*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 February 24, 2005

# STONECLIFFE CAPITAL INC.

**(a capital pool company)**
**$400,000**
**2,000,000 common shares**
**Price: $0.20 per common share**

The purpose of this offering (the "Offering") is to provide Stonecliffe Capital Inc. (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, 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 made on behalf of the Corporation on a best efforts basis in the Provinces of Alberta, British Columbia and Ontario and is subject to the receipt by the Corporation of subscriptions for a minimum of 2,000,000 common shares of the Corporation (the "Common Shares") at a price of $0.20 per share (the "Offering Price") for gross proceeds to the Corporation of $400,000 (the "Offering Amount"). See "Plan of Distribution". The Offering Price was determined arbitrarily by the directors of the Corporation. The Offering is subject to a minimum subscription which must be 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 and Ontario Securities Commission, as well as agreed to by Wolverton Securities Ltd. (the "Agent"). The funds received from the sale of the Common Shares offered hereunder will be deposited with the Agent, and will not be released until a minimum of the Offering Amount has been deposited. If the minimum subscription 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 40,000 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 80,000 Common Shares.

| | Common Shares | Price to the Public | Agent' Commission(1) | Proceeds to the Corporation(2) |
|---|---|---|---|---|
| Per Common Share | 1 | $0.20 | $0.02 | $0.18 |
| Total Offering(3) | 2,000,000 | $400,000 | $40,000 | $360,000 |

Notes:

(1) Wolverton Securities Ltd. has agreed to act as the agent of the Corporation in connection with the Offering, and will receive a commission of $40,000 if the total Offering is sold. In addition, the Agent will receive a corporate finance fee of $10,000 plus applicable taxes, and will be reimbursed for its legal fees incurred pursuant to this Offering, estimated to be $10,000, plus applicable taxes and disbursements. The Corporation will also grant to the Agent, if the total Offering is sold, a non-transferable option to purchase 200,000

Common Shares, exercisable for period of 18 months from the date of listing of the Common Shares on TSX Venture, at a price of $0.20 per Common Share (the "Agent's Option"), which option is qualified for distribution under this Prospectus. See "Plan of Distribution".

(2) Before deducting expenses of this Offering, estimated to be $30,000, not including the commission, corporate finance fee or legal fees of the Agent.

(3) A total of 2,000,000 Common Shares are offered hereunder, not including the Agent's Option or the incentive stock options to be granted to the directors and officers of the Corporation to purchase an aggregate of 320,000 Common Shares at a price of $0.20 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 Option, 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 authority.

**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 "best efforts" basis as agent on behalf of the Corporation, 2,000,000 Common Shares without nominal or par value at a price of $0.20 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 Borden Ladner Gervais LLP, Calgary, Alberta, on behalf of the Agent, of such legal matters for which approval is specifically sought by the Corporation or the Agent.

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

Wolverton Securities Ltd.
#2100, 335 - 8th Avenue S.W.
Calgary, AB T2P 1C9
Telephone: (403) 263-8800
Facsimile: (403) 269-8881

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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.

**"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 of TSX Venture with respect to that Member firm, Member corporation or holding company.

**"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.

**"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.

**"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.

**"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.

**"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 a members' agreement, as amended from time to time, and 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 Amount”** means $400,000.

**“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 the 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.

**"Related Party Transaction"** has the meaning ascribed to that term under Appendix 5B of the TSX Venture Corporate Finance Manual - Ontario Securities Commission Rule 61-501, and includes a related party transaction that is determined by the Exchange, to be a Related Party Transaction. The Exchange may deem a transaction to be a Related Party Transaction where the transaction involves Non Arm's Length Parties, or other circumstances exist which may compromise the independence of the Issuer with respect to the transaction.

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

**"SEDAR"** means www.sedar.com

**"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.

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

**"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.***

| | |
|---|---|
| **THE CORPORATION:** | Stonecliffe Capital Inc. |
| **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 only identified one potential Qualifying Transaction and has no assets other than a minimum amount of cash. See "Business of the Corporation". |
| **OFFERING:** | An aggregate of 2,000,000 Common Shares are being offered under this Prospectus at a price of $0.20 per Common Share in the provinces of Alberta, British Columbia and Ontario. In addition, the Corporation will also grant the Agent an option to purchase 200,000 Common Shares at a price of $0.20 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 320,000 Common Shares at a price of $0.20 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 $430,000. 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 and 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) $210,000, 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: Keith G. Prosser, President, Chief Executive Officer, Chief Financial Officer and Director; Kirit Gohill, Director; Robert C. Chittick, Director; and Douglas M. Stuve, Corporate Secretary. |

**ESCROWED SHARES:** All of the 1,200,000 currently issued and outstanding Common Shares have been deposited into escrow, pursuant to the terms of an escrow agreement 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 recently incorporated, has no active business and owns no business operations or assets, other than cash, has only identified one 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 18.75% or $0.0375 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. 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. 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 November 15, 2004. The articles of the Corporation were amended by a Certificate of Amendment dated December 17, 2004 to delete the private company provisions and the restrictions on share transfers.

The head office of the Corporation is located at 301, 620 - 12th Avenue S.W., Calgary, Alberta T2R 0H5, 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

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, other than to enter into discussions for the purpose of identifying a potential Qualifying Transaction. 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 $35,000. 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 identified and has had initial discussions with PDN Medical Inc. ("PDN Medical"), a private London, Ontario-based healthcare and consumer products company, as a potential target company for its Qualifying Transaction. PDN Medical was originally incorporated as Aquamed Canada Inc. on June 5, 1998 and then formed by amalgamation on December 1, 2004 under the *Business Corporations Act* (Ontario). PDN Medical is in the business of manufacturing and distributing an innovative line of wound care products to the medical industry, veterinary products, and first aid products to consumers through retail channels.

PDN Medical is currently selling products to the Canadian and, to a limited extent, the United States retail, medical and veterinary markets. PDN Medical entered the Asian market with the export of retail products to Hong Kong in June 2004.

PDN Medical is in the process of applying for approval of its medical line of products from the applicable regulatory authorities in Asia (Ministry of Health) and in Canada through the new Natural Health Product department of Health Canada; and intends to do the same in the United States with the Food and Drug Administration.

PDN Medical's ONE products are over the counter skin treatments.

The ONE-Plus Wound Care line of products are for wound care and burns. PDN Medical began in the medical market segment, distributing and marketing the ONE-Plus Wound Care line of products to nursing homes, doctors' offices and hospitals. ONE Pet Treatment, the veterinary line of PDN Medical products developed in 1999, is currently distributed to veterinary clinics and animal hospitals. PDN Medical subsequently created a new line of consumer products in 2002 called ONE. PDN Medical offers three product categories - ONE for Cuts & Burns, ONE for Baby Bums, and ONE for Sunburns.

PDN Medical has a growing customer base market in North America. Although PDN Medical has a relatively small market share, PDN Medical has two key customers, Wal-Mart Canada and Shoppers Drug Mart, to distribute ONE products. PDN Medical intends to expand product lines and distribution channels in Canada and the United States using these key customers as leverage in the industry.

PDN Medical contract manufactures its products in a Health Canada approved factory located in Toronto, Ontario. PDN Medical believes continued research, development and clinical work will provide for new product development and further penetration into the medical markets.

PDN Medical requires capital for advancement of product development, support of existing distribution channels and for further expansion into other markets. National media campaigns, sampling programs and advertising are necessary to further promote the retail products in Canada and a planned launch into the United States. PDN Medical also requires approximately up to $1 million in capital for debt repayment.

***PDN Medical Management***

The PDN Medical management and research and development team includes:

***Diane P. Padoin***

Mrs. Padoin, age 44, of London, Ontario is the President and Chief Executive Officer of PDN Medical.

Mrs. Padoin is the President, CEO and majority shareholder of PDN Medical. Prior to founding PDN Medical, Mrs. Padoin spent 18 years in the medical and pharmaceutical industry, having held senior management, sales and marketing positions with Proctor & Gamble from 1984 to 1989 and Eli Lilly from 1990 to 1996.

Mrs. Padoin received a Bachelor of Arts degree in Administrative & Commercial Studies from the University of Western Ontario in 1984.

***Michael Jiang***

Mr. Jiang, age 39, of London, Ontario is the Vice-President of Asian Business Development of PDN Medical. Mr. Jiang was born and raised in mainland China and is fluent in English and Mandarin.

Mr. Jiang has over 10 years of experience in the management finance, strategy and planning, and risk analysis in China and the United Kingdom with Sinochem, a ‘Fortune 500’ trading company. Mr. Jiang held the positions of Crude Oil Trader, Crude Division and Finance Manager in the Finance Division of Sinochem International Oil Trading Company in Beijing, China from 1991 to 1995. He held the position of Deputy General Manager of the Strategy & Planning Division of Sinochem in Beijing China from 1995 to 1997. From 1997 to 2001, he was the General Manager of the Finance Division of Sinochem Europe Holdings in London, England. Mr. Jiang also held the position of Credit & Risk Analyst, Bonds & Guarantees Division, of China Export & Credit Insurance Corporation (Sinsure) during the summer of 2002.

Mr. Jiang received a Masters of Economics from the University of International Business & Economics in Beijing, China in 1991. In 1999, he received his Certified General Accountants designation in Vancouver, B.C. Mr. Jiang most recently received a Masters in Business & Administration from the Richard Ivey School of Business, University of Western Ontario in 2003.

***Tony J. Crncich***

Mr. Crncich, age 74, of London, Ontario is also a Strategic Planning and business management Advisor to PDN Medical.

Mr. Crncich, a Pharmacist, was the co-founder and President of Big V Pharmacies. He also held positions of Treasurer and Chairman for Big V Pharmacies. In 1984, he received the Business Achievement Award from the London Chamber of Commerce for Big V Pharmacies. In 2000, Mr. Crncich was inducted into the London Business Hall of Fame (Laureate).

***Significant Conditions and Transaction Size***

The possible Qualifying Transaction would constitute an Arm's Length Qualifying Transaction. Management of the Corporation will evaluate the possible acquisition of PDN Medical after the closing of the Offering. This possible Qualifying Transaction will be subject to due diligence relating to the technology and the legal affairs of PDN Medical. The purchase price will be determined by negotiations between the parties, and will likely be satisfied through the issuance of Common Shares of the Corporation.

The significant conditions required to close the potential Qualifying Transaction are as follows:

(a) the performance by the Corporation of a satisfactory due diligence review of PDN Medical;

(b) the parties to the proposed Qualifying Transaction must agree on the total consideration to be paid for the acquisition of PDN Medical;

(c) approval of the acquisition by the board of directors of both the Corporation and PDN Medical;

(d) the submission of documentation respecting the business of PDN Medical acceptable to the Exchange; and

(e) the completion of additional financing.

This possible Qualifying Transaction will be submitted to the board of directors of the Corporation for approval following the closing of the Offering and if approved, is expected to be approximately four to five months to complete.

## 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, Suspension 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. A CPC Information Circular must be submitted where there is a Non Arm's Length Qualifying Transaction or where shareholder approval is otherwise required. A CPC 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 CPC Information Circular or CPC 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 CPC 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 CPC Filing Statement is available on SEDAR, or

(b) mail the CPC 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 firm of TSX Venture;

  (ii) registrants, unregistered corporate finance professionals, employee shareholders, partners, officers and directors of the member firm; 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 finance company 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 and consent forms 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.

**Keith G. Prosser**

Mr. Prosser, age 47, is the President, Chief Executive Officer, Chief Financial Officer and a Director of the Corporation.

Mr. Prosser is currently the President and sole owner of Meridian Mortgage Corporation ("Meridian"). Meridian has been engaged in the business of bridge lending to the commercial real estate sector in the Province of Alberta since 1999. Mr. Prosser is also currently a Director of Heartwood Capital Corporation, a capital pool company with its shares listed on TSX Venture that has announced its proposed Qualifying Transaction.

Prior to starting Meridian, Mr. Prosser spent approximately twenty years in the financial services industry, having held positions with CIBC, Laurentian Bank of Canada, and was also an Investment Advisor for a short period of time with Rogers & Partners Securities Ltd.

Mr. Prosser received a Bachelor of Arts degree from the University of Western Ontario, in London, Ontario in 1984.

**Robert C. Chittick**

Mr. Chittick, age 54, is a Director of the Corporation.

Since September 1995, Mr. Chittick has been the President of Robert C. Chittick Professional Corp. and a Chartered Accountant with, and a principal of, Chittick & Company, Chartered Accountants. From 1980 until September 1995, Mr. Chittick was a Partner with Antony, Chittick, Bleakley & Hanson, Chartered Accountants. Mr. Chittick is also currently the President, Chief Executive Officer and a Director of Heartwood Capital Corporation, a capital pool company with its shares listed on TSX Venture that has announced its proposed Qualifying Transaction.

Mr. Chittick obtained a Bachelor of Arts degree from the University of Calgary in 1972 and received his designation as a Chartered Accountant in Alberta in 1978.

**Kirit Gohill**

Mr. Gohill, age 54, is a Director of the Corporation.

Mr. Gohill has been involved in the insurance industry over the past 33 years. Mr. Gohill co-founded Bow Valley Insurance Services (2004) Ltd. and its predecessor, and has been the President of the company and its predecessor since 1995. Mr. Gohill is also currently the Chief Financial Officer and a Director of Heartwood Capital Corporation, a capital pool company with its shares listed on TSX Venture that has announced its proposed Qualifying Transaction.

**Douglas M. Stuve**

Mr. Stuve, age 37, is the Corporate Secretary of the Corporation.

Mr. Stuve is a partner with the law firm Burstall Winger LLP of Calgary, Alberta. Prior to joining Burstall Winger LLP in 1993, Mr. Stuve articled in Toronto with Davies Ward & Beck. Mr. Stuve's principal area of practice is corporate finance and securities law, as well as general corporate commercial law. He is a member of the Securities Law and Business Law Subsections of the Canadian Bar Association (Alberta Branch). Mr. Stuve holds a Bachelor of Arts degree (with distinction) from the University of Alberta and a Bachelor of Laws degree (LL.B) from Queen's University, Kingston, Ontario.

Mr. Stuve has served as a member of the advisory committee in Calgary, Alberta to the Canadian Venture Exchange Inc. (the predecessor to TSX Venture) to assist in formulating policy prior to and after its formation in November 1999.

Mr. Stuve has served as a Director and officer of several public companies and is currently a Director of International Technologies Corporation, Yangarra Resources Inc., Cascadia International Resources Inc., Engineering.com Incorporated, Multi-Glass International Corp., Kelso Energy Inc. and Golden Odyssey Mining Inc., all public companies listed on TSX Venture. Mr. Stuve is a past director of Tesoro Energy Corp., a public oil and gas company listed on the Toronto Stock Exchange. Mr. Stuve is also a past Director of Patfind Inc., the first capital pool company offering completed on TSX Venture (that changed its name to Engineering.com Incorporated), as well as Canadian Public Venture Capital I Inc., two capital pool companies that completed their Qualifying Transactions.

## 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 $520,000.

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) | $ 120,000 |
| Cash Proceeds from this Offering(2) | $ 400,000 |
| Total Proceeds | **$ 520,000** |
| Commission, Corporate Finance Fee and Legal Expenses of the Agent(3) | ($ 60,000) |
| Legal, Accounting and Other Expenses Relating to the Offering(4) | ($ 30,000) |
| Estimated Funds Available on Completion of the Offering | $ 430,000 |
| Funds Available for Identifying and Evaluating Companies, Assets or Business Prospects(5) | $ 364,000 |
| General and Administrative Expenses until Completion of a Qualifying Transaction | $ 66,000 |
| Total Use of Proceeds | $ 430,000 |

Notes:

(1) See “Prior Sales”.

(2) In the event the Agent exercise the Agent’s Option or the holders exercise the Incentive Stock Options, there will be available to the Corporation a maximum of an additional $104,000 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, $20,000 has been incurred or accrued to date.

(4) Of this amount, $15,000 has been accrued to date.

(5) In the event that the Corporation enters into an Agreement in Principle prior to spending the entire $364,000 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 thereof 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 - 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:

(a) valuations or appraisals;

(b) business plans;

(c) feasibility studies and technical assessments;

(d) sponsorship reports;

(e) engineering or geological reports;

(f) financial statements, including audited financial statements; and

(g) 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 by the Corporation 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) $210,000, 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 agent's 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 related 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 and Agent's Compensation

Pursuant to an agency agreement dated February 18, 2005 (the "Agency Agreement") between the Corporation and the Agent, the Corporation has appointed the Agent as its agent to offer for distribution on a best efforts basis, in the Provinces of Alberta, British Columbia and Ontario to the public, an aggregate of 2,000,000 Common Shares, at a price of $0.20 per Common Share, subject to the terms and conditions in the Agency Agreement. The Agent will receive a commission of 10% of the gross proceeds of the Offering in an aggregate amount of $40,000. In addition, the Corporation will pay to the Agent a corporate finance fee of $10,000, plus applicable taxes, and will reimburse the Agent for their legal fees incurred pursuant to the Offering, estimated to be $10,000, 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 Option to purchase up to 200,000 Common Shares at a price of $0.20 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 Option 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 intend to sell to the public any Common Shares received by them upon the exercise of the Agent's Option.

### Other Securities to be Distributed

The Common Shares to be issued upon the exercise of the Agent's Option and the Incentive Stock Options will be issued in addition to the 2,000,000 Common Shares being offered pursuant to this Prospectus, and the Agent's Option and the Incentive Stock Options will be qualified for distribution under this Prospectus.

## Offering and Distribution and Determination of Price

The Agent has agreed to use their 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 2,000,000 Common Shares for total gross proceeds of $400,000. 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 40,000 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 80,000 Common Shares.

The funds received from the Offering hereunder will be deposited with the Agent, and will not be released until a minimum of $400,000 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 and 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.

The Offering Price of $0.20 per Common Share was established arbitrarily by the Board of Directors of the Corporation.

## 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 their knowledge and belief, neither they, nor any of their 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 Option, 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 authority.

## 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, 1,200,000 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 200,000 Common Shares are reserved for issuance upon exercise of the Agent's Option. 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

| Capital | Authorized | Outstanding as at December 15, 2004(1)(2)(3) | Outstanding as at the Date Hereof(2)(3) | Outstanding After Giving Effect to the Offering(2)(3) |
|---|---|---|---|---|
| Common Shares | Unlimited | $120,000 (1,200,000 Common Shares) | $120,000 (1,200,000 Common Shares) | $520,000(4) (3,200,000 Common Shares) |
| Preferred Shares | Unlimited | Nil | Nil | Nil |

Notes:

(1) The deficit of the Corporation as at December 15, 2004, the date of the balance sheet of the Corporation included in this Prospectus, is nil

(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 320,000 Common Shares. See "Incentive Stock Options".

(3) The Corporation has also reserved for issuance up to 200,000 Common Shares upon exercise of the Agent's Option. 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 any one consultant 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 and Ontario Securities Commission for this Prospectus, and in any event within 90 days of the issuance of a receipt for this Prospectus, as follows:

| Name | Number of Common Shares Under Option | Exercise Price Per Common Share | Expiry Date |
|---|---|---|---|
| Kismet Holdings Inc.[(1)] | 128,000 | \$0.20 | November 30, 2009 |
| Robert C. Chittick | 128,000 | \$0.20 | November 30, 2009 |
| Kirit Gohill | 51,000 | \$0.20 | November 30, 2009 |
| Douglas M. Stuve | 13,000 | \$0.20 | November 30, 2009 |
| Total | 320,000 | | |

Note:

(1) Kismet Holdings Inc. is a private company wholly-owned by Keith G. Prosser.

The Incentive Stock Options to be granted to the directors and officers to purchase an aggregate of 320,000 Common Shares at a price of \$0.20 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:

| Date | Number of Common Shares | Issue Price Per Common Share | Aggregate Issue Price | Nature of Consideration Received |
|---|---|---|---|---|
| November 15, 2004 | 1,200,000[(1)] | $0.10 | $120,000 | Cash |

Note:

(1) On February 4, 2005, an aggregate of 50,000 of these Common Shares were transferred to Douglas M. Stuve.

The 1,200,000 Common Shares issued at a price of $0.10 per share will be held in escrow. See "Escrowed Securities".

## ESCROWED SECURITIES

All Common Shares issued prior to this Offering at a price below $0.20 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 Olympia Trust Company under an escrow agreement dated as of February 4, 2005 (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 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 Outstanding Prior to the Offering | Percentage of Shares After Giving Effect to the Offering[(1)] |
|---|---|---|---|
| Kismet Holdings Inc.[(2)] | 480,000 | 40% | 15% |
| Robert C. Chittick | 480,000 | 40% | 15% |
| Kirit Gohill | 190,000 | 15.8% | 5.9% |
| Douglas M. Stuve | 50,000 | 4.2% | 1.6% |
| Total | 1,200,000 | 100% | 37.5% |

Notes:

(1) Assuming the shareholders who are a party to the Escrow Agreement do not acquire any Common Shares pursuant to the Offering.

(2) Kismet Holdings Inc. is a private company wholly-owned by Keith G. Prosser.

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 Olympia Trust Company 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 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 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)] |
|---|---|---|---|---|
| Keith G. Prosser<br>Calgary, Alberta | Indirect[(3)] | 480,000[(4)] | 40% | 15% |
| Robert C. Chittick<br>Calgary, Alberta | Direct | 480,000[(4)] | 40% | 15% |
| Kirit Gohill<br>Calgary, Alberta | Direct | 190,000[(5)] | 15.8% | 5.9% |

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) These Common Shares are owned by Kismet Holdings Inc., a private company wholly-owned by Keith G. Prosser.

(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, 608,000 Common Shares representing 16.3% of the issued and outstanding Common Shares, calculated on a fully diluted basis.

(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, 241,000 Common Shares representing 6.5% of the issued and outstanding Common Shares, calculated on a fully diluted basis.

As at the date hereof, the 1,200,000 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 1,200,000 Common Shares representing approximately 37.5% 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 |
|---|---|---|
| Keith G. Prosser[(1)]<br>Calgary, Alberta<br>President, Chief Executive Officer, Chief Financial Officer and Director | President and sole owner of Meridian Mortgage Corporation. | 480,000[(2)] |

| Name, Municipality of Residence and Position | Present Occupation and Position During the Last Five Years | Number of Common Shares |
|---|---|---|
| Robert C. Chittick[(1)]<br>Calgary, Alberta<br>Director | President of Robert C. Chittick Professional Corp. and a Chartered Accountant with, and a principal of, Chittick & Company, Chartered Accountants. | 480,000 |
| Kirit Gohill[(1)]<br>Calgary, Alberta<br>Director | President of Bow Valley Insurance Services (2004) Ltd. since June 2004; prior thereto the President of its predecessor Bow Valley Insurance Services (1992) Ltd. | 190,000 |
| Douglas M. Stuve<br>Calgary, Alberta<br>Corporate Secretary | Partner with Burstall Winger LLP, Barristers & Solicitors. | 50,000 |

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 Kismet Holdings Inc., a private company wholly-owned by Keith G. Prosser.

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 Mr. Prosser will dedicate approximately 10% of his working time and attention to the business activities of the Corporation and that the balance of the directors and officers 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 disclosed below, in 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 its assets. See "Positions with Reporting Issuers".

No director, senior officer, executive officer or principal shareholder of the Corporation, or a personal holding company of any such persons, has been declared bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets.

## 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 1,200,000 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 1,200,000 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 37.5% 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 issuers that are or were reporting issuers in other Canadian jurisdictions:

| Name | Name of Reporting Issuer | Name of Exchange or Market | Position | From | To |
|---|---|---|---|---|---|
| Robert C. Chittick | Xceleron Inc. [(1)] | TSX Venture | President, Chief Executive Officer and Director | November 2000 | January 2004 |
| | NTG Clarity Networks Inc.[(2)] (Formerly Clarity Telecom Networking Inc.) | TSX Venture | Chief Financial Officer | June 2000 | September 2001 |
| | Heartwood Capital Corporation | TSX Venture | President, Chief Executive Officer and Director | June 2003 | Present |
| Kirit Gohill | Neptune Capital Corp.[(3)] | TSX Venture | Director | October 2000 | August 2003 |
| | Vector Intermediaries Inc.[(4)] | TSX Venture | Director | September 1994 | December 1999 |
| | Vector Intermediaries Inc.[(4)] | TSX Venture | Vice-President, Alberta Region | January 1998 | June 2004 |
| | Hi-Alta Capital Inc.[(5)] | TSX Venture | Director | April 1997 | June 1997 |
| | Heartwood Capital Corporation | TSX Venture | Chief Financial Officer and Director | June 2003 | Present |
| Keith G. Prosser | Heartwood Capital Corporation | TSX Venture | Director | June 2003 | Present |
| | Western Pacific Trust Company | TSX Venture | Director of Subsidiary (Western Equity Loans Ltd.) | March 2003 | May 2004 |
| Douglas M. Stuve | Engineering.com Incorporated (formerly Patfind Inc.) | TSX Venture | Director | November 1999 | Present |
| | Multi-Glass International Corp. | TSX Venture | Director | May 1999 | Present |
| | Kelso Energy Inc. (formerly Thistletown Capital Inc.) | TSX Venture | Director | October 2000 | Present |
| | Northline Energy Services Inc. | TSX Venture | Director | October 1999 | January 2000 |
| | Netco Energy, Inc. (formerly Green River Holdings Inc.) | TSX Venture | Director | June 1998 | July 2001 |
| | EcomPark Inc. (formerly Storage One Inc.) | TSX Venture | Secretary | May 1999 | March 2000 |
| | TRI Communication Solutions, Inc. | TSX Venture | Secretary | February 2001 | November 2001 |
| | Sylogist Ltd. | TSX Venture | Secretary | June 2002 | January 2004 |
| | Tesoro Energy Corp. | TSX | Director | July 2000 | February 2004 |
| | Pentland Firth Ventures Ltd. | TSX | Secretary | March 2000 | July 2001 |
| | Yangarra Resources Inc. | TSX Venture | Director | June 2003 | Present |
| | Canadian Public Venture Capital I Inc. | TSX Venture | Director | February 2003 | June 2004 |
| | International Technologies Corporation | TSX Venture | Director | November 2003 | Present |
| | Damian Capital Corp. | TSX Venture | Secretary | March 2004 | Present |
| | Colonia Corporation | TSX Venture | Director | April 2004 | Present |
| | Cascadia International Resources Inc. | TSX Venture | Director | July 2003 | Present |
| | Pelorus Energy Corp. (formerly Pelorus Navigation Systems Inc.) | TSX Venture | Director | August 2003 | December 2004 |
| | Golden Odyssey Mining Inc. | TSX Venture | Director | April 2004 | Present |

Notes:

(1) On March 3, 2003, trading in the shares of Xceleron Inc. (“Xceleron”) were suspended and halted for failing to complete a Qualifying Transaction within 18 months of its listing on the Exchange. On April 30, 2003, Xceleron announced that it had entered into a letter of intent with Thrust Capital Corp. and Zaio Canada Inc. whereby the parties thereto would amalgamate (the “Proposed Qualifying Transaction”), which upon completion would constitute Xceleron’s Qualifying Transaction. On November 28, 2003, the parties to the Proposed Qualifying Transaction announced the addition of Advent Energy Capital Inc. to the amalgamation and that the parties had signed an amalgamation agreement. On February 20, 2004 the Proposed Qualifying Transaction was completed and the shares now trade under the name of Zaio Canada Inc.

(2) Clarity Telecom Networking Inc. was a capital pool company that completed its Qualifying Transaction and changed its name to NTG Clarity Networks Inc. in March 2001.

(3) On March 11, 2003, trading in the shares of Neptune Capital Corporation (“Neptune”) were suspended and halted for failing to complete a Qualifying Transaction within 18 months of its listing on the Exchange. On August 20, 2003, the Exchange issued a bulletin announcing that Neptune had completed its Qualifying Transaction.

(4) On June 20, 2003, Vector Intermediaries Inc. was cease traded for failure to file financial statements. As of the date hereof, the cease trade order remains in effect. During the time Mr. Gohill was an officer, Vector Intermediaries Inc. had a receiver appointed over its assets.

(5) Hi-Alta Capital Inc. changed its name to Western Financial Group Inc. in May 2002.

## 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 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

Keith G. Prosser may be considered to be the promoter of the Corporation in that he took the initiative in founding and organizing the Corporation. The promoter has subscribed for 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 February 4, 2005 among the Corporation, Olympia Trust Company and certain shareholders of the Corporation. See "Escrowed Securities".

2. The Agency Agreement dated February 18, 2005 between the Corporation and the Agent. See "Plan of Distribution".

3. A registrar and transfer agency agreement dated as of November 30, 2004 between the Corporation and Olympia Trust Company. 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 18.75% or $0.0375 per Common Share on the basis of there being 3,200,000 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 18.75% or $0.0375 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.

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 auditor of the Corporation is Hudson & Company LLP, Chartered Accountants, Suite 300, 625 - 11th Avenue S.W., Calgary, Alberta T2R 0E1.

Olympia Trust Company, through its principal offices at Suite 2300, 125 - 9th Avenue S.E., Calgary, Alberta T2G 0PG, 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 own 50,000 Common Shares, and may subscribe for Common Shares pursuant to the Offering.

The partners and associates of Hudson & Company LLP, Chartered Accountants, do not own any Common Shares.

## RELATIONSHIP BETWEEN THE CORPORATION AND THE AGENT

The Agent for the Offering are Wolverton Securities Ltd., Suite 2100, 335 - 8th Avenue S.W., Calgary, Alberta T2P 1C9. Legal counsel to the Agent is Borden Ladner Gervais LLP, Barristers & Solicitors Suite 1000, 400 - 3rd Avenue S.W., Calgary, Alberta T2P 4H2.

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

The partners and associates of Borden Ladner Gervais LLP, do not own any Common Shares.

## 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.

## AUDITOR'S CONSENT

We have read the prospectus of Stonecliffe Capital Inc. (the "Corporation") dated February 24, 2005 relating to an offering of 2,000,000 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 December 15, 2004 and the statement of cash flows for the period ended December 15, 2004, which report is dated December 21, 2004.

*"Hudson & Company LLP"*

Calgary, Alberta
February 24, 2005

**HUDSON & COMPANY LLP**
**Chartered Accountants**

## FINANCIAL STATEMENTS OF THE CORPORATION

### Auditor's Report

To the Board of Directors of
**Stonecliffe Capital Inc.**

We have audited the balance sheet of **Stonecliffe Capital Inc.** (the "Corporation") and cash flows as at December 15, 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 have 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 these 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 December 15, 2004 and the results of its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

***"Hudson & Company LLP"***

**HUDSON & COMPANY LLP**
**Chartered Accountants**

Calgary, Alberta
December 21, 2004, except note 6
which is as of February 24, 2005.

**STONECLIFFE CAPITAL INC.**
**Balance Sheet**

DECEMBER 15, 2004

**ASSETS**

| | | |
|---|---|---|
| CURRENT | | |
| Cash | $ | 116,990 |
| DEFERRED COSTS (note 3) | | 35,010 |
| | $ | 152,000 |

**LIABILITIES**

| | | |
|---|---|---|
| CURRENT | | |
| Accounts payable | $ | 32,000 |

**SHAREHOLDERS' EQUITY**

| | | |
|---|---|---|
| SHARE CAPITAL (note 4) | | 120,000 |
| | $ | 152,000 |

**Approved on Behalf of the Board:**

*"Keith G. Prosser"* Director
Keith G. Prosser

*"Kirit Gohill"* Director
Kirit Gohill

**STONECLIFFE CAPITAL INC.**
**Statement of Cash Flows**

| PERIOD ENDED DECEMBER 15, 2004 | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Net earnings | $ - |
| Changes in non-cash working capital item | |
| Accounts payable | 32,000 |
| | 32,000 |
| **CASH FLOWS FROM INVESTING ACTIVITY** | |
| Deferred costs | (35,010) |
| **CASH FLOWS FROM FINANCING ACTIVITY** | |
| Issuance of share capital | 120,000 |
| **CHANGE IN CASH POSITION** | 116,990 |
| **CASH, beginning of period** | - |
| **CASH, end of period** | $ 116,990 |

**STONECLIFFE CAPITAL INC.**
**Notes to the Financial Statements**

DECEMBER 15, 2004

1. **NATURE OF OPERATIONS**

Stonecliffe Capital Inc. (the "Corporation") was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on November 15, 2004. The Corporation is classified as a capital pool company as defined pursuant to the TSX Venture Exchange Inc. Policy 2.4. The Corporation proposes to identify and evaluate corporations, businesses or assets for acquisition and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval.

The Corporation has not commenced operations and as a result no statements of earnings nor retained earnings are presented in these financial statement.

2. **SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared using the historical cost basis in accordance with Canadian generally accepted accounting principles. These financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows:

**Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are deferred costs and accounts payable.

**Cash**

Cash consists of balances with financial institutions.

**Deferred costs**

Direct costs incurred to prepare the prospectus and perform the public offering have been deferred. Upon completion of this transaction a charge to share capital will be done for the balance. Failure to complete the offering will result in a charge to earnings.

**Future income taxes**

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

**STONECLIFFE CAPITAL INC.**
**Notes to the Financial Statements**

DECEMBER 15, 2004

2. **SIGNIFICANT ACCOUNTING POLICIES, continued**

**Stock-based compensation**

The Corporation has a stock-based compensation plan, which is described in note 4. Awards of options under this plan are expensed based on the fair value of the options at the grant date. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

3. **DEFERRED COSTS**

The deferred costs consist of the following:

| | | |
|---|---|---|
| Financing fee and expenses retainer | $ | 20,000 |
| Professional fees and other costs | | 15,010 |
| | $ | 35,010 |

4. **SHARE CAPITAL**

a) Authorized with an unlimited number of the following:

Common voting shares without nominal or par value.
Preferred shares, without nominal or par value, issuable in series.

b) Issued

| | Issued | | Amount |
|---|---|---|---|
| Common shares issued for cash | 1,200,000 | $ | 120,000 |

On November 15, 2004, the Corporation issued 1,200,000 common shares at a price of $0.10 per share for proceeds of $120,000.

c) Escrowed shares

Under the requirements of the TSX Venture Exchange Inc., the 1,200,000 common shares held by related parties will be held in escrow and 10% will be released upon the issuance of the bulletin announcing the acceptance of the Corporation's qualifying transaction (the "initial release") and 15% thereafter on each of the 6, 12, 18, 24, 30, 36 months following the initial release.

**STONECLIFFE CAPITAL INC.**
**Notes to the Financial Statements**

DECEMBER 15, 2004

4. **SHARE CAPITAL, continued**

d) Stock options

The Corporation has adopted an incentive stock option plan whereby options may be granted from time to time to directors, officers, employees and consultants to the Corporation with common shares to be reserved for issuance as options not to exceed 10% of the issued and outstanding common shares. The Corporation intends to grant an aggregate of 320,000 options to purchase common shares, exercisable at a price of $0.20 per share for a period of five years from the date of grant, expected to be the date on which a receipt is issued for the final Prospectus as outlined in note 6. The stock option plan and the granting of options are subject to regulatory approval.

5. **FINANCIAL INSTRUMENTS**

The Corporation's financial instruments consist of cash and accounts payable. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximate their carrying values.

6. **SUBSEQUENT EVENTS**

The Corporation intends to file a Prospectus with the Alberta Securities Commission, British Columbia Securities Commission and the Ontario Securities Commission to issue 2,000,000 Common Shares at a price of $0.20 per share. Pursuant to an Agency Agreement between the Corporation and Wolverton Securities Ltd. (the "Agent"), the Corporation has agreed to issue 2,000,000 Common Shares at a price of $0.20 per share (the "Offering") and the Corporation has appointed the Agent as its agent for the Offering. The Corporation has agreed to pay the Agent a commission of $40,000 if the total Offering is sold; a corporate finance fee of $10,000; and will reimburse the Agent for their legal fees estimated to be $10,000, plus disbursements and applicable taxes. The Agent will also be granted, if the total Offering is sold, a non-transferable Agent's option to purchase 200,000 Common Shares at a price of $0.20 per Common Share, which will expire eighteen months from the date the Common Shares are listed for trading on TSX Venture Exchange Inc.

## CERTIFICATE OF THE CORPORATION

Dated: February 24, 2005

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) and Part XV of the *Securities Act* (Ontario), and the regulations thereto.

*"Keith G. Prosser"*
Keith G. Prosser
Chief Executive Officer and Chief Financial Officer

## ON BEHALF OF THE BOARD

| | |
|---|---|
| *"Kirit Gohill"* | *"Robert C. Chittick"* |
| Kirit Gohill | Robert C. Chittick |
| Director | Director |

## CERTIFICATE OF THE PROMOTERS

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

*"Keith G. Prosser"*
Keith G. Prosser

## CERTIFICATE OF THE AGENT

Dated: February 24, 2005

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) and Part XV of the *Securities Act* (Ontario), and the regulations thereto.

**WOLVERTON SECURITIES LTD.**

Per: *"Brent N. Wolverton"*
Brent N. Wolverton