

AL/GO

Flathead 003485  
82 G/2 E  
082GSE 026

SUPERINTENDENT OF BROKERS  
AND  
VANCOUVER STOCK EXCHANGE  
(Venture Company)

PROPERTY FILE

STATEMENT OF MATERIAL FACTS (59/91)  
EFFECTIVE DATE: JUNE 24, 1991

RILEY RESOURCES LTD. (formerly International Cruiseshipcenters Corp.)

#2910 - 700 West Georgia Street, Vancouver, British Columbia  
Canada, V7Y 1B6, (604) 688-0810

NAME OF ISSUER, ADDRESS OF HEAD OFFICE AND TELEPHONE NUMBER

1710 - 1177 West Hastings Street,  
Vancouver, British Columbia, V6E 2L3

ADDRESS OF REGISTERED AND RECORDS OFFICES OF ISSUER

MINISTRY OF ENERGY, MINES  
& PETROLEUM RESOURCES.  
REC'D AUG 14 1991  
NELSON, B.C.

Montreal Trust Company of Canada  
510 Burrard Street  
Vancouver, British Columbia, V6C 3B9, Canada,

NAME AND ADDRESS OF REGISTRAR & TRANSFER AGENT FOR ISSUER'S SECURITIES IN  
BRITISH COLUMBIA

OFFERING: 800,000 COMMON SHARES

<u>Shares</u>	<u>Price to Public</u>	<u>Agent's Commission</u>	<u>Net Proceeds to be received to Issuer</u>
Per Share:	\$0.35	\$0.05	\$0.30
Total:	\$280,000	\$40,000	\$240,000*

\*Before deduction of estimated costs of issue of \$15,000.

ADDITIONAL OFFERING

The Agent has agreed to purchase (the "Guarantee") any of the shares offered hereby which have not been sold at the conclusion of the Offering. Reference is also made to the sub-heading "Consideration to Agent" under Item 1 ("Plan of Distribution") herein for particulars of the Agent's Warrants the Issuer has agreed to issue to the Agent as consideration for the Guarantee. Any shares acquired by the Agent under the Guarantee will be distributed under this Statement of Material Facts through the facilities of the Vancouver Stock Exchange at the market price at the time of sale. The Agent may sell any shares acquired on the exercise of the Agent's Warrants without further qualification.

OFFERING AGENT:

Haywood Securities Inc.  
#1100 - 400 Burrard Street  
Vancouver, British Columbia

Neither the Superintendent of Brokers nor the Vancouver Stock Exchange has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

July 6/91

✓

**FOX GEOLOGICAL CONSULTANTS LTD.**

**SUMMARY REPORT ON THE  
FLATHEAD 1, 3 TO 10, 12 MINERAL CLAIMS  
FORT STEELE MINING DIVISION  
BRITISH COLUMBIA  
NTS 82G/2E  
49°10'10"N 114°32'50"W**

**for**

**Riley Resources Ltd.  
c/o Tupper, Jonsson and Yeadon  
1710 - 1177 West Pender Street  
Vancouver, B.C. Canada V6E 2L3**

**by**

**P. E. Fox, Ph.D., P.Eng.**

**FOX GEOLOGICAL CONSULTANTS LTD.  
1409 - 409 Granville Street  
Vancouver, BC V6C 1T8**

**January 21, 1991**

# TABLE OF CONTENTS

	Page
INTRODUCTION .....	1
LOCATION AND ACCESS .....	1
CLAIM INFORMATION .....	3
PREVIOUS WORK .....	3
REGIONAL GEOLOGY .....	5
PROPERTY GEOLOGY .....	6
GRID B TARGET .....	6
Geochemistry .....	6
Geophysics .....	8
Drilling .....	10
CONCLUSIONS .....	13
RECOMMENDATIONS .....	13
PROPOSED BUDGET .....	14
CERTIFICATE .....	16

## List of Tables

Table I - Claim Information .....	3
Table II - Drill Collar Information .....	10

## List of Figures

	Page
Figure 1 - Location Map . . . . .	2
Figure 2 - Claim and Grid Location Map . . . . .	4
Figure 3 - Geology Map - Grid B . . . . .	7
Figure 4 - Geochemical and Geophysical Compilation Map . . . . .	9
Figure 5 - Proposed Work Program . . . . .	15

## Appendices

APPENDIX I - Vendor Royalty to Fox Geological Consultants Ltd. . . . .	17
APPENDIX II - Drill Logs. . . . .	18

## **INTRODUCTION**

This report presents a summary of exploration work done on the Flathead claim block located in the extreme southeastern corner of B.C. Work since 1984 had outlined two high priority gold exploration targets designated Grid A and Grid B. Grid A was drill tested in 1987 by ten widely spaced holes that returned anomalous gold values in siliceous fracture zones within a syenite intrusive. Grid B is currently the main focus of exploration work on the Flathead claims and is discussed in detail herein.

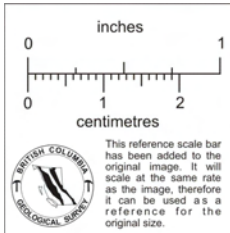
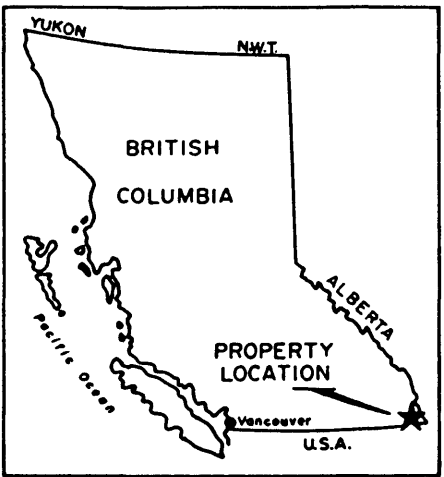
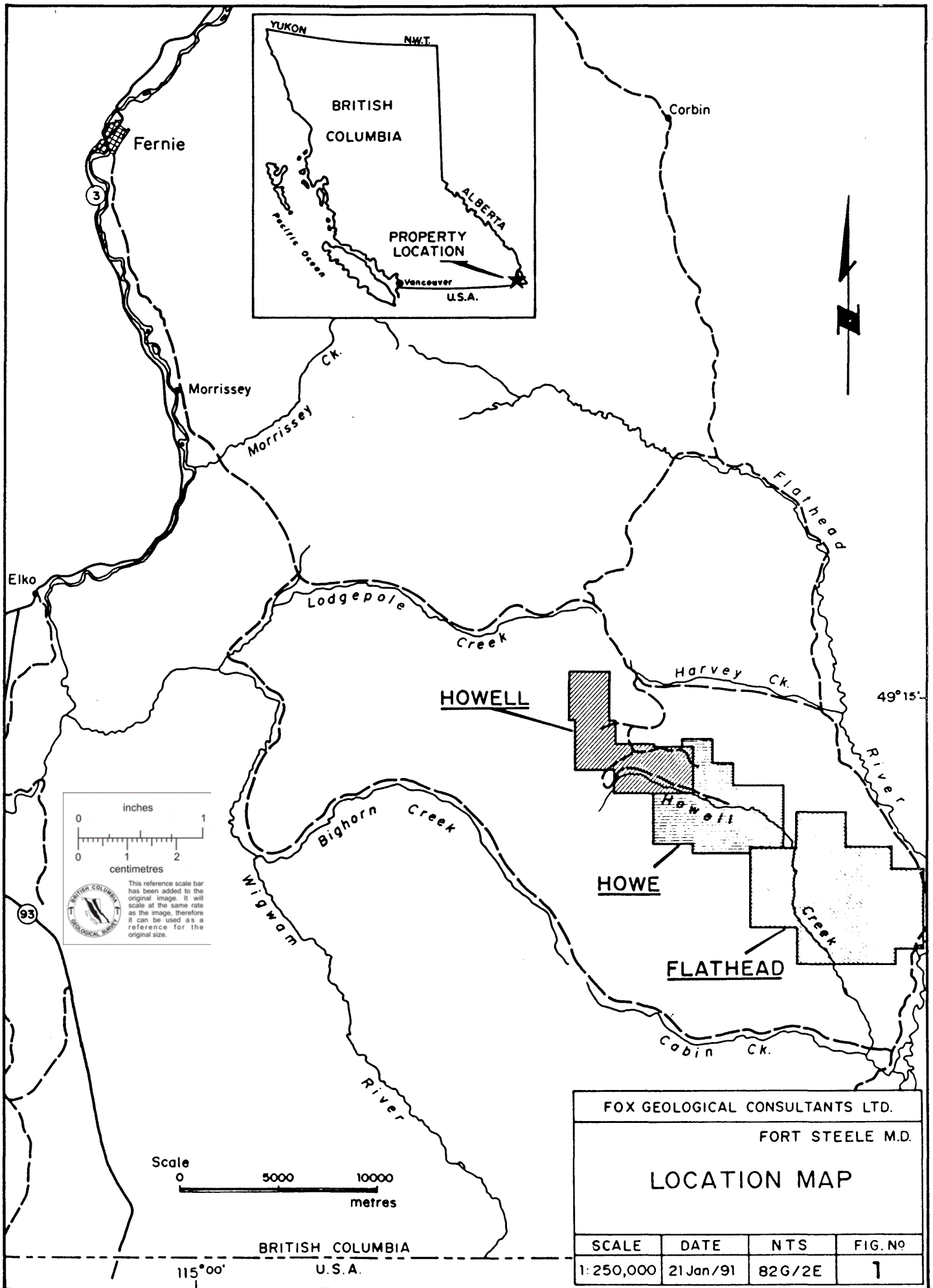
The author under Fox Geological Consultants Ltd. managed the exploration work on the property since its inception, initially for Dome Exploration (Canada) Limited and lately by Placer Dome Inc. Fox Geological Consultants Ltd. retain a production royalty interest as outlined in Appendix I. This report was prepared at the request of Riley Resources Ltd. and presents a recommended work program with supporting budget estimates. The author has visited the property numerous times as manager of the exploration programs.

## **LOCATION AND ACCESS**

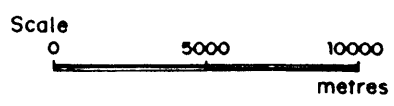
The Flathead mineral claims are situated in the extreme southeastern corner of B.C. approximately thirty kilometres southeast of Fernie, B.C. and twenty kilometres north of the British Columbia-Montana border at latitude  $49^{\circ}10'10''\text{N}$  and longitude  $114^{\circ}32'50''\text{W}$  (Figure 1). The area is within the MacDonald Range of the Rocky Mountains between elevations 1,400 metres and 2,200 metres in moderate to steep terrain. Much of the area is above treeline and ridges are generally rounded to flat upland plateaus.

Access to the claims is by logging roads leading from the locality of Morrissey, thirteen kilometres south of Fernie on Highway 3, for a distance of about 70 kilometres following Morrissey Creek, Lodgepole Creek, Harvey Creek and the Flathead River. Helicopters are necessary for access to the higher elevations and to all of the western half of the claims.

The Grid B exploration target is located in the southeastern portion of the claim block on claims Flathead 6, 8 and 12. Access to Grid B is via a seismic trail branching off the Flathead Road at Kilometre 72 and then via a series of drill roads leading up to the centre of the grid (Figure 2).



FOX GEOLOGICAL CONSULTANTS LTD.			
FORT STEELE M.D.			
<b>LOCATION MAP</b>			
SCALE	DATE	NTS	FIG. No
1:250,000	21 Jan/91	82G/2E	1



BRITISH COLUMBIA  
U.S.A.

115°00'

49°15'

## CLAIM INFORMATION

The Flathead mineral claims (Figure 2) consist of 198 units and are situated within the Fort Steele Mining Division on NTS mapsheet 82G/2E and 1W (Figure 2). Portions of the staking program were observed first-hand by the author and were in accordance with the Mineral Tenure Act.

Table I  
Claim Information

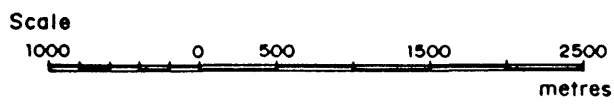
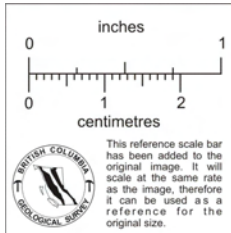
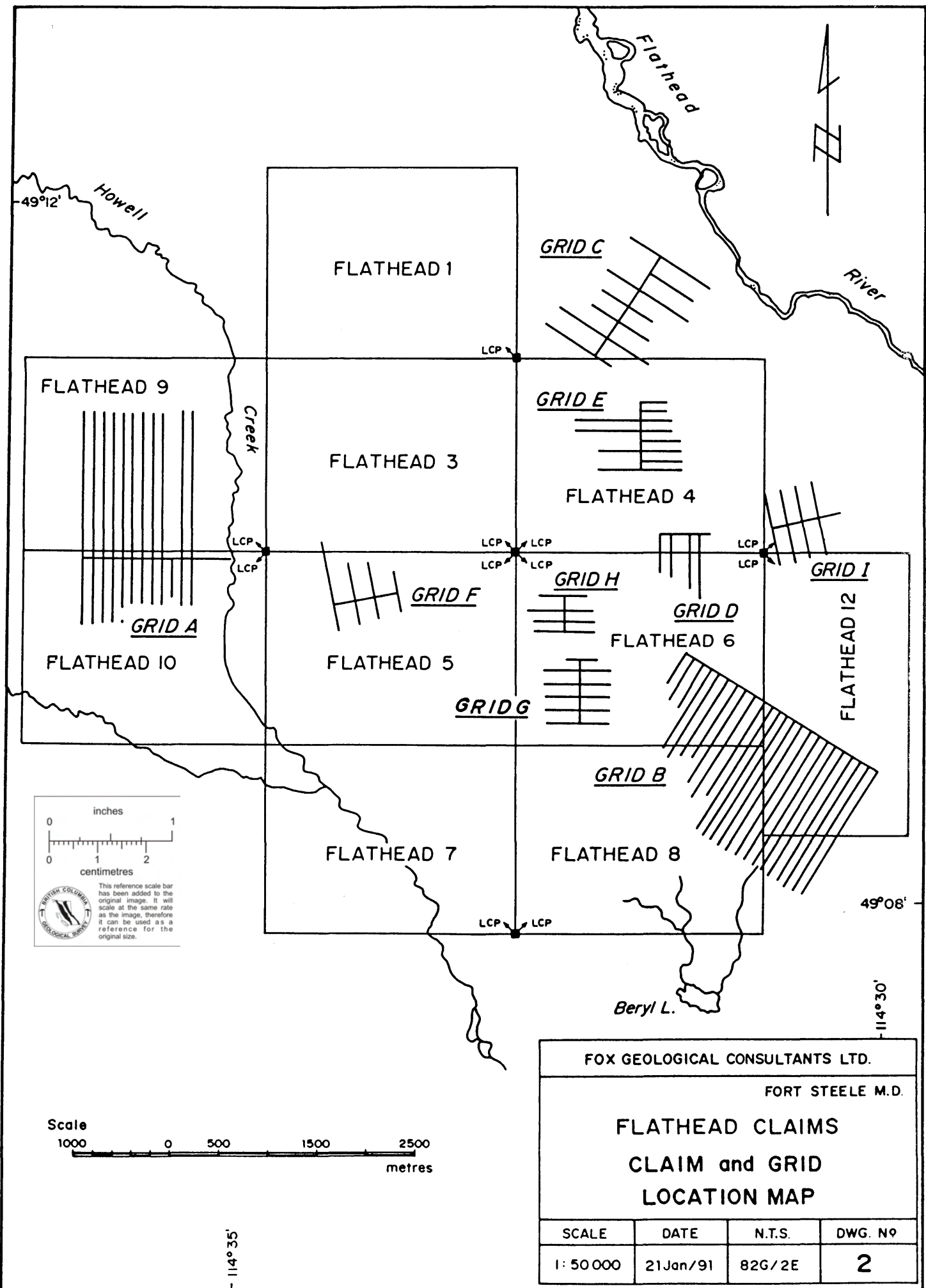
Claim Name	Record #	Units	Group	Expiry Date
Flathead 1	2253	20	A	September 20, 1997
Flathead 3	2255	20	A	September 20, 1997
Flathead 4	2256	20	B	September 20, 1993
Flathead 5	2257	20	A	September 20, 1997
Flathead 6	2258	20	B	September 20, 1994
Flathead 7	2259	20	B	September 20, 1994
Flathead 8	2260	20	B	September 20, 1994
Flathead 9	2261	20	A	September 20, 1997
Flathead 10	2262	20	A	September 20, 1997
Flathead 12	2264	18	B	September 20, 1994

Group A - 100 units

Group B - 98 units

## PREVIOUS WORK

The Flathead project was generated by Fox Geological Consultants Limited (FGC) who sold the exploration concept to Dome Exploration (Canada) Limited, the exploration arm of the Dome Mines Group. Fox Geological Consultants Ltd. retains a small production royalty interest in the claims (Appendix I). The royalty amounts to 50 cents per tonne of



FOX GEOLOGICAL CONSULTANTS LTD.			
FORT STEELE M.D.			
<b>FLATHEAD CLAIMS CLAIM and GRID LOCATION MAP</b>			
SCALE	DATE	N.T.S.	DWG. NO
1: 50 000	21Jan/91	82G/2E	<b>2</b>

114°35'

114°30'



ore mined capped at \$100,000 per year with a total cap of \$500,000. All work to date has been managed by FGC on behalf of Dome Mines and lately Placer Dome Inc. The author had frequent on-site visits in his capacity as manager of the exploration programs.

Soil sampling of streams draining Trachyte Ridge in 1984 returned anomalous values in gold from several drainages and led to the staking of the Flathead 1 to 12 claims. Subsequent soil sampling programs over various areas of the property narrowed the principle targets down to two areas, Grid A on the western edge of the property and Grid B on the southeastern portion of the claims. A helicopter supported drill program on Grid A was completed in 1987. Anomalous gold values were encountered within quartz filled fracture zones with a syenite intrusion but over-all tenor of the rocks were low. Emphasis was switched to the Grid B area where soil sampling had outlined a linear gold in soil anomaly some two kilometres long. An induced polarization survey and magnetometer VLF-EM survey outlined low level chargeability and conductivity anomalies in part coincident with the soil geochemical anomaly. Extremely high grade float samples up to 524 grams gold per tonne were collected within the area of these combined anomalies. A drill program in 1989 comprising six diamond drill holes totalling 866.4 metres failed to discover the source of the gold.

### Exploration Summary

- 1984 - silt sampling and staking
- 1985 - soil sampling, prospecting, mapping Grid A, B, C
- 1986 - soil sampling, prospecting on Grid A, B, D, E, F
- 1987 - soil sampling, prospecting Grid B, G, H, I with 1261 metres of helicopter supported BQ diamond drilling on Grid A
- 1988 - soil sampling, 10 km. IP on Grid B, soil sampling on Grid I, J
- 1989 - additional soil sampling and a MAG/VLF survey on Grid B, 866.4 metres of NQ drilling in six holes.

### **REGIONAL GEOLOGY**

The Fernie area properties of Placer Dome Inc. lay within a unique structural subprovince of the Rocky Mountains. Standard Laramide structures such as broad scale folds and flat-lying thrust faults have been broken up by a myriad of later Tertiary structures including listric normal faults, low angle reverse faults and associated brittle fracturing and

minor folding. Also unique to the area is the concentration of alkalic undersaturated syenitic intrusions almost wholly restricted to the region of extensional tectonics. Alteration effects are widespread extending from the southern end of the Flathead claim block northwards for a distance of 25 kilometres.

Major structures in the region include the Lewis Thrust, the Fernie Coal Basin, and the Flathead Fault, the latter recording over 25,000 feet of vertical normal displacement. The area has been extensively explored for coal (Sage Creek Coal Deposit), red bed copper-silver deposits (Commerce), and CO<sub>2</sub>, natural gas and oil (Shell Flathead project).

### **PROPERTY GEOLOGY**

The Flathead claims, centred on Trachyte Ridge, are underlain by a thick sequence of Devonian (Palliser Formation) and Mississippian (Exshaw, Banff, Livingstone, Mt. Head, and Etherington Formations) limestones, dolomites and black shales and by Permo-Pennsylvanian (Rocky Mountain Formation) quartz arenites and dolomitic sandstones. Cretaceous syenite stocks intrude and locally alter these rocks. Many of the stocks appear to occur along normal faults and can be fractured and sheared. The normal faults are part of a larger graben system related to regional extension in post Laramide time.

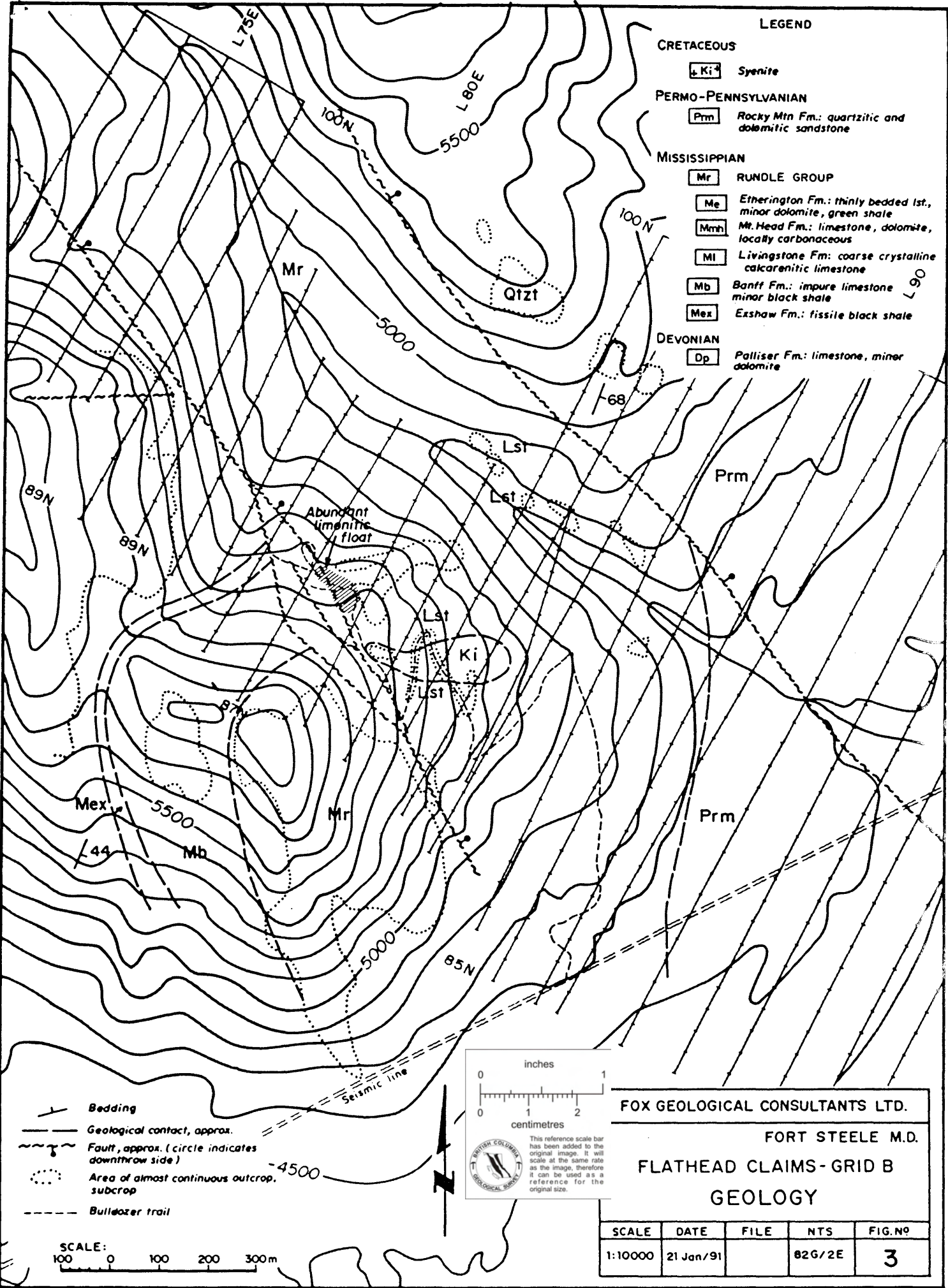
On Grid B the main geochemical and geophysical targets lay along a faulted zone where Rundle Group limestones have been juxtaposed against a sequence of Palliser Formation limestones, Exshaw Formation carbonaceous shales and Banff Formation limestones. A small syenite plug intrudes the Rundle Group and is truncated by the fault. The fault is visible as a prominent air photo linear and is marked by outcrops of tan, sandy dolomite breccia. Overburden is pervasive and the geology has been inferred from limited outcrop exposure and drill data. Geology of Grid B is summarized on Figure 3.

### **GRID B TARGET**

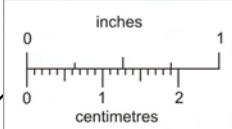
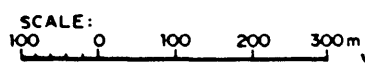
#### Geochemistry

Geochemical and geophysical data along with drill site locations are summarized on Figure 4 and discussed below.

- LEGEND**
- CRETACEOUS**
- Ki Syenite
- PERMO-PENNSYLVANIAN**
- Prm Rocky Mtn Fm.: quartzitic and dolomitic sandstone
- MISSISSIPPIAN**
- RUNDLE GROUP**
- Me Etherington Fm.: thinly bedded lst., minor dolomite, green shale
  - Mmh Mt. Head Fm.: limestone, dolomite, locally carbonaceous
  - MI Livingstone Fm.: coarse crystalline calcarenitic limestone
  - Mb Banff Fm.: impure limestone, minor black shale
  - Mex Exshaw Fm.: fissile black shale
- DEVONIAN**
- Dp Palliser Fm.: limestone, minor dolomite



- Bedding
- Geological contact, approx.
- Fault, approx. (circle indicates downthrow side)
- Area of almost continuous outcrop, subcrop
- Bulldozer trail



This reference scale bar has been added to the original image. It will scale at the same rate as the image, therefore it can be used as a reference for the original size.

**FOX GEOLOGICAL CONSULTANTS LTD.**

**FORT STEELE M.D.**

**FLATHEAD CLAIMS- GRID B**

**GEOLOGY**

SCALE	DATE	FILE	NTS	FIG. NO
1:10000	21 Jan/91		82G/2E	3

Grid B was established to cover potential source areas for a 75 ppb Au silt sample collected from a major creek draining through the centre of the grid. A total of 731 soil samples were collected on 34.1 kilometres of grid at a spacing of 50 metres along lines spaced 100 metres apart. B-horizon material was collected where possible but soil profiles were generally poorly developed. Overburden was widespread and varied from thick remnant till in valley bottoms to variable thicknesses of colluvium and residual soils at higher elevations. Local buried soil horizons were observed along drill roads indicating periodic down hill mass transport of colluvial debris.

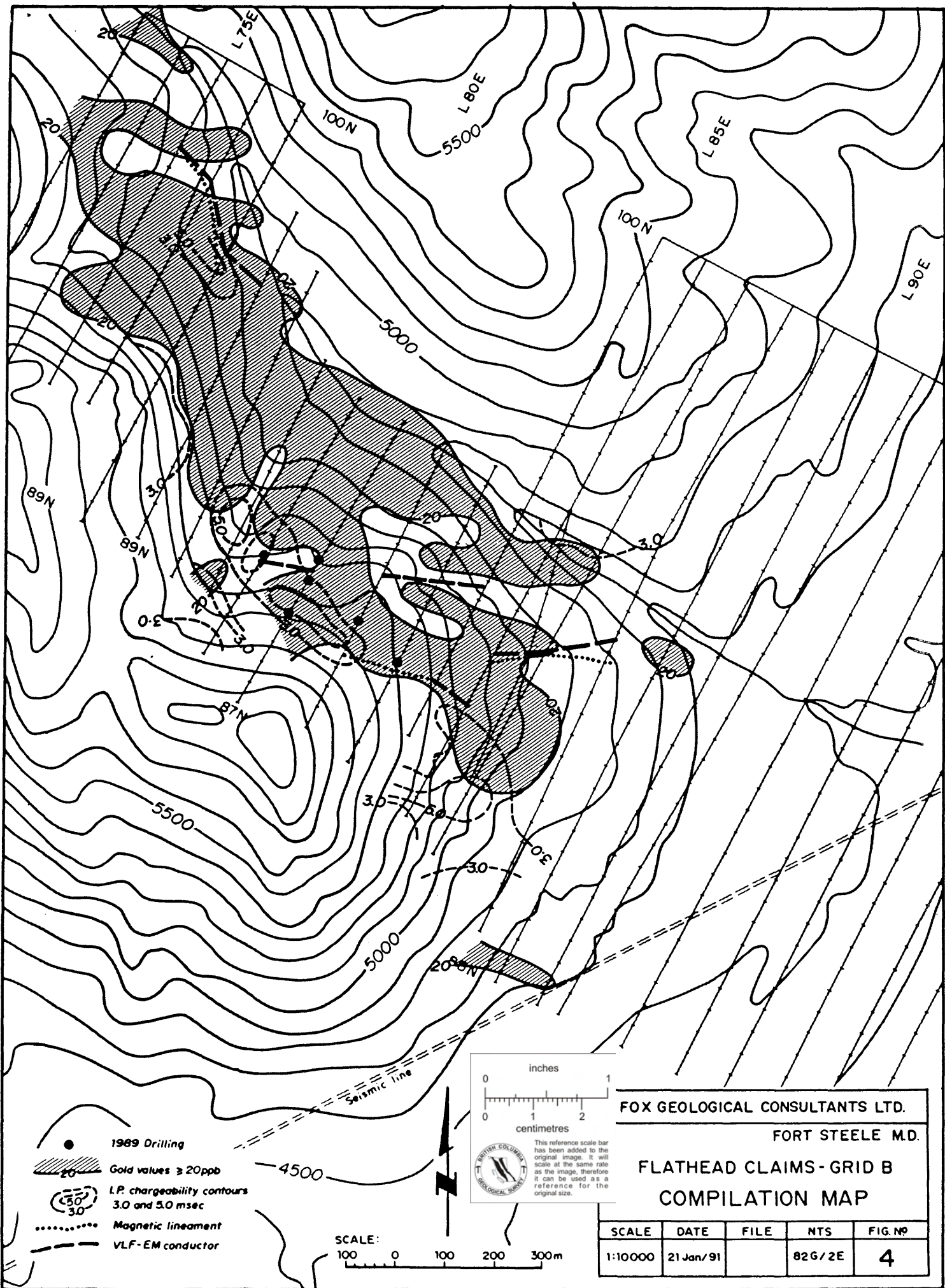
Soil geochemistry has outlined a linear anomaly bounded by the 20 ppb gold contour some 1,700 metres long and varying up to 400 metre wide with gold values up to 550 ppb. Additional elements are at background levels throughout.

Rock samples of limonitic float material collected along roads between lines 82E and 83E returned extremely high values for gold. One sample comprised of limonitic quartz, magnetite and chalcopyrite returned a value of 524 grams gold per tonne. Numerous samples of limonitic material are coated in malachite. It is interesting to note that given the presence of copper in these samples the soil samples do not indicate elevated copper values.

### Geophysics

In 1988, 7.9 kilometres of induced polarization survey was completed on line 88E to 77E. A pole-dipole electrode array was used on the survey with an "a" spacing of 25 metres and "n" separations of 1 to 5. A linear low contrast chargeability anomaly of 3 to 6 milliseconds in a background of 2.5 milliseconds extends the length of the survey grid. It corresponds closely to the uphill trace of the gold soil geochemical anomaly. A discontinuous resistivity low corresponds to the chargeability anomaly.

In 1989, 11.4 kilometres of combination magnetometer and VLF-EM survey were completed from lines 74E to 88E. Several strong but discontinuous conductors were outlined in the vicinity of the chargeability anomaly outlined earlier. Isolated magnetic anomalies coincided with a small syenite dyke.



- 1989 Drilling
- ▨ Gold values  $\geq 20$ ppb
- L.P. chargeability contours  
3.0 and 5.0 msec
- ⋯⋯⋯ Magnetic lineament
- - - - VLF-EM conductor

SCALE:  
100 0 100 200 300m

inches  
0 1

centimetres  
0 1 2

BRITISH COLUMBIA  
GEOLOGICAL SURVEY

This reference scale bar has been added to the original image. It will scale at the same rate as the image, therefore it can be used as a reference for the original size.

FOX GEOLOGICAL CONSULTANTS LTD.

FORT STEELE M.D.

FLATHEAD CLAIMS - GRID B  
COMPILATION MAP

SCALE	DATE	FILE	NTS	FIG. NO
1:10000	21 Jan/91		82G/2E	4

## Drilling

The purpose of the 1989 drill program was to test coincident geochemical (gold) and geophysical (IP) anomalies identified by previous work. Holes 1, 2, 4 and 6 were laid out to test the geochemical and geophysical anomalies coincident with two EM conductors

identified by the VLF-EM survey. Hole 3 was designed to test coincident soil/IP anomalies and the possible source of high grade rock float samples collected during the 1987 work program. Hole 5 was laid out to test a coincident EM conductor and magnetic lineament within the soil anomaly. Only locally anomalous gold contents were encountered in the drill holes.

Drilling was done under contract by J. T. Thomas Diamond Drilling of Smithers, B.C. using a Longyear 38 drill. Collar locations and hole lengths are given in Table I and a drill plan in Figure 4. All core was logged and sampled on one-metre intervals. Core is stored at the Twenty-Nine Mile campsite on the Howell 3 claim. Samples were analyzed for gold by geochemical FA/AA methods and for 30 elements by ICP methods by Acme Analytical Laboratories Ltd., Vancouver, B.C. Drill hole summaries are given below and drill logs with select analytical results are included in Appendix II.

Table II  
Drill Collar Information

Hole #	Location	Length (m)	Dip	Azimuth
FB1	90+00N 82+00E	151.2	-50°	205°
FB2	89+25N 82+00E	130.2	-50°	205°
FB3	90+25N 83+00E	145.4	-50°	205°
FB4	90+25N 81+00E	163.7	-50°	205°
FB5	89+50N 84+00E	124.4	-50°	205°
FB6	90+75N 82+00E	151.5	-50°	205°

FB-1 (151.2m)

0-11.3	Overburden.
11.3-17.9	Black carbonaceous limestone (rare intrusive fragments).
17.9-93.5	Tan breccia unit. 0-5% pyrite commonly oxidized. Siltstone, sandstone and limestone fragments in a locally strongly clay-altered sandy matrix.
93.5-107.7	Intermediate dyke. Clayey, chloritic contacts, common disseminated magnetite, rare pyrite.
107.7-151.2	Limestone. Micritic to oolitic, massive, locally brecciated. Occasional cherty beds.

FB-2 (130.2m)

0-3.0	Overburden.
3.0-50.5	Tan breccia unit. Sandy limestone fragments in brown porous matrix.
50.5-56.1	Intermediate dyke. Clayey chloritic contacts rare pyrite.
56.1-85.6	Limestone. Fine to medium grained crystalline calcarenite. Brown, locally sheared, brecciated.
85.6-130.2	Limestone, locally cherty beds.

FB-3 (145.4m)

0-17.0	Overburden.
17.0-60.0	Limestone, brown-grey, massive, bedded, trace of disseminated pyrite.
60.0-68.9	Green shale. Sheared, locally clayey.
68.9-104.0	Limestone, brown-grey, locally green, occasional muddy beds, trace of pyrite, rare quartz stringers.
104.0-115.6	Green shale.
115.6-145.4	Limestone. Locally cherty.

FB-4 (163.7m)

0-16.5	Overburden.
16.5-32.0	Black shale (non-calcareous). Trace to 3% disseminated pyrite.
32.0-142.3	Tan breccia unit. Siltstone, quartzite, sandy dolomite, limestone massive to brecciated, moderately limonitic. Trace of pyrite.
142.3-145.7	Limestone. Massive, grey-brown silty limestone.
145.7-155.9	Intermediate dyke. Rare pyrite commonly chloritic.
155.9-163.7	Limestone. Grey-brown, locally cherty, commonly brecciated.

FB-5 (124.4m)

0-4.3	Overburden.
4.3-8.0	Limestone. Grey to black, massive.
8.0-28.6	Syenite. Green medium grained feldspar porphyry.
28.6-56.7	Limestone, siltstone, fractured, local gouge, weakly foliated.
56.7-106.9	Limestone. Micritic, locally cherty. Isolated limonitic gouge zones.
106.9-124.4	Limestone breccia. Locally massive cherty beds.

FB-6 (151.5m)

0-10.7	Overburden.
10.7-72.2	Tan breccia unit. Siltstone, limestone quartzite fragments in porous sandy matrix. Local gouge zones.
72.2-108.8	Grey limestone breccia.
108.8-117.6	Grey black carbonaceous limestone.
117.6-124.7	Limestone. Grey, white, massive.
124.7-131.0	Rubble.
131.0-151.5	Limestone. Grey to light brown, fine grained, isolated fossil fragments.



## **CONCLUSIONS**

The 1989 diamond drill program tested only 300 metres of the central and southeast parts of the geochemical (gold) soil anomaly that covers an area approximately 1,700 metres by 400 metres. Twenty-nine soil samples from the northwest extension of the grid were collected in a densely vegetated area where samples may have included much organic material and hence are not representative of the primary soil material. Accordingly, results encountered in Figure 4 show the grid as being closed to the northwest, however this may not be the case. Line 7700E, the westernmost line of the 1988 IP survey, recorded the highest chargeability in the grid area at 9550N. The IP anomaly thus remains open in a westerly direction. The VLF-EM and magnetic surveys have recorded EM conductors and magnetic lineaments in part coincident with the IP anomaly.

## **RECOMMENDATIONS**

A 1,700 metre by 400 metre gold in soil geochemical anomaly in part coincident with a low contrast chargeability anomaly has been outlined on the Grid B target area of the Flathead claims. The anomaly is supported by high grade float samples grading up to 524 grams of gold per tonne. A drill program in 1989 tested the central 300 metres of the target but failed to discover the source of the geochemical anomaly. Additional exploration work on the target is definitely warranted.

A program of backhoe trenching is recommended to attempt to discover the bedrock source of the gold or at the very least to provide soil profile sampling data to help direct further trenching. A budget of \$75,000 is presented to support the recommended program. Reclamation requirements in southeastern B.C. are rigorous and strict and are reflected in the budget.

**PROPOSED BUDGET**

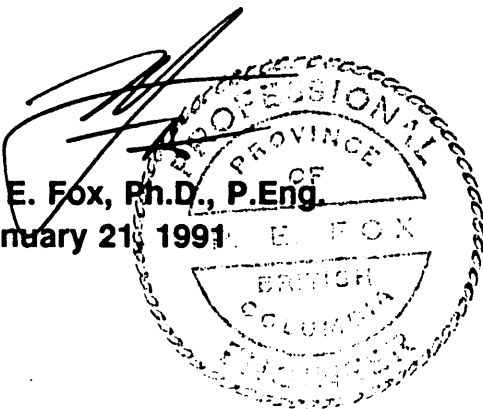
Accommodation and Board	\$ 3,300
Assays, Geochem	8,000
Automobile Expense	500
Claim Maintenance	1,000
Contractors - General	16,000
Drafting/Computer	1,000
Equipment Rental - Four-Trax, Chainsaw, etc.	1,500
Field Supplies	500
Lease Vehicles	1,500
Project Salaries - Geologist and Assistant	25,000
Maps and Reproductions	800
Telephone, Radio	800
Travel Expense	1,500
Reclamation - Slashing, seeding, road reclamation	4,000
Contingency	<u>10,000</u>
Total Proposed Budget	<u>\$ 75,000</u>

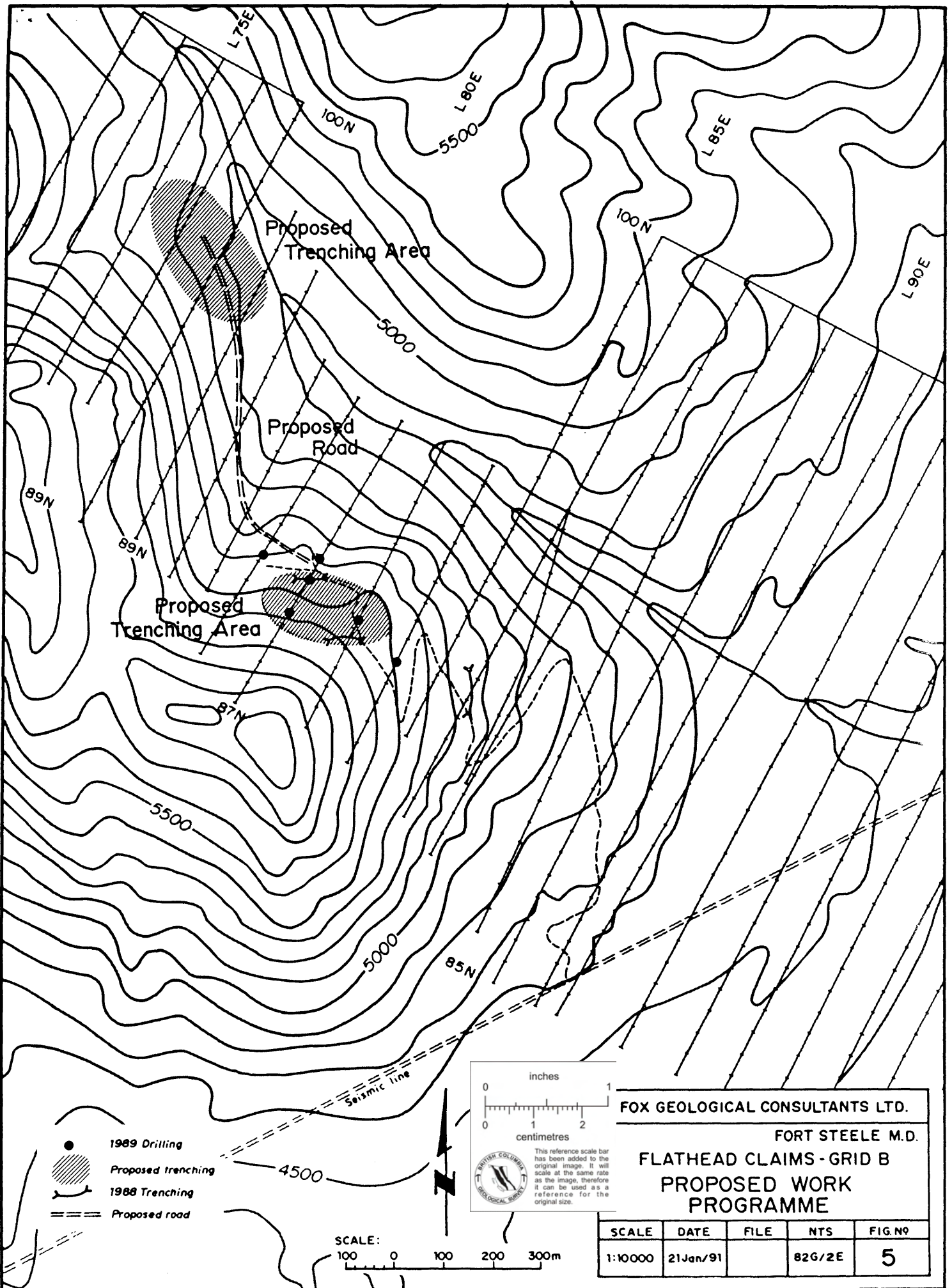
Prepared by:

**FOX GEOLOGICAL CONSULTANTS LTD.**

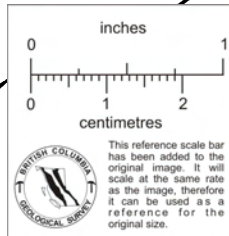
**P. E. Fox, Ph.D., P.Eng.**

**January 21, 1991**





- 1989 Drilling
- ▨ Proposed trenching
- - - 1988 Trenching
- == Proposed road



FOX GEOLOGICAL CONSULTANTS LTD.

FORT STEELE M.D.


FLATHEAD CLAIMS - GRID B  
PROPOSED WORK  
PROGRAMME

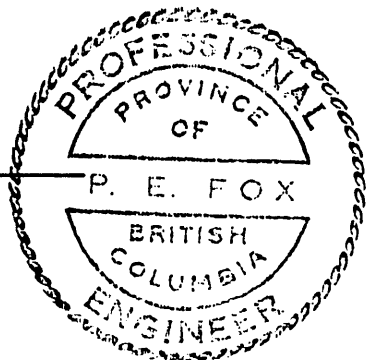
SCALE	DATE	FILE	NTS	FIG. NO
1:10000	21Jan/91		82G/2E	5

**CERTIFICATE**

I, Peter Edward Fox, certify to the following:

1. I am a consulting geologist residing at 890 Farmleigh Road, West Vancouver, B.C.
2. I am president and owner of 90% of the shares of Fox Geological Consultants Ltd., 1409 - 409 Granville Street, Vancouver, B.C. V6C 1T8, a British Columbia corporation incorporated in 1971.
3. I am a Professional Engineer registered in the Association of Professional Engineers of British Columbia.
4. My academic qualifications are:  
  
B.Sc. and M.Sc., Queens University, Kingston, Ontario  
Ph.D., Carleton University, Ottawa, Ontario, 1966
5. I have been engaged in geological work since graduation in 1966.
6. This report is based on a personal knowledge of the property as project manager for all of the work described herein.
7. I have an indirect interest in the property as owner of 90% of the shares of Fox Geological Consultants Ltd. who owns a production royalty interest in the subject claims as set out in Appendix I.
8. I have an indirect royalty interest in the adjoining Howe and Howell claims through my 90% ownership of Fox Geological Consultants Ltd.
9. I have no direct or indirect interest in Riley Resources Ltd. nor do I expect to receive any.

  
Peter E. Fox, Ph.D., P. Eng.  
Vancouver, B.C.  
January 21, 1991



**FOX GEOLOGICAL CONSULTANTS LTD.**

1409 - 409 Granville Street,  
Vancouver, B.C.  
Canada V6C 1T8

Tel. (604) 669-5736

January 29, 1991

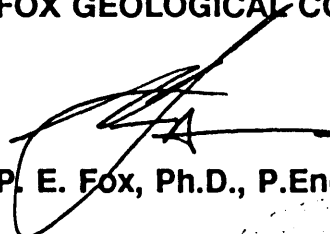
Riley Resources Ltd.  
c/o Tupper, Jonsson and Yeadon  
1710 - 1177 West Pender Street  
Vancouver, BC  
V6E 2L3

Re: Summary Report of the Flathead 1, 3 to 10, 12 Mineral Claims  
by P. E. Fox, Ph.D., P. Eng. dated January 21, 1991

This is your authority to use the above captioned report in a Statement of Material Facts pursuant to the affairs of Riley Resources Ltd.

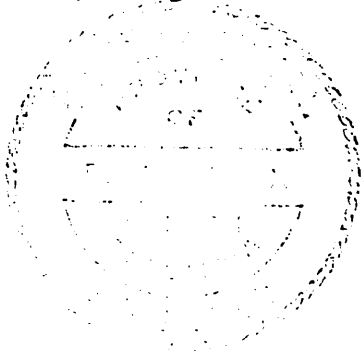
Yours truly,

**FOX GEOLOGICAL CONSULTANTS LTD.**



**P. E. Fox, Ph.D., P.Eng.**

/am



**A P P E N D I X I**

**Vendor Royalty to Fox Geological Consultants Ltd.**

Consultants shall have no right, title or interest in and to any mineral claims or other mining properties staked or acquired hereunder or which are otherwise subject to the provisions hereof, provided only, that if at any time on or before the twenty-fifth (25th) anniversary of the date of such staking or acquisition Dome, in its sole discretion, decided to proceed with a view to bringing any such mineral claims or other mining properties into commercial production Dome shall give Consultants a notice accordingly identifying the same whereupon Consultants shall be entitled to be paid a royalty (the "Royalty") equal to fifty (50) cents per tonne of ores removed from such mineral claims or other mining property (and any further mineral claims or other mining properties used with respect to the operations of Dome upon such mineral claims or other mining properties whether or not identified in said notice) and sold as ore or concentrated or otherwise beneficiated by Dome. The Royalty shall be paid semi-annually on or before September 1 and March 1 of each year after commencement of commercial production for the preceding semi-annual period ended June 30 and December 31, respectively. Payments of the Royalty shall be determined from the records of Dome and Consultants shall, during business hours, have access to such records for the purpose of verifying or confirming such determination. Unless Consultants objects to or questions a payment of the Royalty within sixty (60) days after receipt thereof such payment shall be final. Payment of the Royalty may be made by delivery of cheque therefor payable to Consultants.

Consultants shall not be entitled to receive more than an aggregate of \$100,000 in Royalty payments for any year, any ores which would otherwise be subject to a Royalty payment which would result in such aggregate being exceeded for any year being produced by Dome free of the obligation to pay the Royalty. The obligation to pay the Royalty shall be construed as a contracted obligation between Dome and Consultants, shall not constitute an interest in or lien or encumbrance relating to any mineral claim or other mining property in which Dome has an interest and shall terminate and be of no effect with respect to the relevant mineral claims and other mining properties immediately upon Consultants, its successors or assigns being paid an aggregate of \$500,000 in Royalty payments.

Consultants specifically agrees that Dome may, without consent or agreement being required from Consultants, assign or otherwise dispose of any right, title or interest in and to any mineral claims or other mining properties with respect to which a Royalty may be payable, provided only that the party has agreed to assume all or part of the obligation to pay such Royalty or such part thereof, as the case may be, and Consultants shall look only to such party for payments of Royalty so assumed. Subject only to the foregoing sentence, there shall be no restriction whatsoever upon the right of Dome to assign, transfer, dispose of or otherwise deal with any mineral claims or other mining properties to which this agreement relates.



February 15, 1991

Riley Resources Ltd.  
c/o Tupper, Jonsson and Yeaden  
1710 - 1177 West Pender Street  
Vancouver, B.C.  
V6E 2L3

Dear Sirs:

**Re: Summary Report on the Flathead 1, 3 to 10, 12 Mineral Claims  
Fort Steele Mining Division, B.C.  
by P.E. Fox, Ph.D., P.Eng. dated January 21, 1991**

#### **Introduction**

The Flathead gold project was instigated by Fox Geological Consultants Ltd. in 1984. Initially, work was done on behalf of Dome Exploration (Canada) Ltd. and latterly for Placer Dome Inc. The property is currently optioned to Riley Resources Ltd. Fox Geological retains a small production royalty interest in the claims.

At the request of Riley Resources Ltd., I have reviewed the subject report, examined relevant company reports (see attached list) and have discussed the project with Dr. Peter Fox, project manager, and Mr. Rob Cameron, project geologist.

#### **Background**

The 198-unit Flathead property is situated in the McDonald Range of the Rocky Mountains, 30 kilometres southeast of Fernie, in southeastern B.C.

The property was staked in 1984 to protect gold drainage anomalies. Since then, exploration consisting of soil sampling, prospecting, and VLF surveys, and two diamond drill programs have been carried out.

As a result of this work, interest is currently focused on the Grid B area. Here a 1,700 metre by 400 metre geochemical soil gold anomaly has been delineated, with partially coincident VLF EM and I.P. anomalies. Within this area of coincident soil and geophysical anomalies, high grade float has been found. Very limited trenching and a six-hole, 866 metre diamond drill program failed to reveal the source of the float or the origin of the anomalies.



The geochemical/geophysical targets lie along and adjacent to a fault zone separating Devonian carbonates from Mississippian limestones, dolomites and shales which have been intruded by a Cretaceous age syenite.

### Comments

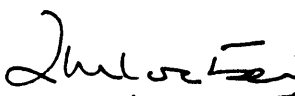
In my opinion, the work on the property has followed a logical and efficient path to find the origin of the gold soil anomalies.

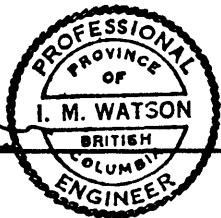
The trenching and drilling on the Grid B target area has been focused on a 300-metre stretch of the anomaly complex. None of the six holes intersected mineralization that would account for either the soil anomalies or the high grade float, although weakly anomalous gold contents were encountered in several holes in different lithological units.

I concur with Dr. Fox's conclusion that further work is needed and warranted to establish the source of the gold-bearing float and soil anomalies, and to adequately test the full extent of the anomalies. I also agree with his recommendation that this work should be in the form of backhoe trenching, and I believe that this is the most effective and economical way to explore the property at this stage.

The proposed budget of \$75,000 is appropriate for a one-month trenching program, which would include mapping, sampling, and provision for reclamation.

Respectfully submitted,

  
I.M. Watson, P.Eng.



## CERTIFICATE OF QUALIFICATIONS

I, Ivor Moir Watson, of 584 East Braemar Road, North Vancouver, British Columbia, hereby certify that:

1. I am a consulting geologist with offices at 904 - 675 West Hastings Street, Vancouver, B.C.
2. I am a graduate of the University of St. Andrews, Scotland (B.Sc. Geology 1955).
3. I have practised my profession continuously since graduation.
4. I am a member in good standing of the Association of Professional Engineers of B.C., and a Fellow of the Geological Association of Canada.
5. I have no direct or indirect interests in the Flathead mineral claims, Riley Resources Ltd., or Fox Geological Consultants Ltd. nor do I expect to receive any.
6. This letter is based on a review of the subject report, relevant company reports and plans, and on discussions with Dr. P.E. Fox and Mr. R. Cameron of Fox Geological Consultants Ltd.
7. Permission is hereby given to Riley Resources Ltd. to use this letter to endorse the conclusions and recommendations of the subject report and/or to include it in a Statement of Material Facts.

February 15, 1991  
Vancouver, B.C., Canada

  
I.M. Watson, P.Eng.



## LIST OF REFERENCES

- Cameron, R.S., Fox, P.E. (Nov. 13, 1985); Prospecting Report for Flathead 1-12 Claims, Fox Geological Consultants Ltd. for Dome Exploration Canada Ltd.
- Cameron, R.S., Fox, P.E. (Feb. 23, 1987); Prospecting Report for Flathead 1-12 Claims, Fox Geological Consultants Ltd. for Dome Exploration Canada Ltd.
- Cameron, R.S., Fox, P.E. (March 28, 1988); Diamond Drilling and Prospecting Report on the Flathead 1-12 Claims, Fox Geological Consultants Ltd. for Placer Dome Inc.
- Cameron, R.S., Fox, P.E. (Dec. 15, 1988); Geochemical and Geophysical Report on the Flathead 1, 3 to 10, 12 Claims, Fox Geological Consultants Ltd. for Placer Dome Inc.
- Kulla, G.K., Fox, P.E. (Feb. 15/90); Report on the Flathead 1, 3 to 10, 12 Mineral Claims, Fox Geological Consultants Ltd. for Placer Dome Inc.
- Oddy, R.W. (Jan. 15, 1985); Prospecting Report on the Flathead 1-12 Claims, Fox Geological Consultants Ltd. for Dome Exploration Canada Ltd.
- Price, R.A. (1965); Flathead Map-Area, British Columbia and Alberta: Geological Survey of Canada Memoir 336, 221p.
- Price, R.A. (1962); Fernie Map-Area, East Half, Alberta and British Columbia: Geological Survey of Canada, Paper 61-24.

CERTIFICATE OF THE ISSUER

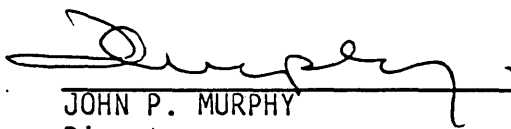
The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Statement of Material Facts as required by the Securities Act and its regulations.

DATED this 13th day of June , 1991.

  
\_\_\_\_\_  
WILLIAM A. TRIMBLE  
Chief Executive Officer

  
\_\_\_\_\_  
FRASER B. MARTIN  
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

  
\_\_\_\_\_  
JOHN P. MURPHY  
Director

CERTIFICATE OF THE AGENT

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 Statement of Material Facts as required by the Securities Act and its regulations.

DATED this 13th day of June , 1991.

HAYWOOD SECURITIES INC.

Per:   
\_\_\_\_\_