

RM/LD /AH

Model : Anne Claims

921/10W

009588

THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF BE LAWFULLY OFFERED FOR SALE AND THEREIN ONLY BY COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREBY AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

THOSE JURISDICTIONS WHERE THEY MAY SELL SUCH SECURITIES. NO SECURITIES

PROSPECTUS

NEW?

Dominion Claims

MAD RIVER RESOURCES INC.

08E/6E

(the "Issuer")

1600 Bow Valley Square II
205 - 5 Avenue, S.W.
Calgary, Alberta T2P 2V7

NEW ISSUE

670,000 common shares at \$0.33 per share

Table with 4 columns: Description, Price to Public, Commission, Proceeds to Issuer. Rows: Per Share, Total.

- (1) The price of the Offering has been determined by the Issuer in negotiation with the Agent.
(2) Before deduction of expenses of this Offering estimated not to exceed \$25,000.

There is no market through which these securities may be sold.

The Vancouver Stock Exchange has conditionally listed the securities being offered pursuant to this Prospectus. The listing is subject to the Issuer fulfilling all the listing requirements of the Vancouver Stock Exchange on or before March 7, 1990 including prescribed distribution and financial requirements.

A purchase of the shares offered by this Prospectus must be considered a speculation. All of the properties in which the Issuer has an interest are in the exploration and development stage only and are without a known body of commercial ore. No survey of any property of the Issuer has been made and therefore in accordance with the laws of the jurisdiction in which they are situate, their existence and area could be in doubt. Refer to "Risk Factors" on page 4.

The Prospectus also qualifies the issuance of the Agent's Warrants. The Agent may sell any shares acquired on the exercise of the Agent's Warrants without further qualification. The Agent will receive the proceeds from the sale of such shares and none of such proceeds will accrue to the Issuer. Refer to "Plan of Distribution" on page 1.

No person is authorized by the Issuer to provide any information or to make any representation other than those contained in this Prospectus in connection with the issue and sale of the securities offered by the Issuer.

Upon completion of this Offering, this issue will represent 33.67% of the shares then outstanding as compared to 61.31% that will then be owned by the controlling persons, the promoter, directors and senior officers of the Issuer. Refer to "Principal Holders of Securities" on page 8 for details of shares held by directors, the promoter and controlling persons.

We, as Agent, conditionally offer these shares subject to prior sale, if, as and when issued by the Issuer and accepted by us in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" on page 1 of this Prospectus.

PACIFIC INTERNATIONAL SECURITIES INC.

Suite 1500, 700 West Georgia Street
Vancouver, B.C. V7Y 1G1

DATED: September 6, 1989

EFFECTIVE DATE: September 8, 1989

640

Rec'd Nov. 6/89

SUMMARY OF PROSPECTUS

The following is a summary of the principal features of this Offering. More detailed information is contained in the body of the Prospectus:

The Issuer: The Issuer was incorporated in British Columbia on January 5, 1987. The Issuer is engaged in the business of acquiring, exploring and developing natural resource properties.

The Offering: 670,000 common shares at a price of \$0.33 through the facilities of the Vancouver Stock Exchange, pursuant to the Issuer's conditional listing on that Exchange.

Proceeds to the Issuer: \$201,000.

Use of Proceeds: To complete Phase I of an exploration program on the Dominion, Model and ANNE Claims at an estimated aggregate cost of \$122,000. in accordance with the recommendations of the Issuer's consulting engineer. The balance of the proceeds, \$79,000. will be added to working capital.

Management:

Dr. Rudolf Siegert	- Chairman of the Board and Director
John P. Ogden	- President, Chief Executive Officer and Director
John D. Hamilton	- Director
M. Michael Sikula	- Director
Michael Tkaczuk	- Chief Financial Officer and Secretary
Cameron M. Fraser	- Vice-President, Lands
John J. Kirk	- Vice-President, Engineering
Robert L. Jean	- Senior Geologist

The Property: The Issuer has options to purchase a 100% interest in six mineral claims recorded under the names Dominion 1-3 and Model 1-3 located in the Greenwood Mining Division and Kamloops Mining Division respectively. The Issuer owns five mineral claims recorded under the names ANNE 1-5 located in the Kamloops Mining Division.

Risk Factors: The purpose of the present offering is to raise funds for exploration. If successful, additional funds may be required for the development for an economic ore body. Mineral exploration and development is speculative and highly risky with no assurance of commercial production. No survey has been made of the mineral claims held under option by the Issuer. Unexpected liabilities may arise as a result of the Issuer's mining operations which may adversely affect the Issuer's financial position.

Dilution: The issue price to the public exceeds the net tangible book value per common share calculated as at the date of this Prospectus, after giving effect to the Offering, by \$0.159 or 51.88%.

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THE ISSUER

Name and Incorporation

Mad River Resources Inc. (the "Issuer") was incorporated under the Company Act (British Columbia) by registration of its memorandum and articles on January 5, 1987. The Issuer was registered as an extra-provincial corporation under the Business Corporations Act (Alberta) on July 29, 1988.

The Issuer's head office is located at 1600 Bow Valley Square II, 205 - 5 Avenue, S.W., Calgary, Alberta, T2P 2V7.

The Issuer's registered and records offices are located at 708 - 1111 West Hastings Street, Vancouver, British Columbia, V6E 2J3.

Description of Business

The Issuer is engaged in the acquisition, exploration and development of natural resource properties. The Issuer has an interest in the properties described under "THE PROPERTY" commencing on page 10 and intends to seek out and acquire additional properties worthy of consideration.

THE ISSUE

Plan of Distribution

The Issuer has entered into an Agreement dated for reference July 17, 1989, (the "Agency Offering Agreement") under which the Issuer appointed Pacific International Securities Inc. as its agent (the "Agent"), to offer to the public through the facilities of the Vancouver Stock Exchange (the "Exchange"), 670,000 common shares (the "Shares"), of the Issuer at a purchase price of \$0.33 per Share (the "Offering").

The Offering will be made in accordance with the rules and policies of the Exchange on a day (the "Offering Day") within 180 days from the Effective Date which will be determined by the Issuer and the Agent with the consent of the Exchange.

The Agent has agreed to purchase (the "Guarantee") any of the Shares not sold at the conclusion of the Offering, and as consideration for the Guarantee, the Agent has been granted a non-transferable share purchase warrant (the "Agent's Warrant") entitling the agent to purchase up to 167,500 common shares of the Issuer at a price of \$0.33 per share at any time up to the close of business during the first year following the date the Issuer's shares are listed, posted and called for trading on the Exchange and at a price of \$0.3795 per share at any time up to the close of

business during the second year following the date the Issuer's shares are listed, posted and called for trading on the Exchange.

The Agent's Warrant has been distributed to the Agent under this Prospectus. Any shares acquired by the Agent under the Guarantee will also be distributed under this Prospectus through the facilities of the Exchange at the market price at the time of sale.

The Agent's Warrant will contain among other things, anti-dilution provisions and provisions for appropriate adjustments in the class, number and price of shares issuable pursuant to any exercise thereof upon the occurrence of certain stated events including any subdivision, consolidation or reclassification of the Shares or the payment of stock dividends.

The Agent will receive a commission of \$0.03 per Share.

The Agent has reserved the right to offer selling group participation in the normal course of the brokerage business to selling groups of other licenced broker dealers, brokers and investment dealers, who may or may not be offered part of the commissions or bonuses derived from this Offering.

The obligations of the Agent under the Agency Offering Agreement may be terminated by the Agent before the opening of the market on the Offering Day at the Agent's discretion on the basis of its assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events.

The Issuer has granted the Agent a right of first refusal to provide equity financing for the Issuer for a period of 12 months from the Effective Date.

There are no payments in cash, securities or other consideration being made or to be made to a promoter, finder or any other person or company in connection with the Offering except as disclosed in this Prospectus.

The Directors, Officers and other Insiders of the Issuer may purchase shares from this Offering.

The Exchange has conditionally listed the securities being offered pursuant to this Prospectus. The listing is subject to the Issuer fulfilling the listing requirements of the Exchange on or before March 7, 1990, including prescribed distribution and financial requirements.

Additional Offering

The Agent may sell any shares acquired on the exercise of the Agent's Warrant without further qualification pursuant to the Securities Act and the Regulation. The Issuer will not receive any proceeds from the sale of any such shares by the Agent, all of which proceeds will in such event accrue to the Agent. The cost of qualifying any shares purchased by the Agent for sale under this Prospectus will be borne by the Issuer.

Use of Proceeds

The net proceeds of \$201,000. to be derived by the Issuer from the sale of the 670,000 Shares offered by this Prospectus, together with \$27,000. working capital as of July 15, 1989 will be used for the following purposes:

- 1. To pay the estimated costs of this issue: \$ 25,000.
 - 2. To carry out Stage I of the exploration program recommended by Harold M. Jones, P.Eng., in his Report dated December 6, 1988 on the Issuer's Model and ANNE Claims, and consisting of 1,425 meters of reverse circulation drilling: \$ 80,000.
 - 3. To carry out Stage I of the exploration program recommended by Harold M. Jones, P.Eng., in his Report dated December 9, 1988 on the Issuer's Dominion Claims, and consisting of 700 meters of reverse circulation drilling and backhoe trenching: \$ 42,000.
 - 4. To provide working capital: \$ 81,000.
- Total: \$228,000.

The unallocated portion of the net proceeds to the Issuer has been set aside for working capital to ensure the business of the Issuer can be funded after the results of the recommended exploration programs are known.

In the event of any material change in the affairs of the Issuer during the primary distribution of the shares offered by this prospectus, an amendment to this Prospectus will be filed. Following completion of the primary distribution of the shares offered by this Prospectus, shareholders will be notified of changes in the affairs of the Issuer in accordance with the requirements of the appropriate regulatory authorities.

The Issuer may, pursuant to the written recommendations of a qualified engineer, abandon in whole or in any part any of its properties or may alter, as work progresses, the work program recommended, or may make such arrangements for the performance of all or any portion of such work by other persons or companies and may use any money so diverted for the purpose of conducting work or examining the other properties acquired by the Issuer after the date of this Prospectus, although the Issuer has no present plans in this regard. If any such event occurs during the primary distribution of the securities referred to in this Prospectus, an amendment to this Prospectus will be filed. If any such event occurs after primary distribution of the securities, the shareholders will be notified.

No part of the proceeds will be used to invest, underwrite, or trade in securities, other than those that qualify as an investment in which trust funds may be invested under the laws of the jurisdiction in which the

securities offered by this Prospectus may be lawfully sold. Should the Issuer intend to use the proceeds to acquire other than trustee-type securities after the distribution of the securities offered by this Prospectus, approval of the shareholders of the Issuer must first be obtained and notice of the intention must be filed with the regulatory bodies having jurisdiction over the sale of the securities offered by this Prospectus.

Risk Factors

Mineral exploration is inherently speculative and carries with it many risks that even the most careful evaluation and management cannot overcome. There is no assurance that any production will be obtained. If production is obtained, prices received are subject to market fluctuations.

No survey has been made of the mineral claims held under option by the Issuer, and in accordance with the mining laws of the jurisdiction in which the claims are situate, their precise location and area may be in doubt.

Mining operations generally involve a high degree of risk. Hazards such as unusual or unexpected formations and other conditions are involved. The Issuer may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material adverse effect on the Issuer's financial position.

The speculative nature of the Issuer's business makes it probable that purchasers would not realize a profit on the Shares purchased under the Offering.

The issue price to the public exceeds the net tangible book value per common share calculated as at the date of this Prospectus after giving effect to the Offering, by \$0.159 or 51.88%.

The percentage of Shares of the Issuer being offered to the public for cash will represent 33.67% of the shares issued and outstanding upon completion of the sale of the common shares qualified hereunder as compared to 61.31% which will be owned by controlling persons, promoters, directors and officers of the Issuer.

THE PERSONNEL

Directors and Officers

The names, addresses and principal occupations in which each of the Directors and Officers of the Issuer have been engaged during the immediately preceding five years are as follows:

<u>Name and Address</u>	<u>Position with the Issuer</u>	<u>Principal Occupation</u>
Dr. Rudolf Siegert Lothstrasse 19 8000 Munich 40 West Germany	Chairman of the Board of Directors and Director	Economics Consultant; Chief Executive Officer and Chairman of the Board of Directors of Copetrex Oil & Gas Co. Ltd., Chief Executive Officer and Chairman of the Board of Directors of International Interlake Industries Inc., President and Director of United Tri-Star Resources Ltd., and Chairman of Board and Director of Core Ventures Ltd.
John Percy Ogden 820 Lake Placid Dr., SE Calgary, Alberta T2J 4C2	President, Chief Executive Officer and Director	Vice-President, Finance and Administration and Secretary-Treasurer of Copetrex Oil & Gas Co. Ltd., Vice-President, Secretary-Treasurer and Director of International Interlake Industries Inc., Vice-President, Secretary and Director of United Tri-Star Resources Ltd. and Bavarian Lion Industries Ltd., Secretary and Director of Core Ventures Ltd. and Lumax Oil & Gas Inc. and Secretary-Treasurer and Director of International Reef Resources Ltd.

<u>Name and Address</u>	<u>Position with the Issuer</u>	<u>Principal Occupation</u>
John Dennis Hamilton * 1307 Lake Bona Vista Dr. S.E. Calgary, Alberta T2J 0P3	Director	Vice-President, Geology of Copetrex Oil & Gas Co. Ltd. and Vice-President Geology and Director of International Interlake Industries Inc.
Manfred Michael Sikula * 4441 Stone Crescent West Vancouver, B.C. V7W 1B8	Director	Barrister and Solicitor; Partner, Sikula Werbes, Vancouver, B.C.
Michael Tkaczuk 5112 Brockington Rd., NW Calgary, Alberta T2L 1R6	Chief Financial Officer and Secretary	Chartered Accountant, Vice-President, Accounting and Control of Copetrex Oil & Gas Co. Ltd., Director of International Interlake Industries Inc., Vice-President Finance and Director of United Tri-Star Resources Ltd., Director of International Reef Resources Ltd. and Bavarian Lion Industries Ltd., and Vice-President and Director of Lumax Oil & Gas Inc.
Cameron Martin Fraser 88 Woodhaven Cresc., SW Calgary, Alberta T2W 5J8	Vice-President, Lands	Land Manager of Copetrex Oil & Gas Co. Ltd., formerly Land Manager Dome Petroleum Ltd.

<u>Name and Address</u>	<u>Position with the Issuer</u>	<u>Principal Occupation</u>
John Jackson Kirk P.O. Box 753 Bragg Creek, Alberta TOL OKO	Vice-President, Engineering	Petroleum Engineer Production Manager of Copetrex Oil & Gas Co. Ltd., Director of International Reef Resources Ltd., formerly District Manager Dome Petroleum Ltd.
Robert Lionel Jean 102 Abadan Crescent, NW Calgary, Alberta T2A 6N9	Senior Geologist	Geologist with Copetrex Oil & Gas Co. Ltd., Self Employed Consul- tant, formerly Senior Exploration Geologist Drummond Oil & Gas Ltd.

* Member of the Audit Committee.

Executive Compensation

The Issuer has five executive officers:

1. John P. Ogden, the Chief Executive Officer, President and Director of the Issuer;
2. Michael Tkaczuk, the Chief Financial Officer of the Issuer;
3. Dr. Rudolf Siegert, the Chairman of the Board and Director of the Issuer;
4. Cameron M. Fraser, the Vice-President, Lands; and
5. John J. Kirk, the Vice-President, Engineering.

No remuneration has been paid by the Issuer to directors and/or the executive officers of the Issuer since the date of incorporation.

No executive officer, director or employee compensation plans have been established nor are any such plans contemplated pursuant to which cash or non-cash compensation will be paid to executive officers, directors or employees.

Management fees of \$2,000. per month are paid to a company with which the Issuer's directors/officers are associated. Refer to "Interest of Management and Others in Material Transactions" on page 9. Management fees totalling \$8,000. have been paid as of the date of this Prospectus.

Promoter

Copetrex Oil & Gas Co. Ltd. (the "Promoter") is the Promoter of the Issuer in accordance with the definition contained in Section 1 of the Securities

Act (British Columbia). Incorporated in 1974, the Promoter is a petroleum and natural gas resource management and development company. It administers its own holdings and the holdings of some ten limited partnerships in which the Promoter is the General Partner, and manages the resources and businesses of nine other companies, three of which are listed on the Vancouver Stock Exchange. The Promoter has an integrated staff of 28 executives, professionals and technical and support personnel. The holders of a greater than 10% interest in the Promoter are Dr. Rudolf Siegert of Lothstrasse 19, 8000 Munich 40, West Germany as to 34.25%, and Mercury Immobilien-und Verwaltungs AG ("Mercury"), Bellerivestr. 55, CH - 8000 Zurich, Switzerland as to 65.75%. Mercury is a Swiss Company with shares in bearer form and thus it has no registered shareholders. Mercury has been in existence since 1962 and is engaged in the business of acquisition, management and administration of investments, interests, equities in real estate and in all areas of exploration, development and exploitation of natural energy resources. The president and managing director of Mercury is Mr. Erhard Ulrich of CH - 8600 Dubendorf, Heugatterstr. 12, Switzerland. The Promoter has purchased 460,000 escrow shares at a price of \$0.01 per share as principal's shares and 29,500 free shares at a price of \$0.25 per share.

The Issuer has entered into a management agreement with Copetrex Oil & Gas Co. Ltd. Refer to "Interest of Management and Others in Material Transactions" on page 9.

Principal Holders of Securities

Particulars of the shareholders of the Issuer who, as of the date of this Prospectus, owns 10% or more of the issued shares of the Issuer are:

<u>Name and Address</u>	<u>Designation of Class</u>	<u>Type of Ownership</u>	<u>Number Owned</u>	<u>Percentage Owned</u>
Copetrex Oil & Gas Co. Ltd. 1600 Bow Valley Square II 205 - 5 Avenue, S.W. Calgary, Alberta T2P 2V7	Common	Of Record and Benefi- cial	460,000 (escrow) 29,500 (free)	37.08%
Mercury Immobilien-und Verwaltungs AG Bellerivestr. 55 8008 Zurich, Switzerland	Common	Of Record and Benefi- cial	215,800 (free)	16.35%

The shares of the Issuer held by Copetrex Oil & Gas Co. Ltd. are indirectly controlled by Mercury Immobilien-und Verwaltungs AG. The combined percentage of shares owned by Copetrex Oil & Gas Co. Ltd. and Mercury Immobilien-und Verwaltungs AG is 53.43%. By virtue of the voting trust agreement disclosed on page 24, Copetrex Oil & Gas Co. Ltd. controls the sale and voting of a further 99,700 free trading and 290,000 escrowed shares until June 1, 1991. When these voting trust shares are included, the combined percentage of shares owned and/or controlled by Copetrex Oil & Gas Co. Ltd. and Mercury Immobilien-und Verwaltungs AG is 82.95%, prior to the public offering.

The percentage of shares of the Issuer beneficially owned, directly or indirectly, as of the date of this Prospectus, by all Directors and Senior Officers of the Issuer, as a group, is:

<u>Designation of Class</u>	<u>Percentage of Class</u>
Common	38.99%

Conflicts of Interest

Insofar as certain Directors of the Issuer also serve as directors of other resource development companies, it is possible that resource properties may be offered to both the Issuer and to such other companies, and further that those other companies may participate in the same properties in which the Issuer has an interest.

In exercising their powers and performing their functions, directors are required to act honestly and in good faith and in the best interests of the Issuer, and to exercise the care, diligence and skill of a reasonably prudent person.

Every director who is, in any way, directly or indirectly, interested in a proposed contract or transaction with the Issuer, must disclose the nature and extent of his interest at a meeting of the directors. Every such director must account to the Issuer for any profit made as a consequence of the Issuer entering into or performing the proposed contract or transaction, unless he discloses his interest and, after his disclosure, the proposed contract or transaction is approved by the directors, and he abstains from voting on the approval of the proposed contract or transaction.

Accordingly, the directors will endeavour to avoid dealing with other companies in situations where conflicts might arise, and will at all times use their best efforts to act in the best interests of the Issuer.

Interest of Management and Others in Material Transactions

The Issuer has entered into a management agreement with Copetrex Oil & Gas Co. Ltd. (the "Management Agreement"). Under the Management Agreement, in consideration for \$2,000. per month as a management fee, Copetrex Oil & Gas Co. Ltd. will provide the Issuer with such business and management services as the Issuer requires, including office accomodation, secretarial, accounting and financial services, geological and engineering services and maintenance of land and other records, correspondence with third parties relating to the Issuer's business, arranging for required audits, taxation filings and the preparation of such reports and statements as the Issuer is required to file with the applicable stock exchanges, superintendents of brokers, securities commissions and other regulatory bodies. In addition, the Issuer will pay all normal business expenses including all nominal travel expenses, incurred by Copetrex Oil & Gas Co. Ltd. or its representatives in the performance of its duties under the Management Agreement. For further particulars of Copetrex Oil & Gas Co. Ltd., see "Promoter" on page 7.

Otherwise, the directors, officers, insiders and the promoter of the Issuer do not have any interest, direct or indirect, by way of beneficial ownership of shares or otherwise in material transactions except for any interest arising from the ownership of shares of the Issuer where the shareholder will receive no extra or special benefit or advantage not shared on a pro rata basis by all holders of shares in the capital of the Issuer.

THE PROPERTY

Model and ANNE Claims

Acquisition

The Issuer has an option to purchase the following mineral claims (the "Model and ANNE Claims") located in the Kamloops Mining Division, British Columbia:

<u>Name of Claim</u>	<u>Number of Units</u>	<u>Record No.</u>	<u>Expiry Date</u>
Model 1	4	3325	March 16/91
Model 2	4	3326	March 16/91
Model 3	4	3327	March 16/91
ANNE 6	1	7951	August 9/91

The Issuer acquired its interest in the Model and ANNE Claims pursuant to an arm's-length option agreement dated May 3, 1988 made with Mr. Murray Morrison ("Morrison") of 684 Balsam Road, Kelowna, British Columbia, V1W 1B9. Under the terms of the option agreement, the Issuer paid to Morrison \$3,500. and agreed to issue to Morrison 60,000 common shares of the Issuer as follows:

- (a) 15,000 common shares on approval by the regulatory authorities of this Prospectus and listing of the Issuer on the Vancouver Stock Exchange;
- (b) 15,000 common shares on completion by the Issuer of the Stage I program of exploration recommended in the Engineer's Report;
- (c) 15,000 common shares on completion by the Issuer of the Stage II program of exploration recommended in the Engineer's Report;
- (d) 15,000 common shares on completion by the Issuer of the Stage III program of exploration recommended in the Engineer's Report.

The shares to be issued under paragraphs (b), (c) and (d) above are subject to filing with the Vancouver Stock Exchange an acceptable engineer's report recommending further exploration on the Model and ANNE Claims.

The Issuer will acquire title to the Model and ANNE Claims when the purchase price has been paid in full. Morrison retains a 3% net profit return from production from the Model and ANNE Claims.

During the currency of the option agreement the Issuer has the right to explore, develop and mine the Model and ANNE Claims in its sole discretion. The Issuer has agreed, among other matters, to carry out any necessary assessment work to keep the Model and ANNE Claims in good standing and to keep them free of liens and other charges.

The Issuer acquired by outright purchase the following mineral claims (the "ANNE Claims"):

<u>Name of Claim</u>	<u>Number of Units</u>	<u>Record No.</u>	<u>Expiry Date</u>
ANNE 1	2	7589	April 13/91
ANNE 2	12	7590	April 13/91
ANNE 3	8	7591	April 13/91
ANNE 4	12	7592	April 13/91
ANNE 5	18	7593	April 13/91

The Issuer acquired the ANNE Claims on May 3, 1988 from Mrs. Fran Hunt of 684 Balsam Road, Kelowna, British Columbia, V1W 1B9 in consideration for \$500.

Location, Size and Means of Access

The Model and ANNE Claims (collectively referred to as the "Model Claims") in the Kamloops Mining Division of southwestern British Columbia are located approximately 35 kilometres west of Kamloops, 16 kilometres south of Savona and locally, approximately two kilometres due east of Tunkwa Lake. The property consists of nine contiguous claims totalling 64 units and one two-post claim.

The property is very accessible from Savona, a small community on the Trans Canada Highway 40 kilometres west of Kamloops. The Claims straddle the Savona-Logan Lake Road 21 kilometres south of Savona. Logan Lake, 18 kilometres south of the property, is also accessible from the Coquihalla Highway, from Ashcroft and from Merritt by paved highways.

History and Previous Work

The Kamloops area has been actively prospected and mined since the late 1800's. Copper, molybdenum, gold, silver and mercury were the main minerals mined in the area. Several large open pit copper mines are presently operating in the district.

From the early 1970's to the present time considerable work was carried out searching for and developing epithermal gold deposits. Mercury, along with arsenic and antimony, are commonly associated with these deposits and are used as pathfinder elements. For this reason, the above mentioned mercury belt became a primary exploration target, starting in 1980. By 1981-82 much of the belt was staked and was being actively explored by major companies including Placer Development, Asarco, Inco, Newmont and Selco.

One of the first geologists to recognize the potential of the area was Morrison, who staked in 1981 a number of claims along the mercury belt. These included the Model claims, which encompasses the old Tunkwa mercury mine and the Mountie, Brussels and Golden Ring claims, which formed a large block of claims trending southeasterly from near Savona. The Model claims were located approximately 8 kilometres southwest of the large claim block.

All of the above claims were promptly optioned by Placer Development Ltd. During 1981 they conducted a soil sampling program over the Model 1-3 claims using a line spacing of 250 metres and a sample interval of 25 metres. They collected 471 samples and assayed them for mercury, gold, silver, arsenic, antimony, molybdenum, copper and zinc. Large mercury, arsenic and antimony soil anomalies were outlined, but gold and silver values were low. They also conducted similar surveys, obtaining similar results, over the large claim group. They returned all of the claims to Morrison in 1984.

Lacana Mining Corp. optioned the Model property in 1984 as a potential epithermal gold occurrence and staked an additional five claims - Model 4-8. They conducted VLF-EM and magnometer surveys over the immediate area of the old Tunkwa mercury mine, and followed up on the preliminary surveys with a diamond drilling programme. Five inclined drill holes, totalling 405 metres, were drilled from four sites. The longest hole was drilled to 124 metres at an inclination of minus 45 degrees, or to a depth of 95 metres below surface. The sludge from each 10 foot (3.28 m) interval, as well as selected core sections, were analyzed for 31 elements including gold, silver, mercury, antimony and arsenic. A number of carbonate and/or silica alteration zones were intersected which returned high mercury, antimony and arsenic assays but negligible precious metal values. Based on the above drill results, Lacana terminated their option.

Following the return of the Mountie et. al. claims Morrison staked additional claims in the Savona area to make all claims in the large block contiguous. In grouping the claims, the west group was called the Mustang property, the east group the Brussels property. The latter group was explored by Goldstone Exploration in 1984-85, and the former group by Vault Exploration Ltd. in 1986-88. Their work located numerous alteration zones. These are typically buff-brown weathering, ankerite dolomite rich bodies located on or adjacent to faults, inferred faults, fault intersections or fracture zones. They vary from dyke-like bodies to massive zones 30 metres or more wide and several hundred metres long. They commonly form low, rounded ridges.

Alteration within individual zones varies from weak to intense. The weaker zones contain only partial replacement by ankerite and dolomite while the more altered zones may consist of massive ankerite with veinlets of dolomite, chalcedony and quartz or zones of pervasive silicification. Mineralization may include cinnabar, pyrite, galena, tetrahedrite, azurite and malachite.

Rock samples from many of these alteration zones returned anomalous values in mercury and sometimes in arsenic and/or antimony. One alteration zone, on claims adjacent to the Mustang property and owned by Newmont Exploration,

assayed in the above elements as well as gold and silver - 0.225 oz/ton and 0.064 oz/ton respectively. These claims were recently purchased by Morrison.

The results of work to date on the Brussels property by Placer Development Ltd. in 1982 and Goldstone Exploration in 1984-85 on the Mustang property by Vault Explorations Inc. in 1986 was successful in locating a number of alteration zones, some of which contained appreciable silicification, brecciation with later chalcedony fracture fillings and minor quartz veining. Many were anomalous in mercury + arsenic + antimony, fewer were anomalous in gold or silver.

In late 1986 Vault Exploration drilled nine shallow reverse circulation drill holes on the Mustang property totalling 710 metres. These ranged from 36.5 to 106.6 metres in length. Intersections in alteration zones ranged up to 30 metres, and consisted of quartz-carbonate, silica-flooding and silicious breccia zones. Some of the quartz-carbonate zones contained numerous late narrow quartz veins accounting for 2%-15% of the section. Many contained from trace to 1 1/2% disseminated pyrite. Minor cinnabar was also present in some of the drill intersections. These holes were probably in the upper, low temperature section of the epithermal system.

The Model property is the subject of a report dated December 6, 1988 and an addendum thereto dated May 29, 1989 prepared by Harold M. Jones, P. Eng. (the "Jones Report") which reports are attached to and form part of this Prospectus. The Jones Report postulated that these alteration zones are the surface expressions of epithermal vein systems, and that except for the showing on Newmont Exploration's ground, all exposures are at various levels above the precious metal horizon of the epithermal system.

Work Carried Out by the Issuer

The Issuer has carried out detailed geological mapping, magnetometer and VLF-EM 16 geophysical surveys, and geochemical soil surveys over the eastern halves of the Model 1 - 3 mineral claims, as well as preliminary geological mapping over the ANNE 1 - 6 mineral claims. The work was conducted during the period May - August, 1988. The surveys are summarized in the Jones Report. Large scale maps of all of the surveys are available for inspection at the head office of the Issuer.

A grid consisting of 2.9 km of baseline and 14.7 km of flagged grid line was established for the control of all surveys over the eastern halves of the Model 1 - 3 mineral claims. The grid lines were separated by 100 meters and stations were marked at 25 meter intervals over an area of 1.5 square kilometers. The geology was mapped at a scale of 1:2500 over the grid area, and at a scale of 1:10,000 over the entire property (Model 1 - 3 and ANNE 1 - 6 mineral claims). The magnetometer and VLF-EM 16 surveys were conducted over the 14.7 km of grid line, and the data resulting from these surveys has also been plotted at a scale of 1:2500.

A total of 490 soil samples were collected from the grid area at a spacing of 25 x 100 meters on the Model 1 and 2 mineral claims, and at a spacing of

25 x 200 meters on the Model 3 mineral claim. The samples were sent to Acme Analytical Laboratories in Vancouver for 30 element I.C.P. analysis, plus mercury analysis by flameless Atomic Absorption. Mercury, arsenic, iron and barium were selected as significant from the 31 elements analyzed for plotting on maps at a scale of 1:2500 which maps are available for viewing at the head office of the Issuer.

During April-May 1989, the Issuer conducted additional exploration on the Model property. This work consisted of magnetometer and soil sampling surveys conducted over the northeast projection of the inferred Model fault zone. The old Tunkwa mercury mine is hosted by an epithermal carbonate alteration zone within this inferred structure. The purpose of the surveys was to search for the inferred fault zone and gold mineralization associated with it. The magnetometer survey data did not aid in interpreting the inferred Model fault. No magnetic terminations, offsets, or anomalies were recorded in its vicinity.

The geochemical survey data located one large and several small areas containing samples elevated to anomalous in mercury and in some cases arsenic, barium or iron. These areas are on or adjacent to the inferred Model fault zone. The large anomalous area is approximately 1,150 metres northeast of the old Tunkwa mercury mine and is probably related to faulted and carbonate-altered volcanic rocks which are poorly exposed in its vicinity. The Jones Report concluded that the new anomaly may reflect another epithermal centre similar to that at the old Tunkwa mercury mine and could host gold mineralization at depth.

Exploration Expenditures Incurred

The ground now covered by the Model 1 - 3 and ANNE 1 - 6 mineral claims has been explored by Placer Development Ltd. in 1981, by Lacana Mining Corporation in 1984, and by the Issuer in 1988-1989. The following is a summary of the expenditures to date and the claims on which the work was conducted:

1981	-	Placer Development Ltd. Soil and rock geochemical surveys conducted on the Model 1 - 3 mineral claims (25 x 250 meter grid spacing):	\$ 14,830.
1984	-	Lacana Mining Corporation 405 meters at NQ and BQ diamond drilling conducted on the Model 1 mineral claim:	<u>\$ 27,700.</u>
		Sub-Total:	<u>\$ 42,530.</u>
1988	-	The Issuer Conducted on the ANNE 1 - 6 mineral claims: - Geological Mapping	\$ 8,862.

Conducted on the Model 1 - 3 mineral claims:		
- Geological Mapping	\$	8,862.
Geophysical Surveys (Magnetometer and VLF-EM 16)	\$	6,089.
Geochemical Soil Survey (25 x 100 meter grid spacing)	\$	3,135.
Assaying	\$	4,884.
Property Acquisition	\$	4,000.
Fees for Filing Assessment Work	\$	770.
1988 Report and Maps Preparation - Harold M. Jones:	\$	3,096.
1989 Geochemical Soil Survey and Magnetometer Survey	\$	7,500.
		Sub-Total: \$ 47,198.
Total Expenditures:		\$ 89,728.

Work Planned by the Issuer

The Jones Report concluded that the Model property hosts one major and possibly several other fault-related zones containing alteration and mineralization typical of the upper low temperature part of an epithermal vein system. While gold values are essentially absent on surface, the Jones Report suggested that they could be present at a relatively shallow depth and thus warrant testing by a drill program.

The Jones Report recommended a two stage program, the first stage to consist of a reverse circulation drill program on the Model Claims to test the alteration zone at a slightly greater depth than that done by Lacana Mining Corp. Initially, most of the drilling should be conducted on the Model Fault zone in proximity to the old Tunkwa mercury prospect. The estimated cost of Stage I is \$80,000. If the results are encouraging, the Jones Report recommends additional drilling on both the Model Fault zone and other alteration zones on the property at an estimated cost of \$150,000. representing drilling totalling 3,000 metres at \$50/metre all inclusive.

There is no surface or underground plant or equipment on the property. The property is without a known body of commercial ore and the proposed program is an exploratory search for ore.

Dominion Claims

Acquisition

The Issuer has an option to purchase the following mineral claims (the "Dominion Claims") located in the Greenwood Mining Division, British Columbia:

<u>Name of Claim</u>	<u>Number of Units</u>	<u>Record No.</u>	<u>Expiry Date</u>
Dominion 1	18	1294	Aug. 25/90
Dom #1	20	5523	Aug. 26/90
Dominion 3	8	1296	Aug. 25/90

The Issuer acquired its interest in the Dominion Claims pursuant to an arm's-length option agreement dated May 3, 1988 made with Mr. Murray Morrison ("Morrison") of 684 Balsam Road, Kelowna, British Columbia, V1W 1B9. The Dom #1 claim is a restaking of the Dominion 2 claim, which expired on August 25, 1989. By amending agreement dated September 5, 1989 the Dom #1 claim was substituted for the Dominion 2 claim. Under the terms of the option agreement, the Issuer paid to Morrison \$3,500. and agreed to issue to Morrison 60,000 common shares of the Issuer as follows:

- (a) 15,000 common shares on approval by the regulatory authorities of this Prospectus and listing of the Issuer on the Vancouver Stock Exchange;
- (b) 15,000 common shares on completion by the Issuer of the Stage I program of exploration recommended in the Engineer's Report;
- (c) 15,000 common shares on completion by the Issuer of the Stage II program of exploration recommended in the Engineer's Report;
- (d) 15,000 common shares on completion by the Issuer of the Stage III program of exploration recommended in the Engineer's Report.

The shares to be issued under paragraphs (b), (c) and (d) above are subject to filing with the Vancouver Stock Exchange an acceptable engineer's report recommending further exploration on the Dominion Claims.

The Issuer will acquire title to the Dominion Claims when the purchase price has been paid in full. Morrison retains a 3% net profit return from production from the Dominion Claims.

During the currency of the option agreement the Issuer has the right to explore, develop and mine the Dominion Claims in its sole discretion. The Issuer has agreed, among other matters, to carry out any necessary assessment work to keep the Dominion Claims in good standing and to keep them free of liens and other charges.

Location, Size and Means of Access

The Dominion Claims in the Greenwood Mining Division are located five kilometres southeast of Beaverdell, a small community on Highway 33 approximately 95 kilometres southeast of Kelowna. The claims lie on the south and western slopes of Wallace Mountain which forms the eastern backdrop to Beaverdell. The property consists of three contiguous claims totalling 46 units.

Beaverdell is very accessible via Highway 33 south from Kelowna which offers most of the amenities and services required for conducting exploration projects. Kelowna is well serviced by several airlines. The Dominion

Claims are eight kilometres from Beaverdell by the Highland Bell Mine haul road and the Goat Mountain forestry look-out road, both good gravel roads. The Claims are also accessible by the Boyer Creek logging road, a good gravel road which traverses the southern part of the Claim group.

History and Previous Work

The general Beaverdell area was actively prospected during the late 1800's. This led to the discovery of the Highland Bell Mine which commenced producing high grade silver ore in 1900 and has operated continuously to the present. It is currently mining ore grading approximately 10 oz/ton silver at the rate of 120 tons per day. Production to 1986 totalled 32.8 million ounces silver and approximately 15,000 ounces gold, 23 million pounds lead and 27 million pounds zinc. (B.C. Min. Inv and Northern Mine Handbooks).

The Dominion claim group includes the old Nepanee prospect which was explored intermittently between 1904 and 1935 by a number of short adits and shallow shafts and pits. While it is difficult to relate the literature to old workings it is apparent that several adits and inclined shafts explored a poorly defined gold-bearing pyrite-arsenopyrite vein in Wallace Formation volcanics. These workings may be on the western side of the Nepanee prospect where fairly large dumps are associated with old workings. In 1918 one ton of ore was shipped which assayed 68.4 oz/ton silver, 0.14 oz/ton gold and 15.2% lead (MMAR, 1918).

A large slab of galena was located in the gravels in the gulley at the Nepanee prospect. It assayed 239 oz/ton silver, 0.61 oz/ton gold and 23% lead (MMAR, 1923). Several drifts were driven beneath the gravels searching for the source of this float. It was not found.

In 1928 an adit and drift explored a mineralized 6 - 24 inch wide shear zone. Picked ore from this structure assayed 134 oz/ton silver, trace gold, 34% lead and 14% zinc (MMAR, 1928).

In 1965 Red Rock Mines Ltd. drilled five holes totalling 324 metres in the vicinity of the old Nepanee workings. Results of this work are not known.

During the uranium "boom" of the 1970's the ground now covered by the Dominion claims was staked several times. In 1979 Morrison staked the Dominion 1-3 claims to cover an area underlain by Eocene sedimentary rocks which at the time were considered to be favourable host rocks for uranium mineralization. The uranium potential was never fully assessed.

A part of the Dominion claims is also underlain by a portion of the Nelson granodiorite stock, which hosts the very productive Highland Bell silver mine as well as numerous lesser mineral occurrences. For this reason, in 1983, Canstat Petroleum Corp. optioned the claims, conducted a precious metals exploration program and drilled five holes totalling 217 metres. No precious metals were intersected and the option was terminated.

Work Carried out by the Issuer

The Issuer has carried out geological, lithochemical, magnetometer, and altimeter surveys over a 1.5 square kilometer area on the northwestern corner of the Dominion 1 mineral claim as well as a geochemical soil survey over a 0.04 square kilometer area on the northwest corner of the Dominion 2 mineral claim. In addition, 173 lineal meters of 1 to 2 meter deep trenches were excavated by backhoe on the northern portion of the Dominion 1 mineral claim. The work was conducted during the period May - November, 1988. The surveys are summarized in a Report on the Dominion Property prepared by Harold M. Jones, P.Eng. (the "Jones Report"), for the Issuer. The report, dated December 9, 1988 is attached and forms a part of this Prospectus. Large scale maps of all of the surveys and diagrams at the trenches are available for inspection at the head office of the Issuer.

The grid areas were established on the Dominion property for exploration survey control. Grid #1 on the northwestern corner of the Dominion 1 mineral claim consisted of a 1.8 km baseline and 16.8 km of flagged grid lines spaced 50 to 100 metres apart with grid stations marked at 25 metre intervals along the lines. Grid #2 on the northwestern corner of the Dominion 2 mineral claims was comprised of a 150 metre baseline and 4 grid lines totalling 875 metres in length spaced at 50 metres apart. Stations on the lines were marked at 25 metre intervals. To facilitate geological mapping, an altimeter survey was run over 12 km of line on the northern half of Grid #1. Geological mapping of the 1.5 square kilometre area of Grid #1 on the Dominion Claim was carried out, with the results being plotted on a 1:2500 map, and a more detailed 1:1250 scale map for a portion of the area. A ground magnetometer survey was conducted over 12.2 km of line on the northern portion of Grid #1 and plotted at a scale of 1:2500.

Also on the Dominion 1 claim, an area of approximately .2 square km on the grid was sampled for lithochemical study, and 77 rock samples were collected. A backhoe trenching program of 13 trenches totalling 173 linear metres was conducted on selected areas of the Dominion 1 claim, and a further 47 rock samples were collected from the bedrock at the bottom of the trenches. Additional sampling was done in areas of old workings on the property such as shafts, pits and waste dumps.

A total of 136 rock samples were sent Acme Analytical Laboratories in Vancouver for 30 element I.C.P. analysis. Further gold geochemical analysis was conducted on 36 of these samples, and a total of 11 samples were fire assayed for gold and silver; three were assayed for lead-zinc; and four assayed for arsenic. The results of the analyses for selected significant elements are plotted on large scale maps available for viewing at the head office of the Issuer.

A geochemical soil survey was conducted on Grid #2 on the Dominion 2 mineral claim and 39 soil samples were sent to Acme Analytical Laboratories in Vancouver for 30 element I.C.P. analysis. The five elements considered to give the most meaningful results, copper, silver, lead, zinc and manganese were plotted on large scale maps.

Exploration Expenditures Incurred

The ground now covered by the Dominion 1 - 3 mineral claims has been explored by M. Morrison in 1979, by Constat Petroleum Corporation in 1983, and by the issuer in 1988. The following is a summary of the expenditures to date and the claims on which the work was conducted:

1979 - M. Morrison		
Conducted on the Dominion 1 and 2 mineral claims:		
Geological Mapping at a scale of 1:500	\$ 3,600.	
1983 - Constat Petroleum Corporation		
Conducted on the Dominion 1 mineral claim:		
- Geological Mapping at a scale of 1:5000	\$ 9,016.	
Conducted on the Dominion 1 and 2 mineral claims:		
- Diamond Drilling 217 meters at \$65. per meter	\$14,235.	_____
	Sub-Total:	<u>\$26,851.</u>
1988 - The Issuer		
Conducted on the Dominion 1 and 2 mineral claims:		
- Geological Mapping at 1:2500 scale	\$16,465.	
- Altimeter Survey	\$ 1,500.	
- Lithochemical Survey	\$ 2,243.	
- Magnetometer Survey	\$ 2,320.	
- Geochemical Soil Survey	\$ 2,090.	
- Backhoe Trenching Program	\$ 3,250.	
- Assaying	\$ 2,040.	
- Property Acquisition	\$ 3,500.	
- Filing Assessment work	\$ 840.	
1988 - Report and Maps Preparation - Harold M. Jones, P.Eng.	\$ 2,997.	_____
	Sub-Total:	<u>\$37,245.</u>
Total Expenditures:		<u>\$64,096.</u>

Work Planned by the Issuer

The results of the various surveys conducted on the Dominion claims indicate two areas of interest. The first and most important area is that located in the vicinity of the old Nepanee workings. Field data suggests that the source of the argentiferous float is from a mineralized zone located along the inferred faulted contact between thin bedded siltstones and argillites and the overlying massive andesite tuffs. Quartz monzonite intrusives, poorly exposed in this area, may account for the alteration of the thin bedded sediments and be the source of the mineralizing solutions which migrated into the zone of weakness along the fault contact.

The Jones Report concludes that the old Nepanee workings area may host a mineralized fault contact in Wallace Formation rocks and that it could be from this structure that the high grade silver float originated. Because of the very high grade of the float, the contact area warrants a preliminary drill program.

The Jones Report also concluded that a second area on the Dominion 2 claim known to host a mineralized shear in granodiorite, may also host a second mineralized structure. This anomalous area warrants trenching or drilling.

The Jones Report recommends that a reverse circulation drill program be conducted on the fault zone in the vicinity of the old Nepanee workings. This should consist of shallow holes, say 60-75 metres long, drilled west at -60°. Backhoe trenching, if feasible, should be conducted on the geochemically anomalous zone on Dominion 2 claim. If not feasible, some drill meterage should be saved for this area.

The estimated cost of Stage I is \$42,000. Contingent on the results of Stage I, the Jones Report recommends an expanded reverse circulation drill program, say 3,000 metres at \$15/metre all inclusive at an estimated cost of \$150,000.

There is no surface or underground plant or equipment on the property. The property is without a known body of commercial ore and the proposed program is an exploratory search for ore.

THE CAPITAL

Description of Shares

The authorized capital of the Issuer consists of 100,000,000 common shares without par value, of which 1,320,000 shares have been issued and allotted as fully paid and non-assessable shares. All of the shares of the Issuer, both issued and unissued, rank equally as to dividends, voting powers and participation in assets. No shares have been issued subject to call or assessment. There are no pre-emptive rights or conversion rights and no provision for redemption, purchase for cancellation, surrender or sinking funds or purchase funds have been made. Provisions as to the modifications, amendments or variations of such rights or such provisions are contained in the Company Act (British Columbia).

Share and Loan Capital Structure

<u>Designation of Securities</u>	<u>Amount Authorized</u>	<u>Amount Outstanding as at June 30 1989</u>	<u>Amount Outstanding as at Date of Prospectus</u>	<u>Amount to be Outstanding on Completion of Offering</u>
Common Shares Without par value	100,000,000	1,320,000	1,320,000	1,990,000

The Issuer has a deficit of \$10,366. as at June 30, 1989.

Prior Sales

<u>Total Number of Securities Sold</u>	<u>Price</u>	<u>Total Cash Received</u>	<u>Consideration Received other than cash</u>	<u>Commissions Paid</u>
750,000(1)(2)	\$0.01	\$ 7,500.	Nil	Nil
<u>570,000(2)</u>	<u>\$0.25</u>	<u>\$ 142,500.</u>	Nil	Nil
<u>1,320,000</u>		<u>\$ 150,000.</u>		

- (1) The 750,000 shares issued at \$0.01 per share have been issued as "Principals Shares" subject to escrow restrictions hereafter described.
- (2) 290,000 of the 750,000 common shares issued at \$0.01 per share and 99,700 of the 570,000 common shares issued at \$0.25 per share are subject to voting trust agreements. Refer to "Other Material Facts" on page 23.

Escrowed Shares

<u>Designation of Class</u>	<u>Number of Shares</u>	<u>Percentage of Class</u>
Common	750,000	56.82%

As of the date of this Prospectus, 750,000 shares of the Issuer are held in escrow pursuant to an Escrow Agreement dated August 25, 1989, by Central Guaranty Trust Company of 2nd Floor, 800 West Pender Street, Vancouver, British Columbia, V6C 2V7. These shares were purchased as "Principals' Shares" and may not be traded in, dealt with in any manner whatsoever or released, nor may the Issuer, its Transfer Agent or any holder of the escrowed shares make any transfer or record any trading of such shares without the consent of the Superintendent of Brokers or the Vancouver Stock Exchange.

The Escrow Agreement also provides that a portion of the consideration for the issuance of the escrowed shares is to encourage the holders thereof to act in the best interests of the Issuer. If the Issuer becomes successful, due in part to the efforts of the holders of the escrowed shares, the Agreement provides that the holders of the shares will be entitled to maintain ownership of the shares and to have the shares released from escrow in accordance with the general policies of the Superintendent of Brokers or the Vancouver Stock Exchange.

Any shares not released from escrow before the expiration of 10 years from the date of the Receipt issued by the Superintendent of Brokers for this Prospectus will be cancelled.

The complete text of the Escrow Agreement will be available for inspection at the Issuer's Registered Office, 708 - 1111 West Hastings Street, Vancouver, British Columbia, V6E 2J3, for a period of 30 days following completion of the Offering provided for hereunder.

DIVIDEND RECORD

The Issuer has not, since incorporation, paid any dividends on any of its shares. The Issuer has no present intention to pay dividends but the future dividend policy will be determined by the Board of Directors on the basis of earnings, financial requirements and other relevant factors.

PRELIMINARY EXPENSES

Since January 5, 1987 (the date of incorporation), the Issuer has incurred the following preliminary expenses:

Exploration Expenditures:	\$ 76,564.
Mineral Property Acquisition:	\$ 7,500.
Administrative Expenditures:	<u>\$ 8,639.</u>
Total:	<u>\$ 92,703.</u>

GENERAL

Auditors

The Auditors of the Issuer are Thorne Ernst & Whinney, Chartered Accountants of Suite 1200, Bow Valley Square II, 205 - 5th Avenue, S.W., Calgary, Alberta, T2P 4B9.

Transfer Agent and Registrar

The Issuer's Registrar and Transfer Agent is Central Guaranty Trust Company of 2nd Floor, 800 West Pender Street, Vancouver, British Columbia, V6C 2V7.

Pending Legal Proceedings

The Issuer is not party to any legal proceedings, nor are any such proceedings anticipated.

Material Contracts

The following contracts may be inspected at the Registered Office of the Issuer, 708 - 1111 West Hastings Street, Vancouver, British Columbia, V6E 2J3, during normal business hours while primary distribution of the Shares offered by this Prospectus is in progress and for a period of 30 days thereafter:

- (a) Agency Offering Agreement dated for reference July 17, 1989 entered into between the Issuer and Pacific International Securities Inc.;
- (b) Property Purchase Agreements dated May 3, 1988 and September 5, 1989 entered into between the Issuer and Murray Morrison concerning the Issuer's right to purchase a 100% interest in the Dominion and Model Claims;
- (c) Bill of Sale dated May 4, 1988 entered into between the Issuer and Fran Hunt concerning the acquisition by the Issuer of the ANNE Claims;
- (d) Escrow Agreement dated August 25, 1989;
- (e) Flow-Through Share Subscription Agreements dated May 3, 1988 entered into between the Issuer and various investors;
- (f) Voting Trust Agreements dated June 1, 1988 entered into between Copetrex Oil & Gas Co. Ltd. and certain shareholders in the Issuer; and
- (g) Management Agreement dated May 1, 1989 entered into between the Issuer and Copetrex Oil & Gas Co. Ltd.

Other Material Facts

Pursuant to Flow-Through Share Subscription Agreements (the "Flow-Through Agreements") dated May 3, 1988 entered into between the Issuer and various investors, the Issuer raised a total of \$60,000. in seed capital to be spent on qualified exploration expenditures. Pursuant to the provisions of the

Flow-Through Agreements, a total of 240,000 shares were allotted and issued in the capital stock of the Issuer at a deemed price of \$0.25 per share and the tax benefits related to the \$60,000. in Canadian Exploration Expenditures have accrued to the benefit of the investors.

No shares of the Issuer are owned, directly or indirectly, by underwriters as defined in Local Policy Statement 3-30.

Copetrex Oil & Gas Co. Ltd. ("Copetrex"), the promoter of the Issuer as described under the heading "Promoter" on page 7 of this Prospectus and certain shareholders in the Issuer who are also employees of Copetrex (the "Employees") entered into voting trust agreements on June 1, 1988. Pursuant to the terms of these agreements, Copetrex financed the Employees' acquisition of a total of 129,200 shares in the Issuer issued to them at \$0.25 per share (the "Free Shares") in consideration for which Copetrex and the Employees agreed that for a three year term ending June 1, 1991, any sale of the Free Shares or any release of a total of 375,000 principal shares issued to them at \$0.01 per share (the "Principal's Shares") and held in escrow pursuant to an escrow agreement described under the heading "Escrowed Shares" on page 21 of this Prospectus, shall be coordinated with Copetrex and effected jointly among all initial shareholders in the Issuer and on pro rata basis as among themselves. No sale shall be made by any of the Employees without prior approval of Copetrex. The Employees and Copetrex also agreed that during the life of the agreement, the Employees will vote the Free Shares and the Principals' Shares in accordance with the directions given by Copetrex. Each Employee has granted Copetrex a right, but no obligation, to buy all or part of his then remaining Free Shares and/or Principal's Shares at the original cost to him should he leave the employ of Copetrex, regardless of the reason, prior to July 1, 1991. One Employee has left the employ of Copetrex and the 85,000 Principal's Shares and 29,500 Free Shares owned by that Employee were purchased by Copetrex.

M. Michael Sikula, the solicitor who is primarily responsible for the preparation of this Prospectus and for advice to the Issuer (the "responsible solicitor") is a director of the Issuer. The responsible solicitor owns no shares or other securities of the Issuer.

There are no other material facts.

PURCHASER'S STATUTORY RIGHT OF WITHDRAWAL AND RESCISSION

The Securities Act (British Columbia) provides a purchaser with a right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and further provides a purchaser with remedies for rescission or damages where the prospectus and any amendment contains a material misrepresentation or is not delivered to the purchaser prior to delivery of the written confirmation of sale or prior to midnight on the second business day after entering into the agreement, but such remedies must be exercised by the purchaser within the time limit prescribed.

For further information concerning these rights and the time limits within which they must be exercised, the purchaser should refer to Sections 66, 114, 118 and 124 of the Securities Act (British Columbia) or consult a lawyer.

MAD RIVER RESOURCES INC.

AUDITED FINANCIAL STATEMENTS

JUNE 30, 1989

MAD RIVER RESOURCES INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 1989

Auditors' Report

Balance Sheet

Statement of Operations and Deficit

Statement of Changes in Financial Position

Notes to Financial Statements

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Thorne Ernst & Whinney

Chartered Accountants

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Calgary, Alberta, Canada
T2P 4B9

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Telex: 03-824807
Fax: (403) 266-2455

AUDITORS' REPORT

To the Directors of
Mad River Resources Inc.

We have examined the balance sheet of Mad River Resources Inc. as at June 30, 1989 and December 31, 1988 and the statements of operations and deficit and changes in financial position for the period from January 1, 1989 to June 30, 1989 and the period from the commencement of operations on May 1, 1988 to December 31, 1988. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at June 30, 1989 and December 31, 1988 and the results of its operations and the changes in its financial position for the period from January 1, 1989 to June 30, 1989 and the period from the commencement of operations on May 1, 1988 to December 31, 1988, in accordance with generally accepted accounting principles applied on a consistent basis.

July 26, 1989

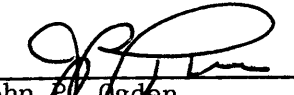
Thorne Ernst & Whinney

MAD RIVER RESOURCES INC.

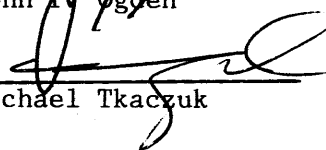
BALANCE SHEET

	June 30 1989	December 31 1988
ASSETS		
CURRENT ASSETS		
Cash	\$ 30,330	\$ 42,917
DEFERRED FINANCING COSTS	34,746	8,625
MINERAL INTERESTS (note 1)	<u>84,064</u>	<u>76,105</u>
	<u>\$149,140</u>	<u>\$127,647</u>
	<u> </u>	<u> </u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 9,506	\$ 29,374
SHAREHOLDERS' EQUITY		
Capital stock (note 2)		
Authorized		
100,000,000 Common shares without par value		
Issued		
1,320,000 (1988 - 1,120,000) Common shares	150,000	100,000
Deficit	<u>(10,366)</u>	<u>(1,727)</u>
	<u>139,634</u>	<u>98,273</u>
	<u>\$149,140</u>	<u>\$127,647</u>
	<u> </u>	<u> </u>

APPROVED BY THE BOARD:



John P. Ogden Director



Michael Tkaczuk Director

MAD RIVER RESOURCES INC.

STATEMENT OF OPERATIONS AND DEFICIT

	Six months ended June 30, 1989	Period from May 1, 1988 to December 31, 1988
Expenses		
General and administrative	\$ 8,639	\$1,727
LOSS FOR THE PERIOD	8,639	1,727
Deficit at beginning of period	<u>1,727</u>	<u>-</u>
DEFICIT AT END OF PERIOD	<u>\$10,366</u>	<u>\$1,727</u>
LOSS PER SHARE, based on weighted average number of common shares outstanding	<u>\$0.0069</u>	<u>\$0.0015</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Six months ended June 30, 1989	Period from May 1, 1988 to December 31, 1988
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Loss for the period	\$(8,639)	\$ (1,727)
FINANCING		
Issue of capital stock	<u>50,000</u>	<u>100,000</u>
INVESTMENTS		
Additions to mineral interests	(7,959)	(76,105)
Change in non-cash investing working capital	<u>(45,989)</u>	<u>20,749</u>
	<u>(53,948)</u>	<u>(55,356)</u>
INCREASE (DECREASE) IN CASH	(12,587)	42,917
Cash at beginning of period	<u>42,917</u>	<u>-</u>
CASH AT END OF PERIOD	<u>\$30,330</u>	<u>\$ 42,917</u>

MAD RIVER RESOURCES INC.

NOTES TO AUDITED FINANCIAL STATEMENTS

PERIOD FROM JANUARY 1, 1989 TO JUNE 30, 1989 AND THE PERIOD FROM THE COMMENCEMENT OF OPERATIONS ON MAY 1, 1988 TO DECEMBER 31, 1988

GENERAL

The Company was incorporated under the laws of British Columbia on January 5, 1987 and commenced active business operations May 1, 1988.

SIGNIFICANT ACCOUNTING POLICIES

Mineral interests

All costs related to the acquisition of mineral interests and exploration thereon are capitalized on a project-by-project basis and will be amortized using the unit of production method upon commencement of commercial production or charged to earnings if exploration is determined to be unsuccessful.

Deferred Financing Costs

All costs incurred with respect to the public issue of shares are deferred and charged against the proceeds received upon completion of the issue or charged to earnings if the issue is unsuccessful.

1. MINERAL INTERESTS

	June 30, 1989	December 31, 1988
Mineral claims, at cost	\$ 7,500	\$ 7,500
Exploration incurred thereon	<u>76,564</u>	<u>68,605</u>
	<u>\$84,064</u>	<u>\$76,105</u>

2. CAPITAL STOCK

(a) In 1989 the Company issued 200,000 common shares for cash proceeds of \$50,000 under share issue agreements. In 1988 the Company issued 1,120,000 common shares for cash consideration of \$100,000.

(b) As at June 30, 1989 and December 31, 1988, 750,000 common shares were held in escrow and may not be traded without the prior approval of the Superintendent of Brokers or the Vancouver Stock Exchange.

MAD RIVER RESOURCES INC.

NOTES TO AUDITED FINANCIAL STATEMENTS

PERIOD FROM JANUARY 1, 1989 TO JUNE 30, 1989 AND THE PERIOD FROM THE COMMENCEMENT OF OPERATIONS ON MAY 1, 1988 TO DECEMBER 31, 1988

2. CAPITAL STOCK (Continued)

- (c) Pursuant to two option agreements dated May 3, 1988, whereby the Company purchased options to acquire certain mineral interests, the Company has agreed to issue 120,000 common shares in the future. The shares to be issued are subject to providing acceptable engineer's reports recommending further exploration on the claims.
- (d) The Company has approved the issuance, by public offering, of 670,000 common shares at \$0.33 per share with proceeds to the Company of \$201,000 after the agent's commission.

Subsequent to June 30, 1989, in consideration of the agent agreeing to guarantee the purchase of the above share issue, the Company issued to the agent a non-transferable share purchase warrant entitling the agent to purchase 167,500 common shares at \$0.33 per share at any time up to the close of business during the first year following the date the Company's shares are listed, posted and called for trading and at a price of \$0.3795 per share at any time up to the close of business during the second year following the date the Company's shares are listed, posted and called for trading on the Vancouver Stock Exchange.

3. RELATED PARTY TRANSACTIONS

- (a) The Company entered into a management agreement with a corporation in which a director and officer of the Company is a major shareholder. Fees of \$4,000 were paid by the Company to June 30, 1989 (1988 - \$ nil) and the Company is committed, through this agreement, to pay management fees through December 31, 1990 of \$24,000 per year.
- (b) At June 30, 1989, accounts payable included \$4,000 (1988 - \$ nil) owing to a related company.

CERTIFIED A TRUE COPY

A REPORT ON THE MODEL PROPERTY

TUNKWA LAKE, LOGAN LAKE AREA, B.C.

KAMLOOPS MINING DIVISION

92I 10W

for

MAD RIVER RESOURCES INC.

P.O. Box 9535

1600 Bow Valley Square Two

205 - 5th Avenue Southwest

Calgary, Alberta

T2P 2V7

by

HAROLD M. JONES, P.ENG.

HAROLD M. JONES & ASSOCIATES INC.

December 6, 1988

HAROLD M. JONES, P. Eng.
CONSULTING GEOLOGIST
VANCOUVER, B.C.

HAROLD M. JONES & ASSOCIATES INC.

CONSULTING GEOLOGISTS

605 - 602 WEST HASTINGS STREET,
VANCOUVER, B.C.
V6B 1P2

TELEPHONE: (604) 689-5533

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A REPORT ON THE MODEL PROPERTY
TUNKWA LAKE, LOGAN LAKE AREA, B.C.

KAMLOOPS MINING DIVISION

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1600 Bow Valley Square Two
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SUMMARY

The Model property is located in the Kamloops Mining Division of British Columbia approximately 35 kilometres west of Kamloops. It is very accessible from Highway 1 at Savona by 21 km of good secondary road which passes through the centre of the property.

The property consists of nine claims totalling 65 units. They are located on flat to gently rolling terrain characterized by large grassy meadows and mature conifer forests.

Historically, the Kamloops area has been actively prospected and mined since the late 1800's. Copper, molybdenum, gold, silver and mercury were the main minerals mined in the area. Several large open pit copper mines are presently operating in the district.

The Model property was staked by M. Morrison in 1981 to cover a strong carbonate-quartz alteration zone which included the old Tunkwa Mercury Mine. This old mine, which produced 50 kg of mercury, is located within a well defined belt of mercury occurrences which extend northwest from it for 40 kms.

Placer Development Ltd. optioned the Model property in 1981 and conducted a soil sampling program. This work located a strong, coincident mercury-arsenic-antimony anomaly over the old mercury mine as well as several other mercury and arsenic anomalies. No gold values were obtained so their option was terminated.

In 1984 Lacana Mining Corp. optioned the property and diamond drilled five shallow holes in the alteration zone in proximity to the old mercury mine. These holes intersected zones of very strong carbonate (ankerite) alteration and locally silicification and quartz breccia. Sludge assays from the holes returned anomalous values in mercury, arsenic and antimony, the better values of which came from or just below zones of silicification. No significant precious metal values were obtained so the option was terminated.

In 1988 Mad River Resources Inc. optioned the property and conducted a geological-geochemical-geophysical program. This work indicates that the property is underlain by Upper Triassic Nicola Group metavolcanics and metasediments which are partially overlain by Tertiary Kamloops Group volcanics and sediments. They are intruded by Upper Cretaceous (?) or Early Tertiary dykes and/or sills and aplite dykes.

The property lies on the regional southerly-trending Deadman River fault and is crosscut by two inferred northeasterly - and one easterly-trending faults.

Geochemical soil sampling by Mad River Resources Inc. was conducted at 100 metre line separations vs. 250 metre separations by Placer Development Ltd. Data from this recent sampling indicated that mercury, arsenic, iron and barium assays gave the most meaningful results and, in many but not all cases, gave partial or total coincidence of anomalies. These results essentially confirmed Placer's sampling results.

The strongest mercury-arsenic-iron anomalies are associated with the carbonate alteration zone at or near the site of the old Tunkwa mercury mine, which is located within an inferred, strong, northeast-striking fault zone (Model Fault). Other anomalous areas are on or near the other inferred fault zones and/or in areas of strongly carbonate-altered Nicola Group rocks. Five geochemically anomalous areas are considered significant.

Shallow drilling by Lacana Mining Corp. in 1984 in the vicinity of the old Tunkwa mercury mine intersected zones of strong carbonate alteration over widths ranging from less than one metre to 20 metres. Zones of strong silicification and quartz breccia occurred within these alteration zones and appeared to be increasing with depth.

Surface showings at the old Tunkwa mercury mine are mineralized with minor cinnabar, stibnite and realgar/orpiment as small masses on fractures and in

quartz-carbonate veins. In the drill holes, the carbonate-silica altered sections generally contained cinnabar in crystalline masses up to 2 cm in diameter often associated with stibnite blades. Traces of pyrite, arsenopyrite and chalcopyrite were also present. Sludge samples anomalous in mercury and/or arsenic and/or antimony were obtained from or just below zones of siliceous alteration. No anomalous gold values were obtained.

VLF-EM and magnetometer surveys conducted over the geochemical grid did not aid in mapping geology, structure or mineralization.

The structurally controlled alteration zones and mineralization observed on surface and in drill holes are typical of the upper, low temperature part of epithermal vein systems. It is postulated that, at a slightly greater depth (50-100 metres) than that drilled by Lacana Mining Corp., gold may be present within the higher temperature siliceous zone commonly associated with the systems. Their drilling indicated that considerably more siliceous alteration was present at 30-50 metres vertically from surface than that exposed in outcrop.

It is concluded that the Model property hosts one major and possibly several other fault-related zones containing alteration and mineralization typical of the upper part of an epithermal gold system. While gold values are essentially absent on surface it is suggested that they could be present at a relatively shallow depth and thus warrant testing by a drill program.

It is recommended that a reverse circulation drill program be conducted initially concentrating in the vicinity of the old mercury mine. This Stage I program is estimated to cost \$80,000. A Stage II program, contingent on Stage I and consisting of additional drilling, is estimated to cost \$150,000.

INTRODUCTION

At the request of Mad River Resources Inc. the writer, on October 12, 1988, examined the Model property located near Kamloops, B.C. The writer was accompanied by Mr. M. Morrison, geologist and vendor of the claims. At the time of the examination, he was conducting a geological-geochemical-geophysical program on the claims on behalf of Mad River Resources, Inc.

The following report was compiled from data provided by M. Morrison, B.Sc., and from the writer's observations.

Location and Access

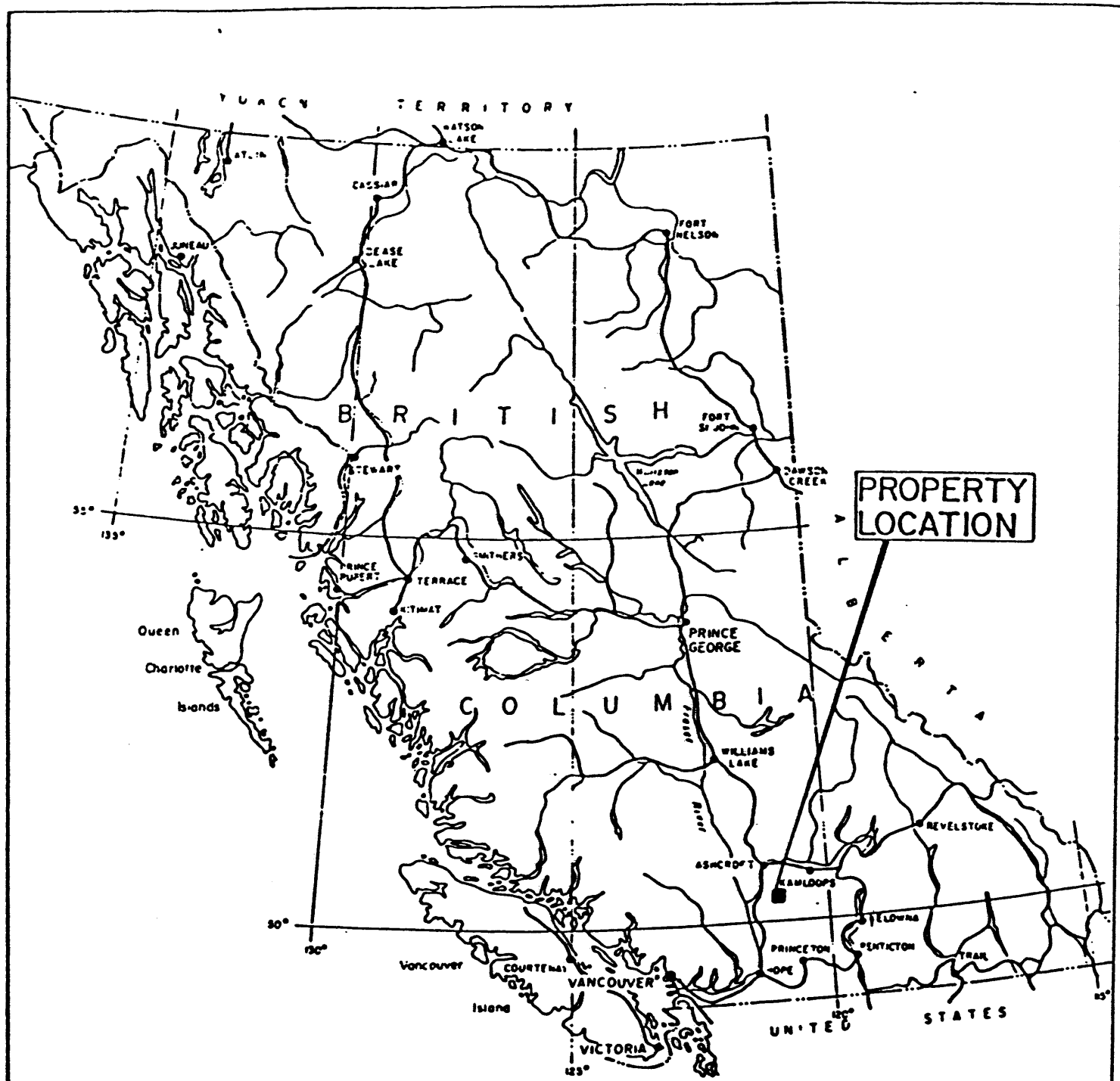
50° 36' 30"	North latitude)	to approximate centre of
120° 49'	West longitude)	claims

The Model property is located in the Kamloops Mining Division of southwestern British Columbia approximately 35 kilometres west of Kamloops and 16 kilometres south of Savona (Figure 1). Locally, the claims are centered approximately 2 kilometres due east of Tunkwa Lake.

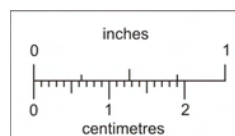
The property is extremely accessible from Savona, a small community on the Trans Canada Highway 40 kilometres west of Kamloops. The claims straddle the Savona - Logan Lake road 21 kilometres south of Savona (see Figure 2). Logan Lake, 18 kilometres south of the property, is also accessible from the Coquihalla Highway, from Ashcroft and from Merritt by paved highways.

Topography and Vegetation

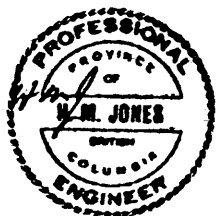
The Model property is situated on the Thompson Plateau, which is characterized by broad valleys and relatively flat, rolling plateaus at 1050 - 1200 metres elevation. They are bounded by low, rounded mountains rising to 1900 - 2,000 metres elevation. This terrain is disrupted by the deeply incised Thompson River valley, locally occupied by Kamloops Lake. All valleys and slopes are well forested.



PROPERTY
LOCATION

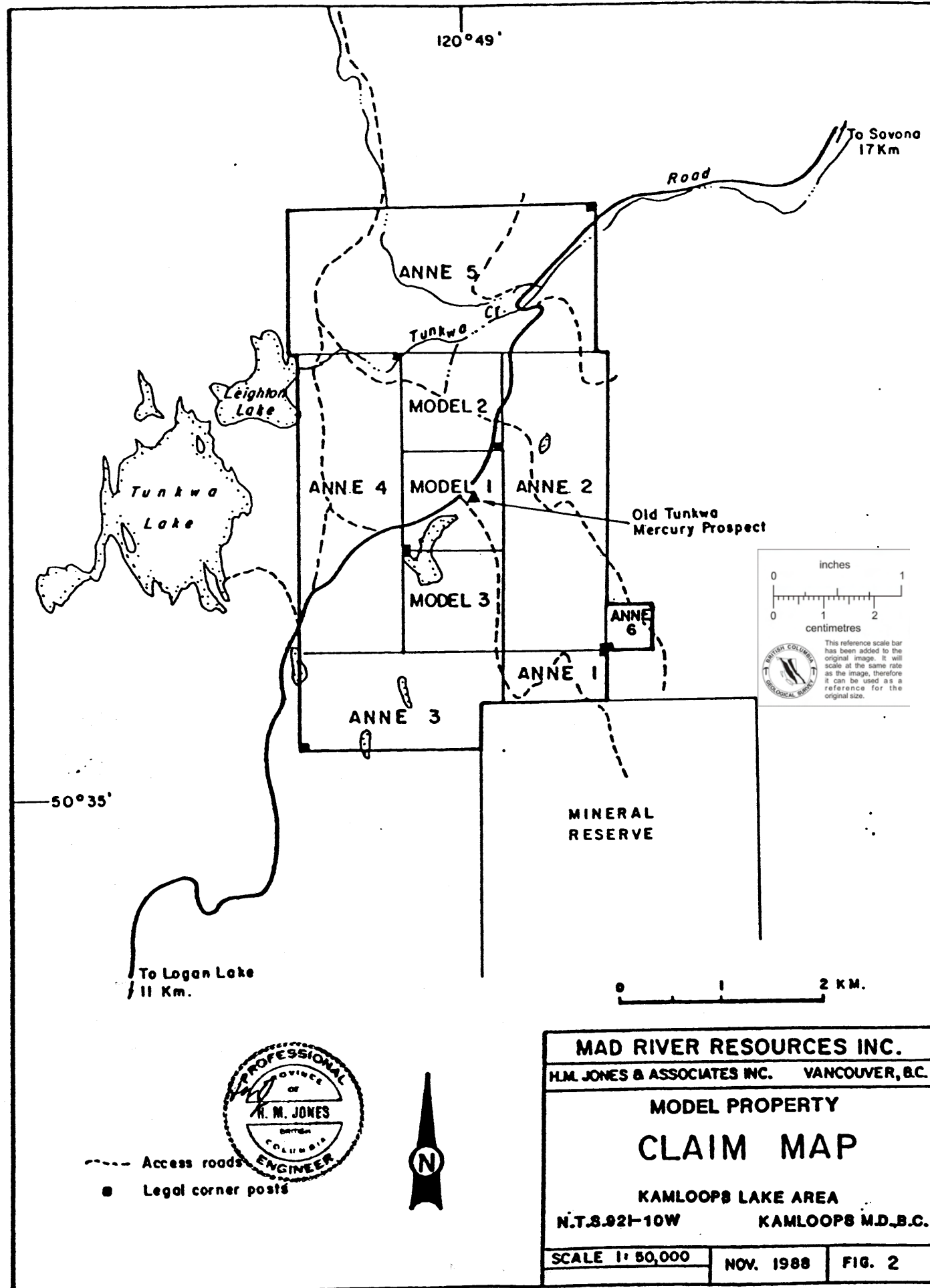


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MAD RIVER RESOURCES INC.		
H. M. JONES & ASSOCIATES INC.		VANCOUVER, B.C.
MODEL PROPERTY LOCATION MAP		
KAMLOOPS LAKE AREA		
N.T.S. 921-10W		KAMLOOPS M.D., B.C.
SCALE - AS SHOWN	NOV. 1988	FIG. 1
DRAWN BY: M.M.		

CHONG



MAD RIVER RESOURCES INC.		
H.M. JONES & ASSOCIATES INC.		VANCOUVER, B.C.
MODEL PROPERTY CLAIM MAP		
KAMLOOPS LAKE AREA		
N.T.S. 921-10W		KAMLOOPS M.D., B.C.
SCALE 1:50,000	NOV. 1988	FIG. 2

CHONG

The claims are located within relatively flat topography interrupted by a number of low, round, northerly trending glacial moraines and drumlins. Large, open, grassy meadows, some with large ponds and marshes, cover about 30% of the property. The remainder of the claims area is well forested with pine and fir. Underbrush is light to absent.

Clear-cut logging is active in the area, including at the north end of the claims. Cattle graze in these upland areas during the snow free period.

Property and Title

The Model property consists of 8 contiguous claims totalling 64 units and one 2-post claim, all located in the Kamloops Mining Division. They are (Figure 2):

<u>Claim Name</u>	<u>No. of Units</u>	<u>Record Number</u>	<u>Expiry Date*</u>
Model 1	4	3325	March 16, 1989
Model 2	4	3326	March 16, 1989
Model 3	4	3327	March 16, 1989
Anne 1	2	7589	April 13, 1989
Anne 2	12	7590	April 13, 1989
Anne 3	8	7591	April 13, 1989
Anne 4	12	7592	April 13, 1989
Anne 5	18	7593	April 13, 1989
Anne 6	<u>1</u>	7951	August 9, 1989
	65		

*Expiry date will be advanced by one year pending acceptance of recently filed assessment work.

Model 1-3 and Anne 6 mineral claims are owned by M. Morrison, 684 Balsam Street, Kelowna, B.C. and held under an option agreement by Mad River Resources Inc., 1600 - Bow Valley Square, 205 - 5th Avenue Southwest, Calgary, Alberta. Anne 1-5 claims were staked for Mrs. F. Hunt and sold via a bill-of-sale to Mad River Resources Inc.

Any legal aspects pertaining to the claims is beyond the scope of this report.

History and Previous Work

Numerous mineral deposits are known throughout the Kamloops district. These include deposits of copper, molybdenum, lead, zinc, gold, silver, mercury, tungsten and iron. Some of these are among the earlier lode discoveries in the province and date back to the 1880's.

The Model property is situated approximately midway between two very productive mining areas, the Highland Valley copper-molybdenum mines and the Kamloops copper-gold mines. Both have operating open pit mines, with the much larger tonnage operations being in the Highland Valley.

The Model claims are located within a well defined belt of mercury occurrences which extends for 40 kilometres northward from Tunkwa Lake to Criss Creek, passing through the western end of Kamloops Lake.

The Carabine (Copper) Creek deposit, located in the late 1880's near the confluence of Carabine Creek with Kamloops Lake, was worked intermittently for mercury from 1894 to the 1940's. Its most productive period was between 1894-1896 when slightly more than 100 flasks of mercury were produced. The total production to 1940 was 143 flasks. Mercury was first located on what is now the Model property about 1918. It was re-staked many times over the years and is now referred to as the Tunkwa Mercury Mine. The old workings consisted of a 5 metre vertical shaft, a 6 metre inclined shaft, and several small trenches, all located at the north end of a small knoll which rises only a few metres above the grassy meadows. The remains of the old retort are also at this location. Approximately 50 kg of mercury were produced during the early 1940's.

About a dozen other mercury deposits located along this belt are described in the literature. Many were tested by surface pits, trenches and underground workings. There is no reported production from any of these deposits.

From the early 1970's to the present time considerable work was carried out searching for and developing epithermal gold deposits. Mercury, along with arsenic and antimony, are commonly associated with these deposits and are used as pathfinder elements. For this reason, the above mentioned mercury belt became a primary exploration target, starting in 1980. By 1981-82 much of the belt was staked and was being actively explored by major companies including Placer Development, Asarco, Inco, Newmont and Selco.

One of the first geologists to recognize the potential of the area was M. Morrison, who staked in 1981 a number of claims along the mercury belt. These included the Model claims, which encompassed the old Tunkwa mercury mine and the Mountie, Brussels and Golden Ring claims, which formed a large block of claims trending southeasterly from near Savona. The Model claims were located approximately 8 kilometres southwest of the large claim block.

All of the above claims were promptly optioned by Placer Development Ltd. During 1981 they conducted a soil sampling program over the Model 1-3 claims using a line spacing of 250 metres and a sample interval of 25 metres. They collected 471 samples and assayed them for mercury, gold, silver, arsenic, antimony, molybdenum, copper and zinc. Large mercury, arsenic and antimony soil anomalies were outlined, but gold and silver values were low. They also conducted similar surveys, obtaining similar results, over the large claim group. They returned all of the claims to Morrison in 1984.

Lacana Mining Corp. optioned the Model property in 1984 as a potential epithermal gold occurrence and staked an additional five claims - Model 4-8. They conducted VLF-EM and magnetometer surveys over the immediate area of the old Tunkwa mercury mine, and followed-up on the preliminary surveys with a diamond drilling programme. Five inclined drill holes, totalling 405 metres, were drilled from four sites. The longest hole was drilled to 124 metres at an inclination of minus 45 degrees, or to a depth of 95 metres below surface. The sludge from each 10 foot (3.28 m) interval, as well as selected core sections, were analyzed for 31 elements including gold, silver, mercury, antimony and arsenic. A number of carbonate

and/or silica alteration zones were intersected which returned high mercury, antimony and arsenic assays but negligible precious metal values. Based on the above drill results, Lacana terminated their option.

Following the return of the Mountie et al claims Morrison staked additional claims in the Savona area to make all claims in the large block contiguous. In grouping the claims, the west group was called the Mustang property, the east group the Brussels property. The latter group was explored by Goldstone Exploration in 1984-85, and the former group by Vault Exploration Ltd. in 1986-88. Their work located numerous alteration zones. These are typically buff-brown weathering, ankerite-dolomite rich bodies located on or adjacent to faults, inferred faults, fault intersections or fracture zones. They vary from dyke-like bodies to massive zones 30 metres or more wide and several hundred metres long. They commonly form low, rounded ridges.

Alteration within individual zones varies from weak to intense. The weaker zones contain only partial replacement by ankerite and dolomite while the more altered zones may consist of massive ankerite with veinlets of dolomite, chalcedony and quartz or zones of pervasive silicification. Mineralization may include cinnabar, pyrite, galena, tetrahedrite, azurite and malachite.

Rock samples from many of these alteration zones returned anomalous values in mercury and sometimes in arsenic and/or antimony. One alteration zone, on claims adjacent to the Mustang property and owned by Newmont Exploration, assayed in the above elements as well as gold and silver - 0.225 oz/ton and 0.064 oz/ton respectively. These claims were recently purchased by Morrison.

The results of work to date on the Brussels property by Placer Development Ltd. in 1982 and Goldstone Exploration in 1984-85 on the Mustang property by Vault Explorations Inc. in 1986 was successful in locating a number of alteration zones, some of which contained appreciable silicification, brecciation with later chalcedony fracture fillings and minor quartz veining. Many were anomalous in mercury \pm arsenic \pm antimony, fewer were anomalous in gold or silver.

It is postulated that these alteration zones are the surface expressions of epithermal vein systems, and that, except for the showing on Newmont Exploration's ground, all exposures are at various levels above the precious metal horizon of the epithermal system.

In late 1986 Vault Exploration drilled nine shallow reverse circulation drill holes on the Mustang property totalling 710 metres. These ranged from 36.5 to 106.6 metres in length. Intersections in alteration zones ranged up to 30 metres, and consisted of quartz-carbonate, silica-flooding and silicious breccia zones. Some of the quartz-carbonate zones contained numerous late narrow quartz veins accounting for 2%-15% of the section. Many contained from trace to 1% disseminated pyrite. Minor cinnabar was also present in some of the drill intersections. These holes were probably in the upper, low temperature section of the epithermal system.

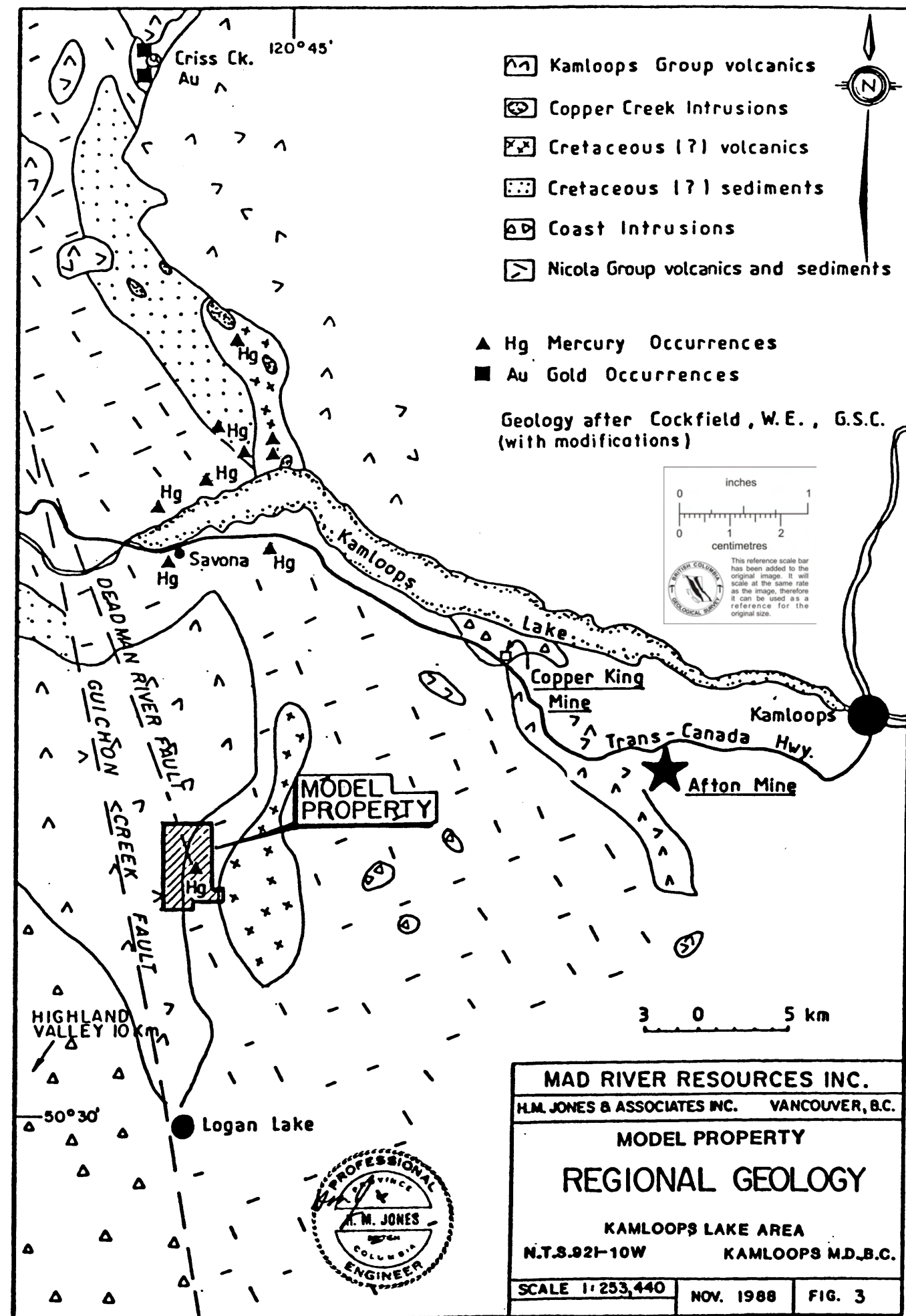
In May, 1988, Mad River Resources Ltd. optioned the original Model 1-3 claims and purchased Anne 1-5 claims which were staked to cover the expired Model 4-8 claims. Anne 6 claim was later staked and added to the group. They contracted M. Morrison to conduct a geological-geochemical-geophysical survey on the property. The results of his work is incorporated in the following report,

GEOLOGY

Regional Geology

The Model property is situated within a long northerly-trending broad belt of Upper Triassic Nicola Group rocks. This unit extends from approximately 50 km north to 180 km south of Kamloops Lake. In the property area it is about 20 km wide, narrowing to the north and widening to the south.

The Nicola Group consists of principally volcanic rocks with which are associated minor amounts of intercalated sedimentary rocks. The volcanic rocks vary from



fine grained or nearly aphanitic to coarsely porphyritic. They are predominantly green (referred to as greenstones), but may also occur in various shades of purple, red, brown, or grey and include some with a dark to almost black groundmass. They are predominantly andesites with lesser basalts and feldspar porphyries. Appreciable breccia (agglomerate) and tuff are associated with the lavas.

Limestone is the most predominant sedimentary rock. It occurs at widely scattered locations as small discontinuous lenses. Other sediments include very minor argillite, siltstones, sandstones and conglomerates.

The Nicola rocks are intruded by Jurassic-Cretaceous-aged rocks related to the Coast Intrusions. To the south of Kamloops Lake, the Nicola Group rocks are essentially bounded to the west by the Guichon Batholith and to the east by the Central Nicola and Iron Mask Batholiths. Off-shoots from these batholiths poke through the Nicola rocks as small stocks. These intrusives range in composition from granite and syenite to pyroxenite.

To the north of Kamloops Lake, the above granitic rocks are intruded by Tertiary-aged Copper Creek Intrusions. These include granite, granodiorite and granite porphyry.

A considerable part of the Nicola Group consists of massive volcanic rocks in which individual flows cannot be recognized. For this reason structural data is poor. Cockfield (1961) concluded that the Nicola rocks are folded in an asymmetric anticline, the axis of which trends north.

While the fold axis may strike to the north, the regional trend of the geology is northwest. A number of faults also follow this northwest trend and are aligned with Deadman River, Carabine Creek and Sabiston Creek (Monger and McMillan 1984). The Deadman River fault splits just north of the Thompson River, with one branch passing through the west edge of Tunkwa Lake and continuing south following Guichon Creek (called Guichon Creek fault in latter area). The fault following Sabiston Creek splits north of Kamloops Lake, with one branch trending

southerly along Durand Creek, the second diverging slightly toward the southeast and passing through Morrison's Mustang property. Another branch or subsidiary fault to the latter trends southerly and follows Cherry Creek.

As mentioned earlier, a belt of mercury occurrences are present to the north and south of Kamloops Lake. To the north, along Carabine Creek, mercury occurs in Cretaceous or Tertiary volcanics and sediments. Many of these are intersected, underlain or in close proximity to granitic dykes and stocks of Tertiary-aged Copper Creek Intrusions. Each occurrence is similar in that they are located in fractured and/or sheared host rocks, accompanied by silica, ankerite and dolomite alteration of the wall rocks and veined with dolomite and/or chalcedonic quartz containing thin fracture fillings and small masses of cinnabar.

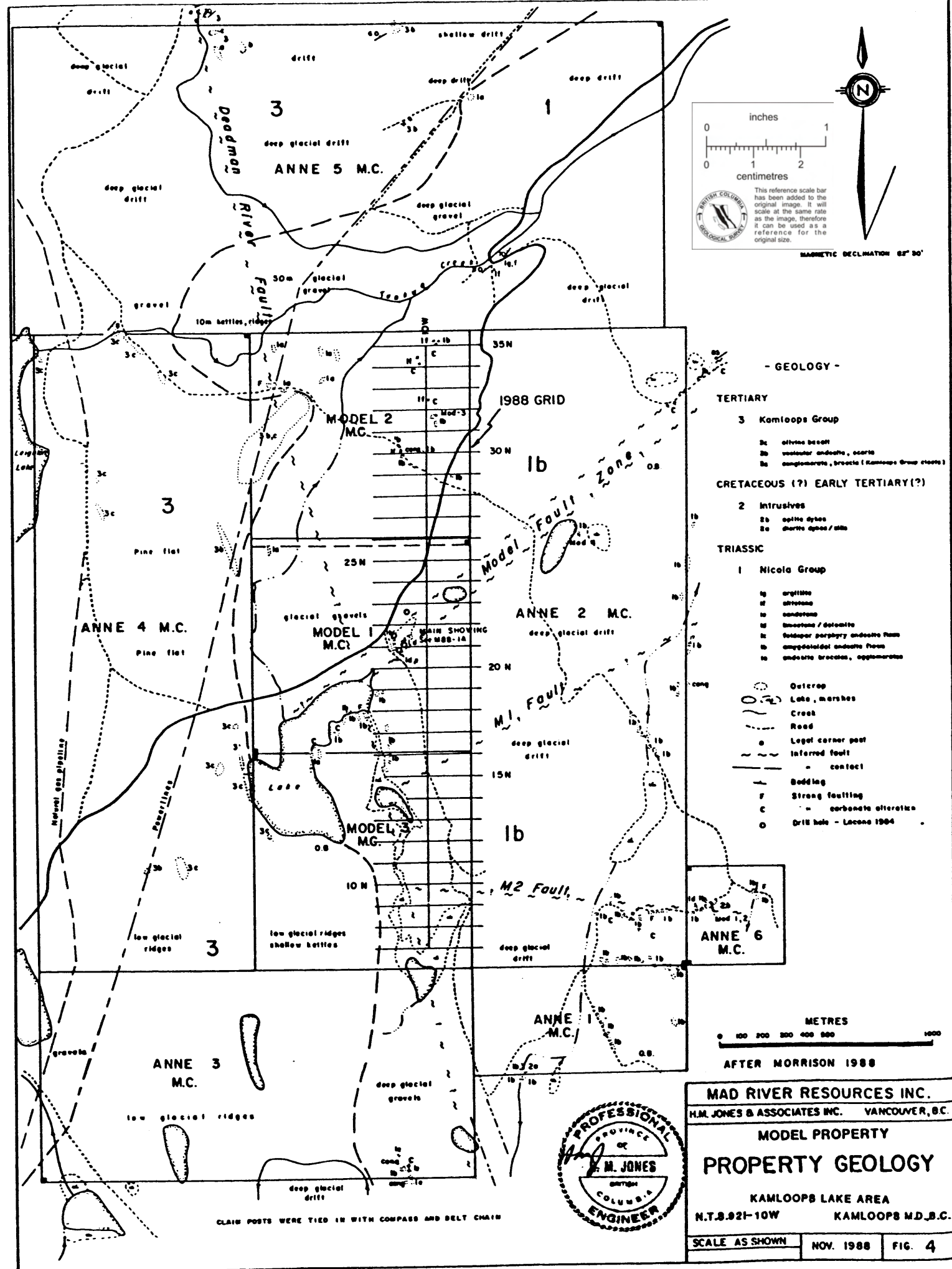
Near the north end of the mercury belt, at Criss Creek, gold-bearing quartz veins are present in similar geology as above in sheared and altered rock near the contact with a small Tertiary plug of Copper Creek Intrusions.

Between Carabine Creek and Deadman River and to the south of Kamloops Lake, a number of mercury occurrences are present in Nicola Group rocks. Their alteration and mineralization is similar to those deposits described above but no Tertiary intrusives are known in these areas.

It is postulated by the writer that many of the above mentioned mercury-bearing carbonate alteration zones are the result of hydrothermal solutions emanating from high level intrusives related to the Copper Creek Intrusions and that these zones may represent the upper levels of potential epithermal gold-bearing systems.

Property Geology

Most of the property is covered by glacial drift, moraines and drumlins and/or thin flows of Plateau basalt, consequently outcrop is very sparse. The geology and its interpretation, as described below, was compiled by Morrison (1988) from his field mapping and magnetometer survey data.



The eastern half of the property is underlain by Upper Triassic Nicola Group metavolcanics and metasediments. Tertiary Kamloops Group volcanics and sediments unconformably overlie the Nicola Group rocks in the western part of the property. Detailed geological mapping and drill core re-logging by Morrison (1988) sub-divided the above rocks into a number of units (see Figure 4). These include:

Upper Triassic Nicola Group - andesitic agglomerate (volcanic breccia) and amygdaloidal andesite flows. The latter unit includes intercalated beds of limestone, sandstone and argillite.

Late Cretaceous(?) Intrusives - diorite dykes or sills

Early Tertiary(?) Intrusives - aplite dykes

Tertiary Kamloops Group - conglomerate and breccia; scoria, andesite and olivine basalt flows.

The Nicola Group rocks appear to strike north to northwest and dip easterly at a moderate angle. Local differences to the above are thought to be due to faulting. Fieldwork indicates that these rocks may lie on the west limb of a syncline. The overlying Kamloops Group volcanics also strike northerly, are nearly flat lying on the western side of the property but dips westerly at a moderate angle on the east side of it.

Four Tertiary-aged faults are inferred on the property. The regional Deadman River fault is projected southerly by Monger (1984) as far as the Tunkwa mercury mine. Mapping by Morrison (1988) confirms faulting along this trend and infers it to continue at S15°E through a chain of small lakes to the south claim boundary (Figure 4).

The second fault, the Model fault, striking N50°E through the old Tunkwa mercury mine, is indicated by a chain of lakes, marshes and carbonate-altered outcrops

HAROLD M. JONES & ASSOCIATES INC.

extending from the old mercury mine to the northeast corner of Anne 2 claim. Previous drilling by Lacana Mining Corp. and outcrop data indicate this fault zone is from 100 to 150 metres wide. Magnetic lows, a common signature of alteration zones, follows this fault trend.

The M-1 fault, located approximately 500 metres southeast of the old Tunkwa mercury mine, is inferred from topography and magnetic data to strike N62°E.

The M-2 fault, located approximately 500 metres south of the west end of M-1 fault, is inferred from geology to strike S85°E. Rock along its surface trace is strongly fractured and carbonate altered over a 100 metre width. An aplite dyke within this zone is warped and drag folded.

ALTERATION AND MINERALIZATION

Carbonate alteration is widespread on the Model property, always occurring within zones of fracturing and faulting but not restricted to any one rock type. Alteration zones range from weak to intense.

Typical zones of weak alteration are exposed in roadcuts on Anne 2 claim. These consist of moderately fractured, rusty weathering andesite flows containing up to 10% ankerite as replacement of the host rock over widths of 0.3 to 10 metres. Minor ankerite and dolomite veining occurs within these alteration zones.

More intense alteration of the Nicola Group metasediments is poorly exposed in the northern part of Model 2 claim. In these outcrops the original rock is replaced by up to 30% ankerite.

The most intense and best exposed alteration zone is located at the site of the old Tunkwa mercury mine. Here, a small knoll, partially stripped and trenched, exposes buff-brown to orange, strongly fractured and brecciated, intensely carbonatized and silicified Nicola rocks. The original texture of the rock is

completely obliterated. The extensions of this alteration zone are poorly exposed on the lake shore 400 metres southwest of the above main showing and in a road cut 1,500 metres along strike to the northeast. This alteration zone is within Morrison's (1988) inferred Model fault zone.

Five holes were diamond drilled by Lacana Mining Corp. in 1984 in the vicinity of the above alteration zone. Holes 1, 2, 3 and 4 were within the alteration zone, hole 5 was not. The first four holes intersected many sections ranging from less than a metre up to 20 metres wide of intense carbonate alteration - 50% - 70% ankerite - containing numerous ankerite and dolomite veinlets. In holes 1, 2 and 3 the intense alteration occurs in sedimentary rocks; in hole 4 in volcanic rocks, indicating that faulting rather than rock type is the control for localizing the alteration.

Silicified zones, some silicified, brecciated and cemented by chalcedony, occur within the alteration zones and are probably related to faulting. Slickensides and gouge zones are common throughout all holes.

Mineralization, consisting of cinnabar, stibnite and realgar/orpiment occur in minor amounts throughout the main surface showings at the old mercury mine as disseminations and small masses on fractures and in quartz-carbonate veinlets. A sample from a dump in this area taken by Lacana Mining assayed 225 ppb Au and 335 ppb on a check assay (Johnson, 1984). In drill core, the carbonate-silica altered sections generally contained cinnabar in crystalline masses up to 20 mm in diameter often associated with stibnite blades (Johnson, 1985). Traces of pyrite and arsenopyrite were also present. Very minor chalcopryrite occurred in calcite veinlets in the relatively unaltered Nicola rocks.

Lacana Mining Corp. collected and assayed the sludges from all of their holes. They also assayed selected sections of core. Assay results indicated that the better values were associated with the silicified sections within the alteration zones. The highest mercury assay (2900 ppb Hg) was obtained from hole 4 in an area of intense carbonate alteration crosscut by late quartz veinlets containing blebs of cinnabar. Some of the higher arsenic assays (310 to 428 ppm As) from hole

2 were from or below a 1.5 metre silicified zone. Similarly, in hole 3 the better arsenic assays (49 to 85 ppm) were obtained from silicified sections. No significant assays were obtained for gold or silver.

GEOCHEMISTRY

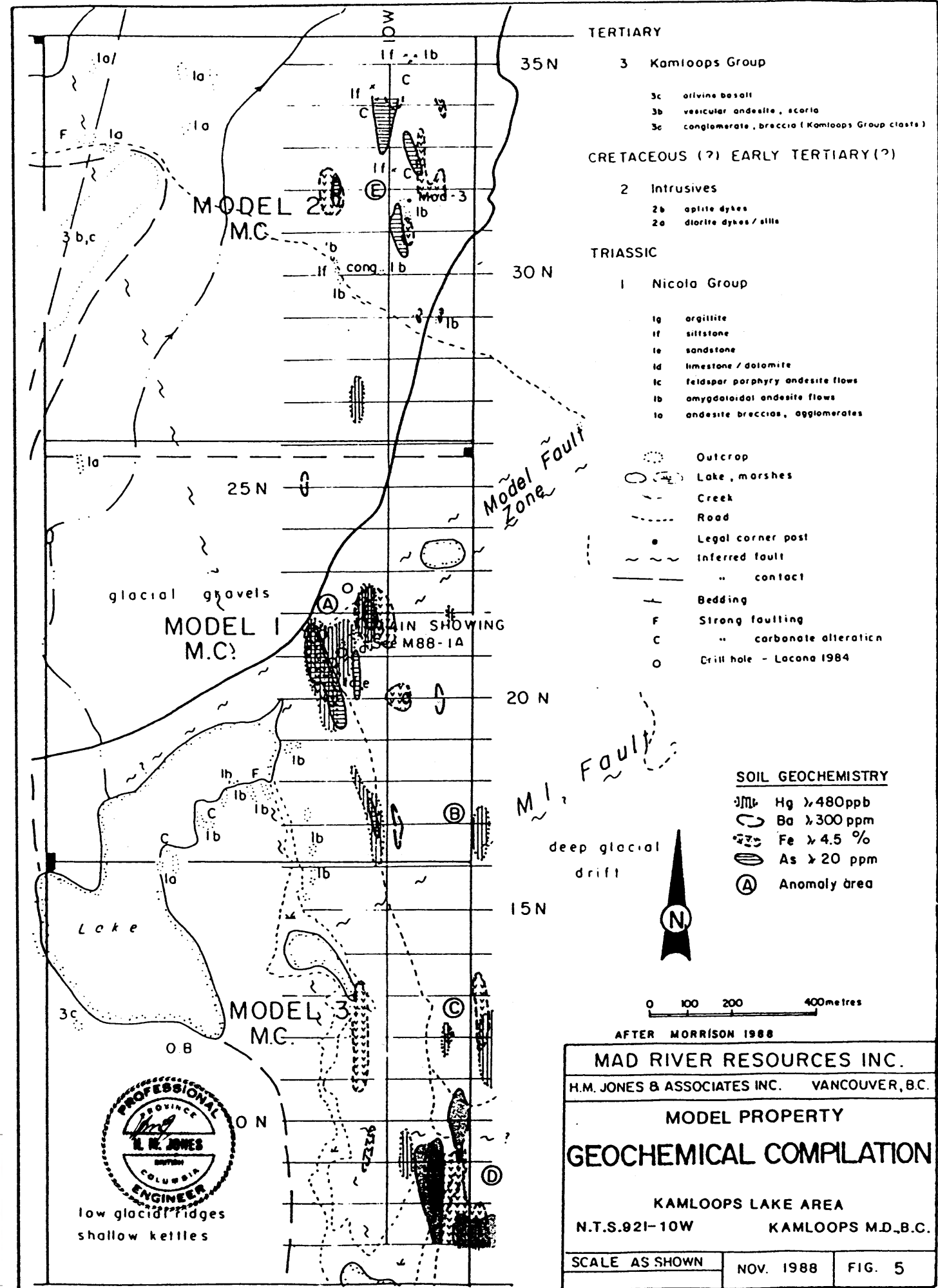
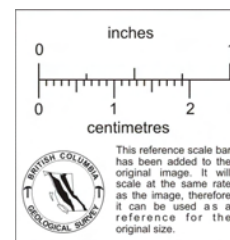
In 1981 Placer Development Ltd. conducted a geochemical soil survey over the Model claims. Lines were widely spaced at 250 metre intervals. The results of this work located zones anomalous in Hg, As, Sb, and Zn coincident with and extending north and south from the old Tunkwa mercury mine.

Mad River Resources Inc. conducted a soil sampling program over a part of the property (Morrison, 1988). The purpose of this survey was to add more detail to the anomalous trend indicated from Placer's survey. The grid for this recent survey was centered over the old Tunkwa mercury prospect and extended north and south of it for approximately 1,500 metres. Approximately 500 samples were collected and assayed for 30 elements by the I.C.P. method. All samples were also assayed for mercury by flameless atomic absorption. Since previous soil sampling by Placer Development Ltd. returned negligible assays in gold, no determinations were made for this element in the recent work.

Several elements appear to be significant. They are mercury, arsenic, iron and barium. The following values were considered as anomalous and are shown as patterned areas on Figure 5:

Mercury	≥ 480	ppb
Arsenic	≥ 20	ppm
Iron	≥ 4.5	%
Barium	≥ 300	ppm

HAROLD M. JONES & ASSOCIATES INC.



0 100 200 400metres

AFTER MORRISON 1988

MAD RIVER RESOURCES INC.

H.M. JONES & ASSOCIATES INC. VANCOUVER, B.C.

MODEL PROPERTY

GEOCHEMICAL COMPILATION

KAMLOOPS LAKE AREA

N.T.S.921-10W KAMLOOPS M.D.,B.C.

SCALE AS SHOWN	NOV. 1988	FIG. 5
----------------	-----------	--------

The results of this survey confirm and add more detail to the anomalies located by Placer Development Ltd. Five anomalous areas are considered significant (Figure 5).

Anomaly A - this is the most significant anomaly, with the most intense part assaying 2,400 to 15,000 ppb Hg and up to 199 ppm As. It is located on and to the northeast of the old Tunkwa mercury deposit and overlies a portion of the inferred Model fault. These anomalies terminate against the northwest boundary of the inferred fault and tail off to the southeast, which coincides with the direction of the glacial movement. Iron anomalies, peaking at 6.43% Fe, are also coincident with Hg and As and probably reflect the ankerite alteration.

Anomaly B - this anomaly, with a peak value of 780 ppb Hg, occurs in a drift-covered area located along the strike of the inferred M-1 fault. It is not supported by anomalous values in other elements.

Anomaly C - it is located along the southeasterly projected trend of anomaly A in an area of deep glacial drift. It has high values of 600 and 1200 ppb Hg and is supported by anomalous iron assays of 4.52% and 4.67%.

Anomaly D - this anomalous zone is approximately 150 metres wide by at least 250 metres long (open to south), occurring in an area thought to be overlain by deep overburden. Within this area are mercury assays of 730 and 5200 ppb, and numerous iron and barium assays ranging from 4.51% to 5.35% and 310 to 413 ppm respectively.

Except for barium, these anomalies essentially terminate against the inferred M-2 fault and lie down ice from it, indicating that the source may be the inferred fault. Strongly carbonate - altered volcanic flows and an aplite dyke occur along this inferred fault trend.

Anomaly E - this anomaly includes a cluster of arsenic anomalies with associated iron and one barium anomaly centered approximately 1,050 metres north of the old Tunkwa mercury mine. It includes the following anomalous assays: arsenic from 24 to 72 ppm; iron from 4.54% to 5.41%; and one barite value of 381 ppm. There are no anomalous mercury assays in this area. The anomalous trend is southerly, which is coincident with glacial movement. Meagre outcrop data suggests that the northern part, at least, of this anomalous area is underlain by strongly carbonate-altered metasediments.

GEOPHYSICS

Mad River Resources Inc. ran VLF-EM and magnetometer surveys over the geochemical grid. The purpose of the former was to search for fault structures, the latter to aid in defining geology.

The VLF-EM survey results were inconclusive. Most of the conductors were coincident with glacial moraines and reflected topography rather than structure. It was thought that the deep overburden nullified the effectiveness of this survey.

The magnetometer survey results indicated that in general the magnetic relief was small. Several areas of elevated magnetics were interpreted as Tertiary Kamloops Group basalts and magnetite-rich flows of the Nicola Group. Several one-station anomalies were interpreted as either magnetite-rich dykes or sills or possibly flows.

In general, the geophysical surveys, which were intended to aid in the interpretation of the geological setting in this mostly overburden-covered area, were inconclusive. Deep overburden may have been the cause of the poor geophysical response.

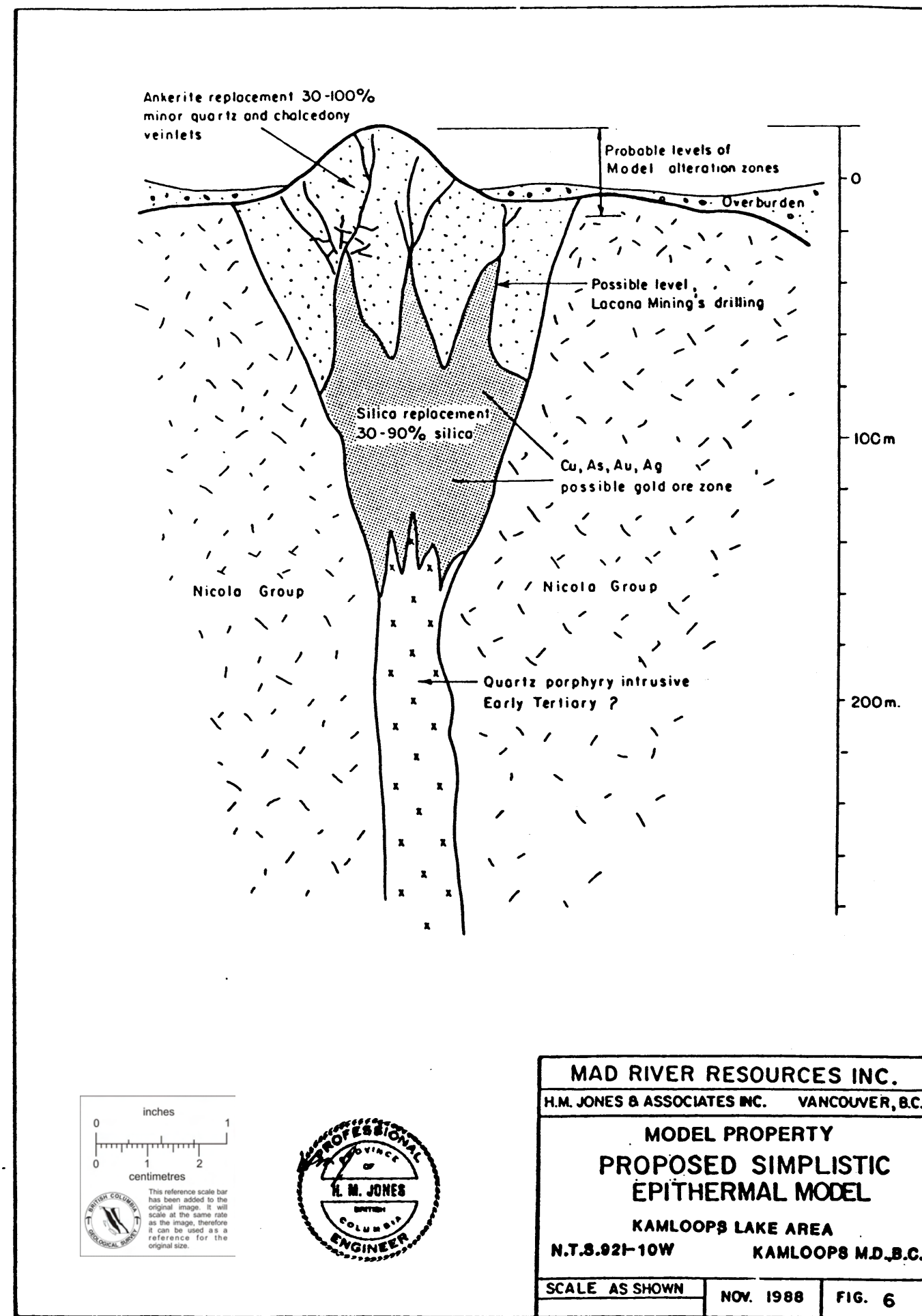
DISCUSSION

Epithermal gold deposits are characterized by well developed fault structures accompanied by intense hydrothermal alteration - kaolinization, carbonatization, silicification, etc. - and are mineralized with mercury, arsenic, antimony, copper, lead, zinc, barium, etc. in addition to gold and silver. A number of alteration zones with these characteristics are known in the Mustang property area 8 kms northwest of the Model claims. A sample from one of these alteration zones yielded 0.225 oz/ton gold.

Geology on the Model claims contains many of the above elements. The old Tunkwa mercury mine is located within what appears to be a well developed northeast trending fault zone (Model Fault) at or near its intersection with the regional Deadman River fault. Alteration along the Model fault consists of intense carbonate alteration - mostly ankerite with lesser dolomite - locally crosscut by fine stringers of quartz, ankerite and dolomite. Shallow drill holes into this alteration zone intersected zones of strong silicification and quartz breccia, indicating that silicification may increase with a slight increase in depth. The maximum vertical depth that the alteration was tested was only 45 metres.

Mineralization within these altered rocks at the old Tunkwa mercury mine included cinnabar, stibnite, and realgar/orpiment and are reflected by soil samples anomalous in mercury and arsenic. The above mentioned drill holes were mineralized with cinnabar, stibnite, minor pyrite and arsenopyrite, and very minor chalcopyrite. The better assays from drill sludge came from or below areas of quartz veining or silicification within the carbonate alteration zones.

The alteration and mineralization described above are typical of the upper, low temperature zone of an epithermal gold system. To date, only one anomalous gold sample was obtained from the altered rock, that coming from dump material at the old mercury mine (Johnson, 1984). It assayed 220 ppb Au and 335 ppb Au on a re-analysis. It is postulated that the higher temperature gold-bearing quartz alteration associated with epithermal gold deposits may be present at a slightly



lower level, say 100 to 150 metres below surface, and 50-100 metres lower than the Lacana drill intersections.

In addition to the Model Fault zone, several other inferred faults are present on the property with which are associated geochemical anomalies and/or carbonate alteration zones. These could similarly contain precious metals at depth.

Work to date on the property suggests that drill testing of the various alteration zones is warranted and should be considered when funds are available.

CONCLUSION

The Model property hosts one major and possibly several other fault-related zones containing alteration and mineralization typical of the upper part of an epithermal vein system. While gold values are essentially absent on surface it is suggested that they could be present at a relatively shallow depth and thus warrant testing by a drill program.

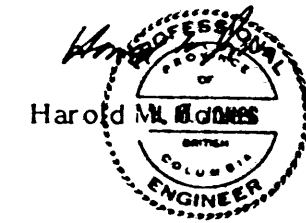
RECOMMENDATION

It is recommended that a reverse circulation drill program be conducted on the Model claims to test the alteration zone at a slightly greater depth than that done by Lacana Mining Corp. Initially, most of the drilling should be conducted on the Model fault zone in proximity to the old Tunkwa mercury prospect. If results are encouraging, then additional drilling would be warranted on both the Model fault zone and other alteration zones on the property.

COST ESTIMATE

Stage I - Reverse circulation drilling	
Say 1,425 metres @ \$50/metre all inclusive	\$ 70,000
Contingencies	<u>10,000</u>
 Total Stage I	 <u>\$ 80,000</u>
 Stage II - Contingent on Stage I	
Additional reverse circulation drilling, say	
3,000 metres @ \$50/m all inclusive	<u>\$ 150,000</u>

Respectfully submitted,



Harold M. Jones

REFERENCES

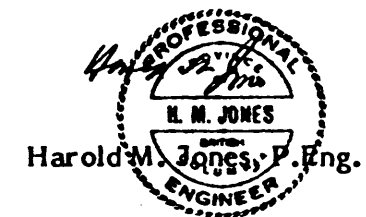
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CERTIFICATE

I, Harold M. Jones, of the City of Vancouver, British Columbia, do hereby certify that:

1. I am a Consulting Geological Engineer with offices at #605 - 602 West Hastings Street, Vancouver, British Columbia.
2. I am a graduate of the University of British Columbia in Geological Engineering, 1956.
3. I have practised my profession as a Geological Engineer for over 30 years.
4. I am a member of the Association of Professional Engineers of British Columbia, Registration No. 4681.
5. I examined the Model property on October 12, 1988 and reviewed the data listed under "References" in this report.
6. I have no interest in, nor do I expect to receive any interest, direct or indirect, in the Model property or in the securities of Mad River Resources Inc.
7. Mad River Resources Inc. are hereby given permission to reproduce this report, or any part of it, in a Prospectus, Statement of Material Facts or other documents as required by the regulating authorities, provided, however, that no portion may be used out of context in such a manner as to convey a meaning differing from that set out in the whole.

Dated at Vancouver, B.C. this 6th day of December, 1988.



HAROLD M. JONES & ASSOCIATES INC.

CONSULTING GEOLOGISTS

605 - 602 WEST HASTINGS STREET,
VANCOUVER, B.C.
V6B 1P2

TELEPHONE: (604) 689-5533

A D D E N D U M

UP-DATE REPORT ON THE MODEL PROPERTY

TUNKWA LAKE, LOGAN LAKE AREA, B.C.

KAMLOOPS MINING DIVISION

92I 10W

For

MAD RIVER RESOURCES LTD.

P.O. Box 9535

1600 Bow Valley Square Two

205 - 5th Avenue Southwest

Calgary, Alberta

T2P 2V7

By

Harold M. Jones, P.Eng.

Harold M. Jones & Associates Inc.

May 29, 1989

CERTIFIED A TRUE COPY

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HAROLD M. JONES & ASSOCIATES INC.

SUMMARY

During April - May 1989 Mad River Resources Inc. conducted additional exploration on the Model property, located near Tunkwa Lake, 35 kilometres west of Kamloops, B.C. This new work consisted of magnetometer and soil sampling surveys conducted over the northeast projection of the inferred Model fault zone. The old Tunkwa mercury mine is hosted by an epithermal carbonate alteration zone within this inferred structure.

The purpose of the surveys was to search for the inferred fault zone and gold mineralization associated with it. Previous work conducted by the company and others in 1988 and earlier indicated that gold was not present in soil samples but that mercury and arsenic were in anomalous amounts. These latter two elements are common indicators of gold in an epithermal system.

The magnetometer survey data did not aid in interpreting the inferred Model fault. No magnetic terminations, offsets, or anomalies were recorded in its vicinity.

The geochemical survey data located one large and several small areas containing samples elevated to anomalous in mercury and in some cases arsenic, barium or iron. These areas are on or adjacent to the inferred Model fault zone. The large anomalous area is approximately 1,150 metres northeast of the old Tunkwa mercury mine and is probably related to faulted and carbonate-altered volcanic rocks which are poorly exposed in its vicinity. It is concluded that the new anomaly may reflect another epithermal centre similar to that at the old Tunkwa mercury mine and could host gold mineralization at depth.

It is recommended that the drill program proposed in the writer's earlier report (Jones, 1988) be implemented. It was planned to test for gold mineralization at depth at the old Tunkwa mercury mine. When the association of gold with the Tunkwa mercury epithermal system is established, then additional work should be conducted in the vicinity of the new large anomaly. Stage I, consisting of reverse circulation drilling, is estimated to cost \$80,000. Stage II, contingent on Stage I, consists of additional drilling and is estimated to cost \$150,000.

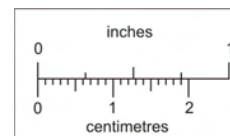
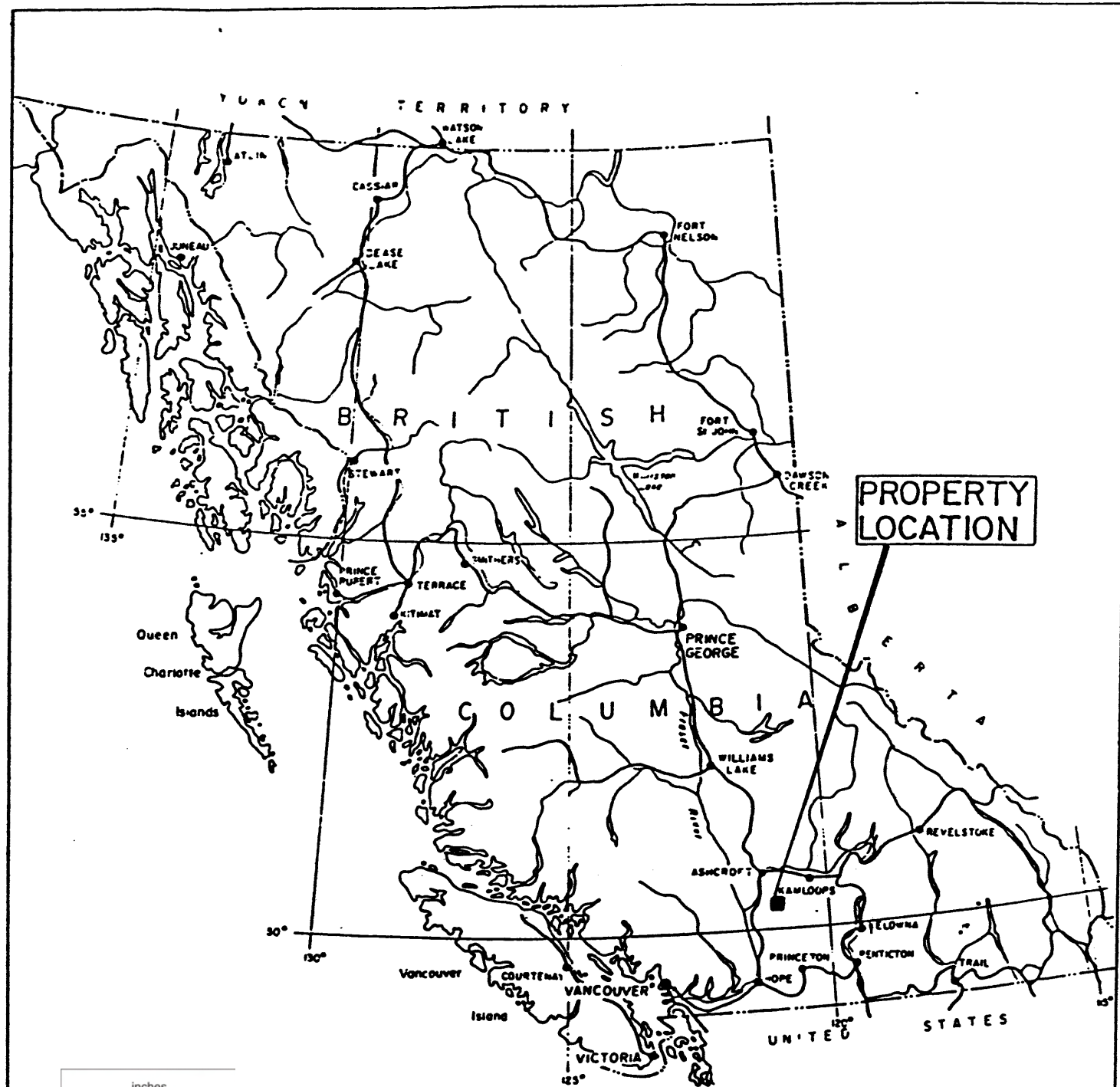
INTRODUCTION

The Model property consists of a 65 unit block of claims located near Tunkwa Lake 35 kilometres west of Kamloops, B.C. The writer examined the property on October 12, 1988 and prepared a report on it dated December 6, 1988. The reader is referred to this report for all background information on the property and the results of the 1988 exploration program conducted on it by Mad River Resources Inc.

During April - May, 1989 the company conducted additional exploration on the property. This consisted of a magnetometer and a soil sampling survey over the northeastern projection of the inferred Model fault zone, which, at the old Tunkwa mercury mine, hosted mercury in a strong carbonate-altered fault zone. Previous work, 1988 and earlier, indicated that while gold was not present in surface samples the epithermal alteration zones were clearly indicated by elevated and anomalous values of mercury, arsenic, barium and iron in the soils.

FIELD WORK

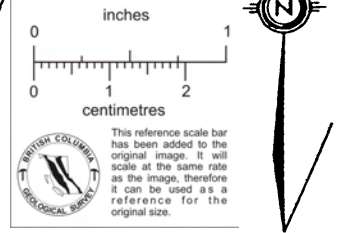
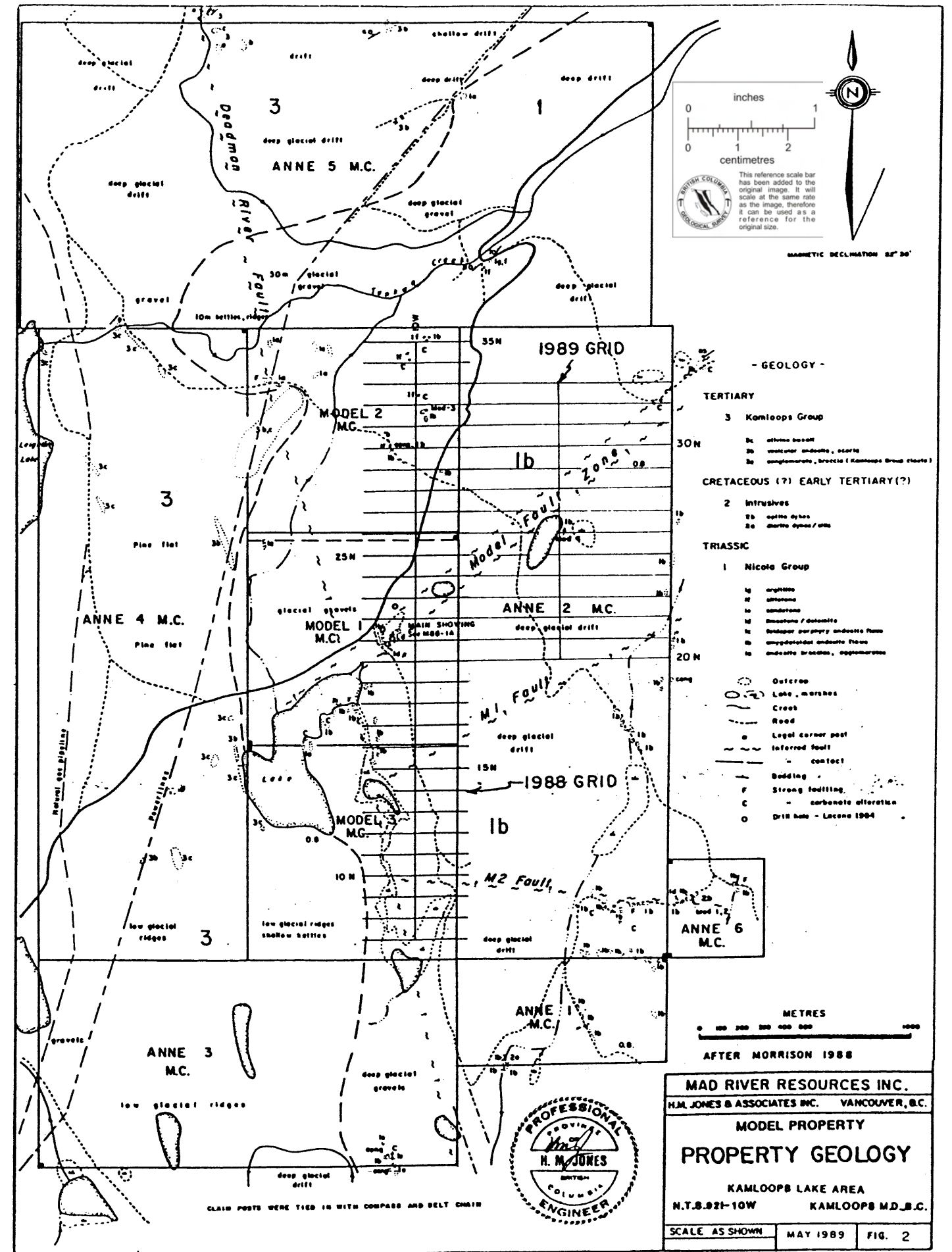
A grid, consisting of a 1.3 km baseline and 13.3 line km of grid lines, was laid out on the northern half of Anne 2 claim (Figure 2). Lines were spaced at 100 metres and stations set on each line at 25 metre intervals. Magnetometer readings were taken at each station on each line. Soil samples were taken over a portion of the grid which coincided with the inferred Model fault zone. They were taken at 25 metre intervals over 5.3 line kms of the grid. A total of 212 samples were calculated and assayed for 30 elements by the I.C.P. method and for mercury by flameless atomic absorption.



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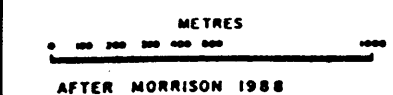


MAD RIVER RESOURCES INC.		
H. M. JONES & ASSOCIATES INC.		VANCOUVER, B.C.
MODEL PROPERTY LOCATION MAP KAMLOOPS LAKE AREA		
N.T.S. 92I-10W		KAMLOOPS M.D., B.C.
SCALE - AS SHOWN	MAY 1989	FIG. 1
DRAWN BY: M.M.		

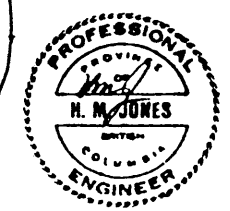


This reference scale bar has been added to the original image. It will scale at the same rate as the image, therefore it can be used as a reference for the original size.

- GEOLOGY -
- TERTIARY**
- 3 Kamloops Group
- 3a alluvial deposit
 - 3b sandstone, siltstone, shale
 - 3c conglomerate, breccia (Kamloops Group chert)
- CRETACEOUS (?) EARLY TERTIARY (?)**
- 2 Intrusives
- 2a granite dykes
 - 2b diorite dykes / sills
- TRIASSIC**
- 1 Nicole Group
- 1a argillite
 - 1b siltstone
 - 1c sandstone
 - 1d limestone / dolomite
 - 1e sandstone / argillite / shale
 - 1f sandstone / argillite / shale
 - 1g argillite / sandstone / shale
 - 1h argillite / sandstone / shale
- Legend:**
- Outcrop
 - Lake, marshes
 - Road
 - Contact
 - Legal corner post
 - - - Inferred fault
 - - - contact
 - Bedding
 - F Strong faulting
 - C carbonate alteration
 - Drill hole - Leacone 1904



AFTER MORRISON 1988



MAD RIVER RESOURCES INC.		
H.M. JONES & ASSOCIATES INC.		VANCOUVER, B.C.
MODEL PROPERTY PROPERTY GEOLOGY		
KAMLOOPS LAKE AREA		KAMLOOPS M.D., B.C.
SCALE AS SHOWN	MAY 1989	FIG. 2

RESULTS

(a) Magnetometer Survey

The survey was made using a Scintrex MF-2 Fluxgate magnetometer. All readings were adjusted to base station values which were established prior to the start of the survey.

The magnetic data shows a low magnetic relief throughout the survey area with all readings ranging from 180 to 1,880 gammas (background of 50,000 gammas removed from all readings). The plotted data indicates a number of north-trending weak magnetic "highs" and "lows". The source of these magnetic readings can only be inferred, since the area is essentially devoid of outcrop.

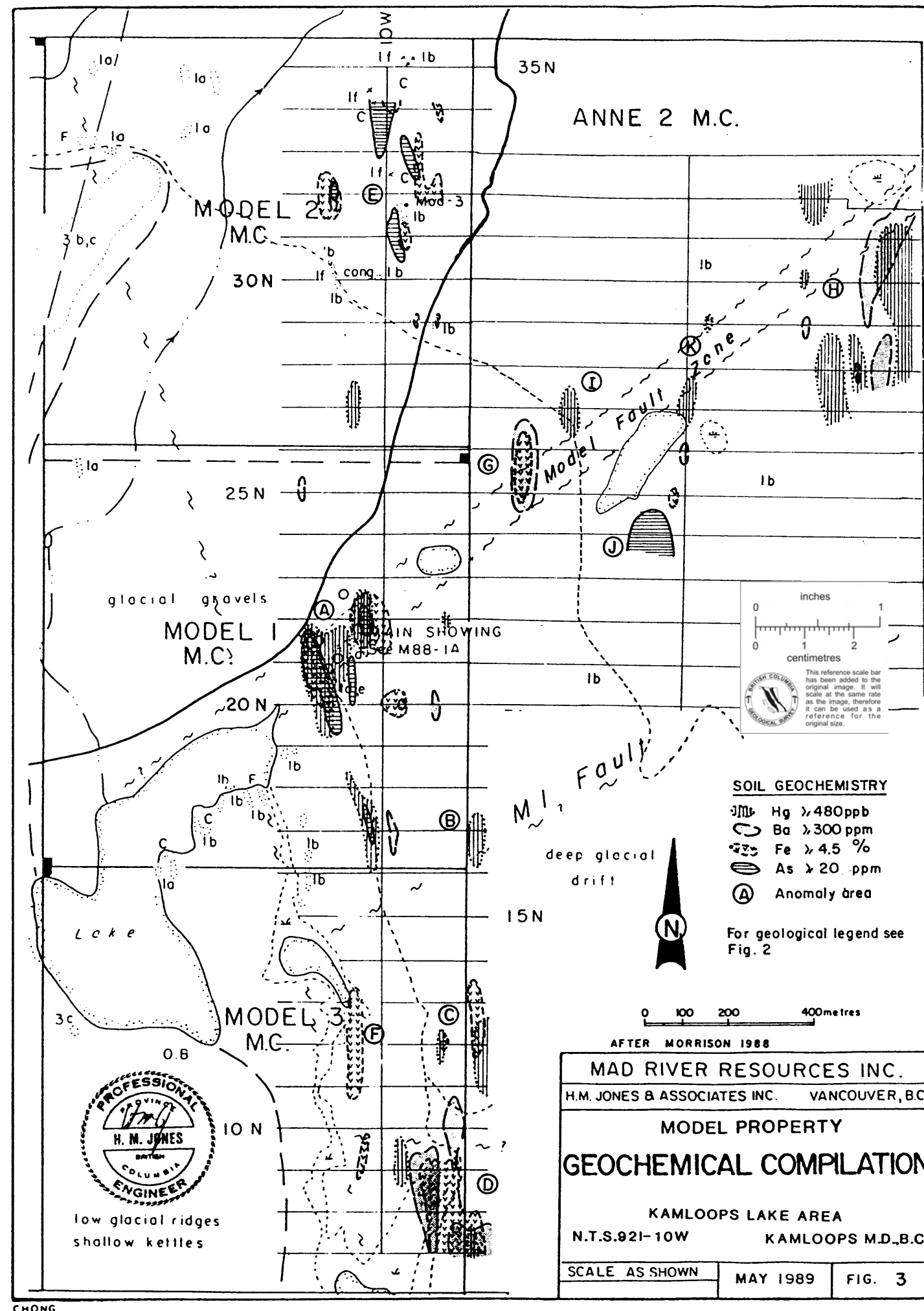
A broad band of weak, north-trending magnetic "highs" was recorded on the western part of the grid. It is thought to reflect augite-rich Nicola Group andesite flow rocks under shallow overburden. These rocks occur in the overburden as angular float and in one outcrop. A broad area of magnetic "lows" underlies the central part of the grid and probably reflects deeper glacial drift. Elsewhere, weak magnetic "highs" and "lows" are coincident with glacial moraines and depressions between them.

It was hoped that the inferred Model fault zone would be reflected in the data as disruptions in the magnetic trends, either as offsets, magnetic lows, etc. However, there was no indication of the inferred fault in the plotted data. Since the magnetic data did not add to the geological interpretation, it was omitted from the compilation map (Figure 3).

(b) Geochemical Soil Survey

The geochemical soil survey was planned to test the inferred Model fault zone along its inferred northeast trend. It was anticipated that mercury and arsenic anomalies would be located on and down ice from it similar to those found in the 1988 soil survey over the old Tunkwa mercury mine area.

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Thirty-one elements were analysed, of these mercury, arsenic, barium, and iron appeared to give the most meaningful results when compared with geology. For presentation purposes only, the stronger anomalies of these elements were added to Figure 3, which is an up-dated revision of the compilation map - Figure 5 - which accompanied the writer's report of November, 1988.

Three areas anomalous in mercury were located. They are shown on Figure 3 as anomalies H, I and K. All are on or adjacent to the inferred Model fault zone.

Anomaly H

It covers a broad area in which most of the values were greater than 240 ppb mercury. It includes a peak "high" of 46,000 ppb Hg, and other significant highs of 3,100, 1,200 and 540 ppb Hg.

Faulted Nicola Group volcanic rocks with associated carbonate alteration were noted near the marsh at the northeast corner of the grid. The two highest mercury assays appear to be related to these faulted and altered rocks. Barium values are also elevated in anomaly H (200 to 400 ppm) while arsenic values are only slightly elevated (10 to 18 ppm).

Anomaly I

It consists of a peak value of 2200 ppb Hg and an adjoining one of 280 ppb Hg. These values are associated with a local zone of carbonate alteration in Nicola Group andesites.

Anomaly K

Isolated values of 2800 and 500 ppb Hg occur 200 metres apart within a north trending zone weakly elevated in mercury. This area is thought to be underlain by deep glacial till.

Three other anomalous areas were located. They are (see Figure 3):

Anomaly G

It contains coincident anomalous values in barium - 376 and 611 ppb Ba - and iron - 4.56 and 6.75% Fe. This area is known to be underlain by a thin mantle of glacial till overlying augite-rich andesite flows of the Nicola Group.

Anomaly J

It is defined by a peak value of 69 ppm As flanked by a 31 and a 32 ppm As. Barium is elevated in this area (200 to 300 ppm Ba) as is iron (3.90 - 4.57% Fe).

Nicola Group andesite flows intruded by dioritic dykes are exposed on the east shore of a small lake in proximity to this anomaly. A weak gossan related to disseminated pyrite is also present in this area. The elevated arsenic, barium and iron values are probably related to the dykes and not the inferred Model fault zone.

DISCUSSION

The magnetometer survey did not aid in interpreting the geology in the vicinity of the inferred Model fault zone. At best, it probably reflected variations in the depth of the glacial till.

The geochemical soil surveys located one large and several smaller mercury anomalies along or adjacent to the inferred Model fault trend. Their north-south elongation is probably the result of glacial movement.

The large anomalous area is located approximately 1,150 metres northeast of the old Tunkwa mercury mine and appears to be associated with faulted and carbonate-altered Nicola volcanics, a setting similar to that at the old mine. This new anomaly (anomaly H) may reflect another epithermal centre similar to that at the old Tunkwa mercury mine. Additional work is warranted along this inferred trend.

CONCLUSIONS

It is concluded that a second significant epithermal centre may be present along the inferred Model fault zone and that it may host a gold-bearing alteration zone at depth.

RECOMMENDATIONS

It is recommended that the drill program proposed in the writer's earlier report (Jones, 1988) be implemented. It was planned to test for gold mineralization in the inferred Model fault zone in proximity to the old Tunkwa mercury mine. The association of gold with the Tunkwa Lake mercury epithermal systems should be firmly established before additional work is conducted on the newly discovered mercury anomaly H.

COST ESTIMATE

Stage I - Reverse circulation drilling


Say 1,400 metres @ \$50/metre all inclusive	\$ 70,000
Contingencies	<u>10,000</u>

Total Stage I	<u>\$ 80,000</u>
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Stage II - Contingent on Stage I

Additional reverse circulation drilling, say 3,000 metres @ \$50/m all inclusive	<u>\$ 150,000</u>
---	-------------------

Respectfully submitted,



Harold M. Jones

HAROLD M. JONES & ASSOCIATES INC.

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Jones, H.M. (1988) - A Report on the Model Property, Tunkwa Lake, Logan Lake Area, B.C., Kamloops Mining Division, for Mad River Resources Inc.

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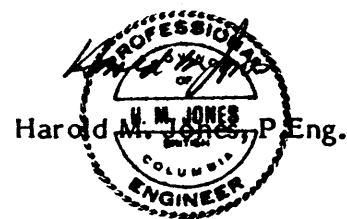
HAROLD M. JONES & ASSOCIATES INC.

CERTIFICATE

I, Harold M. Jones, of the City of Vancouver, British Columbia, do hereby certify that:

1. I am a Consulting Geological Engineer with offices at #605 - 602 West Hastings Street, Vancouver, British Columbia.
2. I am a graduate of the University of British Columbia in Geological Engineering, 1956.
3. I have practised my profession as a Geological Engineer for over 30 years.
4. I am a member of the Association of Professional Engineers of British Columbia, Registration No. 4681.
5. I examined the Model property on October 12, 1988 and prepared a report on it dated December 6, 1988. I also reviewed the results of the April - May, 1989 field program and summarized them in the attached report.
6. I have no interest in, nor do I expect to receive any interest, direct or indirect, in the Model property or in the securities of Mad River Resources Inc.
7. Mad River Resources Inc. are hereby given permission to reproduce this report, or any part of it, in a Prospectus, Statement of Material Facts or other documents as required by the regulatory authorities, provided, however, that no portion may be used out of context in such a manner as to convey a meaning differing from that set out in the whole.

Dated at Vancouver, B.C. this 30th day of May, 1989.



HAROLD M. JONES & ASSOCIATES INC.

APPENDIX I

ASSAY CERTIFICATES

HAROLD M. JONES & ASSOCIATES INC.

GEOCHEMICAL ANALYSIS CERTIFICATE

ICP - .500 GRAM SAMPLE IS DIGESTED WITH 3ML 3-1-2 HCL-HNO3-H2O AT 95 DEG. C FOR ONE HOUR AND IS DILUTED TO 10 ML WITH WATER. THIS LEACH IS PARTIAL FOR NH FE SR CA P LA CR HG BA TI B W AND LIMITED FOR NA K AND AL. AU DETECTION LIMIT BY ICP IS 3 PPM. - SAMPLE TYPE: Soil -60 Mesh HG ANALYSIS BY FLAMELESS AA.

DATE RECEIVED: APR 21 1989 DATE REPORT MAILED: April 27/89 SIGNED BY: D. TOYE, C. LEONG, J. WANG: CERTIFIED B.C. ASSAYERS

M.S. MORRISON File # 89-0850 Page 1

Table with columns: SAMPLE#, No, Cu, Pb, Zn, Ag, Ni, Co, Mn, Fe, As, U, Au, Th, Sr, Cd, Sb, Bi, V, Cr, P, La, Cr, Hg, Ba, Ti, B, Al, Na, K, W, Hg. Rows include various sample IDs like L32M 1-00N, L32M 0-75N, etc.

M.S. MORRISON FILE # 89-0850

Page 2

Table with columns: SAMPLE#, No, Cu, Pb, Zn, Ag, Ni, Co, Mn, Fe, As, U, Au, Th, Sr, Cd, Sb, Bi, V, Cr, P, La, Cr, Hg, Ba, Ti, B, Al, Na, K, W, Hg. Rows include various sample IDs like L30M 1-00N, L30M 0-75N, etc.

CERTIFIED A TRUE COPY

A REPORT ON THE DOMINION CLAIM GROUP

WALLACE MOUNTAIN AREA

BEAVERDELL, B.C.

GREENWOOD MINING DIVISION

82E 6E

for

MAD RIVER RESOURCES INC.

1600 Bow Valley Square Two

205 - 5th Avenue Southwest

Calgary, Alberta

T2P 2V7

by

HAROLD M. JONES, P.ENG.

HAROLD M. JONES & ASSOCIATES INC.

December 9, 1988

**HAROLD M. JONES, P. Eng.
CONSULTING GEOLOGIST
VANCOUVER, B.C.**

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SUMMARY

The Dominion property is located in the Greenwood Mining Division of British Columbia five kilometres southeast of Beaverdell, which is on Highway 33 approximately 95 road kilometres from Kelowna. The claims are accessible from Beaverdell by 8 kilometres of good gravel roads.

The property consists of three contiguous claims totalling 46 units. They are located within moderate to steep, well forested topography.

The area in general has been actively prospected since the late 1800's. The Highland Bell mine, located several kilometres west of the Dominion claims, commenced mining high grade silver-lead ore in 1900 and is still in operation.

A number of old workings are present within the Dominion claims, the most noteworthy being those at the old Nepanee prospect. Attraction to the area was generated by the locating of a large slab of float in a gravel-filled gully. A sample from the float assayed 239 oz/ton silver and 0.61 oz/ton gold. The source of this mineralization was never found.

The property was staked by its present owner in 1979 as a uranium prospect. He considered an area underlain by Eocene sedimentary rocks as being favourable for hosting uranium mineralization. The uranium potential was not fully assessed due to the property being included in the Uranium Exploration Moratorium.

A precious metals oriented survey was conducted on the property in 1983. This work was mistakenly approved by the authorities. It indicated that the old Nepanee prospect area contained the more favourable geology for hosting silver-lead mineralization.

In 1988 Mad River Resources Inc. conducted a geological, geochemical, geophysical and trenching program on selected parts of the Dominion claims. Most of the work was concentrated in the vicinity of the old Nepanee prospect.

The northwestern part of the property is underlain by Upper Triassic Wallace Formation (Anachist Group) sediments and volcanics. These occur as a pendant in Jurassic - Cretaceous Nelson intrusives, which underlie most of the remaining parts of the claims. Tertiary sediments and volcanics overly all geology on the eastern and southeastern parts of the property.

Exploration by Mad River Resources Inc. indicates two areas of interest which warrant additional work. The principle area, located on Dominion 1 claim, is that which includes the old Nepanee workings. From mapping and trenching data it is inferred that a fault zone trends north through the area, dips moderately to the east, and occurs on the contact between fine bedded sediments and massive tuffs of the Wallace Formation. Rock assays from trenches dug over this fault contact returned some samples anomalous in arsenic. One piece of galena float was found just above the trench floor near the inferred contact. It assayed 304.8 oz/ton Ag, 0.14 oz/ton Au, 46.93% Pb, 12.63% Zn and 4.82% As. It is postulated that this piece of float, and the large slab referred to earlier, came from a mineralized zone along the inferred fault contact.

A second area of interest is located on Dominion 2 claim. Several old pits expose a north-striking, vertical dipping shear zone in Nelson granodiorite which is mineralized with pyrite and minor galena and chalcopyrite. Two selected samples of dump material assayed respectively 2.98 oz/ton Ag, 0.033 oz/ton Au and 9.08 oz/ton Ag and 0.005 oz/ton Au. A geochemical soil survey over this area located coincident Ag-Pb-Zn-Cu-Mn anomalies which trended S40E rather than east-west like the shear. This suggests a second mineralized structure present at this location. Since the

mineralization at the Highland Bell Mine occurs in shears in Nelson granodiorite, this zone should receive a closer examination.

It is concluded that the inferred fault contact zone at the old Nepanee prospect may be the source of the high grade silver-lead float and warrants a preliminary drill program. It is also concluded that the geochemically anomalous area on Dominion 2 claim warrants trenching, or if not feasible, a limited amount of drilling.

Stage I, consisting of reverse circulation drilling and backhoe trenching, is estimated to cost \$42,000. Stage II, contingent on Stage I, consists of an expanded drill program and is estimated to cost \$150,000.

INTRODUCTION

At the request of Mad River Resources Inc. the writer, on October 11, 1988 examined the Dominion Claim group located near Beaverdell, B.C. The writer was accompanied by M. Morrison, B.Sc., geologist and vendor of the property, who was conducting an exploration program on the claims at the time of the visit.

The property was explored intermittently for many years in an attempt to locate the source of high grade silver-lead float. This material was very angular and appeared not to have been transported but of local origin. Morrison's (1988) exploration was oriented to locate this source.

Location and Access

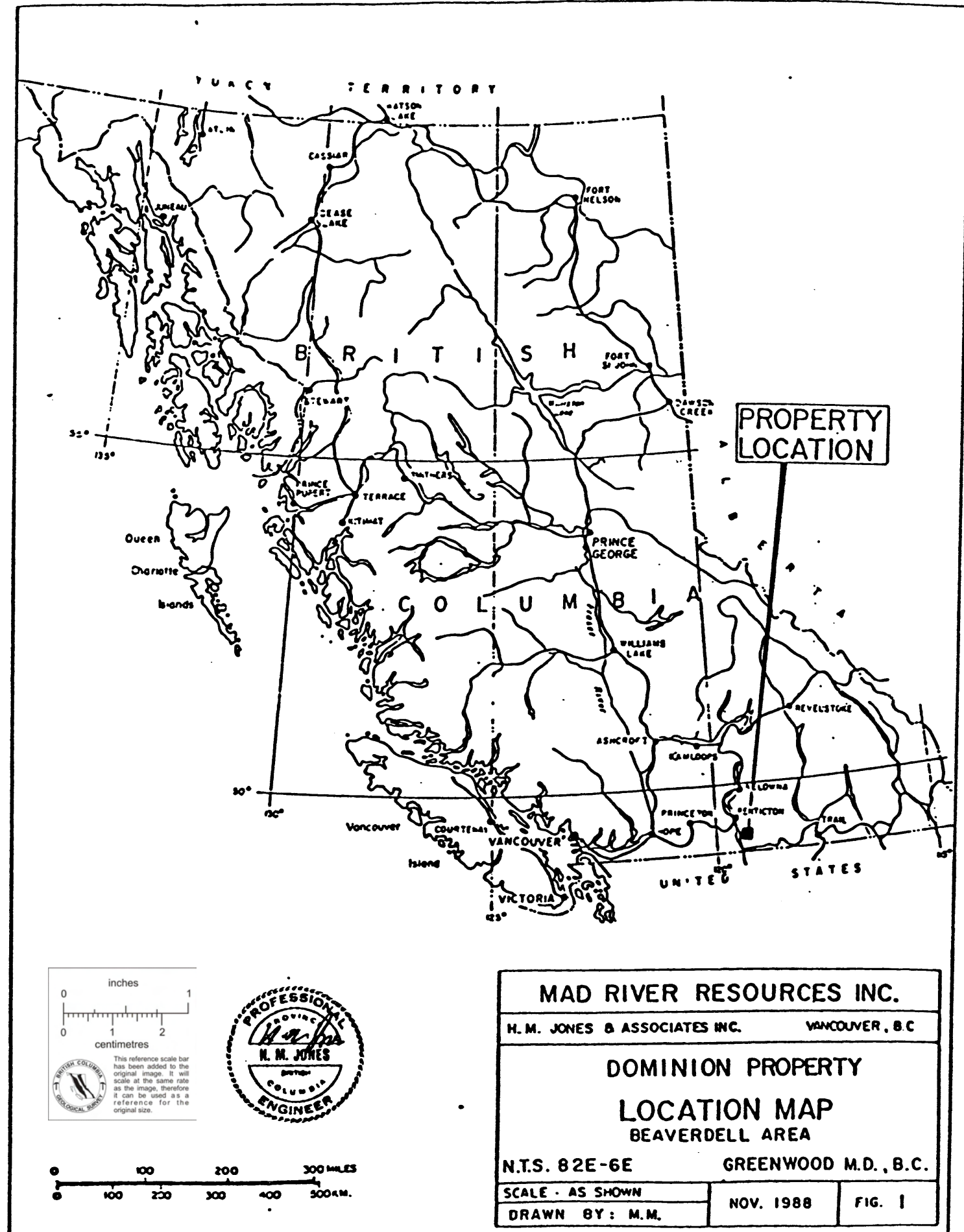
49° 23' 30" North latitude) to approximate centre of
119° 03' West longitude) claims

The Dominion claim group is located in the Greenwood Mining Division of southwestern British Columbia 5 kilometres southeast of Beaverdell, a small community on Highway 33 approximately 95 road kilometres southeasterly of Kelowna (Figure 1). The claims lie on the south and western slopes of Wallace Mountain which forms the eastern backdrop to Beaverdell.

Beaverdell is very accessible via Highway 33 southerly from Kelowna, a city in the Okanagan Valley which offers most of the amenities and services required for conducting exploration projects. It is also well serviced by several airlines. The claims are eight kilometres by good gravel roads from Beaverdell. The first four kilometres are via the Highland Bell Mine haul road, the remainder via the Goat Mountain forestry look-out road.

The claims are also accessible by the Boyer Creek logging road, a good gravel road which traverses the southern part of the claim group (Figure 2).

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Topography & Vegetation

The claims are located on the southeast end of the Okanagan Highlands, which is characterized by low, rolling hills separated by broad, shallow valleys. This moderate terrain is interrupted by deeply incised east and west flowing streams draining into the equally deeply incised, south flowing Kettle and West Kettle Rivers.

The claims lie on the south and western slopes of Wallace Mountain, which is one of several mountains forming a northerly trending ridge within the Beaverdell Range. South slopes of Wallace Mountain are moderate while to the west and north they are considerably steeper. Elevations in the Beaverdell area range from 760 metres in the West Kettle River valley to Goat peak on Wallace mountain at 1,740 metres. Elevations on the claims range from approximately 1,065 metres to 1,585 metres.

Vegetation in the Beaverdell area is typical of the dry belt of interior British Columbia. Mature stands of fir, pine, tamarack, and alder occur dispersed with areas of thick second growth forest of the same trees. The latter areas are the results of old forest fires or past logging. Much of the Dominion claims are covered by second growth as a result of earlier logging.

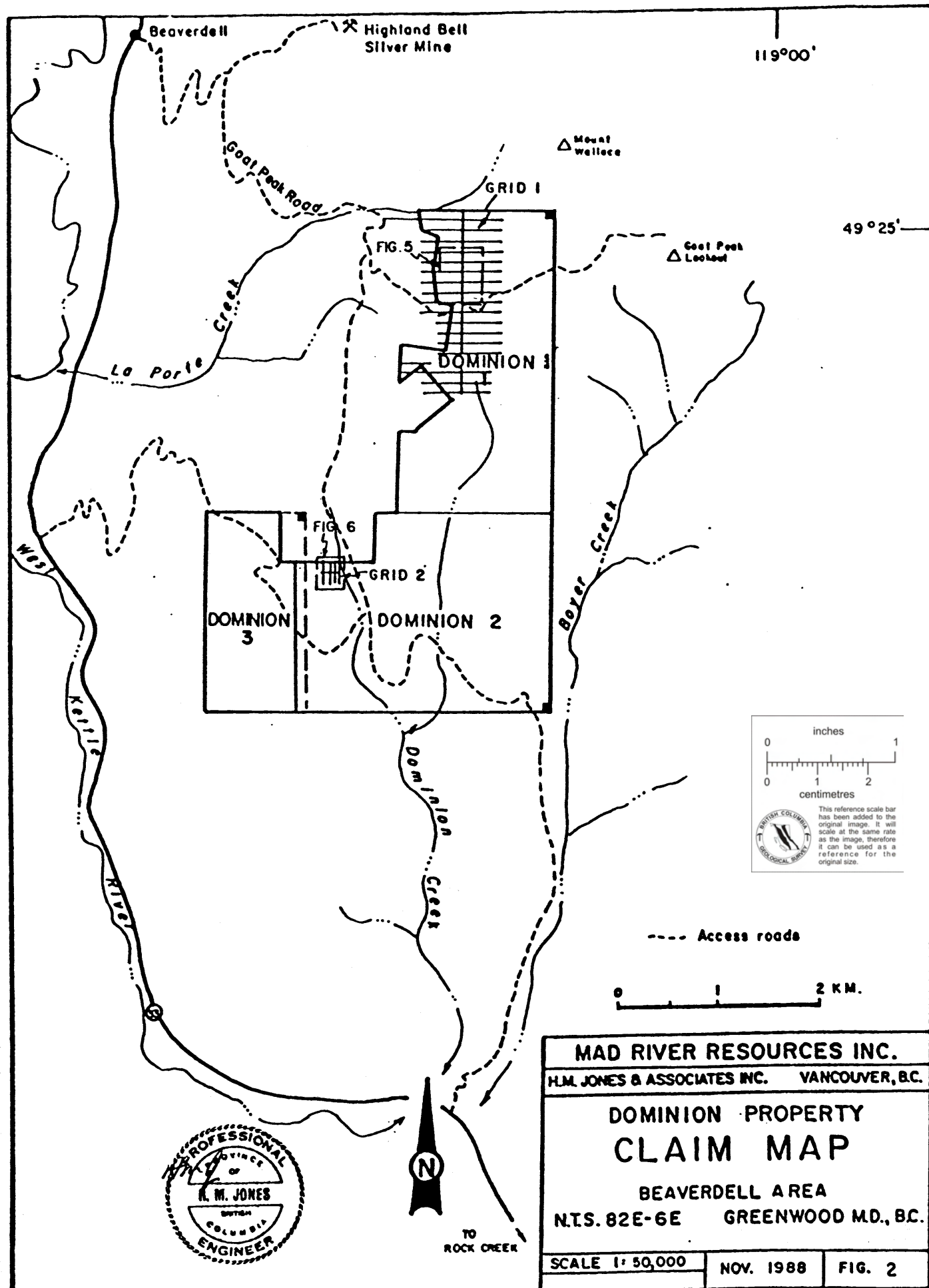
Property and Title

The property consists of three contiguous claims totalling 46 units (see Figure 2). They are:

<u>Claim Name</u>	<u>No. of Units</u>	<u>Record No.</u>	<u>Expiry Date*</u>
Dominion 1	18	1294	August 25, 1990
Dominion 2	20	1295	August 25, 1990
Dominion 3	8	1296	August 25, 1990

*Pending acceptance of the recently filed 1988 assessment work.

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The claims are owned by M. Morrison, 684 Balsam Street, Kelowna, B.C. and held under an option agreement by Mad River Resources Inc., 1600 Bow Valley Square Two, 205 - 5th Avenue Southwest, Calgary, Alberta.

Any legal aspects pertaining to the claims is beyond the scope of this report.

History and Previous Work

The general Beaverdell area was actively prospected during the late 1800's. This lead to the discovery of the Highland Bell Mine which commenced producing high grade silver ore in 1900 and has operated continuously to the present. It is currently mining ore grading approximately 10 oz/ton silver at the rate of 120 tons per day. Production to 1986 totalled 32.8 million ounces silver and approximately 15,000 ounces gold, 23 million pounds lead and 27 million pounds zinc. (B.C. Min. Inv and Northern Mine Handbooks).

The Dominion claim group includes the old Nepanee prospect which was explored intermittently between 1904 and 1935 by a number of short adits and shallow shafts and pits. While it is difficult to relate the literature to old workings it is apparent that several adits and inclined shafts explored a poorly defined gold-bearing pyrite-arsenopyrite vein in Wallace Formation volcanics. These workings may be on the western side of the Nepanee prospect where fairly large dumps are associated with old workings. In 1918 one ton of ore was shipped which assayed 68.4 oz/ton silver, 0.14 oz/ton gold and 15.2% lead (MMAR, 1918).

A large slab of galena was located in the gravels in the gully at the Nepanee prospect. It assayed 239 oz/ton silver, 0.61 oz/ton gold and 23% lead (MMAR, 1923). Several drifts were driven beneath the gravels searching for the source of this float. It was not found.

In 1928 an adit and drift explored a mineralized 6 - 24 inch wide shear zone. Picked ore from this structure assayed 134 oz/ton silver, trace gold, 34% lead and 14% zinc (MMAR, 1928).

In 1965 Red Rock Mines Ltd. drilled five holes totaling 324 metres in the vicinity of the old Nepanee workings. Results of this work are not known.

During the uranium "boom" of the 1970's the ground now covered by the Dominion claims was staked several times. In 1979 Morrison staked the Dominion 1-3 claims to cover an area underlain by Eocene sedimentary rocks which at the time were considered to be favourable host rocks for uranium mineralization. The uranium potential was never fully assessed.

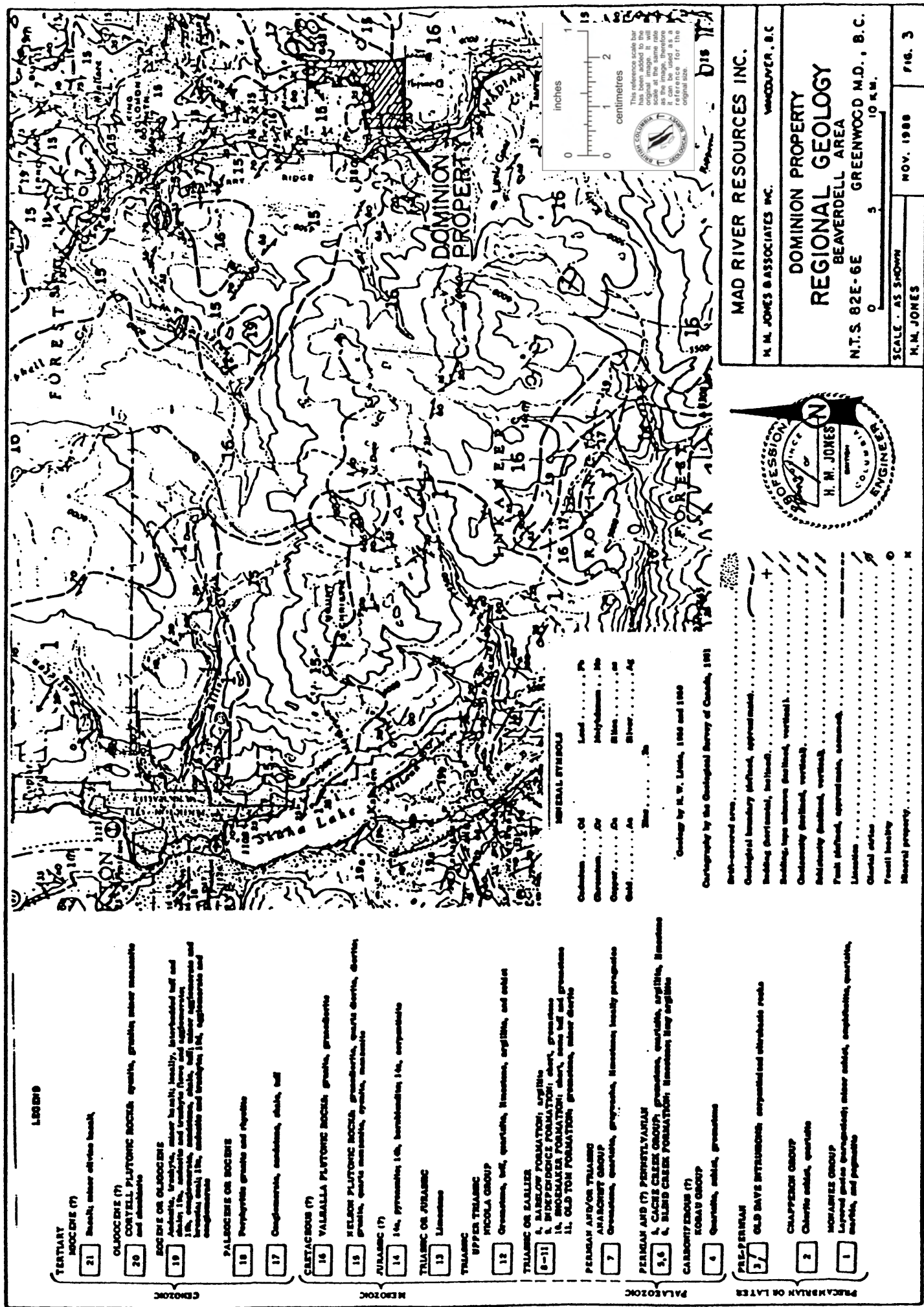
A part of the Dominion claims is also underlain by a portion of the Nelson granodiorite stock, which hosts the very productive Highland Bell silver mine as well as numerous lessor mineral occurrences. For this reason, in 1983, Canstat Petroleum Corp. optioned the claims, conducted a precious metals exploration program and drilled five holes totalling 217 metres. No precious metals were intersected and the option was terminated.

The claims, having been originally staked for uranium, were included in the Uranium Exploration Moratorium and were not available for exploration until 1988. (The Canstat Petroleum work was actually conducted during this period with government approval which was issued in error.) In May, 1988 Mad River Resources Inc. optioned the property and commissioned M. Morrison, the vendor and a geologist, to conduct a program of geology, geochemistry, geophysics and trenching on the claims. The result of his work are incorporated into this report.

GEOLOGY

Regional Geology

In the Beaverdell area small pendants of Permian and/or Triassic Wallace Formation (Anarchist Group) greenstone, greywacke, limestone and gneiss occur within granitic rocks of the Jurassic-Cretaceous Nelson batholith and Valhalla plutonics.



The Nelson intrusive rocks are slightly older than the invading Valhalla plutonics resulting in the former rocks occurring generally as small bodies enveloped by the larger stock-like body of Valhalla rocks (Figure 3).

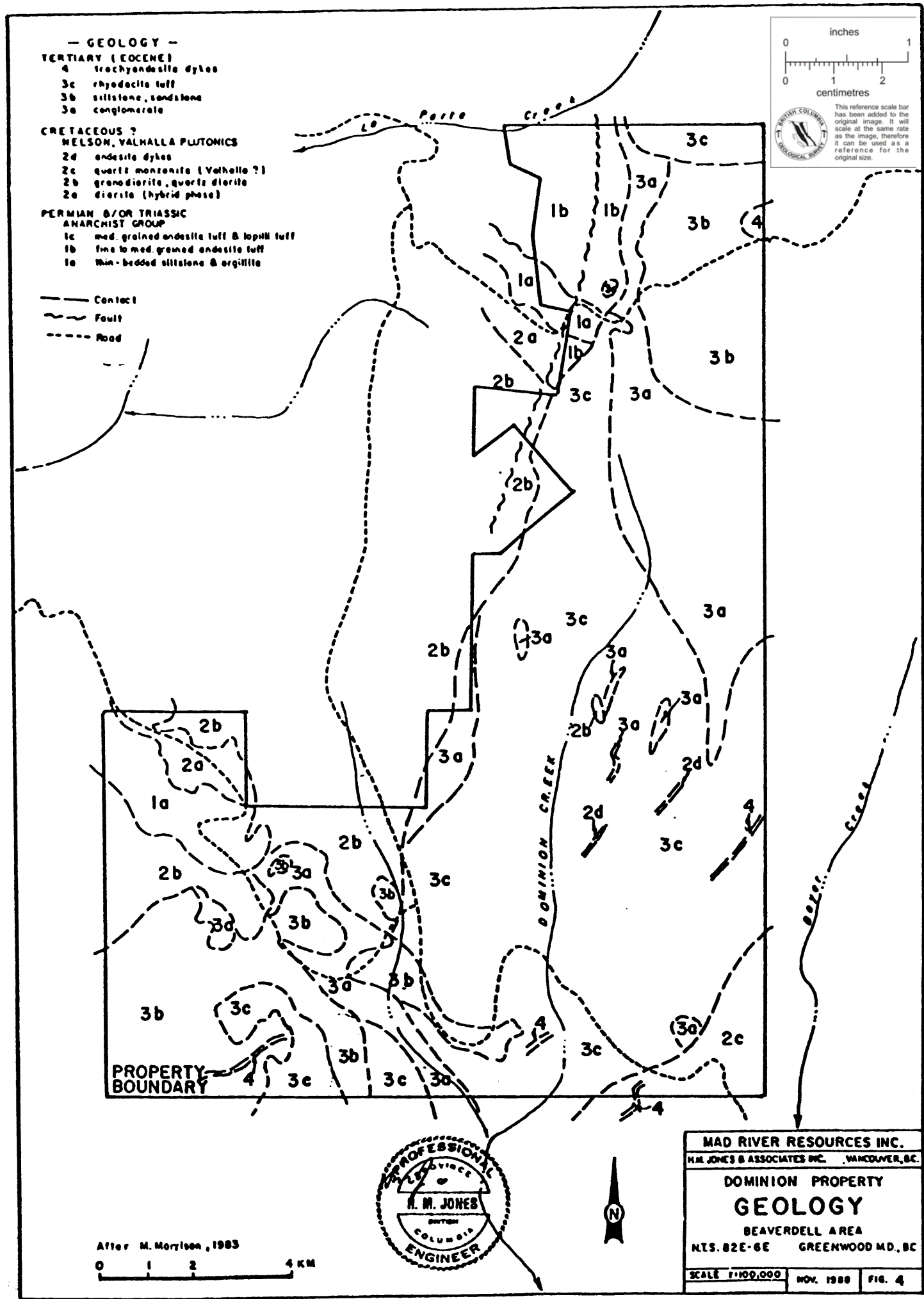
These rocks are locally overlain by Paleocene or Eocene conglomerates and tuffs. Small plugs of Oligocene Coryell porphyry occur at scattered locations throughout the district. Eocene narrow volcanic flows rest on Eocene sediments and form buttes at Goat Peak and on top of Wallace Mountain.

The major ore bodies of the Beaverdell area being worked by Highland Bell Mines are located within east-west and northeast shear zones in Nelson plutonic rocks. These rocks project into the Dominion claim group intruding Wallace Formation (Anarchist Group) volcanics and sediments. Shear zones cutting both rock types are mineralized with pyrite, chalcopyrite, galena, and sphalerite. This type of mineralization is common to numerous mineral occurrences in the district.

Property Geology

Outcrop on the northern part of the property on Dominion 1 claim is abundant but toward the south appreciable glacial drift restricts bedrock exposures. The geology and its interpretation as described below was compiled from Morrison's data obtained during his field work in 1983 and 1988 (Morrison, 1988). He sub-divided the geology into the following units (see Figure 4).

- Upper Triassic -Wallace Formation (Anarchist Group) volcanics and sediments - thin bedded siltstone and argillite - Unit 1a; fine to medium grained andesite tuff - Unit 1b; medium grained andesite tuff and lapilli tuff - Unit 1c.
- Jurassic - Cretaceous-Nelson and Valhalla intrusive rocks - fine to medium grained diorite, a hybrid phase - Unit 1a; granodiorite - Unit 2b; quartz monzonite Unit 2c; andesite dykes - Unit 2d.



Tertiary -Basin sediments - basal conglomerate - Unit 3a; Sandstone and siltstone - Unit 3(b); rhyodacite tuffs - Unit 3(c).

Tertiary -Trachyandesite dykes - Unit 4.

The Wallace Formation rocks are restricted mostly to the northwestern part of Dominion 1 claim. In this area fine to medium grained tuffs overlie moderate to steep northeast dipping thin bedded siltstone and argillite. These rocks are intruded by Jurassic - Cretaceous Nelson granodiorite to the west and southwest and overlain to the east and southeast by gently east to southeast dipping Tertiary basal conglomerates, sandstones, siltstones and rhyodacitic tuffs. All of the above rocks are intruded by Late Tertiary dykes.

A magnetometer survey was run over the northern part of Dominion 1 claim to aid in the interpretation of geology. The property has a generally low magnetic background. Tertiary trachyandesite dykes have an appreciably stronger magnetic response (approximately 1,000 gammas above background) and can be traced across the property from the magnetics. Their northerly trends show off-sets which are probably due to the faulting.

Faulting is widespread on the property. Most faults strike north or a few degrees west or east of north. Only the strongest faults are shown on Figure 4. East-west shearing, while present, is much less recognizable than the faulting.

One northerly trending fault passes through the old Nepanee prospect area. This may be an important control for mineralization occurring in this area and was the focus of much of the 1988 exploration.

ALTERATION AND MINERALIZATION

Silver-lead-zinc ore has been mined on the Highland Bell mine property, located immediately west of the Dominion claims, since 1900. Mineralization occurs in vein systems mainly within quartz diorite or granodiorite of the Nelson intrusives. The veins follow along either easterly or northeasterly trending faults. In most cases the mineralization persists only a short distance into the Anarchist Group, which occurs as a pendant on the east side of their property. The veins consist of pyrite, galena and sphalerite with lesser chalcopyrite, pyrrhotite, arsenopyrite, polybasite, argentite and native silver in a gangue of quartz, calcite and occasionally fluorite. Propylitic alteration borders the veins and may extend up to 10 metres into the wall rocks.

In most areas on the Dominion property, the various rock types are not strongly altered. An exception to this is the thin bedded siltstone and argillite unit located near the northern border of L.2938. This unit is in contact with Nelson granodiorite and is totally hornfelsed or silicified. The intrusive is also altered along this contact, resulting in the formation of a diorite or hybrid phase of the intrusive.

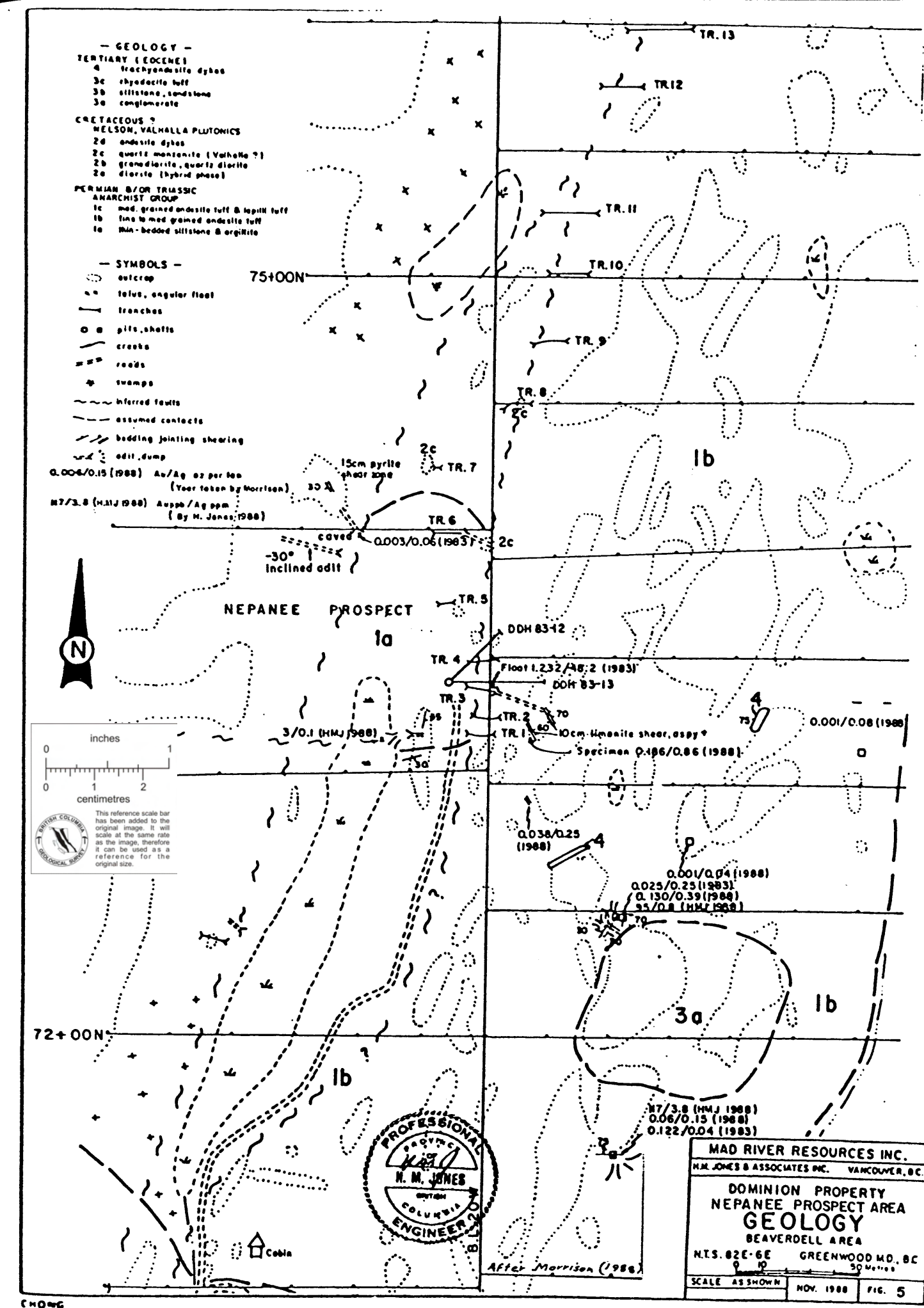
Mineralization is generally confined to shear zones in Nelson granodiorite or in Wallace Formation volcanics or sediments. The shears vary from 0.5 to 2 metres wide and contain pockets of massive pyrite, galena, sphalerite, chalcopyrite and arsenopyrite in a quartz or calcite gangue. The sulphides are often accompanied by gold and silver values. Calcite and chlorite occur as replacements of wall rock on the margins of the vein but only extend into the walls for 10-40 cms.

A number of mineralized areas are known on the property. Those which are of current interest are:

(a) Old Nepanee Prospect

As mentioned under "History and Previous Work" in this report considerable physical work was conducted in this area searching for the source of a large piece

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of argentiferous galena float found in a gravel filled gulley as well as exploring one or more mineralized veins or shears. The locations of the various workings are shown on Figure 5. Most are now caved and provide little or no information.

Mapping by Morrison (1988) indicates that most of the old workings were collared near the fault contact between thinly bedded siltstone and argillites - Unit 1a - and the overlying fine to medium grained andesite tuffs - Unit 1b, (Figure 5). Due to most of the workings being caved, this contact is not exposed. However, based on material in the dumps, it appears that most workings were collared either just above or just below the fault contact and probably did not intersect it i.e., dumps all finely bedded sediments or all tuffaceous.

The fault contact is interpreted to dip at approximately 30° to the east. This was inferred from the geology in an adit and two drill holes (Hole Nos. 83-12 & 13) at the old Nepanee showing in 1983. The adit is entirely within andesite tuffs, the drill holes, at -45°, in siltstone and argillite. These observations dictate a shallow dip to the contact.

One adit, which trends S80E for about 30 metres, is open. A coarse block of limonitic, pyritic material is present at its portal, indicating the adit may have been collared just above the fault contact. A 10 cm wide limonitic shear zone, attitude N20W/70E, is exposed at a point 22 metres into the adit. It is poorly mineralized with arsenopyrite. The same shear, on surface, contains approximately 25% arsenopyrite. A selected sample of this material assayed 0.186 oz/ton Au, 0.86 oz/ton Ag and 9.67% As.

The large slab of argentiferous galena float found in the gulley is accompanied by slickensided, limonitic, argillaceous rock on one surface. It is postulated that this mineralization came from the above mentioned fault contact.

Mad River Resources Inc. conducted a backhoe trenching program along a 300 metre length of the fault contact starting at the old Nepanee workings (Figure 5). A zone of strong weathering and faulting was poorly exposed in trenches 1, 2, 3, 11

and 13. Trenches 4, 5 and 6 exposed only faulted siltstones and argillites (footwall rocks) and trenches 9, 10 and 12 only weathered andesite tuff (hanging wall rocks). A considerable part of trenches 4, 8, 9, 10 and 11 were bottomed in hardpan which could not be penetrated by the backhoe.

Chip samples were taken by Morrison (1988) from the floor of each trench. In trenches 2, 3 and 4 a number of samples were anomalous in lead, zinc, copper, arsenic and silver. These were obtained from the footwall rocks. In trench 4 a 10 cm piece of galena float was located just above the bedrock surface. It assayed 304.85 oz/ton Ag, 0.14 oz/ton Au, 46.93% Pb, 12.63% Zn and 4.82% As. Its location was very near the siltstone/argillite - tuff contact. A 20 cm piece of galena float was found in the bank of Trench 4. It assayed 72.9 oz/ton Ag, 0.273 oz/ton Au, 15.29% Pb, 6.17% Zn and 11.60% As. A bedrock sample from this same trench assayed 30.8 ppm Ag, 1007 ppm Pb, 596 ppm As and 742 ppm Cu. This was the best trench sample obtained and came from the siltstone/argillite unit approximately 4 metres west of its contact with the overlying tuffs. Other significant assays obtained in the footwall rocks near the contact are: trench 2 - 360 ppm As; trench 3 - 305 ppm As; trench 4 - 596 ppm As; and trench 5 - 313 ppm As and 822 ppm Cu.

Quartz monzonite was exposed in trench 8 containing a narrow pyritic shear. A sample from this shear assayed 1613 ppm As and 1091 ppm Cu. This intrusive may underlay much of the area and be the source of the mineralization.

No anomalous samples were obtained from trenches 9 to 13. These samples were almost entirely from the overlying andesitic tuffs.

While all of the trenches did not expose the fault contact between the finely bedded sediments and the overlying tuffs, they did indicate the presence of this structure and mineralization associated with it. The presence of massive sulphide float near the fault contact also indicates this structural zone as being a possibly well mineralized feature.

In addition to trenching, a lithochemical survey was run over that portion of the grid which covered the trenching area. Results of this work did not aid in locating a mineralized structure.

b) Eastern Workings

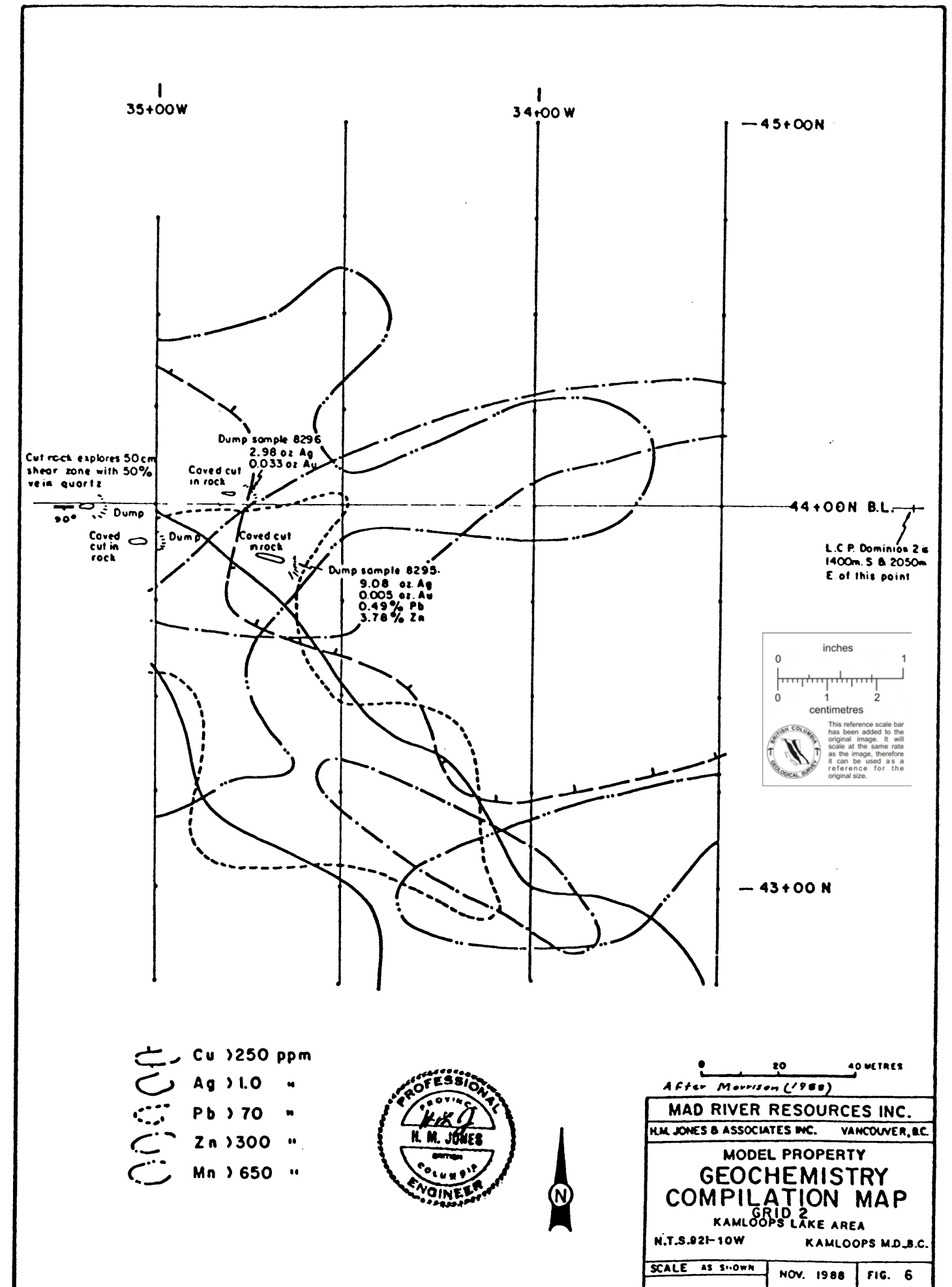
A number of old workings are located approximately 100 - 150 metres southeast of the old Nepee prospect. These consist of shallow pits, shafts and inclined adits in fine to medium grained massive tuffs (map unit 1b). All workings expose strong fracture or shear zones. Some workings contain massive pyrite with minor chalcopyrite and galena in poorly developed quartz veins, others contain abundant limonite - stained tuffs with no obvious sulphides, while others contain intense but unmineralized fracture zones.

Several selected samples of sulphides taken from these workings in 1983 by Morrison assayed respectively 0.122 and 0.130 oz/ton gold and 0.104 and 0.39 oz/ton silver. Similar samples collected in 1988 by Morrison and by the writer could not repeat these values. While not being of economic interest, these mineralized shears may reflect mineralizing fluids emanating from an underlying intrusion.

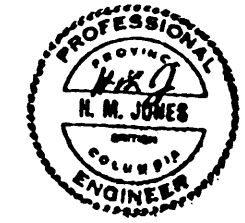
c) Workings on Dominion 2 Claim

On Dominion 2 claim a series of old pits explore a quartz vein which follows an east-west striking vertical dipping shear zone in granodiorite. In the uppermost working, the quartz vein wedges out to 1 cm. Fifteen metres to the east and slightly downslope the shear is 50 cm wide containing 10% quartz mineralized with approximately 2% galena. The other pits, downslope and to the east of the above, are caved and do not expose bedrock. Several dumps show limonitic quartz well mineralized with pyrite and minor galena and chalcopyrite. Two dump samples taken by Morrison (1988) of selected material assayed 2.98 oz/ton Ag, 0.033 oz/ton Au and 9.08 oz/ton Ag, 0.005 oz/ton Au (Figure 6).

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Cu >250 ppm
 Ag >1.0 "
 Pb >70 "
 Zn >300 "
 Mn >650 "



0 20 40 METRES
 After Morrison (1988)
MAD RIVER RESOURCES INC.
 H.M. JONES & ASSOCIATES INC. VANCOUVER, B.C.
MODEL PROPERTY
GEOCHEMISTRY
COMPILATION MAP
 GRID 2
 KAMLOOPS LAKE AREA
 N.T.S. 92-10W KAMLOOPS M.D. B.C.
 SCALE AS SHOWN NOV. 1988 FIG. 6

Mad River Resources Inc. conducted a small geochemical soil survey over this area (Grid 2) to trace the mineralized shear zone to the east into an area of overburden. Results of this survey showed anomalous values in Cu, Pb, Zn and Ag trending S40E from the original showing, not east-west as expected. Only manganese and a portion of the zinc anomaly develop this latter trend (Figure 6).

The southeast geochemical trend is somewhat diagonal to the slope and consequently does not represent a down slope migration of elements from the shear observed in the upper working. It includes definitely anomalous values of 3457 ppm Cu, 205 ppm Pb, 399 ppm Zn and 5.3 ppm Ag. This anomalous area requires additional exploration.

DISCUSSION

The results of the various surveys conducted on the Dominion claims indicate two areas of interest. The first and most important area is that located in the vicinity of the old Nepanee workings. Field data suggests that the source of the argentiferous float is from a mineralized zone located along the inferred faulted contact between thin bedded siltstones and argillites and the overlying massive andesite tuffs. Quartz monzonite intrusive, poorly exposed in this area, may account for the alteration of the thin bedded sediments and be the source of the mineralizing solutions which migrated into the zone of weakness along the fault contact.

Trenching along the contact zone aided in locating the contact area but had problems in defining it due to hardpan and deep overburden. Rock exposures in the trenches were not always good and in one trench, the area of interest was rapidly covered with water and mud. Since the fault contact may be the source of the high grade argentiferous galena, it should be tested by a limited reverse circulation drill program. This work should be centered around the old Nepanee workings area, with all holes drilled from east to west.

The second area, of moderate interest, is on Dominion 2 claim. The geochemical anomalies in this area do not appear to be due to the mineralized shear zone exposed in cuts on the hillside. This indicates that a second mineralized structure may be present. Since this area is underlain by granodiorite similar to that which hosts the Highland Bell mine, any mineralized areas hosted by these rocks should not be ignored. If overburden is not too deep, backhoe trenching of the geochemical anomaly is warranted to search for the source of the mineralization. If overburden appears to be deep, then several reverse circulation drill holes would be warranted.

CONCLUSIONS

It is concluded that the old Nepanee workings area may host a mineralized fault contact in Wallace Formation rocks and that it could be from this structure that the high grade silver float originated. Because of the very high grade of the float, the contact area warrants a preliminary drill program.

It is also concluded that a second area, known to host a mineralized shear in granodiorite, may also host a second mineralized structure. This anomalous area warrants trenching or drilling.

RECOMMENDATIONS

It is recommended that a reverse circulation drill program be conducted on the fault zone in the vicinity of the old Nepanee workings. This should consist of shallow holes, say 60-75 metres long, drilled west at -60°. Backhoe trenching, if feasible, should be conducted on the geochemically anomalous zone on Dominion 2 claim. If not feasible, some drill meterage should be saved for this area.

COST ESTIMATE

Stage I - Reverse circulation drilling

Reverse circulation drilling - say 700 metres @ \$50/metre all inclusive	\$ 35,000
Backhoe trenching	<u>3,000</u>
	38,000
Contingencies	<u>4,000</u>
Total Stage I	<u>\$ 42,000</u>

Stage II - Contingent on Stage I - Additional Drilling

Expanded reverse circulation drill program, say 3,000 metres @ \$15/metre all inclusive	<u>\$ 150,000</u>
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Respectfully submitted,


 Harold M. Jones, P. Eng.

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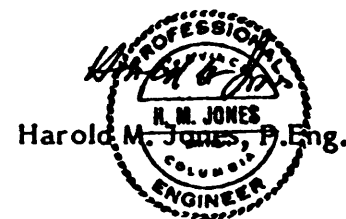
Assessment Report (1988) on Geological, Geochemical, and Geophysical Surveys and on a Backhoe Trenching Program on the Dominion Claim Group, Beaverdell Area, Greenwood Mining Division.

CERTIFICATE

I, Harold M. Jones, of the City of Vancouver, British Columbia, do hereby certify that:

1. I am a Consulting Geological Engineer with offices at #605 - 602 West Hastings Street, Vancouver, British Columbia.
2. I am a graduate of the University of British Columbia in Geological Engineering, 1956.
3. I have practised my profession as a Geological Engineer for over 30 years.
4. I am a member of the Association of Professional Engineers of British Columbia, Registration No. 4681.
5. I examined the Dominion property on October 11, 1988 and reviewed the data listed under "References" in this report.
6. I have no interest in, nor do I expect to receive any interest, direct or indirect, in the Dominion property or in the securities of Mad River Resources Inc.
7. Mad River Resources Inc. are hereby given permission to reproduce this report, or any part of it, in a Prospectus, Statement of Material Facts or other documents as required by the regulating authorities, provided, however, that no portion may be used out of context in such a manner as to convey a meaning differing from that set out in the whole.

Dated at Vancouver, B.C. this 13th day of December, 1988.



HAROLD M. JONES & ASSOCIATES INC.

APPENDIX I

ASSAY CERTIFICATE

HAROLD M. JONES & ASSOCIATES INC.

GEOCHEMICAL ANALYSIS CERTIFICATE

ICP - .500 GRAM SAMPLE IS DIGESTED WITH 3ML 3-1-2 HCL-HNO3-H2O AT 95 DEG. C FOR ONE HOUR AND IS DILUTED TO 10 ML WITH WATER.
 THIS LEACH IS PARTIAL FOR NH FE SR CA P LA CR NG BA TI B W AND LIMITED FOR NA K AND AL. AN DETECTION LIMIT BY ICP IS 3 PPM.
 - SAMPLE TYPE: ROCK AN* ANALYSIS BY ACID LEACH/AA FROM 10 GR SAMPLE.

DATE RECEIVED: NOV 21 1988 DATE REPORT MAILED: Nov 24/88 SIGNED BY: *C. Long* D.TOH, C.LEONG, B.CHAN, J.WANG; CERTIFIED B.C. ASSAYERS

HAROLD M. JONES & ASSOC. INC. PROJECT MAD RIVER RES. File # 88-5946

SAMPLE#	Mo	Cu	Pb	Zn	Ag	Ni	Co	Mn	Fe	As	V	Au	Tl	Sr	Cd	Sb	Bi	V	Ca	P	La	Cr	Hg	Ba	Ti	B	Al	Na	K	V	Au*
	PPM	PPM	PPM	PPM	PPM	PPM	PPM	PPM	%	PPM	PPM	PPM	PPM	PPM	PPM	PPM	PPM	PPM	%	%	PPM	PPM	%	PPM	%	PPM	%	%	%	PPM	PPM
U 0195	1	42	2	40	.1	10	7	671	1.07	11	5	ND	1	95	1	2	2	74	1.63	.096	8	25	.68	115	.00	2	1.48	.11	.17	3	3
U 0196	1	744	29	62	3.8	6	28	279	19.37	560	5	ND	3	7	1	2	2	24	.11	.043	7	4	.33	19	.01	9	2.05	.01	.11	5	117
U 0197	1	230	4	32	.8	5	10	923	5.03	928	5	ND	1	77	1	2	2	18	7.70	.029	10	6	.63	37	.01	2	1.37	.01	.10	3	95

GEOCHEMICAL/ASSAY CERTIFICATE

ICP - .500 GRAM SAMPLE IS DIGESTED WITH 3ML 3-1-2 HCL-HNO3-H2O AT 95 DEG.C FOR ONE HOUR AND IS DILUTED TO 10 ML WITH WATER.
 THIS LEACH IS PARTIAL FOR NH FE SR CA P LA CR NG BA TI B W AND LIMITED FOR NA K AND AL. AN DETECTION LIMIT BY ICP IS 3 PPM.
 - SAMPLE TYPE: ROCK AG** - AN** BY FIRE ASSAY FROM 1/2 A.T.

DATE RECEIVED: NOV 18 1988 DATE REPORT MAILED: Nov 16/88 SIGNED BY: *C. Long* D.TOH, C.LEONG, B.CHAN, J.WANG; CERTIFIED B.C. ASSAYERS

M.S. MORRISON File # 88-5756 Page 2

SAMPLE#	Mo	Cu	Pb	Zn	Ag	Ni	Co	Mn	Fe	As	V	Au	Tl	Sr	Cd	Sb	Bi	V	Ca	P	La	Cr	Hg	Ba	Ti	B	Al	Na	K	V	Pb	Zn	Ag**	Au**	As
	PPM	PPM	PPM	PPM	PPM	PPM	PPM	PPM	%	PPM	PPM	PPM	PPM	PPM	PPM	PPM	PPM	PPM	%	%	PPM	PPM	%	PPM	%	PPM	%	%	%	PPM	%	%	OS/T	OS/T	%
C 8297	10	1091	78	51	24.1	14	14	73	12.18	1613	6	ND	21	18	1	13	2	7	.09	.005	2	3	.06	25	.01	9	.71	.02	.18	1	-	-	.81	.004	-
C 8288	8	822	4	121	2.3	105	34	1515	11.64	285	5	ND	2	12	1	6	2	52	.55	.139	7	51	.57	31	.01	4	1.59	.01	.05	1	-	-	.05	.001	-
C 8289	1	39	26	53	.8	4	8	1379	3.36	29	5	ND	2	234	1	2	2	45	5.35	.062	19	8	.75	355	.01	2	2.06	.01	.13	1	-	-	.02	.001	-
C 8290	1	1241	6	38	2.8	7	57	627	19.70	2783	5	ND	2	78	1	2	2	36	1.89	.023	3	15	.52	15	.01	5	2.29	.01	.13	1	-	-	.08	.021	-
C 8291	1	107	11	52	.5	4	13	891	5.12	206	5	ND	1	183	1	5	2	29	5.03	.056	6	8	.58	50	.01	3	1.47	.01	.18	3	-	-	.01	.004	-
C 8292	2	180	161	942	.9	55	12	5728	6.78	95	6	ND	2	155	5	2	2	48	6.43	.173	15	33	.63	69	.01	2	1.76	.01	.08	1	-	-	.02	.001	-
C 8293	1	1654	16843	99999	196.7	9	1	691	6.38	66025	5	4	1	19	1608	6869	7	3	.15	.003	2	1	.02	13	.01	3	.12	.01	.02	1	46.93	12.63	304.85	.140	4.82
C 8294	1	2581	15204	38742	225.2	8	2	205	15.21	99999	5	13	1	28	626	1362	8	9	.03	.007	2	2	.01	7	.01	3	.24	.01	.08	3	15.29	6.17	72.91	.273	11.60
C 8295	28	695	4217	23183	292.9	7	6	2869	2.93	629	5	ND	1	147	146	50	5	13	6.85	.006	4	10	.94	18	.01	2	.86	.01	.05	2	.49	3.78	9.08	.905	.84
C 8296	15	1200	3496	1303	96.8	14	302	336	21.26	199	5	6	2	7	20	12	88	8	.42	.007	2	22	.13	6	.01	11	.76	.01	.08	1	-	-	2.98	.033	-
C 8297	7	629	2744	677	57.5	18	980	189	17.26	50288	5	11	1	4	9	57	2	9	.08	.009	2	46	.12	8	.01	5	.74	.01	.03	1	-	-	1.70	.181	5.30
STD C	18	61	40	129	6.9	70	31	1833	4.23	61	18	7	39	51	19	19	21	61	.49	.097	42	55	.89	183	.07	35	1.96	.06	.14	11	-	-	-	-	-

✓ ASSAY REQUIRED FOR CORRECT RESULT *Dr Pb Zn As > 1%*
Ag > 25ppm

