82ESE041 LEXINGTON

001116

PROPERTY FILE

REPORT ON AALENIAN RESOURCES LTD.
GOLD COPPER PROPERTY

ITEM 1.A)

April 28/74
G.L.ANSELMO

ECONOMIC STUDY ON ORE BODY OF GREENWOOD GOLD - COPPER PROPERTY AS REPORTED BY R.PHENDLER, P.ENG., FEB./1974

1. PRODUCTION

- Indicated tonnage and grade = 1.1 million tons of 0.93% copper and 0.13 oz. gold/ton

- Reduce tonnage to 1 million tons to allow for pillars.

- Assuming an 85% recovery:
  Cu grade = .85 x .93 = 0.8%
  Au grade = .85 x .13 = 0.11 oz

- Therefore; production = 1 million tons of 0.8% Cu/Ton and 0.11 oz Au/Ton

2. STANDARD METAL VALUES

As prescribed by the Lieutenant Governor in Council under section 2 (3) of the mineral royalties act, 1974.

- Copper has been temporarily set at 55¢/lb. This is anticipated to be the absolute minimum. 70¢

- Gold has not yet been assigned a standard value, and though $100/oz has been indicated, the following five year average including 1974 will be used for the purposes of this study thereby giving a minimum standard value:

- GOLD 1970 = $ 36.10
  1971 = $ 35.64
  1972 = $ 64.90 $99
  1973 = $ 123.55
  1974 = $ 160.00
  $ 420.19 ÷ 5 yrs. = $ 84.04 Say $ 84/oz

3. MINE LIFE

1,000,000 tons @ 500 tons/day @ 300 days/year = 150,000 tons/year = 6.7 years. Say 7 years.

4. ANNUAL PRODUCTION

- 150,000 t/yr @ .8% Cu = 16 lb. x 150,000 = 2,400,000 ~~t~~ LB/yr
- 150,000 t/yr @ .11 oz Au = .11 x 150,000 = 16,500 oz/yr

5. MINERAL LAND TAX CALCULATIONS

NOTE: See accompanying Appendix "A" (Mineral Land Tax Assessments Regulations, March 28,1974)

A) GROSS PRODUCTION REVENUE (GPR)

= annual production x market metal price. Assuming copper @ \$1.20/lb. and gold @ \$150/oz. 2.38

- Cu = 2,400,000 lb @ \$1.20/lb = \$ 2,880,000
- Au = 16,500 oz @ \$150/oz = \$ 2,475,000

GPR = \$ 5,355,000

B) SMELTING & SHIPPING COSTS (s & t)

Low \$40/ton more reasonable. Refining at least 7¢ 12.5 + Aol = 25.0 7 44.5

include Refining.

Smelting = \$20/ton concentrate & shipping = 4¢/ton/mile
@ a maximum of 500 miles = \$20/ton concentrate
Therefore = \$40/ton concentrate @ 10% sulfides/ton ore
Calculate \$ 4.00 x 150,000 tons = \$ 600,000
(s & t) = \$ 600,000

50/50 12.5¢ 12.5¢

C) STANDARD METAL VALUE

As prescribed and calculated (see item 2.)
Cu = 55¢/lb and Au = \$84/oz
70¢ \$99

D) STANDARD PRODUCTION VALUE (SPV)

= annual production x standard metal value
Cu = 2,400,000 lb x ~~55¢~~ = \$ 1,320,000 @ 70¢ = 1680
Au = 16,500 oz x \$84 = \$ 1,386,000 1633.5

SPV = \$ 2,706,000 3,313,500

JR note

E) VALUATION FACTOR (VF)

formula changes to allow smelt. taxes allowances to $VF = \frac{42\ GPR - 4.2s - 2t - 48\ BV}{GPR}$

As GPR (\$5,355,000) exceeds 6/5 of SPV (\$2,706,000) (see Appendix "A" Page 2, Sec.4); the formula used shall be:

$$VF = \frac{42\ GPR - 2\ (\ s + t\ ) - 48\ SPV}{GPR}$$

$$VF = \frac{42\ (\ 5{,}355{,}000\ ) - 2\ (\ 600{,}000\ ) - 48\ (\ 2{,}706{,}000\ )}{5{,}355{,}000}$$

$$VF = \frac{224{,}910{,}000 - 1{,}200{,}000 - 129{,}888{,}000}{5{,}355{,}000}$$

$$VF = \frac{93{,}822{,}000}{5{,}355{,}000} = \cancel{17}.52$$

$$\underline{\underline{VF = 17.52}}$$

F) TAX CALCULATION

TAX = Mill Rate x GPR x VF
Mill Rate = 12.5 mills (see Appendix "A", Page 2, Sec 2)

$$Tax = \frac{12.5}{1000} \times 5{,}355{,}000 \times 17.\cancel{5}2 = 1{,}172{,}745$$

Say \$ 1,173,000

658300

6. GROSS VALUE OF ORE TO COMPANY

= GPR - TAX - (s + t) @ 150,000 t/yr
= 5,355,000 - 1,173,000 - 600,000 = \$3,582,000 X

4096700

7. COSTS OF OPERATION EXCLUDING MINERAL TAX & SMELTING & SHIPPING

A) CAPITAL COSTS

? no linear relationship between cost and mill size

1) Mill @ 500 t/day capacity @ $ 1500/t/day =	$ 750,000 ?
2) Disposal area	$ 100,000
3) Construction (assay lab, Mine office, etc	$ 25,000
4) Roads	$ 5,000
5) Mining Mobilization	$ 25,000
6) Preparation of Ore Storage Area	$ 5,000
7) Inventory	$ 100,000
8) * Power and water supply, preparation	$ 10,000
TOTAL	$1,020,000
CONTINGENCIES @ 20%	$ 204,000
	$1,224,000

* NOTE:
- Gas line runs through property
- Ample water supply on property

B) PRODUCTION COSTS

1) Mining	$ 10.00/t
2) Milling	$ 2.00/t
3) Power, Water + taxes on same	.50/t
	$ 12.50/t
4) Unknown costs	$ 1.25/t
TOTAL	$ 13.75/t

150,000 t/yr @ $ 13.75/t = $ 2,062,500/yr

C) ADMINISTRATION COSTS

1) Administration and Engineering	$ 5,000/mo
2) Legal and Accounting fees	$ 1,500/mo
	$ 6,500/mo
CONTINGENCIES @ 20%	$ 1,300/mo
TOTAL	$ 7,800/mo

$ 7,800/mo x 12 mo = $ 94,000/yr

D) EXPLORATION COSTS

1) Underground	$ 60,000/yr
2) Surface	$ 40,000/yr
TOTAL	$ 100,000/yr

E) COST OF CAPITAL

On $ 1,500,000 bank loan @ 13%/annum over 2.5 years

YEAR	PRINCIPLE	INTEREST	PAYBACK	TOTAL
1 st	$1,500,000	$195,000	$750,000	$945,000
2 nd	$ 750,000	$ 97,500	$400,000	$497,500
2.5	$ 350,000	$ 24,500	$350,000	$374,500
		$317,500	1500,000	1817,500

cost of capital = $ 317,500 over 2.5 years

YEAR 1
1974 - 75

PRODUCTION

NIL

PROGRAM

Six month Exploration and marketing, followed by six month pre-production planning and construction.

REVENUE

1)	Underwriting	(0 - 6 mo)	$ 100,000
2)	Underwriting	(6 -12 mo)	$ 500,000
3)	Bank Loan		$1,500,000
		TOTAL	$2,100,000

COSTS

1)	Exploration	(0 - 6 mo)	$ 100,000
2)	Mine Construction & Layout	(6 -12 mo)	$1,271,000
		TOTAL	$1,371,000

CASH POSITION

Cash at beginning of year	$2,100,000
Exploration & pre-production Costs	$1,371,000
Cash at end of year	$ 729,000

YEAR 2
1975 - 76

too high 80¢

PRODUCTION

Cu =	2,400,000 lbs	x	$1.20	=	$ 2,880,000	
Au =	16,500 oz	x	$ 150	=	$ 2,475,000	
GPR			$120	=	$ 5,355,000	

REVENUE

GPR	(Gross Production Revenue)	$ 5,355,000	
s + t	(Smelting & shipping)	$ 600,000	-
Tax	(Mineral Land Tax)	$ 1,173,000	-
Revenue	=	$ 3,582,000	

COSTS

Mining & Milling		$ 2,062,500
Administration		$ 94,000
Costs	=	$ 2,156,500

OPERATING PROFIT

Revenue		$ 3,582,000	
Costs		$ 2,156,500	-
Operating profit	=	$ 1,425,500	

TAXES (CORPORATE)

@ 41% Of operating profit
= 41% x $ 1,425,500 = $ 584,500

CASH AVAILABLE

Operating profit		$ 1,425,500	
Corporate taxes		$ 584,500	-
Cash available	=	$ 841,000	

CASH POSITION

Cash at beginning of year (from loans)		$ 729,000
Loans		$ ---------
Cash available (flow)		$ 841,000
Cash position	=	$ 1,570,000

ADDITIONAL COSTS

Loan repayment ($945,000 1st.yr.)		$ 945,000
Exploration		$ 100,000
Dividends: To Aalenian		$ ---------
To Lexington		$ ---------
Additional costs	=	$ 1,045,000

CASH @ YEAR END

Cash position		$ 1,570,000	
Additional costs		$ 1,045,000	-
Cash @ year end	=	$ 525,000	

YEAR 3
1976 - 77

NOTE:

Production, Revenue, Costs, Operating profit, Corporate taxes, and Cash available are all the same as YEAR 2.

PRODUCTION	=	$ 5,355,000
REVENUE	=	$ 3,582,000
COSTS	=	$ 2,156,500
OPERATING PROFIT	=	$ 1,425,000
TAXES (CORPORATE)	=	$ 584,500
CASH AVAILABLE	=	$ 841,000

CASH POSITION

Cash at beginning of year		$ 525,000
Loans		$ ---------
Cash available (flow)		$ 841,000
Cash position	=	$ 1,366,000

ADDITIONAL COSTS

Loan repayment ($497,500 2nd. yr.)		$ 497,500
Exploration		$ 100,000
Dividends: To Aalenian		$ ---------
To Lexington @ 25% of cash flow - (exploration & loan repayment costs)		$ 61,000
Additional costs	=	$ 658,500

CASH @ YEAR END

Cash position		$ 1,366,000
Additional costs		$ 658,500 -
Cash @ year end	=	$ 707,500

YEAR 4
1977 - 78

NOTE:

Production, Revenue, Costs, Operating profit, Corporate taxes, and Cash available are all the same as YEAR 3.

CASH AVAILABLE			
	=	$	841,000
CASH POSITION			
Cash @ beginning of year		$	707,500
Loans		$	---------
Cash available (flow)		$	841,000
Cash position	=	$	1,548,500
ADDITIONAL COSTS			
Loan repayment ($374,500 2.5 yr.)		$	374,500
Exploration		$	100,000
Dividends: To Aalenian		$	---------
To Lexington		$	92,000
Additional costs	=	$	566,500
CASH @ YEAR END			
Cash position		$	1,548,500
Additional costs		$	566,500 -
Cash @ year end	=	$	982,000

YEAR 5
1978 - 79

NOTE:

Production, Revenue, Costs, Operating profit, Corporate taxes, and Cash available are all the same as YEAR 4.

CASH AVAILABLE

	=	$ 841,000

CASH POSITION

Cash @ beginning of year		$ 982,000
Loans		$ ---------
Cash available		$ 841,000
Cash position	=	$ 1,823,000

ADDITIONAL COSTS

Exploration			$ 100,000
Dividends:	To Aalenian @ 10¢ on approximately 1.6 million shares		$ 160,000
	To Lexington @ 25% of Cash flow - explorations		$ 186,000
Additional costs		=	$ 446,000

CASH @ YEAR END

Cash position		$ 1,823,000
Additional costs		$ 446,000 -
Cash @ year end	=	$ 1,377,000

YEAR 6
1979 - 80

NOTE:

Production, Revenue, Costs, Operating profit, Corporate taxes, and Cash available are all the same as YEAR 5.

CASH AVAILABLE

	=	$	841,000

CASH POSITION

Cash @ beginning of year		$	1,377,000
Loans		$	---------
Cash available		$	841,000
Cash position	=	$	2,218,000

ADDITIONAL COSTS

Exploration		$	100,000
Dividends: To Aalenian		$	160,000
To Lexington		$	185,000
Additional costs	=	$	445,000

CASH @ YEAR END

Cash position	$	2,218,000
Additional costs	$	445,000 -
Cash @ year end	$	1,773,000

YEAR 7
1980 - 81

NOTE:

Production, Revenue, Costs, Operating profit, Corporate taxes, and Cash available are all the same as YEAR 6.

CASH AVAILABLE

	=	$ 841,000

CASH POSITION

Cash @ beginning of year		$ 1,773,000
Loans		$ ---------
Cash available		$ 841,000
Cash position	=	$ 2,614,000

ADDITIONAL COSTS

Exploration		$ 100,000
Dividends: To Aalenian		$ 160,000
To Lexington		$ 185,000
Additional costs	=	$ 445,000

CASH @ YEAR END

Cash position		$ 2,614,000
Additional costs		$ 445,000 -
Cash @ year end	=	$ 2,169,000

YEAR 8
1981 - 82

NOTE:

Production, Revenue, Costs, Operating profit, Corporate taxes, and Cash available are all the same as YEAR 7.

CASH AVAILABLE

	=	$ 841,000

CASH POSITION

Cash @ beginning of year		$ 2,169,000
Loans		$ ---------
Cash available		$ 841,000
Carried inventory recoverable		$ 100,000
Cash position	=	$ 3,110,000

ADDITIONAL COSTS

Exploration		$ 100,000
Dividends: To Aalenian		$ 160,000
To Lexington		$ 210,000
Addtional costs	=	$ 470,000

CASH @ YEAR END

Cash position		$ 3,110,000
Additional costs		$ 470,000 -
Cash @ year end	=	$ 2,640,000

EQUIPMENT

Mill @ approximate re-sale value of $ 500,000. 3/4 owned by Aalenian = 3/4 x 500,000 = $ 375,000

TOTAL ASSETS AT END OF OPERATION

Cash @ year end		$ 2,640,000
Recoverable assets		$ 375,000
Total assets	=	$ 3,015,000

PERCENT PROFITS FOR OPERATION

Gross value of ore = Market value - Mineral Land Tax
= $ 37,485,000 - $ 8,211,000 = $ 29,274,000
Total net profits generated = $ 4,574,000 or 15.6%
Total net profits to Aalenian = $ 3,655,000 or 12.5%

All years June-June	YEAR 1 1974 - 75	YEAR 2 1975 - 76	YEAR 3 1976 - 77	YEAR 4 1977 - 78	YEAR 5 1978 - 79	YEAR 6 1979 - 80	YEAR 7 1980 - 81	YEAR 8 1981 - 82	7 YEAR TOTAL
Metal Produc: Copper	---------	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	16,800,000
Gold	---------	16,500	16,500	16,500	16,500	16,500	16,500	16,500	115,500
Production $	---------	5,355,000	5,355,000	5,355,000	5,355,000	5,355,000	5,355,000	5,355,000	37,485,000
M.L.Taxes +s+t	---------	1,773,000	1,773,000	1,773,000	1,773,000	1,773,000	1,773,000	1,773,000	12,411,000
1 Revenue	Stocks 600,000	3,582,000	3,582,000	3,582,000	3,582,000	3,582,000	3,582,000	3,582,000	25,674,000
2 Costs	Pre-prod. 1,271,000	2,156,500	2,156,500	2,156,500	2,156,500	2,156,500	2,156,500	2,156,500	16,366,500
3 Operating Profit = 1-2	---------	1,425,500	1,425,500	1,425,500	1,425,500	1,425,500	1,425,500	1,425,500	9,978,500
4 Tax @ 41% x 3	--------	584,500	584,500	584,500	584,500	584,500	584,500	584,500	4,091,500
5 Cash Avail. = 3 - 4	---------	841,000	841,000	841,000	841,000	841,000	841,000	841,000	5,887,000
6 Cash position @ begin year	---------	729,000	525,000	707,500	982,000	1,377,000	1,773,000	2,169,000	
7 Loans	1,500,000	---------	---------	---------	---------	---------	---------	---------	1,500,000
8 Cash flow =5	---------	841,000	841,000	841,000	841,000	841,000	841,000	ret.inven. 100,000 841,000	5,987,000
9 Cash position = 6 + 7 + 8	---------	1,570,000	1,366,000	1,548,500	1,823,000	2,218,000	2,614,000	3,110,000	
10 Exploration Costs	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	800,000
11 Loan Paymt.	---------	945,000	497,500	374,500	---------	---------	---------	---------	1,817,000
12 Div. Aalen.	---------	---------	---------	---------	160,000	160,000	160,000	160,000	640,000
13 Div. Lex.	---------	---------	61,000	92,000	186,000	185,000	185,000	210,000	919,000
14 Additional Costs	1,371,000	1,045,000	658,500	566,500	446,000	445,000	445,000	470,000	5,422,000
15 Cash @ year end 9 - 14	729,000	525,000	707,500	982,000	1,377,000	1,773,000	2,169,000	2,640,000	

JR
Check w/
new calc.

AN EXCERCISE IN FOOLISHNESS

GROSS VALUE OF ORE/YEAR = GV

$ 5,355,000	$ 5,355,000

OPERATING COSTS

Mining & milling & Admin. & S + T $ 2,156,500 + 600,000 =	$ 2,756,500

NET REVENUE

GV - OPER. COSTS $ 5,355,000 - $ 2,756,500 =	$ 2,598,500

CORP. TAX @ 50% of NET REV.

50% x $ 2,598,500 =	$ 1,300,000

PROVINCIAL TAX (ROYALTY + SUPER ROYALTY)

$ 1,173,000	$ 1,173,000

TOTAL TAXES

$ 1,300,000 + $ 1,173,000 =	$ 2,473,000

Corporate taxes are not calculated on the Net Revenue but Net Income, proposed rate is only 25%. Royalties are overstated and will probably be deductable for provincial taxes.

CASH FLOW TO COMPANY

= GV - (TOT. TAXES + OPER. COSTS) = $ 5,355,000 - ($ 2,473,000 + $ 2,756,500) = $ 5,355,000 - $ 5,229,500 =	$ 125,500

Net Revenue	$ 2 598 500
Less Interest.	195 000
Less Depreciation Aver.	170 000
	2 233 500
Less Federal taxes.	558 375
Less Royalties.	658 300
Net before Provincial Tax	1,016,825
25% provincial tax abatement.	393,800
Net Income	623,025

SPECULATION

DOWN SIDE

1) Negative results in final drill program
(extremely doubtful, considering geologic projections and existing ore intersections)

2) Estimated 85% recovery downgraded
(Highly unlikely as confirmed by micro probe study)

UP SIDE

1) Probable tonnage 2,000,000 tons +

2) Cu & Au grades probably higher due to loss of sulfides in drill cuttings and core grinding.

3) Assay results probably higher than reported
(suspect poor original assay techniques)

4) Probable open pit operation on first 100,000 tons of ore, thereby reducing operation costs on this material by ½ ($ 1,000,000 saving)

5) Probable production up-grading, due to ease of mining the 50' x 150' x 1400' ore zone.

6) Probable up-grading of estimated 85% recovery
(highly likely as confirmed by micro probe study)

7) Silver values to be included.

8) Present ore zone represents only 5% of existing open-ended Induced Polarization anomalies.

DESCRIPTION OF PROGRAM EXPENDITURES

NOTE: Refer to page 4 of ITEM 1 (Engineer's Report)

1. The core shacks and all core are in excellent condition as observed by the writer in June/73. The core intersections representing significant mineralization will be quartered and re-analysed as a confirmation of grade method. Composite samples will be subjected to milling and metalurgical tests to determine the % recovery of sulfides and the smelting costs.

2. The surface extension of the "ore" zone will be stripped of overburden and exposed for purposes of mapping and sampling.

3. Percussion drill hole #12 will be excavated to near its ore intersection (50' from surface), in order to bulk sample and thereby obtain a true analysis of the material representing the ore body. All geological information gathered to date confirms that sulfide grades increase in areas of increased fissility and fracturing. It is suspected therefore, that significant sulfide loss may have occurred with grinding of the core on these fractures during drilling.

4. Drilling, both percussion and diamond will be conducted to block out (percussion) and confirm extension (diamond) of the indicated ore zone.

5. A complete and comprehensive feasibility study of the mining operation will be conducted.

6. A study of the old Mabel Gold Mine will be conducted. The Mabel is located approximately 7000' northwest from the main zone of interest described above, and is wholly within the claim option held by Aalenian. Exploration will consist of geological mapping and sampling of the old workings. Also, geological, geochemical, and geophysical methods will be used to explore the immediate

area in order to determine the potential of this zone. It is believed that the Mabel Mine may be an indicator as to high temperature zones of interest in gold bearing quartz. The microprobe study (see ITEM 2) confirms that exceptional gold values are obtainable on the property, and also shows the gold to be of a grain size and location within the ore constituents that will enable it to " free-up " during milling.

CM

Telephone: (604) 685-2261
Telex: 04-54311

CANADIAN MINE SERVICES LTD.

619 - 620 - 475 HOWE STREET, VANCOUVER 1, B.C.

July 4, 1973.

Mr. G. Anselmo,
Tri-Con Exploration Surveys Ltd.,
200 - 1405 Hunter Street,
North Vancouver, B. C.

Dear Mr. Anselmo:

Following is our estimated cost for underground mining on the Lexington property in the vicinity of Greenwood.

(a) Exploratory or development heading 10' x 15'

Price per ton, unsupported, delivered to stockpile at portal — $ 10.50

(b) Slash or bench production

Price per ton, unsupported, delivered to stockpile at portal — 7.00

Assuming a ratio of 1 ton development to 4 tons slash and bench, the average cost per ton delivered to the portal would be, say — 7.75

(Con't..2)

CM

Telephone: (604) 685-2261
Telex: 04-54311

CANADIAN MINE SERVICES LTD.

619 - 620 - 475 HOWE STREET, VANCOUVER 1, B.C.

Based upon a mining rate of 15,000 tons per month, the cost of mobilization would be approximately $25,000.00.

Should you decide to proceed with an excavation program, we would be pleased to assist you in planning and to quote to your specific requirements.

Yours very truly,
CANADIAN MINE SERVICES LTD.

A. D. McCutcheon, P. Eng.,
President.

ADM/mm

BACON, DONALDSON & ASSOCIATES LTD.
Consulting Engineers

117 East 4th Avenue · Vancouver 10, B.C. · Telephone 876-4111

June 25, 1973

File No. B-179

G. Anselmo,
Can-Ex Resources Ltd.,
#200 - 1405 Hunter Street,
North Vancouver, B.C.

Dear Mr. Anselmo,

As requested by you in our conversation of June 19, 1973 a microprobe analysis and assay of the two samples provided have been performed.

The two samples supplied by you were identified as follows:

A. DDH #13 312' - 313.5'
B. DDH #4 735' - 737'

The assays of these samples showed the following gold values:

A. 0.39 oz/ton Au
B. 1.93 oz/ton Au

A copy of the assay report is attached to this report.

Although both samples A and B were examined with the microprobe, only B gave an indication of how the gold occurred. This is not unreasonable since the lower assay of sample A would decrease the probability of encountering an occurrence of gold in a polished section.

In sample B, the gold was found to be entirely associated with the pyrite, occurring along grain boundaries in the pyrite and as discrete inculsions of gold within the pyrite. No gold was found to be associated with chalcopyrite. There was also no gold found in a fracture located between gold bearing grain boundaries.

Photographs of two separate occurrences of gold in sample A were taken and these are appended to this report. In each case the gold can be seen to occur at grain boundaries or within pyrite. In one case the intimate association of pyrite and chalcopyrite can also be seen.

In studying the polished sections of the material at hand it was observed that the pyrite and chalcopyrite were very intimately associated. This would make the separation of chalcopyrite from pyrite by flotation very difficult.

For the material studied, it would be reasonable to assume that the gold would report with the pyrite in a flotation operation.

We trust that this information is adequate for your purposes and we would be pleased to carry out any further work that you may require.

Yours truly,

BACON, DONALDSON & ASSOCIATES LTD.,

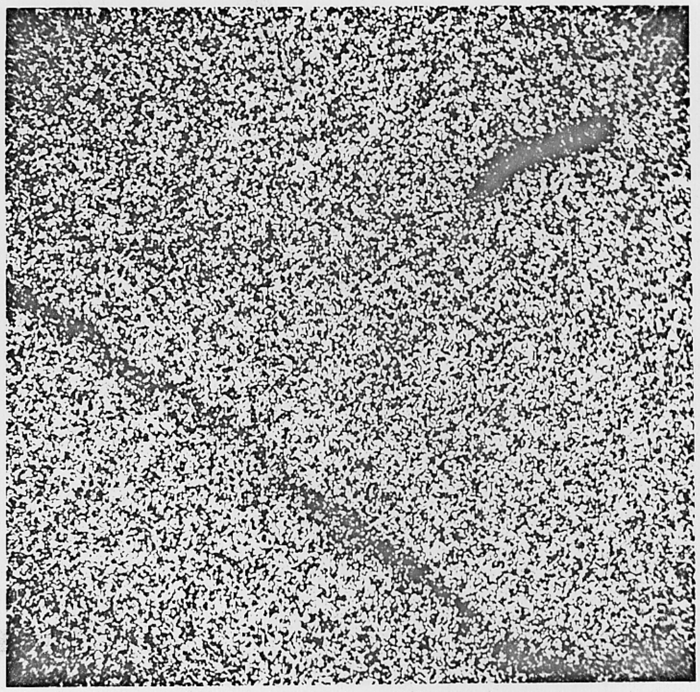
W.G. Bacon.

W.G. Bacon, P.Eng.

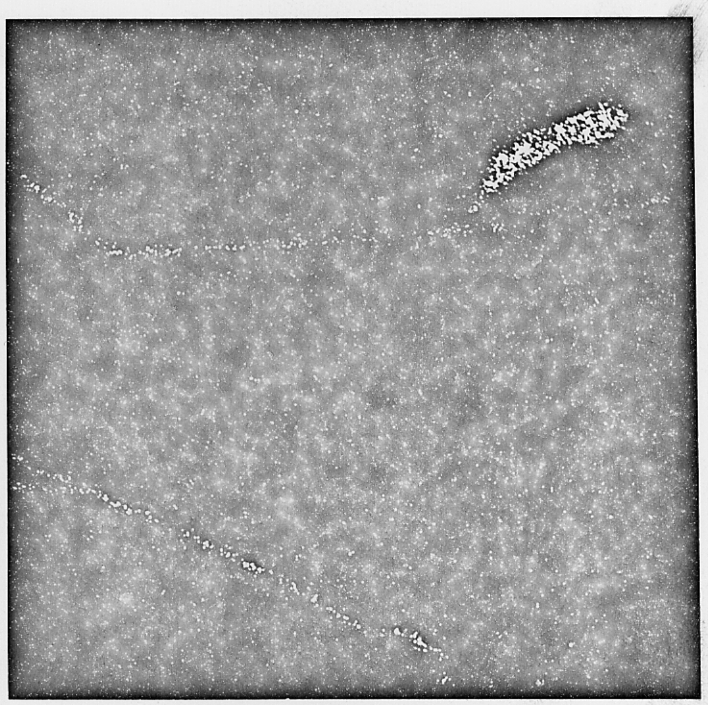
Morris J.A. Vreugde

Morris J.A. Vreugde

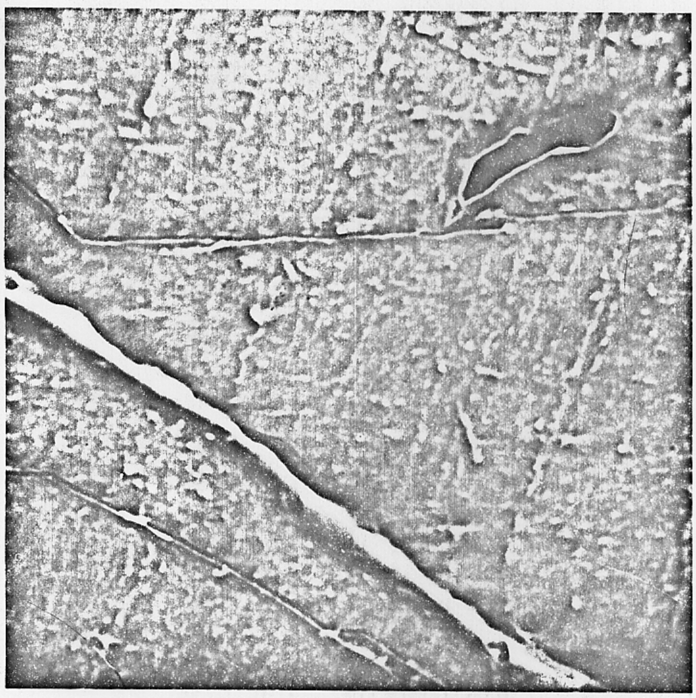
/db



a.



b.



c.

Figure l. Showing

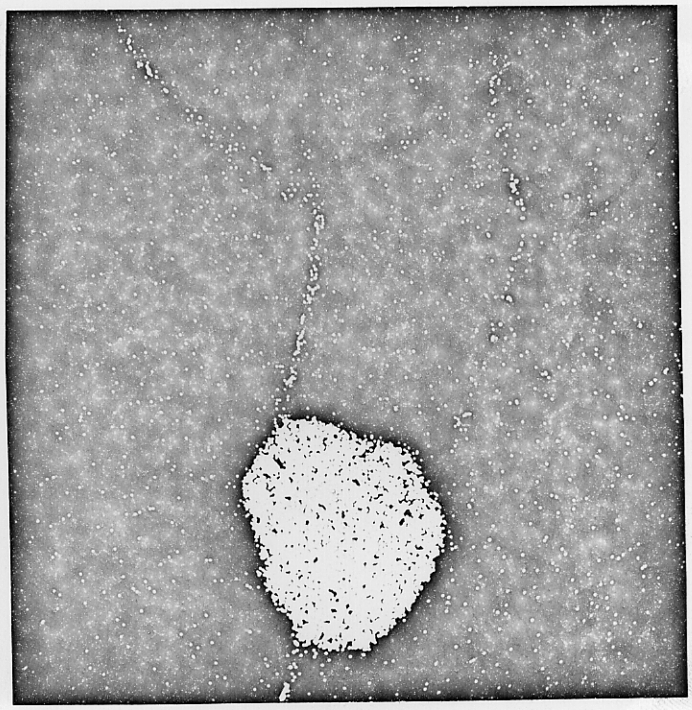
a. Fe distribution

b. Au distribution

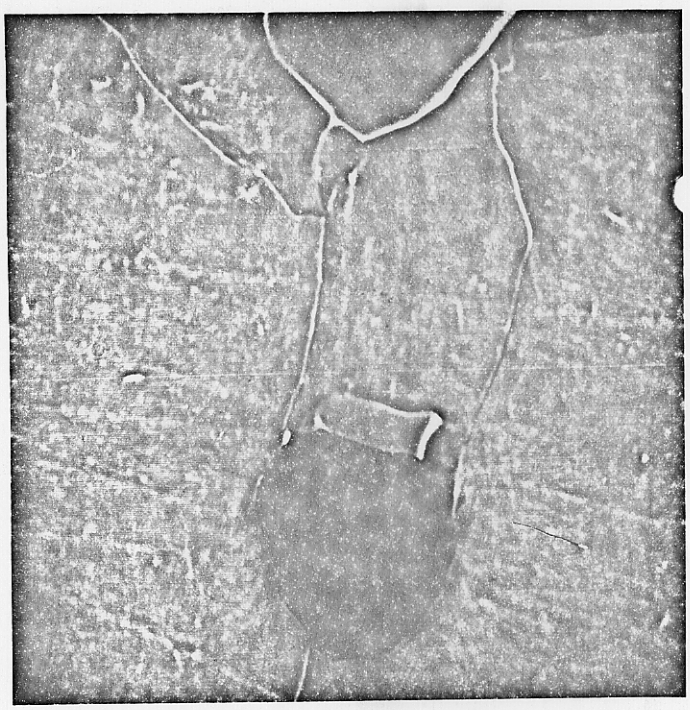
c. Absorbed electron image

Gold occurs as inculsion and along grain boundaries in pyrite. No gold occurs along fracture in pyrite.

a.



b.



c.

Figure 2. Showing

a. Cu distribution

b. Au distribution

c. Absorbed electron image

As seen in Figure 1. gold is seen to occur as inclusion and along grain boundaries in pyrite.

TO:

Bacon, Donaldson & Associates
117 East 4th Avenue
Vancouver, B.C.

Certificate of Assay

WARNOCK HERSEY INTERNATIONAL LIMITED

COAST ELDRIDGE PROFESSIONAL SERVICES DIVISION

125 EAST 4TH AVE. VANCOUVER 10, B.C., CANADA

PHONE: (…4) 876-4111
TELEX: 04-50353
CABLE ADDRESS: ELDRICO

FILE NO. 461 - 17780

DATE June 21, 1973

We Hereby Certify that the following are the results of assays made by us upon submitted ORE samples

MARKED	GOLD		SILVER						
	OUNCES PER TON	VALUE PER TON	OUNCES PER TON	PER CENT.	PER CENT.	PER CENT.	PER CENT.	PER CENT.	PER CENT.
		$							
— A —	0.39								
— B —	1.93								

Gold calculated at $ ______ per ounce

[signature] Provincial Assayer

Note. Rejects retained one week.
Pulps retained one month.
Pulps and rejects may be stored for a maximum of one year by special arrangement.

Unless it is specifically stated otherwise, gold and silver values reported on these sheets have not been adjusted to compensate for losses and gain inherent in the fire assay process.

ALL REPORTS ARE THE CONFIDENTIAL PROPERTY OF CLIENTS. PUBLICATION OF STATEMENTS, CONCLUSIONS OF EXTRACTS FROM OR REGARDING OUR REPORTS IS NOT PERMITTED WITHOUT OUR WRITTEN APPROVAL. ANY LIABILITY ATTACHED THERETO IS LIMITED TO THE FEE CHARGED.

AALENIAN RESOURCES LTD.

(FORMERLY CROYDON MINES LTD. (N.P.L.))

FINANCIAL STATEMENTS

NOVEMBER 30, 1973 AND FEBRUARY 28, 1974

Shand, McAfee, Pew & Lilly
CHARTERED ACCOUNTANTS

Shand, McAfee, Pew & Lilly
CHARTERED ACCOUNTANTS

SUITE 900, 1055 WEST HASTINGS STREET, VANCOUVER, B.C. CANADA V6E 2G2 . (604) 685-1351

AUDITORS' REPORT

The Shareholders,
Aalenian Resources Ltd.,
Vancouver, B.C.

We have examined the balance sheets of Aalenian Resources Ltd. as at February 28, 1974 and November 30, 1973 and the statements of deficit, deferred exploration, development and other expenditures and source and application of working capital for the corresponding three months ended February 28, 1974 and year ended November 30, 1973. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at February 28, 1974 and November 30, 1973 and the results of its operations and the source and application of its working capital for the periods ended on those dates, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year ended November 30, 1972.

Shand, McAfee, Pew & Lilly

Vancouver, B.C.
March 15, 1974

Chartered Accountants

Roy A. Shand, C.A. Bryant P. McAfee, C.A. Colin G. Pew, B. Comm., C.A. Arthur W. Lilly, B. Comm., C.A.
John C. Bailey, C.A. J. Norman Godding, B. Comm., C.A. Martin C. Butschler, C.A.

AALENIAN RESOURCES LTD.

(Formerly Croydon Mines Ltd. (N.P.L.))

BALANCE SHEETS

FEBRUARY 28, 1974 AND NOVEMBER 30, 1973

	February 28, 1974	November 30, 1973	November 30, 1972
ASSETS			
CURRENT ASSETS			
Cash	$ 1,497	$ 12,312	$ 512
Account receivable	-	-	800
	1,497	12,312	1,312
MINERAL CLAIMS OWNED AND UNDER OPTION (Notes 1 and 2)	64,755	64,755	64,755
FIXED ASSETS			
Equipment, at cost	1,477	1,477	1,477
DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES, at cost (Note 1)	304,564	297,920	280,085
INCORPORATION AND ORGANIZATION EXPENSES, at cost	2,094	2,094	2,094
	$ 374,387	$ 378,558	$ 349,723
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accruals	$ 2,576	$ 6,747	$ 6,244
Loans payable	-	-	15,000
	2,576	6,747	21,244
SHAREHOLDERS' EQUITY			
SHARE CAPITAL			
Authorized (Note 3) 5,000,000 shares of no par value			
Issued (Notes 3 and 4) 402,353 shares (November 30, 1972: 2,773,536 shares)	1,051,313	1,051,313	963,813
CONTRIBUTED SURPLUS			
Premiums on issuance of shares	59,600	59,600	59,600
DEFICIT	(739,102)	(739,102)	(694,934)
	371,811	371,811	328,479
	$ 374,387	$ 378,558	$ 349,723

APPROVED ON BEHALF OF THE BOARD

[signature] DIRECTOR

________________ DIRECTOR

The accompanying notes are an integral part of these financial statements.

Shand, McAfee, Pew & Lilly
CHARTERED ACCOUNTANTS

AALENIAN RESOURCES LTD.

(Formerly Croydon Mines Ltd. (N.P.L.))

STATEMENTS OF DEFICIT

THREE MONTHS ENDED FEBRUARY 28, 1974

AND YEAR ENDED NOVEMBER 30, 1973

	Three Months Ended February 28, 1974	Year Ended November 30, 1973	Year Ended November 30, 1972
DEFICIT, BEGINNING	$739,102	$694,934	$323,634
Cost of and option payments made on claims abandoned during the year (Note 2b)	-	20,100	43,051
Expenditures on mineral claims abandoned during the year (Note 2b)	-	24,068	208,831
Investments and advances written-off			
- Montana Tungsten project	-	-	38,019
- Croydon - Dowa joint venture	-	-	90,923
Gain on disposal of marketable securities	-	-	(11,749)
Loss on disposal of equipment	-	-	2,225
DEFICIT, ENDING	$739,102	$739,102	$694,934

The accompanying notes are an integral part of these financial statements.

AALENIAN RESOURCES LTD.

(Formerly Croydon Mines Ltd. (N.P.L.))

STATEMENTS OF EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES

THREE MONTHS ENDED FEBRUARY 28, 1974

AND YEAR ENDED NOVEMBER 30, 1973

	Three months Ended February 28, 1974	Year Ended November 30, 1973	Year Ended November 30, 1972
EXPLORATION AND DEVELOPMENT			
Laird Lake Property (Note 2b)			
Equipment rentals	$ -	$ 1,250	$ -
Field supplies	-	220	-
Field work - contract fees	-	17,170	-
Food and accommodation	-	1,960	-
Geochemical analysis	-	393	-
Mapping and reports	-	2,320	-
Recording fees	-	755	-
	-	24,068	-
Lexington Greenwood Property (Note 2c)			
Consulting fees and reports	1,175	-	-
Recording fees	317	-	-
Property examination	818	-	-
	2,310	-	-
ADMINISTRATION			
Accounting and audit fees	-	1,855	2,800
Bank charges and interest - net	(41)	11	94
Insurance	-	-	243
Legal fees and disbursements	500	6,736	2,854
Listing fees, dues and licences	200	1,280	173
Meetings and publicity	-	1,494	-
Office expense, rent, administration and miscellaneous	2,250	3,492	5,551
Telephone and telegraph	67	508	468
Transfer agent fees	1,358	2,237	1,306
Travel	-	222	-
	4,334	17,835	13,489
EXPENDITURES FOR THE PERIOD	6,644	41,903	13,489
Deferred exploration, development and other expenditures, beginning	297,920	280,085	475,173
Transfer to deficit of expenditures on mineral properties abandoned during the period (Note 2b)	-	(24,068)	(208,577)
DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES, ENDING	$304,564	$297,920	$280,085

The accompanying notes are an integral part of these financial statements.

Shand, McAfee, Pew & Lilly
CHARTERED ACCOUNTANTS

AALENIAN RESOURCES LTD.

(Formerly Croydon Mines Ltd. (N.P.L.))

STATEMENTS OF SOURCE AND APPLICATION OF WORKING CAPITAL

THREE MONTHS ENDED FEBRUARY 28, 1974

AND YEAR ENDED NOVEMBER 30, 1973

	Three Months Ended February 28, 1974	Year Ended November 30, 1973	Year Ended November 30, 1972
SOURCE OF WORKING CAPITAL			
Proceeds of issuance of share capital for cash (Note 4)	$ -	$ 70,000	$ -
Gain on disposal of marketable securities	-	-	11,749
Proceeds of disposal of equipment	-	-	1,045
	-	70,000	12,794
APPLICATION OF WORKING CAPITAL			
Exploration, development and other expenditures			
- Incurred during the period and deferred	6,644	17,835	13,489
- Incurred and written-off during the period (Note 2b)	-	24,068	253
Payments on option agreement terminated during the period (Note 2b)	-	2,600	-
Investment in and advances to:			
- Croydon - Dowa joint venture	-	-	11,375
- Montana Tungsten project	-	-	8,019
	6,644	44,503	33,136
INCREASE (DECREASE) IN WORKING CAPITAL	(6,644)	25,497	(20,342)
Working capital (deficiency), beginning	5,565	(19,932)	410
WORKING CAPITAL (DEFICIENCY), ENDING	$ (1,079)	$ 5,565	$(19,932)

WORKING CAPITAL (DEFICIENCY) REPRESENTED BY			
Current assets	$ 1,497	$ 12,312	$ 1,312
Current liabilities	(2,576)	(6,747)	(21,244)
	$ (1,079)	$ 5,565	$(19,932)

The accompanying notes are an integral part of these financial statements.

AALENIAN RESOURCES LTD.

(Formerly Croydon Mines Ltd. (N.P.L.))

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 1974 AND NOVEMBER 30, 1973

1. MINERAL CLAIMS OWNED

Mineral claims owned by the company are recorded in the financial statements as the total amounts paid for the cost of purchase or staking of claims, payments made on claims held under option, and the deemed issue prices of 47,400 shares issued as consideration for mineral properties transferred to the company (Notes 3 and 4).

As at November 30, 1973 and February 28, 1974 the only claims owned by the company were 48 claims located in the Pine Point area of the Northwest Territories with a recorded cost of $64,755, and 10 claims located in the Clinton Mining Division of British Columbia with no recorded cost. It is the company's practice to defer exploration, development and other expenditures until such time as mineral properties are brought into commercial production, abandoned or determined to have no prospect of economically recoverable resources. As at November 30, 1973, all recorded deferred exploration, development and other expenditures pertained to the Northwest Territories claims.

The recorded value of mineral properties held by the company, and of deferred exploration, development and other expenditures relating thereto, are not intended to reflect present or future values.

2. AGREEMENTS REGARDING MINERAL PROPERTIES

(a) PINE POINT PROPERTY

On November 1, 1971, the company entered into an agreement with Conwest Exploration Company Limited and Gold Fields Exploration Canada Limited (hereinafter referred to as "the developers") regarding exploration, and if warranted, development of Aalenian's Pine Point claims. Principal terms and conditions of the agreement are:

i) On or before November 1, 1972, the developers were committed to spend on exploration of the claims the sum of $10,000;

ii) On or before November 1, 1973, the developers had the right to spend a further sum of $25,000 thereby having spent a total of at least $35,000 within two years of the date of the agreement and having acquired an undivided 25% interest in the claims in question. The period of time for expenditure of the second sum could be extended for twelve months by the payment of $5,000 to Aalenian;

iii) Provided that the developers expend the amounts as required in i) and ii) above, they shall have the right to spend on exploration of the claims a further $25,000 on or before November 1, 1974, and upon doing so shall acquire a further undivided 25% interest in the claims for an aggregate 50% interest. Time extensions for payment of the third annual sum and for the fourth sum mentioned in iv) below may be obtained by payments to Aalenian as in ii) above;

2. AGREEMENTS REGARDING MINERAL PROPERTIES (Continued)

(a) PINE POINT PROPERTY (Continued)

iv) By having expended a total of $60,000 by November 1, 1974, the the developers shall have the right to spend a further $40,000 on exploration on the claims on or before November 1, 1975, thereby acquiring a further undivided 25% interest in the specified claims and an aggregate undivided 75% interest;

v) Having fulfilled the conditions above, the developers shall continue to have an exclusive right to explore and if warranted, develop the claims, subject to commencing mineral production on or before November 1, 1981;

vi) Exploration and development work under a continuing program after November 1, 1975, shall be financed by the parties to the agreement in proportion to their undivided interests in the claims, or respective interests shall be adjusted for disproportionate contributions;

vii) In the event that the developers acquire an undivided 75% interest in the claims, they may thereafter incorporate a mining company with an original authorized capital of 100,000 no par value shares, to which company the claims would be transferred. The total 100,000 shares would be issued to the parties to the agreement pro rata to their undivided interests in the claims at time of transfer.

As at November 30, 1973 and February 28, 1974 the developers had fulfilled the requirements of i) and ii) above, thereby maintaining the agreement in good standing, and having acquired a 25% undivided interest in the claims.

(b) LAIRD LAKE PROPERTY

By the terms of an agreement dated July 23, 1973, Aalenian made a firm commitment to purchase 41 located mineral claims in the Princeton area of the Similkameen Mining Division of British Columbia. Terms of payment were as follows:

i) $2,000 to be paid upon execution of the agreement (This amount was paid to the vendor);

AALENIAN RESOURCES LTD.

(Formerly Croydon Mines Ltd. (N.P.L.))

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 1974 AND NOVEMBER 30, 1973

2. AGREEMENTS REGARDING MINERAL PROPERTIES (Continued)

(b) LAIRD LAKE PROPERTY (Continued)

ii) 100,000 shares of the company to be issued to the vendor as fully paid and non-assessable as follows:

- 25,000 shares upon execution of the agreement (These shares were issued from treasury on August 9, 1973 at a deemed price of 70¢ per share);
- 25,000 shares within 90 days subject to filing of a satisfactory engineering report with the Vancouver Stock Exchange;
- 25,000 shares within 180 days and a further 25,000 shares within 270 days subject to the above filing.

The company expended $24,068 on examination of the property, but due to unsatisfactory results decided to abandon the claims. Consequently, the $2,000 down payment made, the $17,500 deemed value of the 25,000 shares issued under the agreement, the expenditures made on the property, and an amount of $600 paid to the vendor on a mutually agreed termination of the agreement, were all written off to deficit.

(c) LEXINGTON GREENWOOD PROPERTY

On January 8, 1974, the company entered into an agreement with Lexington Mines Ltd. (N.P.L.) whereby Aalenian was granted an option to acquire an interest in certain mineral claims and mineral leases owned by Lexington and in certain mineral claims, mineral leases and Crown Granted mineral claims held by Lexington as optionee under the terms of four option agreements. All properties are located in the Greenwood Mining Division of British Columbia. The agreement is subject to the approval of the Vancouver Stock Exchange, which approval is currently being applied for.

Under the terms of the agreement, if Aalenian spends at least $24,000 by September 30, 1974 on work on the combined specified properties owned and held under option by Lexington, then Aalenian will have the right to acquire an undivided 75% interest in the overall property in accordance with terms as follows:

2. AGREEMENTS REGARDING MINERAL PROPERTIES (Continued)

(c) LEXINGTON GREENWOOD PROPERTY (Continued)

i) The option may be exercised any time after Aalenian has spent the said $24,000 by delivery to Lexington up to and including March 31, 1975, of a written agreement that Aalenian will place the property in commercial production within one year of the date of delivery of such agreement;

ii) The term of the option may be extended from March 31, 1975 to April 30, 1976 by delivery to Lexington of a written agreement that Aalenian will by June 30, 1975 spend an additional $175,000 on further work on the property;

iii) The term of the option may be further extended from April 30, 1976 to December 31, 1976 by delivery to Lexington of a written agreement that Aalenian will by July 31, 1976 spend an additional $100,000 in carrying out work on the property;

Upon Aalenian exercising the option it shall have no further obligation to carry out any work on the property regardless of ii) and iii) above, but will be obligated to incorporate a new B.C. company to which Lexington shall assign all its interest in the property and option agreements. Aalenian and Lexington shall be allotted 75% and 25% respectively of the authorized share capital of the new company.

In order for the original April, 1968 option agreements between Lexington and various parties to be maintained in good standing and ultimately exercised:

i) $20,000 of exploration and development work or preproduction work shall be expended annually on the combined claims owned by Lexington and held under the option agreements, and

ii) Purchase price balances outstanding to exercise all of the options, totalling approximately $375,000, are to be paid from defined net profits from production from the property, on the basis of 10% of such net profits (being the combined participation percentages of all of the option agreements) and in any event the unpaid balance of the purchase price specified in each option agreement must be paid by April, 1978.

AALENIAN RESOURCES LTD.

(Formerly Croydon Mines Ltd. (N.P.L.))

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 1974 AND NOVEMBER 30, 1973

3. CHANGES OF NAME AND SHARE CAPITAL

At the May 4, 1973 annual general meeting of the company, the shareholders passed special resolutions as follows:

a) The company was changed from a specially limited company to a limited company;

b) The name of the company was changed from "Croydon Mines Ltd. (N.P.L.)" to "Aalenian Resources Ltd.";

c) Authorized share capital was changed from 5,000,000 shares each of $1 par value to 5,000,000 shares of no par value, then consolidated to 500,000 shares of no par value. 2,773,536 issued shares were consolidated on the basis of ten old shares for one new share, with issued share capital of 277,353 shares resulting from the consolidation. A further resolution then approved an increase in authorized share capital to 5,000,000 shares of no par value with a maximum price or consideration of $1 per share.

4. SHARE CAPITAL

As at November 30, 1973 and February 28, 1974, outstanding share capital had been issued for consideration as follows:

	Number of Shares	Net Consideration Received
For cash	354,953	$ 989,813
For mineral claims	47,400	61,500
	402,353	$1,051,313

During the fifteen months ended February 28, 1974, share capital was issued in August, 1973 as follows:

a) 100,000 shares for cash by the terms of an underwriting agreement netting $70,000 to the company;

b) 25,000 shares as a payment on optioned claims under the agreement described in Note 2(b), such shares being issued at a deemed price of 70¢ per share.

ITEM 10

RESUME OF G.L.ANSELMO, DIR, & FIELD SUPERVISOR

NAME: Garry L. Anselmo

AGE: 30

STATUS: Married

CHILDREN: One on the way

EDUCATION: BA Simon Fraser University
(studied geology and geochemistry to 3rd year level courses at U.B.C. then switched to Simon Fraser and graduated a year early to start Tri-con.)

EXPERIENCE:

COMPANY	DATE OF WORK	POSITION
a) Tri-con	Aug/68 to present	President and Mng. Dir. Field Supervisor
b) Amax Exploration	Mar - Sept/66	Assistant to party chief Field exploration Southern B.C.
c) Anaconda American Brass	May/64 - Jan/66	Geochemical Lab Research and Production Field Exploration
d) Kennecott Copper Corp.	May - Sept/62 & 63	* Field Exploration Smithers area, B.C.

* conducted initial exploration on two properties that are now ore bodies - the Berg and the Huckleberry properties.

RESUME OF A.M.HOMENUKE, DIR. & FIELD MANAGER

NAME: Alex M. Homenuke

AGE: 25

STATUS: Single

EDUCATION: B.Sc. Geological Engineering
Colorado School of Mines

Graduate Mining - B.C. Institute of Technology

EXPERIENCE:

COMPANY	DATE OF WORK	POSITION
a) Tri-con	June/69 to present	Secretary Field Manager
b) Amax Exploration	June - Aug/68	Field Exploration
c) Silver Standard Mining	Aug/67	Field Exploration
d) Canadian Longyear	May - July/67 May - Aug/66 July - Aug/65 July - Aug/64	Diamond drilling