businesses. The Corporation intends to identify and evaluate opportunities that have profit potential and, once identified and evaluated, negotiate an acquisition of or participation in such opportunities, subject to receipt of shareholder and regulatory approval. See "Shareholder Approval of Qualifying Transaction". Until the Completion of the Qualifying Transaction, the Corporation will not carry on any business other than the identification and evaluation of assets or businesses in connection with a potential Qualifying Transaction. Completion of the Qualifying Transaction occurs on the date of the shareholders' meeting at which the proposed Qualifying Transaction is approved by the shareholders, provided that all post-meeting documentation is subsequently filed with the Exchange and the Final Exchange Notice is issued. At the time of listing and until Completion of the Qualifying Transaction neither the Corporation nor any party on behalf of the Corporation will have engaged or will engage the services of any person to provide investor relations, promotional or market-making services.

Method of Financing Acquisitions

The Corporation will use cash, bank financing or the issuance of treasury shares, or a combination thereof, for the purpose of securing an acquisition. **The issuance of treasury shares may result in further dilution to shareholders. The issuance of treasury shares could result in a change of control in the Corporation.**

Criteria for Acquisitions

All potential acquisitions for a Qualifying Transaction will be screened by the management of the Corporation so as to evaluate the assets, property, corporation or business identified. The evaluation may include an analysis of the services or products offered, the extent of the competition in the market place, the market potential of the product line or services, the market plan, existing and remaining management, production plans, financial plans, and cash-flow projections and capital requirements. No acquisition of businesses or assets outside Canada will be made by the Corporation prior to Completion of the Qualifying Transaction.

On completion of management's analysis, management will proceed to negotiate appropriate acquisition terms with those prospective corporations, businesses or owners of assets or property and thereafter will present the proposal to the board of directors for its consideration and approval.

The board of directors, in considering whether to approve the terms of the proposed acquisition, will not be bound by any predetermined criteria but will be guided by the following criteria:

- (a) the projected rate of return on the proposed investment having regard to the risk of loss;
- (b) the prospects for growth, having regard to existing or potential market share;
- (c) the skill of the management team, either as it exists or as it may be modified as a consequence of the acquisition; and
- (d) basic financial considerations such as the ratio of debt to equity of the target business, the overall cost of the acquisition, and the prospects of obtaining the debt or equity financing necessary to effect the acquisition.

The Corporation undertakes that if it should engage in any transaction involving the purchase or sale of assets between the Corporation and its promoters, directors, officers, other insiders or associates or affiliates of these persons or companies, all such transactions shall be at fair market value as determined by a current report prepared by an independent qualified consultant.

SHAREHOLDER APPROVAL OF QUALIFYING TRANSACTION

Any Qualifying Transaction that the Corporation enters into shall be submitted to its shareholders for their approval in accordance with Policy 2.4. The acquisition constituting the Qualifying Transaction must be passed by at least 50% plus one vote of the votes cast by the shareholders who vote at a properly constituted shareholders meeting at which all common shareholders are entitled to attend, other than:

- (a) promoters, officers, directors, other insiders or Control Person (hereinafter defined) of the Corporation, and associates or affiliates of these persons or companies ("Related Parties to the Corporation"); and
- (b) all beneficial owners of Significant Assets which are to be purchased, optioned or otherwise acquired by the Corporation as its Qualifying Transaction ("Sellers"), any company which is the beneficial owner of the Significant Assets to be acquired by the Corporation as its Qualifying Transaction where the acquisition is to be conducted through the purchase or securities of that company, whether by security purchase agreement, take-over bid, amalgamation, plan of arrangement or other corporate reorganization ("Target Issuer"), and all other parties to or associated with the Qualifying Transaction and associates or affiliates of all such other parties (in aggregate "Related Parties to the Qualifying Transaction").

For the purposes of Policy 2.4, the term Qualifying Transaction includes a transaction whereby:

- (a) the Corporation issues or proposes to issue, in consideration for the acquisition of Significant Assets, common shares or securities convertible, exchangeable or exercisable into common shares which, if fully converted, exchanged or exercised would represent more than 25 percent of its common shares issued and outstanding immediately prior to the issuance;

- (b) the Corporation enters into an arrangement, amalgamation, merger or reorganization (the "Reorganization") with another company with Significant Assets whereby the ratio of securities which are distributed to the shareholders of the Corporation and the other company results in the shareholders of the other company acquiring control of the entity arising from the Reorganization; or
- (c) the Corporation otherwise acquires Significant Assets (other than for cash);

and excludes a transaction which consists solely of the issuance for cash by the Corporation of Common Shares or securities convertible, exchangeable or exercisable into Common Shares, representing more than 25 percent of the Corporation's Common Shares issued and outstanding immediately prior to the issuance.

For the purposes of Policy 2.4, the term Significant Assets means one or more assets or businesses which, when acquired by the Corporation, together with any other concurrent transactions, results in the Corporation meeting the Minimum Listing Requirements under Policy 2.1 of the Exchange Corporate Finance Manual.

Prior to the Completion of a Qualifying Transaction or the issuance of any securities of the Corporation pursuant to the Qualifying Transaction, the Corporation shall be required to comply with the by-laws and policies of the Exchange, the provisions of the *Securities Act* (Alberta) (the "Act"), the regulations made pursuant to the Act (the "Regulations"), and the rules made pursuant to the Act (the "Rules") and submit for review to the Exchange an Information Circular which must comply with the Regulations and contain a certificate to the effect that the Information Circular constitutes full, true and plain disclosure of all material facts relating to particular matters to be acted upon by shareholders, and submit the same to its shareholders to approve the transaction. The Qualifying Transaction must be approved by at least 50% plus one vote of the votes cast by shareholders who vote at the shareholders' meeting called to approve the Qualifying Transaction, other than Related Parties to the Corporation and Related Parties to the Qualifying Transaction.

In the event that the Qualifying Transaction involves the acquisition of an asset or assets, the Corporation will, if required by the Exchange or applicable regulatory authority, submit with the Information Circular a current independent engineering report, feasibility study or appraisal relating to the asset or assets. These provisions will cease to apply after the Corporation has completed a Qualifying Transaction.

USE OF PROCEEDS

The gross proceeds to be received by the Corporation will be \$450,000 from the sale of 1,500,000 Common Shares. The Corporation has raised \$247,500 by the prior sale of Common Shares. See "Prior Sales" and "Escrowed Securities".

The following tables indicate the estimated use of proceeds to which the Corporation proposes to put the funds which it may receive from this offering (exclusive of consideration of GST):

<u>Proceeds</u>	
Proceeds to the Corporation from this offering ⁽¹⁾	\$ 450,000
Funds from the prior sale of Common Shares ⁽²⁾	247,500
Total proceeds:	<u>697,500</u>

Use of Proceeds

Identification and evaluation of Qualifying Transaction ⁽³⁾	\$ 607,500
Administrative and overhead expenses	10,000
Costs and expenses of this issue (including Agent's commission, legal and administrative fees)	80,000
Total use of proceeds:	<u>\$ 697,500</u>

Notes:

- (1) In the event the Agent exercises the Agent's Option there will be available to the Corporation \$45,000 which will be added to the working capital of the Corporation. See "Plan of Distribution".
- (2) See "Prior Sales".
- (3) In the event that the Corporation completes an approved Qualifying Transaction prior to spending the entire \$607,500 on identification and evaluation, the Corporation may use the remaining funds to finance or partially finance the acquisition of or participation in such corporation, business or asset or for other purposes.

Until required for the Corporation's purposes, the proceeds will only be invested in securities of, or those guaranteed by, the Government of Canada or any province thereof, in certificates of deposit or interest-bearing accounts of Canadian chartered banks, trust companies or the Alberta Treasury Branch.

Except in respect of grants of options to purchase shares under "Stock Options" and as otherwise set forth below, Policy 2.4 prohibits the Corporation from paying, prior to the Completion of the Qualifying Transaction

- (a) any Related Parties to the Corporation;
- (b) any Related Parties to the Qualifying Transaction;
- (c) any person engaged in Investor Relations Activities in respect of the Corporation or the securities of the Corporation; or
- (d) the issuer that was the Corporation and which exists following the Completion of the Qualifying Transaction and the issuance of the Final Exchange Notice (the "Resulting Issuer")

any remuneration, including salaries, consulting fees, management contract fees, directors' fees, finders' fees, loans, advances, bonuses, deposits of any kind and other similar payments. Further, no such payment may be made to any Related Parties to the Corporation, any Related Parties to the Qualifying Transaction, any person engaged in Investor Relations Activities in respect of the Corporation or the securities of the Corporation or any Resulting Issuer on or after the Completion of the Qualifying Transaction if the payment relates to services rendered or obligations incurred prior to or in connection with the Qualifying Transaction.

Subject to the limitations described under "Business of the Corporation" and as otherwise set forth below, the Corporation may reimburse any Related Parties to the Corporation for reasonable out-of-pocket expenses incurred in pursuing the business of the Corporation, and may compensate any Related Parties to the Corporation for:

- (a) reasonable expenses for office supplies, office rent and related utilities;
- (b) reasonable expenses for equipment leases; and

(c) legal services provided that (i) if the lawyer receiving the remuneration is a sole practitioner, or a member of an association of sole practitioners, the lawyer is not a Promoter of the Corporation; and (ii) if the legal services are provided by a firm of lawyers, no member of the law firm is a Promoter of the Corporation.

Subject to the limitations described under "Business of the Corporation" and as otherwise set forth below, until the completion of the Qualifying Transaction, the gross proceeds realized from the sale of all securities issued by the Corporation shall only be used to identify and evaluate assets or businesses for a prospective Qualifying Transaction such as:

(a) expenses incurred for the preparation of (i) valuations or appraisals, (ii) business plans, (iii) feasibility studies and technical assessments, (iv) Geological Reports (v) financial statements, including audited financial statements; and

(b) fees for legal and accounting services,

relating to the identification and evaluation of assets or businesses and the obtaining of shareholder approval for the proposed Qualifying Transaction.

Subject to prior Exchange acceptance, up to an aggregate of \$100,000 may be used by the Corporation as a deposit for a proposed arm's length Qualifying Transaction. However, only a maximum of \$25,000 of such deposit may be advanced as a non-refundable deposit, unsecured deposit or advance to preserve assets without prior Exchange acceptance. The balance of the \$100,000 deposit must be refundable. In no circumstances may any part of the refundable portion of the deposit be advanced for use by the Sellers, any Target Issuer or others for use as working capital.

Subject to prior Exchange acceptance and adequate public disclosure, funds raised by the Corporation pursuant to a Private Placement conducted after the commencement of trading of the Common Shares but before the Completion of the Qualifying Transaction may be used to provide a secured loan or other deposit. If less than the entire permitted portion of a loan or deposit is advanced, a subsequent loan or deposit up to the balance of the maximum aggregate loan or deposit permitted may be made. Similarly, if a deposit or loan or a part of it is refunded, the refunded amount can be used for a subsequent advance.

Until the completion of the Qualifying Transaction, the Corporation may not use more than 30% of the gross proceeds from the sale of all securities issued by the Corporation for purposes other than as set forth in the foregoing 3 paragraphs. Expenditures that do not meet the requirements of the foregoing 3 paragraphs include

(a) listing and filing fees (including SEDAR fees);

(b) Agents' fees, costs and commissions;

(c) other costs of the issue of securities, including legal and audit expenses relating to the preparation and filing of this prospectus; and

(d) administrative and general expenses of the Corporation, including office supplies, office rent and related utilities, printing costs, including printing of this prospectus and share certificates, equipment leases and fees for legal advice and audit expenses relating to matters other than the identification and evaluation of assets or business and the obtaining of shareholder approval for the proposed Qualifying Transaction.

Until the Completion of the Qualifying Transaction, no proceeds from the sale of securities of the Corporation may be used to acquire or lease a vehicle.

In the event the Corporation completes a Qualifying Transaction prior to spending the entire proceeds on identifying and evaluating assets or businesses, the Corporation may use the remaining funds to finance or partially finance the acquisition of, or participation in, the Significant Assets.

The restrictions under "Use of Proceeds" continue to apply until Completion of the Qualifying Transaction. Management of the Corporation must continue to comply with these expenditure restrictions after shareholder approval has been obtained until a Final Exchange Notice has been issued.

The proceeds of this offering, after deducting the costs of the issue, will be sufficient only to identify and evaluate a possible Qualifying Transaction for a limited number of opportunities. Additional funds may be required to finance an acquisition to which the Corporation may commit. See "Business of the Corporation - Method of Financing Acquisitions" and "Risk Factors".

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Corporation has appointed the Agent to offer for sale to the public on a best efforts basis the 1,500,000 Common Shares of the Corporation offered herein, at \$0.30 per Common Share, subject to the terms and conditions in the Agency Agreement. The Agent will receive a sales commission of 10 % of the gross proceeds of the offering or a maximum \$45,000. In addition, the Agent will be reimbursed for its expenses incurred pursuant to this offering, including legal expenses, up to a maximum of \$5,500 plus G.S.T. and will receive a \$10,000 administration fee.

The Corporation will have raised a minimum of \$100,000 through the issuance of Common Shares before the closing of this offering ("Seed Shares") which amount will have been contributed by directors and officers of the Corporation or trusts or holding companies controlled by such directors or officers. Where a company holds Seed Shares, the name of each individual who directly or indirectly beneficially owns, control or directs these securities, or where the beneficial owner of these securities is not an individual then the name of each individual beneficially owning, controlling or directing the company or companies that hold the securities, must be disclosed to the Exchange. Subscriptions for Seed Shares are only permitted after such time as the initial \$100,000 has been contributed by directors and officers.

Neither the Sponsor nor any director, officer, employee or contractor of the Sponsor or any affiliates of the foregoing is permitted to subscribe for Seed Shares or Common Shares offered pursuant to this offering. At the time of listing and until Completion of the Qualifying Transaction the aggregate number of Common Shares owned directly or indirectly by the Pro Group will not exceed 20% of the total outstanding listed shares of the Corporation, excluding securities reserved for issuance at a future date. Any securities issued to the Pro Group in connection with or in contemplation of the Qualifying Transaction will be required to be legended with the four month hold period prescribed pursuant to the policies of the Exchange.

The minimum price for any Seed Shares which are issued at a price that is less than the price at which the Common Shares are offered and sold to the public pursuant to this offering ("Discount Seed Shares") will be the greater of \$0.075 and 50% of the price of the Common Shares being offered and sold to the public pursuant to this offering.

The Corporation has also agreed to grant to the Agent a single, non-transferable option to purchase 150,000 Common Shares being 10% of the Common Shares sold pursuant to this prospectus at \$0.30 per Common Share ("the Agent's Option"). The Agent's option is exercisable for 18 months from the date of

listing of the Common Shares on the Exchange. The Common Shares issued on exercise of the Agent's Option will be issued in addition to the 1,500,000 Common Shares being offered pursuant to this prospectus. The Agent's Option is qualified under this prospectus. The option may be exercised in whole or in part by the Agent before the Completion of the Qualifying Transaction by the Corporation provided that no more than 50 percent of the aggregate number of Common Shares which can be acquired by the Agent on exercise of the entire option may be sold by the Agent before the Completion of the Qualifying Transaction.

The Agent has agreed to use its best efforts to secure subscriptions for the Common Shares offered hereunder on behalf of the Corporation and may make co-brokerage arrangements with other investment dealers at no additional cost to the Corporation. The obligations of the Agent under the Agency Agreement may be terminated at its discretion on the basis of its assessment of the state of financial markets or upon the occurrence of certain stated events.

Subscription Amount

The Offering is for 1,500,000 Common Shares for a total subscription amount of \$450,000. The subscription amount must be raised within ninety (90) days of the issuance of a receipt for the filing of the final prospectus, or such other time as may be authorized by the Exchange and the Alberta Securities Commission (the "Commission") and agreed to by the Agent, failing which funds collected will be remitted to the original subscribers without interest or deduction. The maximum number of Common Shares which may be directly or indirectly purchased by any single shareholder purchasing under this offering is limited to two percent of the total offering or 30,000 shares. The maximum number of Common Shares which may be directly or indirectly purchased by any shareholder under this offering, together with that shareholder's associates and affiliates is limited to four percent of the total offering or 60,000 shares.

DESCRIPTION OF SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of common shares (the "Common Shares"), and an unlimited number of preferred shares, issuable in series with the rights and restrictions attached thereto to be set by the directors at the time of issuance. The preferred shares are entitled to priority over the Common Shares on liquidation and to priority over the Common Shares on payment of any dividends. No preferred shares have been issued. As at the date of this prospectus, 1,650,000 Common Shares are issued and outstanding, 1,500,000 Common Shares are reserved for issuance pursuant to this offering, 150,000 Common Shares are reserved for issuance on exercise of the Agent's Option and 315,000 Common Shares are reserved for issuance on exercise of Directors and Officers stock options. See "Stock Options" and "Plan of Distribution".

The holders of the Common Shares are entitled, subject to the rights of holders of preferred shares, to dividends, if, as and when declared by the Board of Directors, to one vote per share at meetings of common shareholders of the Corporation and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares. All of the Common Shares outstanding on completion of this offering will be fully paid and non-assessable.

CAPITALIZATION

<u>Capital</u>	<u>Authorized</u>	<u>Outstanding as at June 6, 2000</u>	<u>Outstanding as at June 6, 2000 after giving effect to this offering</u> (unaudited)
		\$247,500	\$697,500
Common Shares ⁽¹⁾	Unlimited	1,650,000	3,150,000
Preferred Shares	Unlimited	Nil	Nil

Notes:

- (1) The Corporation has reserved up to 150,000 Common Shares for the Agent's Option and 315,000 Common Shares pursuant to Directors and Officers stock options. See "Stock Options" and "Plan of Distribution".
- (2) Before deduction of issue costs.
- (3) The deficit and contributed surplus of the Corporation as at June 6, 2000 is nil.

PRIOR SALES

Since the date of incorporation of the Corporation, 1,650,000 Common Shares have been issued as follows:

<u>Date</u>	<u>Number of Shares</u>	<u>Issue Price Per Share</u>	<u>Aggregate Issue Price</u>	<u>Consideration Received</u>
May 15, 2000	750,000	\$0.15	\$112,500	Cash
May 23, 2000	900,000	\$0.15	\$135,000	Cash

PRINCIPAL SHAREHOLDERS

The following table lists those persons and companies who own of record or who are known to the Corporation to own beneficially, directly or indirectly, 10% or more of the issued and outstanding Common Shares of the Corporation as at the date of this prospectus.

<u>Name and Municipality of Residence</u>	<u>Type of Ownership</u>	<u>Number of Shares</u>	<u>Percentage of Shares Owned Before Offering</u>	<u>Approximate Percentage of Shares Owned After Giving Effect to This Offering</u>
Roger H. Giovanetto Calgary, Alberta	Direct	330,000	20%	10.5%
Peter R. Sekera Calgary, Alberta	Direct	200,000	12.1%	6.35%
Edward C. McFeely Calgary, Alberta	Direct	200,000	12.1%	6.35%

DIRECTORS AND OFFICERS

The following are the names and municipalities of residence of the directors and officers of the Corporation and their positions and offices with the Corporation:

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Shareholding</u>
Roger H. Giovanetto Calgary, Alberta	President, CEO and Director	330,000 Common Shares
Bruce D. Lyle Calgary, Alberta	Director	120,000 Common Shares
Hon. Dr. Harvie Andre Calgary, Alberta	Director	100,000 Common Shares ⁽¹⁾
Michael Salomon Calgary, Alberta	Director	100,000 Common Shares
Rodney D. Lachmuth Calgary, Alberta	Director	100,000 Common Shares
Marcia L. Johnston Calgary, Alberta	Secretary	Nil

Note:

- (1) Dr. Andre's shares are held indirectly through his company, Cresvard Corporation.

The Corporation does not have any officers or directors who will be devoting their full time to the business of the Corporation. Mr. Giovanetto will be devoting approximately 10% of his time to the business of the Corporation. The remaining directors will devote their time and expertise as required by the Corporation.

PROMOTERS

Bruce D. Lyle, Roger H. Giovanetto, Rodney D. Lachmuth, Michael Salomon and Dr, Harvie Andre may be considered to be the promoters of the Corporation in that they took the initiative in founding and organizing the Corporation. See "Prior Sales", "Escrowed Securities" and "Principal Shareholders".

MANAGEMENT

The following is a brief description of management and the directors of the Corporation:

Bruce D. Lyle

Mr. Lyle graduated with a Bachelor of Commerce in Finance from the University of Calgary in 1975. He was employed in the investment industry from 1975 to 1983. From 1983 to 1987 Mr. Lyle was the Western Regional Director for the American Express Commercial Business Unit. From 1987 to 1993 he was the President and Director of Phoenix Sportswear of Canada, an importer, manufacturer and distributor of products for the golf industry. From 1993 to 1998 Mr. Lyle was President, Officer and Director of Prince Resources Corporation. He took a position as an investment advisor for Yorkton Securities from 1998 to 2000. Since February, 2000 Mr. Lyle has been a self employed businessman.

Roger H. Giovanetto

Mr. Giovanetto graduated with a Bachelor of Science from the University of Alberta in 1960 and is a Professional Engineer. He has been the President of R & H Chemical Engineering (1986) Ltd. since 1974 and a Director of Niaski Environmental Inc. since 1997. He was the Director of Brears Trucking Ltd. from 1997 until May, 2000, which company, along with Brears Trucking Ltd. trades on the Exchange. Niaski Environmental Inc. has made a proposal to its creditors under the *Bankruptcy and Insolvency Act* (Canada) which proposal has been approved by the creditors but has not yet been funded and completed. Mr. Giovanetto was also a Director of Serenpet Inc. from 1990 to 1996 and Comax Energy Inc. from January, 1988 to March, 1995. Mr. Giovanetto has over 26 years of experience consulting to the oil and gas industry and others in Canada.

Hon. Dr. Harvie Andre

Dr. Andre graduated from the University of Alberta with a Bachelor of Science in 1962, the California Institute of Technology with a Masters of Science in 1963 and received a Ph.D. from the University of Alberta in 1966. Dr. Andre is a Professional Chemical Engineer. From 1972 to 1993 Dr. Andre was a Member of Parliament for Calgary and a senior Cabinet Minister in the Government of Canada from 1984 to 1993. He has served on the Board of Directors of a number of companies. Currently, he is on the Board of Directors of PFB Corporation (since 1994) which trades on the Toronto Stock Exchange, Canop Worldwide Corp. (since 1997) which trades on the Exchange, Wenzel Downhole Corp. (since 1996) which trades on the Toronto Stock Exchange and Rainbow Group of Companies (since 1999) which trades on the Exchange. Dr. Andre is also currently, and has been since 1997, the Chairman and Chief Executive Officer of Arctigas Resources Corp.. This company is proposing a Northern Gas Pipeline Project. Since 1993, he has also been the President of the management consulting firm Cresvard Corporation.

Michael Salomon

Mr. Salomon graduated with a Masters of Science in petroleum engineering from the Mining University of Leoben in Austria in 1985 and a Masters of Business Administration from INSEAD in Fontainebleau, France in 1989. He is a Professional Engineer. From 1989 to 1992 Mr. Salomon was employed in the area of derivatives products for Bankers Trust International Limited in London in the United Kingdom. In 1992 Mr. Salomon became President and Chief Executive Officer of Derrick Energy Corporation which was a publicly listed penny stock with 25 barrels of production per day. Over the course of six years the company expanded to 800 barrels of oil equivalent per day. The company was sold in 1999 for \$30,000,000 or \$5.00 cash plus a \$0.25 dividend plus one new share of Derrick Resources Inc.. Currently, Mr. Salomon is the President and Chief Executive Officer of Derrick Resources Inc., an active oil and gas exploration company and President of Montan Investment Corp.

Rodney D. Lachmuth

From 1980 to 1989 Mr. Lachmuth was employed as a Technologist for the Toronto Dominion Bank. From 1989 to 1994 he was Manager of Engineering for National Bank where he evaluated the creditworthiness of oil and gas companies. Mr. Lachmuth has also worked in the reservoir-engineering department of two major oil and gas companies. From 1998 to 1999 he was employed at IHS Energy Canada as a Product/Program Manager where he developed an economic evaluation software tool. Mr. Lachmuth is currently employed as an independent Oil and Gas Consultant and provides technical and financial advice to several oil and gas companies and financial institutions.

Marcia L. Johnston

Ms. Johnston graduated with a Bachelor of Arts from Washburn University in 1971 and a Juris Doctor degree

in 1973. She was admitted to the practice of law in the State of Kansas and in the United States Federal Courts in 1974. Ms. Johnston practiced law in the United States until her move to Canada. She was admitted to the Law Society of Alberta in 1985. Since 1986 Ms. Johnston was a partner at Johnston Robinson Clark Anderson and its predecessor firms and on April 1, 2000 she became a partner with the Calgary law firm of Gowling, Strathy & Henderson. Ms. Johnston is currently the Secretary of Westlinks Resources Ltd. and Niaski Environmental Inc.. Niaski Environmental Inc. has made a proposal to its creditors under the *Bankruptcy and Insolvency Act* (Canada) which proposal has been approved by the creditors but has not yet been funded and completed. Ms. Johnston was a party to Settlement Agreement dated July 8, 1993 with the Alberta Securities Commission, pursuant to which she undertook not to trade in securities of Battle Creek Developments Ltd. for six months.

DIVIDEND POLICY

No dividends have been paid on any shares of the Corporation since the date of its incorporation and it is not contemplated that any dividends will be paid in the immediate or foreseeable future.

EXECUTIVE COMPENSATION

No remuneration has been paid to any director or officer of the Corporation for the period ending as at the date of this prospectus. No remuneration or consulting fee will be paid, directly or indirectly, to any officer, director, any Related Parties to the Corporation or Related Parties to the Qualifying Transaction prior to the Completion of the Qualifying Transaction. In addition, no remuneration will be paid to any officer, director, other Related Parties to the Corporation or consultants to the Corporation for any work performed in connection with public or investor related activities in respect of the Corporation or the securities of the Corporation prior to the Completion of the Qualifying Transaction. After Completion of the Qualifying Transaction, the Corporation may pay remuneration to its officers if the directors feel the Corporation is able to do so and so long as the payment does not relate to services rendered or obligations incurred prior to or in connection with the Qualifying Transaction. No remuneration is to be paid to directors in their capacity as directors. Certain directors and officers will be granted stock options. See "Stock Options".

STOCK OPTIONS

The Board of Directors of the Corporation has adopted a stock option plan (the "Plan") for the Corporation. Pursuant to the Plan, the Board of Directors of the Corporation may allocate non-transferable options to purchase Common Shares of the Corporation to directors and officers of the Corporation or to a company all of whose securities are owned by a director or officer of the Corporation.

The aggregate number of shares issuable pursuant to the exercise of options granted under the Plan may not exceed 10% of the Common Shares to be outstanding after closing of this offering before the exercise of any convertible securities. Further, the aggregate number of shares issuable on exercise of the options granted under the Plan to any one individual shall not exceed 5% of the Common Shares to be outstanding after closing of this offering before the exercise of any convertible securities.

The Corporation is prohibited from granting options under the Plan to any person providing investor relations, promotional or market-making activities.

The exercise price per Common Share under the Plan will not be less than the greater of the closing price of the Common Shares offered pursuant to this offering and the Discounted Market Price.

Immediately after the final receipt for this prospectus is issued by the Alberta Securities Commission options will be granted by the Corporation to its officers and director as follows:

<u>Name</u>	<u>Number of Common Shares Under Option</u>	<u>Exercise Price Per Common Share</u>	<u>Term</u>
Roger H. Giovanetto	150,000	\$0.30	5 years
Bruce D. Lyle	70,000	\$0.30	5 years
Hon. Dr. Harvie Andre	30,000	\$0.30	5 years
Michael Salomon	30,000	\$0.30	5 years
Rodney D. Lachmuth	30,000	\$0.30	5 years
Marcia L. Johnston	5,000	\$0.30	5 years
	<u>315,000</u>		

No option granted pursuant to the Plan may be exercised before the Completion of the Qualifying Transaction unless the optionee agrees in writing to deposit the shares acquired into escrow until the issuance of the Final Exchange Notice.

These options are non-transferable and will expire, if not exercised, on the earlier of:

- (i) their expiry date, or
- (ii) six months following the date the optionee ceases to be a director or holds an office of the Corporation by reason of death; or
- (iii) thirty (30) days after the optionee ceased to be a director or officer for any reason other than death.

The Corporation will grant an option to the Agent to purchase 150,000 Common Shares, which equals 10% of the Common Shares sold pursuant to this Offering, at a price of \$0.30 per share, which option will expire 18 months from the date the Corporation's shares are listed on The Exchange. See "Plan of Distribution".

The options to be granted to the Agent and to the directors and officers are qualified under and distributed pursuant to this prospectus.

DILUTION

Based on the Corporation having a book value of approximately \$0.22 per Common Share after the closing of this offering, purchasers of the Common Shares offered by this prospectus will suffer an immediate dilution of approximately \$0.08 or approximately 26% per Common Share; calculated by taking the total gross proceeds from the sale of shares sold prior to the prospectus and sold pursuant to this prospectus, without deduction of expenses or commission incurred by the Corporation, being \$697,500 and dividing by the then issued total of 3,150,000 Common Shares.

ESCROWED SECURITIES

The following table sets out as at the date of this prospectus the number of securities of the Corporation, which to the knowledge of the Corporation, are held in escrow:

<u>Designation of Class</u>	<u>Number of Securities Held in Escrow</u>	<u>Percentage of Class</u>	<u>Percentage of Class After Giving Effect to this Offering</u>
Common Shares	1,650,000	100%	52.4%

All of the 1,650,000 Common Shares issued prior to this offering have been deposited with Valiant Corporate Trust Company pursuant to an escrow agreement dated ! , 2000 (the "Escrow Agreement").

The Corporation will require all Common Shares issued by the Corporation pursuant to this offering, before the closing of this offering (other than the Discount Seed Shares) and all securities acquired from treasury after the offering but before the completion of the Qualifying Transaction (other than shares acquired upon exercise of stock options under the Plan) which are directly or indirectly beneficially owned or controlled by Related Parties to the Corporation to be deposited into escrow pursuant to an escrow agreement in Form 2F as modified by Schedule B(1) which agreement will provide that initial releases from escrow commence on the date of the Final Exchange Notice ("Seed Share Escrow Agreement")

The Corporation will require any Common Shares issued by the Corporation before the closing of this offering at a price that is less than the price at which the Common Shares are offered and sold to the public pursuant to this offering ("Discount Seed Shares") to be deposited into escrow pursuant to an escrow agreement in Form 2F as modified by Schedule B(2) which agreement will provide that the initial releases from escrow commence on the date of the Final Exchange Notice and that if the Exchange issues a notice delisting the Corporation from trading on the Exchange, all such Common Shares shall be forfeiting and cancelled ("Discount Seed Share Escrow Agreement"). The holders of Discount Seed Shares must include in the Discount Seed Share Escrow Agreement:

- (a) an irrevocable authorization and direction to the escrow agent appointed under the agreement to immediately cancel all of the Discount Seed Shares upon the issuance by the Exchange of a notice delisting the Corporation from trading on the Exchange; and
- (b) an agreement to indemnify and hold harmless the escrow agent and the Exchange in respect of the cancellation.

If any securities of the Corporation are acquired in a secondary market prior to a Qualifying Transaction by a person which, alone or in combination with other persons, holds sufficient shares to affect materially the control of the Corporation or which holds more than 20% of the outstanding voting securities of the Corporation, unless there is shown to be no material control (a "Control Person"), then such shares will be held in escrow pursuant to a Seed Share Escrow Agreement.

Securities issued, other than in conjunction with a Qualifying Transaction, which are acquired by a Private Placement or in any other manner by a Control Person (determined after giving effect to the issuance) or by Related Parties to the Corporation before the Completion of the Qualifying Transaction will be held in escrow pursuant to a Seed Share Escrow Agreement.

With the exception of any escrow agreement entered into by directors and officer pursuant to an exercise of options under the Plan, all escrow agreements will provide that escrowed shares may be released as follows:

- (a) 10% following issuance of the notice from the Exchange following the closing of the Qualifying Transaction and the submission of all post-meeting documentation which evidences the Exchange's final acceptance of the Qualifying Transaction ("Final Exchange Notice"); and
- (b) 15% on each of the 6, 12, 18, 24, 30 and 36 month anniversaries following the initial release.

See "Stock Options". Percentages are calculated based on the total number of shares escrowed pursuant to each of the escrow agreements.

In the event that a Qualifying Transaction is not completed, there will be no release of securities from escrow.

Transfer of escrowed shares require the prior written consent of the Exchange. The Exchange will generally only permit a transfer of shares held in escrow to incoming Principals in connection with a Qualifying Transaction.

Subject to the following paragraph, all securities which will be held by Principals of the Resulting Issuer as at the date of the Final Exchange Notice will be required to be escrowed pursuant to the guidelines in the policies of the Exchange. In addition, any securities issued to any other person in conjunction with or contemporaneous to the Qualifying Transaction may be subject to escrow requirements pursuant to the policies of the Exchange.

The Exchange will generally exempt from escrow those Principal securities issued to persons who will be Principals of the Resulting Issuer obtained in connection with a Private Placement where:

- (a) the Private Placement is announced at least five trading days after the news release announcing the Agreement in Principle and the pricing for the financing is at not less than the discounted market price; or
- (b) the Private Placement is announced concurrently with the Agreement in Principle in respect of the Qualifying Transaction and:
 - (i) at least 75% of the proceeds from the Private Placement are not from Principals of the Resulting Issuer;
 - (ii) if subscribers, other than Principals of the Qualifying Transaction, will obtain securities subject to hold periods, then, in addition to any resale restrictions under applicable securities laws, any securities issued to Principals will be required to be legended with the four month Exchange hold period referred to in Policy 3.2 of the Exchange Manual; and
 - (iii) none of the proceeds from the Private Placement are allocated to pay compensation to or settle indebtedness owing to Principals of the Resulting Issuer.

SECURITIES ISSUED ON A QUALIFYING TRANSACTION

Securities acquired in a Private Placement by a Control Person (as determined after giving effect to the Private Placement) will be held in escrow and will be released (other than a Private Placement) as follows:

- (a) 10% following issuance of the Final Exchange Notice; and
- (b) 15% on each of the 6, 12, 18, 24, 30 and 36 month anniversaries following the initial release.

provided that the approval of the Exchange is obtained prior to any such release.

Securities issued to a Party Related to the Corporation or a Party Related to the Qualifying Transaction in relation to a Qualifying Transaction will be held in escrow and will be released, together with previously escrowed securities, as described in the foregoing paragraph provided that written approval of the Exchange is obtained prior to any such release.

Securities issued in exchange for assets of uncertain value shall be held in escrow and shall be released as described in the foregoing paragraph provided that written approval of the Exchange is obtained prior to any such release.

PRIVATE PLACEMENTS FOR CASH

After the closing of this offering and until Completion of the Qualifying Transaction the Corporation may not issue for cash any securities unless the written approval of the Exchange is obtained prior to the issuance of the securities. The Exchange will not generally accept a private placement unless a news release has been issued announcing a proposed Qualifying Transaction. Except as permitted in "Use of Proceeds", the Exchange will generally require that funds raised pursuant to such private placement be held in trust until Completion of the Qualifying Transaction. Securities issued on a private placement to certain Related Parties to the Corporation and Related Parties to the Qualifying Transaction may be subject to escrow. See "Escrowed Securities".

MATERIAL CONTRACTS

The Corporation has not entered into any contracts material to investors in the Common Shares since its incorporation except

1. An Escrow Agreement dated ! , 2000 among the Corporation, Valiant Corporate Trust Company and those persons who are shareholders of the Corporation prior to the public offering. See "Escrowed Securities".
2. An Agency Agreement dated ! , 2000 among the Corporation, the Agent and Valiant Corporate Trust Company. See "Plan of Distribution".
3. A Transfer Agency and Registrar Agreement dated ! , 2000 between the Corporation and Valiant Corporate Trust Company.

Copies of the agreements in 1, 2 and 3 above will be available for inspection at the office of the Corporation located at 1200, 700 - 2nd Street S.W., Calgary, Alberta, T2P 4V5 during ordinary business hours while the securities offered by this prospectus are in the course of distribution and for a period of thirty (30) days thereafter and at the offices of the Alberta Securities Commission at any time.

CONFLICTS OF INTEREST

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. Some of the directors and officers are engaged and will continue to be engaged in various other activities, and situations may arise where some of the directors and officers may be in competition with the Corporation. Conflicts of interest that may arise will be subject to the procedures and remedies established in the *Business Corporations Act* (Alberta). The Exchange and the Alberta Securities Commission have established procedures for related party transactions which will be followed by the Corporation.

As indicated under the headings "Management" and "Directors and Officers", the directors of the Corporation are employees, officers, or directors of other corporations and entities which will make varying demands on their time and effort from time to time. The directors and officers of the Corporation intend to devote as much of their time and effort to the on-going management of the affairs of the Corporation as it may require.

RISK FACTORS

There is no established market through which the Common Shares of the Corporation offered by this prospectus may be sold and purchasers may not be able to dispose of them on a timely basis. This offering should be considered highly speculative due to the proposed nature of the Corporation's business, the fact that the Corporation has only recently been incorporated, and the fact that the Corporation has not carried on any business operations and has no assets other than cash. The Corporation has not entered into any Agreement in Principle with respect to any proposed Qualifying Transaction. The Corporation has neither a history of earnings nor has it paid any dividends and it is unlikely to enjoy earnings or pay dividends in the immediate or foreseeable future.

There is no assurance that the Corporation will be able to identify opportunities which will be profitable or will identify assets or businesses which will warrant acquisition. Moreover, should the Corporation identify any assets or businesses and determine that the acquisition is warranted, the Corporation may not be able to finance the acquisition and additional funds may be required to meet such obligations. As a result of these factors, this offering is suitable only to those investors who are willing to rely solely on the management of the Corporation and to risk a total loss of their investment. In addition, in cases where the Corporation does not acquire control of a corporation or business it will have to rely on existing management and on the minority shareholder remedies of the jurisdiction governing such corporation or business. The acquisition of an interest in a corporation, business or asset, if financed and effected through the issuance of Common Shares from treasury, may result in further dilution to those acquiring Common Shares and may result in a change of control of the Corporation.

The Corporation does not have any officers or directors who will be devoting their full time to the business of the Corporation. In addition, there are potential conflicts to which some of the officers and directors may be subject.

See "Business of the Corporation", "Management", "Directors and Officers", "Use of Proceeds", and "Conflicts of Interest".

The Exchange may suspend from trading or delist the securities of the Corporation where the Corporation has failed to complete a Qualifying Transaction within 18 months after the date of listing.

If the Common Shares are delisted from the Exchange, the Executive Director will issue an interim cease trade order against the Corporation. If the Common Shares are suspended from trading on the Exchange, the Executive Director may issue an interim cease trade order against the Corporation.

Notwithstanding that a transaction may meet the definition of a Qualifying Transaction, the Exchange in its discretion may refuse approval of a transaction as a Qualifying Transaction where:

- (a) the Corporation does not satisfy or it may reasonably be expected that the Corporation will not satisfy the minimum listing requirements prescribed by the policies of the Exchange Corporate Finance Manual upon Completion of the Qualifying Transaction;
- (b) following completion of the Qualifying Transaction the Corporation will be a finance company or a mutual fund as defined under the securities laws of the Province of Alberta;
- (c) the consideration to be paid by the Corporation in connection with the transaction is objectionable to the Exchange; or
- (d) any other reason at the sole discretion of the Exchange.

Shareholders acquiring Common Shares under this offering will experience an immediate dilution of approximately 26% or approximately \$0.08 per share based on gross proceeds of this and prior issues by the Corporation, without taking account of deductions of selling commissions and related expenses of issue.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Each of the directors and officers has purchased shares of the Corporation. Each director and officer will be granted stock options which are qualified by this prospectus and each of the directors and officers will execute a Stock Option Agreement with the Corporation immediately after the final receipt for this prospectus is issued. The Agent will also enter into a Stock Option Agreement with the Corporation in the event that it elects to exercise the Agent's Option. See "Prior Sales", "Principal Shareholders" and "Stock Options".

PURCHASER'S STATUTORY RIGHTS

Sections 106, 168 and 175 of the *Securities Act* (Alberta) (the "Act") provide, in effect, that when a security is offered in the course of a distribution:

- a. a purchaser will not be bound by a contract for the purchase of such security if written notice of his intention not to be bound is received by the dealer from whom the purchaser purchased the security not later than midnight on the second business day after the latest prospectus and any amendment to the prospectus offering such security is received by the purchaser, and
- b. if a prospectus together with any amendment to the prospectus contains a misrepresentation, a purchaser who purchases a security offered thereby during the period of distribution shall be deemed to have relied on such misrepresentation and, subject to the limitations set forth in the Act,

1. has a right of action for damages against,
 - (i) the issuer or a selling security holder on whose behalf the distribution is made,
 - (ii) each underwriter required to sign the certificate required by section 91 of the Act,
 - (iii) every director of the issuer at the time the prospectus or amendment was filed,
 - (iv) every person or company whose consent has been filed pursuant to a requirement of the regulations under the Act but only with respect to the reports, opinions or statements made by them, and
 - (v) every other person or company who signed the prospectus or the amendment,

but no action to enforce the right can be commenced by a purchaser later than the earlier of one hundred eighty (180) days after the purchaser first had knowledge of the facts giving rise to the cause of action or one (1) year after the date of the transaction that give rise to the cause of action, or

2. where the purchaser purchased the security from a person or company referred to in (i) or (ii) above or from another underwriter of the securities, he may elect to exercise a right of rescission against such person, company or underwriter, in which case he shall have no right of action for damages against such person, company or underwriter, but no action to enforce this right can be commenced by a purchaser more than one hundred eighty (180) days after the date of the transaction that gave rise to the cause of action.

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

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are Collins Barrow, Chartered Accountant of Calgary.

Valiant Corporate Trust Company through its principal office in Calgary, Alberta is the transfer agent and registrar for the Common Shares.

AUDITORS' REPORT

To the Directors of King Capital Corporation

We have audited the balance sheet of King Capital Corporation (the "Corporation") as at June 6, 2000. This balance sheet is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test a basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation.

In our opinion the balance sheet presents fairly, in all material respects, the financial position of the Corporation as at June 6, 2000 in accordance with generally accepted accounting principles.

Calgary, Canada
June, 6 2000, except as to
Note 2(b) and (c) which are as of ! , ! , 2000

!

Collins Barrow,
Chartered Accountants

KING CAPITAL CORPORATION
Balance Sheet
June 6, 2000.

Assets

Current assets:

Cash	<u>\$247,500</u>
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Shareholders' equity

Share capital (note 1):

Authorized:

Unlimited number of Preferred Shares, issuable in series

Unlimited number of Common Shares

Issued:

1,650,000 Common Shares	<u>\$247,500</u>
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Subsequent event (note 2)

See accompanying notes to financial statements

Approved by the Board:

(signed) Roger H. Giovanetto
Director

(signed) Bruce D. Lyle
Director

General:

The Corporation was incorporated as 581740 Alberta Ltd. under the *Business Corporations Act* (Alberta) on September 28, 1993. To date, the Corporation had not carried on any active business.

The Corporation is a Capital Pool Company, under the regulations of The Alberta Securities Commission and The Canadian Venture Exchange. As such, it proposes to identify and evaluate businesses or assets with a view to the potential acquisition of an interest therein.

1. **Share Capital:**

Effective May 23, 2000, the Corporation issued 1,650,000 Common Shares for an aggregate consideration of \$ 247,500 in cash.

Under the requirements of the Alberta Securities Commission and the Canadian Venture Exchange, the 1,650,000 Common Shares are to be held in escrow. The escrowed shares will be released as to 10% following issuance of notice from the Exchange following the closing of the Qualifying Transaction and the submission of all post-meeting documentation which evidences the Exchange's final acceptance of the Qualifying Transaction and then 15% on each of the 6, 12, 18, 24, 30 and 36 month anniversaries following the initial release.

The Corporation has adopted a stock option plan for directors and officers of the Corporation. Pursuant to this plan, the Corporation will grant to directors and officers, immediately after the final receipt for the prospectus described in note 2 is issued, options to acquire 315,000 common shares at a price of \$0.30 per share, exercisable within 5 years from the date of issuance.

2. **Subsequent event:**

- (a) On November 18, 1993, the Corporation filed Articles of Amendment to alter its capital structure, change the Corporation's name to King Capital Corporation, change the minimum and maximum number of directors and remove the private company restrictions on the transfer of shares. On June 6, 2000 the Corporation filed Articles of Amendment to amend provisions of the Articles.
- (b) Pursuant to an agency agreement dated ! , 2000 the Corporation has filed a prospectus for an initial public offering and has agreed to issue and sell 1,500,000 Common Shares at a price of \$0.30 per share. Aggregate proceeds of the issue are anticipated to be \$450,000 before deducting the agents' commission estimated at \$45,000 and the expenses of the offering estimated at \$35,000.
- (c) Pursuant to an agency agreement dated ! , 2000 the Corporation has an agreement to grant to the agent an option to purchase an additional 150,000 Common Shares at a price of \$0.30 per share, exercisable for a period of eighteen months from the date the Corporation's shares are listed on the Canadian Venture Exchange.

Dated: _____, 2000

CERTIFICATES

CERTIFICATE OF THE CORPORATION

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 8 of the *Securities Act* (Alberta) and the regulations thereunder.

KING CAPITAL CORPORATION

(signed)	Roger H. Giovanetto	(signed)	Bruce D. Lyle
	President and Chief Executive Officer		Director and chief financial officer

On behalf of the Board of Directors

(signed)	Rodney D. Lachmuth	(signed)	Dr. Harvie Andre
	Director		Director

CERTIFICATE OF THE PROMOTERS

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 8 of the *Securities Act* (Alberta) and the regulations thereunder.

(signed)	Roger H. Giovanetto	(signed)	Bruce D. Lyle
(signed)	Rodney D. Lachmuth	(signed)	Michael Salomon
(signed)	Cresvard Corporation		
	Per: Dr. Harvie Andre		

Dated: July ____, 2000

CERTIFICATE OF THE AGENT

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 8 of the *Securities Act* (Alberta) and the regulations thereunder.

CANACCORD CAPITAL CORPORATION

Suite 400, 409 8th Avenue S.W.

Calgary, Alberta

T2P 1E3

Phone: (403) 508-3800

(signed)

J. Roderick Matheson

Senior Vice-President and Director

The following includes the name of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of Canaccord Capital Corporation:

Peter M. Brown (through The MacLachlan Investments Corporation)

Bradley D. Griffiths (through 3759971 Canada Inc.)

Michael G. Greenwood (directly and through 728541 Alberta Ltd.)

Their interests are held indirectly through Canaccord Investment Ltd. and Canaccord Holdings Ltd.

