

A copy of this preliminary prospectus has been filed with the securities regulatory authorities in each of British Columbia, Alberta and Ontario but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be distributed until a receipt for the prospectus is obtained from the securities regulatory authorities.

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended, and, subject to certain exceptions, may not be offered, sold or delivered, directly or indirectly in the United States of America, its territories or possessions. See "Plan of Distribution".

INITIAL PUBLIC OFFERING

January 2, 2003

PRELIMINARY PROSPECTUS

TONE RESOURCES LIMITED

2244 West 32nd Avenue
Vancouver, BC V6L 2B2
Telephone: (604) 263-5614
Facsimile: (604) 263-5610

\$750,000 (Minimum) (1,500,000 Common Shares)
\$1,000,000 (Maximum) (2,000,000 Common Shares)

Price: \$0.50 per Common Share

Tone Resources Limited (the "Corporation") hereby qualifies for distribution in British Columbia, Alberta and Ontario a minimum of 1,500,000 and a maximum of 2,000,000 Common Shares in the capital of the Corporation at a price of \$0.50 per Common Share (the "Offering"). This Offering is being made to investors resident in British Columbia, Alberta and Ontario. The Offering Price and terms of this Offering have been determined by negotiation between the Corporation and Raymond James Ltd. (the "Agent").

Subscription proceeds for the Common Shares will be held in trust with the Agent until a minimum of 1,500,000 Common Shares have been subscribed for. If the minimum Offering is not received, the subscription funds will be returned to subscribers without interest or deduction. See "Plan of Distribution".

	<u>Number of Shares</u>	<u>Price to Public⁽¹⁾</u>	<u>Agent's Fee⁽²⁾</u>	<u>Net Proceeds⁽³⁾</u>
Per Share		\$0.50	\$0.035	\$0.465
Minimum Offering	1,500,000	\$750,000	\$52,500	\$697,500
Maximum Offering	2,000,000	\$1,000,000	\$70,000	\$930,000

Notes:

- (1) The offering price of the Common Shares was determined by negotiation between the Corporation and the Agent.
- (2) The Agent will be paid a cash commission equal to 7% of the proceeds from the sale of Common Shares pursuant to this Offering and a corporate finance fee of \$25,000 (\$15,000 paid). The Corporation will also grant non-transferable Agent's Warrants to the Agent entitling the Agent to purchase up to 7% of the number of Common Shares sold pursuant to the Offering. This prospectus qualifies the distribution of the Agent's Warrant to the Agent. The Agent's Warrants may be exercised at a price of \$0.50 per Common Share for a period of two years from the date of listing the Corporation's Common Shares to trade through the facilities of the TSX Venture Exchange (the "TSX Venture"). The Agent will also

receive a fee of \$17,500 in connection with the qualification of the previously distributed Special Warrants, see “Additional Distribution of Up to 3,649,606 Common Shares upon the Exercise of Previously Issued Special Warrants” below. See also “Plan of Distribution”.

- (3) Before deducting the estimated balance of expenses of the Offering of \$72,500, including estimated expenses of the Agent and its counsel of up to \$32,500 (\$10,000 paid).

ADDITIONAL DISTRIBUTION OF UP TO 3,649,606 COMMON SHARES UPON THE EXERCISE OF PREVIOUSLY ISSUED SPECIAL WARRANTS

The Corporation is also hereby qualifying for distribution up to 3,649,606 common shares issuable upon the exercise of 3,649,606 previously issued Special Warrants. 3,186,911 of the Special Warrants were issued in August and September, 2002 at a price of \$0.15 per Special Warrant and 462,695 of the Special Warrants were issued on November 29, 2002 at a price of \$0.50 per Special Warrant. The Special Warrants were sold by the Corporation and no commission was paid. The issue price of the Special Warrants was determined by negotiation between the Corporation and the subscribers. The Corporation agreed to use its best efforts to obtain a receipt from the applicable Securities Commissions and approval from the TSX Venture for a prospectus qualifying the distribution of the Common Shares issuable on exercise of the Special Warrants.

Each Special Warrant entitles the holder thereof, upon exercise or deemed exercise of the Special Warrant and without payment of additional consideration, to receive one Common Share for each Special Warrant that is exercised. This prospectus qualifies up to 3,649,606 Common Shares issuable upon the exercise of the Special Warrants.

	<u>Price</u>	<u>Agent’s Fee</u>	<u>Net Proceeds to the Corporation</u>
Per Special Warrant	\$0.15	See Note (1)	\$0.15
Total	\$479,611.41	See Note (1)	\$479,611.41
Per Special Warrant	\$0.50	See Note (1)	\$0.50
Total	\$231,297.50	See Note (1)	\$231,297.50
Total All Special Warrants	\$710,908.91	\$17,500 ⁽¹⁾	\$693,408.91

Notes:

- (1) No commission was paid in connection with the offering of the Special Warrants. A cash commission of \$17,500 is payable to the Agent from the proceeds of the Offering in connection with this qualification of the Common Shares issuable upon the exercise of the Special Warrants as described above.

There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this prospectus. Investment in the Common Shares is speculative due to various factors, including the nature of the Corporation's business. An investment in these securities should only be made by persons who can afford the total loss of their investment. See “Risk Factors”.

The Agent, as exclusive agent of the Corporation for the purposes of this Offering, conditionally offers the Common Shares on a best efforts basis, subject to prior sale, if, as and when issued by the Corporation and accepted by the Agent in accordance with the Agency Agreement referred to under “Plan of Distribution”, and subject to the approval of certain legal matters on behalf of the Corporation by DuMoulin Black and on behalf of the Agent by Salley Bowes Harwardt. Subscriptions will 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. Certificates representing the Common Shares will be available for delivery following closing of the Offering.

Raymond James Ltd.
2200 – 925 West Georgia Street
Vancouver, B.C. V6C 3L2

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GLOSSARY

“**Agency Agreement**” means the Agency Agreement dated December 18, 2002 between the Agent and the Corporation;

“**Agent**” means Raymond James Ltd.;

“**Agent’s Warrants**” means the share purchase warrants granted to the Agent as described under the heading “Plan of Distribution”;

“**Allochthon**” means rocks that have been moved a long distance from their original place of deposition by some tectonic process, generally related to overthrusting or re-cumbent folding, or perhaps gravity sliding. Used in contrast to AUTOCHTHON, *q.v.*

“**Autochthon**” a succession of beds of rocks that have been moved comparatively little from their original site of formation, although they may be intensely folded and faulted.

“**Arcuate**” means shaped like an arc. A portion of the circumference of a circle.

“**Bioclastic**” means and refers to rocks consisting of fragmental organic remains.

“**Breccia**” means fragmental rock whose components are angular and, therefore, as distinguished from Conglomerates are not water worn. May be sedimentary or formed by crushing or grinding along faults.

“**Chalcedonic**” means cryptocrystalline quartz commonly microscopically fibrous. The material of agate.

“**Chert**” means Cryptocrystalline varieties of silica (quartz) regardless of colour.

“**Clastic flysch**” means widespread deposits of limey sandstones, shales and clays which lie on the northern and southern borders of the Alps (a formation type in the Robert’s Mountains).

“**Closing Date**” means such date or dates that the Corporation and the Agent mutually determine to close the sale of the Common Shares of the Corporation offered pursuant to this prospectus;

“**Common Share**” means a common share in the capital of the Corporation;

“**Corporation**” means Tone Resources Limited;

“**Cryptocrystalline**” means crystalline, but so fine grained that the individual components cannot be seen with a magnifying glass.

“**Dolomite**” means a mineral calcium magnesium carbonate ($\text{Ca Mg}(\text{CO}_3)_2$), a rock formed from this mineral.

“**Effective Date**” means the date the Securities Commissions issue a receipt for this Prospectus;

“**Felsic**” means a mnemonic term derived from (fe) for feldspar, (1) Lenads or feldspathoids or. and (s) for silica and applied to light colored rocks containing abundance of one or all these constituents. Also applied to the minerals themselves, chief felsic minerals being quartz feldspars, feldspathoids, and muscovite. Syn. Acid.

“**ICP-AES**” means induced Coupled Plasma-Atomic emission spectrography, a method of assaying trace level metals.

“**Jasperoids**” means 1. A rock consisting essentially of cryptocrystalline, chalcedonic, or henocrystalline silica which has formed by the replacement of some other material, ordinarily calcite or dolomite and 2 means Silicified limestone.

“**Limestone**” means a rock composed of calcium carbonate, (CaCO₃)

“**Lithology**” means the physical character of a rock.

“**Net Smelter Return**” or “**NSR**” means a figure calculated by subtracting transportation and processing costs (if applicable) from the revenue received from the purchaser of the commodity or the smelter.

“**Offering**” has the meaning ascribed to it on the face page of this prospectus;

“**Offering Price**” means \$0.50 per Common Share;

“**Orogeny**” means the process of forming mountains, particularly by folding and thrusting.

“**Rhyolite**” means, the fine grained equivalent of a granite.

“**Saccaroidal**” means sugary textured.

“**Silicified**” means the introduction or replacement by silica (quartz).

“**Securities Commissions**” means the British Columbia Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission;

“**Special Warrants**” means the 3,649,606 special warrants distributed by the Corporation at prices of \$0.15 and \$0.50 per special warrant prior to the Corporation becoming a reporting issuer;

“**Stock Option Plan**” means a stock option plan dated November 12, 2002 providing for the granting of incentive options to the Corporation’s directors, officers, employees and consultants in accordance with the policies of the TSX Venture.

“**Subscriber**” means a subscriber for the Common Shares subscribed for under this Offering; and

“**Tectonic**” means of, pertaining to or designating the rock structure and external forms resulting from the deformation of the earth’s crust.

“**TSX Venture**” means the TSX Venture Exchange.

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.

Corporation

The Corporation is engaged in the business of mineral exploration in Nevada, U.S.A. through its subsidiary, Tone Resources (U.S.) Inc., and its objective is to locate and develop economic gold properties of merit. See “Narrative Description of the Business”.

Management, Directors & Officers

Scott D. Baxter – Chief Executive Officer, President and Director

David C. Mathewson – Director

Bruce G. Taylor – Chief Financial Officer and Director

Catherine A. Gignac - Director

Guilford H. Brett - Director

Kenneth L.H. Embree - Secretary

See “Directors and Officers”.

The Offering

Minimum Offering

1,500,000 Common Shares

Maximum Offering

2,000,000 Common Shares

Price

\$0.50 per Common Share

Additional Offering

The Corporation is also qualifying the distribution of 3,649,606 common shares issuable upon the exercise of 3,649,606 previously issued special warrants.

See “Plan of Distribution”.

Use of Proceeds

If the minimum or maximum number of Common Shares under this Offering are sold, the net proceeds to the Corporation will be \$697,500 or \$930,000, respectively, plus the sum of \$176,394 (approximately)

representing the Corporation's working capital as at November 30, 2002, which will result in approximately \$873,894 or \$1,106,394, respectively, which funds are intended to be spent by the Corporation, in order of priority, as follows:

	Funds to be Used Minimum Offering	Funds to be Used Maximum Offering
(a) To pay the estimated remaining costs of this Offering (including legal, audit and printing expenses)	\$40,000	\$40,000
(b) To pay the balance of the Agent's corporate finance fee (\$15,000), special warrant qualification fee (\$17,500) and Agent's expenses	\$37,500	\$37,500
(c) To pay for exploration expenditures on the Roberts Mountain property including assaying and drilling (US\$218,625 converted at CDN\$1.58)	\$345,427	\$345,427
(d) To pay BLM fees and County filing fees due August 31, 2003 (US\$13,241 converted at CDN\$1.58)	\$20,921	\$20,921
(e) To provide funding sufficient to meet administrative costs for 12 months	\$241,000	\$241,000
(f) To provide general working capital to fund ongoing operations and expansion	<u>\$189,046</u>	<u>\$421,546</u>
Total:	<u>\$873,894</u>	<u>\$1,106,394</u>

Special Warrant Proceeds

Proceeds raised from the issuance of the Special Warrants were used and are to be used as follows:

(a) Mineral claim acquisition costs	\$ 43,470
(b) Title opinions and geological report paid	24,746
(c) Claim maintenance costs paid	28,476
(d) Drilling costs paid	86,996
(e) Assaying costs paid	38,168
(f) Management fees paid	108,850
(g) Rent paid for corporation's facilities	13,665
(h) Legal and accounting fees paid	67,633
(i) Agent's fees paid	26,750
(j) Travel and promotion expenses paid	35,065
(k) Office and related expenses paid	24,655
(l) Retainers and advances, and GST paid	<u>30,816</u>
(m) Reclamation bond paid	<u>16,800</u>
(n) Reclamation expenses paid	<u>5,434</u>
(o) Other property expenses paid	12,320
Total Amount Spent:	\$563,854
Remaining proceeds to be spent on mineral exploration, administration costs and working capital	<u>147,055⁽¹⁾</u>
	<u>\$710,909</u>

All of the proceeds of the sale of the Common Shares will be used to finance exploration on the Roberts Mountain Project and for administration and working capital. See "Use of Proceeds".

The Corporation intends to spend the funds available to it as stated in this prospectus. There may be circumstances, however, were, for sound business reasons, a reallocation of funds may be necessary.

Risk Factors

An investment in the Common Shares of the Corporation should be considered highly speculative and investors may incur a loss on their investment. The Corporation has no history of earnings and there are no known commercial quantities of mineral reserves on the Corporation's property. There is also no guarantee of the Corporation's title to its property. The Corporation and its assets may become subject to uninsurable risks. The Corporation's activities may require permits or licenses which may not be granted to the Corporation. The Corporation competes with other companies with greater financial resources and technical facilities. The Corporation is currently largely dependent on the performance of its directors and there is no assurance the Corporation can maintain their services. In recent years both metal prices and publicly traded securities prices have fluctuated widely. The Corporation's operations are also subject to currency exchange rates. See "Risk Factors".

Summary of Financial Information

The following selected financial information is subject to the detailed information contained in the financial statements of the Corporation and notes thereto appearing elsewhere in the prospectus. The selected financial information is derived from audited and unaudited financial information for the Corporation. The Corporation has established August 31 as its fiscal year end.

	Year Ended August 31, 2002
Total revenues	\$Nil
Operating expenses	\$Nil
General and administrative expenses	\$128,982
Net loss	\$128,982
Net loss per basic common share	\$0.15
Total assets	\$324,129
Long-term financial liabilities	\$Nil
Cash dividends per share	\$Nil

Selected financial information for each of the four most recently completed quarters ending with the final quarter of the fiscal year ending August 31, 2002 is noted below. The selected financial information is derived from the Corporation's internal accounting records.

	August 31, 2002	May 31, 2002	February 28, 2002	November 30, 2001⁽¹⁾
Total revenues	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Operating expenses	Nil	Nil	Nil	Nil
General and administrative expenses	75,810	27,386	21,985	3,801
Net loss	75,810	27,386	21,985	3,801
Net loss per basic common share	0.03	0.07	0.36	0.41

(1) The November 30, 2001 period is not a full quarter as the Corporation was incorporated on October 31, 2001.

Currency

Unless otherwise indicated, all currency amounts herein are stated in Canadian Dollars.

CORPORATE STRUCTURE

Tone Resources Limited was incorporated pursuant to the *Business Corporations Act* (Yukon Territory) on October 31, 2001.

The Corporation's head office is located at 2244 West 32nd Avenue, Vancouver, British Columbia V6L 2B2 and the registered office is located at Campion MacDonald, Barristers and Solicitors, Suite 200 Financial Plaza, 204 Lambert Street, Whitehorse, Yukon Y1A 3T2.

The Corporation is engaged in the business of mineral exploration in Nevada, U.S.A. through its subsidiary, Tone Resources (U.S.) Inc, and its objective is to locate and develop economic gold properties of merit. See "Narrative Description of the Business".

The Corporation has one wholly owned subsidiary, Tone Resources (U.S.) Inc. which was incorporated on June 27, 2002 pursuant to the laws of the State of Nevada, U.S.A.

GENERAL DEVELOPMENT OF THE BUSINESS

The Corporation is engaged in the business of mineral exploration in Nevada, U.S.A. through its subsidiary, Tone Resources (U.S.) Inc., and its objective is to locate and develop economic gold properties of merit.

To this end, the Corporation and its wholly owned subsidiary, Tone Resources (U.S.) Inc. entered into an agreement dated July 1, 2002 with KM Exploration Ltd. pursuant to the terms of which the Corporation purchased 122 lode mineral claims located in Eureka County, Nevada, U.S.A (the "Roberts Mountain Project"). The consideration paid for the purchase of the mineral claims was the sum of U.S.\$24,517.22 which represented KM Exploration Ltd.'s staking costs. KM Exploration Ltd., David Mathewson, David C. Knight, Debby Knight and KM Exploration retained an aggregate 1% net smelter return royalty over the mineral claims (except the NKN mineral claims which royalty is payable to KM Exploration Ltd. only). KM Exploration Ltd. is a private company, the shares of which are owned 50% by each of David Mathewson, a director of the Corporation, and David Knight, a shareholder of the Corporation. In the event the Corporation enters into subsequent agreements with third parties that provide for minimum advance royalty payments, KM Exploration Ltd., David Mathewson, David C. Knight, Debby Knight and KM Exploration are entitled to receive an aggregate 1% of such advanced royalties.

The Corporation has raised in excess of \$700,000 privately through the sale of securities and has completed an initial exploration program on the Roberts Mountain Project at an approximate cost of \$137,000. The Corporation intends on raising additional funding through its Offering to carry out additional exploration on the Roberts Mountain Project as set out in the Use of Proceeds.

Trends

There are no current trends in the Corporation's business that are likely to impact on the Corporation's performance.

NARRATIVE DESCRIPTION OF THE BUSINESS

Stated Business Objectives

The principal business carried on and intended to be carried on by the Corporation is the acquisition, exploration and development of natural resource properties. The Corporation intends on expending existing working capital and net proceeds raised from this Offering to pay the balance of the estimated costs of this Offering, to carry out exploration on its Roberts Mountain Project, to pay for administrative costs for the next twelve months and for working capital. The Corporation has received all permits and bonds required to carry out the proposed exploration program. The Corporation's current property is in the exploration stage. The Corporation may decide to acquire other properties in addition to the property described below.

The following represents information summarized from a technical report dated October 21, 2002 prepared by Mitchell Geological Services Inc., an independent qualified geological and engineering consulting firm prepared pursuant to the provisions of National Instrument 43-101. Figures 1, 2, 3, 4 and 9 from the technical report are included in this Prospectus. The remaining Figures are contained in the technical report which is filed under the Corporation's profile on SEDAR at www.sedar.com.

Description and Location

(a) Area and Location

The Roberts Mountain Project is located in west-central Eureka County, Nevada, USA. See Figure 1. The project consists of 122 lode mining claims with an approximate area of 2,240 acres in four claim blocks.

CC Claims

- Number of claims: 10.
- Approximate area: 200 acres.
- Location: Secs. 1 & 2, T22N, R50E, MDB&M, Eureka County, Nevada
- Expiry date, September 1, 2003

CCS Claims

- Number of claims: 54.
- Approximate area: 1,080 acres.
- Location: Secs. 10 to 14 & 23 to 24, T22N, R50E, MDB&M, Eureka County, Nevada
- Expiry date, September 1, 2003

NK Claims

- Number of claims: 40
- Approximate area: 600 acres
- Location: Secs. 2 & 3 T21N, R50E and Secs. 34 & 35 T22N, R50E, MDB &M, Eureka County, Nevada
- Expiry date, September 1, 20

NKN Claims

- Number of claims: 28.
- Approximate area: 560 acres.
- Location: Section 4, T.21N, R.50E and Sections 28, 29, 32 & 33, T22N, R50E, MDB&M, Eureka County, Nevada
- Expiry date, September 1, 2003

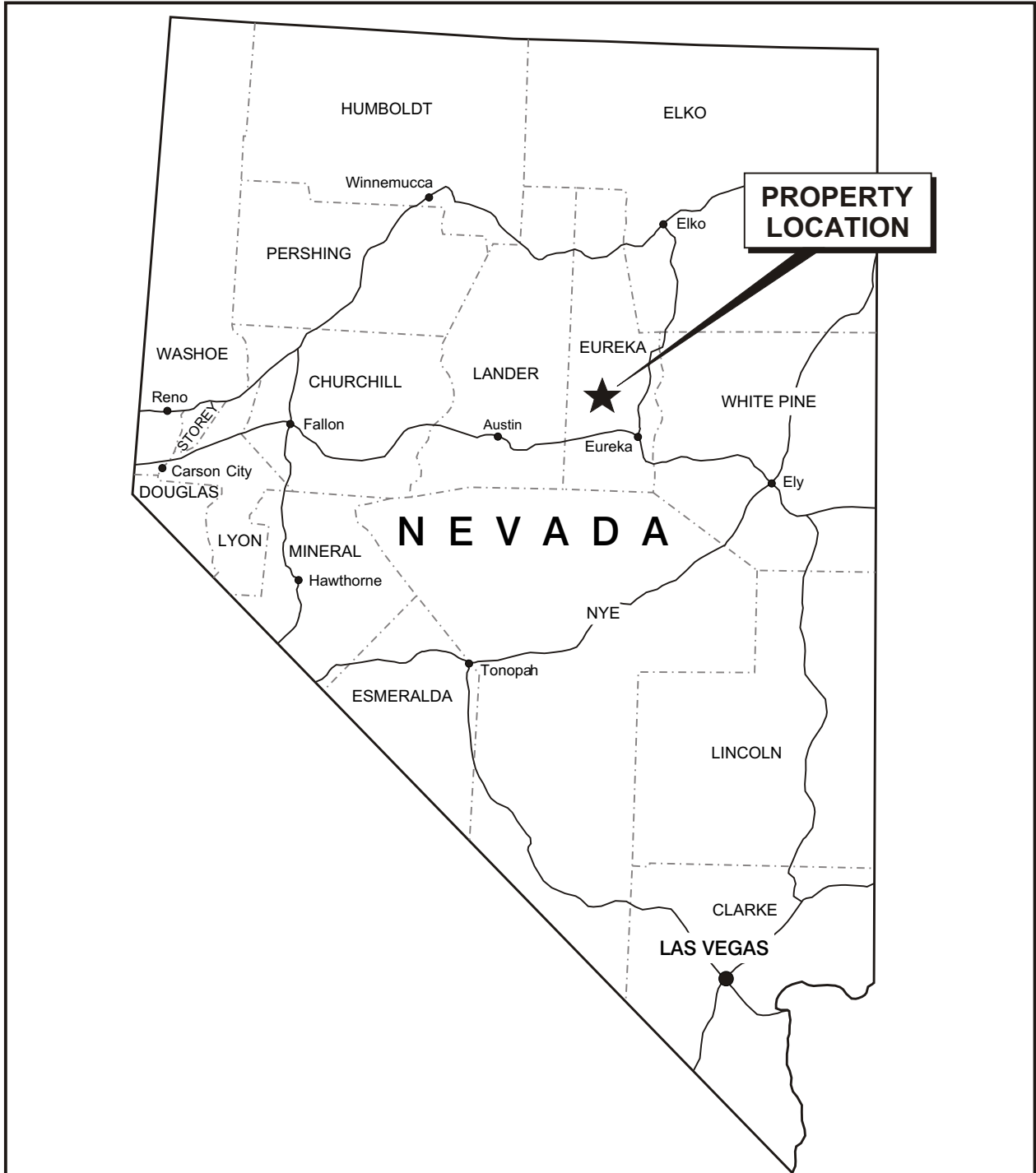


FIGURE 1



TONE RESOURCES LTD.
ROBERTS CREEK MOUNTAIN PROJECT EUREKA COUNTY, NEVADA
LOCATION MAP
Mitchell Geological Services Inc. October, 2002

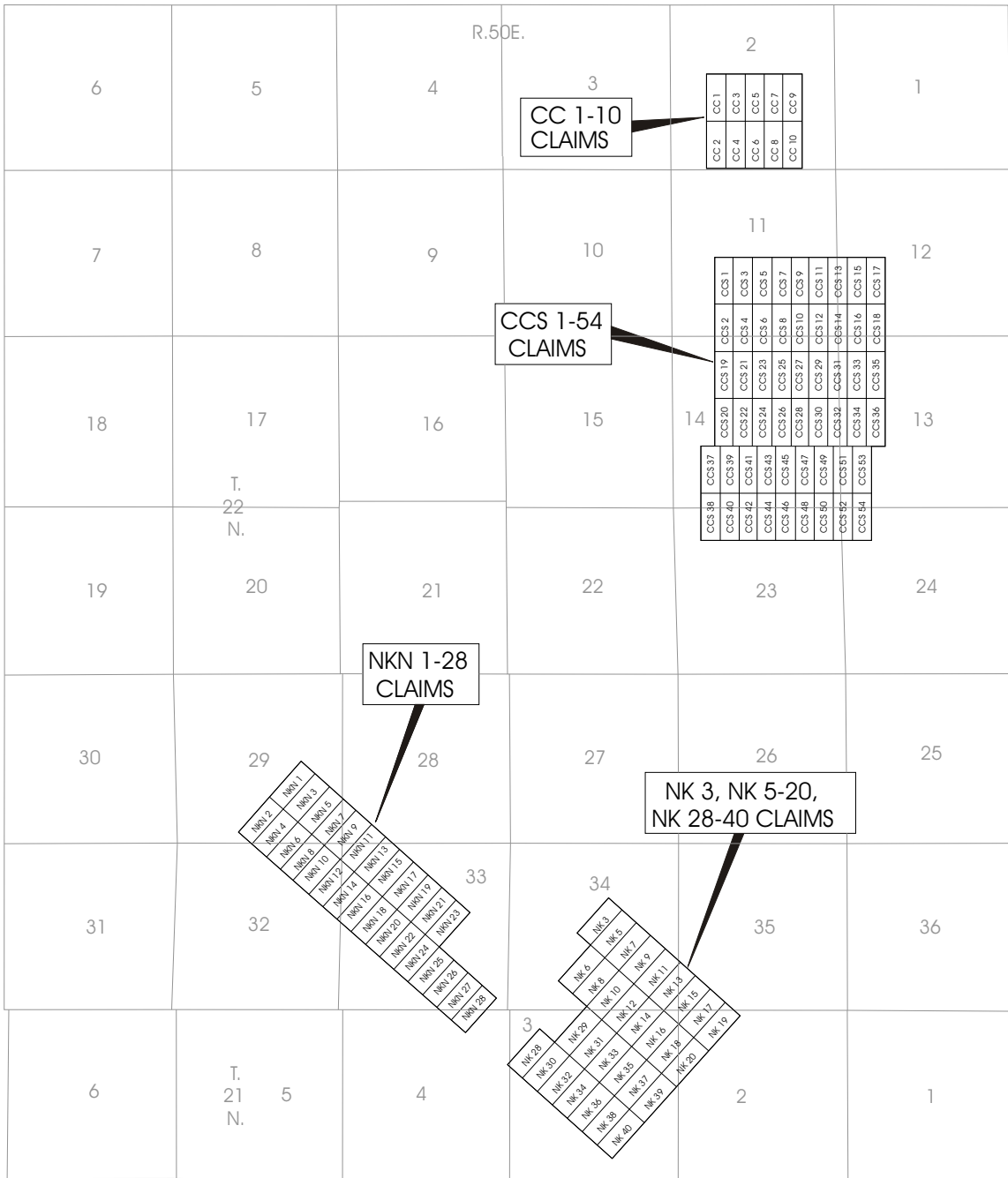


FIGURE 2

TONE RESOURCES LTD.

ROBERTS CREEK MOUNTAIN PROJECT
EUREKA COUNTY, NEVADA

CLAIM MAP

Kilometres

0 1 2

Mitchell Geological Services Inc. October, 2002

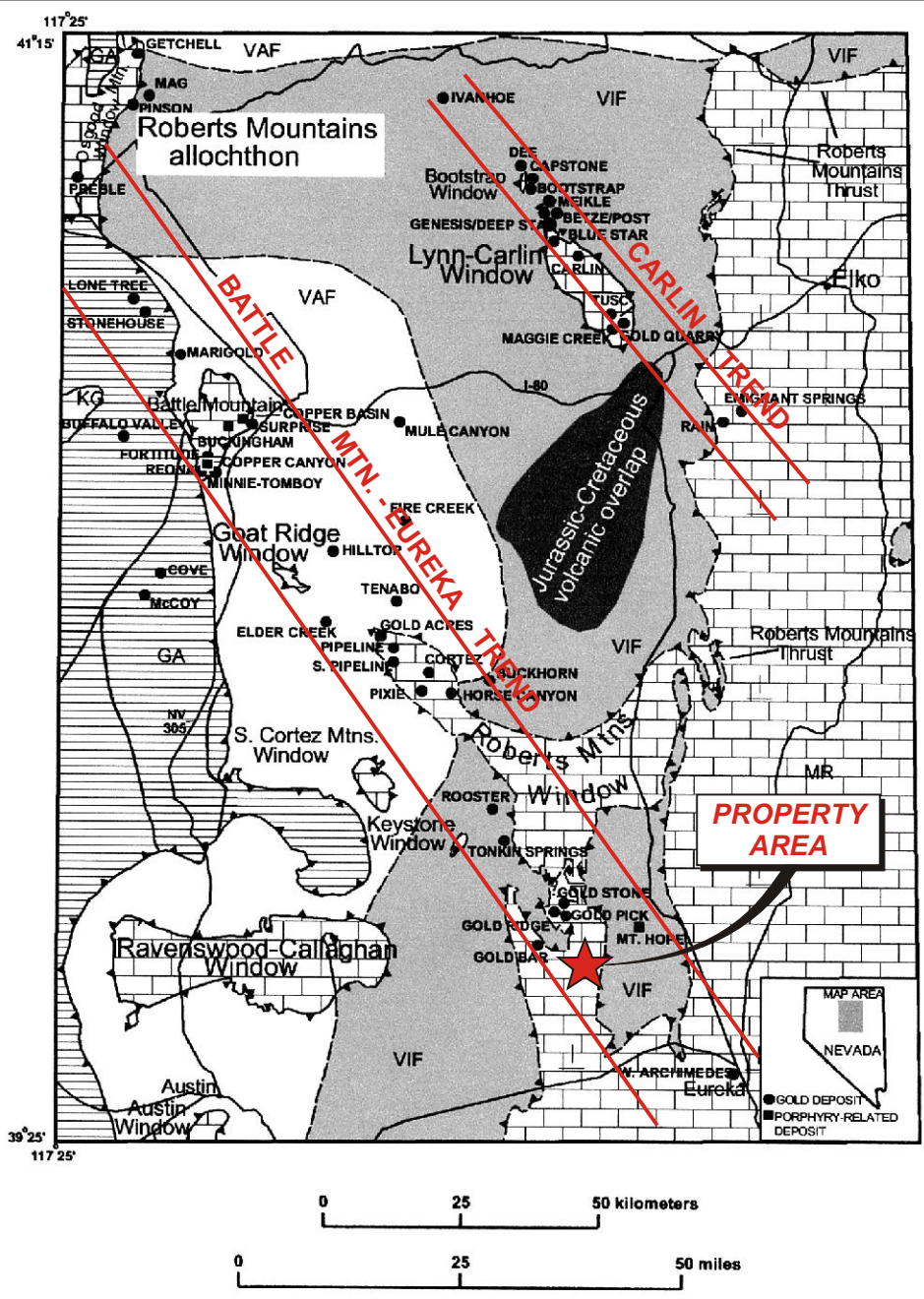


FIGURE 3 REGIONAL GEOLOGY

Gold deposits and tectonic units in north-central Nevada. The Carlin trend lies along the Carlin-Lynn window. Other windows through the Roberts Mountains allochthon also have associated gold deposits. Geologic units are designated by letters and shaded. VIF = Vinini Formation, VAF = Valmy Formation, GA = Golconda allochthon, MR = Miogeosynclinal (rocks of the lower-plate), KG = Koipato Group. Gold deposits are related to porphyry and gold-skarn deposits, and are also sedimentary rock-hosted (Carlin-type) gold deposits. Adapted from Prihar and others (1996) and Lahren and others (1995).

To maintain these claims, a payment of approximately US\$ 108.50 per claim, per annum must be made to satisfy County and State requirements. This payment must be made on or before August 31 of each year. There is no requirement for assessment work.

(b) Nature and Extent of Corporation's Title

The Corporation has obtained title opinions in accordance with industry practice.

(c) Royalties, Agreements and Encumbrances

An underlying aggregate 1% NSR owned by KM Exploration Ltd , David Mathewson, David C. Knight, Debby Knight and KM Exploration exists on all the claims and any additional claims staked within 2 miles of the exterior boundaries of the existing CC, CCS, NK & NKN claims except the NKN claims which royalty is payable to KM Exploration Ltd. only.

(d) Environmental Liabilities

All previous exploration work has been reclaimed. Some of the previous roadwork, such as on the CC claims, preceded the requirement of re-contouring and can currently be accessed.

The Corporation maintains a US\$10,500 state-wide bond with the Bureau of Land Management to cover all reclamation work currently required to be done on the Roberts Mountain Project. Previous work done in the area preceded this bonding requirement and does not require additional reclamation.

(e) Location of Mineralization

Previous exploration within the CC claims area by Atlas Gold Mining Inc. identified a mineable resource of 751,100 tons at an average grade of 0.047 opt gold for 35,251 contained ounces (31,767 recovered ounces). This resource is contained in two areas namely the north and south pit areas as shown on Figures 4 and 9 as the Cabin Creek deposit and the North Pod. M. Doyle, in an 1991 inter-office memorandum, states that the total mineable resource for the north and south pits including the addition of probable "reserves" (sic) between the pits through additional drilling should total 1,195,544 tons and 51,148 contained ounces (51,434 recovered ounces) of gold. The reader is cautioned that these resources would probably be classified as an "historic resource" or maybe an inferred resource as various other issues have not been calculated as recommended by NI 43-101 to upgrade these resources to an indicated resource.

The CCS claims contain large areas of gold bearing silicified zones and jasperoids. These areas replace Devonian Devil's Gate and Nevada Group formations and are outlined by geochemical contours +25 ppm antimony and +50 ppm arsenic.

The NK claims have little outcrop exposed but appear to be underlain by limey siltstone and limestone. A few short reverse circulation drill holes (RC) assayed from trace to over 300 ppb gold over short sections. These claims were staked to cover a north trending, arcuate-shaped aeromagnetic high over 6,000 feet long by 1,000 ft wide.

The NKN claims were staked to cover a belt of limey siltstones and limestones below the Roberts Mountain thrust fault. An intermittent zone of gold bearing silicified material and jasperoids occur along a north west-south east trending "feeder" zone.

(f) Permits and Bonding

Previous exploration within the CC claims area by Atlas Gold Mining Inc. identified a mineable resource of 751,100 tons at an average grade of 0.047 opt gold for 35,251 contained ounces (31,767 recovered ounces). This resource is contained in two areas namely the north and south pit areas as shown on Figures 4 and 9 as the Cabin Creek deposit and the North Pod. M. Doyle, in an 1991 interoffice memorandum, states that the total mineable resource for the north and south pits including the addition of probable “reserves” (sic) between the pits through additional drilling should total 1,195,544 tons and 51,148 contained ounces (51,434 recovered ounces) of gold. These resources would maybe be classified as an “historic resource” or an inferred resource as various other issues have not been calculated as recommended by NI 43-101 to upgrade these resources to an indicated resource. These resources would probably be classified as an “historic resource” or maybe an inferred resource as various other issues have not been calculated as recommended by NI 43-101 to upgrade these resources to an indicated resource.

The Corporation maintains a required U.S.\$10,500 bond for the Roberts Mountain Project and has received the required permit for its proposed operations.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

(a) Access

The Roberts Mountain Project may be accessed via Nevada State Highway #278 which connects Interstate 80 at the Carlin turn off some 22 miles west of Elko, Nevada with US. Highway #50 at the town of Eureka, Nevada. A secondary dirt road, the Garden Pass Road leaves Highway #278 some 60 miles south of Carlin and goes 10 miles to the south west to the Roberts Creek Ranch. The claims in the Roberts Mountain Project lie immediately north and to the south west of the ranch.

In addition, access can be gained to the Roberts Mountain Project by the Roberts Creek Road which connects the Roberts Creek Ranch with Highway #50 some 14 miles west of the town of Eureka. This road is approximately 16 miles long and the travel time from the ranch to Eureka is about ½ hour. A network of roads and old drill roads provides direct access to the claim blocks.

(b) Population Centres

Elko has a population of approximately 18,500 while Eureka has a population of 560. Major contractors and equipment are available in Elko and room and board for personnel are available in Eureka.

(c) Climate

The climate is very dry with mean annual rainfall in the 5 to 10 inch range. Range front drainages are snow-melt fed and contain running water in the spring months. Temperatures range from 20 degrees Fahrenheit in the winter to highs of over 100 degrees Fahrenheit in the summer. The Roberts Mountain Project may be explored for most of the year except during December through March when there may be snow on the ground.

(d) Infrastructure

The surface rights to the claims are vested with the Bureau of Land Management, State of Nevada and the surface is at present being leased by the local ranchers.

Power and water have been brought to the Gold Bar Mine some 10 miles west of the claims area. Tailings storage areas, waste disposal areas and heap leach pad areas might be available if the Gold Bar mill is leased. Mining personnel are available at Elko, Carlin or Eureka.

(e) Topography, Elevation & Vegetation

The four claim groups are located on the eastern and southern flanks of the Roberts Mountains in south-central Nevada. The Roberts Mountains rise to an elevation of 10,793 feet on Roberts Creek Mountain, 9,503 feet on Cooper peak and 9,053 on Partridge Mountain. The Kobeh Valley to the east south and west near the NKN claims averages about 6,400 feet. See Figures 1, 2 and 3.

Vegetation consists of sagebrush and sparse grasses on the valley floor with mountain mahogany, juniper and piñon trees on the slopes of the range above the 6,600 foot elevation.

The location of the Roberts Mountain Project is shown on Figures 1 and 2.

History

(a) Prior Ownership

The following history has been excerpted from www.whiteknightres.com/new/gold_bar_horst.htm.

Atlas Precious Metals acquired a land position along the southwest flank of the Roberts Mountains in 1983 and commenced an exploration program in the area. In the process of working the range margin, the project geologist discovered a gold-anomalous jasperoid near some low-lying hills about 2 miles off the flank of the range. The Roberts Mountain Project was staked and 3 shallow holes were drilled in this particular area in the late fall of 1983. One of the holes, hole number 11, of all the holes drilled in the area, intersected thin gold mineralization (5 ft @ 0.13 opt gold). Early the following year, the Gold Bar deposit was discovered with the completion of hole number 28, which intersected 110 ft @ 0.138 opt gold. A reserve of 2.8 million tons @ 0.09 opt gold was delineated and production commenced in 1987. A total of over 286,000 oz gold was produced from the Gold Bar deposit between 1987 and 1996.

The Gold Bar satellite deposits consisting of Goldstone, Gold Ridge, and Gold pick were discovered by Atlas Precious Metals in 1986, 1986 and 1987, respectively, as a result of a focused, district-wide generative exploration program which commenced in 1986.

In a declining gold market and in poor corporate condition, Atlas negotiated a series of joint-venture agreements with other mining companies between 1994 and 1999. Homestake Mining Company entered into a joint venture in 1994 for exploration of the pediment area south and southeast of the Gold Bar mine. Homestake conducted CSAMT surveys and drilled 17 exploration holes on the area south of Gold Bar in 1995 and 1996. The joint venture was terminated in 1996. Atlas discovered the Millsite deposit in a down-faulted block west of the Gold Bar mine in 1995. Later that year, Vista Gold explored the immediate Gold Bar mine area as part of a proposed merger with Atlas, and partially drilled out the Millsite deposit. The proposed merger was terminated in 1997. American Barrick joint-ventured all of Atlas' holdings in the Roberts Mountains, exclusive of the mine areas, in 1997. Barrick drilled a series of wide-spaced holes around the perimeter of the Millsite deposit in search of a greater than 5 million oz gold deposit. Barrick also drilled seven deep holes to the north. The Barrick joint venture was terminated in 1999. Vengold (American Bonanza Explorations) leased all of Atlas' holdings in the Roberts Mountains later in 1999. Bonanza reduced the size of its claim holdings in 2001 leaving the ground open.

In the years preceding 1994 exploration to the north and to the north east of the Gold Bar Mine developed six small gold deposits were discovered and five of these deposits were mined during the mid 90's.

The following table shows the mines of the Antelope or Roberts Mountain district and the approximate production from them:

MINE	Pre-mining resources oz gold (approx.)
Gold Pick	492,000
Gold Bar	366,000
Gold Stone	71,000
Gold Canyon	53,000
Gold Ridge	35,000
Pot Canyon	20,000 Not Mined, Historical Resources Only
Cabin Creek	53,000 Not Mined, Historical Resources Only

Source: Price and Tingley, 1994-1999 and Addison et al, 1992

MINE	PRODUCTION	GRADE	RECOVERY	Oz. PRODUCED
Gold Bar	3,986 K	0.08 oz Au/st	90%	286 K
Gold Pick	716 K	0.076 oz Au/st	88%	48 K
Goldstone	983 K	0.082 oz Au/st	88%	71 K
Goldridge	1,361 K	0.071 oz Au/st	88%	85 K
Gold Canyon	528 K	0.078 oz Au/st	88%	36 K
TOTAL				526 K

These ounces were produced by 1992. An additional 43K ounces were produced from 1993 to 1995 for a total of 569K ounces.

(Source: Pincock, Allen & Holt 1992 & 1995 reports and personal communication D. Mathewson)

In the years 2001 and 2002 David Mathewson and KM Exploration Ltd. staked four groups of claims including a group that covered the Cabin Creek deposit.

(b) Vendors

The vendor of the Roberts Mountain Project is KM Exploration Ltd., 310 Silver Street, Elko, Nevada 89801. David Mathewson is a principal in KM Exploration Ltd., the Vice President in charge of exploration for the Corporation, and is also a Director of the Corporation.

Geological Setting

(a) Regional Geology

Figure 3 shows the eastern portion of the Roberts Mountain allochthon, various windows through the allochthon and the sediment hosted gold deposits in north central Nevada which lie in the Carlin trend, the Battle Mountain-Eureka trend and the Getchell trend. (Source: <http://geopubs.wr.usgs.gov/open-file/of98-338/CHAPTERS/Chp01.pdf>)

A simplified stratigraphic section to accompany this diagram of the rocks that may be found in the Roberts Mountains is as follows:

Volcanic Overlap

JURASSIC CRETACEOUS & TERTIARY

Volcanic Sandstone felsic ash flow tuffs, rhyolite and rhyo-dacite flows, possibly equivalent to the Pony Tail Group of the Cortez Mountains, Eureka County.

WESTERN ASSEMBLAGE

DEVONIAN

Woodruff Formation: fine-grained calcareous clastic sediments and limestones. Allochthonous Woodruff is equivalent to the autochthonous Rodeo Creek Formation on the Carlin Trend.

SILURIAN/DEVONIAN

Silurian and lower Devonian Slaven Formation: cherts, shales and sandstones, includes Elder sandstone.

NOTE: These Devonian and Silurian sedimentary rocks have been identified and dated in the Roberts Mountains by Stan Finney of the University of California, Riverside.

ORDOVICIAN

Valmy Formation: may be in part equivalent to the Vinini Formation, thin bedded to massive vitreous quartzite interbedded with grey green or black chert and black shale.

Vinini Formation: Upper Member, Inter-layered black to dark grey cherts and black shale. Lower Member, dark grey, bedded quartzites.

NOTE: Some of the more calcareous members of this unit are more likely Devonian Woodruff Formation. A reverse-age stacking of upper plate from Devonian Woodruff upward through Ordovician Vinini is characteristic in the area.

ANTLER OROGENY (ROBERTS MOUNTAIN THRUST)

OVERLAP ASSEMBLAGE (Material shed from the Western Assemblage)

MISSISSIPPIAN

Chainman Formation (Dale Canyon Formation equivalent): Mid-Mississippian fine to Coarse-grained clastic flysch sediment derived from the emerging Antler highland exposures of western siliciclastic units.

Webb Formation (lower member of the Chainman Formation): Inter-bedded mudstones and siltstones, with minor quartz, chert detritus sandstones. Host to the Rain and Emigrant Springs deposits and several other gold deposits in Nevada.

EASTERN ASSEMBLAGE (Carbonate Rocks)

DEVONIAN

Upper

Devils Gate Limestone: thick bedded grey to blue-grey limestone, thickness, locally in excess of 1,065 feet. Host to significant gold mineralization in the Rain district.

Middle to Upper Devonian

Nevada Group

Denay Limestone: deep water laminated to thin-bedded mudstones with inter-beds of bioclastic limestone. Host to the Gold Bar, and Goldstone, and Gold Canyon deposits. Thickness approximately 830 feet. May be correlative with the middle Devonian Bay State, Simonson and Sevy dolomite units.

Lower Devonian

McColley Canyon Formation: well-bedded limestone and dolomite. Host to the Gold Pick, Gold Ridge and Cabin Creek deposits.

UPPER-MIDDLE SILURIAN

Lone Mountain dolomite: thick-bedded to massive light grey and darker grey, fine grained to saccaroidal dolomites and dolomitic limestone approximately 2,200 feet thick. This unit is locally correlative with and, of overlies Roberts Mountains Formation.

DISCUSSION (Excerpted from Stewart, 1980)

“During the early Paleozoic, Nevada is thought to have lain along the western margin of the North American continent (Stewart and Poole, 1974), a tectonic setting inherited from latest Precambrian time. Deposition of shallow-water sediments in a westward-thickening wedge along this margin began in latest Precambrian time and was the dominant geologic feature of eastern, central, and southern Nevada in early and middle Paleozoic time. Farther west in Nevada, continental-slope and deep-water basinal fine-clastic and chemical sediments deposits are recognized, and in California an island-arc terrane was well defined by the Devonian, although the original position of this terrane in relation to Nevada is uncertain.

Early Paleozoic time in Nevada is considered by geologists (for example, Roberts and others, 1958; Burchfiel and Davis, 1972, 1975; Stewart, 1974) to have been a time of little tectonic activity. According to this view tectonic activity was not widespread in Nevada until Antler orogeny in Late Devonian and Early Mississippian time. Some geologists, on the other hand, have suggested significant pre-Antler tectonic activity. These possible Antler tectonic events are described briefly, before systematic description of the Antler orogeny.

Pre-Antler Tectonic Events

Late Cambrian tectonic activity has been proposed in the Edna Mountain area in eastern Humboldt County. Here Erickson and Marsh (1974) note that Ordovician rocks presumably emplaced during the Late Devonian and Early Mississippian Antler orogeny were deformed by eastward directed overriding,

whereas Cambrian formations were asymmetrically folded and anomalously overturned to the west in a fold belt about 100 miles (60 km (sic) long and as much as 6 miles (10 km) wide. The westward overturning of the Cambrian formations was considered by Erick and Marsh (1974) to be incompatible with eastward movement during the Antler orogeny.

They suggested a Late Cambrian time of tectonism to correspond with the deposition of coarse and feldspathic debris in the Upper Cambrian, Harmony Formation, exposed near the Edna Mountain area. Ketner (1977a), elaborating on this concept, proposed that the highland that originated in the Cambrian expanded eastward during the Ordovician, Silurian, and Devonian and was the source for gravity slide blocks that emplaced the Roberts Mountain allochthon during the Antler orogeny.

Antler Orogeny

The Late Devonian and Early Mississippian Antler orogeny is clearly the dominant middle Paleozoic tectonic event in Nevada. During this orogeny, deep-water siliceous and volcanic assemblage rocks were thrust eastward along the Roberts Mountains thrust for as much as 90 miles (145 km) over coeval but lithologically dissimilar shallow-water carbonate and related rocks. The orogeny created a highland (the Antler highland) along the western margin of North America, and coarse detrital debris was shed to both east and west.

The Antler orogeny was named for Antler Peak on Battle Mountain in north-central Nevada (Roberts, 1949, 1951). As now recognized, the Antler orogenic belt corresponds in general to the late Paleozoic positive area of Nolan (1928), named the Manhattan geanticline by Eardley (1947). In the type area of the Antler orogeny, folded and faulted lower Paleozoic siliceous and volcanic rocks are unconformably overlain by conglomerate of the Pennsylvanian Battle Formation.

The Roberts Mountains thrust, a product of the Antler orogeny, was originally described in the Roberts Mountains by Merriam and Anderson (1942), who observed that Ordovician siliceous and volcanic rocks occur in the upper plate of the major low-angle thrust (the Roberts Mountains thrust). The lower plate is exposed in windows and consists of Cambrian, Ordovician, Silurian, and Devonian carbonate rocks. The term "Roberts Mountains thrust" is now generally applied throughout north-central Nevada to the lowermost thrust plane that emplaced siliceous and volcanic rocks of Cambrian to Devonian age over coeval carbonate rocks.

The Antler orogeny and the emplacement of the Roberts Mountain thrust is dated as Late Devonian and Early Mississippian.

The amount of tectonic transport of rocks in the upper plate of the Roberts Mountain thrust in northern Nevada appears to be about 90 miles (145 km)? (source: Roberts and others, 1958; Stewart and Poole, 1974) on the basis of the distribution of the allochthonous siliceous assemblage above coeval the transitional and carbonate assemblage."

(b) Property Geology

Geology of the CC Claims

Excerpted from http://www.whiteknightres.com/new/cabin_creek.htm

The Cabin Creek claims are underlain by an east-dipping fault-repeated section of Silurian Lone Mountain Dolomite overlain by Devonian McColley Canyon Formation and Denay Formation. The faults strike north east and also north west. The claims lie near the Devonian dolomite line, a major facies

boundary controlled by regional Paleozoic-age structure along the continental margin. The property covers the main portion of the Cabin Creek deposit (1.34 million tons @ 0.041 opt gold or 55,000 ounces gold), the South Cabin Creek mineralized zone, and the Cabin Creek deposit is an oxide gold deposit hosted in the Bartine member of the McColley Canyon. The mineralized area has been outlined by arsenic antimony and gold geochemical anomalies at 50ppm, 25ppm and 50 ppb respectively. See Figure 4 and 9.

Geology of the CCS Claims

The following brief description is excerpted from the Nevada Pacific Gold web-site (<http://www.nevadapacificgold.com/s/Properties.asp>)

The lithologic and structural setting of CCS claims closely resembles that of the Rain district in the northern Pinon Range. The Rain district is known to contain about 5 million ounces of gold, approximately 1.5 million ounces have been mined to date. At the Rain deposit (and the Cabin Creek South) gold mineralization is hosted by solution or collapse breccias formed at the contact between the Devils Gate and the overlying Webb formations in close proximity to the west-northwest trending Rain fault. Formations of the Nevada Group also outcrop on the claims. The Webb Formation does not outcrop on the claims but an inspection of the solution collapse breccias within large gold bearing silicified zones of the Devils Gate Formation showed fragments of thin bedded mudstone characteristic of the Webb Formation. (The mineralized area has been outlined by arsenic antimony and gold geochemical anomalies at 50ppm, 25ppm and 50 ppb respectively) (Disclosure in parentheses added by Mitchell Geological Services Inc.).

The main feeder zone for the Cabin Creek South mineralization has not been discovered.

Geology of the NK Claims

Outcrop on the NK claims is scarce as the claims area is flat and mainly pediment covered. But float and sub-crop material in the area may belong to the Denay Formation grading to dolomite which may a part of the Bay State dolomite, or hydrothermally altered to dolomite.

A gravity survey has been done in the claims in the past and three gravity gradients were found, two trending northwest-southeast near the north and south boundaries of the claim block and one trending north-south near the east boundary of the claim block. These are thought to be high angle faults and are possibly feeder zones.

An aeromagnetic survey was performed over the land now covered by the NK claims by former claim holders. The survey indicated a narrow, arcuate-shaped aeromagnetic high perhaps 1,000 feet wide by approximately 8,000 feet long trending in a northerly direction. This feature is thought, by present management, to be indicative of an intrusive, perhaps a stock or a system of dikes and sills.

Geology of the NKN Claims

The NKN claims were staked over a gravity gradient (the same gravity gradient as the south west gradient on the NK claims). This north west trending gradient is parallel to a band of dolomite and a band of silty limestone to the north east of the dolomite. These bands of silty limestone and dolomite presumably belong to the Denay Limestone and possibly the McColley Formation. The Denay Limestone is the host rock for the north west trending Gold Bar deposit which lies about 4 miles to the west of the NKN claims.

Also noted were narrow, sporadic lenses of jasperoid material along the contact between the dolomite and the limestone. These zones replace the dolomite which has a very steep south westerly dip. (80?)

Exploration

The Corporation purchased some of the exploration data from Atlas on the four claim blocks and used this data to plan a programme of surface drilling on all four claim blocks. **This Data consisted mainly of maps showing geology mapping, reverse circulation drilling and geophysical data. The approximate number of maps viewed by the author of the technical report was 50.**

During the previous work performed by Atlas on the general area, the CC claim block has had the most exploration work performed on it. This exploration work consisted of mapping, geochemical sampling and over sixty reverse circulation holes of reverse circulation percussion drilling. This work developed the Cabin Creek deposit. See Figure 4, a plan of the mineralized body and Figure 9, a cross section showing some of the drill holes.

Other work in the area on the other claim blocks has not been successful in developing further resources but geochemical, gravity and aeromagnetic surveys have indicated many new targets.

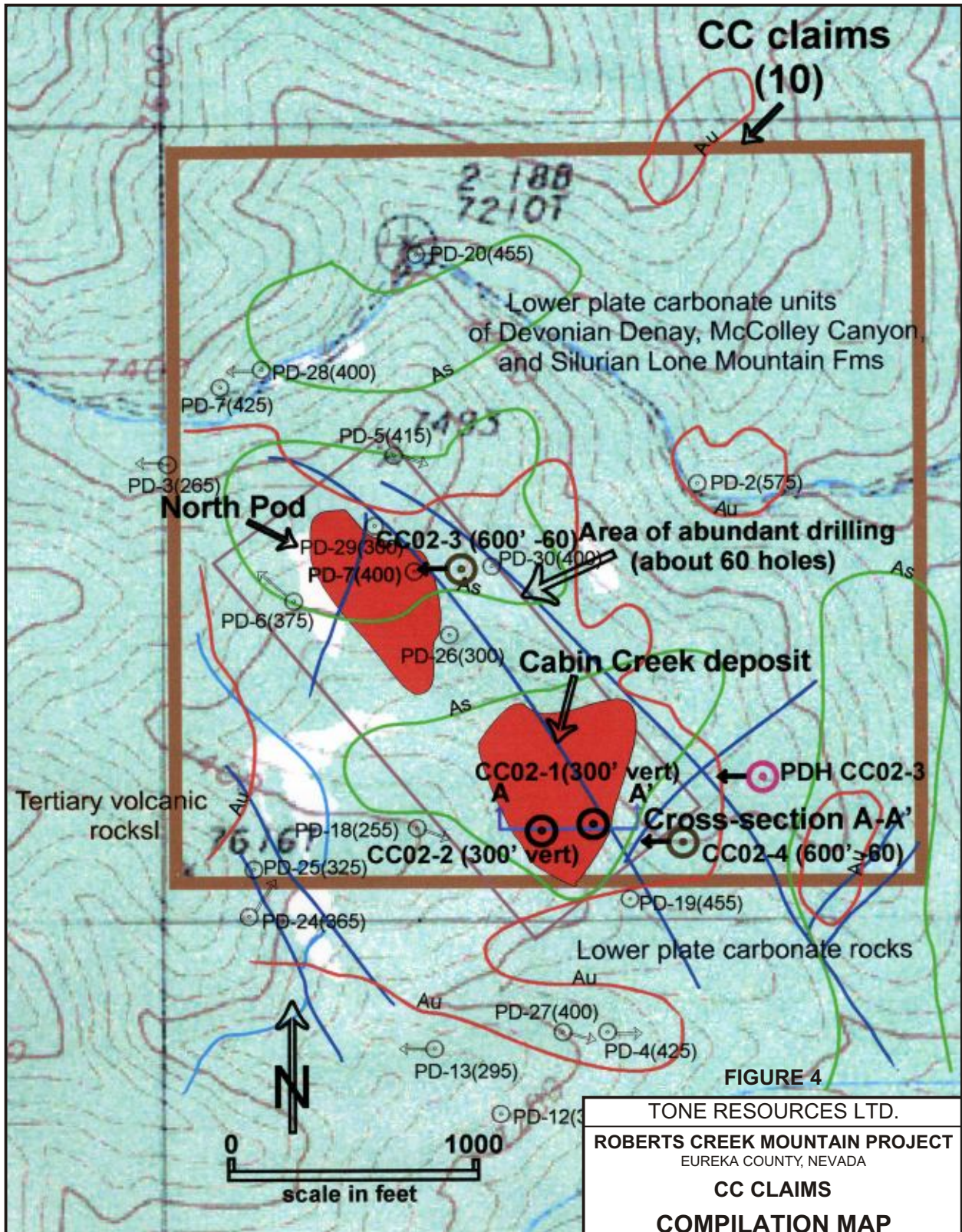
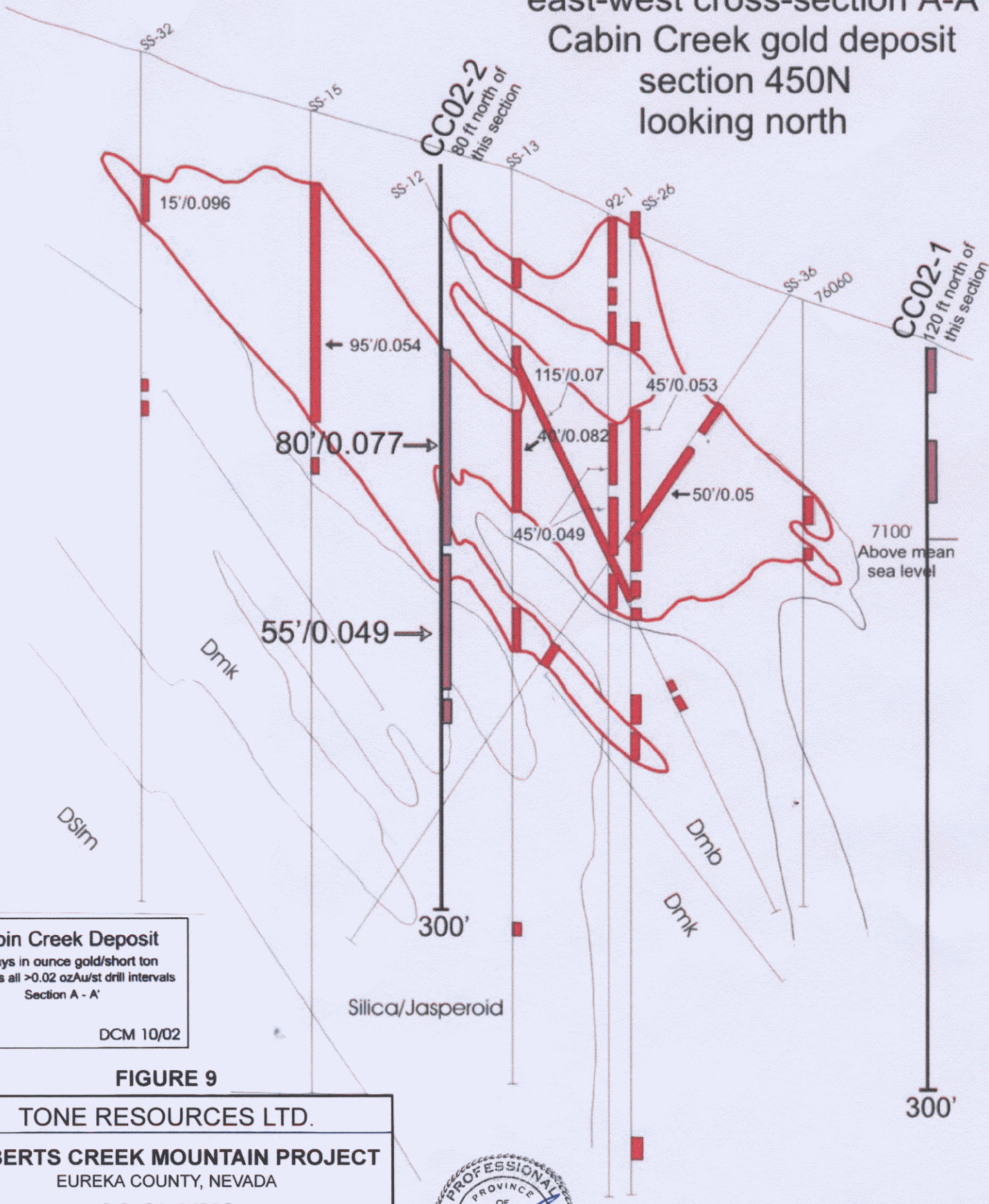


FIGURE 4

TONE RESOURCES LTD.
 ROBERTS CREEK MOUNTAIN PROJECT
 EUREKA COUNTY, NEVADA
CC CLAIMS
COMPILATION MAP

After David C. Mathewson September, 2002

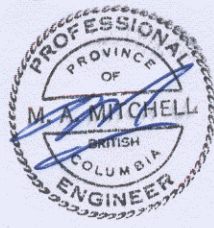
east-west cross-section A-A'
 Cabin Creek gold deposit
 section 450N
 looking north



Cabin Creek Deposit
 Assays in ounce gold/short ton
 Shows all >0.02 ozAu/st drill intervals
 Section A - A'
 DCM 10/02

FIGURE 9

TONE RESOURCES LTD.
ROBERTS CREEK MOUNTAIN PROJECT
 EUREKA COUNTY, NEVADA
CC CLAIMS
CROSS SECTION A - A'
 (Looking North)



0 50ft 100ft

Mineralization

CC Claims Mineralization

Previous exploration on the CC claims by Atlas Gold Mining Inc., and others, identified a resource of 751,100 tons at an average grade of 0.047 opt gold for 35,251 contained ounces (31,767 recovered ounces). This resource is contained in two areas namely the north and south pod areas as shown on Figure 4 as the Cabin Creek deposit and the North Pod. Doyle, 1991, states that the total mineable resource for the north and south pits including the addition of probable “reserves” (sic), between the pits through additional drilling should total 1,195,544 tons and 51,148 contained ounces (51,434 recovered ounces). (Source: Doyle, 1991)

The reader is cautioned that these resources would probably be classified as an “historic resource” and possibly an inferred resource as various other parameters and issues have not been addressed as recommended by NI 43-101.

Therefore, until the other parameters and issues, etc., have been addressed, an economic evaluation of the deposit cannot be made.

The author of the technical report visited the claims and viewed some of the outcropping mineralization located near hole number CC02-2. The mineralization appeared to be silicified dark limy limestone of perhaps the Denay Formation and to be rusty brown to red to yellow in colour. One sample was taken by the writer from this location but not assayed. However, road cut samples in the immediate vicinity of this sample consistently assay 1 to 2 ppm.

CCS Claim Mineralization

The CCS claims contain large areas of gold bearing north westerly striking, silicified zones and jasperoids. These areas replace Devonian Devil’s Gate and Nevada Group formations and are outlined by geochemical contours +25 ppm antimony and +50 ppm arsenic. Some of the silicified and jasperoid zones occupy solution collapse breccias along the Webb Formation/Devils Gate Limestone contact where fragments of jasperized and silicified Webb Formation shale may be found occupying breccia zones in the Devils Gate Limestone Formation. This jasperoid mineralization in the Devils Gate Formation is hard, and ranges in colour from tan to red to brown.

A few short reverse circulation holes gave values from trace gold to over 300 ppb gold over appreciable thickness (in the range of 120 feet)

It is thought by the Corporation's management that the mineralization resembles the Rain deposit and there should be a feeder zone or zones at depth. To date, no feeders for this mineralization have been discovered.

NK Claim Mineralization

There is no out-cropping mineralization on the NK claims and in fact the NK claims have little outcrop but appear to be underlain by limey siltstone and limestone. A few short reverse circulation drill holes (RC) assayed from trace to over 300 ppb gold over short sections. These claims were staked to cover a north trending aeromagnetic high over 6,000 feet long by 1,000 ft wide.

NKN Claim Mineralization

The NKN claims were staked to cover a belt of limey siltstones and limestones below the Roberts Mountain thrust fault. An intermittent zone of gold bearing silicified material and jasperoids occur along a north west-south east trending “feeder” zone. A number of shallow, widely spaced reverse circulation holes were drilled by former operators and sections of the chips assayed from 160 ppb to 240 ppb over 60 feet. Other holes assayed trace amounts of gold over their entire length.

2002 Drill Program

A total of 7,345 feet of reverse circulation percussion drilling in twelve holes was performed on the Roberts Mountain Project during September, 2002. The drilling was done by a contractor, Hackworth Drilling, Inc., of Elko, Nevada and the drill used was an Ingersoll Rand model # TH-75-E.

As at November 30, 2002, the Corporation had expended \$86,996 on drilling, \$38,168 on assaying, \$5,434 on reclamation and \$12,320 on miscellaneous exploration and supply costs.

Drilling in 2002 was designed to provide a first pass of several targets in the southern Roberts Mountains and flanking pediment areas. Understanding of the geology in all areas was greatly and importantly enhanced as a result of the aggressive 2002 drill program. New targets and target areas have developed. Additional claims in the NK area were staked to cover new target possibilities. A brand new, quality target area (SW claims) emerged between the NKN claims and the CCS claims. Further exploration is warranted.

The widespread elevated geochemistry including gold, the large enigmatic zones of moderate to strong epithermal-type alteration, proximity of known gold deposits, the correct kind and age of structures, multiple styles of intrusives, multiple host opportunities, and extensive cover within this Battle Mountain-Eureka Gold Trend area, make for one of the most intriguing prospects in Nevada.

CC Claims

Hole CC02-1

PURPOSE: A 250 foot vertical hole on x-section A-A’ to test a prospective secondary feeder.

TOTAL DEPTH: 300 feet.

INCLINATION: vertical.

LITHOLOGY: Bartine Member of McColley Canyon Formation; limestones and silty limestones.

ASSAYS: 15 feet of 0.044 oz/ton from 0 to 15 feet, and 25 feet of 0.030 oz/ton from 40 to 65 feet.

Hole CC02-2

PURPOSE: A 250 foot vertical hole just north of x-section A-A’ to test a second prospective secondary feeder.

TOTAL DEPTH: 300 feet.

INCLINATION: Vertical.

LITHOLOGY: Bartine Member of McColley Canyon Formation; limestones and silty limestones.

ASSAYS: 80 feet of 0.077 oz/ton from 75 to 155 feet, and 55 feet of 0.049 oz/ton from 160 to 215 feet.

HOLE CC02-3

PURPOSE: A 600 foot angle hole under the north pod to test the high grade extension of a secondary feeder zone.

LITHOLOGY: PURPOSE: A 600 foot angle hole under the north pod to test the high grade extension of a secondary feeder zone.

TOTAL DEPTH: 600 feet.

INCLINATION: -50? due west

LITHOLOGY: limestone, silty limestone and dolomite.

ASSAYS: Anomalous values from 185 to 250 feet (up to 515 ppb gold) and from 480 to 570 feet (up to 375 ppb gold)

HOLE CC02-4

PURPOSE: A 600 foot angle hole under the southern edge of the main pod 500 feet east of CC02-01 to test the downward extension of a secondary feeder zone below the main pod.

TOTAL DEPTH: 600 feet.

INCLINATION: -60? due west

LITHOLOGY: limestone and silty limestone and dolomite.

ASSAYS: mildly anomalous values from 520 to 560 feet (up 75 to ppb gold).

CCS Claims

Hole CCS02-1

PURPOSE: A 700 foot vertical hole to test what could be the primary feeder structure for the CC and CCS claims. Hole to be drilled near the middle of an arsenic, antimony and weak gold geochemical anomaly over 2 miles long.

TOTAL DEPTH: 700 feet.

INCLINATION: Vertical

LITHOLOGY: dolomite from top to bottom.

ASSAYS: Sporadic slightly anomalous gold values throughout (up to 30 ppb gold).

Hole CCS02-2

PURPOSE: A 700 foot vertical hole to establish the credentials of a "Rain Deposit" type setting.

TOTAL DEPTH: 720 feet.

INCLINATION: Vertical

LITHOLOGY: colluvium, tuff and siltstone, limestone and dolomite.

ASSAYS: Very few slightly anomalous gold values.

NK Claims**Hole NK02-1**

PURPOSE: An 800 foot vertical hole to investigate the centre of an aeromagnetic high and to test for associated epithermal or skarn mineralization.

TOTAL DEPTH: 800 feet.

INCLINATION: Vertical

LITHOLOGY: siltstones, limestones and mafic dikes.

ASSAYS: most of the hole had a slightly anomalous gold values (from 10 to 45 ppb).

Hole NK02-2

PURPOSE: A 300 foot angle hole to investigate the south central area of an aeromagnetic high and to test for associated epithermal or skarn mineralization. This hole is located approximately 2,000 feet south of hole NK01-1.

TOTAL DEPTH: 300 feet.

INCLINATION: -60° at Az. 45°

LITHOLOGY: siltstones, limestones and mafic dikes.

ASSAYS: The hole from 5 to 140 feet had a slightly anomalous gold values (from 10 to 70 ppb).

Hole NK02-3

PURPOSE: A 800 foot angle hole to investigate the south area of an aeromagnetic high and to test for associated epithermal or skarn mineralization. This hole crosses the gravity gradient near the south end of the claim block which is conjectured to be a feeder zone. This hole is located approximately 1,000 feet south of hole NK01-2.

TOTAL DEPTH: 820 feet.

INCLINATION: -60° at Az. 45°

LITHOLOGY: limestone and minor mafic dikes.

ASSAYS: The hole from 20 to 245 feet had a slightly anomalous gold values (from 10 to 50 ppb). From 600 to 820 the hole from 20 to 245 had a slightly anomalous gold values (from 10 to 65 ppb).

NKN Claims

NKN02-1

PURPOSE: A 700 foot angle hole to investigate the three mile long altered and mineralized Kobeh feeder structure or structural zone.

TOTAL DEPTH: 740 feet.

INCLINATION Vertical

LITHOLOGY: limestone, dolomite, mudstone and sandstone.

ASSAYS: The hole had weakly, intermittent anomalous gold values throughout its entire length (10 to 60 ppb).

NKN02-2

PURPOSE: A 700 foot angle to investigate the three mile long altered and mineralized Kobeh feeder structure or structural zone. This hole is 1,500 feet to the south east of NKN02-1.

TOTAL DEPTH: 640 feet.

INCLINATION: -70? at Az. 45?

LITHOLOGY: limestone, dolomite, sandstone and mudstone.

ASSAYS: The hole had weakly, intermittent anomalous gold values from 115 to 270 feet (10 to 115 ppb).

NKN02-3

PURPOSE: A 800 foot angle hole to investigate the three mile long altered and mineralized Kobeh feeder structure or structural zone. This hole is 2,000 feet to the north west of NKN02-1.

TOTAL DEPTH: 800 feet.

INCLINATION: -60? at Az. 45?

LITHOLOGY: limestone, dolomite, mudstone and mafic dikes.

ASSAYS: The hole had weakly, intermittent anomalous gold values from 160 to 800 feet (5 to 45 ppb).

Sampling and Analysis

(a) Sampling methods

The samples from the 2002 reverse circulation drilling consisted of rock chips and were collected using a “built in” cyclone splitter on the drill and the cuttings went directly into a polypropylene bags to be sent to the assay office. Samples were collected every five feet.

The volume of sample collected was approximately 25% of the total volume produced. The weight of each sample was approximately 15 pounds. Coincidentally with this sample collection, a small sample was collected in a sieve, washed and placed in a “chip tray” for a permanent record and logging.

(b) Accuracy and Reliability of Results

There were no drilling sampling or recovery factors that could materially impact the accuracy and reliability of the sample results.

The author of the technical report oversaw the collection of the samples from the drill, which were taken **by the drill helpers**. The samples were stacked in a row **in the field** and left to dry to prevent the gold from settling to the bottom of the bag during transport to the assay office.

The sample preparation was done in the **assay office** and the analytical procedures were “state of the art”.

(c) Sample Biases

The sample quality was good and the samples were of approximately equal size. There were no apparent sample biases.

The samples were sent to ALS-CHEMEX at 2056 Last Chance Road, Elko Nevada for sample preparation and the pulps were sent to ALS-CHEMEX 212 Brooksbank Avenue, North Vancouver, British Columbia. Canada V7J 2C1 for assay.

The samples were assayed using conventional ICP-AES analysis (code ME-ICP41m) for 34 elements by aqua-regia acid digestion. These elements included such pathfinder elements such as arsenic, antimony, mercury and silver.

(d) Rock Types, Geologic Controls and Sampling Intervals

The main method of identifying higher grade mineralized zones in low grade “no seeum” gold deposits such as deposits resembling the “Carlin Model” is assaying. Much of the rock encountered in the drill holes is un-mineralized except for a little quartz and some pyrite.

The samples were assayed for gold on a five foot basis and were composited at the assay office into twenty foot composites and assayed for 34 other elements trace level methods using conventional ICP-AES analysis.

A five foot sampling interval is a standard practice in reverse circulation drilling.

(e) Quality Control and Data Verification

A total of 50 random, anonymous duplicate samples taken as splits from the cyclone were also obtained during the drilling. These samples were taken primarily for the purpose of having samples to compare

with the primary sample assay results. These samples were assayed for gold only; 49 of the 50 assays showed very good correspondence.

ALS-CHEMEX has an ISO 9002 registration and commonly runs check assays and standards

Security

No aspect of the sample preparation was conducted by any employee, officer, director, or associate of the Corporation.

The samples were collected by employees of the drill contractor, left to dry at each drill site and collected in the field by employees of ALS-CHEMEX.

The samples were left at the drill sites to dry for three or four days unguarded. The drillers only worked one 12 hour shift per day. If future holes encounter higher grade sections, and drilling is to proceed, with maximum security, a guard should be hired for the duration of the drill program to watch over these samples or the drillers should work two 12 hour shifts.

Mineral Resources and Mineral Reserves

(a) Quantity and Grade

As previously stated, exploration on the CC claims by Atlas Gold Mining Inc. had identified a resource of 751,100 tons at an average grade of 0.047 opt gold for 35,251 contained ounces (31,767 recovered ounces). This resource is contained in two areas namely the north and south pit areas as shown on Figure 4 as the Cabin Creek deposit and the North Pod. M. Doyle, in a 1991 inter-office memorandum, states that the total mineable resource for the north and south pits including the addition of probable "reserves" (sic), between the pits through additional drilling should total 1,195, 544 tons and 51,148 contained ounces (51,434 recovered ounces). (Doyle, 1991)

(b) Assumptions and Parameters

These resources would probably be classified as an "historic resource" because various other parameters and issues have not been calculated to up-grade the resources to at least an indicated mineral resource as outlined by NI 43-101.

(c) Other Factors Affecting The Resource

Until the other parameters and issues, etc. have been addressed, such as metallurgical, environmental taxation etc. an economic evaluation of the deposit cannot be made and the mineralization remains an "historic resource".

Mining Operations

There are no mining operations being contemplated for the project.

Exploration and Development

The Corporation is contemplating a program of prospecting, mapping and 15,000 feet of reverse circulation drilling at a cost, including 10% contingencies, of U. S.\$218,625 for the four claim blocks in the Roberts Mountain Project. The programme is expected to last two months. This program was recommended by the author of the technical report and is comprised of the following.

Reverse Circulation drilling 15,000 ft. @ \$7.00 p/ft	\$105,000
Mob – demob. Estimated @ 2,000	2,000
Geology and supervision Estimated @ \$15,000 (1 geologist)	15,000
Assaying – 3,750 samples – Estimated \$13 per Sample	48,750
Cat tractor and front end loader (drill site prep and reclamation) – Estimated \$12,000	12,000
Surveying	1,000
Truck (including fuel)	5,000
Geologist’s accommodations (trailer)	3,000
Food and sustenance	2,000
Field expenses	5,000
Sub-Total:	198,750
Contingencies @ 10%	19,875
TOTAL:	U.S.\$218,625

CCS Claims

Purpose: To look for the feeder zone to the silicified jasperoid zone on the surface.

4,000 feet of drilling, to be drilled in two fences of four, 500 foot holes (1) across the thickest portion of the silicified jasperoid zone. Holes to be at an orientation of Az. 45° or 225° and inclination -60° to the north east or south west. (2) across the thickest part of the anomalous geochemistry zone probably near hole CCS02-2. Holes to be oriented at Az. 90° or 270° and inclination -60°.

NK Claims

Purpose: to investigate the area of the northerly trending aeromagnetic high. If the high is caused by an intrusive the possibility arises that there may be skarn deposits or epithermal deposits associated with the contact of the intrusive with the limestone and limy siltstones.

4,000 feet of drilling in eight, 500 foot holes, (1) 4 holes on the west side of the high approximate spacing 600 feet and orientation Az. 90° and inclination at -60° (2) 4 holes on the east side of the high, spacing approximately 600 feet and orientation Az. 270° and inclination at -60°.

NKN Claims

Purpose: To investigate the possibility of a gold bearing feeder zone near the discontinuous band of silicified and jasperoid material near the drilling performed in 2002.

4,000 feet of drilling in 8, 500 foot holes at Az. 45° and inclination at -60°. The first and second holes would be drilled half way in between NKN02-1 and NKN02-3 and half way in between NKN02-2 and NKN02-1. The third hole would be drilled 1,000 feet to the south east of NKN02-1.

The fourth and fifth holes would 2,000 and 3,000 feet to the south east of NKN02-1. The sixth, seventh and eight holes would be drilled 4,500, 6,000 and 7,500 feet south of KN02-1.

CC Claims

Purpose: General exploration of the remainder of the claim block and filling in missing drill holes in the Cabin Creek Deposit including at least one hole to test the northern extension of a high grade zone within the deposit.

3,000 feet of drilling, the positions and orientations of these holes should be left to the discretion of the project geologist.

NOTE: If prospecting and mapping does not indicate any drill targets on the CC claims or if other economic or close to economic mineralization is discovered by drilling on the other claim blocks, this footage may be used to further develop that mineralization.

USE OF PROCEEDS

Funds Available

If the minimum or maximum number of Common Shares under this Offering are sold, the net proceeds to the Corporation will be \$697,500 or \$930,000, respectively, plus the sum of \$176,394 (approximately) representing the Corporation's working capital as at November 30, 2002, which will result in approximately \$873,894 or \$1,106,394, respectively, which funds are intended to be spent by the Corporation, in order of priority, as follows:

Principal Purposes

	Funds to be Used Minimum Offering	Funds to be Used Maximum Offering
(a) To pay the estimated remaining costs of this Offering (including legal, audit and printing expenses)	\$40,000	\$40,000
(b) To pay the balance of the Agent's corporate finance fee (\$15,000), special warrant qualification fee (\$17,500) and Agent's expenses	\$37,500	\$37,500
(c) To pay for exploration expenditures on the Roberts Mountain property including assaying and drilling (US\$218,625 converted at CDN\$1.58)	\$345,427	\$345,427
(d) To pay BLM fees and County filing fees due August 31, 2003 (US\$13,241 converted at CDN\$1.58)	\$20,921	\$20,921
(e) To provide funding sufficient to meet administrative costs for 12 months	\$241,000	\$241,000
(f) To provide general working capital to fund ongoing operations and expansion	<u>\$189,046</u>	<u>\$421,546</u>
Total:	<u>\$873,894</u>	<u>\$1,106,394</u>

Upon completion of the minimum offering, the Corporation's working capital available to fund ongoing operations will be sufficient to meet its administrative costs and exploration expenditures for twelve months. Administrative expenditures for the following twelve months are comprised of the following:

- | | |
|------------------------------------|-----------|
| (i) Management fee to Scott Baxter | \$78,000; |
|------------------------------------|-----------|

(ii)	Management fee to David Mathewson	\$60,000;
(iii)	Rent	\$12,000;
(iv)	Miscellaneous office and supplies	\$ 6,000;
(v)	Transfer agent	\$15,000;
(vi)	Canadian and U.S. legal	\$50,000;
(v)	Accounting	\$20,000.

The Corporation intends to spend the funds available to it as stated in this prospectus. There may be circumstances however, where, for sound business reasons, a reallocation of funds may be necessary.

The Agent will hold subscription proceeds in trust until the minimum Offering has been subscribed for. Until required for the Corporation's purposes, the proceeds will be invested only in securities of, or those guaranteed by, the Government of Canada or any province of Canada, in certificates of deposit or interest-bearing accounts of Canadian chartered banks or trust companies or in prime commercial paper.

Special Warrant Proceeds

The proceeds from the issuance of Special Warrants were \$710,909. There were no commissions paid in respect of this issuance. The principal purposes for which these funds were used and are to be used are:

(a)	Mineral claim acquisition costs	\$ 43,470
(b)	Title opinions and geological report paid	24,746
(c)	Claim maintenance costs paid	28,476
(d)	Drilling costs paid	86,996
(e)	Assaying costs paid	38,168
(f)	Management fees paid	108,850
(g)	Rent paid for corporation's facilities	13,665
(h)	Legal and accounting fees paid	67,633
(i)	Agent's fees paid	26,750
(j)	Travel and promotion expenses paid	35,065
(k)	Office and related expenses paid	24,655
(l)	Retainers and advances, and GST paid	30,816
(m)	Reclamation bond paid	16,800
(n)	Reclamation expenses paid	5,434
(o)	Other property expenses paid	<u>12,320</u>
	Total Amount Spent:	\$563,854

Remaining proceeds to be spent on mineral exploration, administration costs and working capital	<u>147,055⁽¹⁾</u>
	<u>\$710,909</u>

(1) Remaining proceeds have been included in the Corporation's working capital as at November 30, 2002. Refer to "Principal Purposes" under "Use of Proceeds".

SELECTED FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS

Annual Information

The following table sets forth summary financial information of the Corporation for the fiscal year ended August 31, 2002. The Corporation has only completed one financial year since incorporation on October 31, 2001. This information has been summarized from the Corporation's audited financial statements for the year ended August 31, 2002. This summary financial information should only be read in conjunction with the Corporation's financial statements, including the notes thereto, included elsewhere in this prospectus.

	Year Ended August 31, 2002
Total revenues	\$ Nil
Operating expenses	\$ Nil
General and administrative expenses	\$128,982
Net loss	\$128,982
Net loss per basic common share	\$ 0.15
Total assets	\$324,129
Long-term financial liabilities	\$ Nil
Cash dividends per share	\$ Nil

Quarterly Information

The following table sets forth certain summary financial information of the Corporation for the past four quarters. Quarterly financial information is not available for previous quarters.

	August 31, 2002	May 31, 2002	March 30, 2002	November 30, 2001⁽¹⁾
Total revenues	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Operating expenses	Nil	Nil	Nil	Nil
General and administrative expenses	75,810	27,336	21,985	3,801
Net loss	75,810	27,386	21,985	3,801
Net loss per basic common share	0.03	0.07	0.36	0.41

(1) The November 30, 2001 period is not a full quarter as the Corporation was incorporated on October 31, 2001.

Dividends

The Corporation has neither declared nor paid any dividends on its Common Shares. The Corporation intends to retain its earnings to finance growth and expand its operations and does not anticipate paying any dividends on its Common Shares in the foreseeable future.

Management's Discussion and Analysis

This discussion is of the audited financial statements of the Corporation for the fiscal year ended August 31, 2002. The financial statements are included in this prospectus and should be referred to when reading this discussion. The financial statements summarize the financial impact of the Corporation's financings, investments and operations.

The Corporation has only completed one financial year since incorporation on October 31, 2001.

The Corporation has experienced losses in all fiscal periods since its incorporation and has an accumulated deficit of \$128,982 at August 31, 2002. The Corporation's deficit at August 31, 2002 is comprised of the following costs: management fees of \$65,570; office rent, supplies and other of \$26,776; accounting and legal of \$21,448; and promotions and travel of \$15,188. The Corporation's ability to continue as a going-concern is dependent upon its ability to achieve profitability and fund any additional losses it may incur. The financial statements are prepared on a going-concern basis, which implies that the Corporation will realize its assets and discharge its liabilities in the normal course of business. The financial statements do not reflect adjustments to the carrying value of assets and liabilities that would be necessary if the Corporation were unable to achieve and maintain profitable operations.

Liquidity and Capital Resources

The Corporation had working capital of \$199,028 on August 31, 2002, remaining from the issuance of special warrants after having spent \$119,091 on acquisition and development of its mineral property. There is no long-term debt on August 31, 2002.

DESCRIPTION OF SECURITIES DISTRIBUTED

Authorized and Issued Share Capital

The authorized share capital of the Corporation consists of an unlimited number of Common Shares. As of the date of this prospectus, 5,000,000 Common Shares were issued and outstanding as fully paid and non-assessable shares. The Corporation has issued Special Warrants exchangeable for the issuance of a total of 3,649,606 Common Shares at no additional cost to the holders thereof. In addition, 1,925,000 Common Shares are reserved for issuance pursuant to incentive stock option agreements. The Corporation has also agreed to grant, to the Agent, Agent's Warrants entitling the Agent to purchase up to 7% of the number of Common Shares sold pursuant to this Offering. See "Plan of Distribution".

Common Shares

The holders of the Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Corporation and each Common Share shall confer the right to one vote in person or by proxy at all meetings of the shareholders of the Corporation. The holders of the Common Shares, subject to the prior rights, if any, of any other class of shares of the Corporation, are entitled to receive such dividends in any financial year as the board of directors of the Corporation may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Corporation, the remaining property and assets of the Corporation.

CONSOLIDATED CAPITALIZATION

The following table summarizes changes in the Corporation's capitalization since August 31, 2002 and after giving effect to this Offering.

Description	Authorized August 31, 2002	Authorized at the date of this Prospectus	Outstanding as at August 31, 2002 (Audited)	Outstanding at the date of this Prospectus (Unaudited)	Outstanding after giving effect to this Minimum Offering (Unaudited) ⁽¹⁾⁽²⁾	Outstanding after giving effect to this Maximum Offering (Unaudited) ⁽¹⁾⁽²⁾
Common Shares	Unlimited	Unlimited	5,000,000	5,000,000	10,149,606	10,649,606
Special Warrants	N/A	N/A	2,966,911 ⁽³⁾	3,649,606	Nil	Nil
Long Term Debt	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) As partial consideration for the sale of Common Shares pursuant to this prospectus the Corporation has agreed to grant the Agent, non-transferable Agent's Warrants entitling the Agent to purchase up to 7% of the number of Common Shares sold pursuant to this Offering. This prospectus qualifies the distribution of the Agent's Warrants to the Agent. The Agent's Warrants may be exercised at a price of \$0.50 per Common Share for a period of two years from the date of listing the Corporation's Common Shares to trade through the facilities of the TSX Venture Exchange. The Common Shares issuable on exercise of the Agent's Warrants are not reflected in these figures.
- (2) As of the date of this prospectus there were 1,925,000 Common Shares reserved for issuance upon the exercise of outstanding options. See "Options to Purchase Securities". The Common Shares issuable on exercise of the options are not reflected in these figures.
- (3) An additional 682,695 special warrants were issued subsequent to August 31, 2002.

OPTIONS TO PURCHASE SECURITIES

Outstanding Options

The following table summarizes the options of the Corporation outstanding as of the date of this prospectus.

Group	No. of Options	Securities Under Option	Grant Date	Expiry Date	Exercise Price per Common Share	Market Value of the Common Shares on the Grant Date	Market Value of the Common Shares as of Nov. 30, 2002
Executive Officers (2 persons)	800,000	Common Shares	November 12, 2002	Five years from the date of listing of the Corporation's shares on the TSX Venture	\$0.50	N/A	N/A
Directors and Officers (not Executive Officers) (4 persons)	1,125,000	Common Shares	November 12, 2002	Five years from the date of listing of the Corporation's shares on the TSX Venture	\$0.50	N/A	N/A

All of the options have been granted pursuant to the terms of the Stock Option Plan approved by the Corporation's directors on November 12, 2002. The purpose of the Stock Option Plan is to assist the Corporation in attracting, retaining and motivating directors, officers, employees and consultants (together "service providers") of the Corporation and of its affiliates and to closely align the personal interests of such service providers with the interests of the Corporation and its shareholders.

The Stock Option Plan provides that, subject to the requirements of the TSX Venture, the aggregate number of securities reserved for issuance, set aside and made available for issuance under the Stock

Option Plan will be 20% of the number of Common Shares of the Corporation issued and outstanding upon completion of the Offering.

The Stock Option Plan will be administered by the board of directors of the Corporation, which will have full and final authority with respect to the granting of all options thereunder.

Options may be granted under the Stock Option Plan to such service providers of the Corporation and its affiliates, if any, as the board of directors may from time to time designate. The exercise prices shall be determined by the board of directors, but shall, in no event, be less than the closing market price of the Corporation's shares on the TSX Venture. The Stock Option Plan provides that the number of Common Shares issuable on the exercise of options granted to all persons together with all of the Corporation's other previously granted options may not exceed 20% of the Corporation's issued and outstanding Common Shares. In addition, the number of Common Shares which may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued Common Shares on a yearly basis. The Stock Option Plan provides that 25% of the Options will vest upon the date of listing of the Corporation's Common Shares on the TSX Venture and 12 ½% each three months thereafter. Subject to earlier termination and in the event of dismissal for cause, termination other than for cause or in the event of death, all options granted under the Stock Option Plan will expire not later than the date that is five years from the date that such options are granted and will be subject to vesting in accordance with the terms of the Stock Option Plan. Options granted under the Stock Option Plan are not to be transferable or assignable other than by Will or other testamentary instrument or pursuant to the laws of succession.

The Corporation issued to the Agent, Agent's Warrants for the purchase of up to 7% of the Common Shares of the Corporation sold pursuant to the Offering exercisable at a price of \$0.50 per Common Share for a period of two years from the date of listing the Corporation's Common Shares to trade through the facilities of the TSX Venture Exchange.

PRIOR SALES

The following table summarizes the sales of securities of the Corporation within the twelve months prior to the date of this prospectus.

<u>Date</u>	<u>Price</u>	<u>Number of Securities</u>	<u>Reason for Issuance</u>
January 25, 2002	\$0.0001	4,999,999 Common Shares	Private Placement
August 19, 2002	\$0.15	2,966,911 Special Warrants ⁽¹⁾	Private Placement
September 14, 2002	\$0.15	220,000 Special Warrants ⁽¹⁾	Private Placement
November 29, 2002	\$0.50	462,695 Special Warrants ⁽¹⁾	Private Placement

(1) The exchange of these Special Warrants to Common Shares at no additional cost to the holders thereof is being qualified by this prospectus. See "Plan of Distribution".

ESCROWED SHARES

Escrowed Securities

Under the applicable policies and notices of the Canadian Securities Administrators securities held by Principals (as defined below) are required to be held in escrow in accordance with the national escrow regime applicable to initial public distributions. Equity securities owned or controlled by Principals (except for 10% of each Principal's holdings of Common Shares and Common Shares issuable pursuant to incentive stock options) are subject to the escrow requirements.

Principals include all persons or companies that, on the completion of the Offering, fall into one of the following categories:

- (i) directors and senior officers of the Corporation or of a material operating subsidiary of the Corporation, as listed in this prospectus;
- (ii) promoters of the Corporation during the two years preceding this Offering;
- (iii) those who own and/or control more than 10% of the Corporation's voting securities immediately after completion of this Offering if they also have appointed or have the right to appoint a director or senior officer of the Corporation or of a material operating subsidiary of the Corporation;
- (iv) those who own and/or control more than 20% of the Corporation's voting securities immediately after completion of this Offering; and
- (v) associates and affiliates of any of the above.

The Principals of the Corporation are all of the directors and senior officers of the Corporation.

Pursuant to an agreement (the "Escrow Agreement") dated as of October 15, 2002 among the Corporation, Pacific Corporate Trust Company (the "Escrow Agent") and the Principals of the Corporation, the Principals agreed to deposit in escrow their Common Shares (the "Escrowed Securities") with the Escrow Agent. The Escrow Agreement provides that the Escrowed Securities will be released from escrow in equal blocks at 6 month intervals over the 36 months following the issue of the final receipt for this prospectus (that is 15% of each Principal's holdings being released in each block) (with 10% of each Principal's holdings being exempt from the escrow provisions).

The Corporation is an "emerging issuer" as defined in the applicable policies and notices of the Canadian Securities Administrators and if the Corporation achieves "established issuer" status during the term of the Escrow Agreement, it will "graduate" resulting in a catch-up release and an accelerated release of any securities remaining in escrow under the 18 month schedule applicable to established issuers as if the Corporation had originally been classified as an established issuer.

Pursuant to the terms of the Escrow Agreement, the securities held in escrow may not be transferred or otherwise dealt with during the term of the Escrow Agreement unless the transfers or dealings with escrow are:

- (i) transfers to continuing or, upon their appointment, incoming directors and senior officers of the Corporation or of a material operating subsidiary, with approval of the Corporation's board of directors;
- (ii) transfers to an RRSP or similar trustee plan provided that the only beneficiaries are the transferor or the transferor's spouse or children;
- (iii) transfers upon bankruptcy to the trustee in bankruptcy; and
- (iv) pledges to a financial institution as collateral for a *bona fide* loan, provided that upon a realization the securities remain subject to escrow. Tenders of Escrowed Securities to a take-over bid are permitted provided that, if the tenderer is a Principal of the successor corporation upon completion of the take-over bid, securities received in exchange for

tendered Escrowed Securities are substituted in escrow on the basis of the successor corporation's escrow classification.

The following table sets forth details of the issued and outstanding Common Shares that are subject to the Escrow Agreement:

<u>Name</u>	<u>No. of Escrowed Common Shares</u>	<u>Minimum Offering Percentage</u>	<u>Maximum Offering Percentage</u>
Scott D. Baxter	1,500,000	14.7%	14%
Catherine A. Gignac	600,000	5.9%	5.6%
David C. Knight	750,000	7.3%	7.0%
David C. Mathewson	750,000	7.3%	7.0%
Michael Metz	250,000	2.4%	2.3%
Marathon Industrial Fund Inc.	250,000	2.4%	2.3%
Bruce G. Taylor	790,000	7.7%	7.4%
Tudor Fund S.A.	250,000	2.4%	2.3%
TOTAL:	<u>5,140,000</u>	<u>50.64%</u>	<u>48.27%</u>

Shares Subject to Resale Restrictions

All of the Corporation's 5,000,000 Common Shares distributed prior to the approval of the Corporation's prospectus are also subject to a hold period expiring one year from the Effective Date of this prospectus as required by the provisions of Multilateral Instrument 45-102.

In addition, 3,186,911 Common Shares issued in exchange for the Special Warrants will be subject to TSX Venture resale restrictions. Twenty percent, or 637,382 Common Shares, will be released on the date the Corporation's Common Shares commence trading through the facilities of the TSX Venture and twenty percent, or 637,382 Common Shares, will be released each month thereafter.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of the Corporation, as of the date of this prospectus no person beneficially owns or exercises control or direction over Common Shares carrying more than 10% of the votes attached to Common Shares except for the following:

Prior to the Offering			After Giving Effect to the Offering		
Name	Number of Common Shares Beneficially Owned Directly or Indirectly	Percentage of Common Shares Held	Number of Common Shares Beneficially Owned Directly or Indirectly	Minimum Offering Percentage of Common Shares Held	Maximum Offering Percentage of Common Shares Held
Scott Baxter	1,500,000	30%	1,500,000	14.7%	14.0%

Note:

- (1) The shareholdings of Scott Baxter may increase should he decide to purchase Common Shares offered pursuant to this prospectus.

DIRECTORS AND OFFICERS

The following table provides the names, municipalities of residence, position, principal occupations and the number of voting securities of the Corporation that each of the directors and executive officers beneficially owns, directly or indirectly, or exercises control over, as of the date hereof:

<u>Name and Municipality of Residence and Position with the Corporation</u>	<u>Director/Officer Since</u>	<u>Principal Occupation for the Past Five Years</u>	<u>Common Shares Beneficially Owned Directly or Indirectly⁽¹⁾ (at the date of this Prospectus)</u>
Scott David Baxter ⁽²⁾ Vancouver, British Columbia President, Chief Executive Officer and Director	Oct. 31, 2001	President and Chief Executive Officer of the Corporation from October 2001 to present. Previously President and Chief Executive Officer of Tenacity Resources Ltd. from January 1998 to November 2001 and President and Chief Executive Officer of International Calneva Gold Ltd. from January 1996 to January 1998 (both natural resource exploration companies).	1,500,000
David Curtis Mathewson Elko, Nevada, U.S.A. Vice President Exploration and Director	Dec. 6, 2001	Vice President Exploration of the Corporation since May 2002. Previously Regional Exploration Manager of Newmont Mining Co. (Gold Mining company) from January 1995 to May 2002.	750,000
Catherine A. Gignac ⁽²⁾ Mississauga, Ontario Director	Dec. 6, 2001	Mining Analyst at Loewen, Ondaatje, McCutcheon Limited (brokerage firm) from July 2002 to present Vice-President and Mining Analyst at UBS Bunting Warburg (brokerage firm) from November 1999 to March 2001. Vice-President and Mining Analyst at Dundee Securities (formerly Deacon Capital Corporation) (Brokerage firm) from January 1996 to October 1999.	600,000 ⁽³⁾
Bruce Graeme Taylor Toronto, Ontario Chief Financial Officer and Director	Oct. 10, 2002	Senior Financial Advisor at Assante Capital Management Ltd., a Canadian financial advisory firm from April 1991 to present.	790,000 ⁽³⁾
Guilford Harold Brett ⁽²⁾ North Vancouver, British Columbia Director	Nov. 12, 2002	President of Cusac Gold Mines Ltd. (public gold mining production company) since 1966. Also President of Consolidated Pacific Bay Minerals Ltd. (public exploration company) since 1986 to present. Director of Knexa.com Enterprises Inc. (public information company) from 1987 to present and director of Alaskagold Mines Inc. (from 1984 to August, 2001) (public exploration company)	Nil

<u>Name and Municipality of Residence and Position with the Corporation</u>	<u>Director/ Officer Since</u>	<u>Principal Occupation for the Past Five Years</u>	<u>Common Shares Beneficially Owned Directly or Indirectly⁽¹⁾ (at the date of this Prospectus)</u>
Kenneth Leslie Howard Embree Port Coquitlam, British Columbia Secretary	Oct 10, 2002	Lawyer at DuMoulin Black since January 1988 and Director of Currie Rose Resources Inc. since November 1996 to present. Previously Director of Daytona Energy Corporation from October 1998 to August 1999; Director of Golden Gate Resources Ltd. May 1998 to September 1999 and Director of Haddington International Resources Limited from January 1999 to August 1999 (all natural resource exploration companies).	Nil

Notes:

- (1) Does not include options to purchase Common Shares held by directors and officers. See "Options to Purchase Securities".
- (2) Denotes a member of the Audit Committee of the Corporation.
- (3) Catherine Gignac owns 100,000 Special Warrants and Bruce Taylor owns 40,000 Special Warrants which are exchangeable into 100,000 and 40,000 Common Shares respectively at no extra cost and are being qualified for exchange pursuant to this prospectus.

The term of office of the directors expires annually at the time of the Corporation's annual general meeting. The term of office of the officers expires at the discretion of the Corporation's directors.

None of the directors nor officers except Scott Baxter and David Mathewson have non-disclosure agreements signed with the Corporation.

Scott D. Baxter. Age 54, Chief Executive Officer, President and Director. As the Chief Executive Officer and President of the Corporation, Mr. Baxter is responsible for overall operations of the Corporation. Mr. Baxter will spend 100% of his efforts on behalf of the Corporation.

Mr. Baxter, since 1982, has been involved as a principle in junior resource exploration companies which have been listed on the former VSE, CDNX and TSX Venture. His experience includes all aspects of resource exploration and development, financing and management of projects and personnel. Mr. Baxter has been involved in exploration in Nevada since 1992. He has been a member of many professional associations which include the Geological Society of Nevada, the Canadian Institute of Mining and Metallurgy and the Listed Companies Association in Vancouver.

David C. Mathewson Age 58, BSc. MSc., Vice President Exploration and Director. Mr. Mathewson is responsible for overseeing the Corporation's mineral exploration operations. Mr. Mathewson will spend approximately 50% of his efforts on behalf of the Corporation.

Mr. Mathewson is an exploration geologist with more than thirty years of mining industry experience, both domestic and overseas. Experience includes all phases of exploration, development, and mining, but focus and skills have been primarily directed toward generative exploration. Companies worked for include Asarco, Noranda, Union Carbide, Seremin (BRGM of France), Atlas Precious Metals, and Newmont. While with Newmont from 1989 through early 2001, work included generative exploration in the Rain district on the Carlin Trend. From 1994 until 2000, Mr. Mathewson led and managed

Newmont's Great Basin Generative Exploration program and in 2000 until early retirement in 2001 Newmont's Carlin Trend Exploration program.

Catherine A. Gignac Age 41, B.Sc. Geology, Director. Ms. Gignac is a Mining Equity Research Analyst at Loewen, Ondaatje, McCutcheon Limited . Ms. Gignac has held similar positions with several brokerage firms over the last fifteen years, including UBS Warburg, Dundee Securities, RBC Capital Markets and Merrill Lynch Canada. Ms. Gignac focused on the precious metal and diamond sectors in North America. In 2000, Ms. Gignac work on the Canadian Diamonds industry was published in the Handbook of Canadian Security Analysis Volume II. Ms. Gignac worked as an exploration geologist for Barrick Gold Corporation, one of the largest global gold companies, upon graduation with an Honours B.Sc. degree from McMaster University. Ms. Gignac is past President of the Mineral Resources Analyst Group, and a member of the Toronto Society of Financial Analysts, Association for Investment Management and Research, Canadian Institute of Mining and Metallurgy and the Prospectors and Developers Association of Canada. It is anticipated Ms. Gignac will expend approximately 5% of her efforts for the benefit of the Corporation.

Bruce G. Taylor Age 42, B.A. CFP, RFP, CIM, Director and Chief Financial Officer. Mr. Taylor will coordinate the financial activities of the Corporation in conjunction with the President and the corporate accountant. It is anticipated Mr. Taylor will expend approximately 10% of his efforts for the benefit of the Corporation.

Mr. Taylor is a practising Senior Financial Advisor with Assante Capital Management Ltd. in Toronto and has 20 years of experience in the financial services sector.

Guilford H. Brett Age 72, B.A., B.Ed., Director. Mr. Brett will advise the Corporation generally as well as specifically in connection with public company issues. Mr. Brett has substantial experience related to public companies acquired over the past thirty-five years while acting as a director and as the president of several public companies including Cusac Gold Mines Ltd. It is anticipated Mr. Brett will expend approximately 10% of his efforts for the benefit of the Corporation.

Kenneth L.H. Embree Age 50, B.Sc., L.L.B., Secretary. Mr. Embree acts in an advisory capacity to the Corporation and has substantial experience in legal matters related to public companies acquired over the past twenty-two years. It is anticipated Mr. Embree will expend approximately 5% of his efforts on behalf of the Corporation.

Corporate Cease Trade Orders or Bankruptcies

To the best of the Corporation's knowledge, except as hereinafter provided, no existing or proposed director, officer, promoter or other member of management of the Corporation is, or within the ten years prior to the date hereof has been, a director, officer, promoter or other member of management of any other Corporation that, while that person was acting in the capacity of a director, officer, promoter or other member of management of that Corporation, was the subject of a cease trade order or similar order or an order that denied the Corporation access to any statutory exemptions for a period of more than 30 consecutive days, was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or appointed to hold the assets of that director, officer or promoter.

Scott Baxter was a director of Tenacity Resources Corp., a reporting company in the Provinces of British Columbia and Alberta, the shares of which are subject to a cease trade order by the British Columbia and Alberta Securities Commissions for failure by Tenacity Resources Corp. to file its financial statements.

Penalties or Sanctions

To the Corporation's knowledge, no existing or proposed director, officer, promoter or other member of management of the Corporation has, during the ten years prior to the date hereof, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion, formation or management of a publicly traded company, or involving fraud or theft.

Personal Bankruptcies

To the Corporation's knowledge no existing or proposed director, officer, promoter or other member of management of the Corporation has, during the ten years prior to the date hereof, been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

Conflicts of Interest

The directors of the Corporation are required by law to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any interests, which they may have in any project or opportunity of the Corporation. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

To the best of the Corporation's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest among the Corporation, its promoters, directors and officers or other members of management of the Corporation or of any proposed promoter, director, officer or other member of management as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Corporation and their duties as a director or officer of such other companies.

EXECUTIVE COMPENSATION

The following table discloses compensation paid to or awarded to the Corporation's Chief Executive Officers and the Corporation's Vice-President (the "Named Executive Officers") for the only completed financial year of the Corporation since its incorporation on October 31, 2001.

Name and Principal Position	Year Ended Aug. 31	Annual Compensation			Long-Term Compensation ⁽¹⁾			All Other Compensation ⁽²⁾
		Salary (\$)	Bonus (\$)	Other Annual Compensation \$	Securities Under Options/SARs Granted (#)	Restricted Shares or Restricted Share Units (\$)	Payouts LTIP Payouts (\$)	
Scott Baxter CEO	2002	\$50,000 ⁽¹⁾	Nil	Nil	Nil ⁽⁵⁾	Nil	Nil	\$10,665 ⁽²⁾
David Mathewson VP Exploration	2002	\$15,570 ⁽³⁾	Nil	Nil	Nil ⁽⁵⁾	Nil	Nil	\$12,258 U.S. ⁽⁴⁾

Notes:

- (1) Scott Baxter has been paid a management fee at the rate of \$60,000 per year since November 1, 2001.
- (2) The Corporation has paid the sum of \$10,665 to Scott Baxter for rent of office facilities.
- (3) David Mathewson has been paid a management fee at the rate of \$60,000 per year since June 1, 2002.
- (4) The Corporation has paid the sum of U.S.\$12,259 to KM Exploration Ltd. representing the purchase price for the Corporation's Roberts Mountain Project. David Mathewson owns 50% of the shares of KM Exploration Ltd.
- (5) Since completion of the fiscal year ended August 31, 2002, Mr. Baxter and Mr. Mathewson have each been granted stock options for the purchase of 400,000 Common Shares. See "Options to Purchase Securities".

Long-Term Incentive Plan Awards During the Most Recently Completed Financial Year

The Corporation did not have any long-term incentive plans during the most recently completed financial year.

Option/SAR Grants During the Most Recently Completed Financial Year

There were no stock options granted to the Named Executive Officers, directors or officers of the Corporation during the most recently completed financial year ended August 31, 2002.

Aggregated Options/SAR Exercises in Last Financial Year and Financial Year-End Option/SAR Values

None of the Named Executive Officers, directors or officers of the Corporation exercised any options in respect of the Corporation's Common Shares during the most recently completed financial year.

Termination of Employment, Changes in Responsibility and Employment Contracts

The Corporation has entered into a management agreement with Scott Baxter dated October 31, 2001, amended November 1, 2002, for an indeterminate term that provides for the engagement of Scott Baxter as the President and Chief Executive Officer of the Corporation at a salary initially of \$60,000 per year that was, on November 1, 2002, increased to \$78,000 per year, to be reviewed annually and a 5% discretionary amount in lieu of any benefit plan. The management agreement contains non-disclosure provisions. Scott Baxter may terminate the management agreement on one month's notice. The Corporation may terminate the management agreement for cause without notice or further payment. In the event the Corporation terminates the management agreement without cause, the Corporation must pay Scott Baxter a sum equal to one year's salary.

The Corporation has entered into a management agreement with David Mathewson dated June 1, 2002 for an indeterminate term that provides for the engagement of David Mathewson, as Vice President Exploration of the Corporation, at a salary of \$60,000 per year to be reviewed annually. The management agreement contains non-disclosure provisions. David Mathewson may terminate the management agreement on one month's notice. The Corporation may terminate the management agreement for cause without notice or further payment. In the event the Corporation terminates the management agreement without cause, the Corporation must pay David Mathewson a sum equal to one year's salary.

Compensation of Directors

The only arrangements the Corporation has, standard or otherwise, pursuant to which directors are compensated by the Corporation for their services in their capacity as directors, or for committee participation, involvement in special assignments or for services as consultant or expert during the most recently completed financial year or subsequently, are by the issuance of stock options.

Since the end of the most recently completed financial year, the Corporation has issued a total of 1,125,000 incentive options to its directors who are not also Named Executive Officers and a total of 800,000 incentive options to its directors who are Named Executive Officers.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Other than routine indebtedness for travel and other expense advances, no existing or proposed director, executive officer or senior officer of the Corporation or any associate of any of them, was indebted to the Corporation as at August 31, 2002, or is currently indebted to the Corporation.

PLAN OF DISTRIBUTION

Common Shares

The Offering consists of a minimum of 1,500,000 Common Shares to raise gross proceeds of \$750,000, in the case of a minimum Offering, and a maximum of 2,000,000 Common Shares to raise gross proceeds of \$1,000,000, in the case of a maximum Offering. The Offering will not continue for a period of more than 90 days after the date of the receipt for the prospectus if subscriptions representing the Offering are not received during that period, unless each of the persons or companies who subscribed within that period has consented to the continuation. During the 90 day period funds received from subscriptions will be held by a depository who is a registrant, bank or trust company and that if the minimum amount of funds is not raised the funds will be returned to the subscribers unless the subscribers have otherwise instructed the depository.

Pursuant to the Agency Agreement, the Corporation engaged the Agent as its exclusive agent for the purposes of the Offering, and the Corporation, through the Agent, hereby offers for sale to the public under this prospectus, on a best efforts basis, the Common Shares to be issued and sold under the Offering at the Offering Price, subject to prior sale if, as and when issued. The Offering Price was established through negotiation between the Corporation and the Agent. The Agent has agreed to use its best efforts to secure subscriptions for the Common Shares offered pursuant to the Offering in the provinces of Alberta, British Columbia and Ontario. This prospectus qualifies the distribution of the Common Shares to the subscribers in those jurisdictions. The Agent may, in connection with the Offering and in its sole discretion, retain one or more licensed dealers, brokers and investment dealers (referred to herein as the "Selling Firms") as sub-agents and may receive subscriptions for Common Shares from such Selling Firms. The Agent is not obligated to purchase Common Shares in connection with this Offering. The duties and obligations of the Agent under this Offering are subject to the Agency Agreement that may be terminated at any time in the Agent's discretion on the basis of its assessment of the state of the financial markets and may also be terminated upon the occurrence of certain other events.

The Corporation has agreed to pay the Agent a 7% cash commission on the Offering price of each Common Share issued and sold under the Offering. A corporate finance fee of \$25,000 plus GST is payable, \$15,000 of which has been paid and the balance is payable on the Closing Date. In addition, the Agent is entitled to receive upon successful completion of the Offering, as part of its remuneration, Agent's Warrants entitling the holder thereof to purchase up to 7% of the number of Common Shares sold pursuant to this Offering. The Agent's Warrants will be exercisable at a price of \$0.50 per share for a period of two years from the date of listing the Corporation's Common Shares to trade through the facilities of the TSX Venture. This prospectus qualifies the distribution of Agent's Warrants to the Agent. The Corporation has also agreed to pay the Agent's expenses, including legal expenses estimated not to exceed \$25,000 (\$10,000 paid).

Closing of this Offering is conditional upon the minimum Offering of 1,500,000 Common Shares being sold. Subscription proceeds for the Common Shares will be deposited with the Agent, as trustee. Subject to the terms of the Agency Agreement, all subscription proceeds deposited with the Agent will be delivered to the Corporation at the closing of the Offering.

An application has been made to conditionally list the securities offered under this prospectus on the TSX Venture. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSX Venture.

The Agency Agreement provides that, upon the occurrence of certain events or at the discretion of the Agent on the basis of its assessment of the state of financial markets, the Agent may terminate the Offering and the obligations of subscribers to purchase the Common Shares will then cease. The Agent may also terminate the Agency Agreement if a final receipt for the prospectus is not issued within 120 days from the date of the Agency Agreement.

The Corporation has granted the Agent a right of first refusal to future brokered equity financing to the Corporation for a period of one year from the listing of the Corporation's Common Shares on the TSX Venture.

Subscriptions will be received for the Common Shares offered hereby subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time. Upon rejection of a subscription, or in the event that the Offering does not complete within the time required, the subscription price and the subscription will be returned to the subscriber forthwith without interest or deduction.

Special Warrants

The Corporation issued 2,966,911 Special Warrants on August 19, 2002 and 220,000 Special Warrants on September 4, 2002 for a subtotal of 3,186,911 Special Warrants, all at a price of \$0.15 per Special Warrant and 462,695 Special Warrants on November 29, 2002 at a price of \$0.50 per Special Warrant for a total of 3,649,606 Special Warrants. These Special Warrants were sold by the Corporation while the Corporation was a non-reporting issuer. The issue price of the Special Warrants was determined by negotiation between the Corporation and the subscribers.

The Corporation agreed to use its best efforts to obtain a receipt from the applicable Securities Commissions and approval from the TSX Venture for a prospectus qualifying the distribution of the exchange of the Special Warrants for Common Shares. A fee of \$17,500 is payable from the proceeds of the Offering by qualification by this prospectus of the distribution of the Common Shares on exercise of the Special Warrants.

Each Special Warrant entitles the holder thereof, upon exercise or deemed exercise of the Special Warrant and without payment of additional consideration, to receive one Common Share for each Special Warrant that is exercised. This prospectus qualifies up to 3,649,606 Common Shares issuable upon the exercise of the Special Warrants.

RISK FACTORS

The securities offered hereunder must be considered highly speculative due to the nature of the Corporation's business. Prospective investors should carefully consider the information presented in this prospectus before purchasing the Common Shares offered under this prospectus, which include the following:

Limited Operating History

The Corporation has no history of earnings. There are no known commercial quantities of mineral reserves on the Corporation's property. The purposes of this Offering is to raise funds to carry out exploration and development with the objective of establishing economic quantities of mineral reserves.

Title Risks

Although the Corporation has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Corporation's mineral property interests may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. Surveys have not been carried out on any of the Corporation's mineral properties, therefore, in accordance with the laws of the jurisdiction in which such properties are situated; their existence and area could be in doubt. Until competing interests in the mineral lands have been determined, the Corporation can give no assurance as to the validity of title of the Corporation to those lands or the size of such mineral lands.

It should be noted ownership of the CC mineral claims lapsed on September 1, 2001 (Saturday) and were located by KM Exploration Ltd. on September 1, 2001. Since the mineral claims were forfeited on a weekend it is not clear if the mineral claims could be located on September 1 or September 4, 2001. The previous owner has not restaked the mineral claims. However, there is some risk that these mineral claims may be invalid. The Corporation is presently reviewing this issue with its advisors to determine, what, if any, action is necessary.

Exploration and Development

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Corporation may be affected by numerous factors which are beyond the control of the Corporation and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Corporation not receiving an adequate return of investment capital.

All of the claims to which the Corporation has a right to acquire an interest are in the exploration stages only and are without a known body of commercial ore. Development of the subject mineral properties would follow only if favourable exploration results are obtained. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

There is no assurance that the Corporation's mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Corporation's operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish reserves through drilling, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals

will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

There is no assurance that the TSX Venture will approve the acquisitions of any additional properties by the Corporation, whether by way of option or otherwise.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Corporation may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Corporation.

Environmental Regulations, Permits and Licenses

The Corporation's operations may be subject to environmental regulations promulgated by government agencies from time to time. 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 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. The Corporation intends to fully comply with all environmental regulations.

The current or future operations of the Corporation, including development activities and commencement of production on its properties, require permits from various, federal, provincial or territorial and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Such operations and exploration activities are also subject to substantial regulation under these laws by governmental agencies and may require that the Corporation obtain permits from various governmental agencies. There can be no assurance, however, that all permits which the Corporation may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or such laws and regulations would not have an adverse effect on any mining project which the Corporation might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

To the best of the Corporation's knowledge, it is operating in compliance with all applicable rules and regulations.

No Commercial Ore

The properties on which the offering funds are to be expended do not contain any amounts of commercial ore. The Corporation's programmes are an exploratory search therefor.

Competition

The mining industry is intensely competitive in all its phases, and the Corporation competes with other companies that have greater financial resources and technical facilities. Competition could adversely affect the Corporation's ability to acquire suitable properties or prospects in the future.

Management

The success of the Corporation is currently largely dependent on the performance of its officers. The loss of the services of these persons will have a materially adverse effect on the Corporation's business and prospects. There is no assurance the Corporation can maintain the services of its officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse affect on the Corporation and its prospects.

Fluctuating Mineral Prices

Factors beyond the control of the Corporation may affect the marketability of metals discovered, if any. Metal prices have fluctuated widely, particularly in recent years. The effect of these factors cannot be predicted.

Resale of Shares

The continued operation of the Corporation will be dependent upon its ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained. If the Corporation is unable to generate such revenues or obtain such additional financing, any investment in the Corporation may be lost. In such event, the probability of resale of the shares purchased would be diminished.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Corporation in creating revenues,

cash flows or earnings. The value of Common Shares distributed hereunder will be affected by such volatility.

Before this Offering, there has been no public market for the Corporation's Common Shares. An active public market for the Common Shares might not develop or be sustained after this Offering. The initial public offering price of the Common Shares has been determined by negotiations between the Corporation and representatives of the Agent and this price will not necessarily reflect the prevailing market price of the Common Shares following this Offering. If an active public market for the Common Shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline below the initial public offering price.

Foreign Currency Exchange

The Corporation maintains its accounts in Canadian dollars. The costs which have been incurred at the Roberts Mountain Project to date have principally been denominated in U.S. dollars. Accordingly, the results of the Corporation's operations since its acquisition of an interest in the properties have been subject to currency exchange risks, particularly to changes in the exchange rate between the United States and Canadian dollars. Further, the Offering of the Common Shares pursuant to this prospectus is denominated in Canadian dollars. To date, the Corporation has not engaged in any formal hedging program to mitigate these risks. The fluctuations in currency exchange rates, particularly between the U.S. and Canadian dollars, may significantly impact on the Issuer's financial position and results of operations in the future.

Resident of Directors, Officers and Others

One of the directors of the Corporation named herein resides outside of Canada. Substantially all of the assets of this person and the Corporation are located outside of Canada. Although the Corporation has appointed DuMoulin Black as its agent for service of process in Canada, it may not be possible for investors to effect services of process within Canada upon the directors, officers experts named above. It may also not be possible to enforce against the Corporation, certain of its directors and officers, and certain experts named herein, judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

Conflicts of Interest

Some of the directors and officers are engaged and will continue to be engaged in the search for additional business opportunities on behalf of other corporations, and situations may arise where these directors and officers will be in direct competition with the Corporation. Conflicts, if any, will be dealt with in accordance with the relevant provisions of the *Business Corporations Act* (Yukon Territory).

Some of the directors and officers of the Corporation are or may become directors or officers of other companies engaged in other business ventures. In order to avoid the possible conflict of interest which may arise between the directors' duties to the Corporation and their duties to the other companies on whose boards they serve, the directors and officers of the Corporation have agreed to the following:

1. participation in other business ventures offered to the directors will be allocated between the various companies and on the basis of prudent business judgment and the relative financial abilities and needs of the companies to participate;
2. no commissions or other extraordinary consideration will be paid to such directors and officers; and

3. business opportunities formulated by or through other companies in which the directors and officers are involved will not be offered to the Corporation except on the same or better terms than the basis on which they are offered to third party participants.

Tax Issues

Income tax consequences in relation to the Common Shares will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers prior to subscribing for the Common Shares.

Dividends

The Corporation does not anticipate paying any dividends on its Common Shares in the foreseeable future.

PROMOTERS

Scott Baxter, the Chief Executive Officer and President of the Corporation, is the promoter of the Corporation and has been over the past fourteen months. Since the date of the Corporation's incorporation to November 30, 2002, Scott Baxter has received consideration either directly or indirectly from the Corporation in the amount of \$91,385. Scott Baxter has been paid a salary at the rate of \$60,000 per year since November 1, 2001 and \$78,000 per annum since November 1, 2002, plus 5% in lieu of benefits. In addition, Mr. Baxter is paid \$100 per diem for away from home travel and rent in the amount of \$13,665 for office facilities. A total of \$5,075 was paid to a family member of Mr. Baxter for secretarial services. On completion of the Offering, Scott Baxter will own 1,500,000 Common Shares of the Corporation representing 14.7% minimum offering and 14.0% maximum offering of the issued shares.

Scott Baxter has not been a promoter of any person or company during the past ten years that was subject to a cease trade order for a period of more than 30 consecutive days nor became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets except Scott Baxter was a director of Tenacity Resources Corp., a reporting company in the Provinces of British Columbia and Alberta, the shares of which are subject to a cease trade order by the British Columbia and Alberta Securities Commissions for failure by Tenacity Resources Corp. to file its financial statements.

LEGAL PROCEEDINGS

The Corporation is not a party to any legal proceedings and is not aware of any such proceedings known to be contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Corporation and its wholly owned subsidiary, Tone Resources (U.S.) Inc. entered into an agreement dated July 1, 2002 with KM Exploration Ltd. pursuant to the terms of which the Corporation purchased 122 lode mineral claims located in Eureka County, Nevada, U.S.A. The consideration paid for the purchase of the mineral claims was the sum of U.S.\$24,517.22 which represented KM Exploration Ltd.'s staking costs. KM Exploration Ltd., David Mathewson, David C. Knight, Debby Knight and KM Exploration collectively retained an aggregate 1% net smelter return royalty over the mineral claims (except the NKN mineral claims which royalty is payable to KM Exploration Ltd. only). KM Exploration

Ltd. is a private company of which David Mathewson, a director of the Corporation, owns 50% of the outstanding shares.

Except as set out above, the directors, senior officers and principal shareholders of the Corporation or any associate or affiliate of the foregoing have had no material interest, direct or indirect, in any transactions in which the Corporation has participated within the three year period prior to the date of this prospectus, or will have any material interest in any proposed transaction, which has materially affected or will materially affect the Corporation.

RELATIONSHIP BETWEEN THE CORPORATION AND AGENT

The Corporation is not a related party or connected party to the Agent (as such terms are utilized in the *Securities Act* (British Columbia), the *Securities Act* (Alberta) or the *Securities Act* (Ontario)).

AUDITORS

The auditors of the Corporation are Daniel F. Huber Corporation, Chartered Accountants, of 671J Market Hill, False Creek South Shore, Vancouver, British Columbia, Canada V5Z 4B5.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent of the Corporation is Pacific Corporate Trust Company of 10th Floor, 625 Howe Street, Vancouver, British Columbia, Canada V6C 3B8.

MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by the Corporation within two years prior to the date hereof which are currently in effect and considered to be currently material:

1. Agency Agreement between the Corporation and Raymond James Ltd. dated December 18, 2002 referred to under "Plan of Distribution";
2. Escrow Agreement among the Corporation, Pacific Corporate Trust Company and the Principals of the Corporation dated October 15, 2002 referred to under "Escrowed Shares";
3. Incentive Option Agreements dated November 12, 2002 between the Corporation and Scott Baxter, David Mathewson, Catherine Gignac, Bruce Taylor, Guilford Brett and Kenneth Embree referred to under "Options to Purchase Securities".
4. Management Agreement dated October 31, 2001, as amended December 19, 2002, between the Corporation and Scott Baxter referred to under "Executive Compensation".
5. Management Agreement dated June 1, 2002 between the Corporation and David Mathewson referred to under "Executive Compensation".
6. Purchase Agreement dated July 1, 2002 among the Corporation, Tone Resources (U.S.) Inc. and KM Exploration Ltd. referred to under "Narrative Description of the Business".

A copy of any material contract and the technical report may be inspected during distribution of the Common Shares being offered under this prospectus and for a period of 30 days thereafter during normal

business hours at the Corporation's offices at 2244 West 32nd Avenue, Vancouver, British Columbia, Canada.

EXPERTS

Certain legal matters related to this Offering will be passed upon on behalf of the Corporation by DuMoulin Black and on behalf of the Agent by Salley Bowes Harwardt.

Income tax consequences to purchasers are not viewed as a material aspect of the Offering of the Common Shares hereunder. **Subscribers should consult their own tax advisors for advice with respect to the income tax consequences associated with their acquisition of Common Shares under this prospectus.**

RELATIONSHIP BETWEEN THE CORPORATION'S PROFESSIONAL PERSONS AND EXPERTS

There is no beneficial interest, direct or indirect, in any securities in excess of one percent of the Corporation's issued capital or property of the Corporation or of an associate or affiliate of the Corporation, held by a professional person as referred to in section 106(2) of the Rules under the Securities Act (British Columbia), a responsible solicitor or any partner of a responsible solicitor's firm or by any person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this prospectus or prepared or certified a report or valuation described or included in this prospectus. No such person is or is expected to be elected, appointed or employed as a director or employee of the Corporation.

OTHER MATERIAL FACTS

There are no other material facts other than as disclosed herein.

PURCHASERS' STATUTORY RIGHT OF WITHDRAWAL AND RESCISSION

Securities legislation in the Provinces of British Columbia, Alberta and Ontario provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

In the event that a holder of a Special Warrant, who acquires Common Shares of the Corporation upon the exercise of a Special Warrant as provided for in this prospectus, is or becomes entitled under applicable securities legislation to the remedy of rescission by reason of this prospectus or any amendment thereto containing a misrepresentation, such holder shall be entitled to rescission not only of the holder's exercise of the Special Warrants but also of the subscription pursuant to which the Special Warrants were initially acquired, and shall be entitled in connection with such rescission to a full refund of all consideration paid on the acquisition of the Special Warrants. In the event such holder is a permitted assignee of the interest of the original Special Warrant subscriber, such permitted assignee shall be entitled to exercise the rights of rescission and refund granted hereunder as if such permitted assignee was the original subscriber. The foregoing is in addition to any other right or remedy available to a holder of Special Warrants under

applicable provisions of the securities legislation of the Special Warrant holder's province or otherwise at law.

FINANCIAL STATEMENTS

Attached to and forming a part of this prospectus are audited financial statements of the Corporation for the year ended August 31, 2002.

Audited Consolidated Financial Statements

TONE RESOURCES LIMITED

August 31, 2002

Audited Consolidated Financial Statements

TONE RESOURCES LIMITED

August 31, 2002

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AUDITOR'S REPORT

To the Directors of
Tone Resources Limited

I have audited the consolidated balance sheet of **Tone Resources Limited** as at August 31, 2002, and the consolidated statements of operations and deficit and cash flows for the period from incorporation on October 31, 2001, to August 31, 2002. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at August 31, 2002, and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

October 24, 2002, (except Note F
to which the date is.....)

Chartered Accountant

Consolidated Balance Sheet

TONE RESOURCES LIMITED

August 31, 2002

ASSETS

Cash at bank	\$ 153,435
Due from Mr. Scott Baxter	1,345
Retainers and prepaid expenses	50,258
Reclamation bond	16,800
Mineral property costs	<u>102,291</u>
TOTAL ASSETS	<u>\$ 324,129</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Accounts payable and accruals	\$ 6,000
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SHAREHOLDERS' EQUITY

Share capital	
Authorized, an unlimited number of common shares without par value	
Issued	
5,000,000 shares	500
Special warrants convertible into common shares	
2,966,911 warrants	<u>446,611</u>
	447,111
Deficit	<u>(128,982)</u>
	<u>318,129</u>
	<u>\$ 324,129</u>

See notes to consolidated financial statements

APPROVED BY THE DIRECTORS

<u>“Scott Baxter”</u>	Director, Scott Baxter
<u>“Bruce Taylor”</u>	Director, Bruce Taylor

Consolidated Statement of Operations and Deficit

TONE RESOURCES LIMITED

Period from incorporation on October 31, 2001, to August 31, 2002

Revenue	\$	---
Expenditures		
Accounting, legal		21,448
Advertising, promotions, travel		15,188
Management fees, Mr. Scott Baxter		50,000
Management fees, Mr. David Mathewson		15,570
Rent		10,665
Office, other		<u>16,111</u>
		<u>\$128,982</u>
Loss per share	\$	<u>0.15</u>

See notes to consolidated financial statements

Consolidated Statement of Cash Flows

STONE RESOURCES LIMITED

Period from incorporation on October 31, 2001, to August 31, 2002

Operating activities	
Loss for the period	\$(128,982)
Due from Mr. Scott Baxter	(1,345)
Retainers and prepaid expenses	(50,258)
Reclamation bond	(16,800)
Accounts payable	<u>6,000</u>
	(191,385)
Investing activities	
Mineral property	(102,291)
Financing activities	
Common share issuance	500
Special warrants issuance	<u>446,611</u>
	<u>447,111</u>
	INCREASE IN CASH AND
	CASH END OF PERIOD <u>\$ 153,435</u>

See notes to consolidated financial statements

TONE RESOURCES LIMITED

August 31, 2002

NOTE A – OPERATIONS

The company was incorporated October 31, 2001, in the Yukon Territory for the purpose of carrying out exploration and development of mineral properties in the United States state of Nevada. The company is in the exploration stage and has not, as yet, any commercial production. The company anticipates that August 31 will be its fiscal year end.

These financial statements have been prepared on a going concern basis which presumes the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. The underlying value of the company's mineral properties and the recoverability of its mineral property interest are entirely dependent upon the existence of economically recoverable mineral reserves, the company's ability to obtain the necessary financing to complete the exploration and development of its mineral property and the future profitable production or proceeds from the disposition of its property. These consolidated financial statements do not give effect to any adjustments that would be necessary should the company not be able to continue as a going concern.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and principles of consolidation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of Tone Resources (U.S.) Inc., a wholly-owned subsidiary incorporated in the State of Nevada, U.S.A. All significant intercompany transactions and balances have been eliminated.

Mineral property costs:

Mineral property acquisition, exploration and development costs are capitalized until the property is placed into production, sold, allowed to lapse or otherwise abandoned. All mineral property acquisition, exploration and development costs have been acquired for cash. The company performs evaluations to access recoverability of mineral property costs.

Foreign currencies:

Monetary assets and liabilities are translated at the prevailing year end exchange rate; non-monetary assets and revenue and expenditures are translated at the prevailing transaction date exchange rate.

Income taxes:

No amount has been recorded to reflect the potential benefit of losses carried forward for income tax purposes as realization is not more likely than not.

...continued...

Notes to Consolidated Financial Statements

TONE RESOURCES LIMITED

August 31, 2002

NOTE B – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of estimates:

The preparation of financial statements requires estimates and assumptions that affect amounts reported in the financial statements and accompanying disclosures. These estimates are based upon management's knowledge of current events and actions which the company might undertake in the future; financial results as determined by actual events may differ from the estimates made.

Financial instruments:

The fair value of cash, amount due from Mr. Baxter, and accounts payable and accruals approximate their carrying value because of the immediate and short term maturity of these financial instruments.

Loss per share:

Loss per share has been calculated using the weighted average number of special warrants outstanding: 844,188; (shares held in escrow have been excluded from the calculation). Diluted loss per share has not been presented as it is anti-dilutive.

NOTE C – MINERAL PROPERTY COSTS

By agreement dated July, 2002, the company acquired 122 unpatented mineral claims in Eureka County, Nevada, for cost of \$24,517 (USD). The mineral property is subject to a royalty of one per cent of net smelter returns and a commensurate share of advanced royalty. All of the company's mineral property is located in the State of Nevada.

During the period to the balance sheet date the company incurred the following mineral property costs:

Acquisition costs	\$ 40,204
Claims maintenance	21,186
Drilling	37,879
Field supplies and other	<u>3,022</u>
TOTAL	<u>\$ 102,291</u>

The amount reported for mineral property costs is not intended to reflect present or future values.

....continued...

Notes to Consolidated Financial Statements

TONE RESOURCES LIMITED

August 31, 2002

NOTE D – SHARE CAPITAL

During the period ended August 31, 2002, the company issued the following shares and warrants:

5,000,000	founders shares at \$.0001	\$	500
2,966,911	special warrants at \$.15		446,611

There were no commissions paid in respect of the above shares and warrant issuances.

Effective October 15, 2002, all of the issued and outstanding shares are held in escrow subject to release on approval of regulatory authorities.

The special warrants are convertible into common shares, one for one, without additional consideration, at the earlier of twelve months from the date of issue and ten days after the company's shares have been distributed to the public pursuant to a prospectus. There are no restrictions on the use of the special warrant proceeds.

Subsequent to the balance sheet date the company established an incentive stock option plan and granted options to officers and directors to acquire 1.925 million shares at \$.50 per share exercisable up to five years from the date of listing of the company's shares.

NOTE E – RELATED PARTY TRANSACTIONS

During the period ended August 31, 2002, the company paid management fees to Messrs. Baxter and Mathewson who are shareholders, directors and officers. In addition, \$10,665 was paid to Mr. Baxter for rent and \$2,055 to his daughter for secretarial services. The amount due from Mr. Baxter represents an excess of expense advances which is expected to be drawn on in the months following.

The mineral property was acquired from a company in which Mr. Mathewson was a principal. The transfer price of \$24,517 (USD) was based upon the vendor's actual staking costs.

....continued...

TONE RESOURCES LIMITED

August 31, 2002

NOTE F – SUBSEQUENT EVENTS

In addition to subsequent events mentioned elsewhere:

- i) during the three months ended November 30, 2002, the company made expenditures of approximately \$287 thousand including \$137 thousand developing its mineral property
- ii) on September 4, 2002, the company issued 220,000 special warrants at \$.15 each and during the period to November 30, 2002, the company issued 462,695 special warrants at \$.50 each; the term of special warrants are described at Note D.
- iii) on.....the company filed an Initial Public Offering (IPO) prospectus to qualify the company's shares for distribution in British Columbia, Alberta, and Ontario. The IPO is for the sale of 1.5 to 2.0 million common shares at \$.50 per share and to qualify shares issued on the conversion of the already issued special warrants, the cost of the prospectus is estimated to be approximately \$40 thousand.
- iv) the sales agent for the IPO will receive a commission of \$17,500 plus 7 per cent of the net proceeds of the offering, an option to acquire an additional 7 per cent of the number of shares issued under the IPO, a corporate finance fee of \$25,000 and due diligence costs of up \$35,000.

CERTIFICATE OF TONE RESOURCES LIMITED

Dated: January 2, 2003

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the Securities Act (British Columbia), by Part 8 of the Securities Act (Alberta) and by Part XV of the Securities Act (Ontario) and the respective regulations thereunder.

(signed) *Scott David Baxter*
 Scott David Baxter
 President and Chief Executive Officer

(signed) *Bruce Graeme Taylor*
 Bruce Graeme Taylor
 Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(signed) *David Curtis Mathewson*
 David Curtis Mathewson
 Director

(signed) *Catherine Anne Gignac*
 Catherine Anne Gignac
 Director

PROMOTER

(signed) *Scott David Baxter*
 Scott David Baxter

CERTIFICATE OF THE AGENT

Dated: January 2, 2003

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 9 of the Securities Act (British Columbia), by Part 8 of the Securities Act (Alberta) and by Part XV of the Securities Act (Ontario) and the respective regulations thereunder.

RAYMOND JAMES LTD.

(signed) John M. Murphy
John M. Murphy
Managing Director