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**PROSPECTUS**

Initial Public Offering

April 5, 2002

**KING'S BAY GOLD CORPORATION**

**1,500,000 UNITS**

**\$525,000**  
**(1,500,000 Units)**

King's Bay Gold Corporation (the "Corporation" or "King's Bay") by this prospectus ("Prospectus") hereby is offering for sale to the public up to 1,500,000 units ("Units") at a price of \$0.35 per Unit for an offering of up to \$525,000 (the "Offering"). Each Unit is comprised of one common share ("Common Share"), one Common Share Series "A" purchase warrant ("Series A Warrant") and one Common Share Series "B" purchase warrant ("Series B Warrant"). Two Series A Warrants entitle the holder to purchase one Common Share at a purchase price of \$0.50 per Common Share at any time up to 12 months from the initial closing date. Two Series B Warrants entitle the holder to purchase a Common Share at a purchase price of \$1.50 per Common Share at any time up to 24 months from the initial closing date.

	Number of Units	Price to Public	Agent's Commission <sup>(1)(2)</sup>	Net Proceeds to Corporation <sup>(3)</sup>
Per Unit	1	\$0.35 <sup>(4)</sup>	\$0.035	\$0.315
Total Offering of Units	1,500,000	\$525,000 <sup>(3)</sup>	\$52,500	\$472,500

**Notes:**

- (1) A 10% commission will be paid to Bieber Securities Inc. (the "Agent"). In addition, the Agent will be granted a non-transferable option to purchase Units (the "Agent's Unit Option") representing up to 10% of the Units sold under the Offering at a purchase price of \$0.35 per Unit. The Agent's Unit Option is qualified by and will be distributed pursuant to this Prospectus. See "Plan of Distribution and Description of Securities Offered".
- (2) Before deducting the expenses of this Offering estimated to be \$75,000.
- (3) The Offering price was determined by negotiation between the Corporation and the Agent.
- (4) The Corporation has agreed to grant the Agent an option (the "Over Allotment Option"), exercisable for a period of 60 days from the closing of the Offering, to purchase an additional 15% of the number of Units issued at the closing of the Offering on the same terms set forth above solely to cover over allotments, if any. If the Agent exercises the Over Allotment Option in full, the total price to the public will be \$78,750, the Agent's commission will be \$7,875 and the net proceeds to the Corporation will be \$70,875. In addition, the Agent will be granted a non-transferable option to purchase Units representing up to 10% of the Units sold pursuant to the Over Allotment Option. Further references to the Agent's Unit Option shall include the option to purchase up to 10% of the Units sold pursuant to the Over Allotment Option. This prospectus qualifies the distribution of the Over Allotment Option. See "Plan of Distribution and Description of Securities Offered".

**The securities offered hereby are highly speculative due to the nature of the Corporation's business and its present stage of development and subscribers should be prepared to risk the loss of their entire investment. After giving effect to the Offering, but prior to the exercise of any Series A Warrants, Series B Warrants and the Agent's Unit Option, the purchase price of \$0.35 per Common Share for Units exceeds the net tangible book value per Common Share as at October 31, 2001 by \$0.103 (representing a dilution factor of 70.6%). The Corporation is unlikely to pay dividends on the Common Shares in the foreseeable future. See "Risk Factors" and "Dilution".**

The promoters, directors, senior officers, insiders and control persons of the Corporation beneficially own or control, directly or indirectly, collectively 3,048,000 representing 40.4% of the Common Shares issued and outstanding prior to the Offering and 33.7% after giving effect to the Offering and assuming no Common Shares are issued pursuant to the exercise of the Series A Warrants, Series B Warrants, Warrants, the Agent's Unit Option and the Over Allotment Option.

This Offering is not underwritten and is subject to the total subscription of \$525,000 ("Total Subscription") being raised within 90 days of the issuance of a Final MRRS Decision Document or such other time as may be authorized by the appropriate regulatory authority and agreed to by the Agent (the "Final Closing Date"). Proceeds of this Offering will be deposited with the Trustee until subscriptions for \$525,000 have been raised. Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at anytime without notice. If the Total Subscription is not raised or before the Final Closing Date, subscription monies will be returned to Subscribers without interest or deduction. "See Plan of Distribution and Description of Offered Securities".

Bieber Securities Inc., or registered sub-agents who assist the Agent in the distribution of Units, conditionally offers, on a best efforts basis, 1,500,000 Units subject to prior sale, if, as and when issued by the Corporation in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution and Description of Offered Securities".

Certain legal matters in connection with the Offering will be passed upon for the Corporation by Armstrong Perkins Hudson LLP, Barristers and Solicitors, Calgary, Alberta and for the Agent by Taylor McCaffrey, Barristers and Solicitors, Winnipeg, Manitoba.

Its expected that certificates for the Common Shares, Series A Warrants and Series B Warrants will be available for delivery at the closing of the Offering.

**Bieber Securities Inc.**  
801 - 400 St. Mary Avenue  
Winnipeg, Manitoba  
R3C 4K5

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**GLOSSARY OF NON-GEOLOGICAL TERMS**

The following are definitions for terms used in this Prospectus:

<b>"Agent or Bieber"</b>	means Bieber Securities Inc..
<b>"Agent's Unit Option"</b>	means a non-transferable option to purchase Units representing up to 10% of the Units sold under the Offering and up to 10% of the Units sold pursuant to the Over Allotment Option at a purchase price of \$0.35 per Unit at any time up to 24 months from closing.
<b>"Agent's Series A Warrants"</b>	means Series A Warrants, two of which entitle the Agent to purchase one Common Share of the Corporation at any time up to 12 months from the initial closing date at a price of \$0.50 per Common Share.
<b>"Agent's Series B Warrants"</b>	means Series B Warrants, two of which entitle the Agent to purchase one Common Share of the Corporation at any time up to 24 months from the initial closing date at a price of \$1.50 per Common Share.
<b>"Common Shares"</b>	means common shares in the capital of the Corporation.
<b>"Corporation" or King's Bay"</b>	means King's Bay Gold Corporation, a corporation continued pursuant to the <i>Canada Business Corporations Act</i> .
<b>"Exchange"</b>	means the Canadian Venture Exchange Inc. For further clarification, references to the "Exchange" prior to November 29, 1999 are to the Vancouver Stock Exchange (a predecessor of the Canadian Venture Exchange) and references to the "Exchange" on or after November 29, 1999 are to the Canadian Venture Exchange.
<b>"Final MRRS Decision Document"</b>	means a final Mutual Reliance and Review System ("MRRS") decision document issued by the principal regulator pursuant to National Policy 43-201, or in the case of Securities Commissions that may opt out of MRRS, a receipt for the (final) prospectus.
<b>"Offering"</b>	means this offering of 1,500,000 Units at a price of \$0.35 per Unit.
<b>"Over Allotment Option"</b>	means an option exercisable for 60 days from the closing of the Offering to purchase an additional 15% of the number of Units issued at the closing of the Offering on the same terms as the Offering.
<b>"Prospectus"</b>	means this prospectus.
<b>"Series A Warrant Expiry Date"</b>	means the date which is 12 months from the Final Closing Date.
<b>"Series B Warrant Expiry Date"</b>	means the date which is 24 months from the Final Closing Date.
<b>"Series A Warrant Expiry Time"</b>	means 4:30 p.m. (Manitoba time) on the date which is 12 months from the Final Closing Date.
<b>"Series A Warrant Expiry Time"</b>	means 4:30 p.m. (Manitoba time) on the date which is 24 months from the Final Closing Date.
<b>"Series A Warrants"</b>	means the common share purchase warrants to be issued by the Corporation as a portion of the Units. Two Series A Warrants will entitle the holder to acquire one Common Share at a price of \$0.50.

- "Series B Warrants"** means the common share purchase warrants to be issued by the Corporation as a portion of the Units. Two Series B Warrants will entitle the holder to acquire one Common Share at a price of \$1.50.
- "Trustee" or "Computershare"** means Computershare Trust Company of Canada at its principal office in Winnipeg, Manitoba.
- "Unit"** means a Unit of the Corporation comprised of one Common Share, One Series A Warrant and one Series B Warrant.
- "Warrant"** means the Common Share purchase warrants previously issued by the Corporation. Each whole Warrant entitles the holder to purchase one additional Common Share at any time, on or before 4:30 p.m. (Manitoba time) expiring eighteen months from the date of grant or such other date agreed to by the parties at a price of \$0.25 per Common Share.

**CONVERSION**

The following table sets forth certain standard conversions from Standard Imperial units to the International System of Units (or metric units).

<b><u>To Convert From</u></b>	<b><u>To</u></b>	<b><u>Multiply By</u></b>
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471
Grams	Ounces (troy)	0.032
Ounces (troy)	Grams	31.103
Tonnes	Short tons	1.102
Short tons	Tonnes	0.907
Grams per tonne	Ounces (troy) per ton	0.029
Ounces (troy) per ton	Grams per tonne	34.438

**GLOSSARY OF GEOLOGICAL TERMS**

<b>"Alteration"</b>	means chemical and mineralogical changes in a rock mass resulting from the passage of fluids or increases in pressure and temperature.
<b>"Archean"</b>	means synonymous with Precambrian. Occasionally used to refer to older Precambrian rocks.
<b>"Archean Anorthosite"</b>	means a plutonic igneous rock.
<b>"Assay"</b>	means an analysis of the contents of metals in mineralized rocks.
<b>"Atomic Absorption Spectroscopy"</b>	means the defining and identification of certain minerals using a light spectrum.
<b>"Au"</b>	means gold.
<b>"Chalcopyrite"</b>	means a brassy yellow, metallic mineral composed of copper, iron and sulphur, and an important source of copper.
<b>"Chlorite"</b>	means in geology, the general term for hydrated silicates of aluminum, iron and magnesium.
<b>"Cu"</b>	means copper.
<b>"Deposit"</b>	means a mineralized body which has been physically delineated by drilling, trenching and/or underground work and may contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures. Such a deposit does not qualify as a commercially mineable orebody until final technical, legal and economic factors have been resolved.
<b>"Diabase"</b>	means a dark coloured intrusive rock, found as dykes sills composed of mainly feldspar, pyroxene and/or olivine, it is the shallow intrusive equivalent of basalt and gabbro
<b>"Diabase Lamprphyre"</b>	means a dark, igneous dyke or rock group
<b>"Drill Holes"</b>	means a drilling method whereby rock is drilled with a diamond impregnated, hollow drilling bit which produces a continuous, insitu record of the rock mass intersected in the form of solid cylinders of rock which are referred to as core.
<b>"Disseminated"</b>	means a mineral deposit in which minerals occur as scattered particles in the rock.
<b>"EM"</b>	means electromagnetic.
<b>"Epiclastic Sediments or metasediments"</b>	means a rock formed from the fragments or particles broken away from pre-existing rocks to form an altogether new rock
<b>"Feldspar"</b>	means one of a group of rock forming minerals which includes microcline, orthoclase, plagioclase and anorhtoclase.
<b>"Felsic"</b>	means light coloured silicate minerals such as quartz, feldspar and feldspathoids.
<b>"Fire Assay"</b>	means the assaying metallic ores, usually gold and silver, by methods requiring a furnace heat. It commonly involves the process of scorification, cupellation, etc.
<b>"Foliation"</b>	means the banding or the lamination of metamorphic rocks as distinguished from the stratification of sedimentary rocks.

<b>"Free Gold"</b>	means gold that is easily recoverable.
<b>"ft"</b>	means foot.
<b>"Gabbro"</b>	means a fine to coarse, dark coloured crystalline igneous rock composed mainly of calcic plagioclase (labradorite or anorthite), clinopyroxene, and sometimes olivine.
<b>"Gabbro Anorthosite"</b>	means a gabbro with anorthosite inclusions ( see anorthosite )
<b>"Galena "</b>	means lead sulphide, blue in colour.
<b>"Grab Sample"</b>	means a sample of selected rock chips from within an area of interest.
<b>"Grade"</b>	means the amount of valuable mineral in each tonne of ore, expressed as ounces per ton or grams per tonne for precious metal and as a percentage by weight for other metals.
<b>"Granitic"</b>	means special type of metamorphism by which solutions of magmatic origin move through solid rock..
<b>"Granodioritic"</b>	means coarse grain diorite
<b>"Gravimetric Procedure"</b>	means technique for determining the potential recovery of minerals..
<b>"km"</b>	means kilometer
<b>"Lamination"</b>	means stratification on a fine scale, each thin stratum, or lamina, being a small fraction of an inch in thickness.
<b>"Leucocratic Trondhjemite"</b>	means a light coloured white granitic rock.
<b>"Limonite-stained Vugs"</b>	means iron oxide stained cavity.
<b>"Lode"</b>	means a tabular or vein-like deposit of valuable minerals between well defined walls of rock.
<b>"Mafic"</b>	means a general term used to describe ferromagnesian minerals.
<b>"Magnetometer"</b>	means instrument that measures magnetic fields..
<b>"Metamorphosed"</b>	means a rock mass which has been subjected to metamorphism. Metamorphism is a geological process where the original mineral composition of a rock is changed or metamorphosed in response to local or regional scale changes in temperature, pressure and the action of chemically active fluids.
<b>"Metasediments"</b>	means. Metamorphosed sediments.
<b>"Metavolcanic"</b>	means volcanic rock which has undergone metamorphism.
<b>"Mineralization"</b>	means mineral bearing rock. Mineralization generally refers to the presence of minerals established by widely spaced drilling.
<b>"MMC"</b>	means the metic metaplutonic complex.
<b>"MNDM"</b>	means the ministry of Northern Development and Mines, Resident Geologists office, Kenora, Ontario
<b>"Native Gold"</b>	means very rare, gold in the purest state.

<b>"Ore"</b>	means rock that contains one or more minerals or metals, at least one of which has commercial value and which can be recovered at a profit.
<b>"Polyphase Deformation"</b>	means Archean supracrustal rocks of the Superior Province.
<b>"ppb"</b>	means part per billion.
<b>"Pyrrhotite"</b>	means iron sulfides, that is the next most common magnetic mineral to magnetite.
<b>"Pyrite"</b>	means a common iron sulphide mineral commonly found in hydrothermal veins and systems and commonly associated with gold mineralization.
<b>"Quartz"</b>	means a common rock containing the mineral silicon dioxide.
<b>"Quartz Feldspar Prophyry"</b>	means quartz crystals and feldspar in a fine grained background mass
<b>"Quartz Monzonitic"</b>	means Monzonitic with an abundance of quartz.
<b>"Schist"</b>	means a metamorphic rock characterised by a well developed parallel orientation of more than 50% of the minerals present.
<b>"Sedimentary"</b>	means a formation of solid fragmented material that originates from weathering of rocks and is transported from a source to a site of deposition.
<b>"Shear Zones"</b>	means linear areas of weakness along which a failure occurred whereby the portion of mass on one side of the area slides past the portion on the opposite side and which often form conduits for mineralising fluids.
<b>"Silica"</b>	means silicon dioxide (SiO <sub>2</sub> ), which occurs in the crystalline forms as quartz, cristobalite, tridymite; ascryptocrystalline chalcedony; as amorphous opal; and as an essential constituent of the silicate groups of minerals.
<b>"Sphalerite"</b>	means zinc iron sulfide, an important ore in zinc.
<b>"Stratigraphy"</b>	means the part of the descriptive geology of an area or district which pertains to the discrimination, character, thickness, sequence, age and correlation of the rocks of the district.
<b>"Strike"</b>	means geological measurement of the direction of a horizontal line on the surface of the bed.
<b>"Sulphide"</b>	means mineral formed by direct union of element with sulfur..
<b>"Supracrustal"</b>	means rocks of both early Proterozoic and late Archean age
<b>"Tectonic"</b>	means the surface of the earth is broken into large plates known as tectonic plates.
<b>"Tonalite-Trondhjemite"</b>	means a certain type of white granite.
<b>"Vein"</b>	means a sheet-like body of minerals formed by fracture-filling or replacement of the host rock.
<b>"VLM-EM Surveys"</b>	means very low radio frequency electro magnetic survey.
<b>"Volcanic"</b>	means formed by volcanic activity.
<b>"Zinc Blende"</b>	means another term used for zinc ore

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.*

- The Corporation:** The Corporation was incorporated under the name King's Bay Gold Corporation pursuant to the *Canada Business Corporations Act* on March 20, 1998.
- The Business of the Corporation:** The Corporation is engaged in the exploration for minerals and is currently focused on mineral interests in Northwestern Ontario. See "Business of the Corporation."
- Offering:** The Corporation is hereby offering for sale to the public up to 1,500,000 Units at a purchase price of \$0.35 per Unit. Each Unit is comprised of one Common Share of the Corporation, one Series A Warrant and one Series B Warrant. Two Series A Warrants entitle the holder to purchase one Common Share at a purchase price of \$0.50 per Common Share at any time up to the Series A Warrant Expiry Date. Two Series B Warrants entitle the holder to purchase one Common Share at a purchase price of \$1.50 per Common Share at anytime up to the Series B Warrant Expiry Date. This Offering is not underwritten and is subject to the total subscription of \$525,000 which must be raised within 90 days of the issuance of a Final MRRS Decision Document and such other time as may be authorized by the appropriate regulatory authority and agreed to by the Agent. Proceeds of this Offering will be deposited with the Trustee until subscriptions for \$525,000 have been raised. If the Total Subscription is not received on or before the Final Closing Date, subscription monies will be returned to Subscribers without interest or deduction. There is no assurance that the entire Offering will be completed and that the Corporation will have adequate funds to complete its stated objectives. Purchasers are cautioned that the Corporation will have the discretion to use the proceeds as it sees fit depending on its assessment of its needs. See "Plan of Distribution and Description of Offered Securities."
- Plan of Distribution:** The Agent, Bieber Securities Inc. has agreed to offer the Units, on a best efforts basis, in the provinces of Manitoba, Alberta and Saskatchewan. The Agent will be paid a commission of 10% of the gross proceeds of the sale of the Units. The Agent will also be granted a non-transferable option (the "Agent's Unit Option") to purchase up to 10% of the Units sold under the Offering at a purchase price of \$0.35 per Unit, which will expire 2 years from the date of issuance. See "Plan of Distribution and Description of Offered Securities."
- The Corporation has agreed to grant the Agent an Over Allotment Option, exercisable for a period of 60 days from the closing of the Offering, to purchase an additional 15% of the number of Units issued at the closing of the Offering on the same terms set forth above solely to cover over allotments, if any. If the Agent exercises the Over Allotment Option in full, the total price to the public will be \$78,750, the Agent's commission will be \$7,875 and the net proceeds to the Corporation will be \$70,875. This prospectus qualifies the distribution of the Over Allotment Option.
- Agent's Unit Option** The Agent's Unit Option is qualified by and will be distributed pursuant to this Prospectus. See "Plan of Distribution and Description of Offered Securities."
- Financial Information:** The Corporation is a mineral resource company, which is engaged in the acquisition of interests in, and the exploration of, mineral resource properties. At present, the Corporation's mineral resource activities do not generate any income from production. The Corporation has no sales revenues.

**Use of Proceeds:** The net proceeds of this Offering (\$397,500) have been and will be allocated by the Corporation for: exploration activities, operating expenses and unallocated working capital. See "Use of Proceeds".

**Description**

Exploration Activities	\$218,950
Operating Expenses	132,000
Unallocated Working Capital	<u>46,500</u>

**Total**

**\$397,500**

There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Corporation to achieve its business objectives. See "Use of Proceeds."

**Dividend Record and Policy:**

The Corporation has not paid any dividends on its Common Shares to date and does not anticipate that it will pay any dividends in the foreseeable future. See "Dividend Record and Policy."

**Risk Factors:**

An investment in the Units must be regarded as highly speculative due to the nature of the Corporation's business and its present stage of development. The Corporation has no proven mineral reserves or income. This Offering is only suitable for subscribers who are willing to rely solely upon the management of the Corporation and who can afford a total loss of their investment. The Corporation has no present intention to pay dividends to the holders of Common Shares. Subscribers will have to rely upon the expertise, judgment and ability of the management of the Corporation to carry out the business of the Corporation.

After giving effect to the Offering, but prior to the exercise of any Series A Warrants, Series B Warrants, Warrants, the Over Allotment Option and the Agent's Unit Option, the effective price of \$0.35 per Common Share for Units exceeds the net tangible book value per Common Share as at October 31, 2001 by \$0.103 (representing a dilution factor of 70.6%). See "Risk Factors."

**Listing of Securities:**

Application has been made to the Canadian Venture Exchange Inc. for the listing of the Common Shares qualified for distribution pursuant to this Prospectus.

**Qualification:**

This Prospectus is being filed in the Provinces of Manitoba, Alberta and Saskatchewan. See "Plan of Distribution and Description of Offered Securities."

## **KING'S BAY GOLD CORPORATION**

### **The Corporation**

The head office of the Corporation is located at 152 Gull Lake Road, Winnipeg, Manitoba, R3T 5T3 and the registered office is located at 2300 Western Gas Tower, 530-8th Avenue S.W., Calgary, Alberta, T2P 3S8.

The Corporation was incorporated under the name King's Bay Gold Corporation pursuant to the Canada Business Corporations Act ("CBCA") on March 20, 1998.

### **Description of the Business and Properties of the Corporation**

The Corporation is a mining company with interest in mineral claims in Northwestern Ontario. The Corporation's principal property is the Swell Bay Property. See "Principal Property of the Corporation". Certain properties exhibit high grade gold values, others are located in close proximity to past producing as well as active mines, while others have possible geophysical signatures that may be similar to kimberlite pipes which may indicate the presence of diamonds. The Corporation owns most of the equipment required (including a diamond drill) to carry out the various phases of exploration.

The business objective that the Corporation expects to accomplish with the net proceeds is to initiate and complete the exploration and development program on its Swell Bay Property (as defined below) as described in the recommendations of Swell Bay Report (as defined below). See "Swell Bay Property - Exploration and Development Program".

The Swell Bay Property most recent channel sampling at the number 1 zone has revealed a gold bearing structure having anomalous gold values over a width of over 40 feet. Within that structure a zone resulted in a 20ft interval averaging 8951ppb or .284 oz/au/ton.

Other properties will be developed as market conditions allow and preliminary positive results are achieved but none of the proceeds from this Offering will be used to develop these properties.

### **Consulting Geologist Reports**

Certain of the following information relating to the Swell Bay Property is derived from a report dated September, 2001 (the "Swell Bay Report") prepared for the Corporation by Clark Exploration Consulting ("Clark Exploration"). Certain of the following information relating to the Stellar Property (as defined below) is derived from a report dated August, 2001 (the "Stellar Report") also prepared for the Corporation by Clark Exploration. Such information has been included herein with the consent and prior review of Clark Exploration. The Stellar Report and Swell Bay Report have been filed with this prospectus and are available for inspection in Winnipeg at the offices of the Corporation at 152 Gull Lake Road, Winnipeg, Manitoba, R3T 5T3, during normal business hours while the securities offered by this prospectus are in the course of distribution and for a period of 30 days thereafter.

Clark Exploration stated that the work reported in the Swell Bay Report and the Stellar Report was taken almost entirely from assessment files ("Assessment Files") from the Kenora District Geologist's Office and while Clark Exploration has made every attempt to accurately convey the content of those files, Clark Exploration cannot guarantee either the accuracy or validity of the work contained within those files, some of which date back to 1934. The authors of these files were not necessarily "Qualified Persons" as defined by National Instrument 43-101, Standards of Disclosure for Mineral Projects. During the Clark Exploration's visit to the Swell Bay Property, no posts or claim lines were observed, due to the age of the patents, which were filed in 1957.

All references to earlier reports are contained within the Swell Bay Report and Stellar Report prepared by Clark Exploration.

### **Principal Property of the Corporation - Swell Bay Property**

Effective April 14, 2000, the Corporation acquired an option on a 6 patented claim group mining property located in the Swell Bay area, located near Fort Frances, in the Rainy River District, Ontario (the "Swell Bay Property") pursuant to an option agreement (the "Swell Bay Option") with Mr. Arthur F. Young ("A. Young") in consideration for the issuance of 40,000 common shares of the Corporation, payment of \$5,000 upon signing of the Swell Bay Option and the payment of \$5,000 annually. To date, \$15,000 has been paid by the Corporation pursuant to the Swell Bay Option. Before engaging in any

mining operations or before the removal of any ore, the Corporation has agreed to pay A. Young \$50,000, at which time all claims comprising the Swell Bay Property will become the property of the Corporation and all further annual payments of \$5,000 will be terminated. Following the first year of mining, the Corporation has agreed to pay to A. Young \$1.00 for every ton of ore mined. The target metal of the Swell Bay Property is gold.

**Swell Bay Property**

Data Verification

The older work presented in the Swell Bay Report could not be verified due to lack of assay certificates and the general age of the workings. Since much of the previous work was being performed on patented ground, filing for assessment was not required. Clark Exploration verifies that the information as presented is an accurate summary and presentation of the material available in the assessment files. The work performed by King's Bay was inspected during a property visit by Clark Exploration on October 1st, 2001, during which 8 additional samples were taken where King's Bay had previously sampled and the work reported was confirmed.

Property Description and Location

The claims are located in the Bliss Lake Area overlapping the common border of Halkirk and Farrington Townships, Kenora Mining Division. The Swell Bay Property is located on the east end of Swell Bay on Rainy Lake, approximately 40 km east of Fort Frances, Ontario, 2.5 km south of Highway 11.

The property consists of six patented contiguous claims comprising approximately 5 units for a total of 69.51 hectares. The claims are owned by A. Young of Moose Jaw, Saskatchewan. Pursuant to the Swell Bay Option, the Corporation can earn 100% interest in the Swell Bay Property.

The Swell Bay Property contains no known environmental hazards, however an old shaft reported to be 28 feet deep (Source: F.R. Harris 1974, Geology of the Rainy Lake Area, District of Rainy River, Ontario Division of Mines) is said to represent a moderate to high public safety hazard. The abandoned mine information system report ("AMIS Report") with rehabilitation recommendations is filed with the MNDM under AMIS ID # 04634.

**Table 1. Claims**

<b>PARCEL NUMBER</b>	<b>CLAIM NUMBER</b>	<b>AREA (HECTARES)</b>
16536	FF4401	8.99
16532	FF4000	18.58
16535	FF4351	7.80
16533	FF4001	8.56
16531	FF3998	14.91
16669	FF4004	10.67

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access to the Swell Bay Property is either by air or water using Rainy Lake, or via Highway 11, which is part of the Trans-Canada Highway system, then by ATV trail to the property. N.T.S. 52C 10/NW.

The town of Fort Frances is approximately 40 km to the west, and is a fully serviced community of 9000 people on the Trans-Canada highway and on the United States border across from International Falls, Minnesota. The city of Thunder Bay lies about 255 km to the east, and is a city of 120,000 people with port, airport, rail and highway access.

The Swell Bay property is characterized by generally low relief, with occasional rocky ridges alternating with overburden and swampy areas. The property is transected by a fault valley trending N25°E, bordered by parallel fault scarps that have been rounded by erosion and host most of the present showings (Source: J.J. Harris, 1960 Preliminary Report on the Swell Bay

Property, Rainy River District; Fort Frances Mining Division, Northwestern Ontario). The valley itself is mostly covered by overburden, with few rock exposures.

Vegetation consists of mixed bush typical of the Canadian Shield, with birch, poplar, spruce and jackpine. Swampy areas host thick alder growths.

### Property History

The following description of property history was taken by Clark Exploration from F.H. Harris, 1974 and Assessment Files.

The first work on the Swell Bay Property is reported to have taken place around 1890, by a prospector named Kelly who worked a "lost" mine at that time. Benches cut into the overburden at the east end of the property are said to date back to that time, and so does the 28-foot shaft on claim FF4000.

The present claim block was staked by Elmer Corrigan in 1939, who performed prospecting, dug pits and trenches, and drilled an unknown number of X-ray drill holes from 1939 to 1945. Corrigan also dewatered and sampled the 28-foot shaft, which returned assays of only trace gold. In 1946 Corrigan was able to bring the six claims to patent. As part of the work done at that time, a 145-pound sample of the gold-bearing quartz was delivered to the Ore Dressing and Metallurgical Laboratory in Ottawa for milling and cyanidation tests. The report from the lab indicated that the gold was free-milling and assayed 1.35 ounces of gold per ton and 0.22 ounces of silver per ton.

Corrigan also trenched and stripped a number of these veins and reported visible gold in places and assays up to \$186.90 per ton over 2.5 feet with gold at \$35 an ounce, although no assay certificates or methodology are available. A summary of samples reported by F.R. Harris in 1974 and assayed by the Mineral Research Branch of the Ontario Division of Mines are included in the section entitled "Property Geology and Gold Mineralization".

The property was examined in 1960 for one day by J.J. Harris, who recommended doing an EM geophysical survey and drilling a series of diamond drill holes to test Veins No.1 and 1AW. There are no records of this work ever being completed. It was Harris' contention that "the fault draw extending across the full length of the property contains the key orebody and the myriad of gold-bearing offshoots emanate from this body and form a herringbone structure".

The work performed by the Corporation is summarized under the heading " Exploration".

### Geological Setting

The following description of regional geology was taken by Clark Exploration from a survey of Wood, J., Dekker J., Jensen, J.G., Keay, J. P. and Panagapko, D. 1980, Mine Centre Area, District of Rainy River, Ontario Geological Survey.

### Regional Geology

North of the Quetico Fault, the rocks are all migmatites; south of the Seine River Fault, the rocks are principally deep-water epiclastic metasediments; between the faults are the other rock types.

### Geology between the Quetico and Seine River Faults

The oldest rocks in the central part of the area are metavolcanics that range in composition from mafic to felsic. These were intruded by a large differentiated body that ranges in composition from anorthosite to quartz diorite. Mafic sills in the metavolcanic rocks were probably intruded coeval with the anorthositic body. Leucocratic trondhjemite to quartz-monzonitic rocks were intruded along the outer margin of the anorthositic body. These granitic rocks host most of the gold mineralization in the area. A period of uplift and erosion followed, and epiclastic sediments of the "Seine Series" were deposited unconformably on the pre-existing rocks. Several feldspar and quartz feldspar porphyry sills were intruded after sedimentation ceased. Metamorphism and further deformation occurred and the granitic rocks in the northwestern part of this central area were intruded essentially after the culmination of deformation. Diabase dikes occur within the area. These may be of several ages. There is also a diabase lamprophyre body north of Shoal Lake.

## Structural Geology

The most obvious structural features in the map area are the Quetico Fault and the Seine River Fault. These two faults have served to preserve an area of low grade supracrustal rocks between an area of high grade metasediments to the south and an area of granitic rocks and highly metamorphosed metavolcanics to the north. A number of faults between these two and presumably related to them are most obvious to the north and south of the Seine River, where they juxtapose metasediments and metavolcanics.

Between the Quetico Fault and the Seine River Fault, the metasediments demonstrate that the rock sequence is tightly folded. It can be assumed that the most northern belt of metavolcanics is folded in a similar way. The fault-bounded metavolcanic belts presumably have been folded; however, folds cannot be outlined. In the central belt, all top determinations indicate stratigraphic tops to the south. The rocks in the southern belt are so intensely sheared that original features are destroyed. In the northern belt of metavolcanics, away from areas of epiclastic metasediments, fold structures cannot be outlined because of lack of stratigraphic top indicators. The amount of shear deformation in this northern belt is high. This is probably because the gabbro anorthosite acted as a rigid body during deformation, thus causing the metavolcanics to take up most of the strain.

## Regional Gold Mineralization and Deposit Types

### Type 1: Bad Vermillion Intrusive Type

The following description of gold mineralization was taken by Clark Exploration from a report prepared by Schnieders, B.R. and Dutka, R.J. 1985, Property Visits and Reports of the Atikoken Economic Geologists, 1979-1983, Atikoken Geological Survey; Ontario Geological Survey Open File Report.

Gold mineralization is concentrated in quartz and quartz-carbonate veins, contained in ductile shear zones in predominantly tonalite-trondhjemite rocks of the Bad Vermillion intrusion and its contact zone. Shear zones are commonly parallel to northwest or northeast-trending conjugate fault sets related to the Quetico Fault. In this type of vein, gold mineralization is commonly concentrated in crack-seal or laminated veins, indicating polyphase deformation occurring late in the tectonic history (i.e. folding and faulting). Examples include the Foley Mine, McKenzie-Gray, Russell C. Cone Mine, Ferguson, Manhattan, Decca, Stagee, Lucky Coon, Golden Star Mine, Stellar, and South Vermillion Properties. This type of mineralization is similar to the Marmion Lake Batholith Type in the Atikokan Area.

### Property Geology and Gold Mineralization

The following description of property geology and gold mineralization was taken by Clark Exploration from a report of F.R. Harris, 1974.

The gold-bearing quartz veins are in fine-to-medium-grained hornblende gabbro. Several inclusions of mafic metavolcanics are in the gabbro. In some parts of the property, these inclusions are abundant. The gabbro is usually massive but a weak foliation may be measured in some areas particularly near the quartz veins. The gold-bearing quartz veins are of short length and variable attitude. The veins have a zone of chlorite schist or sheared gabbro on either side and are believed to have been emplaced along shear zones in the gabbro.

An examination of the air photographs of the property reveals a northeast-trending zone of closely spaced lineaments which are believed to represent a shear zone in the gabbro. The northeastern end of this shear zone intersects the south shore of Gagne Lake just south of a small island which is 2,500 feet from the western end of the lake. At this location, the shear zone is 300 feet wide. The shear zone trends southwest, widens to approximately 1,500 feet, and includes all of the rock of the peninsula between the two creeks at the eastern end Swell Bay. All of the gold-bearing quartz veins are in this shear zone.

The shaft on claim FF4000 is 28 feet deep and was dewatered and sampled by Corrigan. Assays from this shaft gave only trace amounts of gold. This 10-foot square shaft was sunk on a 20-inch wide quartz vein, which strikes N95°E and dips 75 degrees north. There is a 2-foot zone of chlorite schist on either side of the quartz vein and the host rock outside of this schist is fine-grained hornblende gabbro. The quartz-calcite vein material on the dump contains trace amounts of pyrite, pyrrhotite, and chalcopyrite. An assay by the Mineral Research Branch of the Ontario Division of Mines of vein material taken from the dump by F.R. Harris gave no gold values.

One thousand feet east-northeast of this shaft, on claim FF3998, a shear zone in the gabbro has partly been replaced by quartz. The quartz zone, which trends N80°E, was traced 600 feet along strike. A 15-foot long trench at the western end of this vein exposes a 12-foot long zone of chlorite schist, which contains three parallel quartz veins, 2 to 3 feet wide. The host rock on either side of the shear zone ranges from 5 to 25 feet wide and contains massive quartz up to 20 feet wide. Corrigan reported that some scheelite occurs in this zone and two grains of scheelite were identified by the author. Samples taken by F.R. Harris across 12 feet of quartz and chlorite schist in the trench at the western end of the zone and analysed by the Mineral Research Branch of the Ontario Division of Mines gave no values for gold or tungsten.

One thousand feet north-northwest of the shaft, two small pits, which are on quartz veins in the gabbro, were visited by the author. The short narrow quartz veins could not be traced along strike and seemed to be fracture fillings in the gabbro. Finely divided native gold was seen by F.R. Harris in one of the quartz veins. A property sketch by Corrigan shows three assays from these veins of 2.14, 1.66, and 0.82 ounces of gold per ton.

The pits on claim FF4004 in Farrington Township are on the highest grade gold-bearing quartz veins seen by the author. These two quartz veins are separated by a valley which is coincident with a strong lineament. The southern quartz vein on claim FF4004 ranges from 1 to 10 inches wide, trends N20°E, dips 80 degrees north, and was traced along strike for 10 feet. A 6- to 12-inch zone of sheared gabbro separates the quartz vein from the hornblende gabbro host rock. Representative samples from this vein taken by F.R. Harris and assayed by the Mineral Research Branch of the Ontario Division of Mines gave 0.45, 0.61, and 4.24 ounces of gold per ton. Native gold was seen by F.R. Harris in this vein.

The northern quartz vein on claim FF4004 is 10 inches wide, trends east-west, and is exposed in a 3-foot deep pit. Visible gold was also seen in this quartz vein by F.R. Harris and high-grade assays were reported by Corrigan.

The vein material on claim FF4004 is limonite-stained quartz which contains numerous vugs. In some samples, a fine-grained grey sugary quartz was cut by more coarse-grained glassy quartz. In order of decreasing abundance, the quartz contains minor amounts of disseminated pyrite, pyrrhotite, chalcopyrite, and galena, along with streaks of chlorite. The small grains of gold were seen in the limonite-stained vugs with the sulphide minerals and in the sugary quartz.

The entire shear zone from Gagne Lake to Swell Bay should be examined with two possibilities in mind: (1) the possibility of a larger gold-bearing quartz vein particularly along the more pronounced lineaments in the shear zone; (2) the possibility of a large volume of the gabbro in the shear zone containing enough gold to support an open pit operation.

Samples taken by F.R. Harris from two small quartz veins from the shear zone northeast of claim FF4001 were found by the Mineral Research Branch of the Ontario Division of Mines to assay 0.01 and 0.20 ounces of gold per ton.

### Exploration

During the fall of 2000 and spring/summer of 2001 King's Bay performed an exploration program consisting primarily of systematic chip sampling of old pits and trenches. As of the date of the Swell Bay Report, King's Bay had received assay results for 105 chip samples, with assays ranging as high as 718.1 grams per tonne.

At the time of the property visit by Clark Exploration, King's Bay was in the process of cutting a 40 foot channel sample (20 samples at 2 feet per sample) across the top of the face of Pit/Trench #1. This resulted in a 20 ft interval averaging 8951ppb or .284 oz/au/ton.

### Sampling Method and Approach

The work performed by the Corporation on the Swell Bay Property consisted of taking chip samples on 1 to 3 foot intervals across the shear zones exposed by previous trenching at various heights on the face (wall) of the trench where possible.

### Sampling Preparation, Analysis and Security

Samples taken by King's Bay at Swell Bay were shipped by bus to Accurassay Laboratories in Thunder Bay, Ontario, where they were assayed by standard fire assay. The eight samples taken by the authors were delivered in person to Accurassay Laboratories.

The rock samples are first entered into Accurassay Laboratories Local Information Management System (LIMS). The samples are dried, if necessary, and then jaw crushed to B8 mesh, riffle split and pulverized to 90% -150 mesh, and then matted to ensure homogeneity. Silica sand is used to clean out the pulverizing dishes between each sample to prevent cross-contamination.

The homogeneous sample is then fired in the fire assay lab. The sample is mixed with a lead-based flux and fused for an appropriate length of time. The fusing process results in a lead button, which is then placed in a cupelling furnace where all of the lead is absorbed by the cupel and a silver bead, which contains any gold, platinum and palladium, is left in the cupel. The cupel is removed from the furnace and allowed to cool. Once the cupel has cooled sufficiently, the silver bead is placed in an appropriately labelled small test tube and digested using a 1:3 ratio of nitric acid to hydrochloric acid. The samples are bulked up with 1.0 ml of distilled deionized water and 1.0 ml of 1% digested lanthanum solution. The total volume is 3.0 ml. The samples are vortexed and allowed to settle.

Once the samples have settled they are analyzed for gold, platinum and palladium using atomic absorption spectroscopy. The atomic absorption spectroscopy unit is calibrated for each element using the ISO 9002 certified standards in an air-acetylene flame. The results for the atomic absorption are checked by the technician and Quality Control Coordinator and then forwarded to data entry by means of electronic transfer and a certificate is produced. The Laboratory Manager checks the data and validates it if it is error free. The results are then forwarded to the client by fax, e-mail, floppy or zip disk, or by hardcopy in the mail.

Samples taken by Harris and presented in his 1974 report were assayed by the Mineral Research Branch of the Ontario Division of Mines.

Exploration and Development Program

A \$ 218,950.00 exploration program is recommended to explore and evaluate the deformation zone which crosses the Swell Bay Property. The program would consist of first cutting a grid over the entire property, followed by magnetometer and VLF-EM geophysical surveys, prospecting, soil geochemistry and geological mapping. This part of the program would serve to tie in known showings to the grid and establish their relationship to each other and the general structure of the area, while identifying additional targets of interest. The mag and VLF surveys will help accurately define the stratigraphy of the property and identify conductive (i.e. sulphide mineralized) shears and veins. Soil geochemistry may identify targets which are currently covered by overburden, and have correlating geophysical signatures.

Following the initial work described above, an excavator would be employed to extend the known trenches and showings, while also exposing new zones as warranted by the mapping, prospecting, geophysics and/or soil sampling. The stripped areas would then be washed, mapped and channel sampled.

The final step would be to drill test the various targets identified by the initial work, and in particular drill test under the valley (or draw) to see if it is indeed a fault/deformation zone and whether or not it contains mineralization.

Proposed Budget

Line-cutting	
8 kilometres @ \$450/km .....	3,600.00
Magnetometer and VLF EM Survey	
16 kilometres @ \$125/km .....	2,000.00
Prospecting (labour and all expenses)	
10 days @ \$300/day .....	3,000.00
Geological Mapping (labour and all expenses)	
10 days @ \$600/day .....	6,000.00

Soil Sampling (labour and assays)	
320 samples @ \$30/sample .....	9,600.00
Stripping	
Backhoe (including mobilization, demobilization and expenses)	
200 hrs @ \$125/hr .....	25,000.00
Washing, Sampling and Mapping	
30 days @ \$800/day .....	24,000.00
Assay Costs (rock samples)	
200 samples @ \$15/sample .....	3,000.00
Diamond Drilling (all inclusive)	
1500 metres @ \$ 75/metre .....	112,500.00
Assaying (drill core)	
150 samples @ \$ 15/sample .....	2,250.00
Final Summary Report, Sections and Maps.....	10,000.00
Contingencies .....	<u>18,000.00</u>
<b>TOTAL</b>	<b>\$ 218,950.00</b>

**Other Properties of the Corporation**

Effective April 10, 2000, the Corporation acquired by option on 4 claims totaling 8-40 acre units located in the Bad Vermillion Lake area, Kenora Mining Division, Ontario (the "Stellar Property") pursuant to an option agreement with Mr. Reino Pitkanen ("R. Pitkanen") in consideration for the issuance of 80,000 common shares of the Corporation, payment of \$5,000 upon signing of the option agreement and the payment of \$5,000 annually (the "Stellar Option"). To date, \$15,000 has been paid by the Corporation pursuant to the Stellar Option Agreement. Before engaging in any mining operations or before the removal of any ore, the Corporation has agreed to pay R. Pitkanen \$40,000 at which time all claims comprising the Stellar Property will become the property of the Corporation and all annual payments of \$5,000 will be terminated. Following the first year of mining, the Corporation has agreed to pay to R. Pitkanen \$0.50 for every ton of ore mined. The target metal of the Stellar Property is gold

**Stellar Property**

Property Description and Location

The claims are located in the Bad Vermillion Lake Area, Kenora Mining Division, approximately 8 km south-west of Mine Centre, 45 km east of Fort Frances, and 250 km west of Thunder Bay, Ontario. The property is approximately 0.3 km south of Highway 11.

The Stellar Property consists of four contiguous, unpatented, unsurveyed mining claims comprising 7 units totalling approximately 112 hectares. The claims are located on map sheet Bad Vermillion Lake Area (G-2665), and are held in good standing by R. Pitkanen. King's Bay can earn 100% interest in the Stellar Property under the terms of the Stellar Option.

There are no known environmental liabilities on the Stellar Property. Work permits are not required in Ontario to perform the work prescribed in the Stellar Report. The shaft at the Rainbow Vein is reported to be 21 metres deep is full of water and is surrounded by a small fence in disrepair. The shaft could possibly represent a public safety hazard.

**Table 1. Claims**

Claim No.	Recording Date	Assessment Due Date	Work Required	Units
K 1161464	May 01, 1997	May 01, 2004	\$800	1
K 1218560	June 13, 2001	June 13, 2003	\$800	2
K 1218561	June 13, 2001	June 13, 2003	\$800	2
K 1218562	June 13, 2001	June 13, 2003	\$800	2

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access is via Highway 11, which is part of the Trans-Canada Highway system, to 45 km east of Fort Frances, then by private bush road and foot trail to the property. The property is approximately 250 km west of the city of Thunder Bay, Ontario, which is a city of 120,000 people on the west end of Lake Superior with an international airport and rail service, as well as port facilities on Lake Superior.

The Stellar Property is characterized by generally low relief, with occasional rocky ridges alternating with overburden and swampy areas. Faults are expressed by sharply defined rock scarps up to 10 ft. high (3 metres). The claims are easy to traverse, with the exception of beaver-flooded areas during the summer. (Source: Graham R.J. 1983, Report on the Gold Exploration Potential of the Central Crude Ltd., 26 claims mineral property near Bad Vermillion Lake; District of Rainy River, Kenora Mining Division, Ontario.

Vegetation consists of mixed bush typical of the Canadian Shield, with birch, poplar, spruce and jackpine. Swampy areas host thick alder growths. Overburden is believed to be generally shallow, and not expected to exceed 30 ft.

Geological Setting

Regional Gold Mineralization and Deposit Types

The following description of gold mineralization was taken by Clark Exploration from Schnieders and Dutka (1985).

Type 1: Bad Vermillion Intrusive Type

Gold mineralization is concentrated in quartz and quartz-carbonate veins, contained in ductile shear zones in predominantly tonalite-trondhjemite rocks of the Bad Vermillion intrusion and its contact zone. Shear zones are commonly parallel to northwest or northeast-trending conjugate fault sets related to the Quetico Fault. In this type of vein, gold mineralization is commonly concentrated in crack-seal or laminated veins, indicating polyphase deformation occurring late in the tectonic history (i.e. folding and faulting). Examples include the Foley Mine, McKenzie-Gray, Russell C. Cone Mine, Ferguson, Manhattan, Decca, Stagee, Lucky Coon, Golden Star Mine, Stellar, and South Vermillion Properties. This type of mineralization is similar to the Marmion Lake Batholith Type in the Atikokan Area.

Property Geology and Gold Mineralization

The Stellar Property is underlain by a sequence of Archean anorthosite to gabbro in irregular and sill-like bodies up to 0.4 km wide and trending at N55°E along the north shore of Bad Vermillion Lake beyond the property boundaries. The mafic sequence is centrally intruded by a leucocratic trondhjemite sill with granodioritic phases; it is conformable to semi-conformable to the mafic intrusions. The felsic intrusion is said to be very similar in shape and attitude to the one that hosts the rich gold-bearing quartz veins at the Golden Star Mine two miles southeast on the shore of Bad Vermillion Lake (Source: Graham, 1983). The Golden Star Mine produced 10,758 oz. of gold from 19,345 tons milled, with a recovered grade of 0.56 oz. gold per ton (Source: Schnieders and Dutka, 1985).

The rocks between the Quetico and Seine River Faults are isoclinally folded, which together with the lateral fault movement has produced a series of quartz-filled fractures. The quartz veins in the felsic intrusive on the Stellar Property have several orientations; northeast, parallel to the shearing orientation, sub-horizontal as narrow tension stringers, and north to northwest, similar to the Golden Star Mine.

The quartz veins exhibit sugary quartz, often with varying amounts of ankerite, minor pyrite, chalcopyrite, galena, sphalerite and free gold. The distribution of gold in the veins is erratic, similar to the mineralization at the Golden Star, Foley and Olive Mines. The most prominent vein found to date is known as the Rainbow Vein, which has been the subject of most of the work on the Stellar Property (Source: Schnieders and Dutka, 1985). This vein strikes 245 degrees and dips 70 degrees to the northwest. A three compartment shaft was sunk in the 1930's to a depth of 21 metres (68 feet), reportedly on the site of an earlier 7 metre shaft (Source: Beard, R.C. and Garratt, G.L. 1976, Gold Deposits of the Kenora Fort Frances Area, Districts of Kenora and Rainy River; Ontario Division of Mines, Mineral Deposits Circular)

The following description of property geology was taken by Clark Exploration from Miles, G.H., 1934, Report on Stellar Gold Mines.

The Rainbow Vein is in a shear zone 75 feet or more as the north boundary cannot be seen. The vein lies in a highly altered quartz porphyry and appears on the surface of irregular form varying from a few inches to 16 inches in width. It strikes E20°N and dips slightly to the north. The vein increases in width from 16 inches to 46 inches in the bottom of the shaft, 24 feet from the surface. At the bottom of the shaft, on the east side, quartz has replaced the rock for the width of the shaft, or, the vein shows five feet of quartz at this point. The vein consists of quartz, ankerite, copper, galena, zinc blende, pyrite and native gold."

#### Exploration

To date, the Corporation has not yet performed any exploration; however Clark Exploration performed a property visit on August 2nd, 2001 and took 3 grab samples. Clark Exploration also verified some of the previous work by R. Pitkanen as well as claim boundaries and the location of the Rainbow shaft.

#### Sampling Method and Approach

The sampling method from the older work reported in the assessment files is grab and chip sampling over various widths, however the authors of the Stellar report could not verify to what degree these samples are representative, or continuous in the case of chip samples. The lengths of these chip samples are given in this report.

The samples taken by Clark Exploration consisted of one sample from the Rainbow Vein at the shaft collar, one from the wall rock at the same location, and one from the rock dump nearby.

#### Sampling Preparation, Analysis and Security

The work reported from the assessment files previous to R. Pitkanen's work contains no assay certificates or methodology; Graham (1983) states only that the assaying was performed by Swastika Labs in Swastika, Ontario, but provides no certificates. The samples taken by R. Pitkanen and the authors of the Stellar report were all assayed at Accurassay Laboratories in Thunder Bay, with the exception of Pitkanen's samples from 1991, which were assayed by Accurassay in Kirkland Lake, Ontario. All of R. Pitkanen's samples were assayed for gold only. Samples were delivered to the lab in person. The samples taken by Clark Exploration were also delivered to Accurassay Laboratories in Thunder Bay and were assayed for gold only.

The assaying procedure at Accurassay consists of drying the samples if necessary, after which samples are jaw crushed to 0.25 inches, cone crushed to -8 mesh, then riffle split with a 200 g sample being ground to -150 mesh.

The gold content is determined by fire assay using lead flux followed by cupellation of the lead button. Silver inquart is added and the assay is completed either by gravimetric procedure or by atomic absorption spectroscopy. The sampling is completed using a 40 g wt. sample.

### Data Verification

In the case of previous work reported from assessment files it was virtually impossible to verify data such as assays due to the lack of certificates (with the exception of R. Pitkanen). The authors of the Stellar Report ensured that their own data is presented accurately and that the previous work is presented as it exists in the assessment files. Where assay locations could not be accurately located on maps, or the sampling density was too close to be shown, no attempt has been made to do so, but the data has been presented in table form.

### Exploration and Development Program

The Corporation has no immediate short term plans to proceed with the Stellar Property exploration and development program and none of the proceeds of this Offering will be expended on the Stellar Property. Pending additional revenues being realized by the Corporation, however, an exploration program with a budget of \$ 201,500.00 is proposed to evaluate the potential economic gold mineralization of the Rainbow Vein as well as explore the remainder of the property and investigate other known veins. The program would consist of line-cutting, magnetometer and VLF-EM geophysics, soil geochemistry, and mechanical stripping, washing and channel sampling of selected targets. The work will be focused primarily in the area of the Rainbow vein.

This work would be followed up by a 1500 metre diamond drilling program, again with the primary focus being the Rainbow Vein. The goals of the drilling should be to accurately define the shape and attitude of the gold mineralization of the Rainbow Vein, trace any extension of the mineralization after determining its attitude, and to follow up any other targets identified by the initial ground exploration.

### **Other Mineral Interests**

Effective March 16, 2000, a 16 unit claim mining property (the "Hemetite Property") located in the Thunder Bay Mining Division, Sabawi Lake area near the town of Atikokan, Ontario was staked on behalf of the Corporation. The target metals of the Hemetite Property are platinum and palladium.

Effective April 7, 2000, one 4 unit and one 12 unit claim mining property (the "Pocket Pond Property" located in the Kenora Mining Division, Watten township near the town Fort Frances, Ontario was staked on behalf of the Corporation. The target mineral of the Pocket Pond Property is diamonds.

Effective April 10, 2000, the Corporation acquired an option on a single claim located in the Hook Bay - Helena Lake area, Kenora Mining Division, Ontario (the "Hook Bay Property") pursuant to an option agreement with R. Pitkanen in consideration for the issuance of 70,000 common shares of the Corporation, payment of \$5,000 upon signing of the option agreement and the payment of \$5,000 annually. To date, \$15,000 has been paid by the Corporation pursuant to the option agreement. Before engaging in any mining operations or before the removal of any ore, the Corporation has agreed to pay R. Pitkanen \$20,000 at which time all claims comprising the Hook Bay Property will become the property of the Corporation and all annual payments of \$5,000 will be terminated. Following the first year of mining, the Corporation has agreed to pay to R. Pitkanen \$0.50 for every ton of ore mined. The target mineral of the Hook Bay Property is diamonds.

Effective April 14, 2000, the Corporation acquired an option on an 8 patented claim group mining property located in the Pipestone Lake area, Fort Frances, Rainy River District, Ontario (the "Pipestone Property") pursuant to an option agreement with A. Young in consideration for the issuance of 40,000 common shares of the Corporation, payment of \$5,000 upon signing of the option agreement and the payment of \$5,000 annually. To date, \$15,000 has been paid by the Corporation pursuant to the option agreement. Before engaging in any mining operations or before the removal of any ore, the Corporation has agreed to pay A. Young \$50,000 at which time all claims comprising the Swell Bay Property will become the property of the Corporation and all annual payments of \$5,000 will be terminated. Following the first year of mining, the Corporation has agreed to pay to A. Young \$1.00 for every ton of ore mined or a 2% net smelter return on profits generated from the recovery of gold or other minerals from the property. The target metal of the Pipestone Property is gold.

Effective April 28, 2000, two 16 unit claims located in the Fort Frances area, Kenora Mining Division, Ontario (the "Hopkins Bay Property") were staked on behalf of the Corporation. The target mineral of the Hopkins Bay Property is diamonds.

Effective April 28, 2000, one 16 unit mining claim located in the Fort Frances area, Kenora Mining Division, Ontario (the "Rice Bay Property") was staked on behalf of the Corporation. The target mineral of the Rice Bay Property is diamonds.

Effective April 4, 2001, a 15 unit single claim attached to the border of the Helena Lake (the "Helena Lake Property") was staked on behalf of the Corporation. The target metal of the Helena Lake Property is gold.

Effective July 10, 2001, the Corporation acquired an option on a 3 claim 24 unit group mining property located in close proximity to the past producing "Thierry Mine", Patricia Mining Division, Kapkitchi Lake area, near the town of Pickle Lake, Ontario (the "Kapkitchi Property") pursuant to an option agreement with 1304850 Ontario Inc in consideration for a payment of \$2,500 on signing of the agreement , \$4,000 on the first anniversary of the agreement , \$8,000 on the second anniversary , \$16,000 on the third anniversary and \$50,000 (through a combination of cash and common shares equal to \$50,000) on the fourth anniversary. To date, \$2,500 has been paid by the Corporation pursuant to the option agreement. In addition to cash payment schedule outlined above, the Corporation shall issue to the vendor shares in the company as follows: 25,000 common shares on signing of the agreement , 25,000 common shares on the first anniversary , 25,000 common shares on the second anniversary , 25,000 common shares on the third anniversary and cash and/or stock to equal \$50,000 on the fourth anniversary . The vendor will retain a 2% net smelter return interest from the property , of which the Corporation has the right to purchase 1% for \$1,000,000 at anytime . The Corporation also has a first right of refusal to purchase the remaining 1% of the net smelter return. The target metals of the Kapkitchi Property are platinum and palladium.

Effective July 10, 2001, the corporation acquired an option on a 6 "patented" claim group mining property located in the Red Lake Mining Division, Dome & Balmer Townships, approx 1 km "Gold Corp" producing High Grade Gold Mine, (the "Headway Property") pursuant to an option agreement with 1304850 Ontario Inc. which under the terms of the agreement, the Corporation can earn a 100% interest in the property through completing payments to the vendor as follows, \$4,000 on signing of the agreement, \$8,000 on the first anniversary of agreement, \$12,000 on the second anniversary, \$20,000 on the third anniversary and \$40,000 on the fourth anniversary. To date, \$4,000 has been paid by the Corporation pursuant to the option agreement. In addition to the cash payments outlined above, the Corporation shall issue 30,000 common shares on signing of the agreement, 30,000 common shares on the first anniversary, 30,000 common shares on the second anniversary, 30,000 common shares on the third anniversary. The vendor will retain a 2% net smelter return interest in the property, of which the Corporation has the right to purchase 1% for \$1,000,000 at any time. The Corporation also retains a first right of refusal to purchase the remaining 1% of the net smelter return. Under the terms of the agreement, any additional mineral claims acquired by either the Corporation or the Vendor within an 800 metre distance of the existing property perimeter, will automatically be included into this agreement. The target metal of the Headway Property is gold.

Effective October 10, 2001, the Corporation acquired an option on 3 claims totalling 32 units mining property located in the Red Lake Mining Division, Belanger Township, Uchi Lake Greenstone Belt, on the border of Noranda Mining Belanger claims (the "Garnet Lake North Property") pursuant to an option agreement with M. Perry English ("P. English") in consideration for payments of \$4,000 upon signing of agreement, \$8,000 on the first anniversary of the agreement, \$12,000 on the second anniversary of agreement, \$20,000 on the third anniversary of agreement and \$40,000 on the fourth anniversary. To date, \$4,000 has been paid by the Corporation pursuant to the option agreement. In addition to the cash payment schedule above the Corporation shall issue to the vendor shares of the Corporation as follows, 30,000 shares upon signing, 30,000 common shares on the first anniversary, 30,000 shares on the second anniversary, 30,000 on the third anniversary. The vendor will net smelter return retain a 2% net smelter return interest in the property, of which the Corporation has the right to purchase 1% of the net smelter return at any time for the sum of 1,000,000, the Corporation also retains a first right of refusal to purchase the remaining 1% of the net smelter return. The target metal of the Garnet Lake North Property is gold.

Effective October 10, 2001, the Corporation acquired an option on 3 claims group mining property located in the Red Lake Mining Division, Bowerman Township, Ontario, (the "Bowerman Property") pursuant to an option agreement with P. English in consideration by drilling a minimum of 2 diamond drill holes for a combined linear feet total of no less that 1800 feet. Following the drilling of these two holes, should the Corporation decide to exercise its option to acquire full and sole ownership of the property (100%) it will then issue 100,000 common shares of the Corporation. The target metal of the Bowerman Property is gold.

#### **Mineral Resources and Mineral Reserves**

The Corporation has no known mineral reserves.

## **Mining Operations**

The Corporation has no mining operations.

## **Employees**

King's Bay currently has engaged 2 management consultants. The Corporation intends to engage an additional consultant in the first quarter of 2002 to assist in both office management and field work. See "Employment and Management Contracts" and "Proposed Compensation".

### **MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION**

#### **Period ended October 31, 2001 compared to the year ended December 31, 2000 .**

The Corporation incurred a net loss of \$153,614 for the 10 months ended October 31, 2001, lower in comparison to a loss of \$222,193 for the year ended December 31, 2000. General and administrative expenses were lower in 2001 at \$152,585 as compared to \$222,186 in 2000 due to the deferring and capitalization of exploration costs related to the Swell Bay property. A loss of \$1,030 on the disposal of fixed assets was also recorded in 2001 versus no such loss in 2000. Revenues comprised of interest for the period of \$1 in 2001 and \$7 in 2000.

#### **Year ended December 31, 2000 compared to year ended December 31, 1999.**

The Corporation incurred a net loss of \$222,193 for the year ended December 31, 2000 higher in comparison to a loss of \$9,618 for the year ended December 31, 1999. Revenue comprised of \$7 of interest in 2000 and no revenue was generated in 1999. During 2000 the single largest expense items were the payments of \$97,500 for the acquisitions of the land option agreements as opposed to \$0 in 1999, and depreciation expense of \$7,620 in 2000 as opposed to only \$236 in 1999. General and administrative expenses were higher in 2000, \$222,186 as opposed to \$9,618 in 1999. This was due mostly to the land option payments and the offerings that took place in 2000.

#### **Year ended December 31, 1999 compared to period ended December 31, 1998.**

The Corporation incurred a net loss of \$9,618 for the year ended December 31, 1999 higher in comparison to a loss of \$4,354 for the period ended December 31, 1998. General and administrative expenses were higher in 1999, \$9,618 as opposed to \$4,354 in 1998. This was due mostly to 1998 being the first year of operations for the Corporation resulting in very limited activity taking place that year. During 1999 the single largest expense item was \$4,000 paid for consulting services.

## **Liquidity and Capital Resources**

As the Corporation has not begun production on any of its properties, the Corporation does not have any cash flow from operations. During the first ten months of fiscal 2001 the Corporation received gross proceeds of \$796,984 from the issuance of securities. As at October 31, 2001 had cash on hand of \$453,130 of which none has been classified as restricted cash. This compares to \$11,903 cash on hand in 2000. The Corporation had current payables of \$14,340 at October 31, 2001. The Corporation has no long term debt other than to the shareholders. The Corporation has no financial commitments or obligations except to fund costs related to the care and maintenance of some of its mineral property titles. There are no contingent liabilities of which the Corporation is aware at this time.

### **USE OF PROCEEDS**

The estimated net proceeds of the sale of Units (\$397,500) after deducting the Agent's commission and estimated expenses of this Offering have been and will be allocated as follows:

<u>Description</u>	
Exploration Activities - Swell Bay Property <sup>(1)</sup>	\$218,950
Operating Expenses	132,000

**Description**

Unallocated Working Capital	<u>46,500</u>
<b>Total</b>	<b><u>\$397,500</u></b>

**Note:**

- (1) For a detailed description of the work program and proposed budget for the exploration activities on the Swell Bay Property see "Swell Bay Property - Exploration and Development Program".

The Corporation has determined to expend a portion of the proceeds of the Offering to initiate and complete the Swell Bay work program which, based on the Swell Bay Report and industry experience, management has determined to be the most promising property at this time.

There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Corporation to achieve its stated business objectives.

In addition, while the Corporation has based the cost estimates indicated above on management's experience, to the extent the Corporation is able to structure the proposed programs in a manner management of the Corporation considers to be more advantageous to the Corporation and which will not require the full use of the specifically allocated proceeds as set out above, the unused portion of such proceeds will be used to provide additional working capital to fund ongoing operations.

If the Agent's Unit Option, the Over Allotment Option, the Series A Warrants, the Series B Warrants and the Warrants are exercised, the Corporation will receive an additional \$2,298,945 which the Corporation intends to use to fund the Stellar exploration program, development of the Swell Bay Property depending on the results of the exploration program, exploration and development of the Corporation's other properties and for working capital. See "Plan of Distribution and Description of Offered Securities".

**PRINCIPAL SHAREHOLDERS**

The following table sets forth the shareholdings of those persons who, as of the date of this Prospectus, own of record or are known to the Corporation to own beneficially, directly or indirectly, or exercise control or direction over, more than 10% of the issued and outstanding Common Shares both before and after giving effect to the Offering, without taking into consideration the Common Shares issuable upon the exercise of the Series A Warrants, Series B Warrants, Agent's Unit Option, Over Allotment Option and Warrants.

Name and Municipality of Residence	Type of Ownership	Number and Percentage of Securities Owned as at the date of this Prospectus	Number and Percentage of Securities Owned After Giving Effect to the Offering <sup>(1)</sup>
Ginette Camire Winnipeg, Manitoba	Registered and Beneficial	810,000 Common Shares (10.7%)	810,000 Common Shares (9.0%)
Richard Rivet Winnipeg, Manitoba	Registered and Beneficial	850,000 Common Shares (11.3%)	850,000 Common Shares (9.4%)

**Notes:**

- (1) Assuming no exercise of the Series A Warrants, Series B Warrants, the Agent's Unit Option, Over Allotment Option and Warrants.

The directors and senior officers of the Corporation currently collectively and beneficially own, directly or indirectly, 3,048,000 Common Shares of the Corporation, representing approximately 40.4% of the Corporation's issued and outstanding shares. After giving effect to the Offering, but not including Common Shares issuable upon the exercise of the Series A Warrants, Series B Warrants, the Agent's Unit Option, Over Allotment Option and Warrants, the directors and senior officers of the Corporation will collectively and beneficially own, directly or indirectly, 3,048,000 Common Shares of the Corporation, representing approximately 33.7% of the Corporation's issued and outstanding Common Shares. See "Directors and Officers".

**PROMOTERS**

Richard R. Rivet and Ginette H. Camire may be considered to be the promoters of the Corporation in that they took the initiative in substantially re-organizing the business of the Corporation. Collectively, the promoters own 1,660,000 Common Shares (22.0%).

**DIRECTORS AND OFFICERS**

The board of directors is currently comprised of 9 persons. Each director is elected to serve until the next annual meeting of shareholders or until a successor is elected or appointed.

The following table sets out the name, address, present position(s) held with the Corporation and principal occupations during the last five years (unless otherwise indicated) of each director and officer of the Corporation and the number of Common Shares and options to acquire Common Shares, held before and after the completion of the Offering. The board of directors have established two committees: the Audit Committee and the Compensation Committee.

<b>Name and Residential Address</b>	<b>Position, Date Appointed Director</b>	<b>Principal Occupation(s) During the Preceding Five Year Period</b>	<b>Common Shares and Percentage Beneficially Held or Controlled as at the Date Hereof</b>	<b>Common Shares and Percentage Beneficially Held or Controlled After Giving Effect to the Offering<sup>(1)</sup></b>
Richard R. Rivet 152 Gull Lake Road Winnipeg, Manitoba R3T 5T3	President and Director March 1998	President of the Corporation since March 1998. From to 1993 to 2000, sales consultant with various automobile dealerships. Licensed Ontario Prospector.	850,000 (11.3%)	850,000 (9.4%)
Ginette H. Camire 220 Lakevillage Rd. Winnipeg, Manitoba R3T 4M8	Director March 1998 Secretary May 1998	Founder and President of 361937, consulting and exploration proprietorship.	810,000 (10.7%)	810,000 (9.0%)
John R. Burns PO Box 668 Iles des Chenes, Manitoba R0A 0T0	Director March 1998 Chief Operating Officer March 2002	Chief Operating Officer of the Corporation since March 19, 2002. Since January 1999, Environmental Geologist at Dillon Engineering. From 1996 to 1999, self employed geologist performing contract work for various mining companies. Professional Geologist Designation.	100,000 (1.3%)	100,000 (1.1%)
Trevor Maraj <sup>(2)(3)</sup> 175 George Marshall Way Winnipeg, Manitoba R2C 5C9	Director June 1998	Since 1998, lease manager with Vickar Chevrolet Olds automobile dealership. From 1997 to 1998, financial planner with London Life Insurance Company. From 1995 to 1997, sales consultant with various automobile dealerships.	178,000 (2.4%)	178,000 (2.0%)
Rick Paley 139 Perth Ave. Winnipeg, Manitoba R2V 0S8	Director July 1999 Vice President March 2000	Vice-President of the Corporation since 2000. Manager of Genesis Bookstore from January 2000 to November 2000. From 1999 to 2000, automobile sales consultant. From 1998 to 1999, route manager with Schwans Canada. From 1977 to 1996, various positions with Canadian Pacific Railway.	265,000 (3.5%)	265,000 (2.9%)
Claude Charbonneau <sup>(2)(3)</sup> 3089 Denault Longueuil, Quebec J4L 3V7	Director June 1999	Founder and Operator of Ti Claude Sales, a market in Montreal, since 1985.	500,000 (6.6%)	500,000 (5.5%)

<b>Name and Residential Address</b>	<b>Position, Date Appointed Director</b>	<b>Principal Occupation(s) During the Preceding Five Year Period</b>	<b>Common Shares and Percentage Beneficially Held or Controlled as at the Date Hereof</b>	<b>Common Shares and Percentage Beneficially Held or Controlled After Giving Effect to the Offering<sup>(1)</sup></b>
Richard Jabs <sup>(2)(3)</sup> 508 Simcoe St. Winnipeg, Manitoba R3G 1W5	Director June 1998	From 2001 to present, independent contractor for residential and commercial renovations; From 2000 to 2001, Apprentice Carpenter with CIC Inc. Founder and Operator of lawn care and snow removal company from 1991 to 2000.	195,000 (2.6%)	195,000 (2.2%)
LuVerne E.W. Hogg 3716-56 Ave SE Calgary, Alberta T2C 2B5	Director March 2001	President and Chief Executive Officer of C2C Zeolite Corporation, a public company listed on the Canadian Venture Exchange since 1997. From 1990 to 1997, President of Polar Powders and Technologies Inc. From 1979 to 1990, President of Ekaton Industries Inc. From 1979 to 1985, Vice President of Flin Flon Mines Ltd.	50,000 (.7%)	50,000 (.6%)
Ewan S. Downie 4283 Loch Lomond Road Thunder Bay, Ontario P1J 1H1	Director June 2001	Founder and Operator of Vytvl Exploration Services, a private exploration company since 1995. President of Wolfden Resources Inc., a public resource company listed for trading on the Canadian Venture Exchange Inc., since October, 1995.	100,000 (1.3%)	100,000 (1.1%)

**Notes:**

- (1) Assuming no exercise of the Series A Warrants, Series B Warrants, the Agent's Unit Option, Over Allotment Option and Warrants.
- (2) Denotes members of the Audit Committee.
- (3) Denotes members of the Compensation Committee.

Pursuant to the provisions of the CBCA, the Corporation is required to have an audit committee. The general function of the audit committee is to review the overall audit plan and the Corporation's system of internal controls, to review the results of the external audit and to resolve any potential dispute with the Corporation's auditors. The audit committee of the Corporation currently consists of Claude Charbonneau, Richard Jabs and Trevor Maraj.

**MANAGEMENT AND KEY PERSONNEL**

The following is a brief description of key management of King's Bay:

**Mr. Richard R. Rivet, President**

Company Founder and President of the Corporation since March 1998. From 1993 to 2000, sales consultant with various automobile dealerships. Licensed Ontario Prospector. Mr. Rivet is self-educated in the mining industry through association with industry involved individuals for over 25 years.

It is anticipated that 100% of Mr. Rivet's efforts will be devoted to the business of the Corporation.

**Mr. Rick D.E. Paley, Vice President**

Vice-President of the Corporation since 2000. Manager of Genesis Bookstore from Jan, 2000 to Nov, 2000. From 1999 to 2000, automobile sales consultant. From 1998 to 1999, route manager with Schwans Canada. From 1977 to 1996, various positions with Canadian Pacific Railway. Mr. Paley is self-educated in the mining industry through association with industry involved individuals for over 20 years.



**Notes:**

- (1) "SARs" or "Stock appreciation right" means a right granted by the Corporation, as compensation for services rendered, to receive a payment of cash or an issue or transfer of securities based wholly or in part on changes in the trading price of publicly traded securities of the Corporation.
- (2) "LTIP" or "long term incentive plan" means any plan which provides compensation intended to serve as incentive for performance to occur over a period longer than one financial year, but does not include option or stock appreciation right plans or plans for compensation through restricted shares or restricted share units.

**Compensation of Directors**

During the fiscal year ended December 31, 2001, no cash compensation was paid to any director of the Corporation in his capacity as a director. See "Other Compensation" below.

Executive Officers of the Corporation who also act as directors of the Corporation, do not receive any additional compensation for services rendered in their capacity as directors, other than as paid by the Corporation to such Executive Officers in their capacity as Executive Officers. See "Compensation of Executive Officers".

**Stock Options**

As at the date of the prospectus there were no outstanding stock options to acquire Common Shares.

**Stock Options/SAR Grants to Named Executive Officer(s) During the Most Recently Completed Financial Year**

There were no grants of option to purchase or acquire securities of the Corporation (whether or not intended with SARs and free standing SARs) and made during the Corporation's fiscal year ended December 31, 2001 to the Named Executive Officers.

**Aggregated Option/SAR Exercises During the Most Recently Completed Fiscal Year and Fiscal Year End Option/SAR Values**

There were no exercise of options and free standing SARs during the Corporation's fiscal year ended December 31, 2001.

**Long-Term Incentive Plans - Awards in Most Recently Completed fiscal year**

The Corporation has not had and does not currently have any long term incentive plans, other than stock options that may be granted from time to time by the Board of Directors. See "Stock Options".

**Pension and Retirement Plans and Payments Made Upon Termination of Employment**

The Corporation does not have any pension or retirement plan which is applicable to the Executive Officers. The Corporation has not provided compensation, monetary or otherwise, during the preceding fiscal year, to any person who now or previously has acted as an Executive Officer of the Corporation, in connection with or related to the retirement, termination or resignation of such person and the Corporation has provided no compensation to such persons as a result of change of control of the Corporation, its subsidiaries or affiliates. The Corporation is not party to any compensation plan or arrangement with the Executive Officers resulting from the resignation, retirement or termination of employment of such persons.

**Employment and Management Contracts**

The Corporation does not have in place any formal employment and management contracts between the Corporation or any subsidiary or affiliate thereof and the Executive Officers. The Corporation anticipates entering into management contracts with Richard Rivet, John Burns and Ginette Camire and a consulting agreement with Rick Paley during 2002. See "Proposed Compensation".

**Other Compensation**

Other than as set forth herein, the Corporation did not pay any other compensation to the Executive Officers or directors (including personal benefits and securities or properties paid or distributed which compensation was not offered on the same terms to all full time employees) during the last completed fiscal year.

**Proposed Compensation**

It is anticipated that during 2002, Richard Rivet and Ginette Camire will each be paid a salary of \$4,000.00 per month and that Rick Paley will be retained on a contract basis by the Corporation and will be paid \$3,000.00 per month. It is anticipated that John Burns will be paid \$300 per day while performing work in the field and \$100 per day while in the office up to a maximum of \$5,000 per month.

**OPTIONS TO ACQUIRE SECURITIES**

Under the policies of the Exchange, at the time of granting of the options, the aggregate number of Common Shares to be delivered upon the exercise of all options granted thereunder may not exceed 10% of the issued and outstanding Common Shares and the aggregate number of Common Shares to be delivered upon exercise of the options to any one individual granted thereunder may not exceed 5% of the issued and outstanding Common Shares. Options issued must also have an exercise price as determined in by the market price of the Common Shares less the permitted discount.

All options are non-transferable and will terminate one year following the date the optionee ceases to be a director, employee, consultant or hold an office of the Corporation by reason of death, or 30 days after ceasing to be a director, employee, consultant, or officer for any reason other than death.

As at the date of this Prospectus, there were no outstanding stock options to acquire Common Shares. As at January 16, 2002 the Corporation has reserved 855,000 Common Shares pursuant to stock options to be granted to the directors and officers of the Corporation upon closing of the Offering, which equals 9.5% of the outstanding Common Shares of the Corporation after the closing of this Offering. The stock options are expected to be allocated on the following basis and will be qualified for distribution pursuant to this prospectus.

<b>Optionee</b>	<b>Number of Common Shares Reserved under Option</b>	<b>Exercise Price</b>
Richard Rivet	125,000	\$0.35
Rick Paley	125,000	\$0.35
Ginette Camire	125,000	\$0.35
Claude Charboneau	125,000	\$0.35
Rick Jabs	125,000	\$0.35
Trevor Maraj	125,000	\$0.35
LuVerne Hogg	35,000	\$0.35
Ewan Downie	35,000	\$0.35
John Burns	35,000	\$0.35
<b>Total</b>	<b>855,000</b>	<b>\$0.35</b>

**INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS AND RELATED PARTY TRANSACTIONS**

Other than as disclosed herein, management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or senior officer, any person or company who owns of record, or is known by the Corporation to own beneficially, directly or indirectly, more than 10% of the Common Shares of the Corporation or any associate or affiliate of the foregoing persons or companies in any transaction within the three years prior to the date hereof or in any proposed transaction that has materially affected or will materially affect the Corporation.

The Corporation intends to enter into formal management agreements with Richard R. Rivet, Ginette Camire and John Burns as well as a consulting agreement with Rick Paley. See "Employment and Management Contracts" and "Proposed Compensation".

#### **INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS**

No individual who is or, at any time during the most recently completed financial period, was a director, executive officer or senior officer of the Corporation, nor their associates, is or has been at any time since the beginning of the last completed financial period, indebted to the Corporation, nor has any such individual been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding, provided by the Corporation.

#### **DESCRIPTION OF SHARE CAPITAL**

The Corporation is authorized to issue an unlimited number of Class A Common Shares (defined herein as Common Shares) and an unlimited number of Class B shares ("Class B Shares"), all without nominal or par value. As of the date hereof, there are 7,546,252 Common Shares, and no Class B Shares, issued and outstanding as fully paid and non-assessable (see "Prior Sales").

##### **Class A Common Shares**

The Common Shares have attached to them the rights, privileges, restrictions and conditions as hereinafter set forth.

- (i) Except for meetings at which only holders of another specified class or series of shares of the Corporation are entitled to vote separately as a class or series, each holder of a Common Share is entitled to receive notice of, to attend and to vote at all meetings of the shareholders of the Corporation.
- (ii) Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Corporation, the holders of the Common Shares are entitled to receive dividends if, as and when declared by the directors of the Corporation.
- (iii) The holders of the Common Shares are entitled to share equally with the holders of the Class B Shares in the remaining property of the Corporation upon liquidation, dissolution or winding-up of the Corporation.

##### **Class B Shares**

The Class B Shares have attached to them, as a class, the rights, privileges, restrictions and conditions as hereinafter set forth.

- (i) The Class B Shares are non-voting.
- (ii) The holders of the Class B Shares are entitled to share equally with the holders of the Common Shares in the remaining property of the Corporation upon liquidation, dissolution or winding-up of the Corporation.

##### **Warrants**

The Corporation issued 1,322,797 warrants ("Warrants") of which 1,139,281 Warrants remain outstanding. See "Private Placement of Units".

Each whole Warrant entitles the holder to acquire one Common Share and is exercisable at any time up to 18 months from the date of issuance or such date agreed to by parties upon payment of \$0.25.

The Warrants contains provisions to the effect that, in the event of any subdivision, consolidation, change, reclassification, or alteration of the Common Shares, or in the event of the consolidation, amalgamation, or merger of the Corporation with another corporation, a proportionate adjustment or change will be made in the number and kind of securities issuable on exercise of the Warrants.

The Corporation shall not be required, upon the exercise of any Warrants, to issue fractions of Common Shares.

#### **CAPITALIZATION**

The following table outlines the capitalization of King's Bay as at October 31, 2001 and January 15, 2002, both before and after giving effect to this Offering:

Type of Security	Authorized	Outstanding as at October 31, 2001 <sup>(1)</sup>	Outstanding as at January 15, 2002	Outstanding as at January 15, 2002 After Giving Effect to the Offering
Common Shares	Unlimited	\$1,060,684 (7,362,736 Common Shares)	\$1,152,442 (7,546,252 Common Shares)	\$1,602,442 <sup>(2)(3)</sup> (9,046,252 Common Shares)
Class B Shares	Unlimited	NIL	NIL	NIL
Warrants	1,322,797	1,322,797	1,139,281	1,139,281
Series A Warrants	1,897,500	NIL	NIL	1,500,000
Series B Warrants	1,897,500	NIL	NIL	1,500,000
Long Term Debt	N/A	NIL	NIL	NIL

**Notes:**

- (1) The deficit of King's Bay as at October 31, 2001 was \$389,772.
- (2) After issue costs estimated to be \$75,000
- (3) Does not include: 1,139,281 Common Shares which have been reserved for issuance pursuant to the exercise of the Warrants; up to 948,750 Common Shares that may be issued on exercise of the Series A Warrants; up to 948,750 Common Shares that may be issued on exercise of Series B Warrants; up to 172,500 Common Shares that may be issued on exercise of the Agent's Unit Option; up to 225,000 Common Shares that may be issued on exercise of the Over Allotment Option; up to 855,000 Common Shares that may be issued on exercise of Stock Options upon granting.

**PRIOR SALES OF SECURITIES**

The following is a list of sales of King's Bay's Common Shares for the 12 months previous to the date hereof:

Date	Number of Common Shares	Price per Share	Aggregate	Nature of Consideration
January 15, 2002	156,851	\$0.25	\$39,212.75	cash
January 13, 2002	26,665	\$0.25	\$6,666.25	cash
October 29, 2001	2000	\$0.25	\$500	cash
September 28, 2001	6,000	\$0.25	\$1,500	cash
September 28, 2001	100,000	\$0.25	\$25,000	cash
September 10, 2001	40,000	\$0.25	\$10,000	cash
September 4, 2001	427,300	\$0.25	\$106,825	cash
August 20, 2001	308,100	\$0.25	\$77,025	cash
July 26, 2001	46,000	\$0.25	\$11,500	cash
July 13, 2001	278,854	\$0.25	\$69,713.50	cash
June 18, 2001	273,882	\$0.25	\$68,470.50	cash
May 18, 2001	407,000	\$0.25	\$101,750	cash
May 1, 2001	227,000	\$0.25	\$56,750	cash

<b>Date</b>	<b>Number of Common Shares</b>	<b>Price per Share</b>	<b>Aggregate</b>	<b>Nature of Consideration</b>
April 19, 2001	289,000	\$0.25	\$72,250	cash
April 4, 2001	533,200	\$0.25	\$133,300	cash
March 1, 2001	43,600	\$0.25	\$10,900	cash
February 15, 2001	104,000	\$0.25	\$26,000	cash
February 8, 2001	108,000	\$0.25	\$27,000	cash

**DIVIDEND RECORD AND POLICY**

To date, the Corporation has not paid dividends on its Common Shares. The intention of the Corporation is to retain earnings to finance future growth and accordingly the Corporation has no present intention to pay dividends on its Common Shares.

**ESCROWED SECURITIES**

Pursuant to an escrow agreement dated , 2001 (the "Escrow Agreement") among , the Corporation and Computershare, , escrowed Common Shares as follows:

<b>Shareholder</b>	<b>Designation of Class</b>	<b>Number and Percentage of Common Shares Held in Escrow</b>
Richard R. Rivet	Common Shares	850,000 (9.4 %)
Ginette H. Camire	Common Shares	810,000 (9.0 %)
John R. Burns	Common Shares	100,000 (1.1 %)
Trevor Maraj	Common Shares	178,000 (2.0 %)
Rick Paley	Common Shares	265,000 (2.9 %)
Claude Charbonneau	Common Shares	500,000 (5.5 %)
Richard Jabs	Common Shares	195,000 (2.2 %)
LuVerne E.W. Hogg	Common Shares	50,000 (0.6 %)
Ewan S. Downie	Common Shares	100,000 (1.1 %)
<b>TOTAL</b>	Common Shares	<b><u>3,048,000</u></b>

**Note:**

- (1) These securities are held in escrow by Computershare.
- (2) Prior to giving effect to this Offering and not including the Common Shares issuable pursuant to the Kapkitchi Option and Headway Option, the Garnet Lake North Option and the Bowerman Option.

Subject to the provisions of the Escrow Agreement, these escrowed Securities are to be released as follows:

<b>Date</b>	<b>Percentage of Escrowed Common Shares to be Released</b>
Date on which Common Shares are listed on the Canadian Venture Exchange ("Listing Date")	10%
6 months from Listing Date	15%
12 months from Listing Date	15%
18 months from Listing Date	15%
24 months from Listing Date	15%
30 months from Listing Date	15%
36 months from Listing Date	15%

#### **PLAN OF DISTRIBUTION AND DESCRIPTION OF OFFERED SECURITIES**

##### **Offering of Units**

Pursuant to an agency agreement dated March 1, 2002 (the Unit Agency Agreement") between the Corporation and the Agent, the Agent has been appointed agent of the Corporation to offer for sale to the public the Units offered herein in the provinces of Manitoba, Alberta and Saskatchewan. The Agent will receive a commission of 10% of the gross proceeds of the portion of the Offering placed by the Agent. The Agent has agreed to use its best efforts to secure subscriptions for the Units offered hereunder on behalf of the Corporation but is not obligated to purchase any units not sold. The Agent may appoint one or more registered sub-agents to offer and sell the Units in jurisdictions where the Units may lawfully be offered for sale.

In addition, the Agent will also be granted a non-transferable option to purchase Units (the "Agent's Unit Option") to purchase Units representing to 10% of the Units sold under the Offering at a purchase price of \$0.35 per Unit, which will expire 2 years from the date of issuance. The Agent's Unit Option is qualified by and will be distributed pursuant to this Prospectus.

The obligations of the Agent under the Unit Agency Agreement may be terminated and the Agent may in its discretion withdraw subscriptions for Units on behalf of the subscribers on the basis of its assessment of the financial markets and upon the occurrence of certain stated events, including any material adverse changes in the business or financial condition of the Corporation.

The Agent hereby conditionally offers, as agent, on behalf of the Corporation up to 1,500,000 Units (\$525,000) on a "best efforts" basis, subject to prior sale if, as and when issued. Subscriptions may be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

This Offering is not underwritten and is subject to the total subscription of \$525,000 which must be raised within 90 days of the issuance of a Final MRRS Decision Document or such other time as may be authorized by the appropriate regulatory authority and agreed to by the Agent. Proceeds of this Offering will be deposited with the Trustee until subscriptions for \$525,000 have been raised. If the Total Subscription is not raised, subscription monies will be returned to Subscribers without interest or deduction.

##### **Over Allotment Option**

The Agent will be granted an option (the "Over Allotment Option"), exercisable for a period of 60 days from the closing of the Offering, to purchase an additional 15% of the number of Units issued at the closing of the Offering on the same terms set forth above solely to cover over allotments, if any. If the Agent exercises the Over Allotment Option in full, the total price to the public will be \$78,750, the Agent's commission will be \$7,875 and the net proceeds to the Corporation will be \$70,850. In addition, the Agent will be granted a non-transferable option to purchase Units representing up to 10% of the Units sold pursuant to the Over Allotment Option. Further references to the Agent's Unit Option shall include the option to purchase up to 10% of the Units sold pursuant to the Over Allotment Option. This prospectus qualifies the distribution of the Over Allotment Option and the Common Shares, Series A Warrants and Series B Warrants issuable upon exercise of the Over Allotment Option.

## Series A Warrants

A total of up to 1,897,500 Series A Warrants may be issuable pursuant to this Offering including 172,500 Series A Warrants which may be issuable to the Agent. Two Series A Warrants will entitle the holder to acquire one Common Share upon payment of \$0.50 for a period of 12 months from the date of issuance subject to the terms of Series A Warrant Indenture to be entered into with the Trustee.

The Series A Warrants will be issued in registered form under and will be governed by, a share purchase warrant indenture (the "Series A Warrant Indenture") to be entered into between the Corporation and the Trustee. The Corporation has appointed the principal offices of the Trustee in Winnipeg, Manitoba, as the location at which Series A Warrants may be surrendered for exercise or exchange.

The Series A Warrant Indenture will contain provisions to the effect that, in the event of any subdivision, consolidation, change, reclassification, or alteration of the Common Shares, or in the event of the consolidation, amalgamation, or merger of the Corporation with another corporation, a proportionate adjustment or change will be made in the number and kind of securities issuable on exercise of the Series A Warrants.

The Series A Warrant Indenture will also provide that the exercise price per Common Share is subject to adjustment in certain events including:

- (a) the subdivision, redivision, change, reduction, combination, consolidation of the Common Shares or the issue of Common Shares or securities convertible or exchangeable into Common Shares to all or substantially all of the holders of Common Shares by way of a stock dividend, other than an issue of Common Shares to such holder as a "dividend paid in the ordinary course" (to be defined in the Series A Warrant Indenture);
- (b) the issue of rights or warrants to all or substantially all the holders of Common Shares entitling them within a period of no longer than 45 days after such date of issue to acquire Common Shares at less than 95% of the "current market price" (to be defined in the Series A Warrant Indenture) of the Common Shares; and
- (c) the distribution to all or substantially all of the holders of Common Shares of the any other class of any corporation or of rights, options, or warrants (other than those referred to above) or of evidences of indebtedness or of assets, excluding "dividends paid in the ordinary course of business" (to be defined in the Series A Warrant Indenture).

No adjustment to the exercise price of the Series A Warrants will be required to be made unless the cumulative effect of such adjustments would change the exercise price of the Series A Warrants by at least one (1%) percent.

"Current market price" will be defined in the Series A Warrant Indenture to mean at any date the simple average closing price per Common Share for the 20 trading days immediately preceding such date on the Exchange or on the principal stock exchange on which the Common Shares are then listed.

The Corporation shall not be required, upon the exercise of any Series A Warrants, to issue fractions of Common Shares. In lieu of fractional Common Shares, the Corporation shall pay to the holder who would otherwise be entitled to receive fractional Common Shares, an amount equal to the "Current Market Price" multiplied by an amount equal to the fractional interest of Common Shares such holder would otherwise be entitled to receive upon such exercise, provided that the Corporation shall not be required to make any payment that is less than \$5.00.

The Series A Warrant Indenture will be dated on or before closing of the Offering and a copy will also be available for examination at the head office of the Corporation.

The foregoing is subject to the detailed provisions of the Series A Warrant Indenture. Copies of the Series A Warrant Indenture may be reviewed at the locations identified under "Material Contracts".

## Series B Warrants

A total of up to 1,897,500 Series B Warrants may be issuable pursuant to this Offering including 172,500 Series B Warrants which may be issuable to the Agent. Two Series B Warrants will entitle the holder to acquire one Common Share upon payment of \$1.50 for a period of 24 months from the date of issuance subject to the terms of Series B Warrant Indenture to be entered into with the Trustee.

The Series B Warrants will be issued in registered form under and will be governed by, a share purchase warrant indenture (the "Series B Warrant Indenture") to be entered into between the Corporation and the Trustee. The Corporation has appointed the principal offices of the Trustee in Winnipeg, Manitoba, as the location at which Series B Warrants may be surrendered for exercise or exchange.

The Series B Warrant Indenture will contain provisions to the effect that, in the event of any subdivision, consolidation, change, reclassification, or alteration of the Common Shares, or in the event of the consolidation, amalgamation, or merger of the Corporation with another corporation, a proportionate adjustment or change will be made in the number and kind of securities issuable on exercise of the Series B Warrants.

The Series B Warrant Indenture will also provide that the exercise price per Common Share is subject to adjustment in certain events including:

- (a) the subdivision, redivision, change, reduction, combination, consolidation of the Common Shares or the issue of Common Shares or securities convertible or exchangeable into Common Shares to all or substantially all of the holders of Common Shares by way of a stock dividend, other than an issue of Common Shares to such holder as a "dividend paid in the ordinary course" (to be defined in the Series B Warrant Indenture);
- (b) the issue of rights or warrants to all or substantially all the holders of Common Shares entitling them within a period of no longer than 45 days after such date of issue to acquire Common Shares at less than 95% of the "current market price" (to be defined in the Series B Warrant Indenture) of the Common Shares; and
- (c) the distribution to all or substantially all of the holders of Common Shares of the any other class of any corporation or of rights, options, or warrants (other than those referred to above) or of evidences of indebtedness or of assets, excluding "dividends paid in the ordinary course of business" (to be defined in the Series B Warrant Indenture).

No adjustment to the exercise price of the Series B Warrants will be required to be made unless the cumulative effect of such adjustments would change the exercise price of the Series B Warrants by at least one (1%) percent.

"Current market price" will be defined in the Series B Warrant Indenture to mean at any date the simple average closing price per Common Share for the 20 trading days immediately preceding such date on the Exchange or on the principal stock exchange on which the Common Shares are then listed.

The Corporation shall not be required, upon the exercise of any Series B Warrants, to issue fractions of Common Shares. In lieu of fractional Common Shares, the Corporation shall pay to the holder who would otherwise be entitled to receive fractional Common Shares, an amount equal to the "Current Market Price" multiplied by an amount equal to the fractional interest of Common Shares such holder would otherwise be entitled to receive upon such exercise, provided that the Corporation shall not be required to make any payment that is less than \$5.00.

The Series B Warrant Indenture will be dated on or before closing of the Offering and a copy will also be available for examination at the head office of the Corporation.

The foregoing is subject to the detailed provisions of the Series B Warrant Indenture. Copies of the Series B Warrant Indenture may be reviewed at the locations identified under "Material Contracts".

### Private Placement of Units

Between May 31, 2000 to September 28, 2001, the Corporation completed the private placement of an aggregate of 3,968,391 units ("Units") at a purchase price of \$0.25 per unit for gross proceeds of \$330,699 pursuant to certain prospectus exemptions under applicable securities legislation. Each Unit consisted of one Common Share and one-third of one common share purchase warrant ("Warrant"). To date, 183,516 Common Shares have been issued pursuant to the exercise of Warrants.

### Warrants

Each whole Warrant entitles the holder to acquire one Common Share and is exercisable at any time up to 18 months from the date of issuance or such date agreed to by parties upon payment of \$0.25.

The Warrants contains provisions to the effect that, in the event of any subdivision, consolidation, change, reclassification, or alteration of the Common Shares, or in the event of the consolidation, amalgamation, or merger of the Corporation with another corporation, a proportionate adjustment or change will be made in the number and kind of securities issuable on exercise of the Warrants.

The Corporation shall not be required, upon the exercise of any Warrants, to issue fractions of Common Shares.

### DILUTION

The dilution of the investment of the subscribers for the Common Shares issuable on the sale of the Units, based on the net tangible book value of the assets of the Corporation before the sale of the Units and after giving effect to issuances of Common Shares under this Offering and, but without giving effect to the exercise of Series A Warrants, Series B Warrants, Warrants, Agent's Unit Option and Over Allotment Option, is set forth below.

Net tangible book value as at October 31, 2001	\$702,014 <sup>(1)</sup>
Increase in net tangible book value re: Prospectus Offering (after agent's commission and estimated costs)	\$397,500 <sup>(3)</sup>
Net tangible book value after giving effect to the Prospectus Offering	\$1,099,514
Number of Common Shares outstanding as of October 31, 2001	7,362,736
Increase in number of Common Shares outstanding after giving effect to the Prospectus Offering	1,500,000 <sup>(2)</sup>
Total number of Common Shares outstanding after giving effect to the Prospectus Offering	8,862,736
Net tangible book value per share after giving effect to the Prospectus Offering	\$0.124
Offering Price of Units	\$0.35
Dilution (Units)	\$0.103
Percentage of dilution in relation to effective issue price per Common Share (Units)	70.6%

### Notes:

- (1) Based on the October 31, 2001 balance sheet included in this Prospectus.
- (2) Includes Common Shares issuable under this Offering. Assumes no exercise of Series A Warrants, Series B Warrants, Agent's Unit Option and Over Allotment Option.
- (3) After deducting Agent's commission and the estimated related expenses of the sale of the Units.

### MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts entered into by the Corporation in the two years immediately prior to the date hereof which can reasonably be regarded as presently material are the following.

1. Unit Agency Agreement dated March 1, 2002 between the Corporation and Bieber;
2. Option Agreement between the Corporation and 1304850 Ontario Inc. dated July 10, 2001 in connection with Headway claims; Red Lake Mining District, Dome and Balmer Townships;
3. Option Agreement between the Corporation and 1304850 Ontario Inc. dated July 6, 2001 in connection with Kapkitchi Lake claims;
4. Option Agreement between the Corporation and Arthur F. Young dated April 14, 2000 in connection with Pipestone Lake claims;
5. Option Agreement between the Corporation and Arthur F. Young dated April 14, 2000 in connection with Swell Bay claims;
6. Option Agreement between the Corporation and Ray Pitkanen dated April 10, 2000 in connection with Stellar claims;
7. Option Agreement between the Corporation and Ray Pitkanen dated April 10, 2000 in connection with Hook Bay claims;
8. Option Agreement between the Corporation and Perry English dated October 10, 2001 in connection with Garnet Lake North claims; and
9. Option Agreement between the Corporation and Perry English dated October 10, 2001 in connection with Bowerman Property.

Copies of the above agreements may be inspected at the head office of the Corporation located at 152 Gull Lake Road, Winnipeg, Manitoba, R3T 5T3 or at the offices of Armstrong Perkins Hudson LLP, counsel to the Corporation located at 2300 Western Gas Tower, 530-8th Avenue SW, Calgary, Alberta T2P 3S8 during normal business hours at any time up to and including the final closing of this Offering.

#### **RISK FACTORS**

The purchase of any Units offered hereby must be considered highly speculative due to the nature of the Corporation's business, its relatively formative stage of development, its current financial position and its lack of an earnings record. An investment in the Units should only be considered by those persons who can afford a total loss of their investment. An investment in these securities is not suited to investors who may need to dispose of their investment in a timely fashion. Investors should consult with their own professional advisors to assess the legal, financial and other aspects of an investment in the securities offered hereby. In addition to other information contained in this Prospectus, prospective subscribers should carefully consider the following risk factors.

1. The Corporation may need to raise funds through public or private debt or equity financing in the event that the Corporation incurs operating losses or requires substantial capital investment, or in order for the Corporation to respond to unanticipated competitive pressures or to take advantage of unanticipated opportunities. There can be no assurance that additional financing will be available on terms favourable to the Corporation, or at all. If adequate funds are not available or are not available on acceptable terms, the Corporation may not be able to continue its network expansion to take advantage of market opportunities, to develop new products or otherwise to respond to competitive pressures or continue to be viable. Such inability could have a material adverse effect on the Corporation's business, financial condition and results of operations.
2. After giving effect to the Offering but prior to the exercise of any Series A Warrants, Series B Warrants, Warrants, the Agent's Unit Option and Over Allotment Option, the effective price of \$0.35 per Common Share for Units exceeds the net tangible book value per Common Share as at October 31, 2001 by \$0.103 (representing a dilution factor of 70.6%). The Corporation is unlikely to pay dividends on the Common Shares in the foreseeable future. See "Dilution".
3. The Corporation has not yet earned a profit and intends to retain any future earnings to finance growth and expand operations and does not anticipate paying any dividends in the foreseeable future. See "Dividend Record and Policy".
4. There is presently no known market for the Common Shares, the Series A Warrants and the Series B Warrants.

5. The Offering price of the Units has been determined by the Board of Directors of the Corporation through negotiation with the Agent, yet may not be indicative of the value of the Units after the Offering. The value of the Units could be subject to significant fluctuations in response to variations in quarterly and yearly operating results, the success of the Corporation's business strategy, competition or other applicable regulations which may affect the business of the Corporation and other factors. These fluctuations may affect the value of the Units.
6. Subscribers hereunder must assess the merits of the investment based on financial information disclosed herein.
7. The purchase of any Units offered hereby must be considered highly speculative due to the nature of the Corporation's business and its relatively early stage of development.
8. The Corporation has a very limited history of operations, in its present business is in the early stage of development and must be considered a start-up. As such, the Corporation is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Corporation will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.
9. The Corporation has limited financial resources, no source of operating cash flow and no assurance that additional funding will be available for it for further exploration and development of the Corporation's projects or to fulfil its obligations under any applicable agreements. There can be no assurance that the Corporation will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Corporation's projects with the possible loss of such projects.
10. The Corporation is engaged in exploration and development of mineral properties. The mineral exploration and development industry involves a high degree of risk, which even with a combination of experience, knowledge and careful evaluation, no assurance can be given that commercial quantities of minerals can be successfully found or produced.
11. The Corporation's operations are subject to the risks normally incident to the operation and development of mineral properties, including drilling, trenching and surveying, all of which could result in personal injuries, loss of life and damage to the property of the Corporation and others. In accordance with customary industry practice, the Corporation is not fully insured against all of these risks, nor are all such risks insurable.
12. All of the properties in which the Corporation has an interest, or the right to acquire an interest, are in the early exploration stage and are without a known body of commercial ore. Development of the Corporation's resource properties will only follow upon obtaining satisfactory results. Exploration for and the development of natural resources involve a high degree of risk and few properties which are explored are ultimately developed into producing properties. There is no assurance that the Corporation's exploration and development activities will result in any discoveries of commercial bodies of ore. The long term profitability of the Corporation's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors.
13. The Swell Bay Report and Stellar Report prepared by Clark Exploration were reportedly based on work reported in the assessment files of the MNDM which contains data, the validity of which could not be verified by Clark Exploration.
14. Substantial expenditures are required to establish reserves through drilling, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that resources will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.
15. The Corporation has relied and may continue to rely upon consultants and others for expertise. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuating mineral markets, costs of processing equipment, competition and such other factors as government regulations, including regulations relating to title to mineral concessions, royalties, allowable production, importing and exporting of minerals and environmental protection. Depending on the price of gold or other minerals produced, the Corporation may determine that it is impractical to commence or continue commercial production.
16. Exploration for natural resources involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Corporation has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages, damage to persons or property and possible environmental damage.

17. Although the Corporation has or will obtain liability insurance in an amount which management considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable against, or the Corporation might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Corporation could incur significant costs that could have a material adverse effect upon its financial condition.
18. The Corporation's revenues, if any, are expected to be in large part derived from the extraction and sale of base and precious metals such as gold. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Corporation's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of base and precious metals, and therefore the economic viability of any of the Corporation's exploration projects, cannot accurately be predicted.
19. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations.
20. The resource industry is intensely competitive in all of its phases, and the Corporation competes with many companies possessing greater financial resources and technical facilities than itself. Competition could adversely affect the Corporation's ability to acquire suitable properties for exploration in the future.
21. There is no guarantee that title to the Corporation's properties will not be challenged or impugned. While title has been investigated and, to the best of the Corporation's knowledge, title to the properties is in good standing, this should not be construed as a guarantee of title. Also, new claims are being made by aboriginal peoples that call into question the rights to minerals and surface use.
22. The operations of the Corporation may require licenses and permits from various aboriginal and governmental authorities. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.
23. The Corporation is dependent on a relatively small number of key employees and consultants, the loss of any of whom could have an adverse effect on the Corporation.
24. Certain of the directors and officers of the Corporation also serve as officers and/or directors of other companies which engage in mineral resource exploration and development activities. In accordance with the laws of Alberta, the directors of the Corporation are required to act honestly, in good faith and in the best interest of the Corporation. In determining whether the Corporation will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Corporation, the degree of risk to which the Corporation may be exposed and its financial position at that time. Other than as indicated, the Corporation has no other procedures or mechanisms to deal with conflicts of interest.
25. The prices of metals are primarily outside the control of the Corporation. The Corporation will be a price taker for its products and commodity prices can be expected to show volatility.

#### **LEGAL PROCEEDINGS**

There are no legal proceedings involving the Corporation or its assets as of the date of this Prospectus which management of the Corporation believes to be material to the Corporation, nor are any such proceedings known by the Corporation to be contemplated.

#### **LEGAL MATTERS**

Certain legal matters in connection with this Offering will be passed upon on behalf of the Corporation by Armstrong Perkins Hudson LLP, Barristers and Solicitors, Calgary, Alberta and on behalf of the Agent by Taylor McCaffrey, Barristers and Solicitors, Winnipeg, Manitoba.

#### **AUDITOR, REGISTRAR AND TRANSFER AGENT**

The auditor of the Corporation is The Exchange, Chartered Accountants, 100 - 123 Bannatyne Avenue, Winnipeg, R3B 0R3.

Computershare Trust Company of Canada, through its principal office at Suite 1190, 201 Portage Avenue, Winnipeg, Manitoba, R3B 3K6, is the registrar and transfer agent for the Common Shares.

#### **CONFLICTS OF INTEREST**

There are potential conflicts of interest to which the directors, officers and promoters of the Corporation may be subject with respect to the operations of the Corporation. Certain of the directors may serve as directors and/or officers of other companies or have significant shareholdings in other companies. Situations may arise where the directors, officers and promoters of the Corporation will be engaged in direct competition with the Corporation. Any conflicts of interest will be subject to and governed by the law applicable to directors and officers conflicts of interest.

#### **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the applicable province. Each purchaser should refer to the securities legislation of the province in which the purchaser resides for the particulars of these rights or consult with a legal adviser.

**KING'S BAY GOLD CORPORATION**  
**INTERIM FINANCIAL STATEMENTS**  
**OCTOBER 31, 2001**

**KING'S BAY GOLD CORPORATION**

**OCTOBER 31, 2001**

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## AUDITORS' REPORT

To the Directors of  
King's Bay Gold Corporation

We have audited the interim balance sheet of King's Bay Gold Corporation as at October 31, 2001 and the interim statements of loss and deficit and cash flows for the period then ended. These interim financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these interim financial statements based on our audit.

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

In our opinion, these interim financial statements present fairly, in all material respects, the financial position of the company as at October 31, 2001 and the results of its operations and its cash flows for the period then ended, in accordance with Canadian generally accepted accounting principles.

***"The Exchange"***  
chartered accountants

Winnipeg, Manitoba  
January 28, 2002

**KING'S BAY GOLD CORPORATION  
INTERIM BALANCE SHEET  
AS AT OCTOBER 31, 2001**

	<u>2001</u>	December 31, <u>2000</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 453,130	\$ 11,903
Accounts receivable	7,050	840
Prepaid expenses	<u>10,000</u>	<u>-</u>
	470,180	12,743
DEFERRED EXPLORATION COSTS, note 1	117,494	-
FIXED, notes 2 and 3	<u>114,340</u>	<u>43,813</u>
	<u>\$ 702,014</u>	<u>\$ 56,556</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 14,340	\$ 1,705
Deposit on shares to be issued	<u>-</u>	<u>5,000</u>
	14,340	6,705
DUE TO SHAREHOLDERS, note 4	<u>16,762</u>	<u>22,309</u>
	<u>31,102</u>	<u>29,014</u>
<b>SHAREHOLDERS' EQUITY</b>		
CAPITAL STOCK, note 5	1,060,684	263,700
DEFICIT	<u>(389,772)</u>	<u>(236,158)</u>
	<u>670,912</u>	<u>27,542</u>
	<u>\$ 702,014</u>	<u>\$ 56,556</u>

APPROVED ON BEHALF OF THE BOARD:

"Richard R. Rivet" Director  
Richard R. Rivet

"Ginette Camire" Director  
Ginette Camire

**KING'S BAY GOLD CORPORATION**  
**INTERIM STATEMENT OF LOSS AND DEFICIT**  
**PERIOD ENDED OCTOBER 31, 2001**

	<u>2001</u>	Year Ended December 31, <u>2000</u>
<b>OTHER INCOME</b>		
Interest	\$ 1	\$ 7
Loss on disposal of fixed assets	<u>(1,030)</u>	<u>-</u>
	<u>(1,029)</u>	<u>7</u>
<b>EXPENSES</b>		
Automotive	1,893	7,845
Bank charges and interest	375	1,172
Consulting fees	40,000	62,200
Depreciation	24,490	7,620
Dues and memberships	433	245
Exploration expenses	-	11,100
Insurance	4,365	1,058
Legal and accounting	22,602	2,200
Land option agreements, note 6	14,750	97,500
Meals and entertainment	7,076	-
Office	10,384	5,221
Repairs and maintenance	8,181	-
Securities expense	7,804	-
Staking claims, note 7	-	15,000
Testing and supplies	-	7,798
Travel	<u>10,232</u>	<u>3,234</u>
	<u>152,585</u>	<u>222,193</u>
<b>NET LOSS</b>	(153,614)	(222,186)
<b>DEFICIT, beginning of period</b>	<u>(236,158)</u>	<u>(13,972)</u>
<b>DEFICIT, end of period</b>	<u>\$ (389,772)</u>	<u>\$ (236,158)</u>
<b>EARNINGS PER SHARE</b>	<u>\$ (0.021)</u>	<u>\$ (0.054)</u>
<b>FULLY DILUTED EARNINGS PER SHARE</b>	<u>\$ (0.017)</u>	<u>\$ (0.050)</u>

**KING'S BAY GOLD CORPORATION**  
**INTERIM STATEMENT OF CASH FLOWS**  
**PERIOD ENDED OCTOBER 31, 2001**

	<u>2001</u>	Year Ended December 31, <u>2000</u>
<b>OPERATING ACTIVITIES</b>		
Cash flows from operations		
Net loss	\$ (153,614)	\$ (222,186)
Add: non-cash charges		
Depreciation	<u>24,490</u>	<u>7,620</u>
	<u>(129,124)</u>	<u>(214,566)</u>
 Changes in non-cash working capital		
Decrease in accounts receivable	(6,210)	(840)
Increase in prepaid expenses	(10,000)	-
Increase (decrease) in accounts payable and accrued liabilities	<u>12,635</u>	<u>(13,677)</u>
	<u>(3,575)</u>	<u>(14,517)</u>
 Cash flows from operations	<u>(132,699)</u>	<u>(229,083)</u>
<b>FINANCING ACTIVITIES</b>		
Increase (decrease) in due to shareholders	(5,547)	22,309
Increase in deposit on shares	(5,000)	5,000
Common stock issuance	<u>796,984</u>	<u>263,700</u>
	<u>786,437</u>	<u>291,009</u>
<b>INVESTING ACTIVITIES</b>		
Additions to fixed assets	(95,017)	(50,095)
Deferred exploration costs	<u>(117,494)</u>	<u>-</u>
	<u>(212,511)</u>	<u>(50,095)</u>
 INCREASE IN CASH	441,227	11,831
 CASH, beginning of period	<u>11,903</u>	<u>72</u>
 CASH, end of period	<u>\$ 453,130</u>	<u>\$ 11,903</u>

**KING'S BAY GOLD CORPORATION  
NOTES TO INTERIM FINANCIAL STATEMENTS  
OCTOBER 31, 2001**

1. NATURE OF ORGANIZATION

King's Bay Gold Corporation was incorporated pursuant to the Canada Business Corporation Act on March 20, 1998. The Company is a mineral resource company, which is engaged in the acquisition of interests in, and in the exploration of, mineral resource properties. The Company raised private monies in the Provinces of Manitoba, Saskatchewan, and Alberta pursuant to exemptions under the respective securities acts.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements of the company have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of interim financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The interim financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Depreciation

Depreciation is provided annually on a diminishing balance basis, with additions in the current year at one-half of the rates, as follows:

Equipment	-	20%
Automotive	-	30%
Computer hardware	-	30%

(b) Exploration Costs

Exploration costs relating to mineral properties are deferred until the properties are brought into production, at which time the deferred exploration costs are to be amortized on a unit of production basis, or until the properties are abandoned or sold, at which time the deferred costs are written off.

The amounts shown as deferred exploration costs represent unamortized costs to date and do not necessarily reflect present or future values.

**KING'S BAY GOLD CORPORATION**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**OCTOBER 31, 2001**

3. FIXED ASSETS

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2001 Net Book Value</u>	<u>2000 Net Book Value</u>
Equipment	\$ 59,606	\$ 7,026	\$ 52,580	\$ 5,325
Automotive	81,779	23,613	58,166	37,551
Computer hardware	<u>5,031</u>	<u>1,437</u>	<u>3,594</u>	<u>937</u>
	<u>\$ 146,416</u>	<u>\$ 32,076</u>	<u>\$ 114,340</u>	<u>\$ 43,813</u>

4. DUE TO SHAREHOLDERS

The amounts due to shareholders bear no interest and are not due within one year.

5. CAPITAL STOCK

	<u>2001</u>	<u>2000</u>
Authorized		
Unlimited class A common shares, voting		
Unlimited class B common shares, non-voting		
Issued		
7,362,736 class A common	\$ 1,060,684	\$ 263,700
Nil class B common	<u>-</u>	<u>-</u>
	<u>\$ 1,060,684</u>	<u>\$ 263,700</u>

Subject to all regulatory approvals, it is anticipated that on or before the date on which the initial public offering is completed the following shares will be placed in escrow:

Richard Rivet	\$ 850,000
Ginette Camire	810,000
Claude Charbonneau	500,000
Trevor Maraj	178,000
Rick Jabs	195,000
Rick Paley	265,000
John Burns	100,000
Ewan Downie	100,000
LuVerne Hogg	<u>50,000</u>
Total shares held in escrow	<u>\$ 3,048,000</u>

Subject to the rules and provisions of the escrow agreement, on the date on which the

**KING'S BAY GOLD CORPORATION**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**OCTOBER 31, 2001**

5. CAPITAL STOCK, cont'd....

common shares are listed on the Canadian Venture Exchange, ten percent of these shares held in escrow will be released to the escrowed shareholders. Every six months thereafter, fifteen percent of the shares will be released to the escrowed shareholders.

Certain of the shareholders hold warrants to purchase an additional share for every three shares held for \$0.25 per share purchased. At October 31, 2001 there were 1,322,797 warrants outstanding. In November and December 2001, 156,851 warrants were exercised and an additional 156,851 common shares were issued.

6. LAND OPTION AGREEMENTS

The Company has acquired options to purchase the following properties for the purpose of performing mining operations. These agreements allow the Company to perform work on the property while the owner receives payments in cash and shares.

The land option agreements are as follows:

(a) Stellar Gold Mine Claim Block

The Company has acquired an option in consideration of the issuance of 80,000 common shares of the Company and has paid \$5,000 upon signing of the option agreement.

Before engaging in any mining operations, or before the removal of any ores for the purpose of bulk sampling can commence, the Company will provide the land owner with a lump sum payment of \$40,000.

Until the lump sum of \$40,000 has been paid to the land owner, the Company agrees to pay \$5,000 annually beginning December 15, 2000. Following the payment of the lump sum amount, the annual payments of \$5,000 will be terminated. To date the Company has paid \$5,000 on December 14, 2000 and \$5,000 was paid on December 15, 2001.

Following the first year of mining, and every subsequent year thereafter, the land owner will be paid \$0.50 for every ton of ore mined, on any of the claims within the group.

To date the lump sum payment has not been made.

(b) Hook Lake of Helena Bay

The Company has acquired an option in consideration of the issuance of 70,000

**KING'S BAY GOLD CORPORATION**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**OCTOBER 31, 2001**

6. LAND OPTION AGREEMENTS, cont'd....

common shares of the Company and has paid \$5,000 upon signing of the option agreement.

Before engaging in any mining operations, or before the removal of any ores for the purpose of bulk sampling can commence, the Company will provide the land owner with a lump sum payment of \$20,000.

Until the lump sum of \$20,000 has been paid to the land owner, the Company agrees to pay \$5,000 annually beginning December 15, 2000. Following the payment of the lump sum amount, the annual payments of \$5,000 will be terminated. To date the Company has paid \$5,000 on December 14, 2000 and \$5,000 was paid on December 15, 2001.

Following the first year of mining, and every subsequent year thereafter, the land owner will be paid \$0.50 for every ton of ore mined, on any of the claims within the group.

To date the lump sum payment has not been made.

(c) Swell Bay Area (Fort Frances) in the Rainy River District

The Company has acquired an option in consideration of the issuance of 40,000 common shares of the Corporation and has paid \$5,000 upon signing of the agreement.

Before engaging in any mining operations, or before the removal of any ores for the purpose of bulk sampling can commence, the Company will provide the landowner with a lump sum payment of \$50,000.

Until the lump sum of \$50,000 has been paid to the vendor, the Company agrees to pay \$5,000 annually beginning December 15, 2000. Following the payment of the lump sum amount, the annual payments of \$5,000 will be terminated. To date the Company has paid \$5,000 on December 14, 2000 and \$5,000 was paid on December 15, 2001.

Following the first year of mining, and every subsequent year thereafter, the land owner will have the option of being paid \$1.00 per ton, for every ton of ore mined from any of the claims, or choose instead to be paid a 2% Net Smelter Return on profits generated from the recovery of gold or other valuable minerals from this property (whichever amount is greater).

To date the lump sum payment has not been made.

**KING'S BAY GOLD CORPORATION  
NOTES TO INTERIM FINANCIAL STATEMENTS  
OCTOBER 31, 2001**

6. LAND OPTION AGREEMENTS, cont'd....

(d) Pipestone Lake Area in the Rainy River District

The Company has acquired an option in consideration of the issuance of 40,000 common shares of the Corporation and has paid \$5,000 upon signing of the agreement.

Before engaging in any mining operations, or before the removal of any ores for the purpose of bulk sampling can commence, the Company will provide the land owner with a lump sum payment of \$50,000.

Prior to the lump sum of \$50,000 being paid to the vendor, the Company agrees to pay \$5,000 annually beginning December 15, 2000. Following the payment of the lump sum amount, the annual payments of \$5,000 will be terminated. To date the Company has paid \$5,000 on December 14, 2000 and \$5,000 was paid on December 15, 2001.

Following the first year of mining, and every subsequent year thereafter, the land owner will have the option of being paid \$1.00 per ton, for every ton of ore mined from any of the claims, or choose instead to be paid a 2% Net Smelter Return on profits generated from the recovery of gold or other valuable minerals from this property (whichever amount is greater).

To date the lump sum payment has not been made.

(e) Kapkitchi Lake 24 Unit Property

The Company has acquired an option in consideration of the issuance of 25,000 shares and has paid \$2,500 upon signing of the agreement. To date these shares have not been issued. Commencing on July 10, 2002 annual payments of cash and/or stock are due. These payments are as follows:

2002	\$4,000 and 25,000 shares
2003	\$8,000 and 25,000 shares
2004	\$16,000 and 25,000 shares
2005	\$50,000 in cash and/or stock equal to \$50,000

The land owner will retain a 2% Net Return on Smelter interest in the property of which the Company has the right to purchase 1% for \$1,000,000 at any time.

**KING'S BAY GOLD CORPORATION  
NOTES TO INTERIM FINANCIAL STATEMENTS  
OCTOBER 31, 2001**

6. LAND OPTION AGREEMENTS, cont'd....

(f) Headway Six Unit Property

The Company has acquired an option in consideration of the issuance of 30,000 shares and has paid \$4,000 upon signing of the agreement. To date these shares have not been issued. Commencing on July 10, 2002 annual payments of cash and stock are due. These payments are as follows:

2002	\$8,000 and 30,000 shares
2003	\$12,000 and 30,000 shares
2004	\$20,000 and 30,000 shares
2005	\$40,000 and 30,000 shares

The land owner will retain a 2% Net Return on Smelter interest in the property of which the Company has the right to purchase 1% for \$1,000,000 at any time.

(g) Garnet Lake North Property

The Company has acquired an option in consideration of the issuance of 30,000 shares and has paid \$4,000 upon signing of the agreement. To date these shares have not been issued. Commencing on October 10, 2002 annual payments of cash and shares are due. These payments are as follows:

2002	\$8,000 and 30,000 shares
2003	\$12,000 and 30,000 shares
2004	\$20,000 and 30,000 shares
2005	\$40,000 and 30,000 shares

The land owner will retain a 2% Net Return on Smelter interest in the property of which the Company has the right to purchase 1% for \$1,000,000 at any time.

(h) Bowerman Property

The Company has acquired an option to earn a 100% interest by drilling a minimum of two diamond drill holes for a combined linear feet total of not less than 1,800 feet. Following drilling of these two holes, should the Company decide to exercise its option to acquire full and sole ownership of the property it will then issue 100,000 shares to the land owner. If the Company decides not to issue the shares the property will then transfer back to the land owner.

To date the two diamond drill holes have not been drilled.

**KING'S BAY GOLD CORPORATION**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**OCTOBER 31, 2001**

7. STAKING CLAIMS

Two sixteen unit claims in the Fort Frances area known as the Hopkins Bay Property and one sixteen unit claim in the Fort Frances area known as the Rice Bay Property were staked on behalf of the Company. A sixteen unit claim located in the Thunder Bay Mining Division known as the Hemetite Property and one four unit and one twelve unit claim in the Pocket Pond Property were also staked on behalf of the Company.

A fifteen unit single claim attached to the border of the Helena Lake was also staked on behalf of the Company.

8. INCOME TAX LOSSES CARRY-FORWARD

The company has losses of approximately \$192,945 available to reduce future taxable income. These losses expire as follows:

2005	\$ 4,354
2006	9,618
2007	<u>178,973</u>
	<u>\$ 192,945</u>

9. PROSPECTUS

The company is in the process of filing a prospectus with the regulatory authorities of Manitoba, Alberta, and Saskatchewan constituting an offering to the public of 1,500,000 units of the Company at \$0.35 per unit for gross proceeds of \$525,000. Each unit is comprised of one common share, one common share series "A" purchase warrant and one common share series "B" purchase warrant. Two series A warrants entitles the holder to purchase one common share at a purchase price of \$0.50 per common share at any time up to 12 months from the initial closing date. Two series B warrants entitle the holder to purchase one common share at a purchase price of \$1.50 per common share at any time up to 24 months from the initial closing date.

A 10% commission will be paid to the agent. In addition, the agent will be granted a non-transferable option to purchase the agent's unit option to purchase up to 10% of the units sold under the offering at a purchase price of \$0.35 per unit.

**KING'S BAY GOLD CORPORATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2000**

**KING'S BAY GOLD CORPORATION**

**DECEMBER 31, 2000**

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## AUDITORS' REPORT

To the Directors of  
King's Bay Gold Corporation

We have audited the balance sheet of King's Bay Gold Corporation as at December 31, 2000 and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

***"The Exchange"***  
chartered accountants

Winnipeg, Manitoba  
January 28, 2002

**KING'S BAY GOLD CORPORATION  
BALANCE SHEET  
AS AT DECEMBER 31, 2000**

	<u>2000</u>	<u>1999</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 11,903	\$ 72
Accounts receivable	<u>840</u>	<u>-</u>
	12,743	72
<b>FIXED</b> , notes 2 and 3	<u>43,813</u>	<u>1,338</u>
	<u><u>\$ 56,556</u></u>	<u><u>\$ 1,410</u></u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable	\$ 1,705	\$ 15,382
Deposit on shares to be issued	<u>5,000</u>	<u>-</u>
	6,705	15,382
<b>DUE TO SHAREHOLDERS</b> , note 4	<u>22,309</u>	<u>-</u>
	<u><u>29,014</u></u>	<u><u>15,382</u></u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK</b> , note 5	263,700	-
<b>DEFICIT</b>	<u>(236,158)</u>	<u>(13,972)</u>
	<u>27,542</u>	<u>(13,972)</u>
	<u><u>\$ 56,556</u></u>	<u><u>\$ 1,410</u></u>

APPROVED ON BEHALF OF THE BOARD:

"Richard R. Rivet" Director  
Richard R. Rivet

"Ginette Camire" Director  
Ginette Camire

**KING'S BAY GOLD CORPORATION**  
**STATEMENT OF LOSS AND DEFICIT**  
**YEAR ENDED DECEMBER 31, 2000**

	<u>2000</u>	<u>1999</u>
INTEREST INCOME	\$ <u>7</u>	\$ <u>-</u>
EXPENSES		
Automotive	7,845	2,165
Bank charges and interest	1,172	98
Depreciation	7,620	236
Dues and memberships	245	-
Exploration expenses	11,100	-
Insurance	1,058	-
Legal and accounting	2,200	-
Land option agreements, note 6	97,500	-
Management salaries and consulting fees	62,200	4,000
Office	5,221	1,627
Testing and supplies	7,798	210
Staking claims, note 7	15,000	275
Travel	3,234	1,007
	<u>222,193</u>	<u>9,618</u>
NET LOSS	(222,186)	(9,618)
DEFICIT, beginning of year	<u>(13,972)</u>	<u>(4,354)</u>
DEFICIT, end of year	<u>\$ (236,158)</u>	<u>\$ (13,972)</u>
EARNINGS PER SHARE	<u>\$ (0.054)</u>	
FULLY DILUTED EARNINGS PER SHARE	<u>\$ (0.050)</u>	

**KING'S BAY GOLD CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2000**

	<u>2000</u>	<u>1999</u>
<b>OPERATING ACTIVITIES</b>		
Cash flows from operations		
Net loss	\$ (222,186)	\$ (9,618)
Add: non-cash charges		
Depreciation	<u>7,620</u>	<u>236</u>
	(214,566)	(9,382)
Changes in non-cash working capital		
Increase in accounts receivable	(840)	-
Increase (decrease) in accounts payable	<u>(13,677)</u>	<u>11,028</u>
Cash flows from operations	<u>(229,083)</u>	<u>1,646</u>
<b>FINANCING ACTIVITIES</b>		
Increase in due to shareholders	22,309	-
Common stock issuance	263,700	-
Increase in deposit on shares	<u>5,000</u>	<u>-</u>
	<u>291,009</u>	<u>-</u>
<b>INVESTING ACTIVITIES</b>		
Additions to fixed assets	<u>(50,095)</u>	<u>(1,574)</u>
<b>INCREASE IN CASH</b>	11,831	72
CASH, beginning of year	<u>72</u>	<u>-</u>
CASH, end of year	<u>\$ 11,903</u>	<u>\$ 72</u>

**KING'S BAY GOLD CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2000**

1. NATURE OF ORGANIZATION

King's Bay Gold Corporation was incorporated pursuant to the Canada Business Corporation Act on March 20, 1998. The Company is a mineral resource company, which is engaged in the acquisition of interests in, and in the exploration of, mineral resource properties. The Company raised private monies in the Provinces of Manitoba, Saskatchewan, and Alberta pursuant to exemptions under the respective securities acts.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the company have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Depreciation

Depreciation is provided annually on a diminishing balance basis, with additions in the current year at one-half of the rates, as follows:

Equipment	-	20%
Automotive	-	30%
Computer hardware	-	30%

(b) Exploration Expenses

Exploration costs are expensed as incurred.

3. FIXED ASSETS

		<u>Accumulated</u>	2000	1999
	<u>Cost</u>	<u>Depreciation</u>	<u>Net Book</u>	<u>Net Book</u>
			<u>Value</u>	<u>Value</u>
Equipment	\$ 5,917	\$ 592	\$ 5,325	\$ -
Automotive	44,178	6,627	37,551	-
Computer hardware	<u>1,574</u>	<u>637</u>	<u>937</u>	<u>1,338</u>
	<u>\$ 51,669</u>	<u>\$ 7,856</u>	<u>\$ 43,813</u>	<u>\$ 1,338</u>

**KING'S BAY GOLD CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2000**

4. DUE TO SHAREHOLDERS

The amounts due to shareholders bear no interest and are not due within one year.

5. CAPITAL STOCK

	<u>2000</u>	<u>1999</u>
Authorized		
Unlimited class A common shares, voting		
Unlimited class B common shares, non-voting		
Issued		
4,124,800 class A common	\$ <u>263,700</u>	\$ <u>-</u>

Subject to all regulatory approvals, it is anticipated that on or before the date on which the initial public offering is completed the following shares will be placed in escrow:

Richard Rivet	\$ 850,000	
Ginette Camire	810,000	
Claude Charbonneau	500,000	
Trevor Maraj	178,000	
Rick Jabs	195,000	
Rick Paley	265,000	
John Burns	100,000	
Ewan Downie	100,000	
LuVerne Hogg	<u>50,000</u>	
Total	<u>\$ 3,048,000</u>	

Subject to the rules provisions of the escrow agreement, on the date on which the common shares are listed for trading on the Canadian Venture Exchange, ten percent of these shares held in escrow will be released to the escrowed shareholders. Every six months thereafter, fifteen percent of the shares will be released to the escrowed shareholders.

Certain of the shareholders hold warrants to purchase an additional share for every three shares held for \$0.25 per share purchased. The shareholders have 18 months after closing of the offering in which the shares were purchased to exercise the warrants. At December 31, 2000 there were 284,933 warrants outstanding and in November and December 2001, 156,851 warrants were exercised and an additional 156,851 common shares were issued.

**KING'S BAY GOLD CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2000**

6. LAND OPTION AGREEMENTS

The Company has acquired options to purchase the following properties for the purpose of performing mining operations. These agreements allow the Company to perform work on the property while the owner receives payments in cash and shares.

The land option agreements are as follows:

(a) Stellar Gold Mine Claim Block

The Company has acquired an option in consideration of the issuance of 80,000 common shares of the Company and has paid \$5,000 upon signing of the option agreement.

Before engaging in any mining operations, or before the removal of any ores for the purpose of bulk sampling can commence, the Company will provide the land owner with a lump sum payment of \$40,000.

Until the lump sum of \$40,000 has been paid to the land owner, the Company will pay \$5,000 annually beginning December 15, 2000. Following the payment of the lump sum amount, the annual payments of \$5,000 will be terminated. To date the Company has paid \$5,000 on December 14, 2000 and \$5,000 was paid on December 15, 2001.

Following the first year of mining, and every subsequent year thereafter, the land owner will be paid \$0.50 for every ton of ore mined, on any of the claims within the group.

To date the lump sum payment has not been made.

(b) Hook Lake of Helena Bay

The Company has acquired an option in consideration of the issuance of 70,000 common shares of the Company and has paid \$5,000 upon signing of the option agreement.

Before engaging in any mining operations, or before the removal of any ores for the purpose of bulk sampling can commence, the Company will provide the land owner with a lump sum payment of \$20,000.

Until the lump sum of \$20,000 has been paid to the vendor, the Company will pay \$5,000 annually beginning December 15, 2000. Following the payment of the lump sum amount, the annual payments of \$5,000 will be terminated. To date the Company has paid \$5,000 on December 14, 2000 and \$5,000 was paid on December 15, 2001.

**KING'S BAY GOLD CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2000**

6. LAND OPTION AGREEMENTS, cont'd....

Following the first year of mining, and every subsequent year thereafter, the vendor will be paid \$0.50 for every ton of ore mined, on any of the claims within the group.

To date the lump sum payment has not been made.

(c) Swell Bay Area (Fort Frances) in the Rainy River District

The Company has acquired an option in consideration of the issuance of 40,000 common shares of the Corporation and has paid \$5,000 upon signing of the agreement.

Before engaging in any mining operations, or before the removal of any ores for the purpose of bulk sampling can commence, the Company will provide the land owner with a lump sum payment of \$50,000.

Until the lump sum of \$50,000 has been paid to the vendor, the Company will pay \$5,000 annually beginning December 15, 2000. Following the payment of the lump sum amount, the annual payments of \$5,000 will be terminated. To date the Company has paid \$5,000 on December 14, 2000 and \$5,000 was paid on December 15, 2001.

Following the first year of mining, and every subsequent year thereafter, the land owner will have the option of being paid \$1.00 per ton, for every ton of ore mined from any of the claims, or choose instead to be paid a 2% Net Smelter Return on profits generated from the recovery of gold or other valuable minerals from this property (whichever amount is greater).

To date the lump sum payment has not been made.

(d) Pipestone Lake Area in the Rainy River District

The Company has acquired an option in consideration of the issuance of 40,000 common shares of the Corporation and has paid \$5,000 upon signing of the agreement.

Before engaging in any mining operations, or before the removal of any ores for the purpose of bulk sampling can commence, the Company will provide the land owner with a lump sum payment of \$50,000.

**KING'S BAY GOLD CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2000**

6. LAND OPTION AGREEMENTS, cont'd....

Until the lump sum of \$50,000 has been paid to the land owner, the Company agrees to pay \$5,000 annually beginning December 15, 2000. Following the payment of the lump sum amount, the annual payments of \$5,000 will be terminated. To date the Company has paid \$5,000 on December 14, 2000 and \$5,000 was paid on December 15, 2001.

Following the first year of mining, and every subsequent year thereafter, the land owner will have the option of being paid \$1.00 per ton, for every ton of ore mined from any of the claims, or choose instead to be paid a 2% Net Smelter

Return on profits generated from the recovery of gold or other valuable minerals from this property (whichever amount is greater).

To date the lump sum payment has not been made.

7. STAKING CLAIMS

Two sixteen unit claims in the Fort Frances area known as the Hopkins Bay Property and one sixteen unit claim in the Fort Frances area known as the Rice Bay Property were staked on behalf of the Company. A sixteen unit claim located in the Thunder Bay Mining Division known as the Hemetite Property and one four unit and one twelve unit claim in the Pocket Pond Property were also staked on behalf of the Company.

8. INCOME TAX LOSSES CARRY FORWARD

The company has losses of approximately \$192,945 available to reduce future taxable income. These losses expire as follows:

2005	\$	4,354
2006		9,618
2007		<u>178,973</u>
	\$	<u>192,945</u>

**KING'S BAY GOLD CORPORATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 1999**

**KING'S BAY GOLD CORPORATION**

**DECEMBER 31, 1999**

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## AUDITORS' REPORT

To King's Bay Gold Corporation

We have audited the balance sheet of King's Bay Gold Corporation as at December 31, 1999 and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Company was incorporated in March 1998, but no shares were issued until May 2000 and operated as if shares had been issued.

In our opinion, subject to the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1999 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

***"The Exchange"***  
chartered accountants

Winnipeg, Manitoba  
January 28, 2002

**KING'S BAY GOLD CORPORATION  
BALANCE SHEET  
AS AT DECEMBER 31, 1999**

	<u>1999</u>	<u>1998</u>
ASSETS		
CURRENT		
Cash	\$ 72	\$ -
FIXED, notes 2 and 3	<u>1,338</u>	<u>-</u>
	<u>\$ 1,410</u>	<u>\$ -</u>
LIABILITIES		
CURRENT		
Accounts payable	<u>\$ 15,382</u>	<u>\$ 4,354</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK, note 4	-	-
DEFICIT	<u>(13,972)</u>	<u>(4,354)</u>
	<u>(13,972)</u>	<u>(4,354)</u>
	<u>\$ 1,410</u>	<u>\$ -</u>

APPROVED ON BEHALF OF THE BOARD:

"Richard R. Rivet" Director  
Richard R. Rivet

"Ginette Camire" Director  
Ginette Camire

**KING'S BAY GOLD CORPORATION  
STATEMENT OF LOSS AND DEFICIT  
YEAR ENDED DECEMBER 31, 1999**

	<u>1999</u>	Nine Months Ended <u>1998</u>
EXPENSES		
Automotive	\$ 2,165	\$ 1,360
Bank charges and interest	98	-
Consulting	4,000	-
Depreciation	236	-
Office	1,627	1,359
Staking claims	275	-
Supplies	210	-
Travel	<u>1,007</u>	<u>1,635</u>
	<u>9,618</u>	<u>4,354</u>
NET LOSS	(9,618)	(4,354)
DEFICIT, beginning of year	<u>(4,354)</u>	<u>-</u>
DEFICIT, end of year	<u>\$ (13,972)</u>	<u>\$ (4,354)</u>

**KING'S BAY GOLD CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 1999**

	<u>1999</u>	Nine Months Ended <u>1998</u>
<b>OPERATING ACTIVITIES</b>		
Cash flows from operations		
Net loss	\$ (9,618)	\$ (4,354)
Add: non-cash charges		
Depreciation	<u>236</u>	<u>-</u>
	(9,382)	(4,354)
Changes in non-cash working capital		
Increase in accounts payable	<u>11,028</u>	<u>4,354</u>
Cash flows from operations	1,646	-
 <b>INVESTING ACTIVITIES</b>		
Additions to fixed assets	<u>(1,574)</u>	<u>-</u>
CASH, end of year	<u>\$ 72</u>	<u>\$ -</u>

**KING'S BAY GOLD CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

1. PURPOSE OF ORGANIZATION

King's Bay Gold Corporation was incorporated pursuant to the Canada Business Corporation Act on March 20, 1998. The Corporation is a mineral resource company, which is engaged in the acquisition of interests in, and the exploration of, mineral resource properties. At present, the Corporation's mineral resource activities do not generate any income from production.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the company have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Depreciation

Depreciation is provided annually on a diminishing balance basis, with additions in the current year at one-half of the rates, as follows:

Computer hardware	-	30%
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3. FIXED ASSETS

	<u>Cost</u>	<u>Accumulated Depreciation</u>	1999 <u>Net Book Value</u>	1998 <u>Net Book Value</u>
Computer hardware	\$ <u>1,574</u>	\$ <u>236</u>	\$ <u>1,338</u>	\$ <u>-</u>

**KING'S BAY GOLD CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

4. CAPITAL STOCK

	<u>1999</u>	<u>1998</u>
Authorized		
Unlimited class A common shares, voting		
Unlimited class B common shares, non-voting		
Issued		
Nil class A common shares	\$ -	\$ -
Nil class B common shares	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company issued shares in May 2000 and throughout the year thereafter.

**KING'S BAY GOLD CORPORATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 1998**

**KING'S BAY GOLD CORPORATION**

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## AUDITORS' REPORT

To King's Bay Gold Corporation

We have audited the balance sheet of King's Bay Gold Corporation as at December 31, 1998 and the statements of loss and deficit and cash flows for the period then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Company was incorporated in March 1998, but no shares were issued until May 2000 and operated as if shares had been issued.

In our opinion, subject to the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1998 and the results of its operations and its cash flows for the period then ended, in accordance with Canadian generally accepted accounting principles.

***"The Exchange"***  
chartered accountants

Winnipeg, Manitoba  
January 28, 2002

**KING'S BAY GOLD CORPORATION  
BALANCE SHEET  
AS AT DECEMBER 31, 1998**

ASSETS

CURRENT

\$ -

LIABILITIES

CURRENT

Accounts payable

\$ 4,354

SHAREHOLDERS' EQUITY

CAPITAL STOCK, note 2

-

DEFICIT

(4,354)

(4,354)

\$ -

APPROVED ON BEHALF OF THE BOARD:

"Richard R. Rivet" Director  
Richard R. Rivet

"Ginette Camire" Director  
Ginette Camire

**KING'S BAY GOLD CORPORATION  
STATEMENT OF LOSS AND DEFICIT  
PERIOD ENDED DECEMBER 31, 1998**

EXPENSES

Automotive	\$ 1,360
Office	1,359
Travel	<u>1,635</u>
	<u>4,354</u>
 NET LOSS, BEING DEFICIT, end of year	 <u>\$ (4,354)</u>

**KING'S BAY GOLD CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**PERIOD ENDED DECEMBER 31, 1998**

OPERATING ACTIVITIES

Cash flows from operations	
Net loss	\$ (4,354)
Increase in accounts payable	<u>4,354</u>
Cash flows from operations	<u>-</u>
INCREASE IN CASH	-
CASH, beginning of period	<u>-</u>
CASH, end of period	<u><u>\$ -</u></u>

**KING'S BAY GOLD CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1998**

1. PURPOSE OF ORGANIZATION

King's Bay Gold Corporation was incorporated pursuant to the Canada Business Corporation Act on March 20, 1998. The Corporation is a mineral resource company, which is engaged in the acquisition of interests in, and the exploration of, mineral resource properties. At present, the Corporation's mineral resource activities do not generate any income from production.

2. CAPITAL STOCK

Authorized

Unlimited class A common shares, voting  
Unlimited class B common shares, non-voting

Issued

Nil	class A common shares	\$	-
Nil	class B common shares		<u>-</u>
		\$	<u><u>-</u></u>

The Company issued shares in May 2000 and throughout the year thereafter.

**DATED: April 5, 2002**

**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 VII of The Securities Act (Manitoba), Part XI of the Securities Act (Saskatchewan) and Part VIII of the Securities Act (Alberta) and the respective regulations thereunder.

***"Richard R. Rivet"***

**Richard R. Rivet**  
Chief Executive Officer

***"Ginette Camire"***

**Ginette Camire**  
Chief Financial Officer

**ON BEHALF OF THE BOARD**

***"Rick Paley"***

**Rick Paley**  
Director

***"Claude Charbonneau"***

**Claude Charbonneau**  
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 VII of the Securities Act (Manitoba), Part XI of the Securities Act (Saskatchewan) and Part VIII of the Securities Act (Alberta) and the respective regulations thereunder.

***"Richard R. Rivet"***

**Richard R. Rivet**

***"Ginette Camire"***

**Ginette Camire**

**DATED: April 5, 2002**

**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 VII of The Securities Act (Manitoba), Part XI of the Securities Act (Saskatchewan) and Part VIII of the Securities Act (Alberta) and the respective regulations thereunder.

**BIEBER SECURITIES INC.**

Per: "Guy Bieber"  
**Guy Bieber**  
Chief Executive Officer

The following includes the names of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of Bieber Securities Inc.:

3396712 Manitoba Ltd.  
GNG Investment Holding Inc.