

PROSPECTUS DATED OCTOBER 29, 2004

This prospectus constitutes a public offering of the securities only in those jurisdictions where they may be lawfully offered for sale and, in such jurisdictions, 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.

Initial Public Offering

October 29, 2004

VENQUEST CAPITAL LTD.

(a capital pool company)

\$1,475,000

5,900,000 common shares

Price: \$0.25 per common share

The purpose of this offering (the "Offering") is to provide Venquest Capital Ltd. (the "Corporation") with a minimum of funds with which to identify and evaluate companies, businesses or assets with a view to completing a Qualifying Transaction (as hereinafter defined). Any proposed Qualifying Transaction must be approved by the TSX Venture Exchange Inc. ("TSX Venture"), and in the case of a Non Arm's Length Qualifying Transaction (as hereinafter defined), must also receive Majority of the Minority Approval (as hereinafter defined) in accordance with Policy 2.4 of the TSX Venture Corporate Finance Manual (the "CPC Policy"). The Corporation is a capital pool company ("CPC") that has not commenced commercial operations and has no assets other than cash. Except as specifically contemplated in the CPC Policy, until the completion of the Qualifying Transaction, the Corporation will not carry on business, other than the identification and evaluation of companies, business or assets with a view to completing a proposed Qualifying Transaction. See "Business of the Corporation" and "Use of Proceeds".

This Offering is being conducted on a reasonable best efforts basis in the Provinces of Alberta, British Columbia, Manitoba and Ontario and is subject to the receipt by the Corporation of subscriptions for a minimum of 5,900,000 common shares of the Corporation (the "Common Shares") at a price of \$0.25 per Common Share (the "Offering Price") for gross proceeds to the Corporation of \$1,475,000 (the "Offering Amount"). See "Plan of Distribution". The Offering Price was determined arbitrarily by the directors of the Corporation. The Offering is subject to the Offering Amount being raised within 90 days of the issuance of a receipt for the Prospectus, or such time as may be consented to by persons or companies who subscribed within that period, or such other time as may be authorized by the Alberta Securities Commission, British Columbia Securities Commission, Manitoba Securities Commission and the Ontario Securities Commission, as well as agreed to by Canaccord Capital Corporation (the "Agent"). The funds received from the sale of the Common Shares offered hereunder will be deposited with the Agent pursuant to the terms of an agency agreement dated October 29, 2004 between the Corporation and the Agent (the "Agency Agreement"), and will not be released until the Offering Amount has been deposited. If the Offering Amount is not raised, all subscription monies will be returned to subscribers without interest or deduction, unless the subscribers have otherwise instructed the Agent. See "Plan of Distribution".

Pursuant to the CPC Policy, no purchaser of the Common Shares is permitted to directly or indirectly purchase more than 2% of the Offering, or 118,000 (\$29,500) Common Shares. In addition, the maximum number of Common Shares that may be directly or indirectly purchased pursuant to the Offering by any purchaser, together with that purchaser's Associates and Affiliates (as hereinafter defined), is 4% of the Offering, or 236,000 (\$59,000) Common Shares.

| | <u>Common Shares</u> | <u>Price to the Public</u> | <u>Agent's Commission⁽¹⁾</u> | <u>Proceeds to the Corporation⁽²⁾</u> |
|-------------------------------|----------------------|--------------------------------|---|--|
| Per Common Share | 1 | \$0.25 | \$0.025 | \$0.225 |
| Total Offering ⁽³⁾ | 5,900,000 | \$1,475,000 | \$147,500 | \$1,327,500 |

Notes:

- (1) The Agent has agreed to act as agent of the Corporation on a reasonable best efforts basis in connection with the Offering, and will receive a commission of \$147,500 if the Offering is sold. In addition, the Agent will receive a corporate finance fee of \$15,000 plus applicable taxes and will be reimbursed for its legal fees incurred pursuant to this Offering, estimated to be \$7,500, plus applicable taxes and disbursements. The Corporation will also grant to the Agent, if the Offering is sold, a non-transferable option to purchase 590,000

Common Shares, exercisable for period of 18 months from the date of listing of the Common Shares on TSX Venture, at a price of \$0.25 per Common Share (the "Agent's Options"), which option is qualified for distribution under this Prospectus. See "Plan of Distribution".

- (2) Before deducting expenses of this Offering estimated at \$70,000, not including the commission, corporate finance fee or legal fees and disbursements of the Agent.
- (3) A total of 5,900,000 Common Shares are offered hereunder, not including the Agent's Options or the incentive stock options to be granted to the directors and officers of the Corporation to purchase an aggregate of 1,010,000 Common Shares at a price of \$0.25 per Common Share (the "Incentive Stock Options"), which Incentive Stock Options are also qualified for distribution under this Prospectus. See "Incentive Stock Options". The Incentive Stock Options must be granted within 90 days of the issuance of a receipt for this Prospectus.

There is currently no market through which these securities may be sold. TSX Venture has conditionally approved the listing of the Common Shares. The listing is subject to the Corporation fulfilling all of the requirements of TSX Venture, including the distribution of the Common Shares to a minimum number of public shareholders.

Other than the initial distribution of the Common Shares pursuant to this Prospectus, the grant of the Incentive Stock Options and the grant of the Agent's Options, trading in all securities of the Corporation is prohibited during the period between the date a receipt for the Corporation's prospectus is issued by the Alberta, British Columbia, Manitoba and Ontario Securities Commissions and the time the Common Shares are listed for trading on TSX Venture except, subject to prior acceptance of TSX Venture, where appropriate registration and prospectus exemptions are available under securities legislation or pursuant to an order of the applicable securities regulatory authorities.

Investment in the Common Shares offered by this Prospectus is highly speculative due to the nature of the Corporation's business and its present stage of development. This offering is suitable only to those investors who are prepared to risk the loss of their entire investment. See "Risk Factors".

The Agent hereby offers for sale, on a reasonable best efforts basis as Agent on behalf of the Corporation, 5,900,000 Common Shares without nominal or par value at a price of \$0.25 per Common Share. The Common Shares are conditionally offered, subject to prior sale, if, as and when issued by the Corporation, and in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to the approval by Burstall Winger LLP, Calgary, Alberta, on behalf of the Corporation, and by Fogler, Rubinoff LLP, Toronto, Ontario, on behalf of the Agent, of such legal matters for which approval is specifically sought by the Corporation or the Agent.

Subscriptions will be received subject to rejection or allotment in whole or in part and the Corporation reserves the right to close the subscription books at any time without notice. It is expected that share certificates evidencing the Common Shares in definitive form will be available for delivery at the Closing of the Offering.

Canaccord Capital Corporation
Suite 1210, 320 Bay Street, P.O. Box 6
Toronto, ON M5H 4A6
Telephone: (416) 869-7368

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GLOSSARY OF TERMS

The following is a glossary of terms and abbreviations used frequently throughout this Prospectus.

“Affiliate” means a Company that is affiliated with another Company as described below.

A Company is an “Affiliate” of another Company if:

- (a) one of them is the subsidiary of the other; or
- (b) each of them is controlled by the same Person.

A Company is “controlled” by a Person if:

- (a) voting securities of the Company are held, other than by way of security only, by or for the benefit of that Person; and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Company.

A Person beneficially owns securities that are beneficially owned by:

- (a) a Company controlled by that Person; or
- (b) an Affiliate of that Person or an Affiliate of any Company controlled by that Person.

“Agency Agreement” means the agency agreement dated October 29, 2004 entered into between the Corporation and the Agent.

“Agent” means Canaccord Capital Corporation.

“Agent’s Options” means the non-transferable option to be granted by the Corporation to the Agent entitling the Agent to acquire up to 590,000 Common Shares at an exercise price of \$0.25 per Common Share, expiring 18 months from the date of the listing of the Common Shares on TSX Venture.

“Agreement in Principle” means any enforceable agreement or any other agreement or similar commitment which identifies the fundamental terms upon which the parties agree or intend to agree which:

- (a) identifies assets or a business to be acquired which would reasonably appear to constitute Significant Assets and the acquisition of which would reasonably appear to constitute a Qualifying Transaction;
- (b) identifies the parties to the Qualifying Transaction;
- (c) identifies the consideration to be paid for the Significant Assets or otherwise identifies the means by which the consideration will be determined; and
- (d) identifies the conditions to any further formal agreements to complete the transaction; and

in respect of which there are no material conditions to closing (other than receipt of shareholder approval and Exchange acceptance), the satisfaction of which is dependent upon third parties and beyond the reasonable control of the Non Arm's Length Parties to the CPC or the Non Arm's Length Parties to the Qualifying Transaction.

“Associate” when used to indicate a relationship with a person or company, means:

- (a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the person or company;
- (c) any trust or estate in which the person or company has a substantial beneficial interest or in respect of which a person or company serves as trustee or in a similar capacity;
- (d) in the case of a person, a relative of that person, including:
 - (i) that person's spouse or child; or
 - (ii) any relative of the person or of his spouse who has the same residence as that person;
 but

- (e) where the Exchange determines that two persons shall, or shall not, be deemed to be Associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.

“Closing” means the completion of the Offering.

“Common Shares” means the common shares in the share capital of the Corporation.

“Company” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

“Completion of the Qualifying Transaction” means the date the Final Exchange Bulletin is issued by the Exchange.

“Control Person” means any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

“CPC” means a corporation:

- (a) that has been incorporated or organized in a jurisdiction in Canada;

- (b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and
- (c) in regard to which the Final Exchange Bulletin has not yet been issued.

“CPC Filing Statement” means the disclosure document of the CPC prepared in accordance with the TSX Venture Form 3B2 which provides full, true and plain disclosure of all material facts relating to the CPC and the Target Company.

“CPC Information Circular” means the information circular of the CPC prepared in accordance with applicable securities laws and the TSX Venture Form 3B1 which provides full, true and plain disclosure of all material facts relating to the CPC and the Target Company.

“Exchange or TSX Venture” means the TSX Venture Exchange Inc.

“Final Exchange Bulletin” means the Exchange Bulletin which is issued following closing of the Qualifying Transaction and the submission of all required documentation and that evidences the final Exchange acceptance of the Qualifying Transaction.

“Incentive Stock Options” has the meaning assigned thereto on the face page hereof.

“Insider” if used in relation to an Issuer, means:

- (a) a director or senior officer of the Issuer;
- (b) a director or senior officer of the Company that is an Insider or subsidiary of the Issuer;
- (c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the Issuer; or
- (d) the Issuer itself if it holds any of its own securities.

“initial public offering” or **“IPO”** means a transaction that involves an Issuer issuing securities from its treasury pursuant to its first prospectus.

“Issuer” means a company and its subsidiaries which have any of its securities listed for trading on the Exchange and, as the context requires, any applicant company seeking a listing of its securities on the Exchange.

“Majority of the Minority Approval” means the approval of a Non Arm’s Length Qualifying Transaction by the majority of the votes cast by shareholders, other than:

- (a) Non Arm’s Length Parties to the CPC;
- (b) Non Arm’s Length Parties to the Qualifying Transaction; and
- (c) in the case of a Related Party Transaction:
 - (i) if the CPC holds its own shares, the CPC; and

- (ii) a Person acting jointly or in concert with a Person referred to in paragraph (a) or (b) in respect of the transaction,

at a properly constituted meeting of the common shareholders of the CPC.

“Member” means a Person who has executed the Members’ Agreement, as amended from time to time, and is accepted as and becomes a member of the Exchange under the Exchange requirements.

“Members’ Agreement” means the members’ agreement between the Exchange and each Person who from time to time, is accepted as and becomes a member of the Exchange under the Exchange requirements.

“Non Arm’s Length Party” means in relation to a Company, a promoter, officer, director, other insider or Control Person of that Company (including an Issuer) and any Associates or Affiliates of any of such Persons. In relation to an individual, means any Associate of the individual or any Company of which the individual is a promoter, officer, director, insider or Control Person.

“Non Arm’s Length Parties to the Qualifying Transaction” means the Vendor(s), any Target Company(ies) and includes, in relation to Significant Assets or Target Company(ies), the Non Arm’s Length Parties of the Vendor(s), the Non Arm’s Length Parties of any Target Company(ies) and all other parties to or associated with the Qualifying Transaction and Associates or Affiliates of all such other parties.

“Non Arm’s Length Qualifying Transaction” means a proposed Qualifying Transaction where the same party or parties, or their respective Associates or Affiliates, control the CPC and the Significant Assets which are to be the subject of the proposed Qualifying Transaction.

“Offering” means the sale of the Offering Amount at the Offering Price in the Offering Jurisdictions.

“Offering Amount” means \$1,475,000.

“Offering Jurisdictions” means the Provinces of Alberta, British Columbia, Manitoba and Ontario.

“Offering Price” means \$0.25 per Common Share.

“Person” means a Company or individual.

“Principal” means:

- (a) a Person or Company who acted as a Promoter of the issuer within two years, or their respective Associates or Affiliates, before the initial public offering (“IPO”) prospectus or Final Exchange Bulletin;
- (b) a director or senior officer of the Issuer or any of its material operating subsidiaries at the time of the IPO prospectus or Final Exchange Bulletin;
- (c) a **20% holder** - a Person or Company that holds securities carrying more than 20% of the voting rights attached to the Issuer’s outstanding securities immediately before and immediately after the Issuer’s IPO or immediately after the Final Exchange Bulletin for non IPO transactions;

- (d) a **10% holder** - a Person or Company that:
- (i) holds securities carrying more than 10% of the voting rights attached to the Issuer's outstanding securities immediately before and immediately after the Issuer's IPO or immediately after the Final Exchange Bulletin for non IPO transactions; and
 - (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the issuer or any of its material operating subsidiaries.

In calculating these percentages, include securities that may be issued to the holder under outstanding convertible securities in both the holder's securities and the total securities outstanding.

A Company, trust, partnership or other entity more than 50% held by one or more principals will be treated as a principal. (In calculating this percentage, include securities of the entity that may be issued to the principals under outstanding convertible securities in both the principals' securities of the entity and the total securities of the entity outstanding.) Any securities of the Issuer that this entity holds will be subject to escrow requirements.

A principal's spouse and their relatives that live at the same address as the principal will also be treated as principals and any securities of the issuer they hold will be subject to escrow requirements.

"Promoter" has the meaning specified in Section 1(rr) of the *Securities Act* (Alberta).

"Qualifying Transaction" means a transaction where a CPC acquires Significant Assets, other than cash, by way of purchase, amalgamation, merger or arrangement with another Company or by other means.

"Resulting Issuer" means the issuer that was formerly a CPC that exists upon issuance of the Final Exchange Bulletin.

"SEDAR" means the Systems for Electronic Document Analysis and Retrieval.

"Significant Assets" means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions, would result in the CPC meeting the minimum listing requirements of the Exchange.

"Sponsor" has the meaning specified in TSX Venture Policy 2.2 - Sponsorship and Sponsorship Requirements.

"Sponsor Report" means the report to be provided to the Exchange by the Sponsor.

"Sponsor Acknowledgement Form" means the form prepared in accordance with Form 2G of the Exchange.

"Target Company" means a Company to be acquired by the CPC as its Significant Asset pursuant to a Qualifying Transaction.

“Trustee” means CIBC Mellon Trust Company, a trust corporation having an office in Calgary, Alberta.

“Vendor or Vendors” means one or all of the beneficial owners of the Significant Assets (other than a Target Company).

PROSPECTUS SUMMARY

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

CORPORATION: Venquest Capital Ltd.

BUSINESS OF THE CORPORATION: The principal business of the Corporation will be the identification and evaluation of companies, assets or businesses with a view to completing a Qualifying Transaction. The Corporation has not commenced commercial operations, has not identified a potential Qualifying Transaction and has no assets other than a minimum amount of cash. See “Business of the Corporation”.

OFFERING: An aggregate of 5,900,000 Common Shares are being offered under this Prospectus at a price of \$0.25 per Common Share in the provinces of Alberta, British Columbia, Manitoba and Ontario. In addition, the Corporation will grant the Agent an option to purchase 590,000 Common Shares at a price of \$0.25 per Common Share for a period of 18 months from the date of listing of the Common Shares on TSX Venture, which options are qualified under and distributed pursuant to this Prospectus. The Incentive Stock Options to be granted to the directors and officers of the Corporation to purchase an aggregate of 1,010,000 Common Shares at a price of \$0.25 per Common Share for a period of five years are also to be qualified under and distributed pursuant to this Prospectus. See “Plan of Distribution” and “Incentive Stock Options”.

USE OF PROCEEDS: The net proceeds to the Corporation from the Offering and prior sales of common shares of the Corporation, after the payment of all costs in respect of the Offering, are estimated to be \$1,757,500. The proceeds of this Offering will be used to provide the Corporation with a minimum of funds with which to identify and evaluate companies, assets or businesses with a view to completing a Qualifying Transaction, and to pay the expenses incurred pursuant to this Offering. The Corporation may not have sufficient funds to secure such companies, assets or businesses once identified and evaluated and additional funds may be required. Until completion of the Qualifying Transaction and except as otherwise provided in the CPC Policy, a maximum of the lesser of: (i) 30% of the gross proceeds of the Offering and sales of Common Shares prior to the Offering; and (ii) \$350,000, may be used for purposes other than evaluating companies, businesses or assets. See “Use of Proceeds”, “Business of the Corporation” and “Risk Factors”.

DIRECTORS AND OFFICERS: The directors and officers of the Corporation are Stephen R. Shaver, President, Chief Executive Officer and Director; Cary L. McWhinnie, Chief Financial Officer and Director, Peter M. Kozicz, Secretary and Director; Robert B. Low, Director, K. Guy Nelson, Director and Ronald Prosserman, Director.

**ESCROWED
SHARES:**

An aggregate of 4,200,000 issued and outstanding Common Shares, which were issued at a price of \$0.125 per Common Share, have been deposited into escrow, pursuant to the terms of an Escrow Agreement (as hereinafter defined) and will be released from escrow in stages over a period of up to three years from the date of the Final Exchange Bulletin. See “Escrowed Securities”.

RISK FACTORS:

Investment in the Common Shares must be regarded as highly speculative due to the proposed nature of the Corporation’s business and its present stage of development. The Corporation was only recently incorporated, has no active business and owns no business operations or assets, other than cash, has not identified a potential company, asset or business as a proposed Qualifying Transaction and has not entered into an Agreement in Principle. The Corporation does not have a history of earnings, has not paid any dividends and will not generate earnings or pay dividends until at least after the Completion of the Qualifying Transaction. The Offering is suitable only to those investors who are willing to rely entirely on the directors and management of the Corporation and who can afford to risk the loss of their entire investment. The directors and officers of the Corporation will only devote part of their time and attention to the affairs of the Corporation and there are potential conflicts of interest to which some of the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. Assuming completion of the Offering, an investor will suffer an immediate dilution on investment of 20.8% or \$0.052 per Common Share. There can be no assurance that an active and liquid market for the Common Shares will develop and an investor may find it difficult to resell the Common Shares. Until Completion of the Qualifying Transaction, the Corporation will not carry on any business other than the identification and evaluation of companies, assets or businesses with a view to completing a Qualifying Transaction. The Corporation has only limited funds with which to identify and evaluate possible Qualifying Transactions and there can be no assurance that the Corporation will be able to identify or complete a suitable Qualifying Transaction. See “Business of the Corporation”, “Management and Key Personnel”, “Directors and Officers”, “Use of Proceeds”, “Risk Factors” and “Conflicts of Interest”.

THE CORPORATION

The Corporation was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (Alberta) on June 21, 2004. The articles of the Corporation were amended by a Certificate of Amendment dated September 8, 2004 to delete the closed company provisions and the restrictions on share transfers.

The head office of the Corporation is located at 20 Toronto Street, Suite 810, Toronto, Ontario M5C 2B8 and the registered office of the Corporation is located at Suite 3100, Home Oil Tower, 324 - 8th Avenue S.W., Calgary, Alberta T2P 2Z2.

BUSINESS OF THE CORPORATION

Proposed Operations of the Corporation until Completion of a Qualifying Transaction

The Corporation has not conducted operations of any kind and does not own any assets, other than cash.

The Corporation proposes initially to identify and evaluate companies, assets or businesses with a view to completing a Qualifying Transaction. A Qualifying Transaction must be accepted by TSX Venture and in the case of a Non Arm's Length Qualifying Transaction is also subject to the Majority of the Minority Approval of the shareholders of the Corporation in accordance with the CPC Policy. The Corporation has not conducted commercial operations. Once a suitable company, asset or business is identified and evaluated, the Corporation will negotiate the terms under which such company, asset or business may be acquired or participated in by itself or jointly with others.

Until the completion of a Qualifying Transaction, the Corporation shall not carry on any business, other than the identification and evaluation of companies, assets or businesses with a view to completing a potential Qualifying Transaction. With the consent of TSX Venture, this may include the raising of additional funds in order to finance an acquisition. Except as described under "Use of Proceeds", the funds raised pursuant to this Offering and any subsequent financing will be utilized only for the identification and evaluation of a potential Qualifying Transaction and not for any deposit, loan or direct investment in a potential acquisition.

Although the Corporation has commenced the process of identifying potential acquisitions with a view to completing a Qualifying Transaction, the Corporation has not yet entered into an Agreement in Principle.

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

In accordance with the CPC Policy, except where the Resulting Issuer will be an oil and gas issuer or a mining issuer, the Significant Assets must be located in Canada or the United States.

Preliminary Expenses of the Corporation

As at the date hereof, the Corporation has incurred or accrued preliminary expenses with respect to legal and auditing costs, as well as advances to the Agent and expenses of legal counsel to the Agent, of approximately \$27,500. See "Use of Proceeds".

Method of Financing Qualifying Transaction

The Corporation will negotiate the terms of the Qualifying Transaction and may use cash, secured or unsecured debt, the issuance of treasury shares, a public equity or debt financing or a combination of the foregoing for the purpose of financing its proposed Qualifying Transaction. **A Qualifying Transaction financed by the issuance of shares from the treasury could result in a change of control of the Corporation and may cause shareholders to suffer further dilution to their investment.**

Criteria for Qualifying Transactions

A Qualifying Transaction may arise in numerous ways and management has not placed geographical restrictions on potential Qualifying Transactions. The Corporation has not established pre-determined criteria for potential Qualifying Transactions, other than sound business fundamentals. Such fundamentals include, but are not limited to:

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

The board of directors of the Corporation must approve any proposed Qualifying Transaction. In exercising their powers and discharging their duties in relation to a proposed Qualifying Transaction, the directors will act honestly and in good faith with a view to the best interests of the Corporation, and will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Potential Qualifying Transaction

The Corporation has not entered into negotiations with respect to a potential Qualifying Transaction.

REGULATORY AND SHAREHOLDER APPROVAL

Filings and Shareholder Approval of a Non Arm's Length Qualifying Transaction

Upon the Corporation reaching an Agreement in Principle, the Corporation must issue a comprehensive news release, at which time TSX Venture generally will halt trading in the Common Shares until the filing requirements of TSX Venture have been satisfied as set forth under the heading "Regulatory and Shareholder Approval - Trading Halts, Suspensions and Delisting". Within 75 days after issuance of such news release, the Corporation is required to submit for review to TSX Venture either an information circular that complies with applicable corporate and securities laws, or a filing statement that complies with TSX Venture requirements. An information circular must be submitted where there is a Non Arm's Length Qualifying Transaction or where shareholder approval is otherwise required. A filing statement must be submitted where the Qualifying Transaction is not a Non Arm's Length Qualifying Transaction or where shareholder approval is not otherwise required. The information circular or filing statement, as applicable, must contain prospectus level disclosure of the Target Company, as well as the Corporation, assuming Completion of the Qualifying Transaction, and be prepared in accordance with the CPC Policy and TSX Venture Form 3B1/Form 3B2. Upon acceptance by TSX Venture, the Corporation must then either:

- (a) file the filing statement on SEDAR at least seven business days prior to closing of the Qualifying Transaction, and issue a news release which discloses the scheduled closing

date for the Qualifying Transaction, as well as the fact that the filing statement is available on SEDAR, or

- (b) mail the information circular and related proxy material to its shareholders in order to obtain the Majority of the Minority Approval of the Qualifying Transaction or other requisite approval, at a meeting of shareholders.

Unless waived by TSX Venture, the Corporation will also be required to retain a Sponsor, who must be a Member of TSX Venture, and who will be required to submit to TSX Venture a Sponsor Report prepared in accordance with the policies of TSX Venture. The Corporation will no longer be considered to be a CPC upon TSX Venture having issued the Final Exchange Bulletin. TSX Venture will generally not issue the Final Exchange Bulletin until TSX Venture has received:

- (a) in the case of a Non Arm's Length Qualifying Transaction, confirmation of Majority of the Minority Approval of the Qualifying Transaction, if required by the CPC Policy;
- (b) confirmation of closing of the Qualifying Transaction; and
- (c) all post-meeting or final documentation, as applicable, otherwise required to be filed with TSX Venture pursuant to the CPC Policy.

Upon issuance of the Final Exchange Bulletin, the CPC Policy will generally cease to apply, with the exception of the escrow provisions of the CPC Policy and the restrictions in the CPC Policy precluding the Corporation from completing a reverse take-over for a period of one year from the Completion of the Qualifying Transaction.

TSX Venture, in its sole discretion, may not approve a Qualifying Transaction where:

- (a) the Resulting Issuer fails to satisfy the minimum listing requirements of TSX Venture;
- (b) the aggregate number of securities of the Resulting Issuer owned, directly or indirectly, by:
 - (i) a Member of TSX Venture and its Affiliates;
 - (ii) registrants, unregistered corporate finance professionals, employee shareholders, partners, officers and directors of the Member; and
 - (iii) Associates of any such persons,
 collectively, would exceed 20% of the issued and outstanding securities of the Resulting Issuer;
- (c) the Resulting Issuer will be a financial institution, finance company, finance issuer or a mutual fund as defined under the *Securities Act* (Alberta) or the *Securities Act* (British Columbia);
- (d) the majority of the directors and senior officers of the Resulting Issuer are not residents of Canada or the United States or are individuals who have not demonstrated positive association as directors or officers with public companies that are subject to a regulatory regime comparable to the companies listed on a Canadian exchange;

- (e) in the case of a Resulting Issuer, other than an oil and gas or mining issuer, the Qualifying Transaction involves the acquisition of Significant Assets outside of Canada or the United States; or
- (f) notwithstanding the definition of a Qualifying Transaction, there is any other reason for denying acceptance of the Qualifying Transaction.

Minimum Listing Requirements

The Resulting Issuer must satisfy TSX Venture's minimum listing requirements for the particular industry sector in either Tier 1 or Tier 2 as prescribed under the applicable policies of TSX Venture. The Resulting Issuer must also meet the tier maintenance public distribution requirements for an issuer in its first year of listing under the applicable Tier.

Trading Halts, Suspension and Delisting

TSX Venture will generally halt trading in the Common Shares from the date of the public announcement of an Agreement in Principle until all filing requirements of TSX Venture have been satisfied, which includes the submission by the Sponsor of a Sponsorship Acknowledgment Form, where the Qualifying Transaction is subject to sponsorship. In addition, personal information forms or, if applicable, declarations, for all individuals who may be directors, senior officers, Promoters, or Insiders of the Resulting Issuer must be filed with TSX Venture and any preliminary background searches that TSX Venture considers necessary or advisable must also be completed, before the trading halt will be lifted by TSX Venture.

Even if all filing requirements have been satisfied and preliminary background checks completed, TSX Venture may continue or reinstate a halt in trading of the Common Shares for public policy reasons including:

- (a) the unacceptable nature of the business of the Resulting Issuer; or
- (b) the number of conditions precedent to, or the nature and number of deficiencies required to be resolved prior to, completion of the Qualifying Transaction, are so significant or numerous as to make it appear to TSX Venture that the halt should be reinstated or continued.

A trading halt may also be imposed by TSX Venture where the Corporation fails to file the supporting documents relating to the Qualifying Transaction within a period of 75 days after public announcement of the Agreement in Principle, or if the Corporation fails to file post-meeting or final documents, as applicable, within the time required. A trading halt may also be imposed if a Sponsor terminates its sponsorship.

TSX Venture may suspend from trading or delist the Common Shares where TSX Venture has not issued a Final Exchange Bulletin within 18 months of the date of listing of the Common Shares on TSX Venture. In the event that the Common Shares of the Corporation are delisted by the Exchange, within 90 days from the date of such delisting, the Corporation shall wind up and shall make a pro rata distribution of its remaining assets to its shareholders, unless shareholders, pursuant to a majority vote exclusive of the votes of Non Arm's Length Parties to the Corporation, determine to deal with the remaining assets in some other manner.

MANAGEMENT AND KEY PERSONNEL

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

Stephen R. Shaver

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

Mr. Shaver, age 55, has been the President and controlling shareholder of Disha Inc., a private investment holding company with interests in magazine and newspaper distribution, franchising, and technology since October 1989. He is responsible for the management of a number of related companies whose interests include real estate and portfolio investment management.

Prior to establishing Disha Inc. he was a partner in the Insolvency/Restructuring division of Ernst & Young, Chartered Accountants.

Mr. Shaver has been a Director of several public companies listed on TSX Venture, including Altaur Gold Explorations Inc., Avalanche Networks Corp., Telesis North Communications Inc., Tribridge Enterprises and Devon Ventures Corp. He is also a Director and officer of a number of private companies, most of which are investee companies of Disha Inc.

Mr. Shaver graduated from Wilfrid Laurier University with Honours in Business Administration and he obtained his Chartered Accountant designation while practicing with Ernst & Young, Chartered Accountants.

Cary L. McWhinnie

Mr. McWhinnie is the Chief Financial Officer and a Director of the Corporation.

Mr. McWhinnie, age 50, is currently the Chairman of Auto Skill International Ltd. ("Auto Skill"), a private company developing software that helps children learn to read. He has held this position since April 2003 and has been a Director of Auto Skill since October 1997.

Mr. McWhinnie was a Director of ITravel 2000 Ltd. from April 2000 to October 2003. He was also a Director and officer of Sunquest Vacations Ltd. from August 1993 to August 1995.

Mr. McWhinnie is currently a Director of Mad Catz Interactive Inc. (formerly GTR Group Inc.), a public company listed on TSX, and has been since April 1997. He is also a Director of Energenius Inc., a private company engaged in research and development of nanotechnology, and has been since July 1999.

Mr. McWhinnie holds a Bachelor of Arts degree (Economics) from Carleton University, a Masters degree in Economics from the University of Toronto and an MBA from the Ivey School of Business, University of Western Ontario.

Peter M. Kozicz

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

Mr. Kozicz, age 44, is currently the President of Arlea Corporation, a private investment company and has been since May 2001. From April 1997 to May 2001, he was the President, Chief Executive Officer and a Director of Mad Catz Interactive Inc. (formerly GTR Group Inc.), a public

company listed on TSX that designed, developed and manufactured accessories for video game consoles and PC gaming systems.

Mr. Kozicz holds a Bachelor of Science degree in engineering and an MBA from Queen's University, Kingston, Ontario.

Mr. Kozicz was the Secretary and a Director of Canadian Public Venture Equities I Inc., a capital pool company listed on TSX Venture that completed its Qualifying Transaction and is now Vanguard Response Systems Inc., from July 2003 to November 2003. Mr. Kozicz was the Chief Financial Officer, Secretary and a Director of Canadian Public Venture Capital I Inc., a capital pool company listed on TSX Venture, that completed its Qualifying Transaction and is now NordTech Aerospace Inc., from March 2003 to June 2004. Mr. Kozicz was also a director of Multi-Glass International Corp., a public insulation distribution company listed on TSX Venture, from September 2002 to September 2004.

Mr. Kozicz is also currently a Director of Dominion Citrus Limited, a public company listed on TSX.

Robert B. Low

Mr. Low is a Director of the Corporation.

Mr. Low, age 54, is a Chartered Accountant and a Chartered Business Valuator, and has a Bachelor of Commerce (Honours) degree from the University of Manitoba.

Mr. Low worked with LECG Canada Ltd. ("**LECG**"), a wholly-owned subsidiary of LECG Corporation, a public company, since April 2004, when his previous firm, Low Rosen Taylor Soriano was acquired by LECG. LECG is an international expert services consulting firm and it continues the practice of Low Rosen Taylor Soriano, where Mr. Low was a principal from May 1998 to March 2004. Through LECG, Mr. Low provides consulting services with respect to business and securities valuation, quantification of economic damages, corporate finance and forensic and investigative accounting to corporations, individuals and governmental authorities across Canada. From June 1995 to May 1998, Mr. Low was a partner in the business valuation group at Arthur Anderson LLP. Prior to that for 15 years, Mr. Low was a partner at Campbell Valuation Partners Limited.

K. Guy Nelson

Mr. Nelson is a Director of the Corporation.

Mr. Nelson, age 49, has been the President of Nelson Advisors Inc., a privately owned investment and consulting company since April 1997. Nelson Advisors Inc. owns significant equity investments in a number of privately controlled, operating companies in construction, fabrication and manufacturing in Canada and the United States. Mr. Nelson is also the Chairman and a major shareholder of Teletrips Inc., a private company involved in providing products and services to corporations and municipalities related to accelerating the move to mobility through trip reduction programs such as telework.

From March 1991 to March 1997, Mr. Nelson was Vice-President and Director of Bracknell Corporation ("**Bracknell**"), a public company listed on TSX.

Mr. Nelson received an MBA in 1979 from the University of Western Ontario and a Bachelor of Commerce degree from the University of Alberta in 1977.

Ronald Prosserman

Mr. Prosserman is a Director of the Corporation.

Mr. Prosserman, age 45, is currently the President of Augusta Holding Inc., a private investment company and has been since October 1997. From September 1992 to October 1997, he was the President of Moores, The Suit People Inc., a national specialty retail menswear chain that began in 1981 and grew to over 100 stores across Canada and employed over 1,400 people.

Mr. Prosserman is a past member of the Young President Organization and is the founder and chairperson of Partners in Caring, a non-profit charitable organization based in Toronto, Ontario.

Mr. Prosserman is actively involved in supporting a number of community and charity-based programs including the United Jewish Appeal, the Centre for Addiction and Mental Health, and the Canadian Breast Cancer Foundation. He is currently a member of the Mount Sinai Hospital Foundation Board and is on the Board of Trustees of the Jewish Foundation of Greater Toronto.

USE OF PROCEEDS

The gross proceeds to be received by the Corporation from the combination of prior sales of Common Shares and the sale of the Common Shares offered by this Prospectus will be \$2,000,000.

The following indicates the uses to which the Corporation proposes to use the total funds available to it upon completion of this Offering:

| | |
|---|---------------------------|
| Cash Proceeds to the Corporation from sales prior to this Offering ⁽¹⁾ | \$ 525,000 |
| Cash Proceeds from this Offering ⁽²⁾ | <u>\$1,475,000</u> |
| Total Proceeds | \$2,000,000 |
| Commission, Corporate Finance Fee and Legal Expenses of the Agent ⁽³⁾ | (\$172,500) |
| Legal, Accounting and Other Expenses Relating to the Offering ⁽⁴⁾ | <u>(\$70,000)</u> |
| Estimated Funds Available on Completion of the Offering | <u>\$1,757,500</u> |
| Funds Available for Identifying and Evaluating Companies, Assets or Business Prospects ⁽⁵⁾ | \$1,650,000 |
| Estimated General and Administrative Expenses until Completion of a Qualifying Transaction | <u>\$ 107,500</u> |
| Total Net Proceeds | <u>\$1,757,500</u> |

Notes:

- (1) See "Prior Sales".
- (2) In the event the Agent's Options and the Incentive Stock Options are exercised, there will be available to the Corporation a maximum of an additional \$400,000 which will be added to the working capital of the Corporation. There is no assurance that any of the options will be exercised. See "Plan of Distribution".
- (3) Of this amount, \$22,500 has been incurred to date.
- (4) Of this amount, \$5,000 has been incurred or accrued to date.
- (5) In the event that the Corporation enters into an Agreement in Principle prior to spending the entire \$1,650,000 on identifying and evaluating companies, assets or businesses, the Corporation may use the

remaining funds to finance or partially finance a Qualifying Transaction, or for working capital after completion of the Qualifying Transaction.

Until required for the Corporation's purposes, the proceeds will only be invested in securities of, or those guaranteed by, the Government of Canada or any Province or territory of Canada or the Government of the United States of America, in certificates of deposit or interest-bearing accounts of Canadian chartered banks, trust companies or credit unions.

The proceeds from this Offering and any prior sale of Common Shares, after deducting the expenses associated with this Offering, will only be sufficient to identify and evaluate a minimum number of companies, assets or businesses, and additional funds may be required to finance any acquisition to which the Corporation may commit. See "Business of the Corporation" and "Risk Factors".

Permitted Use of Proceeds

The CPC Policy requires that, until the Completion of the Qualifying Transaction and except as otherwise provided by the CPC Policy and as described in this Prospectus under the heading "Use of Proceeds - Restrictions on Use of Proceeds", "Use of Proceeds - Private Placements for Cash" and "Use of Proceeds - Prohibited Payments to Non Arm's Length Parties", the gross proceeds from the sale of all securities issued by the Corporation will be used by the Corporation only to identify and evaluate companies, assets or businesses, and to obtain shareholder approval for a Qualifying Transaction, if required by the CPC Policy.

The proceeds may be used for expenses incurred for the preparation of:

- (i) valuations or appraisals;
- (ii) business plans;
- (iii) feasibility studies and technical assessments;
- (iv) sponsorship reports;
- (v) engineering or geological reports;
- (vi) financial statements, including audited financial statements; and
- (vii) fees for legal and accounting services,

relating to the identification and evaluation of companies, assets or businesses and in the case of a Non Arm's Length Qualifying Transaction, the obtaining of shareholder approval for the proposed Qualifying Transaction, if required by the CPC Policy.

In addition, with the prior acceptance of TSX Venture, up to an aggregate of \$225,000 may be advanced as a refundable deposit or secured loan by the Corporation to a Vendor or Target Company, as the case may be, for a proposed arm's length Qualifying Transaction that has been publicly announced at least 15 days prior to the date of such advance, due diligence with respect to the Qualifying Transaction is well underway and either a Sponsor has been engaged or sponsorship has been waived. A maximum aggregate amount of \$25,000 may also be advanced as a non-refundable deposit, unsecured deposit or advance to a Vendor or Target Company, as the case may be, to preserve assets without the prior acceptance of TSX Venture.

Restrictions on Use of Proceeds

Until Completion of a Qualifying Transaction, not more than the lesser of: (i) 30% of the gross proceeds from the sale of all securities issued by the Corporation; and (ii) \$350,000, will be used for purposes other than those described above, including the following expenditures which the CPC Policy specifies as not being expenditures to identify and evaluate companies, assets or businesses:

- (a) listing and filing fees (including SEDAR fees);
- (b) underwriters or agents fees, costs and commissions;
- (c) other costs for the issuance of securities (including legal, accounting and audit expenses) relating to the preparation and filing of this Prospectus; and
- (d) administrative and general expenses of the Corporation, including: (i) office supplies, office rent and related utilities; (ii) printing costs (including the printing of this Prospectus and share certificates); (iii) equipment leases (provided that no proceeds shall be used to acquire or lease a vehicle); and (iv) fees for legal advice and audit expenses, other than those described above with respect to the Qualifying Transaction.

Private Placements for Cash

After the closing of the Offering and until the Completion of the Qualifying Transaction, the Corporation will not issue any securities unless written acceptance of TSX Venture is obtained before issuance. Prior to the Completion of the Qualifying Transaction, TSX Venture generally will not accept a private placement by the Corporation where the gross proceeds raised from the issuance of securities both prior to and pursuant to the Offering, together with any proceeds anticipated to be raised upon closing of the private placement, will exceed \$2,000,000. The only securities issuable pursuant to such a private placement will be Common Shares. Subject to certain limited exceptions, any Common Shares issued pursuant to the private placement to Non Arm's Length Parties to the Corporation and to Principals of the Resulting Issuer will be subject to escrow.

Prohibited Payments to Non Arm's Length Parties

Except as permitted by the CPC Policy and described under the heading "Use of Proceeds - Restrictions on Use of Proceeds" and "Incentive Stock Options", until the completion by the Corporation of a Qualifying Transaction, the Corporation has not made and will not make any payment of any kind, directly or indirectly, to a Non Arm's Length Party to the Corporation or to the Qualifying Transaction, or to a person engaged in investor relations activities, by any means, including:

- (a) remuneration, which includes but is not limited to salaries, consulting fees, management contract fees, directors fees, finder's fees, loans, advances and bonuses; and
- (b) deposits and similar payments.

Further, no such payments shall be made on or after the Completion of a Qualifying Transaction if such payment relates to services rendered or obligations incurred prior to or in connection with the Qualifying Transaction.

Notwithstanding the above, the Corporation may reimburse a Non Arm's Length Party to the Corporation for reasonable expenses for office supplies, office rent and related utilities, equipment leases (excluding vehicle leases), and legal services (provided that neither the lawyer providing the legal services nor any member of the law firm providing the services is a Promoter of the Corporation or in the

case of a law firm, no member of the firm owns greater than 10% of the outstanding Common Shares), and the Corporation may also reimburse a Non Arm's Length Party to the Corporation for reasonable out-of-pocket expenses incurred in pursuing the business of the Corporation.

The foregoing restrictions on the use of proceeds and prohibitions on payments to Non Arm's Length Parties and persons engaged in investor relations activities continue to apply until the Completion of the Qualifying Transaction.

PLAN OF DISTRIBUTION

Agency Agreement, Agents' Compensation and Determination of Price

Pursuant to the Agency Agreement between the Corporation and the Agent, the Corporation has appointed the Agent as its agent to offer for distribution on a reasonable best efforts basis, in the Provinces of Alberta, British Columbia, Manitoba and Ontario to the public, an aggregate of 5,900,000 Common Shares, at a price of \$0.25 per Common Share, subject to the terms and conditions in the Agency Agreement. The Offering Price of \$0.25 per Common Share was established arbitrarily by the Board of Directors of the Corporation. The Agent will receive a commission of 10% of the gross proceeds of the Offering aggregating \$147,500. In addition, the Corporation will pay to the Agent a corporate finance fee of \$15,000, plus applicable taxes, and will reimburse the Agent for their legal fees incurred pursuant to the Offering, estimated to be \$7,500, plus applicable taxes and disbursements. The obligations of the Agent under the Agency Agreement may be terminated at their discretion on the basis of their assessment of the state of financial markets or upon the occurrence of certain events stated in the Agency Agreement.

The Corporation will grant to the Agent, upon the completion of the Offering, the non-transferable Agent's Options to purchase up to 590,000 Common Shares at a price of \$0.25 per Common Share, which may be exercised for a period of 18 months following the date of listing of the Common Shares on TSX Venture. A total of fifty percent (50%) of the Common Shares issuable upon exercise of the Agent's Options may be sold by the Agent prior to the completion of the Qualifying Transaction by the Corporation. The remaining fifty percent (50%) may only be sold after the completion of the Qualifying Transaction. The Agent intends to sell to the public any Common Shares received by them upon the exercise of the Agent's Options.

The Common Shares to be issued upon the exercise of the Agent's Options and the Incentive Stock Options will be issued in addition to the 5,900,000 Common Shares being offered pursuant to this Prospectus, and the Agent's Options and the Incentive Stock Options will be qualified for distribution under this Prospectus.

Reasonable Best Efforts Offering and Distribution

The Agent has agreed to use its reasonable best efforts to secure subscriptions for the Common Shares offered hereunder on behalf of the Corporation and, if necessary, to enter into co-brokerage arrangements with other investment dealers at no additional cost to the Corporation.

The total Offering is 5,900,000 Common Shares for total gross proceeds of \$1,475,000. The maximum number of Common Shares that may be purchased, directly or indirectly, by any single subscriber to the Offering is 2% of the Offering, or 118,000 (\$29,500) Common Shares. In addition, the maximum number of Common Shares that may be directly or indirectly purchased pursuant to the Offering by any purchaser, together with any Associates and Affiliates of such purchaser, is 4% of the Offering, or 236,000 (\$59,000) Common Shares.

The funds received from the Offering hereunder will be deposited with the Agent, and will not be released until the Offering Amount has been deposited. The total subscription must be raised within 90 days of the date of issuance of a receipt for the Prospectus, or such other time as may be authorized by the Alberta Securities Commission, British Columbia Securities Commission, Manitoba Securities Commission and the Ontario Securities Commission, and agreed to by the Agent, failing which the funds collected will be remitted to the original subscribers without interest or deduction, unless subscribers have otherwise instructed the Agent.

Listing

TSX Venture has conditionally approved the listing of the Common Shares. The listing is subject to the Corporation fulfilling all of the requirements of TSX Venture, including the distribution of the Common Shares to a minimum number of public shareholders.

Restrictions on the Agent

The Agent has advised the Corporation that to the best of its knowledge and belief, neither they, nor any of its directors, officers, employees or contractors or any Associate or Affiliate of the foregoing (the "Agent Group"):

- (a) has subscribed for Common Shares; or
- (b) are permitted to subscribe for Common Shares pursuant to the Offering; and

until Completion of the Qualifying Transaction, the aggregate number of Common Shares permitted to be owned, directly or indirectly, by the Agent Group is 20% of the issued and outstanding Common Shares, exclusive of Common Shares reserved for issuance at a future date.

Restrictions on Trading

Other than the initial distribution of the Common Shares pursuant to this Prospectus, the grant of the Incentive Stock Options and the grant of the Agent's Options, trading in all securities of the Corporation is prohibited during the period between the date a receipt for the Corporation's preliminary prospectus is issued and the time the Common Shares are listed for trading on TSX Venture except, subject to prior acceptance of TSX Venture, where appropriate registration and prospectus exemptions are available under securities legislation or pursuant to an order of the applicable securities regulatory authorities.

DESCRIPTION OF SHARE CAPITAL

General

The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value, of which, as at the date hereof, 4,200,000 Common Shares are issued and outstanding as fully paid and non-assessable, 10% of the issued and outstanding Common Shares from time to time are reserved under the incentive stock option plan of the Corporation and 590,000 Common Shares are reserved for issuance upon exercise of the Agent's Options. See "Incentive Stock Options" and "Plan of Distribution".

Common Shares

The holders of Common Shares shall be entitled to dividends if, as and when declared by the directors, to one vote per share at meetings of the holders of Common Shares and upon liquidation, to

receive such assets of the Corporation as are distributable to the holders of the Common Shares. All of the Common Shares to be issued and outstanding upon completion of the Offering will be issued as fully paid and non-assessable.

Preferred Shares

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

CAPITALIZATION

| <u>Capital</u> | <u>Authorized</u> | <u>Outstanding as at July 31, 2004⁽¹⁾⁽²⁾⁽³⁾</u> | <u>Outstanding as at the Date Hereof⁽²⁾⁽³⁾</u> | <u>Outstanding After Giving Effect to the Offering⁽²⁾⁽³⁾</u> |
|------------------|-------------------|--|---|---|
| Common Shares | Unlimited | \$525,000 ⁽⁴⁾ (4,200,000) Common Shares) | \$525,000 ⁽⁴⁾ (4,200,000) Common Shares) | \$2,000,000 ⁽⁴⁾ (10,100,000 Common Shares) |
| Preferred Shares | Unlimited | Nil | Nil | Nil |

Notes:

- (1) The deficit of the Corporation as at August 23, 2004, the date of the balance sheet of the Corporation included in this Prospectus, was \$5,073.
- (2) The Corporation has also reserved for issuance 10% of the issued and outstanding Common Shares from time to time for the incentive stock option plan of the Corporation. The Corporation intends to grant Incentive Stock Options to purchase 1,010,000 Common Shares. See "Incentive Stock Options".
- (3) The Corporation has also reserved for issuance up to 590,000 Common Shares upon exercise of the Agent's Options. See "Plan of Distribution".
- (4) This amount represents gross proceeds of this and prior issues of Common Shares, before the deduction of selling commissions and related expenses incurred by the Corporation.

INCENTIVE STOCK OPTIONS

The Corporation has adopted an incentive stock option plan in accordance with the policies of TSX Venture (the "Stock Option Plan") which provides that the Board of Directors of the Corporation may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Corporation non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding Common Shares exercisable for a period of up to five (5) years. In addition, the number of Common Shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding Common Shares and the number of Common Shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding Common Shares. The Board of Directors determines the price per Common Share and the number of Common Shares which may be allotted to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of TSX Venture. Options must be exercised within 90 days of termination of employment or cessation of position with the Corporation, provided that if the cessation of office, directorship, consulting arrangement or employment was by reason of death, the option must be exercised within 12 months after such death, subject to the expiry date of such option. The price per Common

Share set by the Board of Directors shall not be less than the last price at which a full board lot of Common Shares was, on the last business day prior to the date on which such option is granted, traded on TSX Venture or such other principal market on which the Common Shares are then traded, less the applicable discount permitted (if any) by such applicable exchange or market. If prior to the exercise of an option, the holder ceases to be a director, officer, employee or consultant of the Corporation, or its subsidiary, the option of the holder shall be limited to the number of shares purchasable by him/her immediately prior to the time of his/her cessation of office or employment and he/she will have no right to purchase any other shares.

The Corporation intends to enter into stock option agreements granting the Incentive Stock Options upon the issue of a receipt by the Alberta Securities Commission, British Columbia Securities Commission, Manitoba Securities Commission and the Ontario Securities Commission for this Prospectus, and in any event within 90 days of the issuance of a receipt for this Prospectus, as follows:

| <u>Name</u> | <u>Number of Common Shares Under Option</u> | <u>Exercise Price Per Common Share</u> | <u>Expiry Date</u> |
|-------------------|---|--|--------------------|
| Stephen R. Shaver | 192,381 | \$0.25 | July 31, 2009 |
| Cary L. McWhinnie | 192,381 | \$0.25 | July 31, 2009 |
| Peter M. Kozicz | 192,381 | \$0.25 | July 31, 2009 |
| Robert B. Low | 96,190 | \$0.25 | July 31, 2009 |
| K. Guy Nelson | 144,286 | \$0.25 | July 31, 2009 |
| Ronald Prosserman | <u>192,381</u> | \$0.25 | July 31, 2009 |
| Total | <u>1,010,000</u> | | |

The Incentive Stock Options to be granted to the directors and officers to purchase an aggregate of 1,010,000 Common Shares at a price of \$0.25 per Common Share are qualified under and distributed pursuant to this Prospectus.

Any Common Shares acquired pursuant to the exercise of stock options prior to the Completion of the Qualifying Transaction must be deposited into escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

PRIOR SALES

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

| <u>Date</u> | <u>Number of Common Shares</u> | <u>Issue Price Per Common Share</u> | <u>Aggregate Issue Price</u> | <u>Nature of Consideration Received</u> |
|---------------|--------------------------------|-------------------------------------|------------------------------|---|
| July 30, 2004 | 4,200,000 | \$0.125 | \$525,000 | Cash |

The 4,200,000 Common Shares issued at a price of \$0.125 per share will be held in escrow. See "Escrowed Securities".

ESCROWED SECURITIES

All 4,200,000 Common Shares issued prior to this Offering at a price below \$0.25 per Common Share and all Common Shares that may be acquired by a Non Arm's Length Party of the Corporation, either under the Offering or otherwise prior to Completion of the Qualifying Transaction, will be

deposited with the Trustee under an escrow agreement dated as of July 30, 2004 (the “Escrow Agreement”). The Escrow Agreement provides that the Common Shares held thereunder and the beneficial ownership of or interest in them may not be sold, assigned, hypothecated, transferred within escrow, or dealt with in any manner without the prior written consent of TSX Venture.

All Common Shares acquired on exercise of Incentive Stock Options prior to the Completion of a Qualifying Transaction must also be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued. In addition, all Common Shares acquired in the secondary market prior to the Completion of a Qualifying Transaction by any person or company who becomes a Control Person are required to be deposited in escrow. Subject to certain exemptions permitted by TSX Venture, all securities of the Corporation held by Principals of the Resulting Issuer, will also be escrowed.

The following table sets out, as at the date hereof, the number of Common Shares (the “Escrowed Shares”), which are held in escrow pursuant to the Escrow Agreement:

| Name and Municipality of Residence | Number of Shares Held in Escrow ⁽¹⁾ | Percentage of Shares Prior to Giving Effect to the Offering | Percentage of Shares After Giving Effect to the Offering ⁽¹⁾ |
|--|---|---|---|
| Disha Inc. ⁽²⁾ Toronto, Ontario | 986,667 | 23.49% | 9.77% |
| Cary L. McWhinnie Ottawa, Ontario | 986,667 | 23.49% | 9.77% |
| Peter M. Kozicz Oakville, Ontario | 986,666 | 23.49% | 9.77% |
| SWCH Investments Ltd. ⁽³⁾ Toronto, Ontario | 800,000 | 19.05% | 7.92% |
| K. Guy Nelson Toronto, Ontario | 40,000 | 0.95% | 0.39% |
| Robert B. Low Toronto, Ontario | 400,000 | 9.52% | 3.96% |
| Total | 4,200,000 | 100% | 41.58% |

Notes:

- (1) Assuming the shareholders who are a party to the Escrow Agreement do not acquire any Common Shares pursuant to the Offering, which the shareholders have indicated they do not intend to do.
- (2) This is a private company that 50% of the common shares are owned by Roslyn Rink Limited, a private company owned by the family of the late E. J. Dickson, 50% of the common shares are owned indirectly by Stephen R. Shaver, and two additional voting shares are owned by Stephen R. Shaver.
- (3) This is a private company controlled as to 51% by Ronald Prosserman and the directors and shareholders of which are Ronald Prosserman and Allan Rouben.

Where the Escrowed Shares are held by a non-individual (a “holding company”), each holding company pursuant to the Escrow Agreement has agreed, or will agree, not to carry out any transactions during the currency of the Escrow Agreement which would result in a change of control of the holding company, without the consent of TSX Venture. Any holding company must sign an undertaking to TSX Venture that, to the extent reasonably possible, it will not permit or authorize any issuance of securities or transfer of securities if such issuance or transfer could reasonably result in a change of control of the holding company. In addition, TSX Venture may require an undertaking from any control person of the holding company not to transfer the shares of that company.

Pursuant to the Escrow Agreement the Escrowed Shares shall be released as to 10% immediately following the issuance of the Final Exchange Bulletin (the “Initial Release”) and an additional 15% will be released on the dates that are six months, twelve months, eighteen months, twenty-four months, thirty months and thirty-six months following the Initial Release.

In the event the Resulting Issuer meets TSX Venture’s Tier 1 minimum listing requirements either at the time of the Final Exchange Bulletin or thereafter, the release of the Escrowed Shares may be retroactively accelerated to be released as follows:

- (a) 25% immediately following the issuance of the Final Exchange Bulletin confirming the Corporation qualifies as a Tier 1 issuer on TSX Venture (the “Tier 1 Initial Release”); and
- (b) 25% on each of six months, twelve months and eighteen months after the Tier 1 Initial Release.

Any accelerated escrow release will not commence until the Resulting Issuer has made an application to TSX Venture for listing as a Tier 1 issuer and TSX Venture has issued a bulletin that announces the acceptance for listing of the Resulting Issuer on Tier 1 of TSX Venture.

The prior consent of TSX Venture must be obtained before a transfer within escrow of Escrowed Shares can be completed. Generally, TSX Venture will only permit a transfer within escrow to be made to incoming Principals in connection with a proposed Qualifying Transaction.

If a Final Exchange Bulletin is not issued, the Escrowed Shares will not be released. Pursuant to the Escrow Agreement, each Non Arm’s Length Party to the Corporation who holds Escrowed Shares acquired at a price below the Offering Price under this Prospectus has irrevocably authorized and directed the Trustee to immediately cancel all of those Escrowed Shares upon the issuance by TSX Venture of a bulletin delisting the Common Shares.

Escrowed Securities on Qualifying Transaction

Generally, if at least 75% of the securities issued pursuant to the Qualifying Transaction are “Value Securities”, then all the securities issued to Principals of the Resulting Issuer pursuant to the Qualifying Transaction will be deposited into escrow pursuant to a value security agreement (the “Value Security Escrow Agreement”). “Value Securities” are securities issued pursuant to a transaction, for which the deemed value of the securities at least equals the value ascribed to the asset, using a valuation method acceptable to TSX Venture, or securities that are otherwise determined by TSX Venture to be Value Securities and required to be placed in escrow under a Value Security Escrow Agreement. However, if at least 75% of the securities issued pursuant to the Qualifying Transaction are not Value Securities, all securities issued pursuant to the Qualifying Transaction will be deposited into a surplus security escrow agreement (a “Surplus Security Escrow Agreement”).

The principal distinction between a Value Security Escrow Agreement and a Surplus Security Escrow Agreement is the time period for release of securities from escrow. In the case of a Resulting Issuer that will be a Tier 2 issuer when the Final Exchange Bulletin is issued, the Value Security Escrow Agreement provides for a three year escrow release mechanism with 10% of the escrowed securities being releasable at the time of the Final Exchange Bulletin, and 15% of the escrowed securities being releasable thereafter on each of the 6, 12, 18, 24, 30 and 36 month anniversaries of the Final Exchange Bulletin. In the case of a Resulting Issuer that will be a Tier 2 issuer, when the Final Exchange Bulletin is issued, the Surplus Security Escrow Agreement provides for a six year escrow release mechanism with:

- (a) 5% of the escrowed securities being releasable in six month intervals on each of the 6, 12, 18 and 24 month anniversaries of the Final Exchange Bulletin; and
- (b) 10% of the escrowed securities being releasable in six month intervals on each of the 30, 36, 42, 48, 54, 60, 66 and 72 months after the Final Exchange Bulletin.

In the case of a Resulting Issuer that will be a Tier 1 issuer when the Final Exchange Bulletin is issued, the Value Security Escrow Agreement provides for an 18 month escrow release mechanism with 25% of the escrowed securities being releasable at the time of the Final Exchange Bulletin and 25% of the escrowed securities being releasable every six months thereafter. In the case of a Resulting Issuer that will be a Tier 1 issuer when the Final Exchange Bulletin is issued, the Surplus Security Escrow Agreement provides for a three year escrow release mechanism with:

- (a) 10% of the escrowed securities being releasable upon the issuance of the Final Exchange Bulletin, and
- (b) 15% of the escrowed securities being releasable on each of 6, 12, 18, 24, 30 and 36 months after the Final Exchange Bulletin.

Securities issued pursuant to a private placement to Principals of the Corporation and the proposed Resulting Issuer will generally be exempt from escrow requirements where:

- (a) the private placement is announced at least five trading days after the news release announcing the Agreement in Principle and the pricing for the financing is at not less than the discounted market price, as determined in accordance with the Policies of TSX Venture; or
- (b) the private placement is announced concurrently with the Agreement in Principle and:
 - (i) at least 75% of the proceeds from the private placement are not from Principals of the Corporation or the proposed Resulting Issuer;
 - (ii) if subscribers, other than Principals of the Corporation or the proposed Resulting Issuer, will obtain securities subject to hold periods, then in addition to any resale restrictions under applicable securities legislation, any securities issued to such Principals will be subject to a four month hold period; and
 - (iii) none of the proceeds of the private placement are allocated to pay compensation or to settle indebtedness owing to Principals of the Resulting Issuer.

PRINCIPAL SHAREHOLDERS

The only Persons who own, legally or beneficially, directly or indirectly, more than 10% of the issued and outstanding Common Shares are as follows:

| Name and Municipality of Residence | Type of Ownership | Number of Shares⁽¹⁾ | Percentage of Shares Owned Before Giving Effect to the Offering | Percentage of Shares Owned After Giving Effect to the Offering⁽²⁾ |
|---|--------------------------|---------------------------------------|--|---|
| Stephen R. Shaver Toronto, Ontario | Indirect ⁽⁶⁾ | 986,667 ⁽³⁾ | 23.49% | 9.77% |
| Cary L. McWhinnie Ottawa, Ontario | Direct | 986,667 ⁽³⁾ | 23.49% | 9.77% |
| Peter M. Kozicz Oakville, Ontario | Direct | 986,666 ⁽⁴⁾ | 23.49% | 9.77% |
| Ronald Prosserman Toronto, Ontario | Indirect ⁽⁷⁾ | 800,000 ⁽⁵⁾ | 19.05% | 7.92% ⁽³⁾ |

Notes:

- (1) These Common Shares are all held in escrow. See “Escrowed Securities”.
- (2) Assuming the shareholders do not acquire any Common Shares pursuant to the Offering, which the shareholders have indicated they do not intend to do.
- (3) In the event the shareholder exercises all stock options of the Corporation held by the shareholder, the shareholder will own, or exercise control or direction over, 1,179,048 Common Shares representing approximately 10.1% of the issued and outstanding Common Shares, calculated on a fully-diluted basis. See “Incentive Stock Options”.
- (4) In the event the shareholder exercises all stock options of the Corporation held by the shareholder, the shareholder will own, or exercise control or direction over, 1,179,047 Common Shares representing approximately 10.1% of the issued and outstanding Common Shares, calculated on a fully-diluted basis. See “Incentive Stock Options”.
- (5) In the event the shareholder exercises all stock options of the Corporation held by the shareholder, the shareholder will own, or exercise control or direction over, 992,381 Common Shares representing approximately 8.5% of the issued and outstanding Common Shares, calculated on a fully-diluted basis. See “Incentive Stock Options”.
- (6) These Common Shares are owned by Disha Inc., a private company that 50% of the common shares and two additional voting shares are owned indirectly or directly by Stephen R. Shaver.
- (7) These Common Shares are owned by SWCH Investments Ltd., a private company controlled as to 51% by Ronald Prosserman and the directors and shareholders of which are Ronald Prosserman and Allan Rouben.

As at the date hereof, the 4,200,000 Common Shares legally owned, directly or indirectly, or controlled by, all directors and officers as a group and their Associates and Affiliates, prior to giving effect to the Offering or the exercise of the Incentive Stock Options, represents 100% of the issued and outstanding Common Shares. After giving effect to the Offering, the directors and officers as a group and their Associates and Affiliates will own or control 4,200,000 Common Shares representing approximately 41.6% of the issued and outstanding Common Shares, assuming the directors, officers and their Associates and Affiliates do not acquire any Common Shares pursuant to the Offering.

DIRECTORS AND OFFICERS

General

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

| Name, Municipality of Residence and Position | Present Occupation and Position During the Last Five Years | Number of Common Shares |
|---|--|--------------------------------|
| Stephen R. Shaver ⁽¹⁾ Toronto, Ontario President, Chief Executive Officer and Director | President of Disha Inc. | 986,667 ⁽²⁾ |
| Cary L. McWhinnie ⁽¹⁾ Ottawa, Ontario Chief Financial Officer and Director | Chairman and Director of Auto Skill International Ltd. since September 1998. | 986,667 |
| Peter M. Kozicz Oakville, Ontario Secretary and Director | President of Arlea Corporation since May 2001; prior thereto President, Chief Executive Officer and a Director of Mad Catz Interactive Inc. | 986,666 |
| Ronald Prosserman Toronto, Ontario Director | President of Augusta Holding Inc. | 800,000 ⁽³⁾ |
| K. Guy Nelson Toronto, Ontario Director | President of Nelson Advisors Inc. and Chairman of Teletrips Inc. | 40,000 |
| Robert B. Low ⁽¹⁾ Toronto, Ontario Director | Director of LECG Canada, Ltd., a wholly owned subsidiary of LECG Corporation, a public company, since April 2004, prior thereto a principal with the business valuation firm Low Rosen Taylor Soriano. | 400,000 |

Notes:

- (1) Member of the audit committee of the Corporation. The Corporation does not have a compensation committee or a corporate governance committee.
- (2) These Common Shares are owned by Disha Inc., a private company that 50% of the common shares and two additional voting shares are owned indirectly or directly by Stephen R. Shaver.
- (3) These Common Shares are owned by SWCH Investments Ltd., a private company controlled as to 51% by Ronald Prosserman and the directors and shareholders of which are Ronald Prosserman and Allan Rouben.

In addition to any other requirements of TSX Venture, TSX Venture expects management of the Corporation to meet a high management standard. The directors and officers of the Corporation will devote the time required to achieve the goal of the Corporation to complete a Qualifying Transaction. It is anticipated Messrs. Shaver, Nelson and Kozicz will dedicate approximately 20% of their working time and attention to the business activities of the Corporation and that the balance of the directors will dedicate approximately 5% of their working time and attention to the business activities of the Corporation. Time actually spent by the directors and officers of the Corporation will vary according to the needs of the Corporation.

Corporate Cease Trade Orders or Bankruptcies

Other than as described below, the ten (10) years prior to the date of this Prospectus, the directors, senior officers, executive officers and principal shareholders of the Corporation have not been personally, and have not been a director, officer, principal shareholder or Promoter of any company that has been, the subject of any cease trade order or similar order and have not been declared bankrupt or made a voluntary assignment or proposal with respect to bankruptcy or insolvency, or been subject to any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold their assets.

Canuc Resources Inc., a public mining company listed on TSX, in June 2000 had a cease trade order issued against it for failure to file financial statements. Stephen R. Shaver was a director of Canuc Resources Inc. at that time.

Penalties or Sanctions

No director, senior officer, executive officer or principal shareholder of the Corporation has, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded Issuer, or theft or fraud.

Share Ownership

As at the date hereof, the 4,200,000 Common Shares legally owned, directly or indirectly, by the directors and officers as a group and their Associates and Affiliates, prior to giving effect to the Offering, represents 100% of the issued and outstanding Common Shares. After completion of the Offering, the 4,200,000 Common Shares to be legally owned, directly or indirectly, by the directors and officers as a group and their Associates and Affiliates will represent approximately 41.6% of the issued and outstanding Common Shares, assuming no directors or officers acquire any Common Shares pursuant to the Offering.

Positions with Reporting Issuers

The following table sets out the proposed directors, officers and promoters of the Corporation that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

| Name | Name of Reporting Issuer | Name of Exchange or Market | Position | From | To |
|-------------------|---|----------------------------|---|----------------|----------------|
| Stephen R. Shaver | Altaur Gold Explorations Inc. | TSX Venture | Director | February 2000 | January 2001 |
| | Avalanche Networks Corp. | TSX Venture | Director | November 1995 | September 2000 |
| | Canuc Resources Inc. | CDN | Director | July 1996 | March 2001 |
| | Nordex Explosives Ltd. | ME | Director | May 2000 | November 2001 |
| | Telesis North Communications Inc. | TSX Venture | Director | April 2001 | January 2003 |
| | Tribridge Enterprises | TSX Venture | Director | May 1995 | January 1998 |
| Cary L. McWhinnie | Devon Ventures Corp. | TSX Venture | Director | September 2000 | June 2004 |
| | Mad Catz Interactive Inc. | TSX | Director | September 1998 | Present |
| Peter M. Kozicz | Mad Catz Interactive Inc. | TSX | President, CEO and Director | April 1997 | May 2001 |
| | Automodular Corporation | TSX | Director | January 1999 | April 2001 |
| | Dominion Citrus Limited | TSX | Director | January 2001 | Present |
| | Multi-Glass International Corp. | TSX Venture | Director | September 2002 | September 2004 |
| | Canadian Public Venture Equities I Inc. | TSX Venture | Secretary and Director | July 2003 | November 2003 |
| | Canadian Public Venture Capital I Inc. | TSX Venture | Chief Financial Officer, Secretary and Director | March 2003 | June 2004 |
| K. Guy Nelson | Vanguard Response Systems Inc. | TSX | Director | November 2003 | March 2004 |
| | Bracknell Corporation | TSX | Vice-President and Director | March 1991 | March 1997 |
| | Mullen Transportation Inc. | TSX | Director | March 1994 | March 2004 |

CONFLICTS OF INTEREST

There are potential conflicts of interest to which the directors, officers, insiders and Promoters of the Corporation will be subject in connection with the operations of the Corporation. Some of the directors, officers, insiders and Promoters are engaged and will continue to be engaged, directly or indirectly, with corporations or businesses which may be in competition with the Corporation for companies, businesses or assets in order to complete a Qualifying Transaction. Accordingly, situations

may arise where some or all of the directors, officers, insiders and Promoters will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the *Business Corporations Act* (Alberta). See “Interests of Directors, Officers and Others in Material Transactions”.

REMUNERATION OF DIRECTORS AND OFFICERS

Except as set out below or otherwise disclosed in this Prospectus, prior to Completion of a Qualifying Transaction, no payment of any kind has been made, or will be made, directly to indirectly, by the Corporation to a Non Arm’s Length Party to the Corporation or a Non Arm’s Length Party to the Qualifying Transaction, or to any Person engaged in investor relations activities in respect of the securities of the Corporation or any Resulting Issuer by any means, including:

- (a) remuneration, which includes but is not limited to:
 - (i) salaries;
 - (ii) consulting fees;
 - (iii) management contract fees or directors’ fees;
 - (iv) finders fees;
 - (v) loans, advances, bonuses; and
- (b) deposits and similar payments.

However, the Corporation may reimburse a Non Arm’s Length Party for the Corporation’s reasonable allocation of rent, secretarial services and other general administrative expenses, at fair market value (“Permitted Reimbursement”). No reimbursement may be made for any payment made to lease or buy a vehicle.

The directors and officers may also be granted stock options to purchase Common Shares.

Following Completion of the Qualifying Transaction, it is anticipated that the Corporation shall pay compensation to its directors and officers. However, no payment other than the Permitted Reimbursements, will be made by the Corporation or by any party on behalf of the Corporation, after Completion of the Qualifying Transaction, if the payment relates to services rendered or obligations incurred or in connection with the Qualifying Transaction.

PROMOTERS

Stephen R. Shaver and Peter M. Kozicz may be considered to be Promoters of the Corporation in that they took the initiative in founding and organizing the Corporation. The Promoters have subscribed for, directly or indirectly, and received Common Shares and will be granted stock options to purchase Common Shares. See “Prior Sales”, “Principal Shareholders” and “Incentive Stock Options”.

INTEREST OF DIRECTORS, OFFICERS AND OTHERS IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of directors, officers, and any shareholder who beneficially owns, directly or indirectly, more than 10% of the outstanding Common Shares or any known Associates or Affiliates of such Persons, in any transaction since incorporation of the Corporation, or in any proposed transaction which has materially affected or would materially affect the Corporation.

MATERIAL CONTRACTS

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

1. The Escrow Agreement dated as of July 30, 2004 among the Corporation, the Trustee and certain shareholders of the Corporation. See "Escrowed Securities".
2. The Agency Agreement dated October 29, 2004 between the Corporation and the Agent. See "Plan of Distribution".
3. A registrar and transfer agency agreement dated as of July 30, 2004 between the Corporation and the Trustee. See "Auditors, Transfer Agent and Registrar".

Copies of these agreements will be available for inspection at the offices of the Corporation's counsel, Burstall Winger LLP, at Suite 3100, Home Oil Tower, 324 - 8th Avenue S.W., Calgary, Alberta T2P 2Z2, at any time during ordinary business hours while the securities offered by this Prospectus are in the course of distribution and for a period of 30 days thereafter.

DILUTION

Purchasers of Common Shares under this Prospectus will suffer an immediate dilution of 20.8% or \$0.052 per Common Share on the basis of there being 10,100,000 Common Shares issued and outstanding following completion of this Offering. Dilution has been computed on the basis of total gross proceeds to be raised by this Prospectus and from sales of securities prior to filing this Prospectus, without deduction of commissions or related expenses incurred by the Corporation.

RISK FACTORS

The Corporation was only recently incorporated, has not commenced commercial operations and has no assets other than cash. The Corporation has no history of earnings, and shall not generate earnings or pay dividends until at least after Completion of the Qualifying Transaction.

An investment in the Common Shares offered by the Prospectus is highly speculative given the proposed nature of the Corporation's business and its present stage of development.

The directors and officers of the Corporation will only devote a portion of their time to the business and affairs of the Corporation and some of them are or will be engaged in other projects or businesses such that conflicts of interest may arise from time to time.

After completion of the Offering, an investor will suffer an immediate dilution to its investment of 20.8% or \$0.052 per Common Share.

There can be no assurance that an active and liquid market for the Common Shares will develop and an investor may find it difficult to resell its Common Shares.

Until Completion of a Qualifying Transaction, the Corporation is not permitted to carry on any business, other than the identification and evaluation of potential Qualifying Transactions.

The Corporation has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Corporation will be able to identify a suitable Qualifying Transaction.

Even if a proposed Qualifying Transaction is identified, there can be no assurance that the Corporation will be able to successfully complete the transaction.

Completion of a Qualifying Transaction is subject to a number of conditions, including acceptance by TSX Venture and, in certain circumstances, Majority of the Minority Approval.

Unless the shareholder has the right to dissent and be paid fair value in accordance with applicable corporate or other law, a shareholder who votes against a proposed Non Arm's Length Qualifying Transaction for which Majority of the Minority Approval by shareholders is required by CPC Policy and has been given, will have no rights of dissent and no entitlement to payment by the Corporation of fair value for the Common Shares.

Upon the public announcement of a proposed Qualifying Transaction, trading in the Common Shares will be halted and will remain halted for an indefinite period of time, typically until a Sponsor has been retained and certain preliminary reviews have been conducted. The Common Shares will be reinstated to trading before TSX Venture has reviewed the transaction and before the Sponsor has completed its full review. Reinstatement to trading provides no assurance with respect to the merits of the transaction or the likelihood of the Corporation completing the proposed Qualifying Transaction. Neither TSX Venture nor any securities regulatory authority passes upon the merits of the proposed Qualifying Transaction.

Trading in the Common Shares may be halted at other times for other reasons, including for failure by the Corporation to submit documents to TSX Venture in the time periods required.

TSX Venture will generally suspend trading in the Common Shares or delist the Corporation in the event that TSX Venture has not issued a Final Exchange Bulletin within 18 months from the date of listing of the Common Shares.

In the event that management of the Corporation resides outside of Canada or the Corporation identifies a foreign business as a proposed Qualifying Transaction, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any management resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts predicated upon the civil liability provisions applicable to securities laws in Canada.

The Qualifying Transaction may be financed in all or part by the issuance of additional securities by the Corporation and this may result in further dilution to the investor, which dilution may be significant and which may also result in a change of control of the Corporation.

Subject to prior TSX Venture acceptance, the Corporation may be permitted to loan or advance up to an aggregate of \$250,000 of its proceeds to a target business without requiring shareholder approval and there can be no assurance that the Corporation will be able to recover that loan.

As a result of the above factors, the Offering is only suitable to investors who are willing to rely solely on management of the Corporation and **who can afford to lose their entire investment. Those investors who are not prepared to do so should not invest in the Common Shares.** See "Management and Key Personnel", "Directors and Officers", "Conflicts of Interest" and "Use of Proceeds".

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are Wasserman Stotland Bratt Grossbaum S.E.N.C., Chartered Accountants, 1155 Rene Levesque West, Suite 2010, Montreal, Quebec, H3B 2J8.

CIBC Mellon Trust Company, through its principal offices at Suite 600, The Dome Tower, 333 - 7th Avenue S.W., Calgary, Alberta T2P 2Z1, and 320 Bay Street, Toronto, Ontario M5H 4A6, is the transfer Agent and registrar for the Common Shares.

RELATIONSHIP BETWEEN THE CORPORATION AND PROFESSIONAL PERSONS

The legal counsel of the Corporation is Burstall Winger LLP, Suite 3100, Home Oil Tower, 324 - 8th Avenue S.W., Calgary, Alberta T2P 2Z2.

The partners and associates of Burstall Winger LLP do not own any Common Shares, but may subscribe for Common Shares pursuant to the Offering.

The partners and associates of Wasserman Stotland Bratt Grossbaum S.E.N.C., Chartered Accountants, do not own any Common Shares.

LEGAL PROCEEDINGS

There are no legal proceedings material to the Corporation to which the Corporation is a party and, as of the date hereof, none are contemplated to the knowledge of the management of the Corporation.

RELATIONSHIP BETWEEN THE CORPORATION AND THE AGENT

The Agent for the Offering is Canaccord Capital Corporation, Suite 1210, 320 Bay Street, P.O. Box 6, Toronto, Ontario M5H 4A6. Legal counsel to the Agent is Fogler, Rubinoff LLP, Barristers & Solicitors, Royal Trust Tower, Toronto-Dominion Centre, Suite 4400, P.O. Box 95, Station, Toronto, Ontario M5K 1G8.

The employees, officers and directors of the Agent do not own any Common Shares.

The partners and associates of Fogler, Rubinoff LLP do not own any Common Shares, but may subscribe for Common Shares pursuant to the Offering.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. 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 of the Common Shares 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 of the Common Shares, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of such purchaser's province. The purchaser of the Common Shares should refer to the securities legislation of such purchaser's province for the particulars of these rights or consult with a legal adviser.

AUDITORS' CONSENT

We have read the prospectus of Venquest Capital Ltd. (the "Corporation") dated October 29, 2004 relating to an offering of 5,900,000 Common Shares of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the directors of the Corporation on the balance sheet of the Corporation as at August 23, 2004 and the statements of loss and deficit and cash flows for the period from June 21, 2004 to August 23, 2004, which report is dated August 23, 2004.

Montreal, Quebec
October 29, 2004

"Wasserman Stotland Bratt Grossbaum, S.E.N.C."
Wasserman Stotland Bratt Grossbaum, S.E.N.C.

Auditors' Report

To the Board of Directors of
Venquest Capital Ltd.

We have audited the balance sheet of **Venquest Capital Ltd.** as at August 23, 2004 and the statements of loss and deficit and cash flows for the period from incorporation on June 21, 2004 to August 23, 2004. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at August 23, 2004 and the results of its operations and its cash flows from incorporation on June 21, 2004 to August 23, 2004 in accordance with Canadian generally accepted accounting principles.

"Wasserman Stotland Bratt Grossbaum, S.E.N.C."
Wasserman Stotland Bratt Grossbaum, S.E.N.C.
Chartered Accountants.

Montreal, Quebec.
August 23, 2004, except note 4
which is as of October 29, 2004.

VENQUEST CAPITAL LTD.

Balance Sheet

| As at | August 23, 2004 |
|------------------------------------|----------------------------|
| | \$ |
| Assets | |
| Current | |
| Cash and cash equivalents (note 2) | 502,427 |
| Liabilities | |
| Current | |
| Accrued liabilities | 5,000 |
| Shareholders' equity | |
| Share capital (note 3) | 502,500 |
| Deficit | (5,073) |
| | 497,427 |
| | 502,427 |

See accompanying notes to financial statements.

Approved on Behalf of the Board:

"Peter M. Kozicz"

Peter M. Kozicz

Director

"Cary L. McWhinnie"

Cary L. McWhinnie

Director

VENQUEST CAPITAL LTD.

Statement of Loss and Deficit

For the period from incorporation on June 21, 2004 to August 23, 2004

| | |
|----------------------------------|-----------------|
| Revenues | \$ - |
| <hr/> | |
| Expenses | |
| Professional fees | 5,000 |
| Interest and bank charges | 73 |
| | <hr/> |
| | 5,073 |
| Net loss and deficit | \$ 5,073 |

See accompanying notes to financial statements.

VENQUEST CAPITAL LTD.

Statement of Cash Flows

For the period from incorporation on June 21, 2004 to August 23, 2004

| | |
|--|-------------------|
| Cash flows from (used in) operating activities | |
| Net loss | \$ (5,073) |
| Increase in accrued liabilities | 5,000 |
| | (73) |
| Cash flows from (used in) financing activities | |
| Issuance of common shares | 525,000 |
| Share issuance costs | (22,500) |
| | 502,500 |
| Net increase in cash and cash equivalents | 502,427 |
| Cash and cash equivalents, beginning of period | - |
| Cash and cash equivalents, end of period (note 2) | \$ 502,427 |

See accompanying notes to financial statements.

VENQUEST CAPITAL LTD.

Notes to Financial Statements

At August 23, 2004

1. Incorporation

The Corporation was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act (Alberta)* on June 21, 2004. The articles of the Corporation were amended by Certificate of Amendment dated September 8, 2004 to delete the restrictions on share transfers.

2. Cash and cash equivalents

Included therein is a guaranteed investment certificate in the amount of \$502,025 bearing interest at a nominal annual rate of return.

3. Share capital

Authorized:

Unlimited number of common voting shares (the "Common Shares") without nominal or par value

Unlimited number of preferred shares without nominal or par value

Issued:

| | Number of Shares | Price Per Share | |
|--|---------------------|--------------------|----------------|
| | # | \$ | \$ |
| • Issuance of shares pursuant to a private placement, and held in escrow (note 3(b)) | 4,200,000 | 0.125 | 525,000 |
| • Share issuance costs | - | | (22,500) |
| | <u>4,200,000</u> | | <u>502,500</u> |

- (a) The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.

VENQUEST CAPITAL LTD.

Notes to Financial Statements

At August 23, 2004

3. Share capital (cont'd.)

- (b) Pursuant to an escrow agreement dated as of July 30, 2004 among the Corporation, CIBC Mellon Trust Company (“CIBC Mellon”) and certain shareholders of the Corporation, 4,200,000 of the issued and outstanding Common Shares have been deposited in escrow. Upon the Corporation completing a Qualifying Transaction, as defined in Policy 2.4 of the TSX Venture Exchange Inc. (“TSX Venture”), Common Shares held pursuant to the escrow agreement shall be released as to 10% immediately following the issuance of the bulletin of TSX Venture announcing final acceptance of the Qualifying Transaction (the “Initial Release”) and an additional 15% every six months commencing six months following the Initial Release.

4. Subsequent events

- (a) The Corporation intends to file a prospectus with the Alberta Securities Commission, British Columbia Securities Commission, Manitoba Securities Commission and the Ontario Securities Commission to issue 5,900,000 Common Shares at a price of \$0.25 per share. Pursuant to an Agency Agreement among the Corporation and Canaccord Capital Corporation (the “Agent”), the Corporation agreed to issue 5,900,000 Common Shares at a price of \$0.25 per share (the “Offering”) and the Corporation appointed the Agent as its Agent for the Offering. The Corporation has agreed to pay the Agent a commission of \$147,500 if the total Offering is sold; a corporate finance fee of \$15,000 plus applicable taxes; and will reimburse the Agent for its legal fees estimated to be \$7,500 plus applicable taxes and disbursements. The Agent will also be granted, if the total Offering is sold, a non-transferable Agent’s option to purchase 590,000 Common Shares at a price of \$0.25 per Common Share, which will expire eighteen (18) months from the date the Common Shares are listed for trading on TSX Venture.
- (b) The Corporation has adopted an incentive stock option plan in accordance with the policies of TSX Venture (the “Stock Option Plan”) which provides that the Board of Directors of the Corporation may from time to time, in its discretion, grant to directors, officers, employees and other key personnel of the Corporation options to purchase Common Shares, provided that the number of Common Shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding Common Shares exercisable for a period of up to five (5) years. The Board of Directors determines the price per Common Share and the number of Common Shares which may be allotted to each director, officer, employee and other key personnel of the Corporation and all other terms and conditions of the option, subject to the rules of TSX Venture.
- (c) The Corporation intends to enter into stock option agreements granting stock options to officers and directors to acquire 1,010,000 Common Shares at a price of \$0.25 per share expiring July 31, 2009 upon the issue of a receipt for the prospectus of the Corporation by the Alberta Securities Commission, British Columbia Securities Commission, Manitoba Securities Commission and the Ontario Securities Commission.

CERTIFICATE OF THE CORPORATION

Dated: October 29, 2004

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* (Alberta), Part 9 of the *Securities Act* (British Columbia), Part VII of the *Securities Act* (Manitoba) and Part XV of the *Securities Act* (Ontario), and the regulations thereunder.

“Stephen R. Shaver”

Stephen R. Shaver
Chief Executive Officer

“Cary L. McWhinnie”

Cary L. McWhinnie
Chief Financial Officer

ON BEHALF OF THE BOARD

“Peter M. Kozicz”

Peter M. Kozicz
Director

“Ronald Prosserman”

Ronald Prosserman
Director

CERTIFICATE OF THE PROMOTERS

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

“Peter M. Kozicz”

Peter M. Kozicz

“Stephen R. Shaver”

Stephen R. Shaver

CERTIFICATE OF THE AGENT

Dated: October 29, 2004

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* (Alberta), Part 9 of the *Securities Act* (British Columbia), Part VII of the *Securities Act* (Manitoba) and Part XV of the *Securities Act* (Ontario), and the regulations thereunder.

CANACCORD CAPITAL CORPORATION

Per: “Douglas A. Doiron”
Douglas A. Doiron