

*A copy of this preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces of Alberta, British Columbia and Nova Scotia and with the TSX Venture Exchange Inc. but has not yet become final for the purposes of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the Alberta, British Columbia and Nova Scotia securities commissions.*

*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.*

## PRELIMINARY PROSPECTUS

Initial Public Offering

December 20, 2005

### **BIRCHPOINT CAPITAL INC.** (a capital pool company)

**\$250,000**  
**1,250,000 Common Shares**

Price: \$0.20 per Common Share

Birchpoint Capital Inc. (the "**Corporation**") hereby offers through its agent, Blackmont Capital Inc. (the "**Agent**"), 1,250,000 common shares in the capital of the Corporation (the "**Common Shares**") for sale to the public at a price of \$0.20 per share. The purpose of this offering (the "**Offering**") is to provide the Corporation with a minimum of funds with which to identify and evaluate 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. (the "**Exchange**") and, in the case of a Non Arm's Length Qualifying Transaction, as hereinafter defined, must also receive Majority of the Minority Approval, as hereinafter defined, in accordance with Exchange Policy 2.4 (the "**CPC Policy**"). The Corporation is a Capital Pool Company ("**CPC**"). It has not commenced commercial operations and has no assets other than a minimum amount of cash. Except as specifically contemplated in the CPC Policy, until the Completion of the Qualifying Transaction, the Corporation will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a proposed Qualifying Transaction. See "Business of the Corporation" and "Use of Proceeds".

	<u>Common Shares</u>	<u>Price to Public</u>	<u>Agent's Commission<sup>(1)</sup></u>	<u>Proceeds to Corporation<sup>(2)</sup></u>
Per Common Share	1	\$0.20	\$0.02	\$0.18
Total Offering	1,250,000	\$250,000	\$25,000	\$225,000

Notes:

- (1) A commission of 10% of the gross proceeds of the Offering will be paid to the Agent. The Agent has been paid a due diligence administration fee of \$10,000 plus GST and will be reimbursed by the Corporation for its expenses, including legal fees, estimated at \$10,000, of which \$5,000 has been paid. The Agent will also be granted the Agent's Option referred to below. See "Plan of Distribution - Agency Agreement and Agent's Compensation".
- (2) Before deducting the costs of this issue estimated at \$54,788, which includes legal and audit fees and other expenses of the Corporation estimated at \$22,500, Agent's expenses and legal fees (including GST and disbursements) estimated at \$22,000, and the estimated listing fee of \$6,688 payable to the Exchange and filing fees of \$3,600 payable to the respective Commissions. See "Use of Proceeds".

This Offering is made on a best commercial efforts basis by the Agent and is subject to a minimum subscription of 1,250,000 Common Shares for gross proceeds to the Corporation of \$250,000. The offering price of the Common Shares was determined by negotiation between the Corporation and the Agent. All funds received from subscriptions for Common Shares will be held by the Agent pursuant to the terms of the Agency Agreement between the Corporation and the Agent. If the minimum subscription is not raised within 90 days of the issuance of a receipt for the final prospectus or such other time as may be consented to by persons or companies who subscribed

within that period, all subscription monies will be returned to subscribers without interest or deduction, unless the subscribers have otherwise instructed the Agent.

Pursuant to the Agency Agreement, the Agent will be granted a non-transferable option (the "**Agent's Option**") to purchase up to 125,000 Common Shares (the "**Agent's Shares**") equal to 10% of offered securities sold at a price of \$0.20 per Agent's Share, and expiring 24 months from the date the Corporation's shares are listed on the Exchange. The grant of the Agent's Option is qualified under this prospectus. See "Agency Agreement and Agent's Compensation". In addition, and subject to regulatory approval, the Corporation intends to grant options to purchase 500,000 Common Shares under the Corporation's share option plan. The grant of these options is also qualified under this prospectus. See "Share Options".

Other than the initial distribution of the Common Shares pursuant to this prospectus, the grant of the Agent's Option and the grant of options to the directors and officers of the Corporation, trading in all securities of the Corporation is prohibited during the period between the date a receipt for this preliminary prospectus is issued by the Alberta, British Columbia and Nova Scotia securities commissions and the time the Common Shares are listed for trading except, subject to prior acceptance of the Exchange, where appropriate registration and prospectus exemptions are available under securities legislation or where the applicable securities commission grants a discretionary order.

The Corporation has applied to list its Common Shares on the Exchange. Listing will be subject to the Corporation fulfilling all the listing requirements of the Exchange.

**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".**

**There is no market through which the Common Shares offered by this prospectus may be sold and purchasers may not be able to dispose of them on a timely basis. Upon completion of this Offering, purchasers will suffer an immediate dilution (based on the gross proceeds from this and prior issues without deduction of selling and related expenses) per Common Share of \$0.08 or 40%. The Corporation was only recently incorporated and does not currently own any assets other than cash. The business objective of the Corporation is to identify and evaluate assets or businesses with a view to completing a Qualifying Transaction which receives Exchange approval and in the case of a Non Arm's Length Qualifying Transaction, Majority of the Minority Approval of the Corporation's shareholders; however, there can be no assurance that the Corporation will successfully complete a Qualifying Transaction. The Corporation has commenced the process of identifying potential acquisitions, but to date, the Corporation has not identified any potential acquisitions. The Corporation may determine that current markets, terms of acquisition, or pricing conditions make such potential acquisitions uneconomic. The Corporation has not entered into an Agreement in Principle, as hereinafter defined. The Corporation may find that even if the terms of a potential acquisition are economic, the Corporation may not be able to finance such acquisition and additional funds may be required. Since the Corporation has not placed any geographical restrictions on the location of a Qualifying Transaction, such Qualifying Transaction may involve the acquisition of a business located outside of Canada and, as such, investors should be aware that it may be difficult or may not be possible to effect service or notice to commence legal proceedings upon any directors, officers and experts outside of Canada and that it may not be possible to enforce against such persons or the Corporation, judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada. Where the investment or acquisition is financed by the issuance of shares from the Corporation's treasury, control of the Corporation may change and shareholders may suffer further dilution of their investment. The Corporation will be in competition with other entities with greater resources. The Corporation has neither a history of earnings nor has it paid any dividends and it is unlikely to generate earnings or pay dividends in the immediate or foreseeable future. The Exchange may suspend from trading or delist the Common Shares where the Corporation has failed to complete a Qualifying Transaction within 24 months of the date of listing. In addition, delisting of the Common Shares may result in the cancellation of all or some of the Common Shares of the Corporation owned by Non Arm's Length Parties, as hereinafter defined, issued prior to this Offering. Investors must rely solely on the expertise of the Corporation's Promoters, as hereinafter defined, directors and officers for any possible return on their investment. The Corporation's Promoters, directors, officers and Control Persons, as hereinafter defined, and their Associates, as hereinafter defined,**

**and Affiliates, as hereinafter defined, as a group, beneficially own or control, directly or indirectly, 4,800,000 Common Shares, which represents 96% of the issued and outstanding Common Shares before giving effect to this Offering and approximately 77% of the issued and outstanding Common Shares after giving effect to this Offering. The directors and officers of the Corporation will only devote part of their time 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. See "Capitalization", "Dilution", "Business of the Corporation", "Directors, Officers and Promoters", "Use of Proceeds", "Conflicts of Interest", and "Risk Factors".**

Blackmont Capital Inc., as agent, offers these Common Shares, on a best commercial efforts basis, if, as and when subscriptions are accepted by the Corporation, subject to prior sale, in accordance with the terms and conditions of the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters by Fraser Milner Casgrain LLP, on behalf of the Corporation and by Anfield Sujir Kennedy & Durno, on behalf of the Agent.

Pursuant to the CPC Policy, no purchaser of the Common Shares is permitted to directly or indirectly purchase more than 2% or 25,000 (\$5,000) of the total Common Shares offered under this prospectus. In addition, the maximum number of Common Shares that may directly or indirectly be purchased by that purchaser, together with any Associates or Affiliates of that purchaser, is 4% or 50,000 (\$10,000) of the total number of Common Shares offered under this prospectus.

Upon completion of the Offering, the Corporation must have a minimum of 200 shareholders with each shareholder beneficially owning at least 1,000 Common Shares free of resale restrictions exclusive of any Common Shares held by Non Arm's Length Parties to the Corporation.

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

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## GLOSSARY

"**Affiliate**" means a company that is affiliated with another company as described below:

A company is an "Affiliate" of another company if:

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

A company is "controlled" by a Person if:

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

A Person beneficially owns securities that are beneficially owned by:

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

"**Agency Agreement**" means the agency agreement dated December 20, 2005 among the Corporation and the Agent.

"**Agent**" means Blackmont Capital Inc.

"**Agent's Option**" means the non-transferable option to be granted by the Corporation to the Agent entitling the Agent to acquire 125,000 Common Shares (the "**Agent's Shares**") of the Corporation equal to 10% of the number of common shares sold pursuant to the Offering at an exercise price of \$0.20 per Agent's Share, expiring 24 months from the date of listing of the Common Shares on the Exchange.

"**Agent's Share**" means Common Shares acquired upon exercise of the Agent's Option.

"**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, means:

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

but:

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

"**CDNX**" means the Canadian Venture Exchange Inc., a predecessor of the Exchange.

"**Commissions**" means the Alberta Securities Commission, the British Columbia Securities Commission and the Nova Scotia Securities Commission.

"**Common Shares**" means the common shares in the share capital of the Corporation, which are single voting common shares of the Corporation.

"**company**" unless specifically indicated otherwise, means a corporation, unincorporated 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 that holds or is one of a combination of Persons 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.

"**Corporation**" means Birchpoint Capital Inc., a corporation incorporated under the *Business Corporations Act* (Alberta), having an office in the City of Calgary, in the Province of Alberta.

"**CPC**" means a corporation:

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

"**CPC Policy**" means Policy 2.4 of the Exchange's *Corporate Finance Manual*.

"**Escrow Agreement**" means the escrow agreement dated ●, 2005 among the Corporation, Computershare Trust Company of Canada and the founding shareholders of the Corporation.

**"Exchange"** or **"TSXV"** means the TSX Venture Exchange Inc.

**"Final Exchange Bulletin"** means the Exchange bulletin 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.

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

**"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 the Qualifying Transaction by the majority of the votes cast by shareholders, other than:

- (a) Non Arm's Length Parties to the CPC;
- (b) Non Arm's Length Parties to the Qualifying Transaction; and
- (c) in the case of a Related Party Transaction:
  - (i) if the CPC holds its own shares, the CPC; and
  - (ii) a Person acting jointly or in concert with a Person referred to in paragraph (a) or (b) in respect of the transaction;

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

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

**"Members' Agreement"** means the members' agreement among the Exchange and each Person who, from time to time, is accepted as and becomes a member of the Exchange under the Exchange requirements.

**"Minimum Listing Requirements"** means the minimum financial, distribution and other standards that must be met by applicants seeking a listing on a particular tier of the Exchange.

**"NEX"** means the market on which former Exchange and TSX Issuers that do not meet Exchange tier maintenance requirements for tier 2 Issuers may continue to trade.

**"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 Party"** means:

- (a) 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; and
- (b) 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 Qualifying Transaction"** means a proposed Qualifying Transaction where the same party or parties or their respective Associates or Affiliates are Control Persons in both the CPC and in relation to the Significant Assets which are to be the subject of the proposed Qualifying Transaction.

**"Offering"** means the offering of Common Shares in accordance with the terms of this prospectus.

**"Person"** means a company or individual.

**"Principal"** means:

- (a) a Person who acted as a Promoter of the Issuer within two years before the 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 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; and
- (d) a 10% holder - a Person 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
  - (i) 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, more than 50% held by one or more Principals will be treated as a Principal and in calculating this percentage, securities of the entity that may be issued to the Principals under outstanding convertible securities are to be included in both the Principals' securities of the entity and the total securities of the entity outstanding.

A Principal's spouse and their relatives that live at the same address as the Principal will also be treated as Principals.

**"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 - 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.

**"Seed Capital"** or **"Seed Shares"** means securities issued before an Issuer's IPO.

**"SEDAR"** means System for Electronic Document Analysis and Retrieval.

**"Significant Assets"** means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions, would result in the CPC meeting the Minimum Listing Requirements.

**"Sponsor"** means a Member that meets the criteria specified in the Exchange Policy 2.2 which has an agreement with an Issuer to undertake the functions of sponsorship as required by that policy and various other Exchange policies.

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

**"TSX"** means the Toronto Stock Exchange.

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

## PROSPECTUS SUMMARY

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

**Business of the Corporation:** The principal business of the Corporation will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. The Corporation has not commenced commercial operations and has no assets other than a minimal amount of cash. The Corporation has not identified any potential acquisitions. An acquisition financed by the issuance of treasury shares could result in a change in control of the Corporation and may cause the shareholders' interests in the Corporation to be reduced. See "Business of the Corporation".

**Offering:** A total of 1,250,000 Common Shares are being offered under this prospectus at a price of \$0.20 per Common Share. In addition, the Corporation will grant as commission an option to the Agent to purchase 125,000 Common Shares at an exercise price of \$0.20 per Agent's Share which will be exercisable for a period of 24 months from the date of listing of the Common Shares on the Exchange. The grant of this option is qualified under this prospectus. The Agent's Shares equal 10% of the number of Common Shares sold in the Offering. The Corporation also intends to grant options to purchase an aggregate of 500,000 Common Shares to directors and officers under the Corporation's share option plan. The grant of all of these options is also qualified under this prospectus. See "Plan of Distribution" and "Share Options".

**Use of Proceeds:** The net proceeds to the Corporation from the Offering will be \$225,000. The net proceeds of this Offering will be used to provide the Corporation with a minimum of funds with which to identify and evaluate assets or businesses for acquisition with a view to completing a Qualifying Transaction. The Corporation may not have sufficient funds to secure such businesses or assets 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 30% of the gross proceeds realized or \$210,000 may be used for purposes other than evaluating businesses or assets. See "Use of Proceeds", "Business of the Corporation" and "Risk Factors".

**Management and Directors:**

Daniel Whittaker	-	President, Chief Executive Officer, Chief Financial Officer and Director
Brian MacEachen	-	Director
Denis Ryan	-	Director
Wade Dawe	-	Corporate Secretary

Mr. Whittaker and Mr. Ryan can be considered to be promoters of the Corporation. See "Directors, Officers, and Promoters" and "Promoters".

**Escrowed Securities:** All of the currently issued and outstanding Common Shares of the Corporation, being 5,000,000 Common Shares, will be deposited in 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 after the date of the Final Exchange Bulletin. See "Escrowed Securities".

**Risk Factors:**

Investment in the Common Shares must be regarded as highly speculative due to the proposed nature of the Corporation's business and its present stage of development. The Corporation was only recently incorporated and has no active business or assets other than cash. It does not have a history of earnings, nor has it paid any dividends and will not generate earnings or pay dividends until at least after the Completion of the Qualifying Transaction. The Offering is only suitable to investors who are prepared to rely entirely on the directors and management of the Corporation and 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 40% or \$0.08 per Common Share. There can be no assurance that an active and liquid market for the Corporation's 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 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.

The Qualifying Transaction may involve the acquisition of a business or assets located outside of Canada. It may therefore be difficult or impossible to effect service or notice to commence legal proceedings upon any directors, officers and experts outside of Canada and it may not be possible to enforce against such persons or companies judgments obtained in Canadian courts predicated upon the civil liability provisions applicable to securities laws in Canada. See "Business of the Corporation", "Directors, Officers and Promoters", "Capitalization", "Dilution", "Risk Factors" and "Conflicts of Interest".

## THE CORPORATION

The Corporation was incorporated on August 19, 2005 by Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (Alberta) under the name "Birchpoint Capital Inc." By a Certificate of Amendment issued on [●], 2005 the Corporation amended its Articles of Incorporation to remove the "private company" restrictions set forth therein.

The head office of the Corporation is located at 3000, 237 - 4<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 4X7. The registered office of the Corporation is located at 3000, 237 - 4<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 4X7.

## BUSINESS OF THE CORPORATION

### Preliminary Expenses

Other than \$20,700 in Agent's fees and expenses that includes a due diligence fee of the Agent of \$10,000 plus GST and \$10,000 in legal fees, legal fees of \$17,500 for legal counsel to the Corporation, audit fees of \$5,000 and the payment of the minimum listing fee to the Exchange of \$5,000 plus GST, the Corporation has not incurred any additional expenses to date in proceeding with the Offering. However, certain of the Offering proceeds will be utilized to satisfy the obligations of the Corporation related to the Offering, including the expenses of its auditor, legal expenses and the Agent's legal counsel. See "Use of Proceeds".

### Proposed Operations until Completion of a Qualifying Transaction

The Corporation proposes to identify and evaluate businesses and assets with a view to completing a Qualifying Transaction. Any proposed Qualifying Transaction must be accepted by the Exchange and in the case of a Non Arm's Length Qualifying Transaction is also subject to Majority of the Minority Approval in accordance with the CPC Policy. The Corporation has not conducted commercial operations. The Corporation currently intends to pursue a Qualifying Transaction in a resource sector but there is no assurance that this will, in fact, be the business sector of a proposed Qualifying Transaction or of the Corporation following the Completion of the Qualifying Transaction.

Until Completion of a Qualifying Transaction, the Corporation will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction. With the consent of the Exchange, this may include the raising of additional funds in order to finance an acquisition. Except as described under "Private Placement for Cash" and "Restrictions on Use of Proceeds", the funds raised pursuant to this Offering and any subsequent financing will be utilized only for the identification and evaluation of potential Qualifying Transactions 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 the Qualifying Transaction, the Corporation has not yet entered into an Agreement in Principle.

### Method of Financing

The Corporation may use cash, bank financing, the issuance of treasury shares, public debt or equity financing or a combination of these for the purpose of financing its proposed Qualifying Transaction. **A Qualifying Transaction financed by the issue of treasury shares could result in a change in the control of the Corporation and may cause the shareholders' interest in the Corporation to be further diluted.**

### Criteria for a Qualifying Transaction

The Corporation will consider acquisitions of assets or businesses operated or located both inside and outside of Canada, as permitted by the CPC Policy. All potential acquisitions will be screened initially by management of the Corporation to determine their economic viability. Approval of acquisitions will be made by the board of directors. The board of directors will examine proposed acquisitions having regard to sound business fundamentals, utilizing the expertise and experience of the directors. 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.

### **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 the Exchange generally will halt trading in the Corporation's Common Shares until the filing requirements of the Exchange have been satisfied as set forth under "Trading Halts, Suspensions and Delisting". Within 75 days after issuance of such news release, the Corporation shall be required to submit for review to the Exchange either an information circular that complies with applicable corporate and securities laws or a filing statement that complies with Exchange requirements. An information circular must be submitted where there is a Non Arm's Length Qualifying Transaction. A filing statement must be submitted where the Qualifying Transaction is not a Non Arm's Length Qualifying Transaction. The information circular or filing statement, as applicable, must contain prospectus level disclosure of the Significant Asset and the Corporation, assuming Completion of the Qualifying Transaction, and be prepared in accordance with the CPC Policy and Form 3B1 or Form 3B2, as the case may be, of the Exchange. Upon acceptance by the Exchange, the Corporation must then either:

1. file the filing statement on SEDAR at least seven business days prior to closing of the Qualifying Transaction, and issue a news release which discloses the scheduled closing date for the Qualifying Transaction as well as the fact that the filing statement is available on SEDAR; or
2. mail the information circular and related proxy material to its shareholders in order to obtain the Majority of the Minority Approval of the Qualifying Transaction or other requisite approval, at a meeting of shareholders.

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

- (a) in the case of a Non Arm's Length Qualifying Transaction, confirmation of Majority of Minority Approval of the Qualifying Transaction;
- (b) confirmation of closing of the Qualifying Transaction; and
- (c) all post-meeting or final documentation, as applicable, otherwise required to be filed with the Exchange 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 takeover for a period of one year from the Completion of the Qualifying Transaction.

### **Minimum Listing Requirements**

The Resulting Issuer must satisfy the Exchange's Minimum Listing Requirements for the particular industry sector in either Tier 1 or Tier 2 as prescribed under the applicable policies of the Exchange.

### **Trading Halts, Suspensions and Delisting**

The Exchange 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 the Exchange have been satisfied, which includes the submission of a Sponsorship Acknowledgment Form where the Qualifying Transaction is subject to sponsorship. In addition, personal information forms, or, if applicable, declarations for all individuals who may be directors, senior

officers, Promoters, or Insiders of the Resulting Issuer must be filed with the Exchange and any preliminary background searches that the Exchange considers necessary or advisable must also be completed before the trading halt will be lifted by the Exchange.

Even if all filing requirements have been satisfied and preliminary background checks completed, the Exchange 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 the Exchange that the halt should be reinstated or continued.

A trading halt may also be imposed by the Exchange 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.

The Exchange may suspend from trading or delist the Common Shares of the Corporation where the Exchange has not issued a Final Exchange Bulletin to the Corporation within 24 months of the date of listing. 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 issuer or its remaining assets in some other manner. See "Filings and Shareholder Approval of a Non Arm's Length Qualifying Transaction."

#### **Refusal of Qualifying Transaction**

The Exchange, in its sole discretion, may not accept a Qualifying Transaction where:

- (a) the Resulting Issuer fails to satisfy the applicable Minimum Listing Requirements of the Exchange;
- (b) the aggregate number of securities of the Resulting Issuer owned, directly or indirectly, by:
  - (i) a Member firm of the Exchange;
  - (ii) registrants, unregistered corporate finance professionals, employee shareholders and partners of such Member firm; and
  - (iii) associates of any such person;collectively, would exceed 20% of the issued and outstanding securities of the Resulting Issuer;
- (c) the Resulting Issuer will be a financial institution, finance company, finance issuer or mutual fund, as defined in the securities legislation;
- (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; or
- (e) notwithstanding the definition of a Qualifying Transaction, there is any other reason for denying acceptance of the Qualifying Transaction.

## USE OF PROCEEDS

### Proceeds and Principal Purposes

The gross proceeds to be received by the Corporation from the sale of all the Common Shares offered by this prospectus will be \$250,000. The gross proceeds received by the Corporation from the sale of Common Shares prior to the date of this prospectus was \$500,000. From these aggregate gross proceeds of \$750,000 will be deducted the expenses and costs of this issue estimated in the aggregate, including legal, accounting, printing, regulatory fees and the Agent's commission, to be approximately \$79,788.

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

Gross cash proceeds raised prior to this Offering (seed shares) <sup>(1)</sup>	\$500,000
Expenses and costs relating to raising seed share cash proceeds	nil <sup>(2)</sup>
Gross cash proceeds to be raised pursuant to this Offering	\$250,000
Estimated expenses and costs relating to this Offering <sup>(3)</sup>	\$79,788
Estimated funds available on completion of the Offering <sup>(4)</sup>	<u>\$670,212</u>
Funds available for identifying and evaluating assets or business prospects <sup>(4)(5)</sup>	\$600,109
Estimated general and administrative expenses until Completion of a Qualifying Transaction <sup>(6)</sup>	<u>\$70,103</u>
Total net proceeds	<u>\$670,212</u>

Notes:

- (1) See "Prior Sales".
- (2) No costs have been allocated towards the issuance of these shares. See the Corporation's balance sheet as at December 15, 2005.
- (3) Includes listing and filing fees, Agent's commission, Agent's due diligence administration fee, legal fees, audit fees and expenses.
- (4) In the event, and to the extent, the Agent exercises the Agent's Option or the directors or officers exercise their options, there will be available to the Corporation a maximum of an additional \$25,000 on the exercise of the Agent's Option and a maximum of an additional \$100,000 on the exercise of the options of directors and officers, which will be added to the working capital of the Corporation. There is no assurance that the foregoing options will be exercised.
- (5) In the event that the Corporation enters into an Agreement in Principle prior to spending the entire \$600,109 on identifying and evaluating assets or businesses, the remaining funds may be used to finance or partially finance the acquisition of Significant Assets or for working capital after Completion of the Qualifying Transaction.
- (6) The maximum amount that may be used for purposes other than those described under "Permitted Uses of Funds" below is the lesser of (i) 30% of the gross proceeds from the sale of all securities issued by the Corporation, or (ii) \$210,000. See "Restrictions on Use of Proceeds".

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

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

### Permitted Use of Funds

Until the Completion of the Qualifying Transaction and except as otherwise specifically provided by the CPC Policy and described in "Restrictions on Use of Proceeds", "Private Placements for Cash", and "Prohibited Payments to Non Arm's Length Parties", the gross proceeds realized from the sale of all securities issued by the Corporation will be used by the Corporation only to identify and evaluate businesses or assets and obtain shareholder approval for a proposed Qualifying Transaction.



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;
- (g) fees for legal and accounting services; and
- (h) Agents' fees, costs and commissions,

relating to the identification and evaluation of assets or businesses and in the case of a Non Arm's Length Qualifying Transaction, the obtaining of shareholder approval for the Corporation's proposed Qualifying Transaction.

In addition, with the prior acceptance of the Exchange, 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 the Exchange.

#### **Restrictions on Use of Proceeds**

Until Completion of a Qualifying Transaction, not more than the lesser of 30% of the gross proceeds from the sale of all securities issued by the Corporation or \$210,000, will be used for purposes other than those described above. For greater certainty, expenditures which are not included as "Permitted Uses of Funds", listed above, include:

- (a) listing and filing fees (including SEDAR fees);
- (b) other costs for the issuance of securities (including legal, accounting and audit expenses) relating to the preparation and filing of this prospectus; and
- (c) 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; and
  - (iv) fees for legal advice and audit expenses, other than those described above under "Permitted Use of Funds".

No proceeds will be used to acquire or lease a vehicle.

### **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 the Exchange is obtained before issuance. Prior to the completion of a Qualifying Transaction, the Exchange 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 described under "Share Options" and "Restrictions on Use of Proceeds", the Corporation has not made, and until the Completion of the Qualifying Transaction will not make, any payment of any kind, directly or indirectly, to a Non Arm's Length Party to the Corporation or a Non Arm's Length Party 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 or directors' fees, finders' fees, loans, advances and bonuses; and
- (b) deposits and similar payments.

Further, no such payment will 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 of the Corporation), 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 described in "Permitted Use of Funds".

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 the Agency Agreement dated December 20, 2005 between the Corporation and Blackmont Capital Inc. (previously defined as the "Agent"), the Corporation has appointed the Agent as its agent to offer for sale on a best commercial efforts basis to the public 1,250,000 Common Shares as provided in this prospectus, at a price of \$0.20 per Common Share, for gross proceeds of \$250,000, subject to the terms and conditions in the Agency Agreement. The Agent will receive a commission of 10% of the aggregate gross proceeds from the sale of the Common Shares, which would equal \$25,000 for the entire Offering. In addition, the Agent has been paid a due diligence administration fee of \$10,000 plus GST and the Corporation will pay the Agent's expenses, including legal fees, estimated at \$10,000.

The Corporation has also agreed to grant to the Agent a non-transferable Agent's Option to purchase 125,000 Common Shares representing 10% of the total number of Common Shares sold to the public pursuant to the Offering at an exercise price of \$0.20 per Agent's Share, which may be exercised for a period of 24 months from the date the Common Shares of the Corporation are listed on the Exchange. All of the Agent's Option is qualified under this prospectus. The Agent intends to sell to the public any Common Shares received by it upon exercise of the

Agent's Option. Not more than 50% of the Common Shares received on the exercise of the Agent's Option may be sold by the Agent prior to the Completion of the Qualifying Transaction. The remaining 50% may be sold after the Completion of the Qualifying Transaction. The Agent has agreed to use its best commercial efforts to secure subscriptions for the Common Shares offered hereunder on behalf of the Corporation and may make co-brokerage arrangements with other investment dealers at no additional cost to the Corporation. The obligations of the Agent under the Agency Agreement may be terminated at its discretion on the basis of its assessment of the state of financial markets and may also be terminated on the occurrence of certain events as stated in the Agency Agreement.

#### **Best Efforts Offering and Minimum Distribution**

The total Offering is 1,250,000 Common Shares at a price of \$0.20 per share for total gross proceeds of \$250,000. Under the CPC Policy, no purchaser of the Common Shares is permitted to purchase more than 2% or 25,000 of the total number of Common Shares under the Offering. In addition, the maximum number of Common Shares permitted to be purchased by that purchaser together with any Associates or Affiliates of that purchaser is 4% or 50,000 of the total number of Common Shares under the Offering. The funds received from the Offering will be deposited with the Agent, and will not be released until proceeds of \$250,000 have been deposited. The total subscription must be raised within 90 days of the date a receipt for the prospectus is issued, or such other time as may be consented to by persons or companies who subscribed within that period, failing which the Agent will remit the funds collected to the original subscribers without interest or deduction, unless subscribers have otherwise instructed the Agent.

Upon completion of the Offering, the Corporation must have a minimum of 200 shareholders with each shareholder beneficially owning at least 1,000 Common Shares free of resale restrictions, exclusive of any Common Shares held by Non Arm's Length Parties to the Corporation.

#### **Other Securities to be Distributed**

The Corporation also proposes to grant options to purchase 500,000 Common Shares to directors and officers in accordance with the policies of the Exchange. The grant of all of these options is qualified for distribution under this prospectus.

#### **Determination of Price**

The offering price of the Common Shares hereunder was determined by negotiation between the Corporation and the Agent.

#### **Listing Application**

The Corporation has applied to list its Common Shares on the Exchange. Listing will be subject to the Corporation fulfilling all the listing requirements of the Exchange.

#### **Subscriptions by and Restrictions on the Agent**

The Agent has advised the Corporation that to the best of its knowledge and belief, none of the directors, officers, employees or contractors of the Agent or any Associate or Affiliate of the foregoing has subscribed for Common Shares of the Corporation.

The aggregate number of Common Shares permitted to be owned directly or indirectly by the directors, officers, employees or contractors of the Agent or any Associate or Affiliate of the foregoing, is 20% of the issued and outstanding Common Shares of the Corporation exclusive of Common Shares reserved for issuance at a future date.

## **Restrictions on Trading**

Other than the initial public offering of the Common Shares pursuant to this prospectus, the grant of the Agent's Option and the grant of options to the directors and officers of the Corporation, no securities of the Corporation will be permitted to be issued during the period between the date(s) a receipt for the preliminary prospectus is issued by the Alberta Securities Commission, the British Columbia Securities Commission and the Nova Scotia Securities Commission and the time the Common Shares are listed for trading on the Exchange, except subject to prior acceptance of the Exchange, where appropriate registration and prospectus exemptions are available under securities legislation or where the applicable securities regulatory authorities grant a discretionary order.

## **DESCRIPTION OF SHARE CAPITAL**

### **Common Shares**

The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value of which, as at the date hereof, 5,000,000 are issued and outstanding as fully paid and non-assessable. In addition, 1,250,000 Common Shares are reserved for issuance under this prospectus; 10% of the total issued Common Shares are reserved for issuance pursuant to the Corporation's Option Plan; and, 125,000 Common Shares are reserved for issuance under the Agent's Option. See "Plan of Distribution".

The holders of Common Shares are entitled to dividends, if, as and when declared by the board of directors, to one vote per share at meetings of the shareholders of the Corporation and, upon liquidation, to share equally in such assets of the Corporation as are distributable to the holders of Common Shares. All Common Shares to be outstanding after completion of this Offering will be fully paid and non-assessable.

### **First Preferred Shares**

The Corporation is authorized to issue an unlimited number of first preferred shares (the "First Preferred Shares"). The First Preferred Shares may be issued from time to time in one or more series, each consisting of a number of First Preferred Shares as determined by the board of directors of the Corporation which also may fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of First Preferred Shares. There are no First Preferred Shares issued and outstanding. The First Preferred Shares of each series shall, with respect to payment of dividends and distribution of assets in the event of voluntary or involuntary liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, rank on a parity with the First Preferred Shares of every other series and shall be entitled to preference over the Common Shares and the Second Preferred Shares and the shares of any other class ranking junior to the First Preferred Shares.

### **Second Preferred Shares**

The Corporation is authorized to issue an unlimited number of second preferred shares (the "Second Preferred Shares"). The Second Preferred Shares may be issued from time to time in one or more series, each consisting of a number of Second Preferred Shares as determined by the board of directors of the Corporation which also may fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Second Preferred Shares. There are no Second Preferred Shares issued and outstanding. The Second Preferred Shares of each series shall, with respect to payment of dividends and distribution of assets in the event of voluntary or involuntary liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, rank on a parity with the Second Preferred Shares of every other series and shall be entitled to preference over the Common Shares and the shares of any other class ranking junior to the Second Preferred Shares.

### CAPITALIZATION

<u>Designation of Security</u>	<u>Amount Authorized</u>	<u>Amount Outstanding as of December 15, 2005<sup>(1)</sup></u>	<u>Amount Outstanding as of December 20, 2005<sup>(2)</sup></u>	<u>Amount Outstanding After Giving Effect to this Offering<sup>(3)(4)</sup></u>
Common Shares	unlimited	\$500,000 (5,000,000 shares)	\$500,000 (5,000,000 shares)	\$750,000 (6,250,000 shares)
First Preferred Shares	unlimited	nil	nil	Nil
Second Preferred Shares	unlimited	nil	nil	Nil
Long Term Debt	N/A	nil	nil	Nil

Notes:

- (1) As at December 15, 2005, the Corporation had not commenced operations and had retained earnings of \$nil.
- (2) There has been no Material Change in the share and loan capital of the Corporation since the most recent balance sheet contained in the prospectus.
- (3) The Corporation plans immediately to grant to officers and directors after closing this Offering options to purchase an aggregate of 500,000 Common Shares at \$0.20 per share pursuant to the Corporation's Option Plan and has reserved an aggregate of 125,000 Common Shares at \$0.20 per share pursuant to the Agent's Option. See "Plan of Distribution".
- (4) Funds estimated available upon completion of the Offering are expected to amount to \$670,212, which is net of the \$79,788 estimated expenses of this Offering. See "Use of Proceeds".

### SHARE OPTIONS

The Corporation has adopted an incentive stock option plan (the "**Option Plan**") which provides that the Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Corporation, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares. Such options will be exercisable for a period of up to five years from the date of grant. In connection with the foregoing, the number of Common Shares reserved for issuance to: (a) any individual will not exceed 5% of the issued and outstanding Common Shares; (b) all technical consultants will not exceed 2% of the issued and outstanding Common Shares; and (c) all consultants in connection with the Offering will not exceed 2% of the issued and outstanding Common Shares. In addition, the Option Plan provides that no more than 5% of the issued shares of the Corporation will be granted to any individual in any 12 month period; no more than 2% of the issued shares of the Corporation will be granted to any one consultant in any 12 month period; and no more than an aggregate of 2% of the issued share of the Corporation will be granted to an employee conducting investor relations activities in any 12 month period. The Corporation, as long as it is a CPC, will not grant options to any person providing investor relations activities, promotional or market-making services. Options may be exercised the greater of 12 months after the Completion of the Qualifying Transaction and 90 days following cessation of the optionee's position with the Corporation, provided that if the cessation of office, employment, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Any Common Shares acquired pursuant to the exercise of options under the Option Plan prior to Completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued. See "Escrowed Securities".

Pursuant to the Option Plan, immediately after closing this Offering, the Board of Directors of the Corporation intends to grant the following options to purchase Common Shares of the Corporation to officers and directors:

<b>Optionee</b>	<b>Number of Common Shares Under Option</b>	<b>Exercise Price Per Common Share</b>	<b>Expiry Date</b>
Daniel Whittaker	150,000	\$0.20	5 years
Wade Dawe	150,000	\$0.20	5 years
Denis Ryan	100,000	\$0.20	5 years
Brian MacEachen	100,000	\$0.20	5 years
Total	500,000		

Pursuant to the terms of the Agency Agreement, upon Closing this Offering, the Board of Directors of the Corporation intends to grant the Agent's Option to the Agent:

<b>Optionee</b>	<b>Number of Common Shares Under Option</b>	<b>Exercise Price Per Common Share</b>	<b>Expiry Date</b>
Blackmont Capital Inc.	Up to 125,000	\$0.20	24 months from listing date

The options to purchase an aggregate of 500,000 Common Shares to be granted immediately after closing this Offering to directors and officers of the Corporation and the Agent's Options (subject to regulatory approval) are qualified for distribution pursuant to this prospectus.

#### **PRIOR SALES**

Since the date of incorporation of the Corporation, 5,000,000 Common Shares have been issued and are currently outstanding as follows. Common Shares issued to any member of the Aggregate Pro Group (as such term is defined in the CPC Policy) are identified by an \*, as applicable:

<b>Date</b>	<b>Number of Common Shares</b>	<b>Issue Price Per Share</b>	<b>Aggregate Issue Price</b>	<b>Consideration Received</b>
December 14, 2005	5,000,000 <sup>(1)</sup>	\$0.10	\$500,000	cash

Note:

(1) These Common Shares will be held in escrow. See "Escrowed Securities".

#### **ESCROWED SECURITIES**

All of the 5,000,000 Common Shares issued prior to this Offering at a price below \$0.20 per Common Share, all Common Shares that may be acquired by Non Arm's Length Parties of the Corporation either under the Offering or otherwise prior to Completion of the Qualifying Transaction and all Common Shares acquired by the Aggregate Pro Group prior to this Offering will be deposited with Computershare Trust Company of Canada under an escrow agreement dated [●] (the "**Escrow Agreement**").

All Common Shares acquired on exercise of stock options prior to the Completion of a Qualifying Transaction must also be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

In addition, all Common Shares of the Corporation 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 the Exchange, all securities of the Corporation held by Principals of the Resulting Issuer will also be escrowed.

Notwithstanding the foregoing, Common Shares acquired by Principals of the Corporation or Principals of the Resulting Issuer pursuant to a private placement will not be subject to escrow provided that various conditions, as set forth in the CPC Policy, are met. See "Escrowed Securities on Private Placement".

The following table sets out, as at the date hereof, the number of Common Shares of the Corporation, which are held in escrow.

<b>Name and Municipality of Residence of Shareholder</b>	<b>Common Shares</b>	<b>Number of Common Shares Escrowed</b>	<b>Percentage of Common Shares of the Corporation Prior to Giving Effect to the Offering</b>	<b>Percentage of Common Shares of the Corporation After Giving Effect to the Offering<sup>(1)</sup></b>
Daniel Whittaker Halifax, Nova Scotia	1,500,000	1,500,000	30%	24%
Wade Dawe Bedford, Nova Scotia	1,500,000	1,500,000	30%	24%
Denis Ryan Halifax, Nova Scotia	1,000,000	1,000,000	20%	16%
Brian MacEachen Halifax, Nova Scotia	800,000	800,000	16%	12.8%
Terry Christopher Halifax, Nova Scotia	200,000	200,000	4%	3.2%

Notes:

(1) Assuming no Common Shares are purchased by these persons under the Offering.

Where the Common Shares of the Corporation which are required to be held in escrow 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 the Exchange. Any holding company must sign an undertaking to the Exchange that, to the extent reasonably possible, it will not permit or authorize any issuance of securities or transfer of securities that could reasonably result in a change of control of the holding company. In addition, the Exchange may require an undertaking from any control person of the holding company not to transfer the shares of that company.

Under the Escrow Agreement, 10% of the escrowed Common Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "**Initial Release**") and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

If the Resulting Issuer meets the Exchange's Tier 1 Minimum Listing Requirements either at the time the Final Exchange Bulletin is issued or subsequently, the release of the escrowed Common Shares will be accelerated. An accelerated escrow release will not commence until the Resulting Issuer has made application to the Exchange for listing as a Tier 1 Issuer and the Exchange has issued a bulletin that announces the acceptance for listing of the Resulting Issuer on Tier 1 of the Exchange.

The Exchange's prior consent must be obtained before a transfer within escrow of escrowed Common Shares. Generally, the Exchange 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 Common Shares will not be released. Under the Escrow Agreement, each Non Arm's Length Party to the Corporation who holds escrowed Common Shares acquired at a price below the Offering price under this prospectus has irrevocably authorized and directed to Computershare Trust Company of Canada to immediately:

- (a) cancel all of those escrowed Common Shares upon the issuance by the Exchange of a bulletin delisting the Common Shares of the Corporation; or
- (b) if the Corporation lists on NEX, either
  - (i) cancel all Seed Shares purchased by Non Arm's length Parties to the CPC at a discount from the IPO price, in accordance with section 11.2(a) of the CPC Policy, or
  - (ii) subject to majority shareholder approval, cancel an amount of Seed Shares purchased by Non Arm's Length Parties to the CPC so that the average cost of the remaining Seed Shares is at least equal to the IPO price.

### **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 assets, using a valuation method acceptable to the Exchange, or securities that are otherwise determined by the Exchange 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 to Principals of the Resulting Issuer 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 every 6 months thereafter, on each of the 6, 12, 18, 24, 30 and 36 month anniversaries of the Final Exchange Bulletin. In the case of a Resulting Issuer that will be a Tier 2 Issuer when the Final Exchange Bulletin is issued, the Surplus Security Escrow Agreement provides for a six-year escrow release mechanism with:

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

In the case of a Resulting Issuer that will be a Tier 1 Issuer when the Final Exchange Bulletin is issued, the Value Security Escrow Agreement provides for an 18 month escrow release mechanism with 25% of the escrowed securities being releasable at the time of the Final Exchange Bulletin, and with 25% of the escrowed securities being releasable every 6 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 in 6 month intervals on each of the 6, 12, 18, 24, 30 and 36 months after the Final Exchange Bulletin.



### Escrowed Securities on Private Placement

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 the Exchange; 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 following table lists those persons who own 10% or more of the issued and outstanding Common Shares of the Corporation as at the date hereof:

Name and Municipality of Residence of Shareholder	Type of Ownership	Number of Shares	Percentage of Shares Owned Before Offering	Percentage of Shares Owned After Offering <sup>(1)(2)(3)</sup>
Daniel Whittaker Halifax, Nova Scotia	Of Record and Beneficial	1,500,000	30%	24%
Wade Dawe Bedford, Nova Scotia	Of Record and Beneficial	1,500,000	30%	24%
Denis Ryan Halifax, Nova Scotia	Of Record and Beneficial	1,000,000	20%	16%
Brian MacEachen Halifax, Nova Scotia	Of Record and Beneficial	800,000	16%	12.8%

Notes:

- (1) Assuming that no Common Shares are purchased by these persons under the Offering.
- (2) The listed individuals will be granted options to purchase an aggregate of 500,000 Common Shares. See "Share Options".
- (3) On a fully diluted basis, assuming the exercise of all of the Agent's Option and all of the options to be granted to the directors and officers of the Corporation pursuant to the Option Plan, each of the principal shareholders would own approximately the following percentage of the Common Shares after giving effect to the Offering: Daniel Whittaker – 24%, Wade Dawe – 24%, Denis Ryan – 16%, Brian MacEachen – 13% and Terry Christopher – 3%.

### OFFICERS, DIRECTORS AND PROMOTERS

#### Name, Municipality, Occupation, Security Holding and Involvement with Other Reporting Issuers

The following is a list of the current directors, officers and promoters of the Corporation, their municipalities of residence, their current positions with the Corporation, and the number of shares of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised:

<u>Name, Municipality of Residence</u>	<u>Positions and Offices Held</u>	<u>Common Shares Held</u>	<u>Percentage of Shares Owned Before Offering</u>	<u>Percentage of Shares Owned After Offering<sup>(1)(2)(3)</sup></u>
Daniel Whittaker Halifax, Nova Scotia	President, Chief Executive Officer, Chief Financial Officer and Director	1,500,000	30%	24%
Brian MacEachen Halifax, Nova Scotia	Director	800,000	16%	12.8%
Denis Ryan Halifax, Nova Scotia	Director	1,000,000	20%	16%
Wade Dawe Bedford, Nova Scotia	Corporate Secretary	1,500,000	30%	24%

Notes:

- (1) Assuming that no Common Shares are purchased by these persons under the Offering.
- (2) All of the listed individuals will be granted options to purchase an aggregate of 500,000 Common Shares. See "Share Options".
- (3) On a fully diluted basis, assuming the exercise of all of the Agent's Option and all of the options to be granted to the directors and officers of the Corporation pursuant to the Option Plan, each of the principal shareholders would own approximately the following percentage of the Common Shares after giving effect to the Offering: Daniel Whittaker – 24%, Wade Dawe – 24%, Denis Ryan – 16%, Brian MacEachen – 13% and Terry Christopher – 3%.

In addition to any other requirements of the Exchange, the Exchange expects management of the Corporation to meet a high management standard. The directors and officers of the Corporation believe that, on a collective basis, management possesses the appropriate experience, qualifications and history to be capable of identifying, investigating and acquiring a Significant Asset.

*Daniel Whittaker – President, Chief Executive Officer, Chief Financial Officer, Director and Promoter  
Halifax, Nova Scotia*

Mr. Daniel Whittaker was the Chief Financial Officer, VP, Secretary and a director of Jilbey Gold Exploration Ltd., a Canadian mining company from March 2003 to September 1, 2005 when Jilbey was merged with a wholly-owned subsidiary of High River Gold Mines Ltd. by plan of arrangement. Mr. Whittaker served as the Chairman of the Special Committee of the Board of Directors of Jilbey that reviewed the transaction. Prior to 2003, he was the President from 1995. In addition, he has been the Chief Financial Officer and Secretary of Carpathian Gold Inc., a Canadian mining company, since September 2005. Prior to joining Jilbey in 1995, Mr. Whittaker held the position of Assistant Vice President of Manulife Financial in the investment department. He holds a Bachelor of Arts (Economics) Degree and an Masters of Business Administration from the Richard Ivey School of Business at the University of Western Ontario. He also has held the Chartered Financial Analyst designation from the CFA Institute since 1995. Mr. Whittaker is 47 years old.

*Brian MacEachen – Director  
Halifax, Nova Scotia*

Mr. MacEachen, age 42, is the Vice-President and Chief Financial Officer of Linear Gold Corp., which is a mining company. He is a Chartered Accountant with over 16 years of financial management experience, working primarily with public companies. Prior to joining Linear, he served as the Chief Financial Officer of Salter Street Films (a film production company), as well as accumulating more than 10 years of mining industry experience, serving as Treasurers of Aur Resources Inc. and Franco-Nevada Mining Corporation Limited. Mr. MacEachen graduated with his Bachelor of Business Administration from St. Francis Xavier University

*Denis Ryan — Director  
Halifax, Nova Scotia*

Mr. Ryan, age 61, has been a partner with Morrison Williams Investment Management Ltd., an investment firm, since January 2000. Prior thereto, Mr. Ryan was the Vice President, Marketing for Altamira Management Ltd., 1991 to December 1999. Prior thereto, Mr. Ryan was the Vice President of BGH Investment Management Limited, an investment firm, from 1990 to 1992. Mr. Ryan obtained a Bachelor of Arts degree from Memorial University in Newfoundland in 1981 and took the Canadian Securities Course in 1983. In addition, Mr. Ryan received an honorary degree, a Doctor of Letters, from St. Mary's University in Halifax, Nova Scotia.

*Wade Dawe — Corporate Secretary  
Bedford, Nova Scotia*

Wade K. Dawe has been an entrepreneur in Canadian mining and venture capital industries since 1994. Mr. Dawe was named Director of Linear Gold in February of 2000. In this role, he was responsible for corporate financing, business development and property acquisitions. He was appointed President and CEO of Linear in September 2003. He is also a founding shareholder of Keeper Resources Inc., a Calgary-based producer of oil and gas, and retains a position on its board. Mr. Dawe earned a Bachelor of Commerce degree from Memorial University of Newfoundland (MUN) in 1992. Mr. Dawe is 35 years old.

The board of directors of the Corporation has constituted an audit committee. The audit committee is comprised of Messrs. Whittaker, Ryan and MacEachen.

All of the directors and officers have employment outside of the Corporation. Each of the directors and officers of the Corporation has agreed to devote as much of his or her time to the business and affairs of the Corporation as necessary to complete the Corporation's Qualifying Transaction. However, it is not anticipated that any one director or officer will devote 100% of his or her time. The directors and officers are engaged and will continue to be engaged in the search for business opportunities on behalf of themselves and others.

The directors and officers of the Corporation, and their Associates and Affiliates, as a group, beneficially own, directly or indirectly, or exercise control and direction over, 4,800,000 Common Shares or approximately 96% of the issued and outstanding Common Shares before the Offering. After giving effect to this Offering, such holdings will represent approximately 77% of the outstanding Common Shares.

*Other Reporting Issuer Experience*

The following table sets out the directors, officers and Promoter(s) 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 any Canadian jurisdiction:

<b>Name of Director, Officer or Promoter</b>	<b>Name of Reporting Issuer</b>	<b>Exchange</b>	<b>Position</b>	<b>Term</b>
Daniel Whittaker	Jilbey Gold Exploration Ltd.	TSXV	Director	1995 to 2005
	Carpathian Gold Inc.	TSXV	CFO and Secretary	2004 to 2005
	Jilbey Gold Exploration Ltd.	TSXV	President	1995 to 2003
	Jilbey Gold Exportation Ltd.	TSXV	CFO and Secretary	2004 to Present

Brian MacEachen	Linear Gold Corp	TSX	Vice-President and Chief Financial Officer	2004 to Present
	Salter Street Films Limited	TSX	Chief Financial Officer	1999 to 2001
	Avalon Ventures Ltd	TSXV	Director	1998 to Present
Denis Ryan	Linear Gold Corp.	TSXV	V.P., Finance	2002 to 2002
	Keeper Resources Inc.	TSXV	Promoter	2004 to 2004
	Front Street Performance Fund I and II	TSX	Director of Compliance Review Committee	2003 to present
Wade Dawe	Keeper Resources Inc.	TSXV	Director	2004 to Present
	Linear Gold Corp.	TSXV	Director	2000 to Present
	Linear Gold Corp.	TSXV	President & CEO	2003 to Present
	Celtic Minerals Ltd.	TSXV	Director	2003 to 2003
	iWave Information Systems Inc.	CDN.OTC	Director	1999 to 2001
	Consolidated Fortress Resources Inc.	TSXV	President, Director	1999 to 1999
	Clear Creek Resources Inc. <sup>(1)</sup>	TSXV	President, Director	1997 to 2000
	Sheffield Resources Inc. <sup>(2)</sup>	TSXV	President, Director	1996 to 1999
Solidor Resources Inc.	TSXV	President, Director	1996 to 1997	

Notes:

- (1) Clear Creek Resources Inc. is now called Olympus Stone Inc. and is listed on the NEX Exchange.  
(2) Sheffield Resources Inc. was listed on the CDNX, but is no longer listed on an exchange.

### Corporate Cease Trade Orders or Bankruptcies

No director, officer, Insider or Promoter of the Corporation, or any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is or has within the 10 years before the date of the prospectus been a director, officer, Insider or Promoter of any Issuer that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the Issuer access to any exemptions under applicable securities legislation for a period of more than 30 consecutive days or became a bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold its assets.

### Penalties or Sanctions

No director, officer, Insider or Promoter of the Corporation, or any shareholder holding sufficient securities of the Corporation to affect materially the control of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by any securities regulatory authority or has entered into a

settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would be likely to be considered important to a reasonable investor making an investment decision.

### **Personal Bankruptcies**

No director, officer, Insider or Promoter of the Corporation, or any shareholder holding sufficient securities of the Corporation to affect materially the control of the Corporation, or a personal holding company of any such persons, has, within the 10 years preceding the date of this prospectus, as applicable, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold their assets.

### **Conflicts of Interest**

There are potential conflicts of interest to which the directors, officers, Insiders and Promoters of the Corporation may be subject in connection with the operations of the Corporation. All of the directors, officers, Insiders and Promoters are engaged in and will continue to be engaged in corporations or businesses which may be in competition with the search by the Corporation for businesses or assets in order to close a Qualifying Transaction. Accordingly, situations may arise where all of the directors, officers, Insiders and Promoters will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies as provided under the *Business Corporations Act* (Alberta).

### **Executive Compensation**

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) finder's fees;
  - (v) loans, advances, bonuses; and
- (b) deposits and similar payments.

However, the Corporation may reimburse Non Arm's Length Parties for the Corporation's reasonable allocation of rent, secretarial services and other general administrative expenses, at fair market value ("Permitted Reimbursement"). However, there have been no reimbursements since incorporation. No reimbursement may be made for any payment made to lease or buy a vehicle.

The directors and officers of the Corporation may also be granted stock options.

Following Completion of the Qualifying Transaction, it is anticipated that the Corporation shall pay compensation to its 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

Mr. Whittaker and Mr. Ryan may be considered to be the Promoters of the Corporation in that they took the initiative in founding and organizing the Corporation. Mr. Whittaker will be granted 150,000 options and Mr. Ryan will be granted 100,000 options pursuant to the Option Plan. In addition, Mr. Whittaker owns 1,500,000 Common Shares and Mr. Ryan owns 1,000,000 Common Shares, which were acquired in the seed capital phase of the Corporation. See "Principal Shareholders" and "Share Options".

### DILUTION

Purchasers of Common Shares under this prospectus will suffer an immediate dilution of 40% or \$0.04 per Common Share on the basis of their being 6,250,000 Common Shares of the Corporation 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 of this prospectus, without deduction of commissions or related expenses incurred by the Corporation, as set forth below:

Gross proceeds of prior share issues	\$500,000
Gross proceeds of this Offering	\$250,000
Total gross proceeds after this Offering	<u>\$750,000</u>
Offering price per share	0.20
Gross proceeds per share after this Offering	<u>0.12</u>
Dilution per share to subscriber	<u>0.08</u>
Percentage of dilution in relation to offering price	<u>40.0%</u>

### 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 following are risk factors associated with the Corporation:

- (a) the Corporation was only recently incorporated, has not commenced commercial operations and has no assets other than cash. It has no history of earnings, and shall not generate earnings or pay dividends until at least after Completion of the Qualifying Transaction;
- (b) investment in the Common Shares offered by the prospectus is highly speculative given the proposed nature of the Corporation's business and present stage of development;
- (c) 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;
- (d) assuming completion of the Offering, an investor will suffer an immediate dilution to its investment of 40% or \$0.08 per Common Share;
- (e) there can be no assurance that an active and liquid market for the Corporation's Common Shares will develop and an investor may find it difficult to resell its Common Shares;
- (f) 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;

- (g) 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;
- (h) even if a proposed Qualifying Transaction is identified, there can be no assurance that the Corporation will be able to successfully complete the transaction;
- (i) completion of a Qualifying Transaction is subject to a number of conditions including acceptance by the Exchange and, in the case of a Non Arm's Length Qualifying Transaction, Majority of the Minority Approval;
- (j) 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 has been given, will have no rights of dissent and no entitlement to payment by the Corporation of fair value for the Common Shares;
- (k) upon public announcement of a proposed Qualifying Transaction, trading in the Common Shares of the Corporation 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 of the Corporation will be reinstated to trading before the Exchange 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;
- (l) trading in the Common Shares of the Corporation may be halted at other times for other reasons, including for failure by the Corporation to submit documents to the Exchange in the time periods required;
- (m) the Exchange will generally suspend trading in the Corporation's Common Shares or delist the Corporation in the event that the Exchange has not issued a Final Exchange Bulletin within 24 months from the date of listing;
- (n) neither the Exchange nor any securities regulatory authority passes upon the merits of the proposed Qualifying Transaction;
- (o) 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 of 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;
- (p) the Qualifying Transaction may be financed in whole or in 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; and
- (q) subject to prior acceptance by the Exchange, the Corporation may be permitted to loan or advance up to an aggregate of \$225,000 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 these factors, this 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.

## **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Certain directors and officers of the Corporation have acquired Common Shares of the Corporation in the seed capital phase of the Corporation. In addition, each of the directors and officers of the Corporation will be granted options to purchase Common Shares pursuant to the Corporation's Option Plan. See "Principal Shareholders" and "Share Options".

## **MATERIAL CONTRACTS**

The Corporation has not entered into any contracts material to investors in the Common Shares hereunder within the two years prior to the date hereof, other than the following:

1. Agency Agreement dated as of December 20, 2005 between the Corporation and the Agent. See "Plan of Distribution".
2. Escrow Agreement dated as of [●], 2005 among the Corporation, Computershare Trust Company of Canada and those shareholders that executed such agreement. See "Escrowed Securities".
3. Transfer Agent, Registrar and Dividend Disbursing Agent Agreement dated [●], 2005 between the Corporation and Computershare Trust Company of Canada.

Copies of these agreements will be available for inspection at the registered office of the Corporation located at 3000, 237 - 4<sup>th</sup> Avenue S.W., Calgary, Alberta, 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.

## **LEGAL PROCEEDINGS**

The Corporation is not currently a party to any legal proceedings, nor is the Corporation currently contemplating any legal proceedings. Management of the Corporation is currently not aware of any legal proceedings contemplated against the Corporation.

## **RELATIONSHIP BETWEEN THE CORPORATION AND THE AGENT**

The Corporation is not a related or connected party (as such terms are defined in National Instrument 33-105 *Underwriting Conflicts*) to the Agent.

## **RELATIONSHIP BETWEEN THE CORPORATION AND PROFESSIONAL PERSONS**

Certain legal matters relating to this Offering will be passed upon by Fraser Milner Casgrain LLP, on behalf of the Corporation, and by Anfield Sujir Kennedy & Durno on behalf of the Agent. No Person whose profession or business gives authority to a statement made by such Person and who is named in this prospectus has received or shall receive a direct or indirect interest in the property of the Corporation or any Associate or Affiliate of the Corporation. As at the date hereof, the aforementioned Persons beneficially own, directly or indirectly, no securities of the Corporation or its Associates and Affiliates. In addition, none of the aforementioned Persons nor any director, officer or employee of any of the aforementioned Persons, is or is expected to be elected, appointed or employed as a director, senior officer or employee of the Corporation or of an Associate or Affiliate of the Corporation, or a Promoter of the Corporation or of an Associate or Affiliate of the Corporation.

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

The auditor of the Corporation is Hudson & Company LLP at 300, 635 - 11<sup>th</sup> Avenue SW, Calgary, Alberta T2R 0E1.

Computershare Trust Company of Canada at Suite 2008, Purdy's Wharf Tower II, 1969 Upper Water Street, Halifax, Nova Scotia, B3G 1H3 is the transfer agent and registrar for the Corporation's Common Shares.



### **DIVIDEND POLICY**

To date, the Corporation has not paid any dividends on its outstanding Common Shares. The future payment of dividends will be dependent upon the financial requirements of the Corporation to fund further growth, financial condition of the Corporation and other factors which the board of directors of the Corporation may consider in the circumstances. It is not contemplated that any dividends will be paid in the immediate or foreseeable future.

### **PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

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

## AUDITORS' REPORT

To: The Shareholders of  
**Birchpoint Capital Inc.**

We have audited the balance sheet of Birchpoint Capital Inc. (the "Company") as at December 15, 2005 and the statement of cash flows for the period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 15, 2005, and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta  
December 15, 2005 except for Note 6  
which is dated XX.

HUDSON & COMPANY LLP  
Chartered Accountants

**BIRCHPOINT CAPITAL INC.**  
**BALANCE SHEET**

DECEMBER 15, 2005

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**ASSETS**

CURRENT

Cash	\$ 500,000
Deferred charges (note 3)	<u>51,800</u>

\$ 551,800

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**LIABILITIES**

CURRENT

Accounts payable and accrued liabilities	\$ 31,100
Due to related party (note 4)	<u>20,700</u>

51,800

**SHAREHOLDERS' EQUITY**

SHARE CAPITAL (note 5)	<u>500,000</u>
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\$ 551,800

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Approved on behalf of the Board

(signed) "*Daniel Whittaker*", Director

(signed) "*Denis Ryan*", Director

**BIRCHPOINT CAPITAL INC.**  
**STATEMENT OF CASH FLOWS**

PERIOD ENDED DECEMBER 15, 2005

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Net earnings	\$ -
Changes in non-cash working capital items	
Prepaid expenses	(51,800)
Accounts payable and accrued liabilities	<u>31,100</u>
	<u>(20,700)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Issuance of share capital	500,000
Advances from related party	<u>20,700</u>
	<u>520,700</u>

**CHANGE IN CASH POSITION AND CASH AT END OF PERIOD** **\$ 500,000**

# **BIRCHPOINT CAPITAL INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 15, 2005

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### **1. NATURE OF OPERATIONS**

Birchpoint Capital Inc. (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on August 19, 2005. The Corporation is classified as a capital pool company as defined by TSX Venture Exchange Policy 2.4. The Company 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 regulatory and shareholder approval, as applicable.

These financial statements cover the period from incorporation until December 15, 2005.

The Company has not commenced operations. As a result no statement of earnings and retained earnings is presented in these financial statements.

### **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 prepaid expenses and accounts payable and accrued liabilities.

#### **Cash**

Cash consists of balances with financial institutions.

#### **Future income taxes**

The Company 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.

### **Stock-based compensation**

The Company has a stock-based compensation plan, which is described in note 5. Awards of options under this plan are expensed based on the fair value of the options at the grant date. Any consideration paid to employees on exercise of stock options or purchase of stock is credited to share capital.

### **3. DEFERRED CHARGES**

Prepaid expenses are comprised of the following items:

Agent fees	\$	20,700
Legal fees		17,500
Audit fees		5,000
Regulatory and filing fees		<u>8,600</u>
	\$	<u>51,800</u>

### **4. DUE TO RELATED PARTY**

The amount is due to a company controlled by an director of the Company. The amount is unsecured, non-interest bearing with no specific terms of repayment.

### **5. SHARE CAPITAL**

#### **a) Authorized**

- Unlimited number of common voting shares
- Unlimited number of first preferred non-voting shares issuable in series
- Unlimited number of second preferred non-voting shares issuable in series

#### **b) Issued**

5,000,000 common shares issued for cash \$ 500,000

#### **c) Escrowed shares**

Under the requirements of the TSX Venture Exchange the 5,000,000 common shares issued at a share price below the share price of the Offering (see Note 7) will be held in escrow and 10% will be released upon the issuance for the bulletin announcing the acceptance of the Company's qualifying transaction (the "initial release") and 15% thereafter on each of the 6, 12, 18, 24, 30, 36 months following the initial release.

d) Stock options

The Company has adopted an incentive stock option plan whereby options may be granted from time to time to directors, officers, employees and consultants to the Company with common shares to be reserved for issuance as options not to exceed 10% of the issued and outstanding common shares with no one individual being granted more than 5% of the issued and outstanding common shares after the closing of the Offering. The Company intends to grant an aggregate of 500,000 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 Offering closing date. The stock option plan and the granting of options are subject to regulatory approval.

6. **SUBSEQUENT EVENTS**

The Company intends to file a prospectus with the Nova Scotia Securities Commission, the Alberta Securities Commission, and the British Columbia Securities Commission to issue 1,250,000 common shares at a price of \$0.20 per share (the "Prospectus"). Pursuant to an Agency Agreement between the Company and Blackmont Capital Inc. (the "Agent"), the Company has agreed to issue 1,250,000 common shares at a price of \$0.20 per share (the "Offering") and the Company has appointed the Agent as its agent for the Offering. The Company has agreed to pay the Agent a commission of \$25,000 if the total Offering is sold, a due diligence administration fee of \$10,000 plus GST (deposit made at balance sheet date), and will reimburse the Agent for their legal fees and disbursements estimated to be no greater than \$10,000 (\$5,000 deposit made at balance sheet date), and applicable taxes. The Agent will also be granted, if the total Offering is sold, a non-transferable Agent's option to purchase 125,000 common shares at a price of \$0.20 per common share, which will expire 24 months from the Offering closing date.

The total subscription must be raised within 90 days of the receipt for the final Prospectus relating to the Offering otherwise all funds collected under the subscription will be returned and the Offering cancelled.

7. **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and an amount due to a related party. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of cash is equal to its carrying value. The fair value of the amount due to a related party is less than its carrying value, as the amount is non-interest bearing. As the amount has no terms of repayment, the fair value cannot be calculated with any degree of certainty.

## CERTIFICATE OF THE CORPORATION

Date: December 20, 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 the *Securities Act* (Nova Scotia) and the regulations thereunder.

(signed) "*Daniel Whittaker*"  
President, Chief Executive Officer  
and Chief Financial Officer

## ON BEHALF OF THE BOARD

(signed) "*Denis Ryan*"  
Director

(signed) "*Brian MacEachen*"  
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 the *Securities Act* (Nova Scotia) and the regulations thereunder.

(signed) "*Daniel Whittaker*"  
Promoter

(signed) "*Denis Ryan*"  
Promoter



**CERTIFICATE OF THE AGENT**

Dated: December 20, 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 the *Securities Act* (Nova Scotia) and the regulations thereunder.

**BLACKMONT CAPITAL INC.**

By: (signed) "*Edward Reisner*"  
Branch Manager, Vice President

## AUDITOR'S CONSENT

We have read the prospectus of Birchpoint Capital Inc. (the "**Corporation**") dated ●, 2005 relating to the issue and sale of 1,250,000 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 board of directors of the Corporation on the balance sheet of the Corporation as December \_\_\_\_, 2005. Our report is dated ●, 2005.

Calgary, Alberta  
●, 2005

CHARTERED ACCOUNTANTS