

SUMMARY

The following is a summary only and is qualified by the more detailed information appearing elsewhere in this Prospectus.

The Company

Vananda Gold Ltd. ("Vananda") was incorporated in the Province of British Columbia, Canada by registration of its Articles and Memorandum, pursuant to the provisions of the Company Act of the Province of British Columbia on the 18th day of April, 1986. The Company is a natural resource company and is principally engaged in the acquisition, exploration and development of natural resource properties.

The Offering

Issue: 375,000 common shares.

Price: \$0.45 per share.

Amount of
the Offering: \$168,750.00.

Use of Proceeds: The estimated net proceeds of \$157,500 to be received by the Company from this Offering will be used primarily to conduct a mineral exploration program on the Company's Texada Island claims.

Dividend Policy: The Company intends to retain its earnings for use in its business and does not expect to pay dividends on its common shares in the foreseeable future.

Risk Factors: There is no known body of ore on the Company's mineral property. The purpose of the Offering is to raise funds to carry out further exploration with the objective of establishing ore of commercial tonnage and grade. In addition, if the Company's exploration programs are successful, additional funds will be required for the development of an economic ore body and to place it in commercial production. Exploration for minerals is a speculative venture necessarily involving some substantial risk. There is no certainty that the expenditures to be made by the Company in development of the property interest described in this Prospectus will result in discoveries of commercial quantities of ore. Reference is made to the heading Risk Factors in this Prospectus.

MineQuest Report #133
Ref. No. RM2703

TEXADA ISLAND MINERAL PROPERTY

Nanaimo Mining Division

N.T.S. 92F/10E, 15E

Latitude 49°44'N
Longitude 124°32'W

by

G.R. Peatfield, Ph.D., P.Eng.

of

MineQuest Exploration Associates Ltd.

for

Vananda Gold Ltd.

Vancouver, B.C.

November, 1986

18. SOLICITORS

The solicitors for the Company are Messrs. Tupper, Jonsson & Shroff, Barristers & Solicitors, #1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3.

19. INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

No Director or Senior Officer of the Company is or has been indebted to the Company or its subsidiary at any time during the last completed financial year.

20. DIVIDEND RECORD

The Company has not paid any dividends. The Company intends to retain its earnings for use in its business and does not expect to pay dividends on the common shares in the foreseeable future.

21. LEGAL PROCEEDINGS

There are no legal proceedings pursuant to which the Company or its subsidiary are a party nor to the knowledge of the signatories hereto are any such proceedings known to be contemplated.

22. MATERIAL CONTRACTS

The Company has material contracts for the rental of a truck with JM & G Logging of Vananda, Texada Island and has entered into a management agreement with Stanley Beale, the President of Vananda, for the sum of \$2,000 per month.

There are no other material contracts entered into by the Company other than as disclosed in this Prospectus. Copies of contracts may be examined during normal business hours, while primary distribution of the offered shares is in progress and for 30 days thereafter, at the Company's registered office in Vancouver, British Columbia, Canada.

23. OTHER MATERIAL FACTS

There are no other material facts relating to the securities offered by this Prospectus which are not disclosed herein.

24. STATUTORY RIGHTS OF RESCISSION AND WITHDRAWAL

Part 9 of the Securities Act provides a purchaser with the right to withdraw from an agreement to purchase securities in a distribution to which Section 42 of the Act applies within two business days after receipt or deemed receipt of the latest prospectus that the purchaser is entitled to receive under the Act. Such a purchaser must provide the dealer with written notice of intent to withdraw within the two business day period. The Purchaser should refer to Parts 9 and 14 of the Securities Act for the particulars of his rights or consult with a legal adviser.

USE OF REPORT

TEXADA ISLAND MINERAL PROPERTY

by

G.R. Peatfield, Ph.D., P.Eng
of
MineQuest Exploration Associates Ltd.

for

Vananda Gold Ltd.

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November, 1986

G. R. Peatfield

G.R. Peatfield, Ph.D., P.Eng.



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G.R. Peatfield, Ph.D., P.Eng.

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1.0

INTRODUCTION

In November 1986, Vananda Gold Ltd. commissioned MineQuest Exploration Associates Ltd. to assess the potential of Vananda's mineral property on Texada Island, to recommend a program to test this potential, and to prepare a report suitable for inclusion in a prospectus.

Accordingly, G.R. Peatfield, P.Eng., who is directly familiar with the property, and who has recently examined the available data on the exploration and production history of the property in some detail, prepared such a report. The report embodies observations made on visits to the property during 1986, condensed results of several programs previously undertaken on the property, and a synthesis of much of the available historical data on the mines which operated within the present property boundary.

The northern portion of Texada Island has been an important mining area, on an intermittent basis, since the late 19th century. The principal periods of activity were between 1897 and 1919, during which time the gold-copper-silver skarn deposits at Vananda produced about 250,000 tonnes of high-grade ore; from 1948 to 1952, when one of these mines produced 58,000 tonnes of slightly lower grade ore; and from 1952 to 1976, when the large magnetite skarn deposits near Gillies Bay on the west side of the island produced some 10 million tonnes of iron concentrate with byproduct copper, gold and silver. The sites of all these former producers lie within the present Vananda Gold Ltd. property.

The skarn deposits are contained within rocks of the Triassic "Texada group" (Karmutsen Group) volcanics and "Marble Bay formation" (Quatsino Formation) limestone, intruded by Jurassic quartz dioritic to gabbroic plugs, dykes and stocks. There are two distinct families of skarn deposits,

as evidenced by their geological setting, mineralogy, and metal ratios. Those of principal interest at this time are the gold-copper-silver deposits at Vananda.

There is an extensive body of reporting, especially on the Vananda area deposits, most of which is listed in the Bibliography. Of this, the reports by Winter (1984, 1985) provide a comprehensive summary of the general situation and history of the property.

2.0

LOCATION, ACCESS AND TERRAIN

The property lies between the villages of Vananda and Gillies Bay, on northern Texada Island, about 80 kilometres northwest of Vancouver (see Figure 1). Access is by highway and ferry to Powell River and thence by ferry to Blubber Bay at the north end of the island. Light aircraft can land at the airport near Gillies Bay. Numerous public and private roads provide ready access to most of the property.

The terrain on the property is moderate; the gently rolling hills have a total relief of the order of 250 metres. Forest cover is locally heavy, with considerable second growth. Much of the area of immediate interest lies within and adjacent to the settlement of Vananda.

3.0

PROPERTY STATUS

Texada Island is one of the oldest mining camps in the Province, and as a result the property situation is very complex. In some cases, separate ownership exists for base and precious metals; this is further complicated by the limestone quarries, which do not hold their tenure under the terms of the Mineral Act.

Vananda Gold Ltd's property holdings on Texada Island consist of three small mining leases, 31 Crown Granted Claims or Fractional Claims, and 89 located (two post) mineral claims or fractional mineral claims. Figure 2 shows a rough outline of the property but it is not based on any comprehensive recent survey and does not show the location of individual claims. Appendix I is a listing of the present property holdings. The above information is derived from data in the possession of Vananda Gold Ltd.; no independent check has been made, either of the records or of staking in the field. Detailed surveys are recommended.

4.0 HISTORY AND SUMMARY OF PREVIOUS WORK

Texada Island has had a long and complex mining history, much of which involves mines located on the present Vananda Gold Ltd. property. This history, along with some of the exploration history of the property, is summarized in point form in Appendix II. The limestone operations are not considered here.

The sequence of events can be divided into several distinct episodes. Early work, prior to 1895, was concentrated on iron deposits, with some very small copper ore shipments from related occurrences. Between 1895 and 1919, most of the activity was on the gold-copper-silver skarn deposits of the Vananda Camp, which were developed and which sustained production during this period. The final closure of these mines was related to the severe decline in copper prices following the First World War.

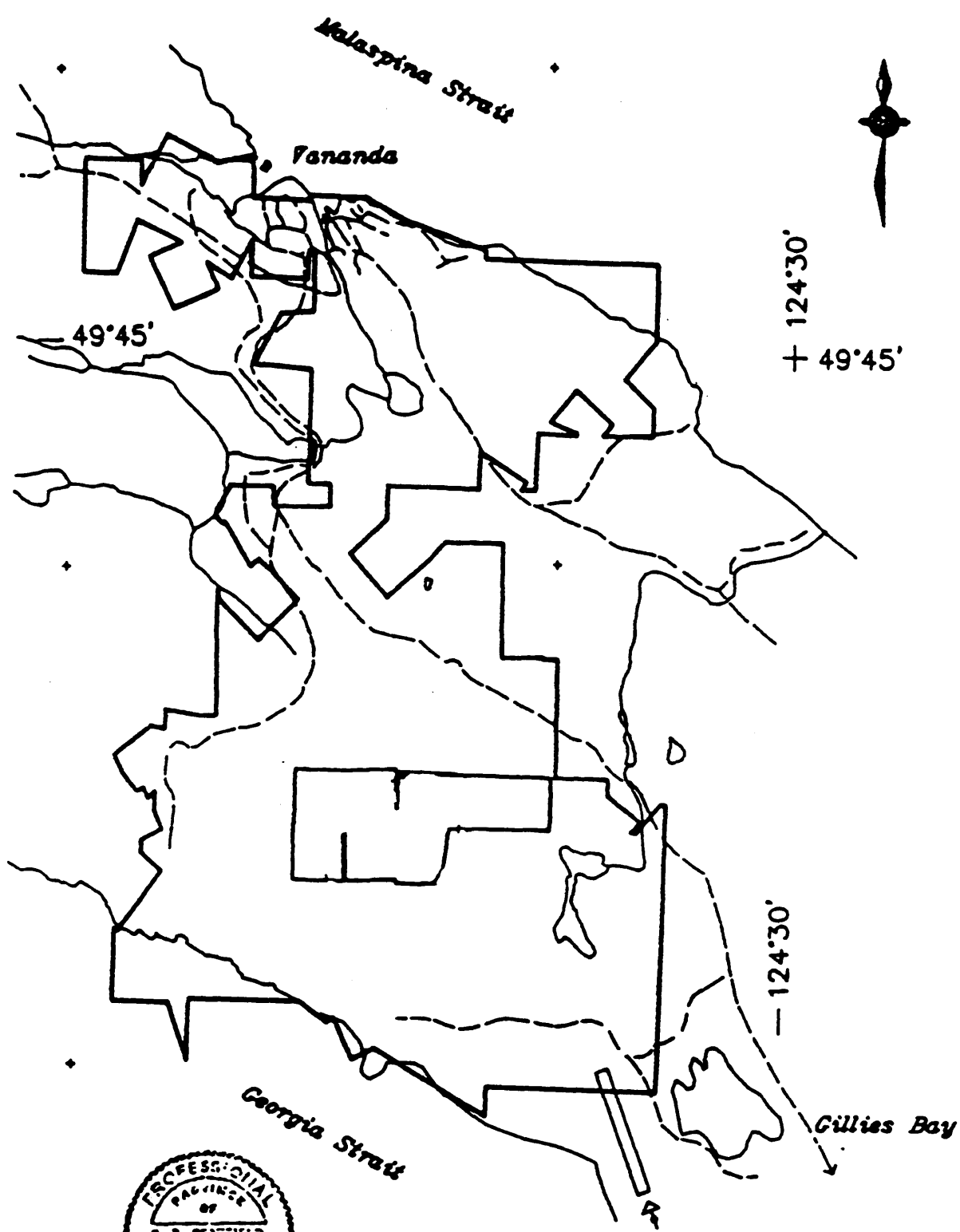
Between 1927 and 1930, a concerted effort was made to revive the Vananda mines. Properties were consolidated, and considerable preparatory work and diamond drilling were undertaken, with somewhat mixed success. Interest then waned until 1942, when properties were again consolidated and considerable exploration performed, culminating in the Little Billie mine being put in production again, and operating from 1948 to 1951. Closure of this mine marked the end of this phase of activity.

The year 1951 marked the beginning of real interest in the iron mines on the west side of the island. Mining of these large magnetite deposits, with byproduct copper, gold and silver, continued from 1952 until 1976. This represents a period of sustained and important mineral production from the present Vananda Gold Ltd. property.

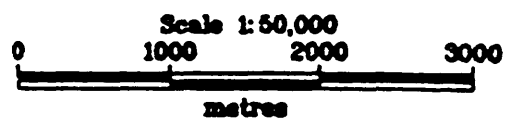
Apart from a few sporadic programs there was little work in the Vananda Camp until 1970, when the latest phase of property assembly began. Serious ground work, consisting mostly of geophysics and diamond drilling, commenced in 1977, and has continued with some interruptions to the present.

Until the latest phase of work, commissioned by Vananda Gold Ltd., many of the programs were undertaken essentially in isolation, and results have not been compiled in any systematic way. Such compilation is currently in progress, and will form the basis upon which programs are designed.

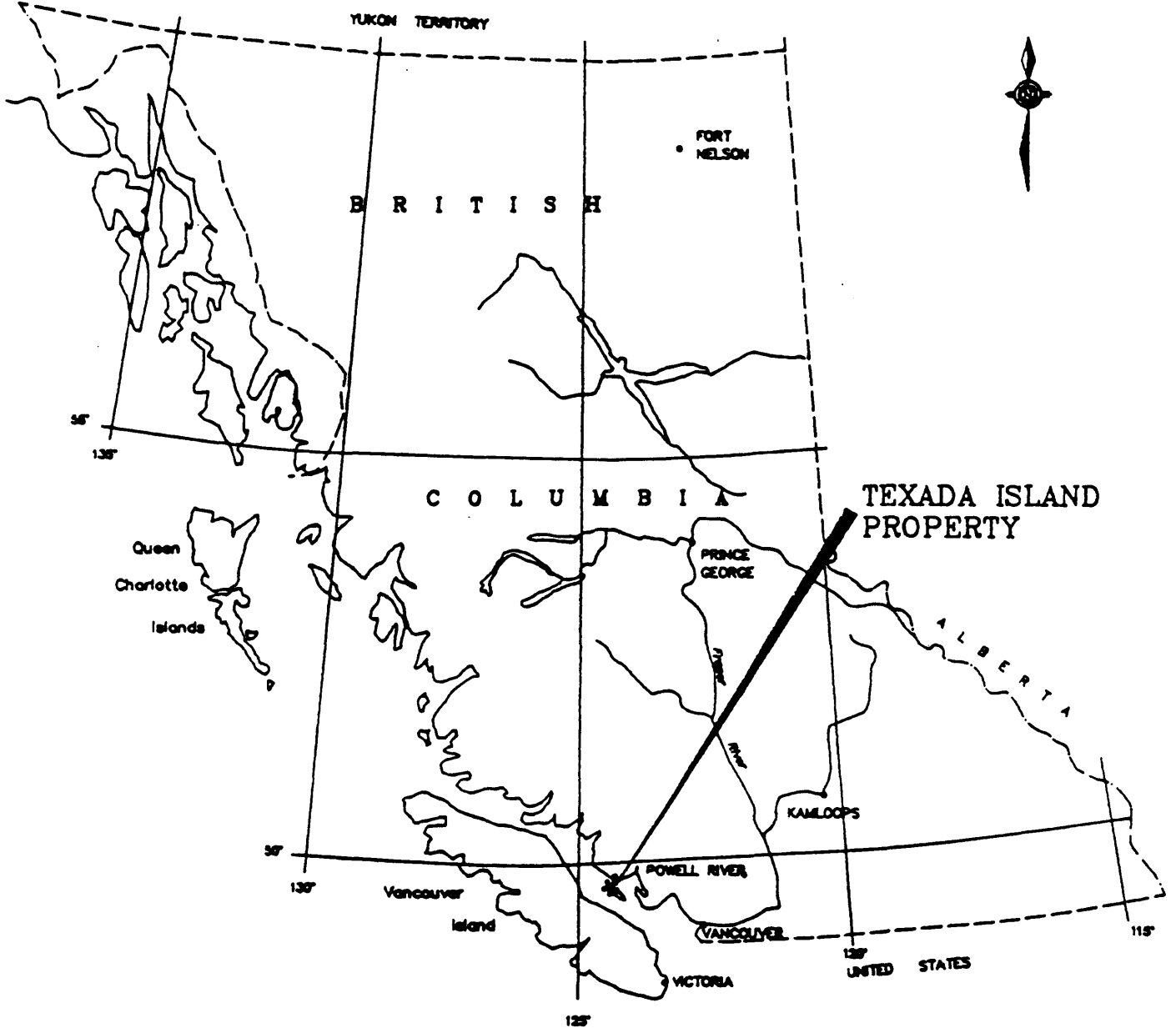
This brief review has concentrated solely on events which took place within the boundaries of the present Vananda Gold Ltd. property. No attempt has been made to treat activities on the many occurrences, mostly high-grade gold showings, on properties lying immediately to the west.



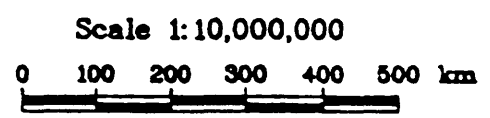
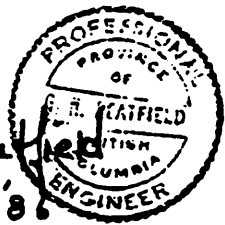
G. R. Portfield
 26 Nov 86



VANANDA GOLD LTD.		
TEXADA ISLAND PROPERTY NANAIMO, B.C.		
PROPERTY OUTLINE		
DATE NOV. '86	N.T.S.: 927/102, 152	FIGURE: 2
MINEQUEST EXPLORATION ASSOCIATES LTD.		



G. R. Peatfield
 26 Nov '86



VANANDA GOLD LTD.		
TEXADA ISLAND PROPERTY NANAIMO, B.C.		
LOCATION MAP		
DATE NOV. '86	N.T.S.: 927/10E, 15E	FIGURE: 1
MINEQUEST EXPLORATION ASSOCIATES LTD.		

5.0

GEOLOGY

The regional geology of Texada Island has not been comprehensively studied since the work of McConnell (1914), although numerous published and unpublished maps and reports treat various isolated areas or specific problems.

The Vananda Gold property is underlain by a succession of mid-Mesozoic volcanic and sedimentary strata (see Figure 3). McConnell (1914) described the andesitic to basaltic "porphyrites" of the Lower Jurassic(?) "Texada group" overlying Triassic or Jurassic limestones of the "Marble Bay formation". The recent compilation by Muller (1977) of the geology of Vancouver Island and adjacent islands classified the volcanic rocks on northern Texada Island as Karmutsen Group (middle to upper Triassic) and the limestones as the overlying upper Triassic Quatsino Formation. Clearly either McConnell's stratigraphy or Muller's assignment is in error; subsequent studies strongly imply the former, and suggest that the limestones in fact overlie the volcanic strata. A third possibility is that both Karmutsen and Bonanza Group (Jurassic) volcanic rocks are represented; further field work would be required to prove or disapprove this hypothesis.

The volcanic and sedimentary strata have been cut by at least two types of intrusive rocks, thought to be of Mesozoic age. The more common, typified by the Gillies Lake Stock in the area of the Texada iron mines, is principally composed of quartz diorite and granodiorite. Near Vananda, closely associated with the gold-copper mines, are smaller bodies of diorite, diorite porphyry, and locally more basic intrusive rock. Numerous dykes, generally porphyritic, may be associated with either intrusive family. Such limited studies as have been undertaken suggest that the intrusive rocks are Jurassic or older (Carson, et al., 1971).

TABLE 1 - PRODUCTION FIGURES FOR TEXADA ISLAND MINES.

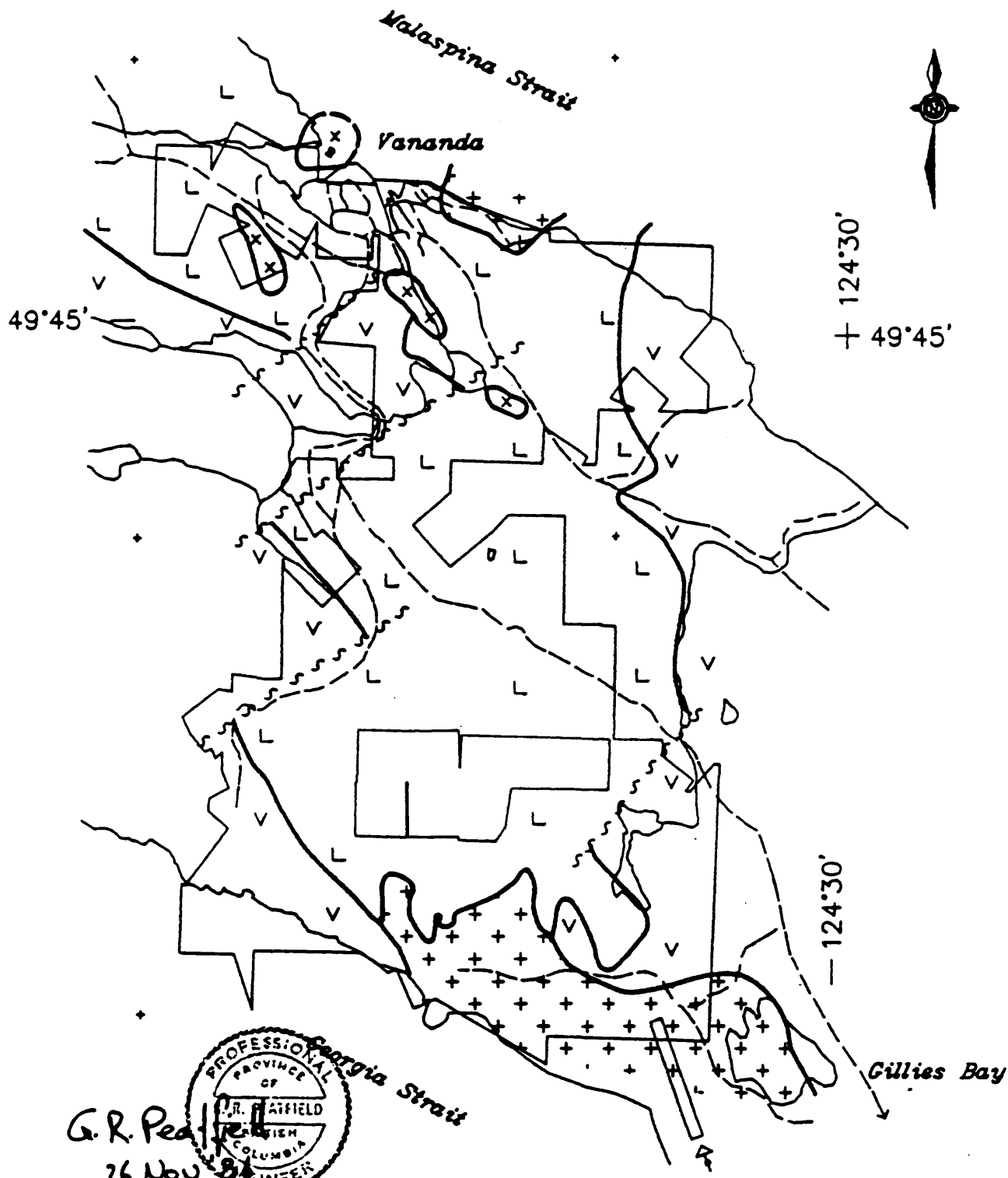
<u>Mine</u>	<u>Period</u>	<u>Prod. (tonnes)</u>	<u>Au(g)</u>	<u>Ag(g)</u>	<u>Cu(kg)</u>	<u>Fe conc. (tonnes)</u>
Copper Queen	1903-1907	3,326 ²	37,175 ³	279,380 ³	148,330 ³	
Copper Queen	1907-1917	749 ²	9,891	75,238	32,417	
Cornell	1897-1919	40,687	471,085	2,194,471	1,368,512	
Little Billie	1896-1916	5,711	50,085	220,458	136,837	
Little Billie	1948-1952	58,000	313,083	977,846	682,261	
Marble Bay	1899-1929	<u>199,210⁴</u>	<u>1,544,100</u>	<u>12,620,500</u>	<u>6,788,900</u>	
Total Vananda		307,683	2,425,419	16,367,893	9,157,257	
Lake	1901-1921	946	3,017	35,955	47,659	
Prescott ⁵	1885-7	733	2,799	31,787	38,964	
Texada Iron ⁶ (Prescott, Yellow Kid, Paxton and Lake Mines	1952-1956	2,000,000	-7	-7	-7	1,300,000
	1957-1961	3,289,900	156,570	2,989,430	2,759,900	1,709,800
	1962-1966	5,168,900	281,950	5,374,600	6,220,400	2,590,300
	1967-1971	5,840,200	235,760	7,876,800	9,814,300	2,730,500
	1972-1976	<u>4,501,900</u>	<u>213,280</u>	<u>7,403,480</u>	<u>7,945,700</u>	<u>2,030,900</u>
Total Texada Iron		20,800,900	887,560	23,644,310	26,740,300	10,361,500

1. Figures are from MinFile, except for Copper Queen 1903-07 which are from Cox (1944).
2. These figures do not accord well with the reported mining history (including leasing) for this deposit, which suggests substantially more tonnage was mined.
3. These figures are approximate, derived by calculating backward from reported grade figures.
4. This figure is uncertain - MinFile gives 1906 production as 95,020 tonnes; I have assumed 9,502 tonnes, which is comparable to other years and yields commensurate grade figures.
5. Although this production is listed as Prescott, it may in fact refer to mining near the Paxton deposit.
6. All figures pertaining to these deposits are rounded slightly.
7. No copper concentrates were produced in this period.

TABLE 2 - PRODUCTION GRADES FOR TEXADA ISLAND MINES

Mine	Years	Tonnes	Au(g/t)	Ag(g/t)	Cu%
Copper Queen	1903-1907	3,326 ¹	11.2 ²	84.0 ²	4.5 ²
Copper Queen	1907-1917	749 ¹	13.2	100.5	4.3
Cornell	1897-1919	40,687	11.6	53.9	3.4
Little Billie	1896-1916	5,711	8.8	38.6	2.4
Little Billie	1948-1952	58,000	5.4	16.9	1.2
Marble Bay	1899-1929	<u>199,210³</u>	<u>7.8</u>	<u>63.4</u>	<u>3.4</u>
Total Vananda		307,683	7.9	53.2	3.0
Lake	1901-1921	946	3.2	38.0	5.0
Prescott	1895-?	733	3.8	43.4	5.3
Texada Iron	1957-1976	18,800,900 ²	0.05	1.25	0.14

1. These figures, from Cox (1944) and B.C. MinFile respectively, do not accord well with the reported mining history (including leasing) for this deposit.
2. These figures are approximations.
3. This figure is uncertain - MinFile gives 1906 production as 95,020 tonnes; I have assumed 9,502 tonnes, which is comparable to other years and yields commensurate grade figures.

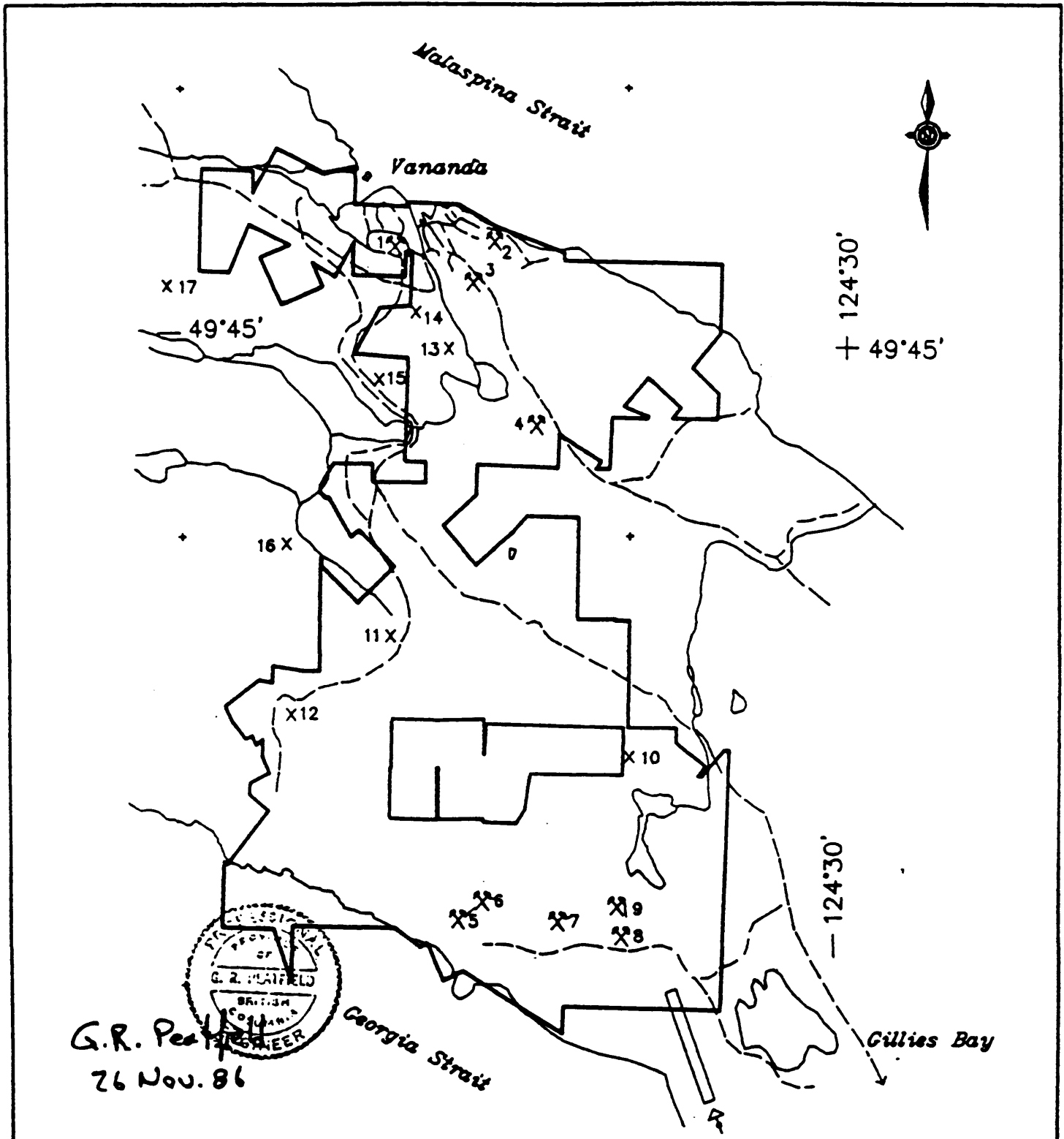


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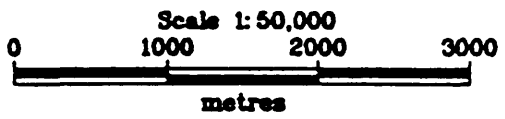
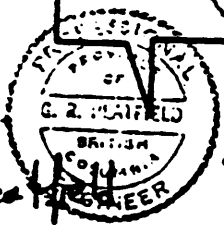
LEGEND

- + Quartz diorite
- x Diorite, gabbro
- L Quatsino limestone
- V Karmutsen volcanics
- Fault

VANANDA GOLD LTD.		
TEXADA ISLAND PROPERTY NANAIMO, B.C.		
PROPERTY GEOLOGY		
DATE NOV. '86	N.T.S.: 927/10R, 15E	FIGURE: 3
MINEQUEST EXPLORATION ASSOCIATES LTD.		



G.R. Peck
26 Nov. 86



MINES		SHOWINGS	
1	Marble Bay Au,Cu,Ag	10	Sentinel Pb,Zn,Ag,Au
2	Little Hills Au,Cu,Ag	11	Commodore Cu,Pb,Ag,Au
3	Copper Queen Au,Cu,Ag	12	Ideal Pit Zn,Au,Ag
4	Cornell Au,Cu,Ag	13	Florence Fe,Cu,Au
5	Prescott Fe,Cu,Au,Ag	14	Security Fe,Cu,Au
6	Yellow Kid Fe,Cu,Au,Ag	15	Priest Lake Au,pyr.
7	Parson Fe,Cu,Au,Ag	16	Holly Au
8	Lake Fe,Cu,Au,Ag	17	Marjorie Au
9	Lake Cu,Au,Ag		

VANANDA GOLD LTD.		
TEXADA ISLAND PROPERTY NANAIMO, B.C.		
LOCATION OF MINES AND MINERAL OCCURANCES		
DATE: NOV. '86	N.T.S.: 927/10R, 15E	FIGURE: 4
MINEQUEST EXPLORATION ASSOCIATES LTD.		

6.0

MINERAL DEPOSITS

Several types of mineral deposits have been explored and in some cases exploited on Texada Island, since the beginning of mining history in the late 1800's (see Figure 4). Of these, the most important (not including the very extensive limestone quarries in the Marble Bay formation) are the iron-copper skarns on the west side of the island near Gillies Bay, and the gold-copper-silver skarn deposits near Vananda. Both types have had considerable production, as shown in Table 1. Although the Vananda deposits have produced far fewer tonnes of ore, their unit values were much higher than those of the iron-copper skarn deposits. They are a much more attractive exploration target at present, given their relatively high precious metal tenors. Table 2 shows the average grades of material mined from various deposits.

The Vananda gold-copper-silver deposits consisted of narrow relatively short lenses with very substantial down-plunge projections. Typical dimensions of the larger individual shoots would be about 4 x 25 x 150 metres, or about 60,000 tonnes. These lenses or shoots generally consist of bornite and chalcopyrite in a gangue of garnet, epidote, and diopside with lesser amounts of tremolite, wollastonite and other calc-silicate minerals, contained completely within the massive limestones, usually with associated local bleaching of the limestone to form "white rock". Free gold and native silver have been reported, and molybdenite is a widespread but minor constituent. Details are available in the published reports of McConnell (1914) and Stevenson (1945).

The Texada Iron deposits (see McConnell, 1914; Sangster, 1969; Sutherland Brown and Merrett,

1964; Meinert, 1984) are normal magnetite-chalcopyrite skarns developed near the contacts of limestone, volcanics and quartz diorite intrusions. These in general have very low copper contents, as disseminated chalcopyrite, but there are a few related lenses of high-grade copper mineralization, almost exclusively chalcopyrite.

Also present on the island, although not presently known on the Vananda Gold property, are numerous showings of gold-silver mineralization in quartz or quartz-carbonate veins and shear-zones in volcanic rocks, especially on the western side of the limestone belt. Some of these contain locally spectacular gold mineralization. Another occurrence of some considerable academic interest is the recent Northair Mines Ltd. discovery near Priest Lake, immediately west of the Vananda Gold Ltd. property. F.G. Hewett (personal communication, June 1986) reports that a flat-lying limey horizon, less than 50cm thick and contained within the western volcanic package, contains abundant pyrite, traces of chalcopyrite, and locally substantial gold values. Unfortunately, the tonnage potential appears to be limited, and Northair have relinquished their option on the property.

Numerous other mineral showings of various types, mostly copper-gold-silver and zinc or lead, are found in shears, veins and "replacements" on and adjacent to the Vananda Gold property. One of considerable interest consists of an apparently concordant zone within limestone in the Ideal Cement quarry toward the southern end of the property. Mineralization consists of irregular zones of granular semi-massive pyrite and sphalerite; grab samples taken by D. Constable (Winter, 1984) and by Canamax Resources Inc. assayed as follows:

	<u>Au(g/t)</u>	<u>Ag(g/t)</u>	<u>Zn%</u>	<u>Pb%</u>	<u>Cu%</u>
Constable	5.1	15.1	12.70	0.09	0.09
Canamax	6.1	15.2			

While there is no body of ore of this type exposed in the quarry wall, there is a pronounced IP anomaly some distance downdip from the showing; the presumed source lies at no great depth and could easily be tested by a few short vertical drill holes.

7.0

SIGNIFICANT EXPLORATION RESULTS

The property has a long and complex history, as can be judged by reference to Appendix I and to the reports listed in the Bibliography. In the process of the work, several significant events took place:

- 1) In the 1920's numerous drill holes in the area of the Vananda mines, especially the Cornell, returned good intersections (Lakes, 1930), which have been only partially followed-up. The best reported intersection, near the Cornell, was 7 metres grading 14.7 g/tonne Au and 11% Cu. The precise location of these holes is not known.
- 2) Toward the end of the second phase of mining at the Little Billie, several underground holes tested the downward extension of the ore-bodies, with attractive intersections (McLean, 1956). One intersection, in a possible new zone, was 5 metres (core length) grading 8.5 g/tonne Au and 2.69% Cu.
- 3) In 1979, Shima Resources drilled several holes in a gravity anomaly southeast of the Little Billie, with some interesting results (Winter, 1985). The best intersection was 2 metres grading 3.5 g/tonne Au and 1.68% Cu, as part of a total intersection of 16 metres grading 1.4 g/tonne Au and 1.31% Cu.
- 4) In 1984, Cartier Resources drilled several holes near the Cornell, with discouraging results, and one hole below the lower workings of the Little Billie, which cut 2.65 metres grading 7.9 g/tonne Au, 29.8 g/tonne Ag, and 1.98% Cu.

A summary of various significant diamond drill intersections, where data are available, is presented as Appendix III.

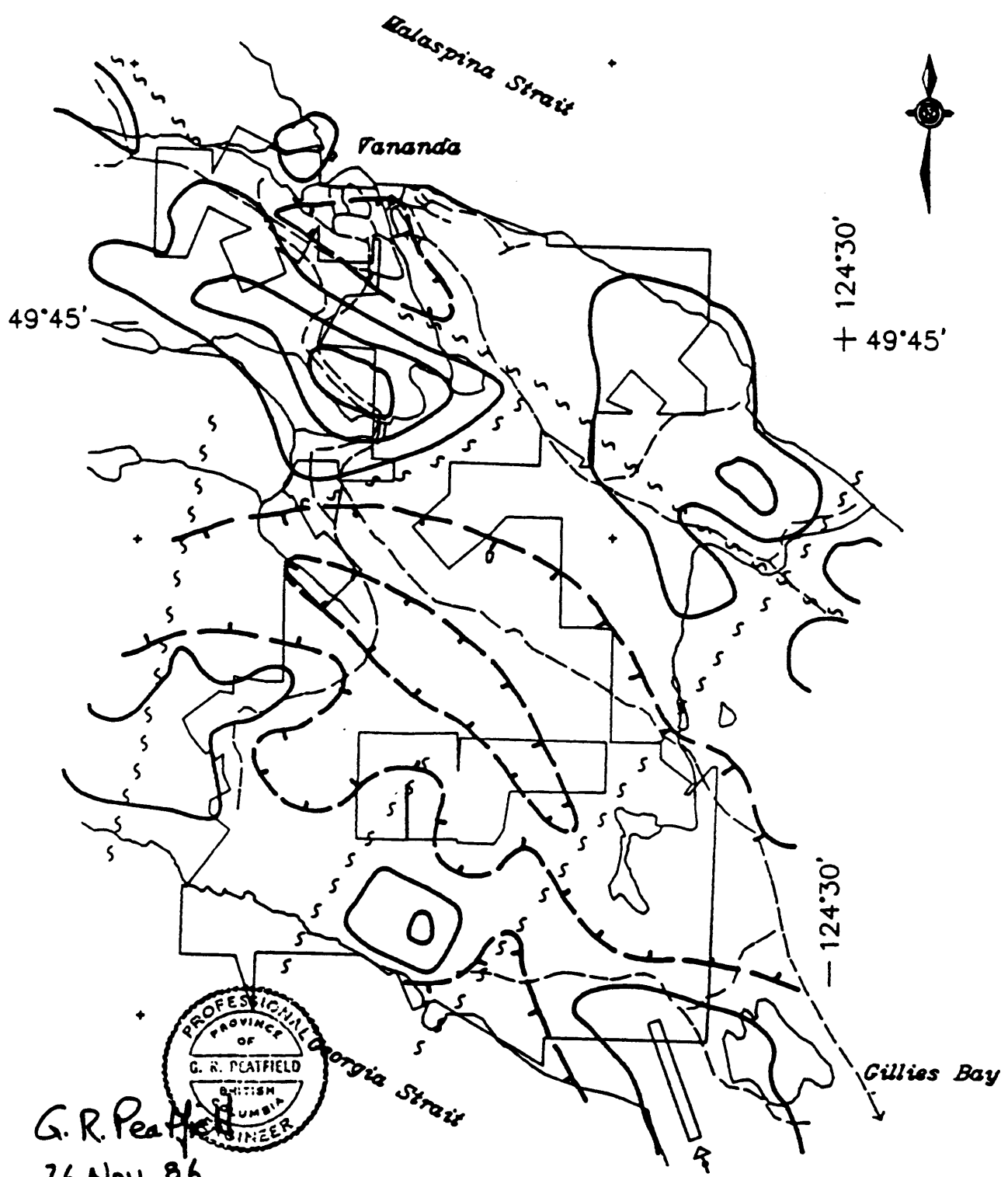
8.0

DISCUSSION

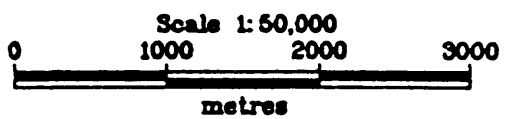
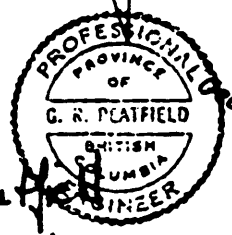
Vananda Gold Ltd. has assembled a very comprehensive and attractive land package covering both the Texada iron mines and all of the significant gold-copper-silver mines (former producers) in the Vananda area. These latter deposits produced significant tonnages of good grade ore from elongate, steeply-plunging shoots of skarn mineralization with restricted cross-sectional area but very considerable (250 metres plus) vertical extent. Such shoots were very difficult to explore for, especially in the early days when most exploration was by sinking and drifting. Notwithstanding considerable diamond drilling in the intervening years, there is still abundant potential for locating more such shoots, both adjacent to old workings and elsewhere. The property can in no way be construed as fully explored.

Exploration targets exist, for example, in surface showings (in trenches) and diamond drill hole intersections from early work in the Florence-Security area northwest of the Cornell mine. These intersections have not been followed up. Aeromagnetic trends and anomalies (see Figure 5) remain to be interpreted and followed up. In the Shima Resources phase of exploration, a reconnaissance gravity survey (see Figure 6) was completed over much of the property, and more intensive geophysical surveys (induced polarization, VLF-EM, gravity and magnetics) were completed on three restricted grids to test previously outlined gravity anomalies. Some targets were diamond drilled, but others remain to be tested.

Similarly, Cartier Resources completed some induced polarization surveys, with mixed results. All these untested target areas should be subjected to a concerted effort consisting of geological mapping and some state-of-the-art geophysical and geochemical techniques. Even after this has been done and targets identified, it will be important to remember the limited cross-sectional area of the high-grade shoots.

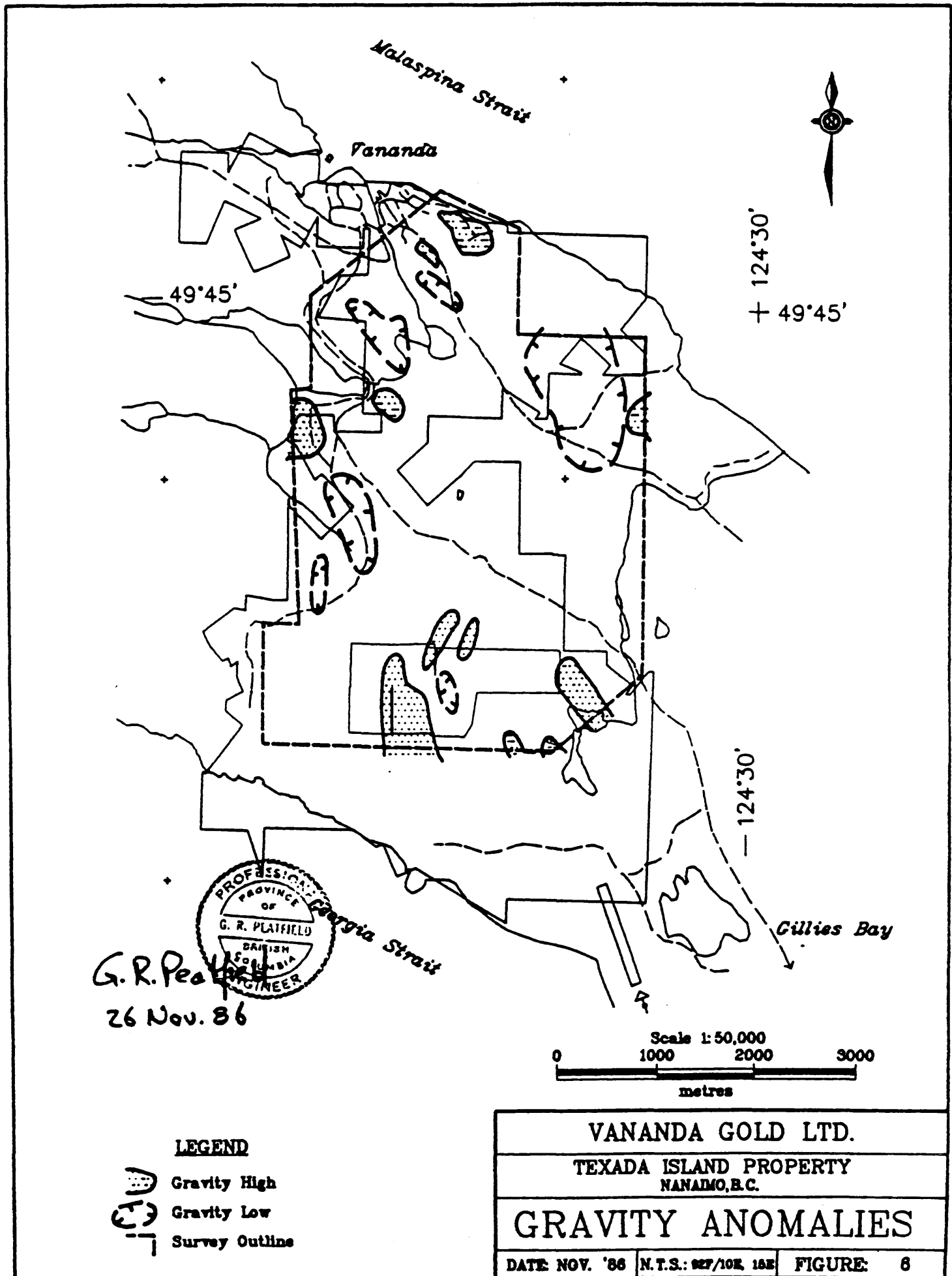


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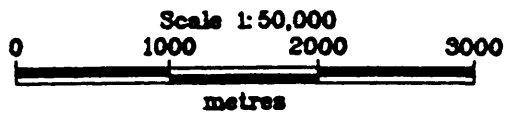


- LEGEND**
- Aeromagnetic high
 - Aeromagnetic low
 - Interpreted fault

VANANDA GOLD LTD.		
TEXADA ISLAND PROPERTY NANAIMO, B.C.		
AEROMAGNETICS		
DATE NOV. '86	N.T.S.: 627/10R, 15E	FIGURE: 5
MINEQUEST EXPLORATION ASSOCIATES LTD.		



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26 Nov. 86



- LEGEND**
- Gravity High
 - Gravity Low
 - Survey Outline

VANANDA GOLD LTD.		
TEXADA ISLAND PROPERTY NANAIMO, B.C.		
GRAVITY ANOMALIES		
DATE NOV. '86	N.T.S.: 927/10R 15E	FIGURE: 6
MINEQUEST EXPLORATION ASSOCIATES LTD.		

Since the old-timers mined to economic cutoffs in direct-shipping ore, there is little information available on the character of possible fringe mineralization. Such information will be difficult to acquire but would be extremely useful for directing drilling programs. In addition, a good understanding of the geometry and controls of individual ore shoots will be very valuable.

In summary, there seems little doubt that additional bodies of gold-copper-silver ore remain to be discovered. Although these will be difficult to explore for, this should not be beyond the capabilities of modern geological, geophysical and geochemical techniques. Such bodies constitute attractive targets.

Other significant exploration targets, such as the gold-silver-zinc mineralization in the so-called "pit zone" are worthy of followup, but should not be allowed to detract from the main thrust of the program.

9.0

CONCLUSIONS

- 1) The Vananda Gold Ltd. property contains several important exploration targets, and is well located with regard to transportation and infrastructure.
- 2) The most important targets for the immediate term are deposits of the Vananda gold-copper-silver skarn type.
- 3) Significant exploration potential exists in the neighbourhood of the old mines, especially below the lower levels of the Little Billie, and elsewhere on the property.
- 4) Individual mines, or clusters of elongate vertical shoots, have the potential (based on historical experience) to produce as much as 200,000 tonnes of good grade gold-copper-silver ore.
- 5) A reasonable target to aim for in any single deposit would be 200,000 tonnes of material grading 5 to 12 g/tonne Au, 20 to 100 g/tonne Ag, and 1.5 to 3.5% Cu. There is geological potential for several such deposits.
- 6) Detailed geological surveys coupled with geophysics and followed by extensive diamond drilling will be necessary to prove such tonnages.
- 7) The skarn gold-copper-silver deposits can be readily subdivided on the basis of metal ratios into gold-dominant (Vananda) and gold-subordinate (Texada) types. More work is necessary to establish whether the geological settings and wall-rock chemistry are recognizably different.

- 8) Significant potential exists for the discovery of good grade gold-copper mineralization within and immediately adjacent to old workings. For example, an estimate by the Little Billie manager at the time of closure was that there was 17,500 tons grading 0.16 oz/ton gold and 1.3% copper remaining above the sixth level (McLean, 1956). Good intersections exist below the sixth level and require follow-up.
- 9) Significant potential exists elsewhere on this extensive property. For example, in the Florence-Security area, northwest of the Cornell Mine, several surface trenches and diamond drill holes completed in the 1920's cut significant intersections which have not to date been followed up (see Appendix III).

10.0

RECOMMENDATIONS

The following work is recommended:

Phase I:

- 1) A complete compilation of all existing data, with information transferred to maps at common scales.
- 2) Establishment of a grid for control of mapping, geochemistry and geophysics, initially in the Florence-Security area northwest of the Cornell Mine and northeastward toward the Copper Queen and Little Billie Mines.
- 3) Geological mapping, soil geochemistry, and geophysics (magnetometer and VLF-EM) on this grid area. Soil geochemistry should be for gold by FA/AA, and for a broad suite of elements by ICP.
- 4) Backhoe trenching, mapping and sampling of existing targets in the Florence- Security area.
- 5) Surveying of grid and trench locations relative to claim boundaries, old workings and other culture.
- 6) Assessment of the results of Phase I. Contingent on this assessment, proceed to Phase II.

Phase II:

- 1) Diamond drilling of targets developed in Phase I. At least one hole should be drilled in the Little Billie area to confirm the intersection obtained by Cartier Resources Inc. below the sixth level. Other holes would probably be located in the Florence-Security area, near the Cornell workings, near the Copper Queen workings, and elsewhere depending on targets.
- 2) Extensive surveying to locate workings, drill holes, and as much property location information as possible.
- 3) Some followup trenching, and geophysical and geochemical surveys.
- 4) Assessment of the results of Phase I. Contingent on this assessment, proceed to Phase III.

Phase III:

- 1) Diamond drilling on targets developed in Phase II.
- 2) Surveying to firmly establish the location of drill collars.
- 3) Assuming favourable results, design of an ongoing program, which would probably include both extensive drilling and rehabilitation of existing underground workings.

11.0

COST ESTIMATEPhase I - Preparatory Surveys

1) Complete compilation	\$ 5,000
2) Grid establishment	6,000
3) Surveying	9,000
4) Geochemistry	25,000
5) Geological mapping	20,000
6) Geophysics	5,000
7) Trenching and sampling	20,000
8) Supervision, engineering & reporting	20,000
	<hr/>
	\$110,000
	<hr/>
	ALLOW \$125,000
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Phase II - Initial Diamond Drill Test

1) Diamond drilling; 1500m at \$65/m	\$ 97,500
2) Surveying, including claims	18,500
3) Analyses	4,000
4) Road-work for drill access	5,000
5) Followup trenching, geophysics and geochemistry	15,000
6) Supervision, engineering & reporting	15,000
	<hr/>
	\$155,000
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	ALLOW \$175,000
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Phase III - Followup Diamond Drilling

1) Diamond drilling, 3000m at \$60/m	\$180,000
2) Surveying	2,500
3) Analyses	4,500
4) Road-work for drill access	5,000
5) Supervision, engineering, & reporting	20,000
6) Design of ongoing program	8,000

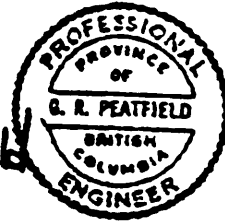
\$220,000

ALLOW \$250,000

TOTAL PHASES I TO III \$485,000

ALLOW \$550,000

G. R. Peatfield
26 Nov '86



12.0

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APPENDIX I

Property Holdings

APPENDIX I

Property Holdings

<u>Name</u>	<u>Record #</u>	<u>Anniversary Date</u>	<u>Comments</u>
Cinnabar	M1	-	Mining Lease
Alladin	M10	-	Mining Lease
VanAnda	M15	-	Mining Lease
Copper Queen	L40	-	CG
Eastgate	L53	-	CG
Lucky Jack	L79	-	CG
Volunteer	L131	-	CG
Europe	L133	-	CG
Great Copper Chief	L134	-	CG
Toothpick FR	L140	-	CG
Marble Bay	L154	-	CG
Cameron	L182	-	CG
Cornell	L201	-	CG
Goodall FR	L234	-	CG
Leroi	L264	-	CG
Boulder Nest	L265	-	CG
Jack North	L266	-	CG
Yellow Kid	L267	-	CG
L.M.C.	L268	-	CG
McLeod #3	L515	-	CG
McLeod #4	L516	-	CG
McLeod #5	L517	-	CG
McLeod #6	L518	-	CG
McLeod #7	L519	-	CG
McLeod #8	L520	-	CG
McLeod #1	L521	-	CG
McLeod #2 FR	L522	-	CG
Lap #1 FR	L523	-	CG
Lap #2 FR	L524	-	CG
Lap #3 FR	L525	-	CG
Lap #4 FR	L526	-	CG
Lap #5	L527	-	CG
Lap #6	L528	-	CG
Lap #8	L530	-	CG partial ownership

APPENDIX I (Continued)

<u>Name</u>	<u>Record #</u>	<u>Anniversary Date</u>	<u>Expiry Year</u>
BASIC 29 Fr.	515	January 23	1996
Brownie No. 1 Fr.	1071	February 10	1997
Brownie #2 Fr.	1072	February 10	1997
Brownie #3 Fr.	1147	April 16	1992
B-40878	13297	June 17	1990
B 40879	13298	June 17	1990
B 40882	13301	June 17	1990
B 40884	13302	June 17	1990
B 40886	13305	June 17	1990
B 40887	13306	June 17	1990
B 40888	13307	June 17	1990
B 40889	13308	June 17	1990
B. 41066	13315	June 24	1993
B. 40900	13316	June 24	1993
B. 40894	13322	June 24	1990
Lime	13933	July 13	1990
Lime No. 1 Fr.	13934	July 13	1990
T.M.L. No. 3	14306	May 15	1987
Lime No. 10 Fr.	14518	June 13	1990
Lime No. 11 Fr.	14519	June 13	1990
Lime No. 12 Fr.	14524	July 14	1990
Lime No. 13 Fr.	14585	November 24	1995
Lime 14	14586	November 24	1995
Lime 15 Fr	14587	November 24	1995
Lime 16 Fr	14588	November 24	1995
T M L #6 Fr	15326	April 17	1987
T.M.L. #7 Fr.	15596	January 17	1996
T.M.L. #8 Fr.	15597	January 17	1996
T.M.L. #9 Fr.	15598	January 17	1996
T.M.L. #10 Fr.	15599	January 17	1996
T.M.L. #11	15600	January 17	1996
T.M.L. #12 Fr.	15601	January 17	1996
T.M.L. #13	15602	January 17	1996
T.M.L. #14	15603	January 17	1996
T.M.L. #15 Fr.	15604	January 17	1996
TML 36	16124	December 6	1995
TML 37	16125	December 6	1996
TML 38	16126	December 6	1996
TML 39	16127	December 6	1996
TML 40	16128	December 6	1996
T.M.L. #41 Fr	16129	December 6	1996
T.M.L. #42 Fr	16130	December 6	1996
T.M.L. #43 Fr	16131	December 6	1996
Lime #18	17284	May 7	1995
Lime #20	17286	May 14	1995

APPENDIX I (Continued)

<u>Name</u>	<u>Record #</u>	<u>Anniversary Date</u>	<u>Expiry Year</u>
Ann	17440	July 21	1996
Ann Fr.	17441	July 21	1996
True Fr.	17554	November 2	1991
IC No. 1	17608	February 1	1996
IC No. 2	17609	February 1	1997
IC No. 3	17610	February 1	1997
IC No. 4	17611	February 1	1997
I.C. No. 11	18126	August 18	1990
I.C. No. 12	18127	August 18	1990
I.C. No. 13	18128	August 18	1990
I.C. No. 14	18129	August 18	1990
I.C. No. 15	18130	August 18	1990
I.C. No. 16	18131	August 18	1990
MARBLE BAY FRACTION			
No. 2*	34423	October 6	1987
STURT BAY NO. 1	34424	October 12	1995
STURT BAY NO. 2	34425	October 12	1995
VAL Fr	37436	March 4	1987
NOEX Fr	37437	March 4	1987
Basic #1 Fr.	37646	July 26	1991
Basic #2	37647	July 26	1991
Basic #3	37648	July 26	1991
Basic #4 Fr.	37649	July 26	1991
Basic #5	37650	July 26	1991
Basic #6 Fr.	37651	July 26	1991
Basic #7	37652	July 26	1991
Basic #8	37653	July 26	1991
Basic #9	37654	July 26	1991
Basic #11	37655	July 26	1991
Basic #12	37656	July 26	1991
Basic #13	37657	July 26	1991
Basic #15	37658	July 26	1991
Basic #16 Fr.	37659	July 26	1991
Basic #19 Fr.	37661	July 26	1991
Basic #20 Fr.	37662	July 26	1991
Basic #23 Fr.	37663	July 26	1991
Basic #24 Fr.	37664	July 26	1991
IDEAL 10	37787	September 20	1995
IDEAL 14	37788	September 20	1995
IDEAL 17 Fr.	37789	September 20	1995
IDEAL 18 Fr.	37790	September 20	1995
IDEAL 21 Fr.	37791	September 20	1995
IDEAL 22 Fr.	37792	September 20	1995
IDEAL 26 Fr.	37793	September 20	1995

* base metal rights only

APPENDIX II

Partial Chronology, Texada Island Mines

APPENDIX II

Partial Chronology - Texada Island Mines

- 1873 James Richardson of the Geological Survey of Canada examines the iron ranges on the west coast of the Island.
- 1875 The iron deposits are acquired by the Puget Sound Iron Company.
- 1880 The Little Billie is located.
- 1885 G.M. Dawson (GSC) examines the shoreline of Texada Island, searching for Cretaceous coal measures, and revisiting the west coast magnetite deposits.
- 1885 The Prescott produces some iron ore, and to some high-grade copper-gold-silver ore in 1890 1885.
- 1895 The Copper Queen is located.
- 1896 The Little Billie commences production.
- 1897 The Cornell is located and commences production.
- 1898 The Marble Bay is located.
- 1899 The Marble Bay commences production.
- 1901 Pacific Steel Company leases the Prescott to and ships iron ore to Irondale, Washington. 1904
- 1903? The Copper Queen commences production.
- 1907 The Lake ships 1000 tons of copper ore.
- 1908 R.G. McConnell (GSC) examines Texada, to preparing (GSC Memoir 58-1914) the only 1909 complete report ever published on the geology of the Island.
- 1916 The Little Billie closes.
- 1917 The Copper Queen closes.
- 1919 The Cornell and Marble Bay (?) close.

APPENDIX II (Continued)

- 1922 All the buildings on the iron mines are destroyed by fire.
- 1927 Some geophysics and diamond drilling are to
1928 undertaken in the Little Billie - Copper Queen - Cornell camp.
- 1929 The Marble Bay ships a small amount of ore.
- 1930 Central Copper and Gold Co. Ltd. assembles the Little Billie, Copper Queen and Cornell properties and surrounding ground, and a comprehensive report is written by Arthur Lakes. A total of 25 diamond drill holes are completed, with some encouraging results.
- 1942 Industrial Metals Mining Co. Ltd. assembles to
1945 the Little Billie, Copper Queen, Cornell and Marble Bay mines, dewateres and cleans up the Little Billie, does considerable diamond drilling, and installs machinery. Surface geology is mapped by C.S. Ney in 1942-43 (Ney, 1943). V. Dolmage (1944) reports briefly on the mines in 1944. In late 1944, Pioneer Gold Mines options the property and takes over management (Cox, 1944).
- 1944 J.S. Stevenson of the B.C. Department of Mines studies the Little Billie mine (Stevenson, 1945).
- 1945 The Little Billie, Copper Queen and Cornell mines are sold to Vananda Mining Company, who commence deepening the Little Billie shaft from 400 to 600 feet.
- 1948 Vananda Mines (1948) Ltd. is formed to take over the property of Vananda Mines Ltd., although management is held by Sheep Creek Gold Mines Ltd. A 150 tpd mill is installed at the Little Billie and begins production in November 1948 (Hamilton, 1948).
- 1948 Milling at the Little Billie continues on an to
1951 Billie and Copper Queen mines are connected with a drift on the sixth level. The area below the Copper Queen is diamond drilled

APPENDIX II (Continued)

with discouraging results, and that below the Little Billie with several very good intersections (McLean, 1956).

- 1951 Texada Mines Ltd. purchases the holdings of the Puget Sound Iron Company.
- 1952 Production of iron concentrates begins at Texada Iron.
- 1956 The mill circuits at Texada Iron are changed to recover byproduct chalcopyrite. Production of iron and copper concentrates continues to 1976.
- 1965 Bethex Explorations Ltd. options the Little Billie from Ideal Cement Company, who are in the process of assembling property on Texada. Bethex is interested in the molybdenum possibilities, and clean out and sample on the 80 level. They also drill four diamond drill holes totalling 988 feet. Their results do not encourage them and they relinquish their option (Coveney, 1966).
- 1969 Sangster (1969) publishes the results of his studies of the iron-copper skarn deposits of Vancouver and Texada Islands.
- 1970 By this time, Ideal Cement Company has acquired most of the mineral claims in the Vananda area. John Lamb writes a short report outlining a proposal for a comprehensive exploration program designed to search for more gold-copper-silver deposits (Lamb, 1970).
- 1975 Ideal completes an aeromagnetic survey and some compilation of the technical data on the project (Anderson, 1976).
- 1976 Ideal completes a limited amount of ground magnetics on the ground immediately northeast of Priest Lake, on ground which is not presently part of the Vananda Gold property. Results are inconclusive (Mullan, 1977). This year also marks the last production from the Texada iron mines.

APPENDIX II (Continued)

- 1977 Shima Resources, a non-reporting company, is formed and acquires the Ideal Cement Co. mineral rights under a lease arrangement.
- 1977 Shima does considerable geophysics: gravity, to magnetics and IP (Ager, 1978; Ager and Berreta, 1979), along with a geological 1980 synthesis and diamond drilling (Fahrni, 1978, 1980 a & b; 1981). This aggregates 16 holes, of which 11 test a gravity anomaly southeast of the Little Billie workings, with generally discouraging results. One hole cuts 16 metres of 1.3% Cu; the gold values are low (1.41 g/tonne) but these values should be checked, as they appear anomalously low relative to the copper value, based on previous results.
- 1981 The property is consolidated by a private to company, Marble Bay Holdings Ltd., which 1984 acquires an option on the property from Ideal Basic Industries and Ideal Cement.
- 1984 Cartier Resources Inc. acquires the property by purchasing the shares of Marble Bay Holdings to acquire the option, and in 1984 drills 1338 metres in 10 diamond drill holes (Winter, 1984; 1985). Nine of these are designed to test reported (Lakes, 1930) high-grade intersections northwest of the Cornell but are not successful. The tenth cuts mineralization below the sixth level of the Little Billie, grading 1.98% Cu, 7.89 g/tonne Au, and 29.8 g/tonne Ag over 2.65 metres. Geophysical surveys are carried out (Candy and White, 1985).
- 1986 Vananda Gold Ltd. is formed, and negotiates an option agreement with Cartier to explore the property. Some fieldwork is undertaken by Vananda, and a detailed compilation of the old data begun under the supervision of MineQuest Exploration Associates Ltd.

APPENDIX III

**Summary of Significant Diamond Drill
and Trench Intersections**

APPENDIX III

**Summary of Significant Diamond Drill
and Trench Intersections**

<u>Hole #</u>	<u>Area</u>	<u>Intercept (metres)</u>	<u>Au (g/tonne)</u>	<u>Ag (g/tonne)</u>	<u>Cu %</u>
1929 -	Cornell, Florence-Security (Lakes, 1929)				
2	Security	0.61	3.4	n/a	4.3
3	Security	1.22	0.3	n/a	1.3
3	Security	1.83	0.3	n/a	3.5
4	Security	2.13	0.3	44.6	2.5
6	Cornell	2.13	5.1	n/a	27.0
6	Cornell	7.01	14.7	n/a	11.0
7	Cornell	6.10	1.0	96.0	4.0
8	Cornell	4.88	1.0	24.0	1.9
8	Cornell	7.01	6.9	51.4	2.8
8	Cornell	17.1	1.0	54.9	3.3
13	Cornell	?	1.7	3.4	0.4
13R	Cornell	?	1.7	3.4	0.4
15	Cornell	1.83	8.2	n/a	19.1
21	between Florence and Security	3.66	1.4	34.3	1.0
22	Florence	3.66	1.4	n/a	1.6
25	Florence	2.74	1.0	68.6	3.5
1951 -	Little Billie underground (McLean, 1956)				
602	#20 orebody	7.99	17.1	n/a	2.84
602	new zone?	5.03	8.5	n/a	2.69
606	#20 orebody	23.38	7.5	n/a	1.76
1966 -	Little Billie - Bethex (Coveney, 1966)				
4		10.67	2.7	17.5	1.48
1979, 1980 -	Shima Resources (Fahrni, 1980a, 1981)				
SR79-1	gravity anom. south of Little Billie (includes)	16.0	1.4	18.5	1.30
SR80-7	Lake North gravity anom.	1.0	2.8	n/a	n/a
1984 -	Cartier Resources Inc. (Winter, 1985)				
TI84-1	Cornell	1.52	0.8	n/a	n/a
TI84-10	Little Billie below 6 level	2.65	7.9	29.8	1.98

APPENDIX III (Continued)

<u>Hole #</u>	<u>Area</u>	<u>Intercept (metres)</u>	<u>Au (g/tonne)</u>	<u>Ag (g/tonne)</u>	<u>Cu %</u>
1929 -	Trenching, Florence-Security (Lakes, 1929)				
	near hole 21	3.96	1.4	n/a	5.7
	near hole 21	1.22	2.7	n/a	1.0
	near hole 21	0.61	9.6	n/a	14.8
	Florence	? (narrow)	25.7	130.3	17.2

n/a - not available

APPENDIX IV

**Statement of Qualifications,
G.R. Peatfield, Ph.D., P.Eng.**

STATEMENT OF QUALIFICATIONS

- I, Giles R. Peatfield, hereby certify that:
1. I am a consulting geologist with a business office at #201-311 Water Street, Vancouver, British Columbia, V6B 1B8
 2. I am a principal of MineQuest Exploration Associates Ltd., a company performing geological consulting and contract exploration services for the mineral exploration industry.
 3. I am a graduate of the University of British Columbia (B.A.Sc., Geological Engineering, 1966) and of Queen's University at Kingston (Ph.D., 1978).
 4. I am a fellow of the Geological Association of Canada, a Member of the Canadian Institute of Mining and Metallurgy, of the Mineralogical Association of Canada, of the Association of Exploration Geochemists, and of the Association of Professional Engineers of British Columbia.
 5. I have practiced my profession as a geologist for more than 17 years.
 6. Nature of Investigation: I visited the Texada Island property on June 7, and again on July 21-22, 1986. This report is based on those examinations, on conversations with Messrs. Stanley Beale and David Watkins of Vananda Gold Ltd. and on examination of numerous reports and files in the possession of Vananda Gold Ltd.
 7. I have no interest, direct or indirect, nor do I expect to receive any interest in the property which is the subject of this report or in the securities of Vananda Gold Ltd.

Signed: _____

G. R. Peatfield

G.R. Peatfield,
Ph.D., P.Eng.



Dated at Vancouver, B.C. this
13th day of November, 1986

MineQuest
Exploration Associates Ltd.

March 27, 1987

5th Floor
164 Water Street
Vancouver, B.C.
V6B 1B5
(604) 669-2251

Mr. S.L. Beale
Vananda Gold Ltd.
417-837 West Hastings Street
Vancouver, B.C.
V6V 1B6

Dear Mr. Beale:

Subsequent to my report dated 13 November 1986 on the Texada Island Mineral Property of Vananda Gold Ltd., some aspects of my Phase I recommendations for work on the property have been partially completed. The general area of the old mines immediately south of Vananda has been geologically mapped at a scale of 1:2,500, essentially confirming the existing maps and emphasizing the apparent relationship between areas of bleaching and recrystallization in the limestone and copper-gold skarn mineralization. Several unexplored or underexplored areas of such bleaching remain to be tested. The geological mapping has tended to enhance the exploration potential of the property.

Localized soil geochemical programs have been completed immediately south of the Cornell workings and in the general area of the Florence and Security showings. These soil surveys outlined several areas, in some cases tens by hundred of metres, with moderate to strong anomalies in gold. These anomalies extend, in many cases, beyond the extent of known outcropping mineralization, and tend to be more extensive than copper anomalies. Soil sample values, for FA/AA analyses of the minus-80 mesh fractions by Acme Analytical Labs of Vancouver, range up to several hundred and in a few cases over one thousand parts per billion gold. These are regarded as strong soil anomalies.

Following receipt of the results of this preliminary soil sampling, a more extensive grid was established covering the area from the Florence-Security showings northeastward past the Copper Queen Mine to the Little Billie Mine. This grid, with 50 metre line and 25 metre sample spacings, was soil sampled (total number of samples is about 1,000). Only 170 of the samples from the western corner of

the grid were analyzed, covering and extending beyond the original Security grid. Analyses for this phase, also by Acme, were by MIBK/AA for gold. Similar extensive moderate to strong soil gold anomalies were indicated by this survey. The remaining 800 plus soil samples should be analyzed as part of the ongoing program.

The results of these soil sampling programs have been most encouraging. The anomalies suggest several more unexplored surface targets which require follow-up. The merit of the property has been substantially enhanced by the recent geological and geochemical programs.

The completion of the above described work leads me to make some minor modifications to the program as recommended in my November 1986 report. The surveys completed to date have shown that the areas of interest are more extensive and complex than previously thought. There is a need to expand grid coverage and geochemical sampling beyond that initially envisaged, and to do considerably more geological mapping. The rationale for this decision lies in the size and complexity of the property, and in the realization that we have little reason to believe that the present targets are the only or best targets available. I also recommend much more extensive trenching based on the obvious success of the soil geochemical work, and widespread geophysical surveys based on the possibility of structurally controlled gold mineralization as suggested by the present geochemical patterns. My recommended Phase I program is as follows; Phases II and III will remain as originally outlined:

Phase I - Continued Preparatory Surveys

1) Complete compilation work	\$ 1,000
2) Expanded grid coverage	7,000
3) Complete surveying	5,000
4) Expanded geochemistry	20,000
5) Continued geological mapping	10,000
6) Geophysics (mag., VLF)	12,000
7) Trenching and sampling	30,000
8) Supervision, engineering and reporting	25,000
	<hr/>
	\$110,000
	<hr/>
	ALLOW \$125,000
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The grid should be substantially expanded to the southeast, and another grid established west of the village of Vananda. Detailed geological mapping of this second grid

must be carried out. Geophysics (mag. and VLF) should cover all grid areas. Geochemical sampling should be completed on all new grids; new and existing unanalyzed samples should be analyzed using the MIBK/AA gold technique, which is now considered preferable in that it provides comparable results at a substantially lower cost.

Permission is hereby granted to include this amendment letter in its entire and unedited form in a Prospectus for Vananda Gold Ltd. Written permission of MineQuest Exploration Associates Ltd. must be obtained before release of any quotation or summary.

Yours truly,

A handwritten signature in black ink that reads "G. R. Peatfield". The signature is written in a cursive style with a long horizontal stroke at the end.

G.R. Peatfield, Ph.D., P.Eng

GRP/sp
MQ