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017361

**PROSPECTUS**

**EFFECTIVE DATE: OCTOBER 9, 1987**

# FOUNDATION RESOURCES LTD.

726-815 West Hastings Street  
Vancouver, British Columbia  
V6C 2Y4

**PUBLIC OFFERING:**

**400,000 Common Shares**

Shares	Price to Public	Commissions	Net Proceeds to be received by the Company *
Per Share .....	\$0.50	\$0.06	\$0.44
Total .....	\$200,000	\$24,000	\$176,000

\* Less the cost of the issue estimated to be \$18,000.

P.W  
PROPERTY FILE  
1033062

THERE IS PRESENTLY NO MARKET THROUGH WHICH THESE SECURITIES MAY BE SOLD. THE OFFERING PRICE HAS BEEN DETERMINED BY NEGOTIATION BETWEEN THE COMPANY AND THE AGENT, AND THE COMPANY DOES NOT REPRESENT THAT THE SECURITIES HAVE A MARKET VALUE OR COULD BE RESOLD AT SUCH A PRICE.

THE COMPANY HAS MADE APPLICATION TO THE VANCOUVER STOCK EXCHANGE FOR A CONDITIONAL LISTING OF THE SECURITIES BEING OFFERED HEREIN. LISTING IS SUBJECT TO THE COMPANY FULFILLING ALL THE LISTING REQUIREMENTS OF THE EXCHANGE ON OR BEFORE APRIL 6, 1988, INCLUDING PRESCRIBED DISTRIBUTION AND FINANCING REQUIREMENTS.

NO PERSON IS AUTHORIZED BY THE COMPANY 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 COMPANY.

SUBSCRIPTIONS FOR THE SECURITIES WILL BE RECEIVED SUBJECT TO REJECTION OR ALLOTMENT IN WHOLE OR IN PART AND THE RIGHT IS RESERVED TO CLOSE THE SUBSCRIPTION BOOK WITHOUT NOTICE.

UPON COMPLETION OF THIS OFFERING, THIS ISSUE WILL REPRESENT 25.6% OF THE SHARES THEN OUTSTANDING AS COMPARED TO 63.5% THAT WILL THEN BE OWNED BY THE CONTROLLING PERSONS, PROMOTERS, DIRECTORS AND SENIOR OFFICERS OF THE COMPANY AND ASSOCIATES OF THE AGENT. REFER TO THE HEADING "PRINCIPAL HOLDERS OF SECURITIES" ON PAGE 13 HEREIN FOR DETAILS OF SHARES HELD BY DIRECTORS, PROMOTERS, CONTROLLING PERSONS AND ASSOCIATES OF THE AGENT.

THIS PROSPECTUS ALSO QUALIFIES FOR SALE TO THE PUBLIC AT THE MARKET PRICE PREVAILING AT THE TIME OF SALE ANY SHARES OF THE ISSUER WHICH THE AGENT MAY ACQUIRE PURSUANT TO THE EXERCISE OF THE AGENT'S WARRANTS OR THE GREENSHOE OPTION. REFER TO THE HEADING "PLAN DISTRIBUTION" ON PAGE 1 HEREIN FOR FURTHER DETAILS.

WE, AS AGENT, OFFER THESE SECURITIES SUBJECT TO PRIOR SALE IF, AS AND WHEN ISSUED BY THE COMPANY AND ACCEPTED IN ACCORDANCE WITH THE CONDITIONS CONTAINED IN THE AGENCY AGREEMENT REFERRED TO UNDER "PLAN OF DISTRIBUTION" ON PAGE 1 OF THIS PROSPECTUS.

**AGENT**  
**GEORGIA PACIFIC SECURITIES CORPORATION**  
1600-555 BURRARD STREET  
VANCOUVER, B.C.  
V7X 1S6

**DATED: SEPTEMBER 18, 1987**

**TABLE OF CONTENTS**  
**FOUNDATION RESOURCES LTD.**

<u>ITEM</u>		<u>PAGE</u>
1.	PLAN OF DISTRIBUTION.....	1
	Offering.....	1
	Appointment of Agents.....	1
	Additional Offering.....	3
2.	USE OF PROCEEDS.....	3
3.	SHARE AND LOAN CAPITAL STRUCTURE.....	4
4.	NAME AND INCORPORATION OF COMPANY.....	5
5.	DESCRIPTION OF BUSINESS.....	5
	Business.....	5
	Location and Access.....	5
	History and Work Done.....	6
	Geology and Mineralization.....	6
	Conclusions and Recommendations.....	8
6.	RISK FACTORS.....	8
7.	INCORPORATION WITHIN ONE YEAR - PRELI- MINARY EXPENSES.....	9
8.	PROMOTERS.....	10
9.	LEGAL PROCEEDINGS.....	10
10.	ISSUANCE OF SHARES.....	10
11.	DIRECTORS AND OFFICERS.....	11
12.	EXECUTIVE COMPENSATION.....	12
13.	OPTIONS TO PURCHASE SECURITIES.....	12
14.	ESCROWED SHARES.....	12
15.	PRINCIPAL HOLDERS OF SECURITIES.....	13
16.	PRIOR SALES.....	14
17.	INTEREST OF MANAGEMENT OR OTHERS IN MATERIAL TRANSACTIONS.....	14
18.	AUDITORS, TRANSFER AGENT AND REGISTRAR..	15
19.	MATERIAL CONTRACTS.....	15
20.	OTHER MATERIAL FACTS.....	15
21.	PURCHASER'S STATUTORY RIGHT OF WITH- DRAWAL AND RESCISSION.....	16

Financial Statements for Period Ended May 31, 1987

Engineering Report on Lockeport Claim by G. Richards,  
P.Eng, dated September 17, 1987

logging camp belonging to Western Forest Products. Sewell is supplied by barge and float plane from Vancouver, and other parts of the Queen Charlotte Islands. The road also runs adjacent to Tasu Sound, an all weather harbour on the western coast of Moresby Island.

Elevation on the property ranges from sea level to 550 metres, with topography consisting of northerly trending ridges falling off to steep slopes, which gradually moderate into valley bottoms.

Vegetation consists of mature forests with minor swamp lands along the ridge lines. A portion of the property was logged approximately 40 years ago, with another portion about to be logged.

Part of Moresby Island is presently being considered as a site for a national park or wilderness area, however the Lockeport claims lie well north of the area being considered.

#### **History and Work Done**

In 1979, Radcliffe Resources Ltd. ("Radcliffe") originally staked the ground which is currently covered by the Lockeport claims. In 1986, Radcliffe made the decision to allow those claims to lapse, due to a lack of funds to develop them. The ground was then restaked as the Lockeport claims by New Global Resources Ltd.

The emphasis of Radcliffe's exploration work on the property between 1979 and 1986 was mapping and geochemical sampling on a grid. Three gold showings were discovered and subsequently opened by blasting, then mapped and sampled.

In March and April of 1987, the Company carried out an exploration program which consisted of sampling the known showings on the property and prospecting for mineralized rubble and float trains within the known geochemical anomalies on the property, at a total cost of \$49,390. Three new showings were discovered as a result of the prospecting carried out by the Company.

#### **Geology and Mineralization**

The property lies along a major northwest trending fault with a large anomalous gold-arsenic soil pattern containing showings with ore grade mineralization. A total of six showings have been

discovered to date, three having been discovered by Radcliffe prior to 1986, and three having been discovered by the Company in March and April of 1987.

Karmutsen Formation greenstones are in fault contact with younger Kunga Formation lower massive grey limestones, middle flaggy black limestone and upper thin-bedded limy argillite. Since Kunga sediments overlie Karmutsen greenstones, the Kunga sediments are considered to have dropped down along the faults relating to the Karmutsen country rock. The occurrence of massive grey limestone and flaggy black limestone along the southwestern edge of the Kunga Formation fault block indicates less down dropping of the Kunga section in this area relative to Kunga exposures further northeast.

Dykes of gabbroic, andesitic, diabasic, dacitic and rhyolitic composition cut Kunga rocks throughout the area. Some of the mineralization and geochemical anomalies appear to be closely linked to the dacite-rhyolite intrusions. Rhyolite to dacite dykes contain 1-2% disseminated pyrite but higher sulfide zones (3-15%) occur in fracture zones or in contact zones of these dykes.

The original three showings occur in argillite, a dacite dyke and massive grey limestone, with abundant pyrite-arsenopyrite mineralization and with varying degrees of silicification, the most intense being the development of jasperoid within grey limestone at the most southerly of the three original showings. The jasperoid body is exposed over a length of 80 metres, with a surface of 10 to 12 metres, and apparently trends northwesterly. Gold values are erratic within the jasperoid, but do range up to plus 5,000 ppb. The surface shows signs of intense oxidation and leaching, which could have removed a considerable amount of gold, and previous trenching has been unsuccessful in penetrating the surface of the leached zone.

Two of the three more recently discovered showings have limited strike length exposure, but may represent sections of the same mineralized zone based on similar greenstone host rock, mineralogy and strike. Chip samples taken from these two showings yield gold values ranging up to .752 oz/ton.

The remaining showing is not a bedrock exposure, but an area of abundant angular diorite porphyry float variably mineralized with pyrite-arsenopyrite and cut by numerous quartz and chalcedonic quartz veinlets. Four grab samples from the showing indicated gold values ranging from 100 ppb to over 10,000 ppb.

The recently discovered showings help to explain significant parts of the large gold geochemical anomaly located on the property, but fall short of a complete explanation. As a result, it is felt that more showings probably exist beneath the overburden, which is estimated to be less than 7 meters thick.

### Conclusions and Recommendations

The exploration work completed to date on the property indicates there is good potential for sizeable ore bodies on the property. In addition, a preliminary analysis for platinum and palladium in the soil samples collected indicates anomalous values. In his report dated September 17, 1987, a copy of which is attached to and forms part of this Prospectus, Gordon G. Richards, P.Eng., recommends that showings number four and five be opened and prospected along strike by trenching with a portable plugger and powder. Also recommended is the trenching of showing number six, in an attempt to locate and follow the bedrock source of mineralized float. The trenches and showings would then be mapped and chip sampled in detail.

The trenching would then be followed up by approximately 500 metres of diamond drilling, on whichever targets proved to have the most potential.

It is recommended that two holes be drilled into the jasperoid body, to test for unoxidized and deeper levels of mineralization.

The estimated cost of the recommended work program is \$120,000.

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.

### RISK FACTORS

Investment in developmental stage ventures such as the Company is highly speculative and subject to numerous and substantial risks. Therefore, prospective purchasers should carefully consider the following risk factors:

1. Since the Company has no past history of operations, the price at which the shares are offered hereby has been determined by negotiation

between the Company and the Agent and bears no relationship to earnings, book value, or other criteria of value, and any real value attributable to the Company's shares is dependent upon the discovery of commercially mineable ore, of which there is no assurance.

2. Upon completion of the offering herein, shares issued to the public will represent 36.5% of the total shares outstanding as compared to 63.5% that will then be owned by promoters, directors and officers of the Company.
3. Purchasers of shares will suffer an immediate substantial dilution because the net tangible book value per share after the offering will be substantially less than the public offering price.

As of the date of this Prospectus the Company had a total of 1,160,003 shares issued and outstanding. The net book value (total assets less total liabilities) of the shares, as reflected on the Company's May 31, 1987 audited balance sheet, was \$94,999, or approximately \$0.082 per share. After the sale of 400,000 shares offered hereby a total of 1,560,003 shares will be outstanding and the net tangible book value per share will be \$0.174 per share. Public investors will have experienced an immediate dilution of \$0.326 per share (65.2%).

4. A substantial amount of exploratory work will have to be done before a determination can be made as to whether or not the property contains commercially mineable ore bodies. If results prove favourable, further financing will be necessary. There is no assurance the Company could obtain such financing, and, if such financing is obtained, that it would be on terms favourable to the Company.
5. The Company's property has not been surveyed and therefore the precise location and area of the property may be in doubt.

#### **INCORPORATION WITHIN ONE YEAR - PRELIMINARY EXPENSES**

Since incorporation, the Company has incurred the following preliminary expenses:

Administration:	\$15,004
Development:	\$54,159

REPORT ON THE LOCKEPORT PROSPECT  
MORESBY ISLAND, QUEEN CHARLOTTE ISLANDS

MINERAL CLAIMS: LOCKEPORT ONE, LOCKEPORT TWO,  
LOCKEPORT THREE, LOCKEPORT FOUR

SKEENA MINING DIVISION

LATITUDE 52° 43' N                      LONGITUDE 131° 53' W

NTS 103B/12W

Prepared for: FOUNDATION RESOURCES LTD.

by

GORDON G. RICHARDS, P.Eng.  
5700 Forsythe Crescent  
Richmond, B.C. V7C 2C3

Tel.: (604) 270-6862

September 17, 1987

## TABLE OF CONTENTS

INTRODUCTION .....	1
LOCATION, ACCESS AND TOPOGRAPHY .....	2
MINERAL CLAIMS .....	4
REGIONAL GOLD OCCURRENCES .....	6
GEOLOGY .....	8
GEOCHEMISTRY .....	14
CONCLUSIONS .....	15
RECOMMENDATIONS .....	16
STATEMENT OF QUALIFICATIONS .....	18
BIBLIOGRAPHY .....	19

## LIST OF ILLUSTRATIONS

Figure 1 - PROPERTY LOCATION MAP .....	3
Figure 2 - MINERAL CLAIM MAP .....	5
Figure 3 - REGIONAL GOLD OCCURRENCES .....	7
Figure 4 - GEOLOGY AND GEOCHEMISTRY .....	9
Figure 5 - SHOWING NO. 3 CROSS SECTION .....	12
Figure 6 - SHOWINGS NO. 4 AND NO. 5 .....	13



## INTRODUCTION

FOUNDATION RESOURCES LTD. acquired four mineral claims (72 units) covering a known gold prospect on Moresby Island, Queen Charlotte Islands in early 1987. The writer was involved with the prospecting that led to the discovery of the original property (now expired) and was actively engaged in ongoing exploration as described below. Much of the following report is extracted from assessment reports prepared by the writer on the original property that are on file with the Department of Energy, Mines and Petroleum Resources.

Potential for gold mineralization was first recognized in April 1979 when analyses of stream sediment samples collected from the drainages above the head of Crescent Inlet were anomalous for arsenic and two were slightly anomalous for gold. Arsenic is a common "pathfinder" element used in exploring for gold and this relationship is extremely common on the Queen Charlotte Islands. Claims were staked and several stages of exploration followed with the main emphasis on mapping and geochemical sampling on a grid. All of this work was funded by Radcliffe Resources Ltd. (previously Majorem Minerals Ltd.) who held the property until 1986 when the claims expired. Radcliffe made the decision to allow the claims to lapse primarily because of lack of funds.

Two very large gold-arsenic soil anomalies and two other large arsenic anomalies with spotty gold were defined and were found to be coincident with Kunga Formation limy sediments preserved along a major

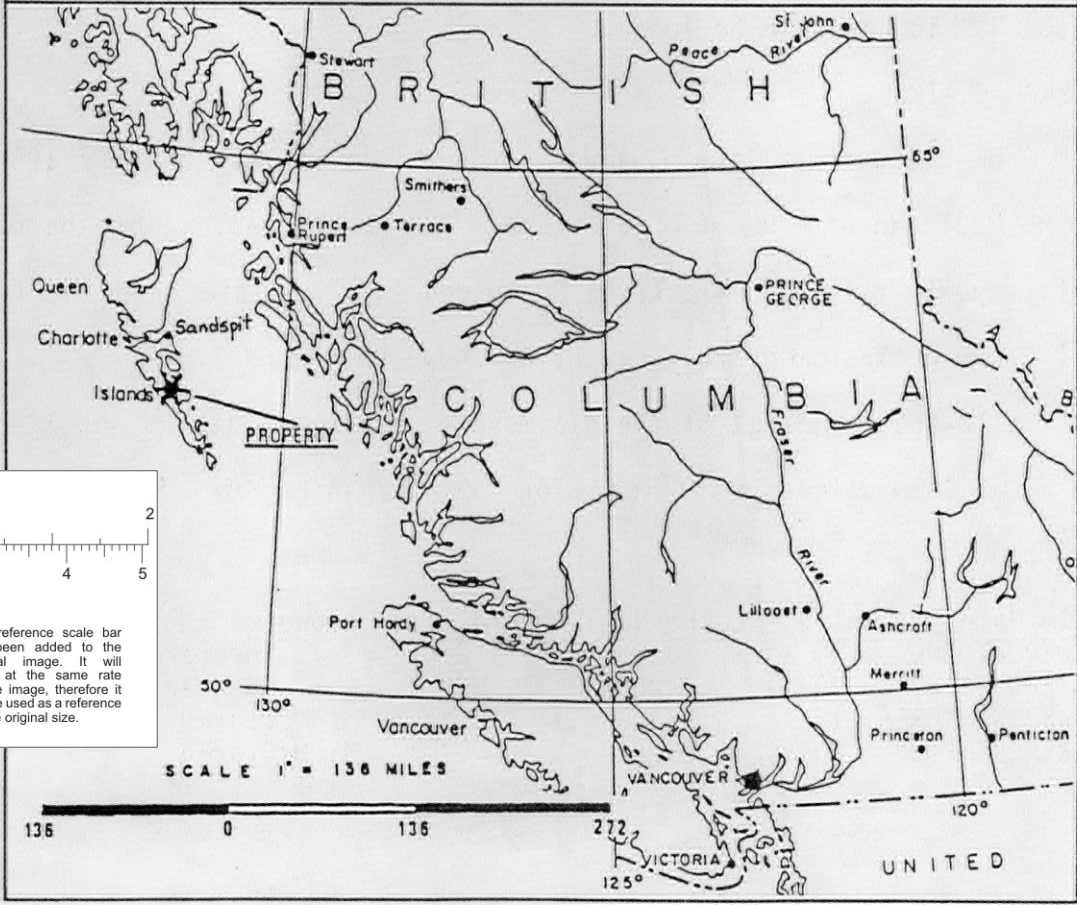
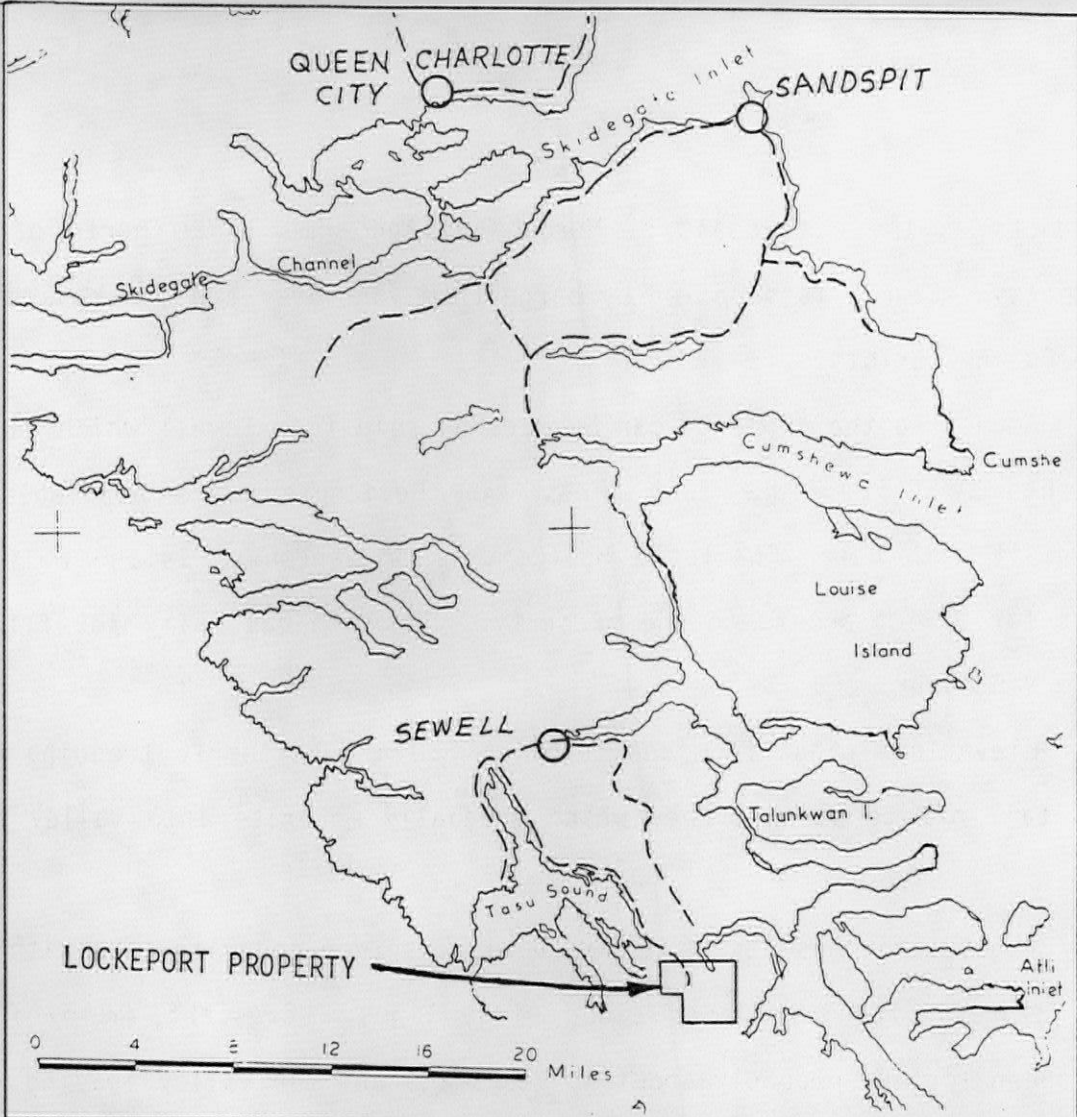
fault system within older Karmutsen Formation greenstones. The sediments have been intruded by a dyke swarm varying in composition from gabbro to rhyolite.

Three gold showings were found, opened by blasting, mapped and sampled. All showings contain up to 20 percent pyrite-arsenopyrite with weak to pervasive silicification and occur adjacent to or within dacitic to rhyolitic dykes. Assays up to .268 oz/ton Au over 1.5 m are somewhat discontinuous in plan but indicate a good potential for developing ore grade material. One showing is a deeply leached completely silicified grey limestone (jasperoid) measuring 10-12 m wide by 80 m long with anomalous gold values to plus 5000 ppb Au. This showing is an indication that sizeable mineralized bodies exist on the property.

The writer reviewed the above data and made recommendations for a modest work programme in a report dated February 25, 1987. Three new showings were discovered as a result of work done subsequent to this report and are described below. This report reviews the mineral potential of the property based on previous reports and a visit to the property March 10, 1987 and recommends a work programme of trenching and diamond drilling budgeted at \$120,000.

#### LOCATION, ACCESS AND TOPOGRAPHY

The property is on Moresby Island, south of the head of Crescent Inlet, about 55 km south of Sandspit (Figure 1). A recently constructed logging road providing access to the northwest part of the property, runs along Tasu Sound, an all weather harbor on the west coast of Moresby Island, and connects with Sewell, a logging camp of Western Forest



0 1 2  
inches

0 1 2 3 4 5  
centimetres

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.

Fig. 1. PROPERTY LOCATION MAP

Products on the east coast of Moresby Island some 15 km north of the property. Sewell is supplied by barge from Vancouver and other parts of the Queen Charlottes.

Access to the property can be made by road from Sewell which can be reached by float plane from Sandspit. Helicopters are available in Sandspit with Queen Charlotte Helicopters or Vancouver Island Helicopters for direct access to the property. Sandspit has daily jet flights from Vancouver.

Elevations range from sea level to 550 m. Northerly trending ridges fall off to steep slopes which gradually moderate into valley bottoms.

Vegetation consists of mature hemlock-spruce-cedar forests with minor cypress-pine swamplands along ridge lines. Crescent Valley floor has been logged, probably about 40 years ago and the valley leading into Wilson Bay is about to be logged.

#### MINERAL CLAIMS

Four claims totalling 72 units were staked in late January 1987 by Mr. M. McClaren and Mr. J.T. Shearer. They are a restake of the original property owned by Radcliffe Resources Ltd. and tie onto the CRES-CENT claim group immediately north, as shown in Figure 2.

Following is a list of the claims and pertinent data as supplied by the Gold Commissioner's office, for Skeena Mining Division in Prince Rupert:

<u>Claim Name</u>	<u>Units</u>	<u>Record No.</u>	<u>Record Date</u>	<u>Owner</u>	<u>Expiry Date</u>
LOCKEPORT ONE	20	5825	Feb. 2/87	J.T. Shearer	Feb. 2/88
LOCKEPORT TWO	20	5826	" "	J.T. Shearer	" "
LOCKEPORT THREE	12	5827	" "	M. McClaren	" "
LOCKEPORT FOUR	20	5828	" "	M. McClaren	" "

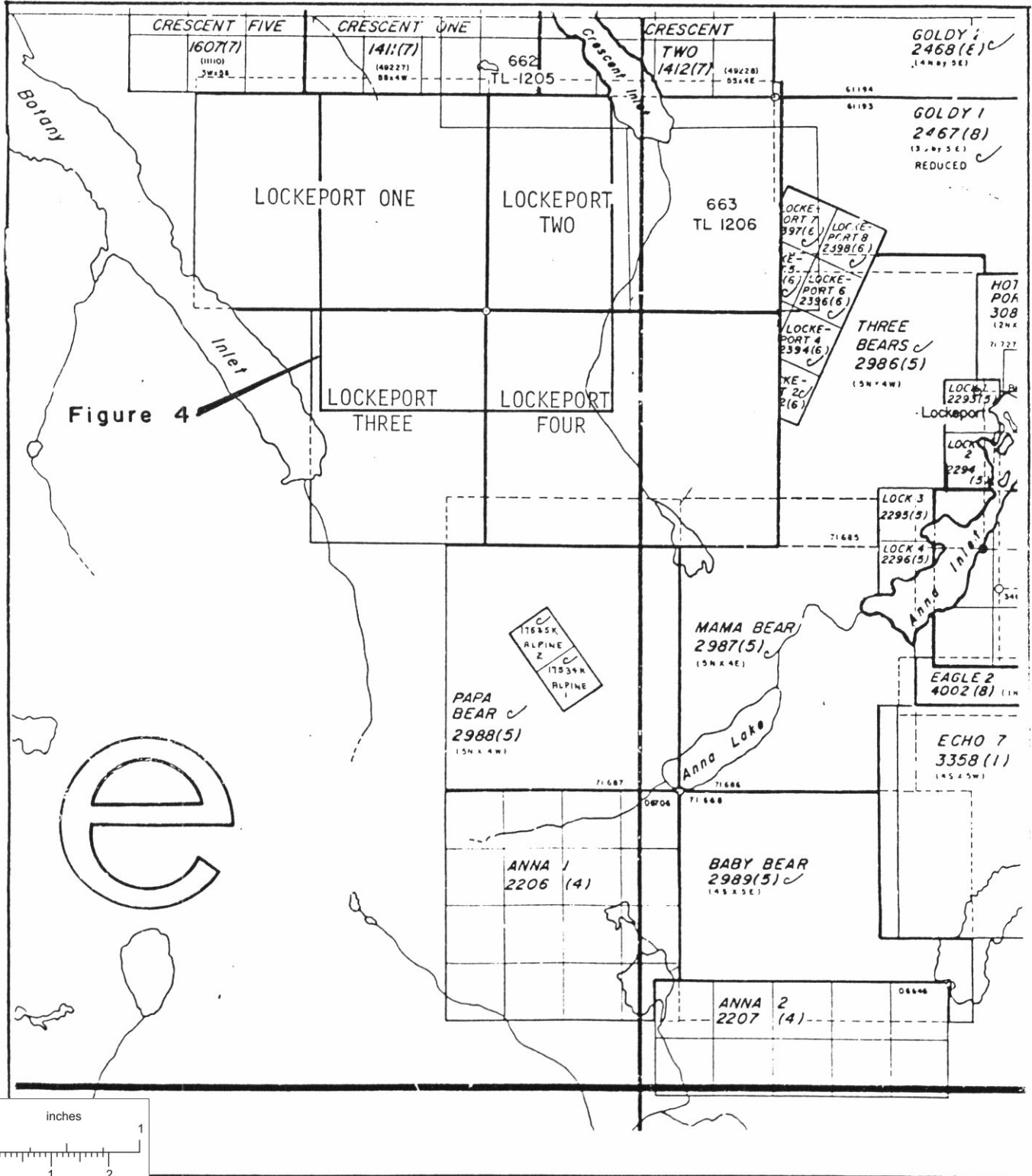


Figure 4

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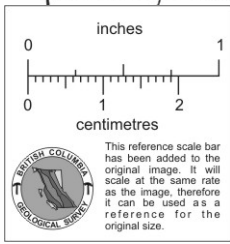


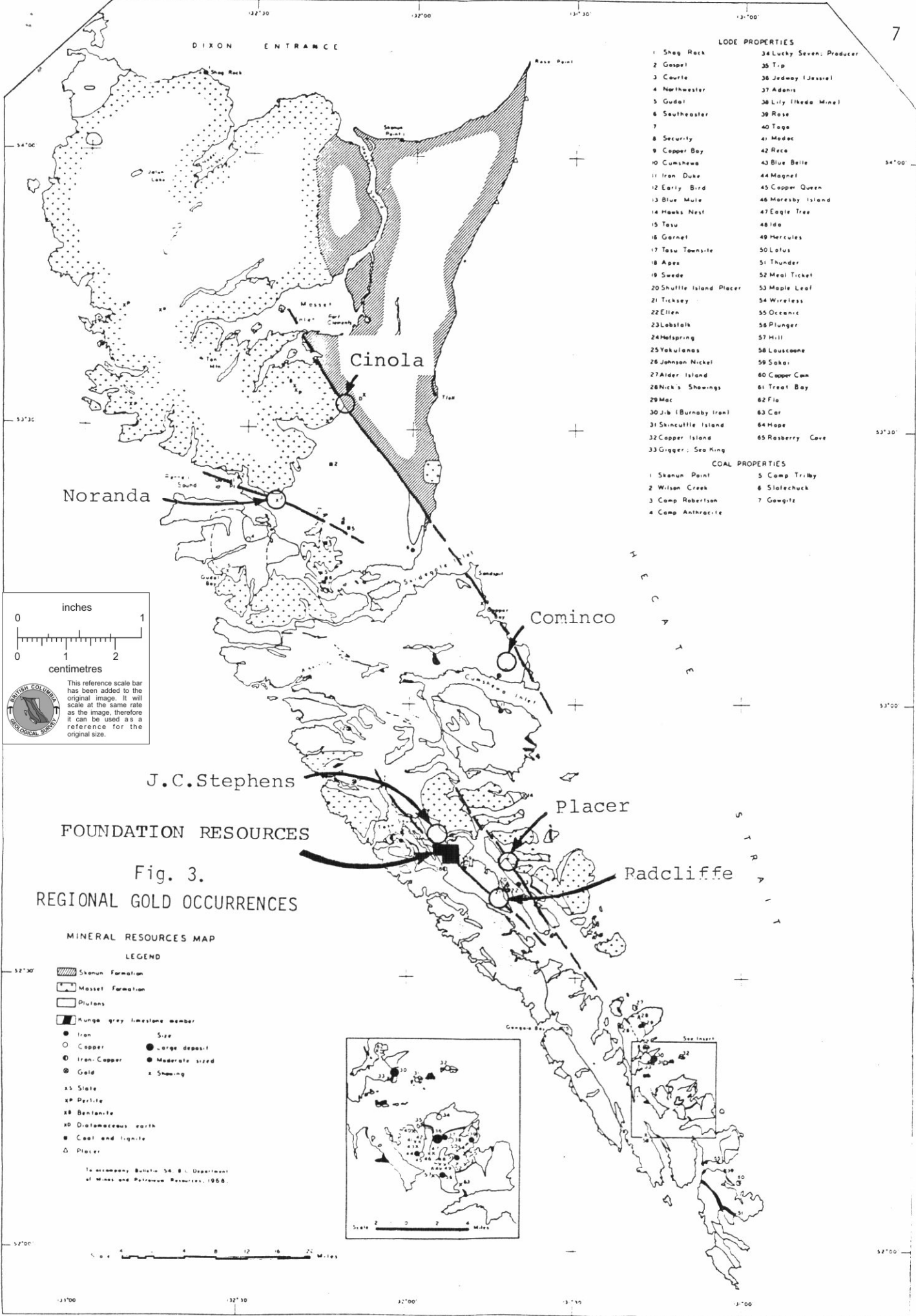
Fig. 2. MINERAL CLAIM MAP

South Moresby Island is presently being considered as a park or wilderness area. The LOCKEPORT claims lie well north of the area being considered.

#### REGIONAL GOLD OCCURRENCES

From 1974 to 1976, the writer worked on the CINOLA deposit and since 1977, he has been involved in the prospecting for and acquisition of forty-one mineral properties on the Queen Charlotte Islands. Following is a summary of a few of the more significant properties of which the writer is aware (Figure 3).

- CINOLA : 40 million tons of .058 oz/ton Au including 6-9 million tons of .15 oz/ton occur in silicified late Tertiary sediments lying along the Sandspit Fault. Other properties adjacent to Sandspit Fault include a property being worked by COMINCO LTD. south of Sandspit.
- NORANDA : Noranda Exploration with Noramex Resources is working on five gold zones that are strung out along 15 km of a northwest trending fault. Grades up to 0.1 oz/ton Au over 3 m occur in drill holes.
- PLACER : Placer Development is working on a showing within silicified tuffaceous Tertiary Volcanics adjacent to a major fault. Best grades are 25 m of .142 oz/ton Au including 7 m of .558 oz/ton or 10 m of .381 oz/ton.
- J.C. STEPHENS: Property immediately north of LOCKEPORT has had about \$300,000 spent on it, funded by a syndicate of major mining companies.
- RADCLIFFE : Radcliffe Resources' HIGHGRADE property contains a fault zone cutting Karmutsen greenstones that have been mineralized over a strike length of 2000 m. Siliceous zones within the fault zone have returned numerous assays of .055 to .338 oz/ton Au over widths of 1 to 8 m. This fault is probably the same as or a strand of the major fault on the LOCKEPORT.



- LODE PROPERTIES**
- 1 Sheg Rack
  - 2 Gospel
  - 3 Courie
  - 4 Northstar
  - 5 Guder
  - 6 Southeaster
  - 7
  - 8 Security
  - 9 Copper Bay
  - 10 Cumshewa
  - 11 Iron Duke
  - 12 Early Bird
  - 13 Blue Mule
  - 14 Hawks Nest
  - 15 Tasu
  - 16 Garnet
  - 17 Tasu Townsite
  - 18 Apex
  - 19 Swede
  - 20 Shuttle Island Placer
  - 21 Ticksey
  - 22 Ellen
  - 23 Labstak
  - 24 Hotspring
  - 25 Yakulenas
  - 26 Johnson Nickel
  - 27 Alder Island
  - 28 Nick's Showings
  - 29 Mac
  - 30 Jib (Burnaby Iron)
  - 31 Skincuttle Island
  - 32 Copper Island
  - 33 Gigger: Sea King
  - 34 Lucky Seven: Producer
  - 35 T.p
  - 36 Jedway (Jessie)
  - 37 Adams
  - 38 Lily Ikeda Mine
  - 39 Rose
  - 40 Togo
  - 41 Madec
  - 42 Rice
  - 43 Blue Belle
  - 44 Magnet
  - 45 Copper Queen
  - 46 Maresby Island
  - 47 Eagle Tree
  - 48 Ida
  - 49 Hercules
  - 50 Lolus
  - 51 Thunder
  - 52 Meal Ticket
  - 53 Maple Leaf
  - 54 Wireless
  - 55 Oceanic
  - 56 Plunger
  - 57 Hill
  - 58 Louscoone
  - 59 Saka
  - 60 Copper Can
  - 61 Treat Bay
  - 62 Flo
  - 63 Cor
  - 64 Hope
  - 65 Raspberry Cove

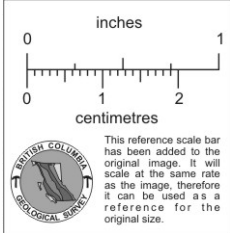
- COAL PROPERTIES**
- 1 Skanun Point
  - 2 Wilson Creek
  - 3 Camp Robertson
  - 4 Camp Anthracite
  - 5 Camp Trimby
  - 6 Sialechuck
  - 7 Gavgile

**FOUNDATION RESOURCES**  
**Fig. 3.**  
**REGIONAL GOLD OCCURRENCES**

**MINERAL RESOURCES MAP**  
**LEGEND**

- Skanun Formation
- Masset Formation
- Plutons
- Kungu grey limestone member
- Iron
- Copper
- Iron-Copper
- Gold
- Large deposit
- Moderate sized
- Showing
- x5 Slate
- xP Perlite
- xB Bentonite
- xD Diatomaceous earth
- Coal and lignite
- △ Placer

To accompany Bulletin 54 B.1. Department of Mines and Petroleum Resources, 1958.



All of the above deposits are adjacent to major faults, have associated anomalous amounts of arsenic, antimony and mercury, and either well substantiated economic grades of gold mineralization or a good expectation of finding them. The LOCKEPORT Property lies along a major northwest trending fault with a large anomalous gold-arsenic soil pattern containing numerous showings with ore grade mineralization.

#### GEOLOGY

Karmutsen Formation greenstones are in fault contact with younger Kunga Formation lower massive grey limestones, middle flaggy black limestone and upper thin-bedded limy argillite (see Figure 4). Since Kunga sediments overlie Karmutsen greenstones the Kunga sediments are considered to have dropped along the faults into the Karmutsen country rock. The faults are predominantly northwest trending but north and westerly trending faults are also present. Occurrence of massive grey limestone and flaggy black limestone along the southwestern edge of the Kunga Formation fault block indicates less down dropping of the Kunga section in this area relative to Kunga exposures further northeast. (Figure 4)

Dykes of gabbroic, andesitic, diabasic, dacitic and rhyolitic composition cut Kunga rocks throughout the area of detailed mapping. Some of the mineralization and geochemical anomalies appear to be closely linked to the dacite rhyolite intrusions.

Rhyolite to dacite dykes contain 1-2% disseminated pyrite but higher sulfide zones (3-15%) occur in fracture zones or in contact zones of



LEGEND

- C Kunga limy argillite.  Fault.
- B Kunga massive grey limestone and flaggy black limestone.  Limit of overburden.
- A Karmutsen greenstone.  20ppb Au in soils.
- 2 Showing and showing number.  30ppm As in soils.



PROPERTY  
BOUNDARY

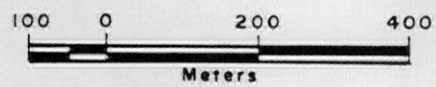
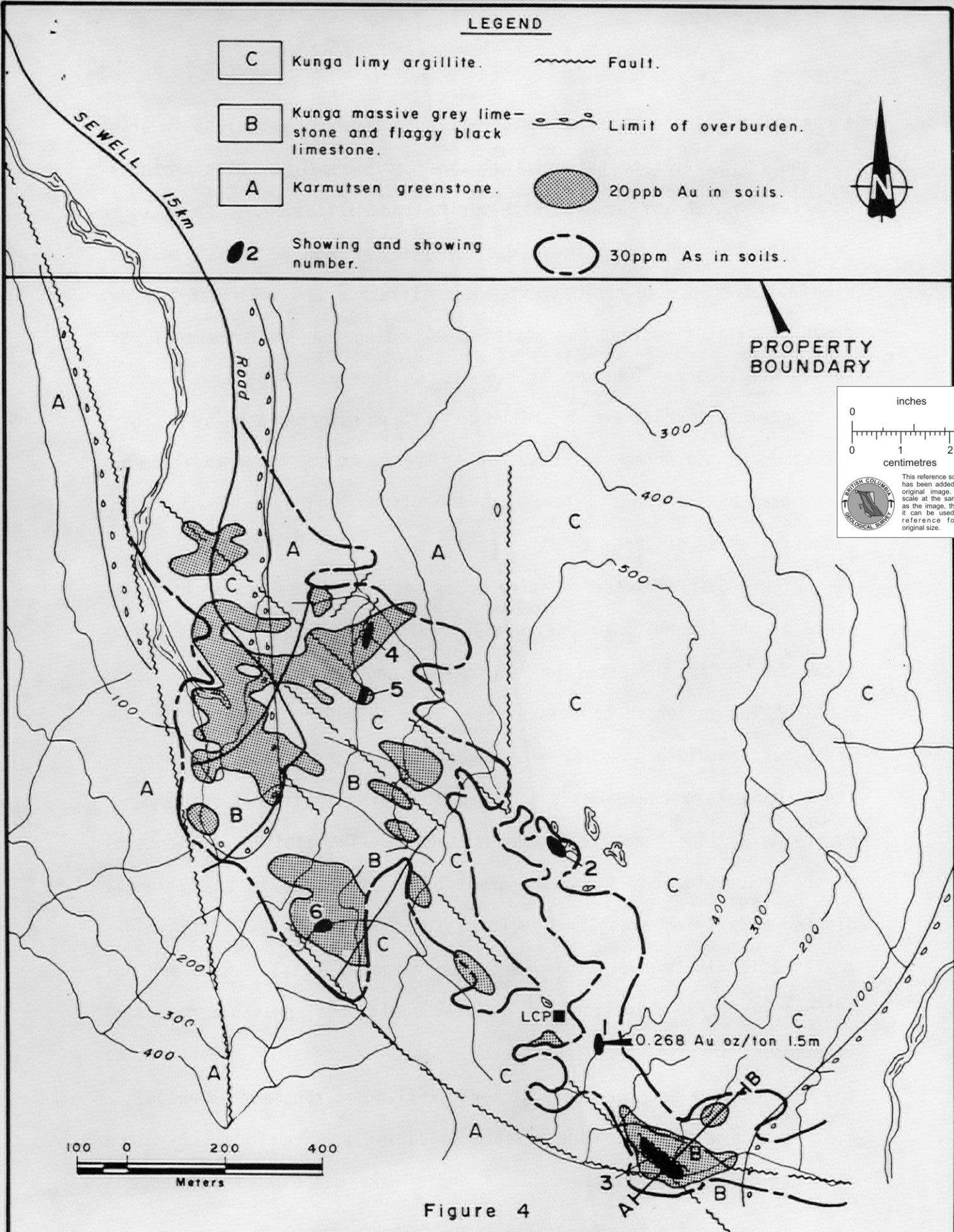
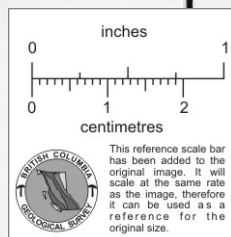


Figure 4  
**FOUNDATION RESOURCES**  
**LOCKEPORT PROPERTY**  
**— GEOLOGY & GEOCHEMISTRY —**

these dykes. These zones are moderately to strongly anomalous in arsenic and are similar to the original three gold showings which are characterized by strong arsenopyrite-pyrite mineralization. These three showings occur in argillite, a dacite dyke and massive grey limestone, with abundant pyrite-arsenopyrite mineralization and with varying degrees of silicification, the most intense being the development of jasperoid within grey limestone at the most southerly showing.

Showings 1 and 2 are described in an assessment report by Mr. J.S. Christie and the writer dated August 3, 1983. At this time they are not considered as important a target as the others, although showing 1 includes an assay of .268 oz Au/T over 1.5 m.

Figure 5 is an interpretative cross section of the jasperoid occurrence at showing no. 3. Considerable vertical movement along near vertical faults is suggested by the rapid change of rock types across faults. The jasperoid body is exposed over a length of about 80 meters and a surface width of 10-12 meters and apparently trends northwesterly. Its southwestern boundary is a steeply dipping fault and outcrops of massive grey limestone lie to the northeast. The attitude and control of the jasperoid body is not apparent but is believed to be a steeply dipping body lying along the fault as shown in Figure 5. Gold values are erratic within the jasperoid but do range up to plus 5000 ppb Au. Intense surficial oxidation and leaching could have removed a considerable amount of gold. Previous trenching was unsuccessful in penetrating the leached zone and therefore diamond drilling is recommended below.

Three new showings were discovered during work performed in March and April 1987. Showings number 4 and 5 were mapped and sampled, as

shown in Figure 6. Notes on these samples were provided by Mr. J.T. Shearer and are given below:

Sample No.	Gold		Width	Remarks
	oz/T	ppb		
6655	0.120		35 cm	Aspy-py, no quartz veinlets
6656	0.002		50 cm	Altered chlorite footwall
6657	0.006		30 cm	Altered volcanic hanging wall
6658	0.752			Quartz vein material
6659	0.579			Quartz-asy veinlets in float
6660	0.108		14 cm	Siliceous, py-asy
6661	0.168		50 cm	Aspy-py
6607		1860	est 40 cm	
6608		2570	est 40 cm	
6609		5860	est 50 cm	
6610		5000	est 180 cm	
6611		3780	est 30 cm	
6667	0.084		grab	

Showings 4 and 5 have limited strike length exposure but may represent sections of the same mineralized zone based on similar greenstone host rock, mineralogy and strike. Trenching the showings and along strike could be a cheap useful method of evaluating these showings.

Showing 6 is not a bedrock exposure but an area of abundant angular diorite porphyry float variably mineralized with pyrite-arsenopyrite and cut by numerous quartz and chalcedonic quartz veinlets. Four samples returned values of plus 10,000, 6420, 148 and 100 ppb Au. Considerable time was spent looking for a bedrock source of this float but the distribution of the float led the geologist to believe the source was covered by relatively thin overburden. Trenching is an obvious follow-up approach to locate the bedrock source.

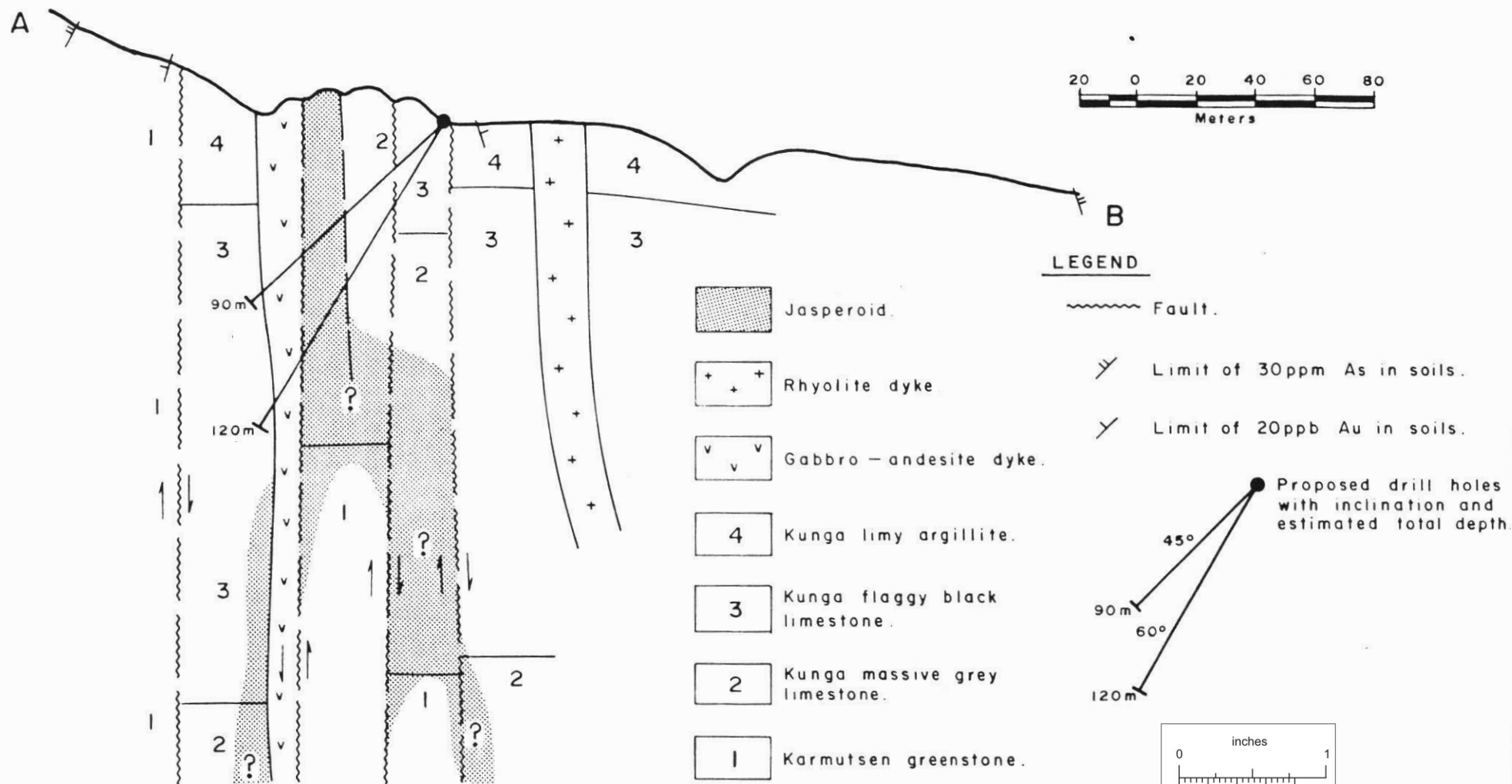
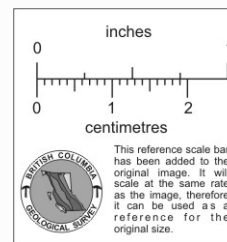
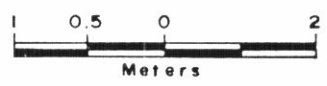


Figure 5  
 FOUNDATION RESOURCES  
 LOCKEPORT PROPERTY  
 — SHOWING No. 3 CROSS — SECTION —  
 (See Figure 4 For Section Line)



SHOWING No. 4

Float  
 △  
 6659  
 0.579



LEGEND

51/ Strike and dip.  
 V=Vein F=Main fracture  
 FW=Footwall contact.

△ Grab sample.

— Chip sample.

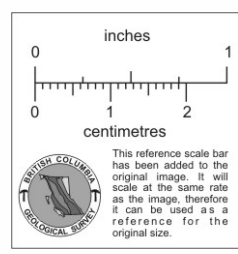
6608 Sample number.

2,570 Au ppb.

0.084 Au oz/ton.

Mineralization.

Karmutsen greenstone.



6658  
 0.752

6660  
 0.108

6655  
 0.120

6657  
 0.006

6661  
 0.168

6656  
 0.002

Hanging Wall

150 Meters

SHOWING No. 5

6611  
 3780

6607  
 0.084

6610  
 5,000

6609  
 5,860

6608  
 2,570

Very little veining in this area.

6607  
 1,860

FW 70 ?

Figure 6

FOUNDATION RESOURCES  
 LOCKEPORT PROPERTY  
 — SHOWINGS No. 4 & 5 —

Showings 4, 5, and 6 help to explain significant parts of the large gold geochemical anomaly at the northwest end of the geochemical anomaly, but not all of it. More showings probably exist beneath overburden in this area. Examination of ditches along the recently constructed roads indicate a basal till of unknown thickness overlain by slide debris. Total overburden thickness is probably less than 7 metres beneath much of the soil gold anomaly. Although this area is not presently being considered for additional exploration, trenching by backhoe or percussion drilling would be two possible means of evaluating this area.

#### GEOCHEMISTRY

Generalized geochemical data taken from Christie and Richards (1983) is presented in Figure 4. Plus 30 ppm arsenic in soils forms a 2500 m long by up to 800 m wide pattern that is aligned along the major northwest controlling fault system described above. Two other large anomalous arsenic patterns occur on the property further southeast but are not shown on Figure 4. Large zones of plus 100 ppm arsenic are present within the plus 30 ppm anomalies but are not shown on Figure 4. The large arsenic anomalies are developed principally over Kunga Formation limy sediments that have been intruded by numerous dykes and sills of gabbro to rhyolite composition. High arsenic values are closely associated with the dacitic to rhyolitic dykes. Arsenopyrite has been observed at all six showings.

Patterns of plus 20 ppb gold in soils, that contain values up to 523 ppb Au, are also shown on Figure 4. Note that showings 1 and 2 are

well removed from anomalous gold in soils. As at numerous other prospects on the Charlottes, soils collected on ridge tops and upper hill-sides rarely yield highly anomalous gold values in soils, although anomalous arsenic values do occur. Therefore the flat topped ridge that has anomalous arsenic in soils should not be overlooked in future exploration for gold

The largest and strongest gold soil anomalies occur in the northwest part of the system and are open to the northwest along the fault system but within the valley bottom. These gold anomalies occur on moderate to gentle lower valley slopes where outcrop is sparse, although small discontinuous outcrops appear in creeks nearby.

#### CONCLUSIONS

Reactive rocks of limestone to limy argillite composition have been preserved by faulting within older greenstones and have been intruded by gabbroic to rhyolitic dykes along a major northwest trending fault zone. Strong arsenic-gold geochemistry is associated with the fault bounded limy rock sequence and forms an elongate pattern along the fault zone that is open at both ends under valley bottoms. Six gold showings have been found with grades ranging up to 0.268 oz/ton Au over 1.5 m. at showing 1. One showing, a jasperoid body 10-12 m wide by 80 m long with spotty gold values up to plus 5000 ppb Au, indicates there is a good potential for sizeable ore bodies on the property. Extensive overburden although generally less than ten feet could conceivably be hiding more showings at surface. The presence of reactive limy rocks within such a

large and intense geochemical anomaly demands that more exploration be conducted on the property.

All the showings exhibit a strong control of faulting on mineralization and it is suggested that the northwest fault zone and associated cross faults acted as a conduit for ascending hydrothermal solutions. Precipitation of silica-pyrite-arsenopyrite and gold mineralization within and adjacent to faults and dyke contacts have been described and provide targets for trenching and drilling. The basal contact of the Kunga Formation should be thought of as an ultimate target for large replacement type ore bodies as the basal limestone would be the first limy rocks to be encountered by ascending hydrothermal fluids and could host the biggest and best mineralized bodies on the property. Such a target is difficult to pinpoint for immediate drilling and a stepwise development of known showings to deeper and deeper levels will ultimately lead to testing this favourable contact. The jasperoid at showing #3 is the target closest to this basal Kunga contact and showing number 6 is the next closest based on well documented stratigraphy of the Kunga Formation. The jasperoid is also the largest mineralized body though deep oxidation has made evaluation difficult to date.

#### RECOMMENDATIONS

I recommend that showings 4 and 5 be opened and prospected along strike by trenching using a portable plugger and powder. Showing 6 should also be trenched in an attempt to locate and follow the bedrock source of mineralized float. These trenches and showings should then be mapped and chip sampled in detail.



I further recommend that following the above trenching and sampling, approximately 500 m of diamond drilling be completed on the best targets available, at the discretion of the project geologist. Two holes are suggested for the jasperoid as shown on Figure 5 to test unoxidized and deeper levels of mineralization although these holes are not mandatory if better targets are developed at the other showings. A budget for this work is as follows:

#### TRENCHING

Mob-Demob 2 men crew and equipment	\$ 3,000
1 Geologist x 15 days x \$300/day	4,500
1 Helper x 15 days x \$200/day	3,000
Food and accommodation, 2 men x 15 days x \$50/day	1,500
Equipment rental	400
Supplies, powder, sample bags, etc.	2,000
Geochem 75 samples x \$8/sample	600
Report	<u>2,000</u>
	\$17,000

#### DRILLING

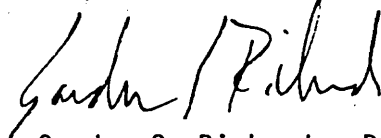
500 m @ \$180/m all costs included	<u>90,000</u>
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\$ 107,000

Contingency	<u>13,000</u>
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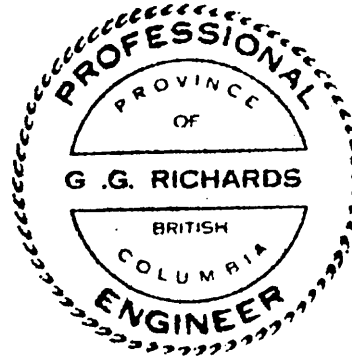
TOTAL . . . . . \$ 120,000

Respectfully submitted,



Gordon G. Richards, P.Eng.

RICHMOND, B.C., September 17, 1987.


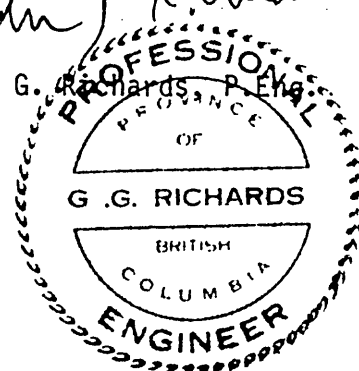


## STATEMENT OF QUALIFICATIONS

I, Gordon G. Richards, of Richmond, in the Province of British Columbia, DO HEREBY CERTIFY THAT:

1. I am a Consulting Geological Engineer with offices at 5700 Forsythe Crescent, Richmond, B.C., V7C 2C3; Phone: 270-6862.
2. I am a graduate of The University of British Columbia, B.A.Sc., 1968, and M.A.Sc. 1974.
3. I am a member in good standing of the Association of Professional Engineers of the Province of British Columbia.
4. This report is based on eleven years prospecting experience on the Queen Charlotte Islands, personal involvement in discovery and exploration of the ground now covered by the claims, and an examination of the property March 10, 1987.
5. I have no interests in FOUNDATION RESOURCES LTD., or in the property reported on herein, nor do I expect to receive any.
6. I hereby consent to the use of this report by FOUNDATION RESOURCES LTD. in a prospectus or any other document that may be required by any regulatory authority.

DATED at Richmond, British Columbia, this 17th day of September, 1987.

  
Gordon G. Richards, P. Eng.  
The seal is circular with a double-line border. The outer ring contains the text "PROFESSIONAL ENGINEER" at the top and "BRITISH COLUMBIA" at the bottom. The inner circle contains "OF" at the top, "G. G. RICHARDS" in the center, and "PROVINCE" at the bottom.

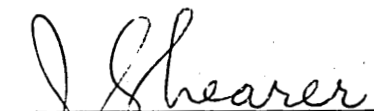
## BIBLIOGRAPHY

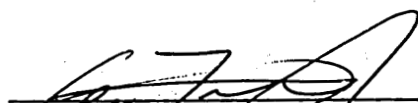
- Christie, J.S., and Richards, G.G. Assessment Report dated October 26, 1981. Geology and Geochemical Report, Goldy #1-#2, and LOCKE #1-#4 Mineral Claims.
- Christie, J.S., and Richards, G.G. Assessment Report dated August 3, 1983. Geology-Geochemistry-Trenching, LOCKE #1-#4, Goldy #1-#2, Three Bears, Papa Bear, Mama Bear, Baby Bear, Hot Porridge Mineral Claims.
- Richards, G.G. February 25, 1987. Report on the LOCKEPORT Prospect, Moresby Island, Queen Charlotte Islands.
- Sutherland-Brown, A. 1968. Geology of the Queen Charlotte Islands, British Columbia Department of Mines, Bulletin No. 54.

**CERTIFICATES**


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


Dated: September 18, 1987

  
\_\_\_\_\_  
JOHAN THOM SHEARER  
Chief Executive Officer  
and Promoter

  
\_\_\_\_\_  
ARTHUR CHARLES FREEZE  
Chief Financial Officer  
and Promoter

**ON BEHALF OF THE BOARD OF DIRECTORS**


  
\_\_\_\_\_  
MURRAY McCLAREN  
Director and  
Promoter

  
\_\_\_\_\_  
ROBERT LAWRENCE MOUAT  
Director

To the best of my knowledge, information and belief the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the Securities Act and its regulations.

Dated: September 18, 1987

**GEORGIA PACIFIC SECURITIES CORPORATION**

Per:   
\_\_\_\_\_  
R. Brian Ashton

Those persons holding an interest of not less than 5% of Georgia Pacific Securities Corporation either directly or indirectly, are: R.B.A. Investments Ltd. (wholly owned by R. Brian Ashton), K.W.S. Investment Co. Ltd. (wholly owned by K. C. Kam), Duggan Securities Ltd. (controlled by D. Duggan) Pacific High Management Inc. (wholly owned by L.A. Martin) and Jusco Investments Ltd. (wholly owned by Colin S. Chow).