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GEOLOGICAL REPORT

on

THE CAMP McKINNEY PROPERTY

GREENWOOD MINING DIVISION

BRITISH COLUMBIA

of

LUSTRE GOLD MINES INC.

PROPERTY FILE

by

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CONSULTING GEOLOGIST

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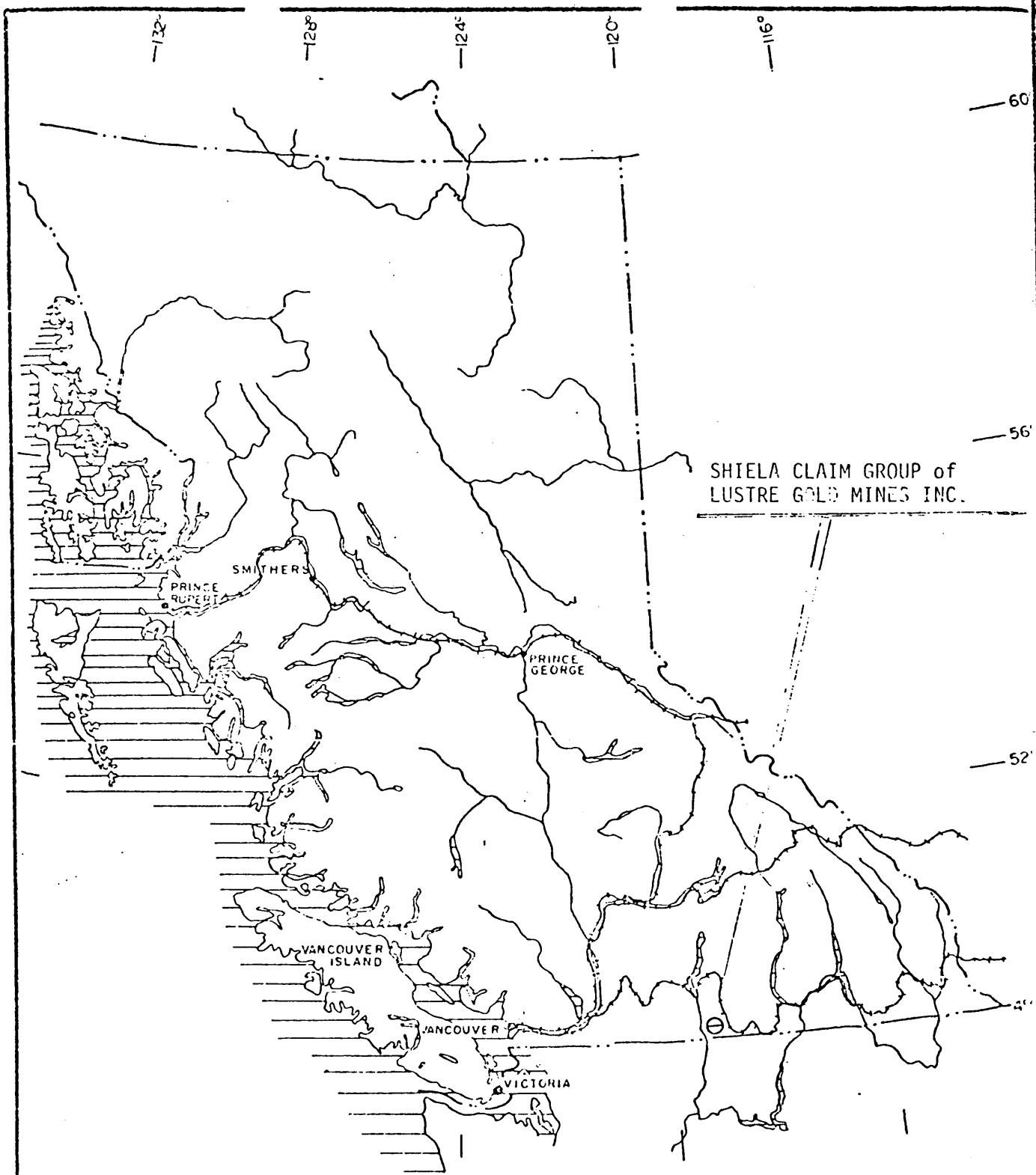
VANCOUVER, BRITISH COLUMBIA

September 24, 1975



INDEX MAP

SHIELA CLAIM GROUP, LUSTRE GOLD MINES INC., VANCOUVER BRITISH COLUMBIA

0 120 240 360 480 miles

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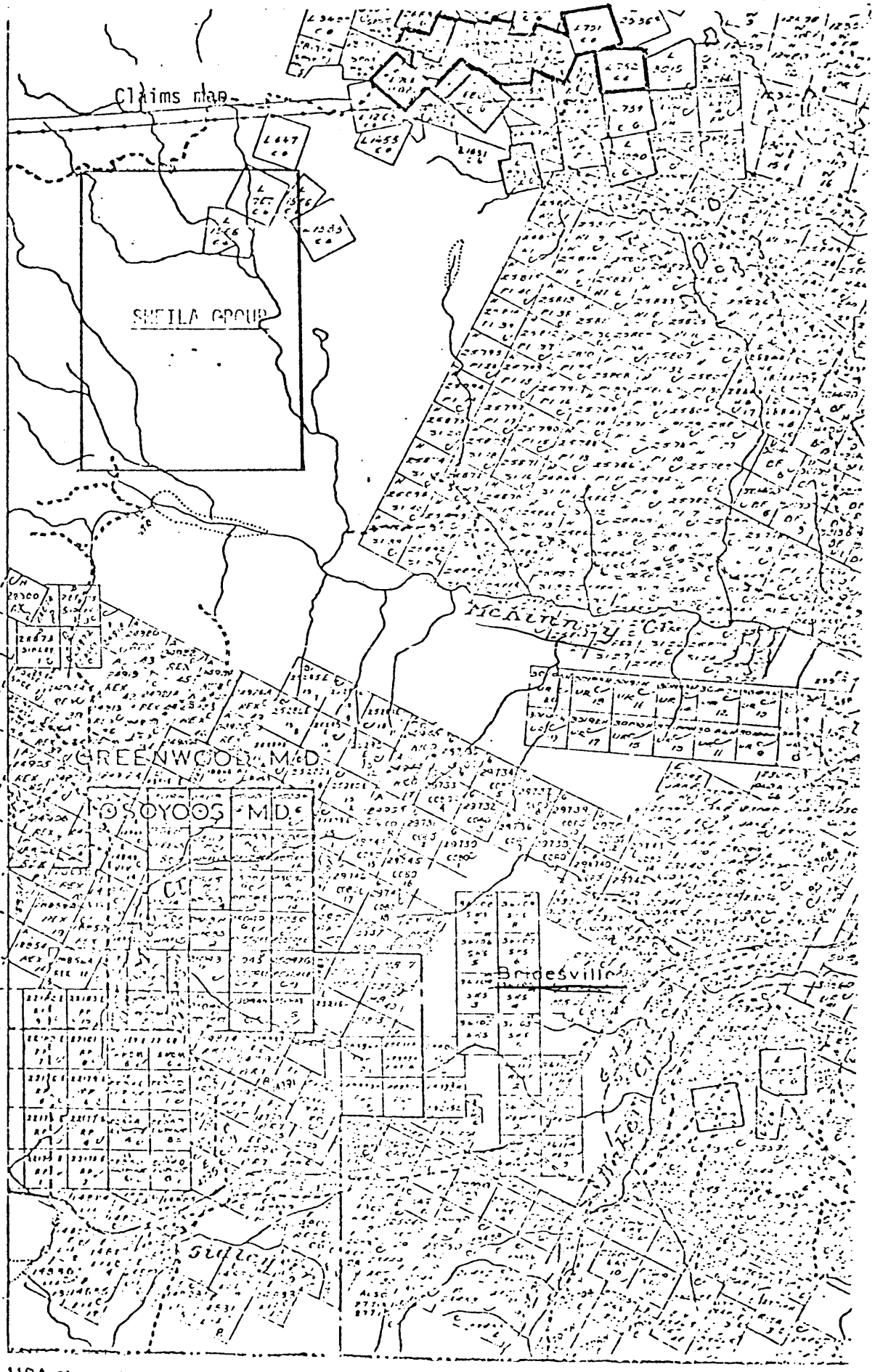
CAMP MCKINNEY GROUP



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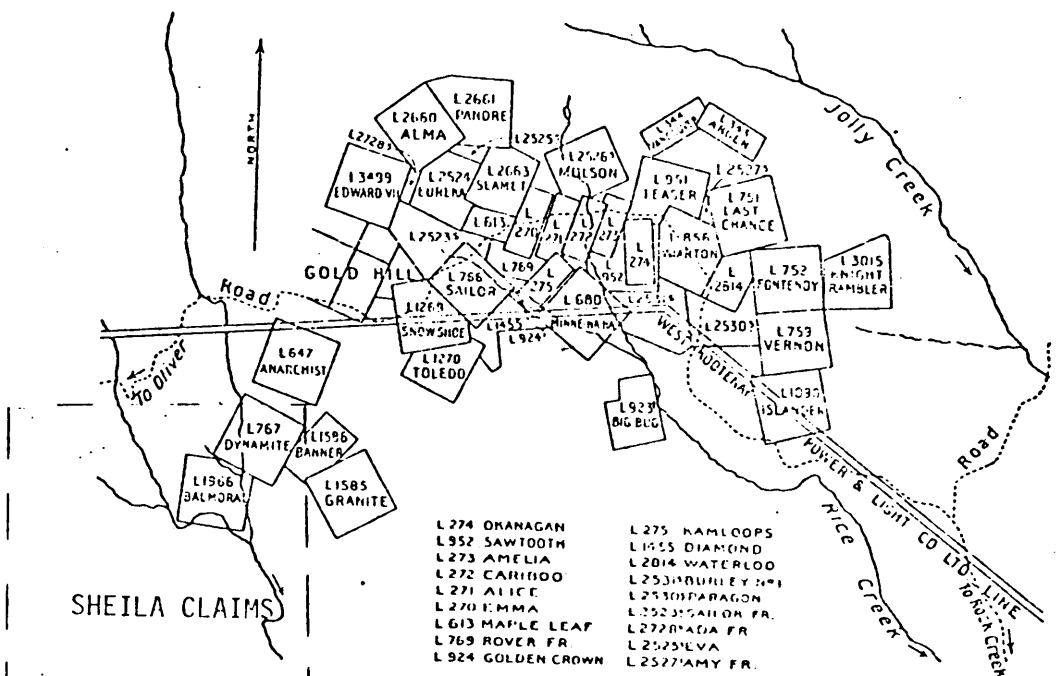


Fig. 1. Key map of Camp McKinney showing principal surveyed claims.

REPORT ON CAMP McKINNEY PROPERTY OF LUSTRE GOLD MINES INC. ROCK CREEK AREA - GREENWOOD MINING DIVISION, B.C.

S U M M A R Y

The Camp McKinney, Sheila Group, of Lustre Gold Mines Inc. is a recently staked block of 20 claim units located two miles southwest of the old Cariboo-Amelia Gold Mine at Rock Creek, B.C. As far as is known the Sheila Claims are underlain by the favorable formations that produced some 70,000 oz of gold and 6,000 oz of silver in the past. Nothing has been found on the Sheila property to date and detailed exploration is warranted due to its proximity to the Camp McKinney gold belt. A preliminary program of soil sampling for gold and silver followed by diamond drilling, at an overall cost of $26,000.00 is recommended.

I N T R O D U C T I O N

This report is based on information gathered during visits to the property in August of 1974 and from published data from government and private reports on the company's files, together with personal communications from R. Hunstone and W.E. MacArthur who previously operated Camp McKinney Gold Mine property. It was prepared at the request of Lustre Gold Mines Inc., 1020-470 Granville Street, Vancouver, B.C.

L O C A T I O N A N D A C C E S S

The Camp McKinney property is in the Greenwood Mining Division of B.C. on Rock Creek drainage, about six miles north of Bridesville on the Trans-Provincial Highway No. 3. A branch road leaves the highway three miles east of Bridesville and passes through the Camp westerly to Oliver, B.C. Rock Creek on the Canadian Pacific Railway is sixteen miles southeast of Camp McKinney. The Camp is at an elevation of 4,400 feet on

the lower southeastern slopes of Baldy Mountain. It is served by all weather gravel highway from the Trans-Canada Highway and readily accessible by automobile.

The main line of the West Kootenay Power & Light Company passes near the property. A tributary of McKinney Creek flows through the claim block.

TOPOGRAPHY

The local topography is of low relief ridges and mounds and long slopes are characteristic. It is rocky in part and ridges of glacial material are present in the area due to heavy glaciation. Glacial debris, however, is generally very shallow, in the order of a few feet. Outcrops are plentiful in the area but a general thin blanket of topsoil and forest cover makes detailed mapping difficult.

The area is covered with plentiful second growth green timber sufficient for mining purposes.

The climate is generally mild and dry, and mining can be carried on throughout the year.

HISTORY

Camp McKinney, at the close of the last century was an important gold production centre. It was discovered in 1887 and production continued from 1887 to 1894 when the Camp was abandoned. Attempts at revival have been made since from time to time, on a small scale.

CHRONOLOGICAL

A chronological history of the Camp McKinney area prepared by L.H. Starck and H.L. Hill follows:

1860 - Placer gold was recovered from Rock Creek and its tributaries.

1884 - Lode gold was discovered on ground covered by the Victoria claim.

1887 - The Cariboo vein was discovered.

1894 - George McAuley and associates, of Spokane, Washington, after development of the Cariboo and Amelia claims, formed the Cariboo Mining and Milling Company, and erected a 10-stamp mill. This operation continued through 1897 producing $380,000 and paying $189,000 in dividends.

1898 - McAuley and Toronto associates formed the Cariboo-McKinney Mining and Milling Company Limited to take over the operation. Property controlled by this company included the Cariboo, Amelia, Alice, Emma, Maple Leaf, Soutooth and Okanagan claims. The milling capacity was increased by the addition of 10 stamps. This operation continued through 1903, produced $803,000 and paid $377,000 in dividends. The mine was closed down at the end of 1903 when exploration failed to find the vein beyond the fault at the east end of the mine.

Several years after the Cariboo-McKinney company closed down other interests dewatered the mine to the No. 4 level, but ceased operations when it was discovered that the old stopes were exhausted.

1917-1918 - Twenty-nine claims in the area were optioned by the Consolidated Mining and Smelting Company and some surface exploration carried out.

1929 - Shafts on the Waterloo and Fontenay claims were dewatered by C.F. Low of Vancouver, but no work was done.

1934 - The Bralco Development and Investment Company of Vancouver optioned the Cariboo holdings and several other claims. Some surface was done and five diamond-drill holes put down to explore the westward extension of the vein and of the west and central section of the mine. Results were not encouraging and the option was dropped.

1939 - Pioneer Gold Mines of B.C. Limited optioned the Cariboo-McKinney holdings and dewatered the mine. The workings were examined, surveyed, and sampled. Three diamond-drill holes were drilled underground from the east end of No. 4 and No. 5 levels, and eight were drilled from the surface to explore the eastward extension of the vein to the north. Results were discouraging and the option was dropped.

Total production to 1939 amounted to 69,581 oz. gold and 6,359 oz. silver from 123,457 tons. Dividends totalled $566,000.

1940 - The property was leased by G. Boag and Associates, who mined pillars and stope remnants above the Tunnel level. During the summer of 1941 Highland-Bell Ltd., who had done some development work on the Wiarton claim in 1940, took over the lease, mined some ore and did 200 feet of drifting and cross-cutting above the water level at the Tunnel level. The lease reverted to Boag and Associates late in the year.

1942 - Leases on the mine were taken by E. Wanke and Associates of Rock Creek, B.C., who continued working through 1946 after dewatering the mine to the No. 2 level, and by Fritz of Midway, B.C., who worked through 1943. Ore was mined from surface pillars Production from 1943 through 1946 totalled 1,570 tons, yielding 1,026 oz. gold and 1,496 oz, silver.

1957 - W.E. MacArthur of Greenwood optioned the property, and with associates located the eastern extension of the main vein beyond the fault by

surface diamond drilling.

1958 - R. Hunstone and Associates then optioned the property from MacArthur and, after an examination by the writers, dewatered the mine and drove a 250-foot crosscut southeast on 5 level, and drifted 50 feet on the vein encountered.

1959-1960 - Giant Mascot Mines, Mt. Washington Copper Co., and Clarke Gibson and Associates financed the property into production. Returns from the operation started in July, 1960.

1960-1961 - Approximately 7,000 tons of siliceous ore was shipped to Cominco Smelter which averaged 1.105 oz of gold per ton. From 1961 to the present there was very little activity.

P R O P E R T Y

The property is comprised of a recently staked 20 unit block measuring 2 miles x $1\frac{1}{2}$ miles owned by Lustre Gold Mines Inc. of 1020-470 Granville Street, Vancouver, B.C. Crown grants L757, L1966 and L1586 are excluded from the group.

All are located in the GREENWOOD MINING DIVISION. Legal aspects of ownership are beyond the scope of this report.

G E O L O G Y

The geology of the area has been described by W. E. Cockfield, 1935, C.E. Cairnes [1937], the Geological Survey of Canada, and M.S. Hedley [1940] of the B.C. Department of Mines. It is summarized as follows by L.P. Starck and H.L. Hill in a paper to the Northwest Mining Association, Spokane, Washington, December, 1966:

[1] Rock Types:

The rocks in the vicinity of the Camp McKinney mine workings consist, for the most part, of a highly metamorphosed bedded series. Intruded into these are a number of dykes of varying age and composition. Strong alteration of the vein walls has obscured the identity of the rock types. While local variations occur, the general strike of the bedded rocks throughout the workings is northwest and the dip 45° to the northeast.

The most typical rocks forming the walls of the main ore shoots are calcareous greenstone and argillaceous quartzite. The former grades from a massive type of normal andesitic appearance and composition with irregular calcite veining to well banded rocks consisting of alternate parallel bands of greenstone and calcite from a fraction of an inch to several inches in thickness. The typical argillaceous quartzite consists of bands of almost pure silica separated by thin argillaceous partings. Gradations between the two rock types exist.

Occupying much of the unstoped section, indicated on the longitudinal projection between the west ore shoot and the central ore shoot, is a 50-foot wide band of talcose material containing fragments of biotitic and siliceous rocks. The identity of the vein is lost in this material.

[2] Faulting:

The vein within the mine workings is cut by numerous faults with displacements ranging from a few inches to several hundred feet which have greatly hampered mining and development. The faulting appears to be entirely post mineral with no effect on the vein other than to offset it.

The faults may be grouped as follows, from earliest to latest:

[a] A series of westward-dipping faults which offset the footwall block to the south from a few inches to 20 feet. The vertical component may be several times as large with the hanging wall probably moving downward.

[b] A series of major thrusts [including eastward dipping faults and flat faults] some of which are closely related, forming, as in the central section of the mine, a complex system. The hanging wall blocks have moved north and west. Displacement in the case of the flat fault above the east end of No. 3 level has been at least 400 feet.

[c] An eastward dipping fault, between the central and eastern ore shoots, in which the hanging wall block has moved relatively down and to the south with a total displacement of upwards of 300 feet.

[d] A westward dipping fault that cut off the vein at the end of 4, 5 and 6 levels of the old mine. The horizontal displacement is more than 300 feet with the hanging wall moving to the north.

[3] <u>The Vein</u>:

The Camp McKinney vein is a quartz-filled fissure occupying a well-defined fault fissure. Relative movement along the fissure is in the neighbourhood of 30 feet with the north side moving east. The strike is almost due east and west, and the dip is vertical or steep southward. Widths ranging from a few inches to upwards of 10 feet. The walls are generally free and the vein filling consists of quartz containing bands of sulphide or shadowy dark colored material in the richer sections. Mineralization consists principally of disseminated pyrite with minor amounts of sphalerite, galena and chalcopyrite.

[4] Ore Shoots:

The best ore in the old section of the mine seems to have been mined between walls of greenstone or largely greenstone. This rock appears to have been most competent to maintain a fissure with clean cut walls. The least competent rock exposed in the mine workings is the band of talcose material between the central and western ore shoots. Here the fissure has entirely disappeared.

CONCLUSIONS and RECOMMENDATIONS

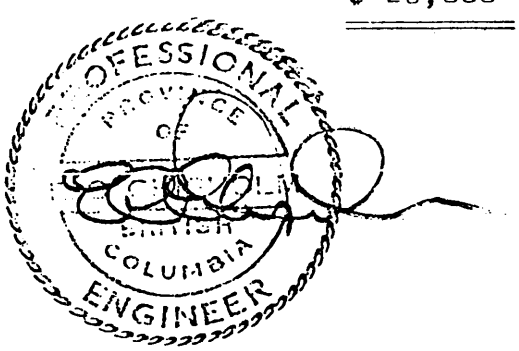
From 1893 to 1903 the Cariboo-Amelia mine two miles northeast of the Sheila group produced some 100,000 tons of gold ore and paid dividends of $500,000. The mine was closed down as both the eastern and downward extensions of the productive sections, were terminated by faults. From 1959 to 1961 the mine was re-opened and an additional 7,000 tons of ore averaging 1.1 ounces of gold per ton were shipped to Cominco Smelter from an extension of the vein system.

New evidence of an additional gold bearing vein near the old workings suggest that other ore shoots may occur in the area.

The enhanced price for gold and favorable location make the Sheila group an attractive property and exploration should be carried out on the claims. A two phased geochemical survey program for gold, followed by diamond drilling if warranted, is recommended at an estimated cost of $26,000.00.

SUMMARY OF ESTIMATED EXPENDITURES

Line Cutting - 20 miles at $100/mile	$ 2,000	
Geochemical Soil Survey for Gold 20 miles @ $200/mile	4,000	
Sub-total	$ 6,000	
Diamond Drilling 1,000' @ $20/foot	20,000	
Total		$ 26,000



APPENDIX

LIST OF REFERENCES

Annual Reports. Minister of Mines, B.C., 1888, 1894, 1897 to 1903, 1918, 1925, 1929, 1932, 1933.

W.E. Cockfield. G.S.C. Memoir 179, 1935.

C.E. Cairnes. G.S.C. Memoir Mineral Deposits of the West Half of Kettle River Area, Preliminary Report, 1937.

M.S. Hedley. B.C. Department of Mines Bulletin No. 6, Geology of Camp McKinney and of Cariboo-Amelia Mine, 1940.

A.L. Hill and L.P. Starck. Consulting-Managing Engineers, Vancouver. "The Camp McKinney Gold Mine", a paper presented to the 66th Annual Convention Northwest Mining Association, Spokane, Washington, December 2 & 3, 1960.

R. Hunstone. Vancouver, B.C. Personal Communication, 1973.

R.E. MacArthur. Vancouver, B.C. Personal Communication, 1973.

H.L. Hill & Assoc. Report on the Cariboo-Amelia Mine, Camp McKinney, 15 July, 1958 and 27 August, 1959.

C E R T I F I C A T E

I, Edward O. Chisholm of the City of Vancouver in the Province of British Columbia, hereby certify that:

1. I am a geologist with offices at #821 - 602 West Hastings Street, Vancouver, B.C.

2. I am a graduate of the University of Toronto, Ontario, Master of Arts, 1956.

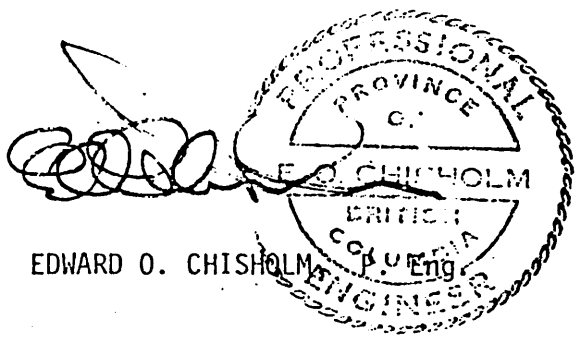
3. I am a member of the Professional Engineers of Ontario and British Columbia.

4. I have no direct interest or indirect interest in either the property or securities of LUSTRE GOLD MINES INC., or its affiliates nor do I expect to receive any such interest.

5. This report is based on examinations of the property and on studies made of published data on the areas of the claims.

DATED AT VANCOUVER, BRITISH COLUMBIA

September 24, 1975



EDWARD O. CHISHOLM, P.Eng.

C E R T I F I C A T E

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part VII of the Securities Act, and the regulations thereunder.

DATED the 14th day of November, A. D. 1975, at the City of Vancouver, in the Province of British Columbia.

ROBERT ASHTON MATTHEWS, Director and Promoter

ALEXANDER DEAN HAMILTON, Director and Promoter

ROY REGINALD KENNEDY, Director and Promoter