

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 on the merits of the securities offered hereunder and any representation to the contrary is an offence.

Initial Public Offering

November 21, 2000

SILICON ACQUISITION INC.

(a capital pool offering)

\$300,000

1,000,000 common shares

Price: \$0.30 per common share

The purpose of this issue is to provide Silicon Acquisition Inc. (the "Corporation") with a minimum of funds with which to identify and evaluate companies, assets or businesses with a view to completing a qualifying transaction (a "Qualifying Transaction") approved by the Canadian Venture Exchange Inc. ("CDNX") and the majority of the minority security holders of the Corporation in accordance with Policy 2.4 of the CDNX Corporate Finance Manual (the "Policy"). See "Business of the Corporation" and "Use of Proceeds".

This issue is offered on a "best efforts" basis in the Province of Alberta and is subject to the receipt by the Corporation of subscriptions totalling \$300,000. See "Plan of Distribution". The maximum purchase by any single subscriber to this offering is 2% of the offering, or 20,000 common shares.

	<u>Common Shares</u>	<u>Price to the Public</u>	<u>Agent's Commission⁽¹⁾</u>	<u>Proceeds to the Corporation⁽²⁾</u>
Per Common Share	1	\$ 0.30	\$ 0.03	\$ 0.27
Total Offering ⁽³⁾	1,000,000	\$300,000	\$ 30,000	\$ 270,000

Notes:

- (1) Yorkton Securities Inc. (the "Agent") has agreed to act as sponsor of the Corporation to CDNX and the agent in connection with the offering, and will receive a commission of \$30,000 if the total offering is sold. In addition, the Agent will receive an administration fee of \$8,000 and will be reimbursed for its legal fees incurred pursuant to this offering, estimated to be \$5,000. The Corporation will also grant to the Agent, if the total Offering is sold, an option to purchase 100,000 common shares of the Corporation at a price of \$0.30 per common share (the "Agent's Option"), which option is qualified for distribution under this prospectus. See "Plan of Distribution".
- (2) Before deducting expenses of this offering estimated at \$25,000, not including the commission, administration fee or legal fees of the Agent.
- (3) A total of 1,000,000 common shares are offered hereunder, not including the Agent's Option, or the incentive stock options to be granted to the directors and officers of the Corporation to purchase 266,666 common shares at a price of \$0.30 per common share (the "Incentive Stock Options"), which Incentive Stock Options are qualified for distribution under this prospectus. See "Incentive Stock Options". The Incentive Stock Options must be granted within 90 days of the issuance of a receipt for this prospectus.

Other than the initial distribution pursuant to this prospectus, the grant of stock options to the directors of the Corporation and the grant of the Agent's Option, trading of the securities of the Corporation is not permitted between the date of the receipt for the Corporation's preliminary prospectus and the time the securities are listed for trading on CDNX.

The CDNX has conditionally approved the listing of the common shares of the Corporation. The listing is subject to the Corporation fulfilling all of the requirements of the CDNX, including the distribution of such common shares to a minimum number of public shareholders.

Investment in the common shares offered by this prospectus is highly speculative due to the proposed nature of the Corporation's business. The Corporation was only recently incorporated, owns no business operations or assets, other than cash, has not identified a potential company, asset or business for acquisition or participation and has not entered into an Agreement in Principle as defined in the Policy. 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. The proposed business of the Corporation involves a high degree of risk and there is no assurance that the Corporation will identify a company, asset or business prospect which warrants acquisition or participation. Moreover, if a potential company, asset or business prospect is identified and acquisition or participation is warranted, additional funds may be required to complete the acquisition or participation and the Corporation may not be able to obtain financing. Where the acquisition or participation 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. The directors and officers of the Corporation will only be devoting a portion of their time on the affairs to the Corporation. Potential conflicts of interest may result from the ordinary course of business of the Corporation and the business activities of the directors and officers of the Corporation. The directors and officers currently own 40% of the issued and outstanding common shares and will own 25% of the issued and outstanding common shares after the offering. 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 who can afford to lose their entire investment. See "Business of the Corporation", "Management and Key Personnel", "Directors and Officers", "Use of Proceeds", "Conflicts of Interest" and "Risk Factors".

CDNX 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. The Executive Director of the Alberta Securities Commission may issue an interim cease trade order against the Corporation's securities if the common shares are suspended from trading on CDNX, and will issue such an interim cease trade order if the Corporation is delisted from CDNX. It may be difficult or impossible to effect service or notice to commence legal proceedings upon any directors, officers or experts located outside of Canada. It may not be possible to enforce judgements obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada against such persons or the Corporation. See "Risk Factors".

Investors acquiring the common shares offered by this prospectus will suffer an immediate dilution of 12.5% or \$0.0375 per common share based on the gross proceeds of this and prior issues by the Corporation, before the deduction of selling commissions and related expenses incurred by the Corporation.

There is currently no market through which these securities may be sold. The price of this offering has been determined arbitrarily by the directors of the Corporation.

This offering is being made on a "best efforts" basis in the Province of Alberta and is subject to a minimum subscription which must be raised within 90 days of the issuance of a receipt for the prospectus, or such other time as may be authorized by the Alberta Securities Commission and agreed to by the Agent. The funds received from the sale of the common shares offered hereunder will be deposited with Olympia Trust Company, and will not be released until a minimum of \$300,000 has been deposited and the Agent has

consented to such release. If the minimum subscription is not raised, subscription monies will be returned to subscribers without interest or deduction. See "Plan of Distribution".

Yorkton Securities Inc. (the "Agent") hereby offers for sale, on a best efforts basis and as agent on behalf of the Corporation, 1,000,000 common shares without nominal or par value at a price of \$0.30 per common share. The common shares are conditionally offered, subject to prior sale, if, as and when issued by the Corporation, and in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to the approval by Burstall Winger LLP, Calgary, Alberta, on behalf of the Corporation and by Armstrong Perkins Hudson, Calgary, Alberta on behalf of the Agent of such legal matters for which approval is specifically sought by the Corporation or the Agent.

Subscriptions will be received subject to rejection or allotment in whole or in part and the Corporation reserves the right to close the subscription books at any time without notice. It is expected that share certificates for the common shares will be available for delivery on or about two weeks after the closing of the offering.

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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:** 1,000,000 common shares at a price of \$0.30 per common share in the Province of Alberta. In addition, the Corporation will also grant the Agent an option to purchase 100,000 common shares at a price of \$0.30 for a period of 18 months from the date of listing of the common shares on CDNX, which option is qualified under and distributed pursuant to this prospectus. The Incentive Stock Options to be granted to the directors and officers of the Corporation to purchase an aggregate of 266,666 common shares at a price of \$0.30 per share until June 30, 2005 are also to be qualified under and distributed pursuant to this prospectus. See "Plan of Distribution" and "Incentive Stock Options".
- CORPORATION:** The principal business of the Corporation will be the identification and evaluation of companies, assets or businesses with a view to completing a Qualifying Transaction approved by CDNX and the majority of the minority shareholders of the Corporation in accordance with the Policy. The Corporation has not yet carried on any business and has not identified a potential acquisition. See "Business of the Corporation".
- USE OF PROCEEDS:** The net proceeds will be used to provide the Corporation with a minimum of funds with which to identify and evaluate companies, assets and businesses with a view to acquisition or participation, and to a certain extent to pay the expenses incurred pursuant to this offering. The Corporation may not have sufficient funds to commit to such acquisitions or participations once identified and evaluated and additional funds may be required. See "Use of Proceeds", "Business of the Corporation", "Method of Financing Acquisitions or Participations" and "Risk Factors".
- DIRECTORS, MANAGEMENT AND ESCROWED SHARES:** The directors and officers of the Corporation are: David G. Mallory, President, Chief Executive Officer, Chief Financial Officer and Director; Michael R. Binnion, Secretary and Director; W. Carter Siebens, Director; and James R. Swayze, Director. See "Directors and Officers". A total of 666,667 common shares have been issued as Discount Seed Shares to the directors and officers of the Corporation and are subject to a Discount Seed Share Escrow Agreement (as such terms are defined in the Policy). See "Escrowed Securities".
- 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. The Corporation was recently incorporated, owns no business operations or assets, other than cash, has not identified a potential company, asset or business for acquisition or participation, has not entered into an Agreement in Principle (as defined in the Policy) and does not have a history of earnings. This offering is suitable only to those investors who are willing to rely solely on the management of the Corporation and who can afford to lose their entire investment. See "Business of the Corporation", "Management and Key Personnel", "Directors and Officers", "Use of Proceeds", "Risk Factors" and "Conflicts of Interest".

THE CORPORATION

The Corporation was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (Alberta) on January 5, 2000. The articles of the Corporation were amended by a Certificate of Amendment dated July 31, 2000 to delete the private company provisions and the restrictions on resale.

The head office of the Corporation is located at Suite 1580, 727 - 7th Avenue S.W., Calgary, Alberta T2P 0Z5, and the registered office of the Corporation is located at Suite 3100, Home Oil Tower, 324 - 8th Avenue S.W., Calgary, Alberta T2P 2Z2.

BUSINESS OF THE CORPORATION

History and Operations of the Corporation

The Corporation has not conducted operations of any kind and does not own any assets, other than cash, and has not entered into an Agreement in Principle (as defined in the Policy).

The Corporation proposes initially to identify and evaluate companies, assets or businesses with a view to completing a Qualifying Transaction approved by CDNX and the majority of the minority of the shareholders of the Corporation in accordance with the Policy. Once a suitable company, asset or business is identified and evaluated, the Corporation will negotiate the terms under which such company, asset or business may be acquired or participated in by itself or jointly with others. Until the completion of a Qualifying Transaction, the Corporation shall not carry on any business, other than the identification and evaluation of companies, assets or businesses in connection with a potential Qualifying Transaction.

Method of Financing Participations or Acquisitions

The Corporation will negotiate the terms upon which the prospect which has been identified and evaluated may be acquired or participated in, and will use cash, secured or unsecured debt, the issuance of treasury shares or a combination of the foregoing for the purpose of financing its acquisition of or participation in properties or businesses. **Where acquisitions or participations are financed by the issuance of shares from the treasury, control of the Corporation may change and shareholders may suffer further dilution to their investment.**

Criteria for Participations or Acquisitions and Type of Business Opportunity

The acquisition of, or participation in companies, assets or businesses may arise in numerous ways and management has not placed geographical restrictions on such acquisitions or participations. The Corporation has not established pre-determined criteria for such participations or acquisitions, other than sound business fundamentals. Such fundamentals include, but are not limited to:

- (a) the ratio of risk to reward;
- (b) the cost effectiveness of the participation or acquisition;
- (c) the length of the payout period; and
- (d) the rate of return.

The Corporation is not specifically considering pursuing a company, asset or business in any specific business or industry sector, or in any particular geographical area, and the Corporation anticipates reviewing companies, assets and business in a broad range of industry sectors and geographical areas.

SHAREHOLDER APPROVAL OF QUALIFYING TRANSACTIONS

Any Qualifying Transaction that the Corporation enters into shall be submitted to its shareholders for their approval in accordance with the Policy. Pursuant to the Policy, a Qualifying Transaction must be approved by at least 50% plus one vote of the votes cast by the Corporation's shareholders, other than promoters, officers, directors, control persons or other insiders of the Corporation, as well as associates or affiliates of such persons or companies (the "Related Parties to the Corporation"), and the seller, any target company, Related Parties of the seller, any target company and all other parties to or associated with the Qualifying Transaction, as well as associates and affiliates of such parties ("Related Parties to the Qualifying Transaction") at a properly constituted meeting of the Corporation's shareholders. For the purposes of the Policy, the term "Qualifying Transaction" includes a transaction whereby:

- (a) the Corporation issues, or proposes to issue, in consideration for the acquisition of Significant Assets (as defined below), common shares or securities convertible, exchangeable or exercisable into common shares which, if fully converted, exchanged or exercised would represent more than 25% of the common shares of the Corporation 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 Corporation and the other company results in the shareholders of the other company acquiring control of the entity resulting from the Reorganization; or
- (c) the Corporation otherwise acquires Significant Assets, other than cash;

but excludes a transaction which, prior to completion of a Qualifying Transaction, 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% of its issued and outstanding common shares immediately prior to such issuance. "Significant Assets" means one or more assets or businesses which, when acquired by the Corporation together with any other concurrent transactions, result in the Corporation meeting the minimum listing requirements of CDNX.

Notwithstanding the definition of a Qualifying Transaction, CDNX, in its discretion, may not approve a Qualifying Transaction where:

- (a) the Corporation fails to satisfy the minimum listing requirements of CDNX upon completion of the proposed Qualifying Transaction;
- (b) the aggregate number of securities of the Corporation owned, directly or indirectly, by:
 - (i) a member firm of CDNX;

- (ii) registrants, unregistered corporate finance professionals, employee shareholders and partners of the member firm; and
- (iii) associates of any such persons,

collectively, would exceed 20% of the issued and outstanding securities of the Corporation following completion by the Corporation of a Qualifying Transaction;

- (c) upon completion of the Qualifying Transaction the Corporation will be a finance company or a mutual fund as defined under the *Securities Act* (Alberta) and the *Securities Act* (British Columbia);
- (d) the consideration paid either: (i) for the company or entity which is the subject of, or (ii) to the vendor of assets acquired in connection with or in contemplation of; the Corporation's Qualifying Transaction, is objectionable to CDNX; or
- (e) in the sole discretion of the CDNX there is any other valid reason.

Prior to the completion of a Qualifying Transaction or the issuance of any securities of the Corporation pursuant to a Qualifying Transaction, the Corporation shall be required to comply with the Policies and Rules of CDNX and provisions of the *Securities Act* (Alberta), the *Securities Act* (British Columbia) and the regulations thereto, and submit for review to CDNX an information circular which must comply with the applicable corporate and securities laws, and must contain prospectus level disclosure of the Qualifying Transaction and the resulting issuer prepared in accordance with Form 3A of the CDNX Corporate Finance Manual. The information circular must also 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 the shareholders of the Corporation. Upon acceptance by CDNX, the Corporation must then mail the information circular and related proxy material to its shareholders and obtain the approval of the Qualifying Transaction by the shareholders of the Corporation on the basis of the application of the "majority of the minority" test, which requires that the resolution approving the Qualifying Transaction must be approved by at least 50% plus one vote of the votes cast by shareholders of the Corporation who vote at a properly constituted meeting, 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 submit with the information circular for review by CDNX or its experts, as well as a current independent engineering report, geological report, business plan or valuation relating to the asset or assets in such circumstances where such a report, study or valuation would be required on the filing of a prospectus. The Corporation will also be required to retain a sponsor, who will be required to submit to CDNX a sponsor report in accordance with the Policy.

The Corporation will be considered to have completed its Qualifying Transaction on the date of the shareholders meeting of the Corporation at which the Qualifying Transaction was approved, provided that all post-meeting documentation is subsequently filed with CDNX and CDNX has issued a bulletin confirming that the Qualifying Transaction has been completed and that the Corporation is no longer considered a capital pool company. The Policy shall cease to apply after the Corporation has completed its Qualifying Transaction and such a bulletin has been issued by CDNX, with the exception of Section 14.10 of the Policy and the Discount Seed Share Escrow Agreement (as defined in the Policy), which will both continue in full force and effect.

MANAGEMENT AND KEY PERSONNEL

The following is a brief description of the management and key personnel of the Corporation.

David G. Mallory

Mr. Mallory is the President, Chief Executive Officer, Chief Financial Officer and a Director of the Corporation.

Mr. Mallory obtained his Chartered Accountant designation in 1985 and graduated with a Bachelor of Business Administration degree in 1980 from the University of New Brunswick.

Mr. Mallory has been Managing Director of Glacier Equity Corporation, a private corporate finance and management services company, since November 1999, and has been the President of 715502 Alberta Ltd., a private corporate finance and management services company, since January 1997. He is also the Chief Financial Officer of Flowing Energy Corporation a public company listed on CDNX. From January 1997 to October 1999, he was the Chief Financial Officer of Oxbow Equities Corp., a Toronto Stock Exchange ("TSE") listed company that invests in early-stage technology and health care companies. Mr. Mallory was a Director of Point of Care Technologies, Inc., a medical device company listed on the NASDAQ Bulletin Board, from January 1997 until October 1999.

From May 1996 to December 1998, he was the Vice-President, Corporate Finance of Oxbow Capital Corporation, a privately held merchant bank. Mr. Mallory has also been Secretary of C.P.M. Technologies Inc., a junior capital pool corporation listed on The Alberta Stock Exchange, from November 1996 to April 1998 and Controller for TransAlta Utilities Corporation, an electric utility listed on the TSE and CDNX, from June 1994 to May 1996.

Michael R. Binnion

Mr. Binnion is the Secretary and a Director of the Corporation.

Mr. Binnion received his designation as a Chartered Accountant in 1985 and his Bachelor of Commerce degree from the University of Alberta.

Mr. Binnion became the President, Chief Financial Officer and a Director of CanArgo Energy Corporation ("CanArgo"), a public oil and gas company listed on the Oslo Stock Exchange and quoted on the NASDAQ Bulletin Board, on July 15, 1998. He has also served as Chief Financial Officer, Secretary and a Director of CanArgo Oil & Gas Inc., which became a subsidiary of CanArgo in March 1997. Mr. Binnion is also the President and a Director of Terrenex Acquisition Corporation, a public investment company listed on CDNX which is CanArgo's largest stockholder, and the sole Director of Ruperts Crossing, An Investment Corporation, a private investment company .

He is also a Director and officer of Flowing Energy Corporation and Fintech Services Ltd., two public companies listed on CDNX.

From May 1996 to July 1998 he was the President of CanArgo Energy Inc. Prior to April 1997, he served for four years as the Chief Financial Officer and a Director of Trans-Dominion Energy Company, a public international exploration and production company listed on the TSE. In addition, he was the Executive Director of Crossfield House Inc. from December 1992 to January 1998.

W. Carter Siebens

Mr. Siebens is a Director of the Corporation.

Mr. Siebens obtained his Bachelor of Commerce degree in Finance in 1987 from the University of British Columbia.

Mr. Siebens was a Director of Somerville Capital Inc., a junior capital pool corporation listed on The Alberta Stock Exchange that completed its Major Transaction and changed its name to Book4golf.com Corporation and is now listed on CDNX. Mr. Siebens was also the Secretary and a Director of Tertiary Mines Ltd., a junior capital pool corporation listed on The Alberta Stock Exchange that completed Major Transaction and changed its name to The Song Corporation and is now listed on CDNX.

Mr. Siebens was an executive for Hambro European Ventures Limited, a venture capital subsidiary of Hambros Bank Plc, a publicly listed merchant bank, from November 1987 until February 1991. As an executive he worked with the merchant banking management buy-out group where he was involved with the due diligence, finance modelling and the financing for leveraged buy-outs and several other types of investments.

In February 1991, he joined The Merbanco Group, a private Calgary-based investment bank specializing in raising capital for small to medium-sized private companies. Mr. Siebens analysed and evaluated companies and prepared reports for presentation to clients with The Merbanco Group until October 1992.

In 1993, Mr. Siebens joined Tycor International Corp. ("Tycor"), a private corporation that manufactures electrical power protection devices, where he was the Vice-President responsible for finance, accounting, human resources and administration, including monitoring the company's banking relationships and preparing financial statements. On August 1, 1997, Tycor was sold to a subsidiary of Eaton Corp., a New York Stock Exchange listed company. Mr. Siebens remained with Tycor as the Controller and Administrative Manager until June 1999.

Since June 1999, Mr. Siebens has been an independent business consultant, and since March 2000 he has been a Director of Boundary Creek Resources Ltd., a public oil and gas company listed on CDNX.

James R. Swayze

Mr. Swayze is a Director of the Corporation.

Mr. Swayze obtained his Bachelor of Science degree in Statistical and Mathematical Sciences in 1985 from the University of Western Ontario.

Since 1997 Mr. Swayze has been Senior Vice-President of Employers Reassurance Canada Management Services Inc., a division of GE Capital, that is focussed on risk and capital management for the life and health insurance industry. He is also currently the President of Insource Limited, a financial services consultancy, and GE Capital Company, and has been since 1998.

From January 1994 to May 1996, he was the Vice-President of Intercedent Actuaries & Consultants, a privately held insurance consultancy. He is also currently the President of 648428 Alberta Ltd., a private investment holding company, and has been since 1995.

USE OF PROCEEDS

The gross proceeds to be received by the Corporation from the combination of prior sales of common shares and the sale of the common shares offered by this prospectus will be \$700,000. The Policy requires that, until the completion by the Corporation of a Qualifying Transaction and except as otherwise provided by the Policy, all proceeds from the sale of all securities, including proceeds from sales prior to the prospectus, shall be utilized by the Corporation 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; and
 - (v) financial statements, including audited financial statements;

relating to the identification and evaluation of assets or businesses and the obtaining of shareholder approval for the Qualifying Transaction;
- (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 Corporation's proposed Qualifying Transaction; and
- (c) subject to prior acceptance of CDNX, for deposits in the maximum aggregate amount of \$100,000 (with a maximum of \$25,000 to be non-refundable) to preserve assets, provided that no deposit or similar payment may be made to a Related Party.

In addition, until completion by the Corporation of a Qualifying Transaction, no more than 30% of the gross proceeds from the sale of all securities issued by the Corporation shall be used for purposes other than those described above, including the following expenditures which the Policy specifies as not being expenditures to identify and evaluate assets or businesses:

- (a) listing and filing fees (including SEDAR fees);
- (b) underwriter's or agent's fees, costs and commissions;
- (c) other costs for the issuance 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 the printing of this prospectus and share certificates), equipment leases (provided that no proceeds shall be used to acquire or lease a vehicle); and fees for legal advice and audit expenses, other than those described above with respect to the Qualifying Transaction.

Except as permitted by the Policy, until the completion by the Corporation of a Qualifying Transaction, the Corporation may not make a direct investment in a target company or business and may not make any payment of any kind, directly or indirectly, to the target company or target business, or to Related Parties to the Corporation or Related Parties to the Qualifying Transaction, or to a person engaged in investor relations activities, by any means, including:

- (a) remuneration, which includes but is not limited to salaries, consulting fees, management contract fees, directors fees, finder's fees, loans, vehicle acquisitions or leases, advances and bonuses (including bonuses relating to the Qualifying Transaction); and
- (b) the deposits and similar payments described above.

Further, no such payments shall be made on or after the completion by the Corporation of a Qualifying Transaction if such payments relate to services rendered or obligations incurred prior to or in connection with the Qualifying Transaction.

Notwithstanding the above, the Corporation may reimburse Related Parties to the Corporation for reasonable expenses for office supplies, office rent and related utilities, equipment leases (excluding vehicle leases), and legal services (provided that neither the lawyer providing the legal services nor any member of the law firm providing the services is a promoter of the Corporation), and may also reimburse Related Parties to the Corporation for reasonable out-of-pocket expenses incurred in pursuing the business of the Corporation.

The restrictions in the Policy on expenditures and the use of proceeds continue to apply until completion of the Qualifying Transaction. As a result of the definition of "Completion of the Qualifying Transaction" in the Policy, such restrictions can continue to apply following shareholder approval of the proposed Qualifying Transaction and until the issuance of the Final Exchange Notice (as defined in the Policy). If the Qualifying Transaction does not close, or if for any other reason CDNX does not issue a Final Exchange Notice, any expenditures made other than as permitted by the Policy will be considered to be a breach of the Policy.

The following indicates the uses to which the Corporation proposes to put the funds which it received from prior sales of common shares together with the funds which it may receive from this offering.

Proceeds to the Corporation from sales prior to this Offering ⁽¹⁾	\$400,000
Proceeds from this Offering ⁽²⁾	<u>\$300,000</u>
Total Proceeds	<u>\$700,000</u>
Estimated Costs of Identifying and Evaluating Properties or Business Prospects ⁽³⁾	\$490,000
Commission, Administration Fee and Legal Expenses of the Agent	\$ 43,000
Legal, Accounting and Other Expenses Associated with this Offering	\$ 25,000
General and Administrative Expenses until Completion of a Qualifying Transaction	<u>\$142,000</u>
<u>Total Use Of Proceeds</u>	<u>\$700,000</u>

Notes:

- (1) See "Prior Sales".
- (2) In the event the Agent exercises the Agent's Option, there will be available to the Corporation a maximum of an additional \$30,000 which will be added to the working capital of the Corporation. See "Plan of Distribution".
- (3) In the event that the Corporation completes an approved Qualifying Transaction prior to spending the entire \$490,000 on identifying and evaluating companies, assets or businesses, the Corporation may use the remaining funds to finance or partially finance the acquisition of, or participation in, such company, asset or business 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 or the Government of the United States of America, in certificates of deposit or interest-bearing accounts of Canadian chartered banks, trust companies, credit unions or the Alberta Treasury Branches.

The proceeds from this offering after deducting the expenses associated with this offering, will only be sufficient to identify and evaluate a minimum number of companies, properties and businesses, and additional funds may be required to finance any acquisition or participation to which the Corporation may commit. The Corporation anticipates that it will be able to identify and evaluate approximately six (6) potential companies, assets or businesses utilizing the funds raised herein. See "Business of the Corporation" and "Risk Factors".

PLAN OF DISTRIBUTION

Pursuant to an agency agreement dated November 21, 2000 (the "Agency Agreement") among the Corporation, Olympia Trust Company and the Agent, the Corporation has appointed the Agent as its agent to offer for distribution, on a best efforts basis in the Province of Alberta, 1,000,000 common shares of the Corporation, at a price of \$0.30 per common share, subject to the terms and conditions in the Agency Agreement. The Agent will receive a commission of \$30,000 if the total offering is sold. In addition, the Agent will receive an administration fee of \$8,000 and will be reimbursed for its legal fees incurred pursuant to this offering, estimated to be \$5,000. 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.

Agent's Option

The Corporation will grant to the Agent upon the completion of this offering, a non-transferable option to purchase up to 100,000 common shares at a price of \$0.30 per common share, which may be exercised for a period of 18 months following the date of listing of the common shares on CDNX (the "Agent's Option"). A total of fifty (50%) percent of the common shares held pursuant to the exercise of the Agent's Option may be sold by the Agent prior to the completion of a Qualifying Transaction by the Corporation. The remaining fifty (50%) percent may only be sold after the completion of a Qualifying Transaction. The common shares issued upon the exercise of the Agent's Option will be issued in addition to the 1,000,000 common shares being offered pursuant to this prospectus, and the Agent's Option is qualified for distribution under this prospectus.

Subscriptions

The Agent has agreed to use its best efforts to secure subscriptions for all common shares offered hereunder on behalf of the Corporation and, if necessary, to enter into co-brokerage arrangements with other investment dealers at no additional cost to the Corporation. The total offering hereunder is 1,000,000 common shares for total gross proceeds of \$300,000. The maximum purchase by any single subscriber to this offering

is 2% of the offering, or 20,000 common shares, for a total price of \$6,000. The funds received from the sale of the common shares offered hereunder will be deposited with Olympia Trust Company, and will not be released until a minimum of \$300,000 has been deposited and the Agent has consented to such release. The total subscription must be raised within 90 days of the date of issuance of a receipt for the prospectus, or such other time as may be authorized by the Executive Director of the Alberta Securities Commission, and agreed to by the Agent, failing which Olympia Trust Company will remit the funds collected to the original subscribers without interest or deduction.

DESCRIPTION OF SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of common shares without nominal or par value, of which, as at the date hereof, 1,666,667 are issued and outstanding as fully paid and non-assessable and 10% of the issued and outstanding common shares are reserved under the incentive stock option program of CDNX. In addition, 100,000 common shares are reserved for the Agent's Option. See "Incentive Stock Options" and "Plan of Distribution".

The holders of common shares shall be entitled to dividends if, as and when declared by the directors, to one vote per share at meetings of the holders of common shares 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 to be issued and outstanding upon completion of this offering will be issued as fully paid and non-assessable.

The Corporation is also authorized to issue an unlimited number of preferred shares without nominal or par value, of which, as at the date hereof, none have been issued. The preferred shares may be issued in one or more series, and the directors are authorized to fix the number of shares in each series, and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. The preferred shares are entitled to a priority over the common shares with respect to the payment of dividends and the distribution of assets upon the liquidation of the Corporation.

CAPITALIZATION

<u>Capital</u>	<u>Authorized</u>	<u>Outstanding as at September 12, 2000⁽²⁾⁽³⁾</u>	<u>Outstanding as at the Date Hereof⁽²⁾⁽³⁾</u>	<u>Outstanding After Giving Effect to this Offering⁽²⁾⁽³⁾⁽⁴⁾</u>
Common Shares	Unlimited	\$400,000 (1,666,667 common shares)	\$400,000 (1,666,667 common shares)	\$700,000 (2,666,667 common shares)
Preferred Shares	Unlimited	Nil	Nil	Nil

Notes:

- (1) The deficit of the Corporation as at September 12, 2000 was nil.
- (2) The Corporation has also reserved for issuance 10% of the issued and outstanding common shares for the incentive stock option program of CDNX. See "Incentive Stock Options".
- (3) The Corporation has also reserved for issuance up to 100,000 common shares for the Agent's Option. See "Plan of Distribution".

- (4) The \$700,000 represents gross proceeds of this and prior issues of common shares of the Corporation, before the deduction of selling commissions and related expenses incurred by the Corporation.

PRIOR SALES

Since the date of incorporation of the Corporation, the common shares have been issued as follows:

<u>Date</u>	<u>Number of Shares</u>	<u>Issue Price Per Common Share⁽¹⁾</u>	<u>Aggregate Issue Price</u>	<u>Nature of Consideration Received</u>
June 1, 2000	666,667 ⁽¹⁾	\$0.15	\$100,000	Cash
July 15, 2000	300,000	\$0.30	\$90,000	Cash
August 23, 2000	650,000	\$0.30	\$195,000	Cash
September 7, 2000	50,000	\$0.30	<u>\$15,000</u>	Cash
Total			\$400,000	

Note:

- (1) These common shares are all to be held in escrow.

The common shares issued at a price of \$0.15 per share will be held in escrow. See "Escrowed Securities".

PRINCIPAL SHAREHOLDERS

The following table lists those persons who own of record or who are known to the Corporation to own beneficially, directly or indirectly, more than 10% of the issued and outstanding common shares of the Corporation as at the date hereof:

<u>Name and Municipality of Residence</u>	<u>Type of Ownership</u>	<u>Number of Common Shares⁽¹⁾</u>	<u>Percentage of Shares Owned Before Giving Effect to this Offering</u>	<u>Percentage of Shares Owned After Giving Effect to this Offering⁽²⁾</u>
David G. Mallory Calgary, Alberta	Direct	166,667	10%	6.25%
Michael R. Binnion Calgary, Alberta	Direct	166,667	10%	6.25%
W. Carter Siebens Calgary, Alberta	Direct	166,667	10%	6.25%
James R. Swayze Toronto, Ontario	Direct	166,666	10%	6.25%

Notes:

- (1) These common shares are all to be held in escrow. See "Escrowed Securities".
- (2) Assuming the shareholders do not acquire any common shares of the Corporation pursuant to the offering.

As at the date hereof, the 666,667 common shares legally owned, directly or indirectly, by all directors and officers as a group, prior to giving effect to this offering, represents 40.0% of the issued and outstanding common shares of the Corporation and will represent approximately 25.0% of the issued and outstanding common shares of the Corporation, after giving effect to this offering, assuming the directors and officers do not acquire any common shares pursuant to the offering.

DIRECTORS AND OFFICERS

The following are the names and municipalities of residence of the directors and officers of the Corporation, their position and offices with the Corporation and their principal occupations during the last five years. See also "Management and Key Personnel".

Name and Municipality of Residence	Present Occupation and Position During the Last Five Years
David G. Mallory ⁽¹⁾ Calgary, Alberta President, CEO, CFO and Director	Managing Director of Glacier Equity Corporation since November 1999. President of 715502 Alberta Ltd. since January 1997. Chief Financial Officer of Flowing Energy Corporation since September 2000. Chief Financial Officer of Oxbow Equities Corp. from January 1997 to November 1999; prior thereto, the Vice-President, Corporate Finance for Oxbow Capital Corporation from May 1996 to December 1998; prior thereto the Controller of TransAlta Utilities Corporation from June 1994 to May 1996.
Michael R. Binnion Calgary, Alberta Secretary and Director	President and Chief Financial Officer of CanArgo Energy Corporation since July 1998 and President of Terrenex Acquisition Corporation since October 1995, as well as the sole Director of Ruperts Crossing, An Investment Corporation. President and Chief Financial Officer of CanArgo Energy Inc. from May 1996 to July 1998; prior thereto, the Executive Director of Crossfield House Inc. from December 1992 to January 1998 and the Chief Financial Officer and a Director of Trans-Dominion Energy Company from 1993 to April 1997.
W. Carter Siebens ⁽¹⁾ Calgary, Alberta Director	An independent business consultant since June 1999 and a Director of Boundary Creek Resources Ltd., a public oil and gas company listed on CDNX, since March 2000. Former Director of Somerville Capital Inc., a junior capital pool corporation listed on The Alberta Stock Exchange that completed its Major Transaction and changed its name to Book4golf.com Corporation and is now listed on CDNX. Former Secretary and a Director of Tertiary Mines Ltd., a junior capital pool corporation listed on The Alberta Stock Exchange that completed its Major Transaction and changed its name to The Song Corporation and is now listed on CDNX. From November 1987 to February 1991, an executive for Hambro European Ventures Limited, a venture capital subsidiary of Hambros Bank Plc, a publicly listed merchant bank. From February 1991 to October 1992, he worked with The Merbanco Group, a private Calgary-based investment bank. The Vice-President of Tycor International Corp. ("Tycor"), a private corporation that manufactures electrical power protection devices until August 1, 1997, when Tycor was sold to a subsidiary of Eaton Corp., a New York Stock Exchange listed company. He remained with Tycor as the Controller and Administrative Manager until June 1999.
James R. Swayze ⁽¹⁾ Toronto, Ontario Director	Since 1997 the Senior Vice-President of Employers Reassurance Canada Management Services Inc., a division of GE Capital. Currently also the President of Insource Limited, a financial services consultancy, and GE Capital Company, and has been since 1998. From January 1994 to May 1996 the Vice-President of Intercedent Actuaries & Consultants.

Note:

(1) Member of the audit committee of the Corporation.

All of the directors and officers currently have employment outside of the Corporation. It is anticipated Mr. Mallory will devote approximately 20% of his time to the affairs of the Corporation and Messrs. Binnion, Siebens and Swayze will devote such time as is necessary. Upon completion of a Qualifying Transaction by the Corporation, the amount of time spent on the affairs of the Corporation will depend on the property or business acquired.

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.

REMUNERATION OF DIRECTORS AND OFFICERS

No remuneration has been paid by the Corporation to any directors or officers since incorporation. No remuneration, consulting fees, directors fees, deposits or similar payments shall be paid to Related Parties to the Corporation or to Related Parties to the Qualifying Transaction, and no remuneration will be paid by the Corporation to any individual or entity providing investor or public relations type services, prior to completion of a Qualifying Transaction by the Corporation. However, the Corporation may reimburse Related Parties to the Corporation for reasonable expenses for office supplies, office rent and related utilities, equipment leases (excluding vehicle leases), legal services (provided that neither the lawyer providing the services nor any member of the law firm providing the services is a promoter of the Corporation), and may also reimburse Related Parties to the Corporation for reasonable out-of-pocket expenses incurred in pursuing the business of the Corporation. See "Use of Proceeds".

The directors and officers of the Corporation will be granted stock options. See "Incentive Stock Options."

ESCROWED SECURITIES

Pursuant to a Discount Seed Share Escrow Agreement (as defined in the Policy) dated as of August 31, 2000 (the "Escrow Agreement"), David G. Mallory, Michael R. Binnion, James R. Swayze and W. Carter Siebens have agreed to deposit 666,667 common shares (the "Escrowed Shares") with Olympia Trust Company to be held in escrow pursuant to the terms and conditions of the Escrow Agreement. The Escrowed Shares are owned as to 166,667 common shares by each of David G. Mallory, Michael R. Binnion and W. Carter Siebens and 166,666 by James R. Swayze. The Escrow Agreement provides that the Escrowed Shares and the beneficial ownership of or interest in them may not be sold, assigned, hypothecated, transferred within escrow or dealt with in any manner without the written consent of CDNX.

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

<u>Designation of Class</u>	<u>Number of Securities held in Escrow⁽¹⁾</u>	<u>Percentage of Class Outstanding</u>	<u>Percentage of Class After Giving Effect to this Offering⁽²⁾</u>
common shares	666,667	40%	25%

Notes:

- (1) Percentages are calculated based on the total number of common shares escrowed pursuant to all escrow agreements.
- (2) Assuming the shareholders who are a party to the Escrow Agreement do not acquire any common shares pursuant to the offering.

CDNX has set out escrow requirements in the Policy, which requires that all securities beneficially owned, directly or indirectly, at the time of this offering, acquired pursuant to this offering or acquired from treasury after the offering, but prior to the completion of a Qualifying Transaction, by Related Parties to the Corporation to be held in escrow. In addition, all securities of the Corporation of the class offered under this prospectus and issued prior to the prospectus offering at a price per share less than the prospectus offering price of \$0.30 per share, and all securities acquired in the secondary market prior to the completion of a Qualifying Transaction by a person or company who owns more than 20% of the outstanding voting shares of the Corporation or a sufficient number of shares of the Corporation so as to materially affect its control (being a "Control Person"), shall also be held in escrow. Finally, all shares of the Corporation issued contemporaneously or in conjunction with the Qualifying Transaction to a "Principal of the Resulting Issuer" as defined in Policy 5.4 of the CDNX Corporate Finance Manual, will be escrowed pursuant to Policy 5.4 of the CDNX Corporate Finance Manual.

The Escrowed Shares shall be released as follows:

- (a) 10% immediately following the issuance of the bulletin of CDNX announcing final acceptance of the Qualifying Transaction (the "Initial Release");
- (b) 15% six months following the Initial Release;
- (c) 15% twelve months following the Initial Release;
- (d) 15% eighteen months following the Initial Release;
- (e) 15% twenty-four months following the Initial Release;
- (f) 15% thirty months following the Initial Release; and
- (g) 15% thirty-six months following the Initial Release.

In the event the Corporation meets CDNX's Tier 1 minimum listing requirements upon completion of the Qualifying Transaction, the release of the Escrowed Shares may be accelerated and released as follows:

- (a) 25% immediately following the issuance of the bulleting of CDNX announcing final acceptance of the Qualifying Transaction and confirmation the Corporation qualifies as a Tier 1 issuer on CDNX (the "Tier 1 Initial Release");
- (b) 25% six months following the Tier 1 Initial Release;
- (c) 25% twelve months following the Tier 1 Initial Release; and
- (d) 25% eighteen months following the Tier 1 Initial Release.

Any accelerated escrow release would not commence until CDNX has issued a Bulletin that announces the acceptance for listing of the Corporation on Tier 1.

In the event a Qualifying Transaction is not completed, there will be no release from escrow of the Escrowed Shares. In addition, in the event CDNX issues a Bulletin de-listing the Corporation, any Discount Seed Shares (as defined in the Policy) held by directors, officers, control persons and other insiders of the Corporation will be cancelled.

In connection with any Qualifying Transaction, the securities of the Resulting Issuer (as defined in the Policy) owned by Related Parties will generally be escrowed in accordance with the policies of CDNX and other securities issued in connection with any Qualifying Transaction may also be escrowed in accordance with the policies of CDNX.

INCENTIVE STOCK OPTIONS

The Corporation has adopted the incentive stock option program of CDNX (the "Stock Option Program") which provides that the Board of Directors of the Corporation may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Corporation, or any subsidiary of the Corporation, the option to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Program shall not exceed ten percent (10%) of the issued and outstanding common shares. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares. Upon closing hereof, ten percent (10%) of the issued and outstanding common shares totals 266,666 common shares. The Board of Directors determines the exercise price per common share and the number of common shares which may be allotted to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of CDNX. The exercise price per common share set by the Board of Directors shall not be less than the last price at which a full board lot of common shares was, on the last business day prior to the date on which such option is granted, traded on CDNX or such other principal market on which the common shares are then traded, less the applicable discount permitted (if any) by such applicable exchange or market. Options under the Stock Option Program are non-assignable. If prior to the exercise of an option, the holder ceases to be a director, officer, employee or consultant of the Corporation, or its subsidiary, the option of the holder shall be limited to the number of shares purchasable by him/her immediately prior to the time of his/her cessation of office or employment and he/she will have no right to purchase any other shares. Options must be exercised within 90 days of termination of employment or cessation of position with the Corporation, provided that if the cessation of office, directorship, consulting arrangement or employment was by reason of death, the option must be exercised within 12 months after such death, subject to the expiry date of such option.

The Corporation intends to enter into stock option agreements granting the Incentive Stock Options described below upon the issue of a receipt by the Alberta Securities Commission for this prospectus and in any event within 90 days of the issuance of a receipt for this prospectus:

<u>Name</u>	<u>Number of Common Shares Under Option</u>	<u>Exercise Price Per Common Share</u>	<u>Expiry Date</u>
David G. Mallory	66,667	\$0.30	June 30, 2005
Michael R. Binnion	66,667	\$0.30	June 30, 2005
James R. Swayze	66,666	\$0.30	June 30, 2005

<u>Name</u>	<u>Number of Common Shares Under Option</u>	<u>Exercise Price Per Common Share</u>	<u>Expiry Date</u>
W. Carter Siebens	<u>66,666</u>	\$0.30	June 30, 2005
Total	266,666		

The Incentive Stock Options to be granted to Messrs. Mallory, Binnion, Swayze and Siebens to purchase an aggregate of 266,666 common shares of the Corporation at a price of \$0.30 per common share are qualified under and distributed pursuant to this prospectus.

Stock options may not be exercised prior to the completion of the Qualifying Transaction unless the optionee agrees in writing to deposit into escrow the common shares acquired upon exercise of such stock options until the issuance of the Bulletin of CDN X announcing final acceptance of the Qualifying Transaction.

PROMOTERS

David G. Mallory, Michael R. Binnion, James R. Swayze and W. Carter Siebens may be considered to be the promoters of the Corporation in that they took the initiative in founding and organizing the Corporation. David G. Mallory, Michael R. Binnion, James R. Swayze and W. Carter Siebens have subscribed for and received, directly or indirectly, common shares of the Corporation and will be granted stock options. See "Prior Sales", "Principal Shareholders" and "Incentive Stock Options".

INTEREST OF DIRECTORS, OFFICERS AND OTHERS IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of any directors, officers or shareholder who beneficially owns, directly or indirectly, more than 10% of the outstanding common shares of the Corporation or any known associates or affiliates of such persons, in any transaction since incorporation of the Corporation, or in any proposed transaction which has materially affected or would materially affect the Corporation.

MATERIAL CONTRACTS

The Corporation has not entered into any contracts material to investors in the common shares since incorporation, other than contracts in the ordinary course of business, except:

1. An Escrow Agreement dated as of August 31, 2000, among the Corporation, Olympia Trust Company, David G. Mallory, Michael R. Binnion, James R. Swayze and W. Carter Siebens. See "Escrowed Securities".
2. An Agency Agreement dated November 21, 2000 among the Corporation, Yorkton Securities Inc. and Olympia Trust Company. See "Plan of Distribution".
3. A Registrar and Transfer Agency Agreement dated as of July 31, 2000, between the Corporation and Olympia Trust Company. See "Auditors, Transfer Agent and Registrar".

Copies of these agreements, as well as the stock option plan of the Corporation, will be available for inspection at the offices of the Corporation's counsel, Burstall Winger LLP, at 3100, 324 - 8th Avenue S.W.,

Calgary, Alberta T2P 2Z2 at any time during ordinary business hours while the securities offered by this prospectus are in the course of distribution and for a period of 30 days thereafter, as well as the offices of the Alberta Securities Commission.

CONFLICTS OF INTEREST

There are potential conflicts of interest to which the directors and officers of the Corporation may be subject in connection with the operations of the Corporation. Some of the directors and officers are engaged and will continue to be engaged, directly or indirectly, in the search for properties or businesses and situations may arise where some of the directors and officers will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the *Business Corporations Act* (Alberta).

RISK FACTORS

There is currently no market for the common shares of the Corporation. This offering should be considered highly speculative due to the proposed nature of the Corporation's business and the fact that the Corporation was only recently incorporated. 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. The Corporation does not own any assets, other than cash, does not own any properties or businesses, has not identified a potential acquisition or participation and has not yet entered into an Agreement in Principle (as defined under the Policy). Investors acquiring common shares offered by this prospectus will suffer an immediate dilution of 12.5 % or \$0.0375 per common share based on gross proceeds of this and prior issues by the Corporation, before the deduction of selling commissions and related expenses incurred by the Corporation.

The proposed business of the Corporation involves a high degree of risk and there is no assurance that potential acquisitions or participations will be identified. Moreover, if potential acquisitions or participations are identified, the Corporation may determine that the current market, pricing conditions or terms of participation may make the acquisition or participation uneconomical. The Corporation may find that even if the terms of the acquisition or participation are economical, additional funds may be required to complete the acquisition or participation, and the Corporation may not be able to obtain financing. Where an acquisition or participation is financed by the issuance of shares from the treasury, control of the Corporation may change and shareholders may suffer further dilution to their investment.

CDNX 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. CDNX may not approve a Qualifying Transaction where the Corporation fails to meet the minimum listing requirements of CDNX upon completion of the acquisition or participation.

The directors and officers of the Corporation will not be devoting all their time to the affairs of the Corporation, but will be devoting such time as required to effectively manage the Corporation. Some of the directors and officers of the Corporation are engaged and will continue to be engaged in the search for property or business prospects on their own behalf or on behalf of others. See "Directors and Officers" and "Conflicts of Interest".

It may be difficult or impossible to effect service or notice to commence legal proceedings upon any directors, officers or experts located outside Canada. It may not be possible to enforce judgements obtained

in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada against such persons or the Corporation.

As a result of these factors, this offering is only suitable to those investors who are willing to rely on the management of the Corporation and who can afford to lose their entire investment. See "Business of the Corporation", "Management and Key Personnel", "Directors and Officers", "Conflicts of Interest" and "Use of Proceeds".

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are Halpin Antony Owen Mayer, Chartered Accountants, 1167 Kensington Crescent N.W., Calgary, Alberta T2N 1X7.

Olympia Trust Company, through its principal office at Suite 2600, 700 - 9th Avenue S.W., Calgary, Alberta T2P 3V4, is the transfer agent and registrar for the common shares.

Halpin Antony Owen Mayer
Chartered Accountants
Suite 308, 1167 Kensington Crescent NW
Calgary, AB T2N 1X7

AUDITORS' REPORT

**To The Board of Directors of
Silicon Acquisition Inc.**

We have audited the balance sheet of **Silicon Acquisition Inc.** as at September 12, 2000. This financial statement is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this financial statement 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 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 financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the financial position of the Corporation as at September 12, 2000 in accordance with generally accepted accounting principles.

"Halpin Antony Owen Mayer"
Halpin Antony Owen Mayer, Chartered Accountants

**September 19, 2000, except as to Note 3
which is as of November 21, 2000**

SILICON ACQUISITION INC.
BALANCE SHEET
as at September 12, 2000

ASSETS

Current

Cash	\$ 376,740
Prepaid Expenses	<u>\$ 23,260</u>
Total Assets	<u><u>\$ 400,000</u></u>

SHAREHOLDERS' EQUITY

Share capital (Note 2)	<u>\$ 400,000</u>
Total Equity	<u><u>\$ 400,000</u></u>

Approved by the Board:

"David G. Mallory" Director
 David G. Mallory

"Michael R. Binnion" Director
 Michael R. Binnion

**SILICON ACQUISITION INC.
NOTES TO BALANCE SHEET
as at September 12, 2000**

1. Incorporation

Silicon Acquisition Inc. (the "Corporation") was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (Alberta) on January 5, 2000. The articles of the Corporation were amended by a Certificate of Amendment dated July 31, 2000 to delete the private company provisions and the restrictions on resale.

2. Share capital

Authorized:

Unlimited number of common voting shares without nominal or par value
Unlimited number of preferred shares without nominal or par value

Issued:

1,666,667 common shares \$ 400,000

- (a) The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.
- (b) Pursuant to an escrow agreement dated as of August 31, 2000 among the Corporation, Olympia Trust Company and certain shareholders of the Corporation, 666,667 of the issued and outstanding common shares have been deposited in escrow. Upon the Corporation completing a Qualifying Transaction, as defined in Policy 2.4 of the Canadian Venture Exchange Inc. ("CDNX")(other than a private placement), these common shares shall be released as follows:
- (i) 10% immediately following the issuance of the bulletin of CDNX announcing final acceptance of the Qualifying Transaction (the "Initial Release");
 - (ii) 15% six months following the Initial Release;
 - (iii) 15% twelve months following the Initial Release;
 - (iv) 15% eighteen months following the Initial Release;
 - (v) 15% twenty-four months following the Initial Release;
 - (vi) 15% thirty months following the Initial Release; and
 - (vii) 15% thirty-six months following the Initial Release.

**SILICON ACQUISITION INC.
NOTES TO BALANCE SHEET
as at September 12, 2000**

3. Subsequent events

- (a) The Corporation filed a prospectus with the Alberta Securities Commission to issue 1,000,000 common shares at a price of \$0.30 per share. Pursuant to an Agency Agreement among the Corporation, Yorkton Securities Inc. ("Yorkton") and Olympia Trust Company, the Corporation agreed to issue the 1,000,000 common shares at a price of \$0.30 per share and the Corporation appointed Yorkton as its agent. The Corporation has agreed to pay Yorkton a commission of \$30,000, an administration fee of \$8,000 and will reimburse Yorkton for its legal fees estimated to be \$5,000. Yorkton will also be granted an option to purchase 100,000 common shares at a price of \$0.30 per share. The option will expire eighteen months from the date the common shares are listed for trading on CDNX.
- (b) The Corporation has adopted the incentive stock option program of CDNX (the "Stock Option Program") for the benefit of directors, officers, employees and other key personnel of the Corporation whereby a maximum of 10% of the issued and outstanding common shares of the Corporation are reserved for issuance pursuant to the exercise of stock options to be granted to directors, officers, employees and other key personnel of the Corporation. The Stock Option Program provides that the terms of the options and the option price shall be fixed by the directors subject to the price restrictions and other requirements imposed by CDNX. Stock options granted under the Stock Option Program may not be exercisable for a period longer than five (5) years and the exercise price must be paid in full upon exercise of the option.
- (c) The Corporation intends to enter into stock option agreements granting stock options to acquire 266,666 common shares to certain officers and directors at a price of \$0.30 per share upon the issue of a receipt for the prospectus of the Corporation by the Alberta Securities Commission, such options expiring on June 30, 2005.

PURCHASERS' 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,
 - (i) has a right of action for damages against:
 - (A) the issuer or a selling security holder on whose behalf the distribution is made,
 - (B) each underwriter required to sign the certificate required by section 91 of the Act,
 - (C) every director of the issuer at the time the prospectus or amendment was filed,
 - (D) every person or company whose consent has been filed pursuant to a requirement of the regulations under the Act, but only with respect to reports, opinions or statements made by them, and
 - (E) 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 more than the earlier of 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action or one year after the date of the transaction that gave rise to the cause of action, or

- (ii) where the purchaser purchased the security from a person or company referred to in (A) or (B) 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 180 days after the date of the transaction that gave rise to the cause of action.

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

CERTIFICATE OF THE CORPORATION

Dated: November 21, 2000

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.

"David G. Mallory"

Chief Executive Officer and Chief Financial Officer

ON BEHALF OF THE BOARD

"Michael R. Binnion"

Michael R. Binnion
Director

"W. Carter Siebens"

W. Carter Siebens
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 Part 7 of the *Securities Act* (British Columbia) and the regulations under it.

"David G. Mallory"

David G. Mallory

"W. Carter Siebens"

W. Carter Siebens

"Michael R. Binnion"

Michael R. Binnion

"James R. Swayze"

James R. Swayze

CERTIFICATE OF THE AGENT

Dated: November 21, 2000

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.

YORKTON SECURITIES INC.

Per: "Allan D. Frame"
Allan D. Frame