

THE PORCHER ISLAND GOLD PROJECT

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The Porcher Island Gold Project consists of crown granted and located claims comprising approximately 16 square km (4,000 acres) extending from tidewater and covering all areas of known mineralization in the vicinity. It is located on the northwest side of Porcher Island in British Columbia, Canada.

LOCATION

Porcher Island is located approximately 45 km (27 miles) southwest of the city of Prince Rupert on the northern coast of British Columbia. There are three small fishing communities on the island, which is B.C.'s eighth largest. B.C. Hydro provides electricity to these towns.

The western side of the island has seen very little development apart from the historic gold mining activities at the Surf Point and Edye Pass Mines and, more recently, seasonal exploration camps there. The island is easily accessible by boat, barge, float plane or helicopter, all of which can be chartered in Prince Rupert.

CLIMATE

The climate is very typical northern coastal British Columbia, relatively wet and windy with moderate temperatures. The mean average monthly temperatures range from a low of -1° c in January to +13° c in August.

HISTORY

Early exploration of Porcher Island began in 1916. Records show that 77,800 tons of ore were mined grading 0.29 oz/t Au from a series of auriferous (gold-bearing) quartz pyrite veins from the Surf Point Mine and the smaller Edye Pass Mine, one km to the north. (Both of these old gold mines are part of the Porcher Island gold project).

In 1938 the mill burned down and World War II intervened. As was the case with most

small gold mines in the United States and Canada, gold mining did not resume after the war and it took over 30 years (and an increase in the price of gold) before Porcher Island was looked at again.

Between 1975 and 1994 several mining companies including Tombil Mines, Banwan Gold Mines and Cathedral Gold Corporation (a TSE listed company: "CAT") accomplished significant exploration and developmental work on the Porcher Island gold mine site. During the period, title was consolidated into one property for the first time.

Over 3,000 feet of gently inclined adit and 700 feet of drifting and raising were completed along with 40 holes comprising 11,400 feet of underground drilling and 91 holes representing 52,800 feet of surface drilling. In addition soil geochemical surveys, I.P. surveys on selected areas and VLF/EM and magnetic surveys of the entire area were undertaken.

Associated engineering studies included metallurgical testing, ore reserve calculations, and preliminary mine development planning.

Subsequent to the field work, Cathedral Gold and Westmin Resources initiated a 1994 preliminary feasibility study which, in addition to mine development, addressed environmental and cultural concerns.

PROPERTY GEOLOGY & MINERALIZATION

The property is underlain by a 4 kilometer (2.5 miles) diameter plug of Cretaceous age quartz diorite which intrudes metavolcanics of the Prince Rupert schists.

Gold mineralization is associated with narrow mesothermal quartz-pyrite veins that follow zones of shearing in the diorite. All of the workings of the Surf Point and Edye Pass Mines are in the intrusive plug.

RESERVES

Based on 66 holes totaling 40,000 feet on 25 meter sections on a strike length of 275 meters (900 feet) in the "AT" zone, Cathedral Gold Corporation has calculated reserves as follows:

1,500,000 tons @ 0.20 oz/ton, (600,000 drill indicated, 900,000 tons drill inferred). Indicated reserves were calculated with a 1.5 oz/ton assay cutoff and diluted 15%, with an average mining width of 3.35 meters (11 feet). It should be noted that 1.5 million tons at 0.2 ounce of gold per ton represents a 300,000 ounce gold resource.

Past metallurgical and milling tests show a 94% recovery by simple flotation into an average 8 oz/t Au concentrate, with the host diorite demonstrating excellent ground conditions for mining.

POTENTIAL TO INCREASE RESERVES

Based on the past exploration work, the company's geological team believes there is the potential to appreciably increase the reserves. The "AT" zone where exploration has been concentrated to date has additional strike and depth potential. The most easterly holes drilled in the zone had intersections of 4.5 feet of 0.359 oz/ton Au and 5.0 feet of 0.816 oz/ton Au. At the west end of the zone an intersection of 17.5 feet of 0.626 oz/ton Au was found. Both of these intersections are outside the area which formed the basis for the reserve calculations.

Approximately 250 meters (800 feet) southeast of the "AT" zone a drill intersection of 0.63 oz/ton Au was made and some 300 meters (1,000 feet) north of the "AT" zone 20.6 feet of 0.163 oz/ton Au was found during underground development.

ADDITIONAL EXPLORATION POTENTIAL

A review of geophysical, geochemical and geological data indicates that similar style gold occurrences occur throughout the property. The airborne survey characterizes the "AT" zone as being a magnetic low. A second low occurs immediately to the northeast and corresponds with anomalous gold values in soils. A third magnetic low inside the eastern perimeter of the host stock is unexplored. At the "Slide" zone, in the centre of the stock, the significance of several auriferous veins has yet to be evaluated.

It is anticipated that continued exploration of the property will disclose the presence of additional zones of auriferous vein concentrations which may be amenable to underground higher grade and/or bulk tonnage lower grade mining methods.

There is a good possibility that with continued exploration and additional drilling, the existing 300,000 ounce gold reserve on Porcher Island can be more than doubled, and perhaps much more than doubled.

ABOUT THE CURRENT EXPLORATION PROGRAM

The exploration program presently being conducted on Porcher Island included line-cutting and geophysical surveys (completed) and another 10,000 feet of diamond drilling.

The diamond drilling program is designed to test the continuity of the gold mineralization outside of the defined reserve block on the "AT" zone on both ends to confirm the potential for additional reserves there which will be readily accessible from the 1015 Level. (See below for more about the 1015 Level).

Field work was suspended in mid-December for the Christmas break. 6,000 feet had been drilled in 13 holes. The drill core was then sent out for assay. Results are expected to be interpreted and tabulated for publication in early January.

Drilling will resume early in 1997 after review of the results to date. Concurrently with the field program, all geological and assay data from all of the drilling from 1934 to the present is being compiled into one digital computerized data base to facilitate mine development planning.

THE 1015 LEVEL

The 1015 Level referred to above is the gently inclined adit ("tunnel" to a layman) which has been driven 3,000 feet south from the Edge Pass Mine workings on tidewater to a point under the Surf Point Mine workings. It passes under the "AT" Zone drill-indicated reserve block.

In a gold mining operation on Porcher Island, the 1015 Level would function as the main production adit. The mining method would be tried-and-true shrink stoping. As stated earlier, the host diorite is a very competent rock which demonstrates excellent ground conditions for mining.

NEAR TERM OBJECTIVES

After the current program of surface diamond drilling is completed and that data digitized, a further exploration and development program will begin entailing both surface and underground drilling. The goal is to proceed through a scoping study and onto a prefeasibility study within the year. The mine that is presently envisioned would produce 50,000 ounces of gold per year. 750 tons per day ("tpd") would be mined and after a coarse crush and screening, 500 tpd would be milled. The expected recovery from simple flotation is 94% with an 8 oz/ton concentrate as a product. The cost of production is not

quantifiable yet, but it is hoped to be in the \$225 - \$250 per ounce range, which would be quite respectable.

THE DEAL

Porcher Island Gold Corporation is earning a 65% interest in the project from Cathedral Gold Corporation (TSE: "CAT") by spending \$2,000,000 on exploration and paying \$175,000 over the next two years, although at the present planned pace of exploration we expect our earn-in to be complete within a year. Cathedral can then participate as to 35% in further development of the mine or elect to receive a 10% net profits interest. Porcher Island Gold will have no royalty obligations, a big plus in a gold mining situation.

FINANCIAL INFORMATION

As of November 30, 1996 (the end of the company's third fiscal quarter), working capital stood at \$631,200. \$510,000 had been spent on exploration on the Porcher Island Gold Project as of that date. The company has 1,510,000 "A" warrants outstanding at an exercise price of \$0.27 and another 2,337,475 "B" warrants outstanding at an exercise price of \$0.465. If all of these warrants are exercised in due course, the proceeds to the company will be at least \$1,494,000.

The 2,000,000 "B" warrants which trade on the Vancouver Stock Exchange ("PIG.WT.B") will confer flow-through tax benefits to any holder who is a Canadian resident who exercises the warrant prior to September 21, 1997.

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TRADING SYMBOLS

COMMON SHARES:
VSE SYMBOL: PIG

COMMON SHARE WARRANTS:
VSE SYMBOL: PIG.WT.B

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PRESIDENT'S MESSAGE

Porcher Island Gold Corporation is a very serious gold exploration company that intends to become a gold producing company very soon. We do have a frivolous logo (actually, we think of Porcher Pig as our mascot) and a memorable trading symbol (but P, I & G are the initials of Porcher Island Gold). However, these things don't mean we are not serious: they are simply devices to make investors remember us in a crowded marketplace.

What we are so serious about is turning our Porcher Island Gold Project into one of B.C.'s next producing gold mines - and we think we can do it soon thanks to all the previous development work that has been done there.

RESERVES

- Four gold zones identified.
- On the most developed, the "AT" zone, over 1,500,000 tons drill indicated and inferred grading 0.20 oz/t Au, fully diluted.
- Represents a gold resource in excess of 300,000 ounces.

CURRENT DRILLING

- Current program consists of 10,000 feet of diamond drilling to define additional reserve potential north and south of the "AT" zone reserve block.
- Drilling started November 1996 - 1st phase complete early 1997.

PREVIOUS WORK

- Significant exploration history including: over 3,000 feet of adit and 64,200 feet of subsurface and surface drilling, historical production.
- Over \$15 million (1996 dollars) spent to date.

OBJECTIVE

To advance the project to the prefeasibility study stage by the Fall of 1997 with a view to establishing a 50,000 oz/year gold mine on Porcher Island.

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