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H.N. Executive Investments Ltd.  
(beneficially controlled by Heimo Niskasari  
and Jean Niskasari)

30%

The Vendors of RKY-DKY Property acquired their interests therein for Eight Thousand Dollars (\$8,000.00) pursuant to an agreement dated October 3, 1983 from Sabatino Amendolagine ("S. Amendolagine") of 4550 Harriet Street, Vancouver, British Columbia, who staked the RKY-DKY Property. S. Amendolagine is not an insider or promoter of the Company but is related to E. Amendolagine.

S. Amendolagine executed a Bill of Sale dated October 3, 1983 evidencing the sale of the RKY-DKY Property to First Reserve, E. Amendolagine and Olson; and First Reserve, Amendolagine and Olson executed a Bill of Sale dated February 10, 1984 evidencing the sale of RKY-DKY Property to the Company (collectively the "Bills of Sale"). The Bills of Sale were filed in the Office of the Mining Recorder on July 9, 1984.

#### B. Description

The RKY-DKY Property consists of 14 metric units that are located approximately 16 kilometres northeast of Slocan City in the Slocan Mining Division of British Columbia, Canada. The claims adjoin the Ottawa Mine Property on the south and west and adjoin the Bachelor-Hamilton Property on the north. Access to the Property is by way of Springer Creek Road, a gravel road which connects with Highway 6 at Slocan City, 16 kilometres away from the Property. The Property covers a moderately sloping western side of Ottawa Hill and steeply sloping northern side of Ottawa Hill. Part of the Property has been logged but the remainder is still covered with merchantable timber.

The Company is not aware of any exploration done on the Property, although the surrounding Property underwent various stages of exploration and mining. The adjoining Myrtle Mine (Alma Mine) was worked in the early 1900's and in the 1960's.

The RKY-DKY Property is entirely overlain by the porphyritic phase of the Nelson Intrusion which is mesozoic. This granite contains a characteristic occurrence of large phenocrysts of pink feldspars. This type of granite is a host rock of numerous gold and silver deposits in the area between Slocan City and Nelson.

At the adjoining Myrtle (Alma) Mine a sulphide-bearing quartz vein that strikes N40E occurs in the porphyritic granite. A zone of hydrothermal alteration is formed around the quartz vein. Filtration is characterized by the formation of clay minerals and limonite which impart a distinctive reddish coloration. A similar zone of hydrothermal alteration was found on a road on the RKY Claim during the property examinations.

The porphyritic granite in the Nelson Intrusion is the host rock of numerous silver and gold deposits in the area. Broad, sheared and brecciated zones are formed in the porphyritic granite. Within these zones, veins and lenses of quartz occur which contain various amounts of native silver, argentite, tetrahedrite, sphalerite and galena. There has been no underground exploration or development and there is no underground plant or equipment on the RKY-DKY property. The mineralization in the area east of Slocan City ranges from quartz diorite, syenite, to porphyritic granite. The granite is sheared in places and these become the locales for numerous quartz veins, which in turn, have associated gold and particularly silver deposits. In most cases, these veins have distinctive hydrothermally-altered zones around them.

The above information is given in reliance upon the engineering report dated May, 1984 (the "Engineering Report") prepared in respect of the RKY-DKY Property by Mr. Perfecto J. Santos ("Santos") and included in this Prospectus.

The Engineering Report is based on the personal examination of the RKY-DKY Property on October 18, 1983 by Santos and pertinent available literature and maps studied by Santos prior to the preparation of the Engineering Report.

Santos, of 626 - 9th Avenue of Castlegar, British Columbia, is a consulting geological engineer with the firm of Anginel Resources Ltd. of 626 - 9th Avenue, Castlegar, British Columbia. Santos is a registered professional engineer in the Province of British Columbia and he has been practicing his profession continuously for the past twenty-three years.

In the Engineering Report, Santos recommended a multi-phased exploration program for the RKY-DKY Property which consists of the following:

#### Phase 1

- (a) 45 kilometers of line cutting
- (b) geochemical soil sampling at 50 meter intervals
- (c) a very low frequency electromagnetic survey

The Company has done additional staking, taken further soil samples and obtained a soil geochemical survey report at a cost of \$11,480.07.

During the period October 12 - 20, 1983, Manny Consultants Ltd. (a company controlled by E. Amendolagine) conducted line-grid and soil geochemistry surveys on the claims. The statistical analysis encompassed 308 soil samples which were then assayed by Acme Analytical Laboratories Ltd. In a report prepared and submitted to the Board of Directors on October 18, 1984 E. Amendolagine concluded that there are numerous weak-medium intensity anomalies and that the areas of more intense soil geochemical response lie mainly diagonally across the property from the southwest to the northeast

corner. It further stated that this area shows groups or spots of higher geochemical assays for all the elements. The soil geochemical survey report recommended a modification of the first phase of the Santos report dated May, 1984 to include the carrying out of a magnetometer, induced polarization and pulse type electromagnetic survey on specific targets identified in the analysis of the geochemical survey. E. Amendolagine has indicated that the total cost to complete the remainder of Phase I will be approximately \$35,000.00 which will include a magnetometer, induced polarization, and pulse type electromagnetic survey. The correlated information upon the completion of Phase I will be instrumental in determining the diamond drilling program to follow. A copy of the October 18, 1984 report prepared by E. Amendolagine is available for inspection at the Company's offices during normal business hours.

## Phase 2

Contingent on the results of the above surveys, a program of trenching and drilling is proposed at an estimated cost of \$57,200.00. See page 10 of the Engineering Report of P.J. Santos, P.Eng.

THE PROPERTY IS WITHOUT A KNOWN BODY OF COMMERCIAL ORE AND THE PROPOSED PROGRAM IS AN EXPLORATORY SEARCH FOR ORE.

## PROMOTERS

Under the definition of "Promoter" contained in Section 1 of the Securities Act of British Columbia, First Reserve, E. Amendolagine and Olson may be considered Promoters of the Company in that they took the initiative in founding and organizing the Company.

No consideration has been paid to the Promoters by the Company for acting as such, however First Reserve has a management contract with the Company and will obtain a management fee of \$2,000.00 a month plus out-of-pocket expenses such as telephone and travel for managing the Company. Arthur Ronald Davies ("Davies"), George Walter Butterworth ("Butterworth") and Heimo Niskasari ("Niskasari") are directors, officers and shareholders of First Reserve.

## MANAGEMENT

The Officers of the Company are Butterworth, President, and Davies, Secretary. Davies and Butterworth are also directors of the Company. The Company has entered into a Management Agreement with First Reserve for management and secretarial services and office space for the Company.

## PENDING LEGAL PROCEEDINGS

There are no legal proceedings to which the Company is a party or

**REPORT ON THE PROPERTY  
OF  
TRAC RESOURCES INC.  
VANCOUVER, BRITISH COLUMBIA**

**RKY-DKY GOLD AND SILVER PROSPECT  
SLOCAN MINING DIVISION  
NTS 82F/14W  
BRITISH COLUMBIA  
CANADA**

**ANGINEL RESOURCES LTD.  
626 - 9th Avenue  
Castlegar, British Columbia  
Canada V1N 1M4**

**P. J. Santos, P. Eng.**

**May, 1984**

**Copy No. 5**

## 1. INTRODUCTION

Trac Resources Inc., a private company with head office at 400 - 905 West Pender Street, Vancouver, British Columbia V6C 1L6, has acquired the RKY-DKY located in the Slocan Mining Division of British Columbia, Canada (see Plate 1).

A property investigation was conducted by the author on October 18, 1983 accompanied by Sabatino Amendolagine and Pino Amendolagine of Vancouver, British Columbia. The author had been on the property on several occasions previously in connection with property examinations of other mineral properties in the area.

## 2. SUMMARY AND CONCLUSION

The RKY-DKY property consists of two claims of 14 (fourteen) metric units located in the Slocan Mining Division of British Columbia, Canada.

The property adjoins several mining properties that were silver producers. The RKY claim lies on the projected strike of the gold-silver-bearing vein of the Myrtle (Alma) mine. The property is underlain by the same porphyritic granite phase of the Nelson Batholith and the hydrothermal alteration

in the Myrtle Mine was traced to the RKY claim during the property investigation. The property has a good exploration potential and a multi-phased exploration program is proposed. Within a radius of 4.5 kilometers from the RKY-DKY property, 2,912,426 ounces of silver and 178 ounces of gold have been produced from the surrounding mining properties.

### 3. DESCRIPTION OF PROPERTY

The RKY-DKY property recently acquired by Trac Resources Ltd. consists of 14 (fourteen) metric units as shown on Plate 2. Details of the property are as follows:

<u>Claim</u>	<u>Record Number</u>	<u>Area</u>	<u>Assessment</u>	<u>Due Date</u>
RKY	4075(9)	10 units	\$ 1000	Sept. 9, 1984
DKY	4076(9)	4 units	\$ 400	Sept. 9, 1984

### 4. LOCATION AND ACCESS

The RKY-DKY claims are located at latitude 49°49' and longitude 117°24' in the Slocan Mining Division of British Columbia, Canada. The claims are plotted on NTS 82F/14W. The claims adjoin the Ottawa Mine property on the south and west, and adjoin the Bachelor-Hamilton property on the north. Access to the property is by way of the Springer Creek Road,

3.

a gravel road which connects with Highway 6 at Slocan City, 16 kilometers away from the property.

5. TOPOGRAPHY

The property is at an elevation of 5300 feet to 6500 feet above sea level. It covers the moderately sloping western side of Ottawa Hill and the steeply sloping northern side of Ottawa Hill.

Part of the property has been logged but the remainder is still covered with merchantable timber.

6. HISTORY

There is no record of any exploration done on the property, although the surrounding properties underwent various stages of exploration and mining. The adjoining Myrtle Mine (Alma Mine) was worked in the early 1900's and in the 1960's.

7. REGIONAL GEOLOGY

The area east of Slocan City is underlain almost entirely by various phases of the Nelson Granite of Mesozoic age (See Plate 3), principally by the porphyritic phase. The Nelson granite ranges from quartz diorite, syenite, to porphyritic

granite. This porphyritic phase consists of a pink, equigranular granite with distinctive phenocrysts of large feldspar crystals. This type of granite occurs in an area east of Slocan City and north of Nelson, British Columbia. In places the granite contains inclusions of older rocks. At the western periphery of the granite, adjacent to the Valhalla Gneiss Complex, is a band of granitized, foliated rock.

The granite is sheared in places and these became the locales for numerous quartz veins, which in turn, have associated gold and particularly silver deposits. In most cases, these veins have distinctive hydrothermally-altered zones around them.

#### 8. PROPERTY GEOLOGY

The RKY-DKY property is entirely overlain by the porphyritic phase of the Nelson Intrusion which is Mesozoic in age. This granite contains a characteristic occurrence of large phenocrysts of pink feldspars. This type of granite is the host rock of numerous gold and silver deposits in the area between Slocan City and Nelson.



At the adjoining Myrtle (Alma) mine (see Plate 4), a sulfide-bearing quartz vein that strikes N40E occurs in the porphyritic granite. A zone of hydrothermal alteration is formed around the quartz vein. This alteration is characterized by the formation of clay minerals and limonite which impart a distinctive reddish coloration. A similar zone of hydrothermal alteration was found on a road on the RKY claim during the property examination. This altered zone lies on the projection of the strike of the vein at the adjoining Myrtle (Alma) mine.

#### 9. MINERALIZATION

The porphyritic granite of the Nelson intrusion is the host rock of numerous silver and gold deposits in the area. Broad, sheared and brecciated zones are formed in the porphyritic granite. Within these zones, veins and lenses of quartz occur which contain various amounts of native silver, argentite, tetrahedrite, sphalerite and galena. A partial list of production from mines within a radius of 4 1/2 kilometers from the RKY-DKY property is shown below.

<u>Mine</u>	<u>Tons Mined</u>	<u>Gold (oz)</u>	<u>Silver (oz)</u>	<u>Lead (lb)</u>	<u>Zinc (lb)</u>
Ottawa	25,610	31	1,797,747 <sup>70.2</sup>	793,498	28,027
Arlington	21,100	23	1,010,509 <sup>47.89</sup>	1,899,263	262,049
Little Tim	550	--	39,367 <sup>71.53</sup>	53,614	17,778
Republic	270	108	13,447 <sup>1.80</sup>	401	304
Tamarack	90	--	11,839 <sup>131.54</sup>	18,717	--
Hamilton	50	9	4,284 <sup>35.05</sup>	4,235	--
Anna	190	--	29,828 <sup>156.99</sup>	2,841	326
Myrtle (Alma)	60	--	2,425 <sup>to Alma</sup>	1,188	1,999
Happy Medium	10	3	2,155 <sup>2.55</sup>	2,228	--
Whitehope	80	4	825 <sup>10.31</sup>	25,185	24,365
	<u>48,010</u>	<u>178</u>	<u>2,912,426</u>	<u>2,801,170</u>	<u>334,848</u>

The above production figures were taken from the record of the British Columbia Department of Energy, Mines, and Petroleum Resources.

At the adjoining Myrtle Mine (Alma), 60 tons of ore yielded 2,425 ounces of silver, 1,188 pounds of lead, and 1,999 pounds of zinc.

to a/ton,  
-1.9%  
1.6% Zn

Three samples from the Myrtle Mine (Alma) submitted by Henry Marasek, probably hand picked, assayed as follows:

<u>Sample No.</u>	<u>Au</u> <u>(oz/ton)</u>	<u>Ag</u> <u>(oz/ton)</u>	<u>%Pb</u>	<u>%Zn</u>
025862	.362	11.20	1.83	3.58
025863	.708	7.05	2.58	6.94
025864	.590	14.15	3.10	3.90

A copy of the assay certificate is found in the Appendix of this report.

It appears that in the Slocan area underlain by the Nelson Intrusion, there is an increasing occurrence of gold in the mining properties towards the west to what is now the Vahalla Park. This is shown by properties such as the Republic, Whitehope, Hamilton, Happy Medium, and the Myrtle (Alma) mines. The RKY-DKY property lies in this particular area.

#### 10. RECOMMENDATIONS

A multi-phased exploration program is recommended for the RKY-DKY property which consists of the following:

##### Phase 1:

- (a) 45 kilometers of line cutting as shown on Plate 4.
- (b) Geochemical soil sampling along the above lines at 50-meter intervals.

8.

(c) A Very Low Frequency-Electromagnetic (VLF-EM) survey along the same grid lines.

Phase 2:

Contingent on the results of the above surveys, a program of trenching and drilling is proposed.

11. ESTIMATE OF COST

## PHASE 1

Line Cutting (45 km @ \$200)		\$9,000.00
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Geochemistry		
Sampling (45 km @ \$200)	\$9,000.00	
Assays (650 @ \$8.50)	<u>5,525.00</u>	
	\$14,525.00	14,525.00

why not both  
At 82m? Nothing  
allowed for sample  
prep

Geophysics		
VLF EM (44 x \$200)	8,800.00	8,800.00

Support Costs		
Truck rental (1.5 x \$1000)	\$1,500.00	
Accommodation	6,750.00	
Freight and Mail	400.00	
Disposable Supplies	<u>500.00</u>	
	\$9,150.00	9,150.00

Post Field Costs		<u>10,000.00</u>
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Total		\$51,475.00
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Plus 10% Contingency		<u>5,147.50</u>
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		<u>\$56,622.50</u>
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Allow		\$57,000.00
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Contingent on the results of the Phase 1 program, a follow-up program (Phase 2) of trenching and diamond drilling should be done. An estimate of the Phase 2 program is as follows:

10.

Phase 2

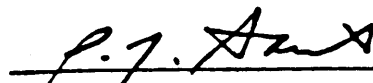
Trenching	\$5,000.00
Diamond Drilling	30,000.00
Reclamation	5,000.00
Post Field Costs	7,000.00
Support Costs	<u>5,000.00</u>
Total	\$52,000.00
Plus 10% Contingency	<u>5,200.00</u>
	<u>\$57,200.00</u>

*why lower than  
after Phase I?*

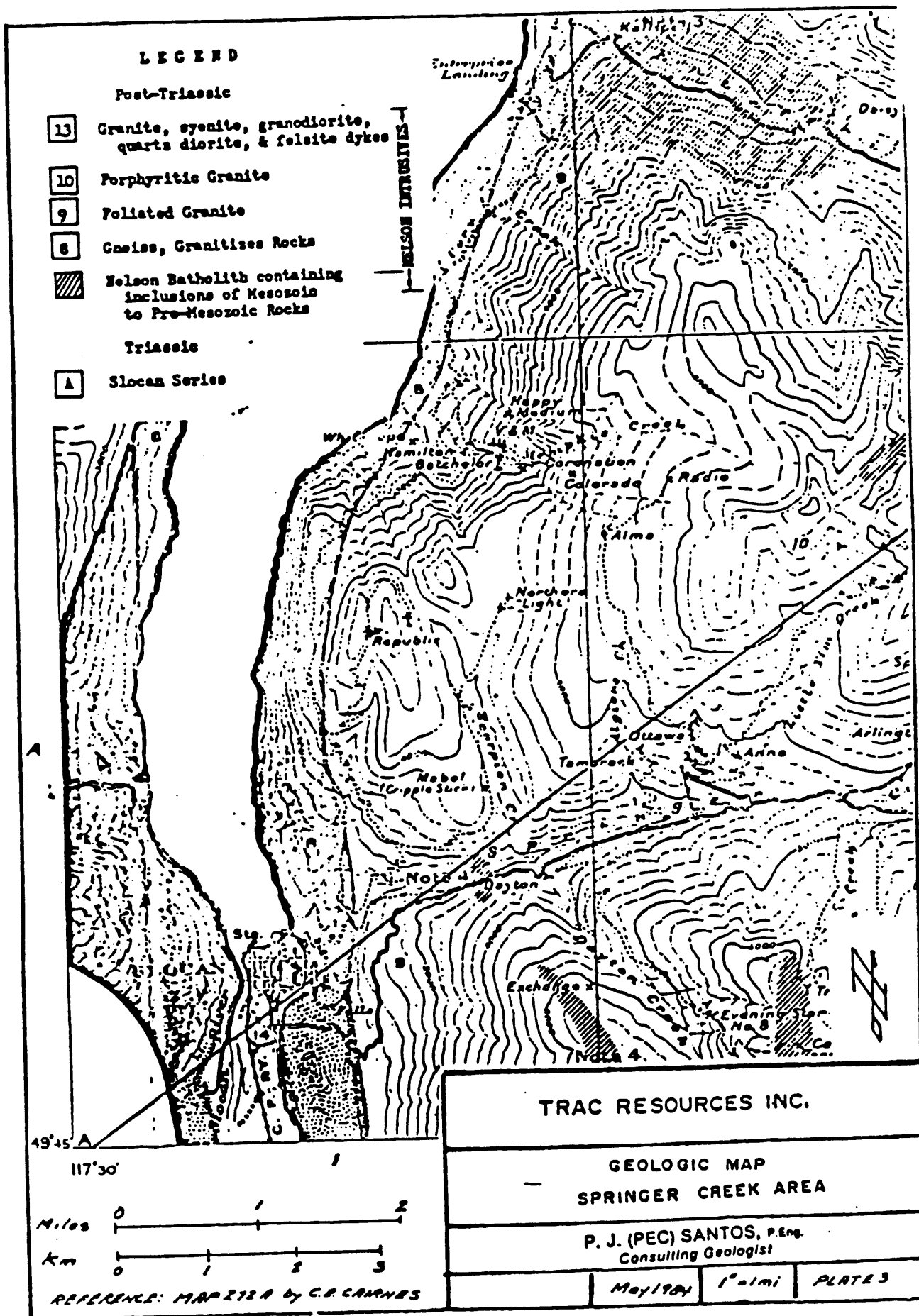
The estimated costs of the proposed exploration program is summarized below.

Phase 1 Program	\$51,000.00
Phase 2 Program	<u>57,000.00</u>
	<u>\$108,000.00</u>

May 15, 1984

  
\_\_\_\_\_  
P. J. Santos, P. Eng.  
Consulting Geological Engineer





49°45' A

117°30'

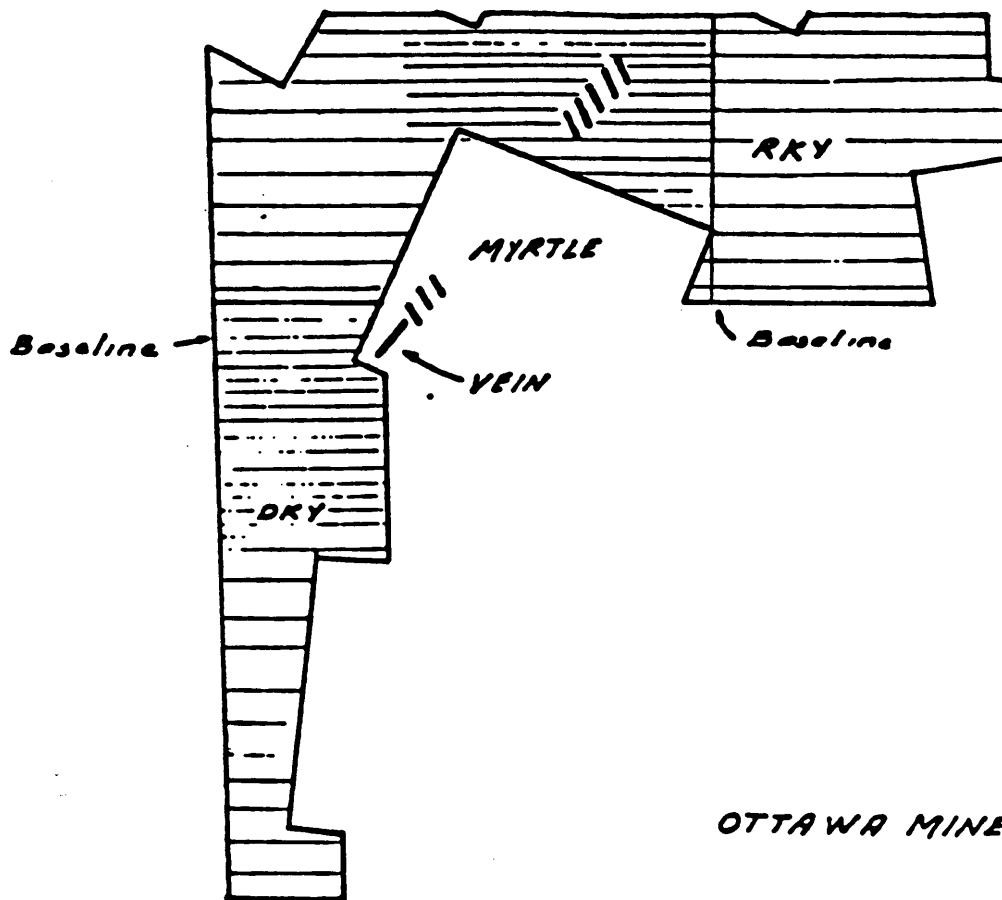
Miles 0 1 2

Km 0 1 2 3

REFERENCE: MAP 272A by G.B. CARRNES

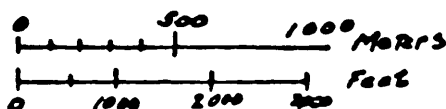
<b>TRAC RESOURCES INC.</b>		
<b>GEOLOGIC MAP</b>		
<b>SPRINGER CREEK AREA</b>		
P. J. (PEC) SANTOS, P. Eng. Consulting Geologist		
May 1984	1" = 1 mi	PLATE 3





**LEGEND and SYMBOLS**

- ||||| ALTERATION ZONE
- VEIN
- Grid Line



<b>P. J. (PEC) SANTOS P. ENG.</b> <i>Consulting Geologist</i>	
Project Title  PROPOSED GEOPHYSICAL GRID RKY-DKY PROPERTY Trac Resources Ltd.	
DATE: <i>MAY 1984</i>	SCALE:
DRAWN BY: P. J. SANTOS	PLATE NO. <i>4</i>