DL/LD/DS

018708

SIB claims
104B 008

SUPERINTENDENT OF BROKERS

AND

VANCOUVER STOCK EXCHANGE
(DEVELOPMENT COMPANY)

Moose : Ruby claims
Ruby 103P 190
103P 205

STATEMENT OF MATERIAL FACTS #62-89

EFFECTIVE DATE: OCTOBER 17, 1989

SILVER BUTTE RESOURCES LTD. (FORMERLY CONSOLIDATED SILVER BUTTE MINES LTD. (N.P.L.)), SUITE 1201, 900 WEST HASTINGS STREET, VANCOUVER, BRITISH COLUMBIA, V6C 1E5, TELEPHONE: (604) 669-8929
NAME OF ISSUER, ADDRESS OF HEAD OFFICE AND TELEPHONE NUMBER

P.O. BOX 12098, SUITE 2260, 555 WEST HASTINGS STREET
VANCOUVER, BRITISH COLUMBIA, V6B 4N4
ADDRESS OF REGISTERED AND RECORDS OFFICES OF ISSUER

CENTRAL GUARANTY TRUST COMPANY, 800 WEST PENDER STREET
VANCOUVER, BRITISH COLUMBIA, V6C 2V7
NAME AND ADDRESS OF REGISTRAR AND TRANSFER AGENT FOR ISSUER'S SECURITIES IN BRITISH COLUMBIA

The securities offered hereunder are speculative in nature. Information concerning the risks involved may be obtained by reference to this document; further clarification, if required, may be sought from a broker.

OFFERING: 700,000 UNITS*

Each Unit consists of One Common Share and Two Series "A" Warrants. **TWO SUCH SERIES "A" WARRANTS** entitling the holder thereof to purchase one additional common share of the Issuer at any time up to the close of business within **ONE HUNDRED AND EIGHTY DAYS** following the Offering Day at prices to be determined in accordance with the rules of the Vancouver Stock Exchange.

* This offering may be increased by up to 15% (or 105,000 units) to meet oversubscriptions. See "The Offering".

	Offering (estimated)*	**Commission**	**Estimated Net Proceeds To Be Received by the Issuer**
Per Unit	$1.05	$0.07875	$0.97125
Total	$735,000.00	$55,125.00	$679,875.00

* To be calculated in accordance with the Rules of the Vancouver Stock Exchange.

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Rcvd Nov. 3/89

ADDITIONAL OFFERING

The Agent has agreed to purchase (the "**Guarantee**") any of the Units offered hereby which have not been sold at the conclusion of the Offering (see "**Consideration to Agent**"). Any Units acquired by the Agent under the Guarantee will be distributed under this Statement of Material Facts through the facilities of the Vancouver Stock Exchange at the market price at the time of sale.

AGENT

CANARIM INVESTMENT CORPORATION LTD.
Suite 2200
609 Granville Street
Vancouver, British Columbia
V7Y 1H2

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

temporal method is used. Under this method, monetary assets and liabilities of the U.S. subsidiary are translated at the prevailing period end exchange rate. Revenues and expenses are translated at the average rate of exchange for the period. All other accounts are translated at rates prevailing when the transactions occurred. Gains or losses arising on translation are included in income.

The Issuer proposes to use the proceeds of the Offering, together with its cash on hand, to fund the ongoing exploration and development of natural resource properties presently held as well as the acquisition of new assets or properties. Should the Issuer wish to spend all or part of the funds on the exploration and development of its present resource properties, it will, if such expenditure is material, do so only upon the recommendations of a qualified engineer or geologist. Should the Issuer wish to spend all or part of the funds on the acquisition of new assets or resource properties, it will do so only with the prior approval of the Exchange where such approval is required.

3. MATERIAL NATURAL RESOURCE PROPERTIES

SUMMARY OF MATERIAL MINING PROPERTIES

GROUP I: Properties for which regulatory approval has been obtained under this Statement of Material Facts.

GROUP II: Presently held properties which are currently producing or being explored, or upon which exploration is planned within the next year.

GROUP III: Other presently held properties upon which the Issuer's acquisition and exploration costs to date exceed one hundred thousand dollars ($100,000.00).

Property Group Name	Issuer's Acquisition & Exploration Costs to Date (in $)	Shares Issued to Date	Planned Expenditures from Funds Available Upon Completion of the Offering
I. N/A			

Property Group Name	Issuer's Acquisition & Exploration Costs to Date (in $)	Shares Issued to Date	Planned Expenditures from Funds Available Upon Completion of the Offering
II.			
1. SIB CLAIM GROUP	$ 66,874.00	nil	$300,000.00
2. MOOSE AND RUBY CLAIM GROUPS	$ 52,500.00	87,500*	$ 65,000.00 **
3. SWAYZE GROUP	$538,562.00	25,000	$250,250.00 **

* 350,000 pre-consolidation shares - 1972.

** See alternative Use of Proceeds tables on pages 5 and 6 hereof.

III. N/A

GROUP I

N/A

GROUP II

1. **SIB CLAIM GROUP, UNUK RIVER AREA, SKEENA MINING DIVISION, BRITISH COLUMBIA**

THE PROPERTY

The Issuer acquired by location an undivided one hundred percent (100%) interest in and to the SIB Claim Group (the "**SIB Claims**"), comprised of the following mining claims located in the Unuk River area of the Skeena Mining Division, in the Province of British Columbia:

Claim Name	Record No.	Date of Expiry
SIB #1 - #16 (inclusive)	37223 - 37238 (inclusive)	May 31, 1995

The SIB Claims cover an area of approximately eight hundred (800) acres located about fifty (50) miles northwest of Stewart, British Columbia, on the Prout Plateau, near the headwaters of the Unuk River, and less than two (2) miles east

of Tom MacKay Lake.

The SIB Claim Group is adjoined in the north by the Eskay Creek property (the "**Calpine Property**") that is currently being explored by the Consolidated Stikine Silver Ltd. ("**Stikine**") and Calpine Resources Inc. ("**Calpine**") Joint Venture. The engineering report of Walter E. Clarke Engineering Ltd., dated May 31, 1989 (the "**SIB Report**"), a copy of which is attached hereto and forms part of this Statement of Material Facts discloses that Stikine and Calpine have recently reported diamond drill intersections with promising gold and silver values on the Calpine Property.

Pursuant to the terms of an option agreement (the "**American Fibre Agreement**") dated June 30, 1988, between the Issuer and American Fibre Corporation ("**Fibre**"), of Suite 701, 475 Howe Street, Vancouver, British Columbia, Fibre may earn up to a fifty percent (50%) undivided interest in and to the SIB Claims by paying the sum of fifty thousand dollars ($50,000.00), in installments, to the Issuer, before June 30, 1992 and by expending no less than four hundred thousand dollars ($400,000.00) on exploration of the SIB Claims on or before June 30, 1993.

The Issuer has been advised by Fibre that Fibre anticipates fulfilling its obligations under this Agreement by late Summer or early Fall of 1989. Under the terms of the American Fibre Agreement, the Issuer must, upon completion of the expenditures by Fibre, determine whether to participate in the Joint Venture or reduce its interest in these claims to a fifteen percent (15%) Net Profits Interest. The Issuer has determined to participate in the Joint Venture. If the Joint Venture is formed, then the Issuer and Fibre shall initially hold equal shares in the Joint Venture. At present, the parties have not determined who the Operator pursuant to the Joint Venture Agreement shall be.

Altered and mineralized rocks observed on the property are similar to those which occur, on the strike of the Calpine Property, some three kilometres to the northeast. Stream sediment sampling, soil geochemistry and rock sampling indicate that one or more mineralized zones may occur on the SIB Claims. Geophysics show several strong north to northeast trending magnetic and conductive anomalies, some coincident with anomalous geochemical values that further strengthen the possibility of the presence of mineralized zones. These factors in conjunction with the results from the diamond drilling on the adjoining Calpine Property warrant further exploration of the SIB Claims.

PAST EXPLORATION AND PROPOSED WORK

Mineral exploration in the Unuk area has been carried on intermittently since the early 1880's. The SIB Report by W.E. Clarke provides particulars relating to the exploration work conducted in the area of the SIB Claims since 1932.

Pursuant to an agreement dated March 21, 1980, between the Issuer and Ryan Exploration Company Ltd., of British Columbia ("**Ryan**"), Ryan carried out a reconnaissance stream sediment sampling program in 1982. Sixty-eight (68) stream sediment and twenty-seven (27) rock chip samples yielded the following:

(1) **Stream sediment sampling:** Anomalous gold, silver, lead and zinc values in the southern sector suggest that the source of this mineralization may be located on the SIB Claims;

(2) **Rock chip sampling:** Elevated gold and anomalous silver, lead and zinc values were reported in two samples near an old adit, further to the north, close to the west boundary of the subject property.

2. **MOOSE AND RUBY CLAIM GROUPS, ALICE ARM AREA SKEENA MINING DIVISION, BRITISH COLUMBIA**

THE PROPERTY

The Issuer is the owner of a one hundred percent (100%) interest in and to the Moose Claim Group and the Ruby Claim Group (collectively the "**Claim Groups**"), comprised of the following Crown granted mining claims located approximately twenty-one (21) miles north of the town of Alice Arm, British Columbia, in the Skeena Mining Division:

Claim Group Names	Crown Grants	Lot No.
MOOSE	Moose No. 1	1241
	Moose No. 2	1242
	Moose No. 6	1243
RUBY	Ruby	4210
	North Star Fr.	4211

The Claim Groups, situated along the east side of the Kitsault River are favourably located with respect to former producing properties: The Ruby Group adjoins three former Dolly Varden producing properties, namely, the Torbrit, the North Star and the main Dolly Varden mines; and, the Moose Group which lies approximately one-third (1/3) mile north of another former

Dolly Varden producer, the Wolfe No. 1 and 2. In the Alice Arm area, the country rocks are massive to tuffaceous fine grained, volcanics of andesitic composition of the Jurassic Hazleton group which host gold occurrences in the Stewart area to the north. Geologic studies suggest that the volcanics were vented into a submarine environment related to Jurassic intrusives, zones of crustal weakness resulted, followed by faulting and folding which facilitated the introduction of hydrothermal fluids containing silver-rich base metal mineralization. On the Ruby Group, a strong shear and fracture system within the volcanics showed some silification and sparse sulphide mineralization. Mineral showings, occurring in a quartz-barite-jasper replacement deposit were discovered on the Moose Group.

PAST EXPLORATION AND PROPOSED WORK

A. RUBY GROUP

The report of Walter E. Clarke Engineering Ltd., dated the 31st day of May, 1989 (the **"Moose and Ruby Report"**), refers to the surface and underground work done between 1919 and 1921 to explore a fifteen (15) foot wide shear in greenstone. On the surface minor pyrite and galena was reported, however, no mineralization was encountered in the tunnel and crosscuts driven forty (40) feet below the surface exposure. The Ruby and the North Star Fr. were acquired in 1969.

B. MOOSE GROUP

As summarized in the Moose and Ruby report, between 1918 and 1921, the Moose Group underwent significant trenching and tunnelling. An upper tunnel was driven below the surface trenching, at the two thousand three hundred (2,300) foot elevation, for approximately one hundred (100) feet. The last sixty to sixty-five (60 - 65) feet were in vein, reported as "of good milling grade". Individual assays ranged from 30 oz. silver/ton, over a six (6) foot width, to selected samples assaying up to 600 oz. silver/ton. A lower tunnel, at the two thousand (2,000) foot elevation, was extended approximately one hundred and eighty (180) feet, of which approximately eighty (80) feet was in waste due to dislocation of the vein by faulting. A sample cut on the vein near the portal assayed 12.3 silver/ton over a width of three (3) feet. At the East face, assays from three samples averaged 7.5 oz. silver/ton over 15.2 feet. In 1964, two thousand forty (2,040) feet of diamond drilling in the eastern sector of the Moose Group revealed an average twelve (12) foot width of replacement deposit which may be a continuation of the zone opened up in the adjacent Climax adit about three hundred (300) feet southeast. The Moose Group was acquired in 1973.

C. **SUMMARY**

Due to the favourable location of these two Claim Groups, the Moose and Ruby Report recommends a reconnaissance exploration program. Such a program would entail locating the boundaries of the Claims and the old workings, sampling the vein exposures and conducting a geological mapping program. Estimated costs of this program amount to fifteen thousand dollars ($15,000.00). A second phase of this program would include the establishment of a control grid for detailed mapping, magnetometer, VLF-EM and geochemical surveys, surface trenching and sampling. Estimated costs of the second phase amount to fifty thousand dollars ($50,000.00).

3. **CHESTER, YEO AND OSWAY TOWNSHIPS PROPERTIES, SWAYZE AREA, PORCUPINE MINING DIVISION, DISTRICT OF SUDBURY, ONTARIO (THE "SWAYZE PROPERTIES")**

The Issuer is the registered owner of a one hundred percent (100%) interest in and to fifty-two (52) unpatented mining claims in five separate contiguous groups of claims situated in the Chester, Yeo and Osway Townships in the Swayze area of the Porcupine Mining Division, in the District of Sudbury, in the Province of Ontario. The Swayze Properties were acquired pursuant to an agreement dated the 31st day of May, 1985 and are subject to net smelter return royalties ranging from 1.5% to 3.5%; and, following the completion of four phases of exploration work, as recommended by the Issuer's consultant, namely, John R. Boissonealt, in his report of July 9, 1985, and upon receipt of regulatory approval for such share issuances, the Issuer is required to issue, in installments up to a total of one hundred seventy-five thousand (175,000) common shares to the Vendors, namely, Blue Falcon Mines Ltd.

The Swayze Properties are comprised of the following mining claims:

Group	Claim No.	Record Date	Comments
NORTH CHESTER	537237	Sept 26, 1979	.Surveyed, bring to lease.
	540178	Sept 26, 1979	.Surveyed, bring to lease.
	831870	Nov 05, 1984	.Good standing to 05/11/89.
CENTRAL CHESTER	809389-392	Aug 16, 1984	.Good standing to 16/08/89.
	809399-402	Aug 16, 1984	.Good standing to 16/08/89.
	809420-422	Aug 16, 1984	.Good standing to 16/08/89.
	809439-442	Aug 16, 1984	.Good standing to 16/08/89.
	819907	Aug 16, 1984	.Good standing to 16/08/89.
	826592-595	Aug 16, 1984	.Good standing to 16/08/89.

SOUTH CHESTER	537233	Sept 07, 1979	.Surveyed, apply to lease.
	622048-050	Sept 27, 1984	.Ready to bring to lease.
	757976-977	Mar 05, 1984	.Ready to bring to lease.
YEO	681635-636	Jan 12, 1984	.Ready to bring to lease.
	722941&946	Mar 05, 1984	.Ready to bring to lease.
	742775-778	Feb 29, 1984	.Ready to bring to lease.
OSWAY	740954-955	Apr 24, 1985	.Good standing to 24/04/90.
	740969	Apr 24, 1985	.Good standing to 24/04/90.
	820605	May 25, 1985	.Good standing to 25/05/90.
	836929	May 25, 1985	.Good standing to 25/05/90.
	836934-935	May 25, 1985	.Good standing to 25/05/90.
	837904	May 12, 1985	.Good standing to 12/05/90.
	866691-692	July 19, 1985	.Good standing to 19/07/89.
	1029199-203	Dec 07, 1987	.Good standing to 07/12/90.

The report of Walter E. Clarke Engineering Ltd., dated the 31st day of May, 1989 (the "**Swayze Area Report**") discloses that the Swayze Properties are situated in a branch of the southwest extension of the volcanic-sedimentary belt which hosts the Timmins and Kirkland Lake gold mining camps and the base metal deposits of Kidd Creek and the Noranda area.

3A. NORTH CHESTER GROUP

THE PROPERTY

The three (3) contiguous unpatented mining claims comprising the North Chester Group are located in north-central Chester Township. As indicated in the Swayze Area Report, two (2) of the unpatented mining claims were legally surveyed in 1988 and are in the process of being brought to lease. The remaining claim requires six (6) days' assessment credit prior to November 5, 1989 to maintain the claims in good standing. The North Chester Group is underlain by Archean age rocks consisting of mafic to felsic metavolcanics which are intruded by a younger dioritic complex, all of which are cut by Protozeroic diabase dykes. Three shear zones, hosting gold-sulphide mineralization, have been recognized. Sulphide mineralization consists locally of heavy pyrite and arsenopyrite along shear planes, and is thought to be epigentic.

PAST EXPLORATION AND PROPOSED WORK

Airbourne EM-magnetometer and selective ground EM and magnetometer were conducted over the North Chester Group prior to its acquisition by the Issuer. The Swayze Area Report notes that sampling of the Main Zone prior to the acquisition, returned values of up to 0.425 oz. gold/ton and 2.55 oz.

gold/ton on the East Zone. Diamond drill zones on these zones yielded considerably lower gold values. A five-foot channel sample from the South Zone assayed 0.205 oz. gold/ton.

Since 1986, the Issuer has resampled the zones, conducted geological mapping, ground geochemical and VLF-EM surveys and bulldozer trenching in the South Zone area. The VLF-EM survey outlined six conductors of which two are considered of merit. The Swayze Area Report reveals that grab samples taken from the Main Zone returned gold values up to 0.543 oz. gold/ton, from the East Zone 0.046 oz. gold/ton and from the South Zone 0.33 oz. gold/ton.

The Swayze Area Report concludes that this group of claims presents an interesting target for further exploratiion given that it is located adjacent to a major fault and is in contact with a diorite intrusive complex, hosting potentially economic deposits. Consequently, a two-phase work program has been recommended, with Phase "A" entailing stripping and sampling and further VLF-EM surveys at a total estimated cost of three thousand dollars ($3,000.00). Phase "B" involves a diamond drilling program, of approximately 1,000 feet, with an estimated cost of thirty-eight thousand eight hundred and fifty dollars ($38,850.00).

3B. **CENTRAL CHESTER GROUP**

THE PROPERTY

This grouping of twenty (20) continguous unpatented mining claims located in the east central sector of Chester Township require the filing of nine hundred and sixty-nine point four (969.4) days of assessment work on or before August 16, 1989 to maintain said claims in good standing. This work has been completed as part of the Issuer's ongoing exploration programme.

As is disclosed in the Swayze Area Report, these claims are entirely underlain by an early Archean dioritic intrusive complex; and, this grouping of claims hosts three known occurrences of gold mineralization, namely, the East, Hydro and South showings. The East showing, being the most promising, is a shear zone which yielded channel samples assaying 1.39 oz. gold/ton across 2.3 feet and a grab sample assaying 0.252 oz. gold/ton. Limited sampling in the Hydro showing indicated gold values over narrow widths, however, the proximity of this showing to the powerline is a complicating factor for development. The South showing is the least well mineralized and its strike is contrary to the other gold bearing structures and geophysical conductors.

PAST EXPLORATION AND CURRENT WORK PROGRAMS

The Swayze Area Report reveals that stripping and trenching was carried on in the early 1930's but, no assay data is available. Recent work conducted by the Issuer has consisted of the establishment of a control grid for VLF-EM and geochemical surveys followed by bulldozer stripping of selected areas of interest. A geochemical survey consisting of six hundred and twenty-four (624) soil samples outlined several broad and weakly anomalous areas. The Hydro showing, being a quartz vein with a one-foot average width and a northerly strike, yielded a grab sample which assayed 0.752 oz. gold/ton. The East showing, which is a shear zone, yielded a channel sample which assayed 1.39 oz. gold/ton across 2.3 feet and a grab sample which assayed 0.252 oz. gold/ton. The South showing, which is represented by quartz stringers within a northeasterly trending shear zone, yielded channel and grab samples which assayed 0.50 and 1.0 oz. gold/ton, respectively, while a subsequent grab sample assayed 0.054 oz. gold/ton.

The Swayze Area Report concludes that continued exploration is warranted. Consequently, a two-phase exploration program has been proposed with Phase "A" involving geological mapping of the property and VLF-EM surveys, bulldozer stripping and detailed geological mapping and sampling, all of which work is estimated to cost twenty-four thousand dollars ($24,000.00) and which work has now been commenced.

Phase "B" of the proposed work program involves a diamond drilling program to be conducted in the years 1989 and 1990 (during Winter months to facilitate access to drill sites) which program will entail the drilling of three (3) one thousand (1,000) foot holes at an estimated cost of thirty-eight thousand eight hundred fifty dollars ($38,850.00).

3C. **SOUTH CHESTER GROUP**

THE PROPERTY

Of the six contiguous unpatented mining claims which comprise this grouping (located in the south-central portion of Chester Township), one claim is in the process of being brought to lease and the other five (5) claims are currently ready to bring to lease. The claims are underlain by three distinctive intrusive rock types, ranging from relatively mafic to acidic composition. Medium grained granodiorite underlies about fifteen percent to thirty-five percent (15% to 35%) of the claim group while thirty-five percent (35%) is underlain by coarse grained pink to white granite which hosts the quartz veining of the Main showing. A medium grained massive diorite to quartz diorite

underlies the remaining fifty percent (50%) of the property.

PAST EXPLORATION AND CURRENT WORK PROGRAMS

This claim group is the most highly developed of any of the Company's holdings in the Chester Township. The Main showing has been explored over a length of three hundred and twenty-five (325) feet by surface trenching and with fifteen (15) short diamond drill holes, the best of which yielding a grading of 0.262 oz. gold/ton over a true vein width of six (6) feet. The Swayze Area Report provides additional particulars relating to the surface trenching, sampling and diamond drilling which have been carried on or about this claim group. During the years 1986 through 1988, the Company established a two hundred (200) foot spaced grid on the two easterly claims of this grouping and a four hundred (400) foot spaced grid on the westerly four claims for control of geological mapping, and geochemical and VLF-EM geophysical surveys. Additional bulldozer stripping was carried out in 1988.

Exploration work done on this claim group has outlined five geochemical anomalies, the strongest of which is located near the northwest corner of the property and has a strike length of eight hundred (800) feet at seventy-seven (77) degrees azimuth, immediately west of a strong EM conductor. A VLF-EM survey on this claim group outlined six (6) conductors, one of which extends weakly towards the geochemical anomaly in the northwest corner of the claim group and another one of which is located near the west shore of a small lake about 300 feet south of the Main showing.

The Swayze Area Report concludes that this claim group represents interesting and valid targets for further exploration; and, consequently, the Report recommends a two-phase program summarized as follows:

(i) **Phase "A"** -- to be conducted in the 1989 field season (intended to provide detailed data for future diamond drilling), entails VLF-EM surveys over the two strongest conductors, geological mapping and sampling over the areas trenched during the 1988 bulldozer trenching program. Estimated cost of this phase is three thousand dollars ($3,000.00);

(ii) **Phase "B"** -- entails a 1989-1990 Winter diamond drilling program comprised of four one thousand (1,000) foot holes, estimated to cost thirty-eight thousand eight hundred fifty dollars ($38,850.00).

3D. YEO GROUP

THE PROPERTY

Eight (8) contiguous unpatented mining claims, all of which are ready to bring to lease, comprise this group of claims which is located in the northeast quarter of the Yeo Township. This group of claims is underlain by Archean-age metavolcanics intruded by a younger Archean sill of diorite. The northern portion of this property is also underlain by mafic tholeiitic flows, interbedded with sulphide-rich iron formation, which contains low gold values in pyritized, altered quartz carbonate zones. The southern portion of the property is underlain by intermediate to felsic pyroclastic volcanics.

PAST EXPLORATION AND CURRENT WORK PROGRAMS

The bulk of the exploration work conducted on or about this claim group has been done on shear zones in the diorite east of the Moore Lake cross fault, consisting chiefly of bulldozer trenching on several of the shear zones, which tend to be irregular in outline, rusted and highly carbonatized and sericitized. Grab samples have ranged from 0.52 oz. gold/ton and channel samples to 0.096 oz. gold/ton over 3.25 feet.

Surface trenching and pitting were carried out in 1930. Cominco performed certain geological and magnetometer surveys in 1979 and 1980, which surveys were followed by drilling three holes on an iron formation horizon west of the claim group. The results of this work are not available, however, as pointed out in the Swayze Area Report, the Issuer carried out limited bulldozer trenching and sampling in 1986, which yielded geochemically anomalous gold values.

The Swayze Area Report concludes that exploration on this claim group is warranted due to the numerous occurrences of gold mineralization in diorite distributed over an area up to seven hundred (700) feet by two thousand four hundred (2,400) feet on the claim group. Consequently, the said Report recommends a two-phase work program entailing geological mapping and VLF-EM surveys during Phase "A" and a 1989-1990 Winter drilling program (Phase "B") entailing four holes of 1,000 feet each. The total estimated costs for Phases "A" and "B" of the recommended work program total forty-four thousand eight hundred and fifty dollars ($44,850.00).

3E. **OSWAY GROUP**

THE PROPERTY

Located in the northwest portion of Osway Township, this claim group consists of fifteen (15) contiguous unpatented mining claims. To maintain this claim group in good standing requires that eighty (80) days of assessment work be completed prior to July 19, 1989 on two of the claims and five hundred and sixty-two (562) days to be completed on the balance of the claim group between April 24 and July 19, 1990. The Issuer has received an extension on the filing of eighty (80) days of assessment work, on the two Claims noted previously and the assessment work has been performed on this property.

This claim group lies at the western extremity of a sedimentary basin in Osway and Huffman Townships. Preliminary traversing has indicated that the eastern sector of this claim group is underlain by Archean sediments ranging from argillite to conglomerate. Sandstones occupy the central sector, and mafic, tholeiitic volcanic flows occur in the west.

PAST EXPLORATION AND CURRENT WORK PROGRAMS

Trenching and test pitting were conducted in 1928 on what is now known as the Burton property about one mile west of this claim group. High gold assays were reported with the showing consisting of gold bearing sulphide mineralization in quartz-carbonate veining. Also, as indicated in the Swayze Area Report, the former producing Jerome gold mine is located about four miles to the southeast of this claim group in the same geological environment. Airborne EM-magnetometer surveys were carried out over the claim group in 1982 and 1985 by parties other than the Issuer; however, the Issuer's exploration programs commenced in 1986 with bulldozer stripping and sampling, followed by a ground VLF-EM survey. Additional bulldozer stripping was completed in 1988 to explore a strong EM conductor in the north-central sector of this claim group. An EM survey also outlined several other conductors with the strongest EM response having been encountered at a small beaver pond at the center of the property.

The Swayze Area Report concludes that the geological setting of this claim group is favourable, particularly considering other known gold occurrences in a similar environment and given the strong EM conductors which have indicated the presence of sulphide mineralization. Consequently, a two-phase work program has been recommended as follows:

(i) **Phase "A"** -- establish grids for geological mapping, geochemical and VLF-EM geophysical surveys and

geological mapping of the balance of the property and detailed examination of the results of the 1988 bulldozer stripping - program;

(ii) **Phase "B"** -- entails a Winter diamond drilling program involving four holes to a depth of one thousand (1,000) feet each.

The total estimated costs of Phases "A" and "B" of the recommended work program totals fifty-eight thousand eight hundred and fifty dollars ($58,850.00).

GROUP III

N/A

OTHER PROPERTIES AND INTERESTS

BIG MISSOURI RIDGE

Located in the Stewart area of northern British Columbia, the Big Missouri Ridge claim group is under agreement to Esso Resources Canada Ltd. ("**Esso**") pursuant to which the Company holds a twenty percent (20%) carried interest in the net proceeds from the property when it is in production. Tenajon Silver Corporation, by agreement with Esso Resources Canada Ltd., has been exploring the claim group and the adjoining Kansas claim. While the Issuer has not been formally advised, published press reports indicate that Tenajon Silver Corporation has acquired all of Esso Resources Canada Ltd.'s interest in these claims. Promising gold intersections have been reported on the face cut zones of the Big Missouri claim that is being developed underground by drifting to access the Kansas claim. Probable and possible resources on the Kansas and Facecut/35 zones of 300,000 tons with uncut grades of 0.505 ounces of gold and 1.07 ounces of silver per ton have been reported. Pursuant to the agreement with Esso, the Issuer receives an annual payment of fifteen thousand dollars ($15,000.00) and all such payments are to be deducted from the amount the Company is to receive as a result of its retained net profit interest in the Property.

OIL AND GAS PROPERTIES

The Issuer has recently begun to participate in several small oil and gas transactions. To date, the Company has expended forty-seven thousand three hundred and twelve dollars ($47,312.00) and committed some forty-four thousand dollars ($44,000.00) on these oil and gas transactions in Canada and the United States.

The Issuer's wholly-owned U.S. subsidiary, Silver Butte Petroleum, Inc., entered into a participation as to five percent (5%) working interest in a 9,900 foot Pettit/Travis Peak offset well in the producing Bear Grass gas field, Limestone and Leon Counties, Texas, has reached the total depth and is being completed. In addition, this subsidiary of the Issuer has acquired a 2.08% before payout working interest in two wells and a 3.06% before payout working interest in one well in the Lake Somerville field, Burleson County, Texas. These three wells, which are former producers, are to be reworked. The Issuer acquired a 4.77% working interest in three (3) quarter sections of oil and gas rights in the Acheson oil field, Alberta and a 10% interest in six sections in the Medicine Hat area, Alberta. These rights were subsequently farmed out and drilled by the farmees but the test wells were unsuccessful.

RISK FACTORS

The securities offered hereby must be considered speculative due to the nature of the Issuer's business. In particular:

(a) To the knowledge of the Issuer, the properties described above (the "**Properties**") are without a known body of ore or reserve of hydrocarbons and any program conducted on the Properties with the proceeds from the Offering would be an exploratory search for ore and hydrocarbons.

(b) If the Issuer's exploration programs are successful in establishing commercial reserves of ore or hydrocarbons, additional funds will be required for their development and to place them in commercial production. One source of future funds presently available to the Issuer is through the sale of equity capital. Another alternative for the financing of further exploration would be the offering by the Issuer of an interest in the Properties to be earned by another party or parties carrying out further exploration or development thereof.

(c) Exploration for minerals is a speculative venture involving substantial risk. There is no certainty that the expenditures to be made by the Issuer in acquiring the interests described herein will result in discoveries of commercial quantities of ore.

(d) The mining and hydrocarbon industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral reserves or hydrocarbons are discovered, a ready market will exist for the sale of same.

SUMMARY REPORT

PROPERTY HOLDINGS

SILVER BUTTE RESOURCES LTD.

and

PROPOSED EXPLORATION PROGRAMS

May 31, 1989

Walter E. Clarke B.Sc., P.Eng.

FIGURES AND MAPS

FIGURES

MAPS

1. CHESTER, YEO AND OSWAY TOWNSHIPS PROPERTIES

SWAYZE AREA

Porcupine Mining Division, District of Sudbury, Ontario

1.1 INTRODUCTION

The Company holds 52 unpatented mining claims in five separate groups of contiguous claims, in Chester, Yeo and Osway Townships, Ontario, which are currently in good standing and registered 100% to Silver Butte Resources Ltd. The claims are subject to net smelter return royalties ranging from 1.5 to 3.5%, and pursuant to the purchase agreement, a total of 175,000 common shares of the Company may be issued to the vendors, following the completion of each of four phases of exploration, as recommended by the Company's independent engineer at the time of acquisition, and upon receipt of regulatory approval.

This report is based on a visit to the majority of the subject properties by the writer, and is a summary of a more detailed report prepared by Joseph H. Bankowski, B.Sc. (Geology), who has performed and supervised the exploration programs for the Company since 1986.

1.2 LOCATION AND ACCESS

The five properties are located about 100 miles north of Sudbury and 80 miles south of Timmins, Ontario. They are readily accessible by road from Highway 144, connecting Timmins and Sudbury, and an extensive network of logging roads throughout the area.

The climate of the area is typical of northern Ontario with cold winters and warm summers. Electric power is available from hydro lines traversing the Central Chester property, and extension of power to the reactivated Jerome Mine in Osway Township is being considered.

1.3 PROPERTY

GROUP	CLAIM NUMBER	RECORD DATE	COMMENTS
North Chester	537237	26/09/79 ✓	Surveyed, bring to lease.
	540178	26/09/79 ✓	Surveyed, bring to lease.
	831870	05/11/84 ✓	Good standing to 05/11/89

1.3 PROPERTY cont....

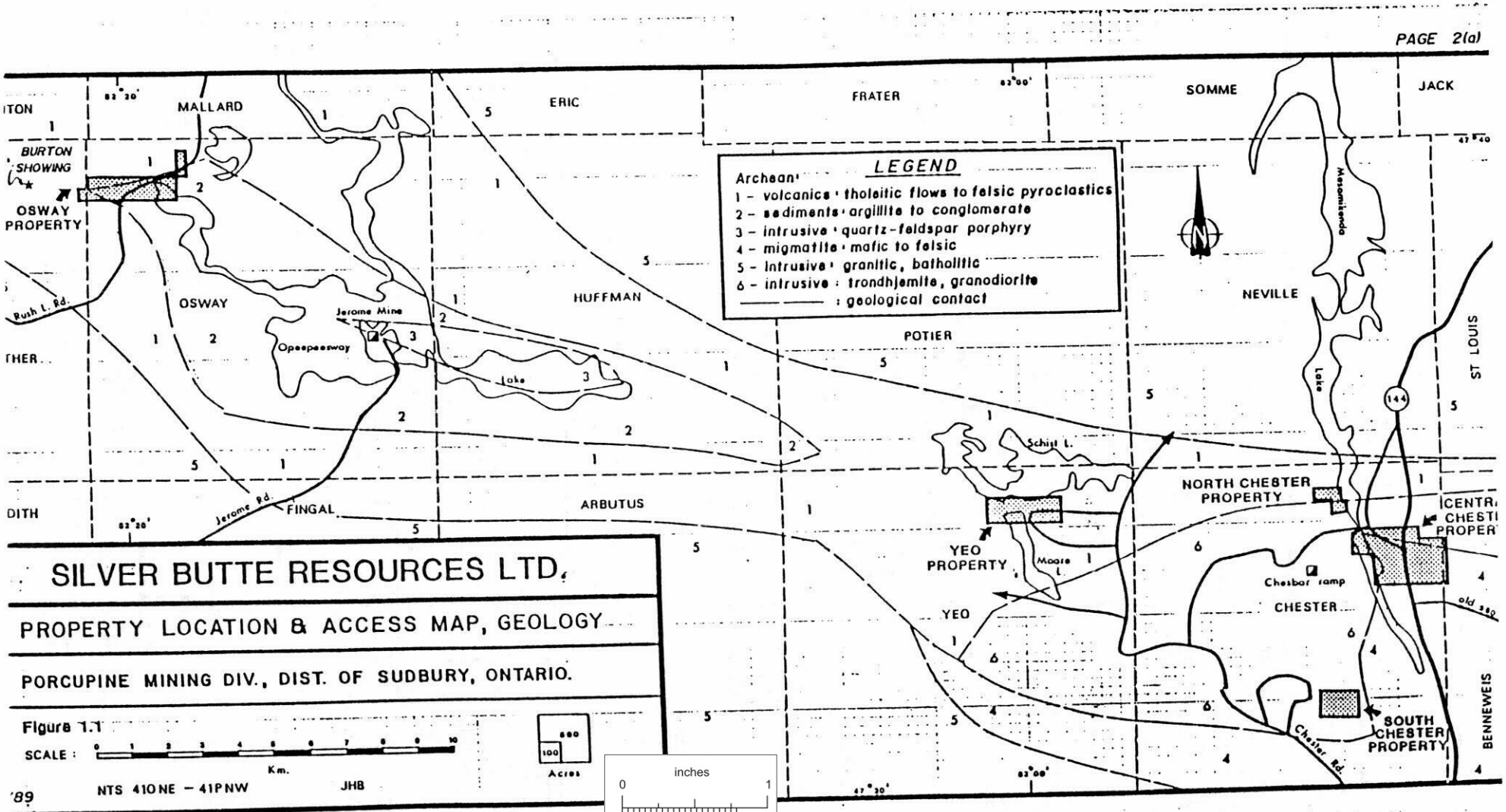
GROUP	CLAIM NUMBER	RECORD DATE	COMMENTS
Central	809389-392	16/08/84	Good standing to 16/08/89
Chester	809399-402	16/08/84	" " "
	809420-422	16/08/84	" " "
	809439-442	16/08/84	" " "
	819907-910	16/08/84	" " "
	826592-595	16/08/84	" " "
South Chester	537233	07/09/79	Surveyed, apply to lease.
	622048-050	27/09/84	Ready to bring to lease.
	757976-977	05/03/84	Ready to bring to lease.
Yeo Township	681635-636	12/01/84	Ready to bring to lease.
	722941&946	05/03/84	Ready to bring to lease.
	742775-778	29/02/84	Ready to bring to lease.
Osway Township	740954-955	24/04/85	Good standing to 24/04/90
	740969	24/04/85	Good standing to 24/04/90
	820605	25/05/85	Good standing to 25/05/90
	836929	25/05/85	Good standing to 25/05/90
	836934-935	25/05/85	Good standing to 25/05/90
	837904	12/05/85	Good standing to 12/05/90
	866691-692	19/07/85	Good standing to 19/07/89
	1029199-203	07/12/87	Good standing to 07/12/90

Map Reference: NTS 41 O/NE and 41 P/NE
Lat. 47° 30' to 47° 40'
Long. 81° 50' to 82° 22'

1.4 REGIONAL GEOLOGY

The properties are located in the "Swayze" early Precambrian age greenstone belt of Ontario, the southwest extension of the "Abitibi" greenstone belt which hosts the Timmins and Kirkland Lake gold mining camps and base metal deposits of Kidd Creek and the Noranda area. This volcanic-sedimentary belt trends northeast-southwesterly and is about 50 by 30 miles in extent.

A narrow branch of the southeast portion strikes easterly, within which the Company's properties are located. This branch continues east to Shining Tree, where it joins the Abitibi belt. In this sector the rocks are predominantly volcanic flows, with subordinate mafic and felsic pyroclastics and sediments, all of which have been intruded by numerous younger bodies of granitic to granodioritic rocks. A large mass of the latter type occupies the central and northeast sections of Chester Township.



SILVER BUTTE RESOURCES LTD.

PROPERTY LOCATION & ACCESS MAP, GEOLOGY

PORCUPINE MINING DIV., DIST. OF SUDBURY, ONTARIO.

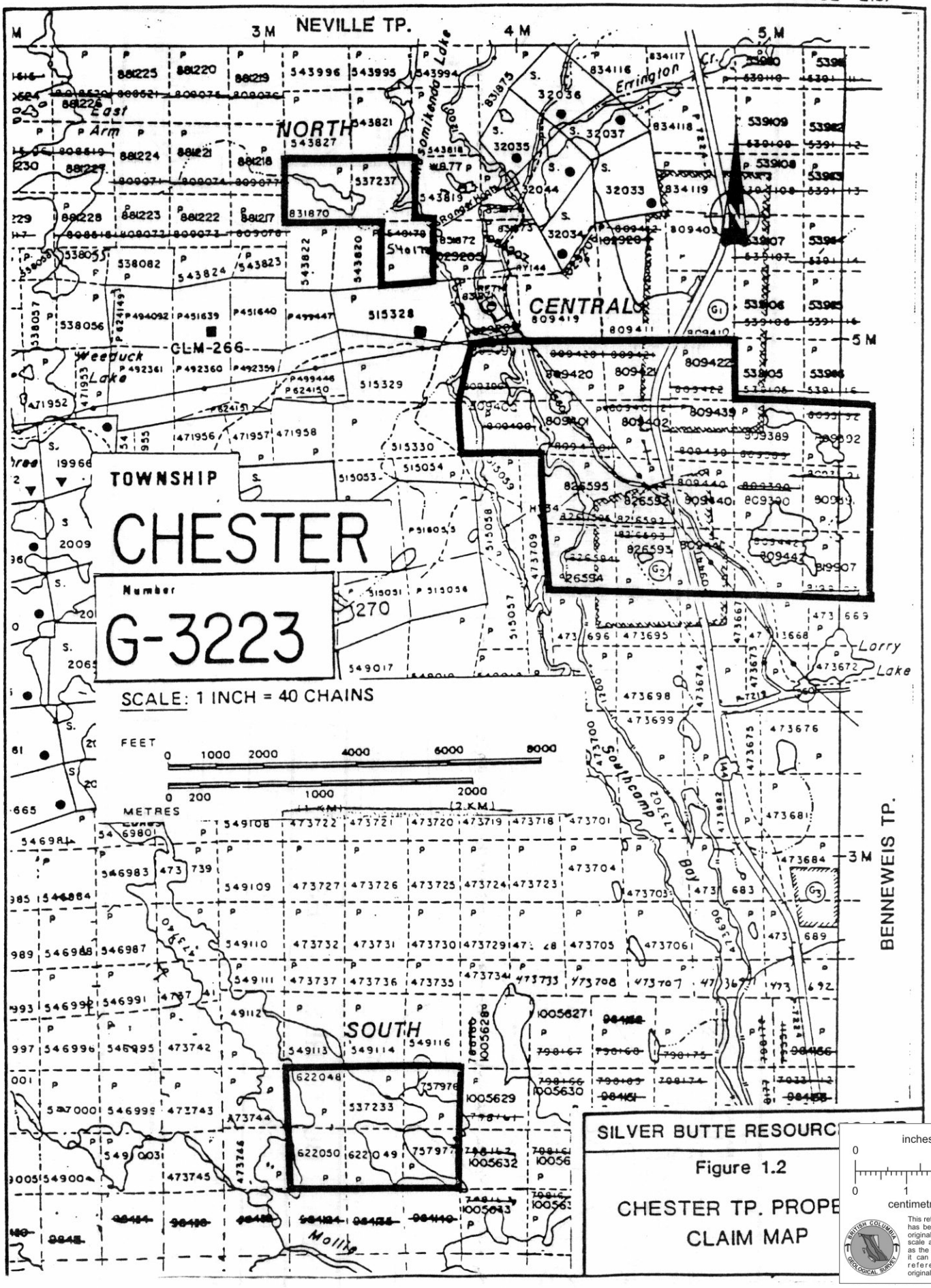
Figure 1.1

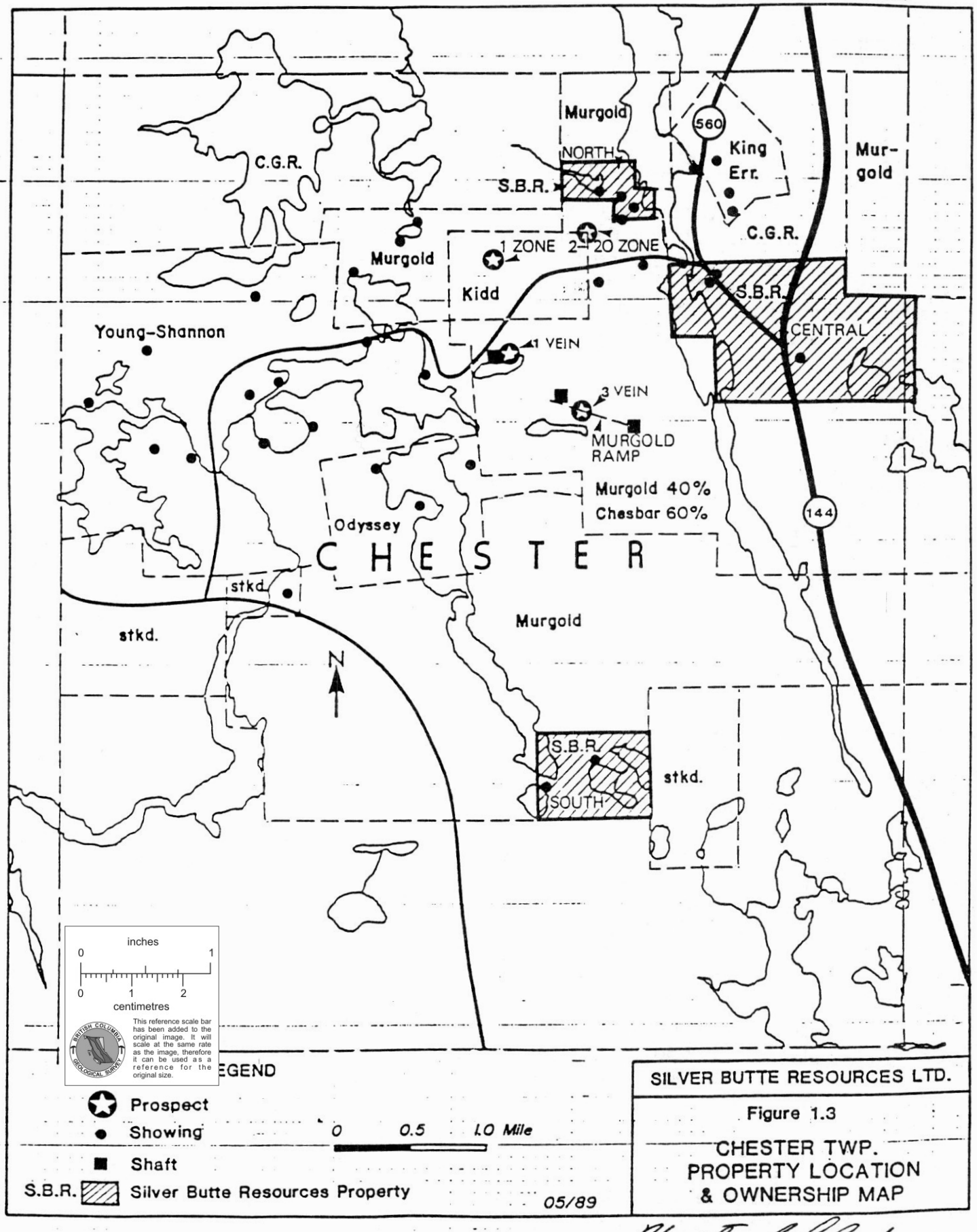
SCALE: 0 1 2 3 4 5 6 7 8 9 10 Km.

600 100 Acres

'89 NTS 41ONE – 41PNW JHB

inches
0 1
0 1 2
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.
BRITISH COLUMBIA GEOLOGICAL SURVEY


NEVILLE TP.
3 M
4 M
5 M
NORTH
CENTRAL
SOUTH
CLM-266
Weeduck Lake
East Arm
Somikendo Lake
Errington Cr.
Lorry Lake
Southcamp Bay
BENNEWEIS TP.
TOWNSHIP
CHESTER
Number
G-3223
SCALE: 1 INCH = 40 CHAINS
FEET
0 1000 2000 4000 6000 8000
METRES
0 200 1000 2000
(1 KM) (2 KM)
SILVER BUTTE RESOURC
Figure 1.2
CHESTER TP. PROPE
CLAIM MAP
inches
0 1
0 1 2
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.
BRITISH COLUMBIA GEOLOGICAL SURVEY


Murgold
NORTH
S.B.R.
560
King
Err.
Mur-
gold
C.G.R.
C.G.R.
1 ZONE
2-20 ZONE
Murgold
Kidd
S.B.R.
CENTRAL
Young-Shannon
1 VEIN
3 VEIN
MURGOLD
RAMP
Murgold 40%
Chesbar 60%
144
Odyssey
CHESTER
stkd.
stkd.
Murgold
N
S.B.R.
SOUTH
stkd.
inches
0
1
0
1
2
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.
BRITISH COLUMBIA GEOLOGICAL SURVEY
EGEND
Prospect
Showing
Shaft
S.B.R. Silver Butte Resources Property
0
0.5
1.0 Mile
05/89
SILVER BUTTE RESOURCES LTD.
Figure 1.3
CHESTER TWP.
PROPERTY LOCATION
& OWNERSHIP MAP

1.4 REGIONAL GEOLOGY cont....

The bulk of gold mineralization in the area is localized within shear zones in these intrusives. Murgold Resources and its joint venture partner Chesbar Resources are currently developing their #3 vein system, about one mile southwest of Silver Butte's Central Chester property. Reserves are reported to be 482,226 tons grading 0.25 oz. gold per ton, and production may commence by early summer 1989.

1A CHESTER TOWNSHIP

1A1 NORTH CHESTER GROUP

1A1.1 PROPERTY

The property consists of 3 contiguous, unpatented mining claims, located in north-central Chester Township. Two of the claims were legally surveyed in 1988, and are in the process of being brought to lease. The third claim requires 6 days assessment credit prior to November 5, 1989, to maintain the claims in good standing.

1A1.2 GEOLOGY

The property is underlain by Archean age rocks consisting of mafic to felsic metavolcanics which are intruded by a younger dioritic complex, all of which are cut by Proterozoic diabase dykes. A 200 to 800 foot wide band of highly deformed, strongly foliated pyroclastic metavolcanics strikes across the centre of the property on a 112° azimuth. It is flanked by steeply dipping tholeiitic metavolcanics. The extreme southern portion of the group is underlain by a complex diorite intrusive. The regional Mesomikenda Lake fault is located at the eastern boundary, along which considerable lateral and vertical movement has taken place.

Three shear zones, hosting gold-sulphide mineralization, have been recognized. Two of these shears in the pyroclastic volcanics, which host the Main and East zones, may be one continuous structure, attaining a strike length of 1200 feet. The third shear is within the intrusive complex, which hosts the South zone.

Sulphide mineralization consists locally of heavy pyrite and arsenopyrite along shear planes, and is thought to be epigenetic. Minor chalcopyrite occurs in the south zone. Quartz is present locally in small amounts, but the shears are relatively "dry". Variable degrees of silicic, carbonate, and sericite alteration may be present.

1A1.3 HISTORY - WORK TO DATE

Prior to acquisition by Silver Butte Resources, airborne EM -magnetometer and selective ground EM and magnetometer were conducted over the property. Sampling of the Main Zone, prior to acquisition, returned values up to 0.425 oz. gold/ton and 2.55 oz. gold/ton on the East zone. One diamond drill hole below each of these zones intersected the structures, but gold values were considerably lower. A 5 foot channel sample from the South zone assayed 0.205 oz. gold/ton.

Since 1986, the Company resampled the zones, conducted geological mapping, ground geochemical and VLF-EM surveys and bulldozer trenching in the south zone area. The geochemical survey was not particularly diagnostic, but the VLF-EM surveyed outlined six conductors, of which two are considered of merit. The longest and most intense conductor is located under a small pond, and may represent a 1600 foot northwesterly extension of the Main zone. An 800 foot conductor of moderate intensity is spatially related to the East zone. Both of these conductors are located within the pyroclastics and tend to follow their general strike.

Main Zone

This zone is located in the central portion of the property, trending at 102 ° azimuth, with a vertical dip, from the east shore of a small pond. Gold-sulphide mineralization occurs in a 2 to 4 foot wide shear zone which has been exposed by trenching over a length of 200 feet. Grab samples taken by Bankowski, returned gold values up to 0.543 oz./ton and channel samples to 0.282 oz./ton over 3 feet.

East Zone

This zone is located approximately 900 feet east of the Main zone and has a similar attitude, but with lesser quantities of sulphides within the controlling shear structure. A grab sample taken by Bankowski assayed 0.046 oz. gold/ton and a channel sample 0.018 oz. gold/ton.

South Zone

This zone straddles the south boundary of the claim group and consists of two 1 foot wide shears, three feet apart, which have similar strike and dip attitudes as the Main zone, in a sheared quartz diorite. A grab sample taken by Bankowski assayed 0.33 oz. gold/ton, and a channel sample 0.800 oz. gold/ton over 6 feet. The quartz diorite was exposed over an area 450 by 300 feet, but sampling of exposed shears did not return any gold values of interest.

1A1.4 SUMMARY AND CONCLUSIONS

The setting of the property appears attractive, being in a sector of thinning and deformation of the Swayze pyroclastics, adjacent to a major fault and in contact with a large diorite intrusive complex, the rock type hosting nearby, potentially economic deposits. Exploration to date shows erratic gold distribution in all three zones, but the possible continuity of the East and Main zones over a combined strike length of about 3500 feet, as indicated by the VLF-EM survey, presents an interesting target for further exploration.

1A1.5 PROPOSED EXPLORATION PROGRAM

A two-phased program is proposed.

Phase "A"

1989 field season, in part to satisfy assessment requirements prior to November 5, 1989.

(i) Stripping and sampling in Main zone sector.

(ii) VLF-EM surveys on lines at 50 foot spacing over main conductors to assist in final location of diamond drill holes.

(iii) Estimated Cost--$3,000.00

Phase "B"

1989-90 diamond drilling program, scheduled for winter months to facilitate access to drill sites.

(i) Diamond drilling - 1000 feet. One hole in each of East and Main zones, and strong anomaly beneath small pond. (See Map # 1A1)

(ii) Estimated Cost--$38,850.00

Total Estimated Cost, Phases "A" and "B" - $41,850.00

1A2 CENTRAL CHESTER GROUP

1A2.1 PROPERTY

This group consists of 20 contiguous, unpatented mining claims, located in the east-central sector of Chester Township. A total of 969.4 days assessment work is required by August 16, 1989, to maintain the claims in good standing.

1A2.2 GEOLOGY

The following geological description is based on Ontario Geological Survey Preliminary Map P-2449 (Siragusa, G.M., 1981). The claims are entirely underlain by an early Archean dioritic intrusive complex. The northern half is underlain with a complex of trondhjemite, granodiorite, quartz-monzonite and alaskite phases, with numerous xenoliths of volcanic rock. The southern half is underlain by more basic, massive, older Archean hornblende diorite and hornblende gabbro.

The Mesomikenda fault traverses the western edge of the property at 160 ° azimuth, within the lake, and the east side has moved about 1/4 mile north relative to the west side, with an undetermined amount of vertical displacement suspected.

Three occurrences of gold-sulphide mineralization have been located to date, identified as the Hydro, East and South showings. Each is related to northerly striking, narrow quartz veining, usually associated with shearing. Sulphide mineralization is mainly pyrite and chalcopyrite, although minor molybdenite has been noted in the South showing.

1A2.3 HISTORY - WORK TO DATE

In the early 1930's stripping, trenching and pitting were carried out on the Hydro and East showings. No assay data is available from this work. A ground VLF-EM survey was conducted in 1980 and an airborne magnetometer - EM survey in 1982.

Recent work conducted by Silver Butte Resources has consisted of establishment of a control grid for VLF-EM and geochemical surveys, followed by bulldozer stripping of selective areas of interest. The geochemical survey consisted of the collection of 624 soil samples, which were assayed for gold and silver. Several broad and weakly anomalous areas were outlined, with isolated somewhat higher values. Deep glacial overburden and wet,swampy ground over large portions of the property resulted in generally poor coverage.

Numerous conductors were outlined by the VLF-EM survey, the strongest being located to the north and east of the Hydro showing, over a length of 1600 feet on an azimuth of about 120 °. The next strongest conductor lies in the east central section over a strike length of 800 feet and azimuth of about 105 °. The active hydro line traversing the central portion of the property resulted in disconcordant readings for about 800 feet on either side of the line and poor coverage in these areas.

1A2.3 HISTORY - WORK TO DATE cont...

Hydro Showing

This showing is a quartz vein, exposed for a length of 100 feet, with a one foot average width and northerly strike. Its proximity to the active power line could complicate future development. A channel sample from the main pit, which was excavated and sampled by former operators, assayed 0.50 oz. gold/ton. A more recent grab sample assayed 0.752 oz. gold/ton.

East Showing

This is a shear zone, containing narrow quartz stringers and veins, striking northwesterly with a combined width of 3 to 5 feet, in a dioritic phase of the granodiorite. A channel sample assayed 1.39 oz. gold/ton across 2.3 feet, and a grab sample assayed 0.252 oz. gold/ton. Bulldozer trenching was carried out north of the Mesomikenda Lake road and east of Highway #144 to explore for the anticipated northwesterly extension of this shear structure. Results were inconclusive.

South Showing

This showing is located about 300 feet southwest of the Hydro showing and is represented by quartz stringers within a northeasterly trending shear zone. Channel and grab samples, by former operators, yielded 0.50 and 1.0 oz. gold/ton, respectively, while a grab sample taken by Bankowski assayed 0.054 oz. gold/ton.

1A2.4 SUMMARY AND CONCLUSIONS

The property hosts three known occurrences of gold mineralization. The East showing appears to be the most promising as the shear structure is wider, gold values are higher and it is open for extension in both directions along strike. The proximity of the Hydro showing to the power line is a complicating factor, although limited sampling indicates fairly high gold values over narrow widths. The South showing is the least well mineralized and its strike is contrary to the general trend of other gold-bearing structures and geophysical conductors.

Continued exploration is warranted, and in order to maintain the claims in good standing a total of 969.4 days of assessment work is required prior to August 16, 1989.

1A2.5 PROPOSED EXPLORATION PROGRAM

A two-phased exploration program is proposed.

Phase "A"

1989 field season, in part to satisfy assessment requirements prior to August 16, 1989.

(i) Geological mapping of the property.

(ii) VLF-EM surveys on lines at 50 foot spacing over the two most promising conductors.

(iii) Bulldozer stripping on the east side of Highway #144 in the general area of the East zone, followed by detailed geological mapping and sampling.

(iv) Estimated Cost--$24,000.00

Phase "B"

1989-90 diamond drilling program, scheduled for winter months to facilitate access to drill sites.

(i) Diamond Drilling - 1000 feet in three holes. One hole to test the strongest anomaly, and two holes in the East zone area, at locations shown on Map# 1A2, subject to results of Phase A work.

(ii) Estimated Cost--$38,850.00

Total Estimated Cost, Phases "A" and "B" - $62.850.00

1A3 SOUTH CHESTER GROUP

1A3.1 PROPERTY

The property consists of 6 contiguous, unpatented mining claims, located in the south-central portion of Chester Township. One claim was legally surveyed in 1988 and is in the process of being brought to lease. The other 5 claims are ready to bring to lease.

1A3.2 GEOLOGY

The claims are underlain by three distinct intrusive rock-types, ranging from relatively mafic to acidic composition. The most mafic is a medium grained,

1A3.2 GEOLOGY cont...

massive diorite to quartz diorite, which underlies approximately 50% of the property. It may be weakly magnetic due to minor contained magnetite. Medium grained granodiorite underlies about 15% of the property, while the remaining 35% is underlain by coarse grained pink to white granite, which hosts the quartz veining of the Main showing. There are no known major structural features.

1A3.3 HISTORY - WORK TO DATE

In 1979-80 surface trenching, sampling and diamond drilling were carried out on an approximately 2 foot wide, fissure quartz vein, located on the north side of a small lake in the centre of the claim block, termed the Main showing. The vein was traced on surface for a length of 325 feet in a quartz porphyry phase of a younger granite, dips north 84 °, strikes on an azimuth of 55 ° and progressing easterly is offset southerly by a series of cross faults. Two channel samples assayed 0.50 and 0.463 oz. Au/ton, over 2 and 3 feet respectively. One of the three diamond drill holes,by previous operators, intersected an estimated 6 foot true vein width, which assayed 0.262 oz. Au/ton.

A further 12 shallow holes were drilled in the years 1981 through 1983, along the 325 foot strike length, but gold grades were low. The property was covered by an airborne VLF-EM-magnetometer survey in 1981.

During the years 1986 through 1988, Silver Butte Resources established a 200 foot spaced grid on the two easterly claims and a 400 foot spaced grid on the westerly four claims, for control of geological mapping, and geochemical and VLF-EM geophysical surveys. Bulldozer stripping was carried out in 1988.

A total of 5 geochemical anomalies were outlined, the highest reading being close to the shore of Lower Duck Lake, about 800 feet west of the Main showing, and coincident with a weak EM conductor. The strongest anomaly is located near the northwest corner of the property and has a strike length of 800 feet at 77 ° azimuth, immediately west of a strong EM conductor.

The VLF-EM survey outlined 6 conductors. A very intense conductor is located in the north central sector of the property, has a length in excess of 1200 feet on an azimuth of 114 °, extending weakly towards the geochemical anomaly in the northwest corner of the claim group. The next most interesting conductor is located near the west shore of a small lake about 300 feet south of the Main showing.

Bulldozer trenching was extended near the east shoreline of Lower Duck Lake to explore a gold bearing shear zone discovered during geological mapping and open up the area of the Main showing and the coincident geochemical anomaly and EM conductor to the west. Detailed examination of this work has not yet been completed.

1A3.4 SUMMARY AND CONCLUSIONS

This claim group is the most highly developed of any of the Company's holdings in Chester Township. The Main showing has been explored over a length of 325 feet by surface trenching and with 15 short diamond drill holes, with the best reported drill intersection grading 0.262 oz.Au/ton over a true vein width of 6 feet. A coincident geochemical and VLF-EM conductor may represent the westerly continuation of the Main showing.

Two strong VLF-EM conductors have been outlined, the strongest extending for a length in excess of 1200 feet, and considering the geological environment, and the absence of iron formation or graphitic horizons, it is believed that these conductors are due to sulphide mineralization.

The above represent interesting and valid targets for further exploration.

1A3.5 PROPOSED EXPLORATION PROGRAM

A two-phased program is proposed. See Map # 1A3

Phase "A"

1989 field season, to provide detailed data for a future diamond drilling program.

(i) VLF-EM surveys on lines at 50 foot spacing over the two strongest conductors, and the westerly extension of the Main zone.

(ii) Geologically map and sample the areas trenched during the 1988 bulldozer trenching program.

(iii) Estimated Cost--$3,000.00

Phase "B"

1989-90 winter diamond drilling program.

(i) Diamond drilling - 1000 feet in four holes, one hole on each of the VLF-EM conductors and two holes to check the westerly continuity of the Main zone.

(ii) Estimated Cost--$38,850.00

Total Estimated Cost, Phases "A" and "B" - $41,850.00

1B YEO GROUP

1B.1 PROPERTY

This property consists of 8 contiguous, unpatented mining claims, located in the northeast 1/4 of Yeo Township. The claims are ready to bring to lease.

1B.2 GEOLOGY

The property is underlain by Archean-age metavolcanics intruded by a younger Archean sill of diorite. The regional strike of the volcanics and sill is approximately azimuth 100 °, with near vertical dip. The diorite sill is thought to be controlled by a fault through Schist and Moore Lakes, striking at about 160 degrees azimuth, roughly parallel to the Mesomikenda fault in Chester Township, and it contains gold-sulphide-quartz mineralization.

The northern portion is underlain by mafic tholeiitic flows, interbedded with sulphide-rich iron formation, which contains low gold values in pyritized, altered quartz carbonate zones.

The southern portion is underlain by intermediate to felsic pyroclastic volcanics. The diorite sill, which contains numerous wide zones of shearing, intrudes along the contact between the mafic flows to the north and the pyroclastics in the central portion of the property. East of Moore Lake fault the sill averages about 700 feet wide, strikes at about 100 ° azimuth with a vertical dip. West of the fault the dimensions are undetermined.

The bulk of the work has been done on shear zones in the diorite east of the fault, consisting chiefly of bulldozer trenching on several of the shear zones, which tend to be irregular in outline, attaining dimensions up to 400 by 50 feet, and are rusted, highly carbonatized and sericitized. Discrete pods and veinlets of quartz up to 3 feet wide and 15 feet long with abundant pyrite, arsenopyrite, galena, sphalerite, stibnite and chalcopyrite were sampled by Bankowski. Grab samples ranged to 0.52 oz. gold/ton and channel samples to 0.096 oz. gold/ton over 3.25 feet. The diorite sill extends easterly beyond the property boundary and a sample from a shaft dump, 1/4 mile to the east assayed 0.11 oz. gold/ton.

1B.3 HISTORY - WORK TO DATE

Surface trenching and pitting were carried out in 1930, and in 1979-80 Cominco performed a geological and magnetometer survey followed by drilling three holes on an iron formation horizon, west of the Company's claim group. Results of this work are not available. The property was covered by airborne EM-magnetometer surveys in 1982 and 1985.

1B.3 HISTORY - WORK TO DATE cont...

The Company carried out limited bulldozer trenching and sampling in 1986, which was followed by geochemical and VLF-EM surveys, bulldozer and rock trenching and sampling. In general the geochemically anomalous gold values were low, and mainly related to areas of known mineralization within the diorite sill. The maximum gold values were obtained in the volcanics, possibly related to iron formation. The strongest EM response was over the probable location of the Moore fault, while the next two strongest conductors, in the northeast sector, were probably related to known iron formation horizons. The known mineralization in the diorite did not give any noticeable response, but possibly the presence of a cable from an old power line may have limited the effectiveness of the survey.

1B.4 SUMMARY AND CONCLUSIONS

The occurrence of gold mineralization in a diorite is unique in the general area, and its sporadic, but persistent distribution over an area up to 700 by 2400 feet on the claim group, with extension 1/4 mile easterly, is significant. The property has not been geologically mapped and the extent and mineralizing characteristics of the iron formation horizons should be examined, as this rock type is a host for gold deposits in other sectors of the Precambrian Shield.

Removal of the copper cable from the abandoned power line would permit a more effective VLF-EM survey over the area of the diorite sill.

Further exploration on the claim group is warranted.

1B.5 PROPOSED EXPLORATION PROGRAM

A two-phased program is proposed. See Map 1B1

Phase "A"

1989 field season.

(i) Geological mapping of the claim group.

(ii) Removal of hydro cable and VLF-EM survey over general area underlain by diorite sill.

(iii) Estimated Cost--$6,000.0

1B.5 PROPOSED EXPLORATION PROGRAM cont...

Phase "B"

1989-90 winter diamond drilling program.

(i) Diamond drilling - 1000 feet in four holes below known gold-bearing shear zones.

(ii) Estimated Cost--$38,850.00

Total Estimated cost, Phases "A" and "B" - $44,850.00

1C OSWAY GROUP

1C.1 PROPERTY

The property consists of 15 contiguous, unpatented mining claims, located in the northwest portion of Osway Township. A total of 80 days assessment work is required prior to July 19, 1989 on two claims, and 561.9 days due on the claim group between April 24 and July 19, 1990.

1C.2 GEOLOGY

The property lies at the western extremity of a sedimentary basin in Osway and Huffman townships. Geological mapping has not been carried out over the claim group, but preliminary traversing indicates that the eastern sector is underlain by Archean sediments, ranging from argillite to conglomerate. Sandstones occupy the central sector, and mafic, tholeiitic volcanic flows occur in the west.

1C.3 HISTORY - WORK TO DATE

The general area has seen activity since 1928, when trenching and test pitting were carried out on what is now known as the Burton property about one mile west of the Company's claim group. This showing consists of gold bearing sulphide mineralization in quartz-carbonate veining , in sheared tholeiitic volcanics. High gold assays were reported.

The former producing Jerome Gold Mine is located about 4 miles to the southeast. During its four years of operation, commencing in 1941, 335,000 tons grading 0.186 oz. Au/ton were mined from a shear structure at or near a carbonated sediment/intrusive contact, within the same sedimentary basin.

Airborne EM-magnetometer surveys were carried out over the property in 1982 and 1985 by other interests. The Company commenced exploration in 1986 with bulldozer stripping and sampling, followed by a ground VLF-EM survey over 13

1C.3 HISTORY - WORK TO DATE cont...

of the 15 claims in 1988, on a 400 foot grid. Additional bulldozer stripping to explore a strong EM conductor in the north central sector was completed in 1988.

Several conductors were outlined by the EM survey. The prime conductor, about 6400 feet in length, traverses the central section, east to west, and is contained within a conductive trend, indicated by the airborne survey, that continues both west and east of the property, for a total length of three miles. The strongest EM response was encountered at a small beaver pond in the centre of the property.

Another strong conductor occurs in the north central sector, over a length of about 2,000 feet. The eastern section is in low wet ground, but elsewhere bulldozer stripping revealed that the conductor is associated with highly foliated altered sandstone, with minor sulphides noted.

It is believed that the strength of the above conductors indicates the presence of sulphide mineralization. Iron formation is not suspected.

1C.4 SUMMARY AND CONCLUSIONS

The geological setting of the property is favourable, particularly considering other known gold occurrences in a similar environment. The strong EM conductors, within this setting, provide attractive targets for more detailed exploration.

1C.5 PROPOSED EXPLORATION PROGRAM

A two-phased program is proposed. See Map 1C1

Phase "A"

1989 field season, in part to satisfy assessment requirements prior to July 19, 1989.

(i) Establish 400 foot grid on claims 866691-92 for geological mapping, geochemical and VLF-EM geophysical surveys, for assessment credits.

(ii) Geological mapping of the balance of the property, and detailed examination of 1988 bulldozer stripping

(iii) Bulldozer stripping in areas of interest from (i) & (ii).

(iv) Estimated cost--$20,000.00

1C.5 PROPOSED EXPLORATION PROGRAM cont...

Phase "B"

1989-90 winter diamond drilling program.

(i) Diamond Drilling - 1000 feet in four holes, three, widely spaced, along the main conductor, and one on the conductor in the north central sector.

(ii) Estimated Cost--$38,850.00

Total Estimated Cost, Phases "A" and "B" - $58,850.00

1D

COST SUMMARY

PROPERTY	PHASE "A"	PHASE "B"	TOTAL
North Chester	$ 3,000.00	$ 38,850.00	$ 41,850.00
Central Chester	24,000.00	38,850.00	62,850.00
South Chester	3,000.00	38,850.00	41,850.00
Yeo Township	6,000.00	38,850.00	44,850.00
Osway Township	20,000.00	38,850.00	58,850.00
TOTALS	$ 56,000.00	$ 194,250.00	$ 250,250.00

2. SIB CLAIM GROUP

UNUK RIVER AREA

Skeena Mining Division, B.C.

2.1 INTRODUCTION

The Company entered into an option agreement, June 30, 1988, with American Fibre Corporation, Vancouver, B.C., whereby American Fibre may earn up to a 50% interest in the 16 claim SIB Claim Group on payment of $50,000.00 in instalments by June 30, 1992, and exploration expenditures of $400,000.00 on the claims on or before June 30, 1993.

Engineering reports, dating from 1935 to the present, have been examined in detail, and provide the basis for this report, as the writer has not visited the property.

2.2 LOCATION AND ACCESS

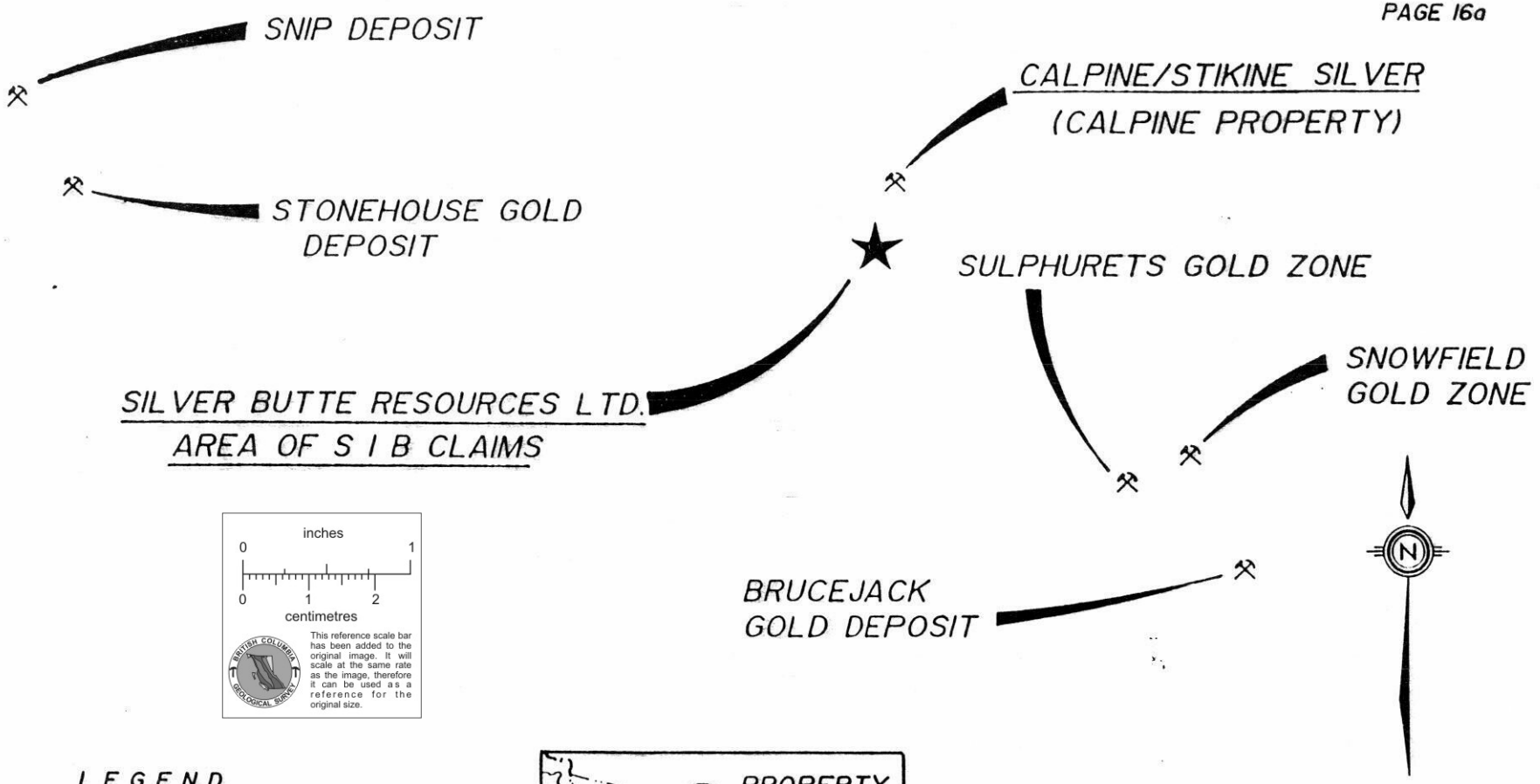
The property is located about 50 miles northwest of Stewart, B.C. on the Prout Plateau, near the headwaters of the Unuk River, and less than two miles east of Tom MacKay Lake. Access is by charter fixed wing or helicopter for Stewart, which in turn is connected by road to Terrace, B.C. via Highways 37 and 16. Terrace is serviced by regularly scheduled airlines.

The Prout Plateau is largely above timberline, at elevations between 3000 and 4000 feet, and consists of a series of ridges and intervening northeasterly trending valleys, parallel to the rock formations. Due to erosion the more prominent ridges and knolls usually indicate areas of silicification and mineralization, consequently travel parallel to the ridges is comparatively easy compared to cross travel made difficult by talus slopes, bluffs and steep draws.

The claim group adjoins the Eskay Creek property of Consolidated Stikine Silver Mines Ltd., to the north, now referred to as the "Calpine Property" and which is currently being explored by the joint interest partners, Calpine Resources Inc. and Consolidated Stikine Silver. Promising gold and silver values have recently been reported from diamond drill intersections.

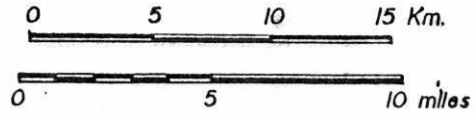
2.3 PROPERTY

The property covers an area of approximately 800 acres, and is comprised of the following claims held by location:



LEGEND

⚒ GOLD/SILVER DEPOSITS



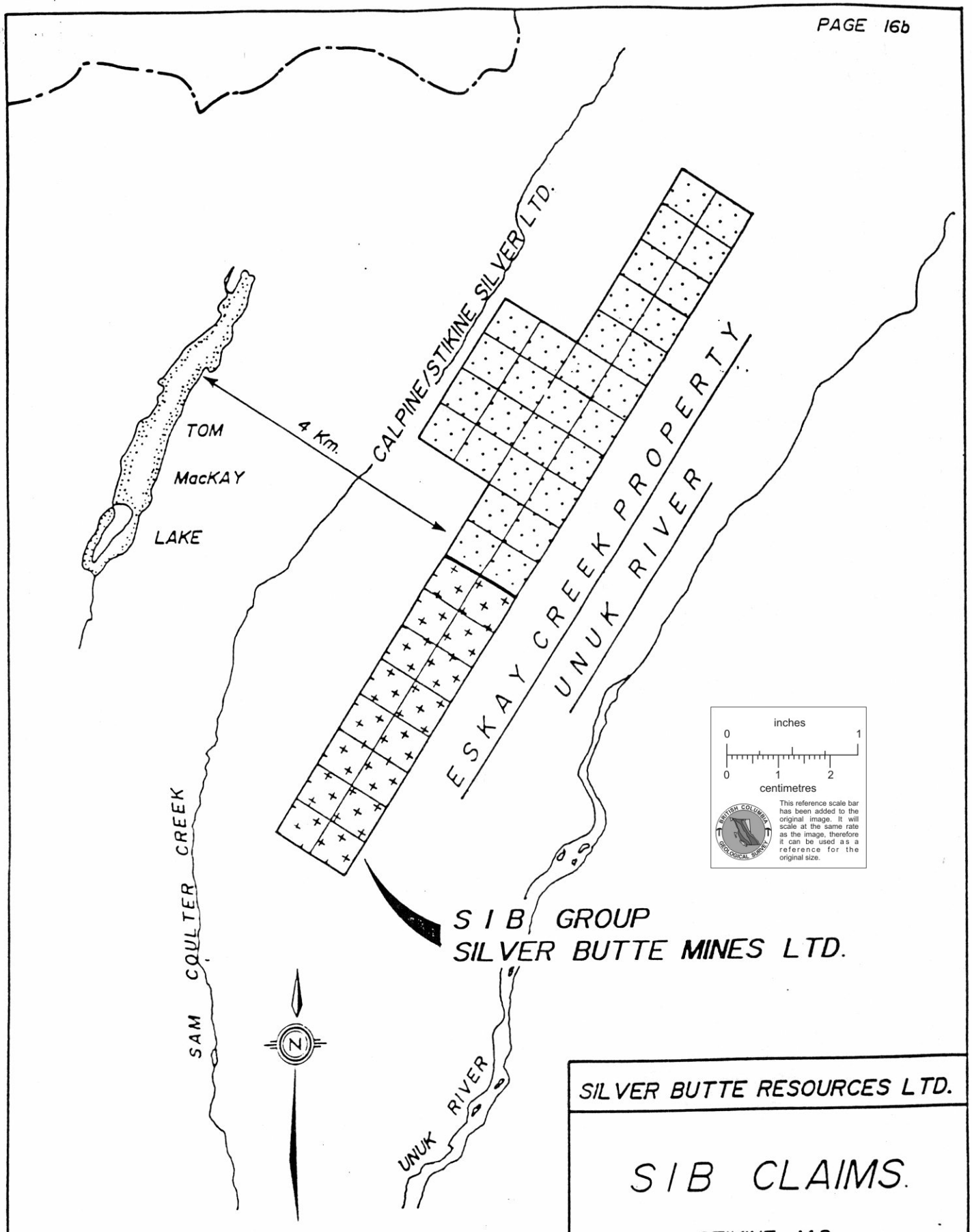
SILVER BUTTE RESOURCES LTD.

S I B PROPERTY LOCATION MAP

ESKAY CREEK AREA
SKEENA M.D., B.C.

DATE: MAY 1989 MAP : 2.1

Wallace Blackburn



SILVER BUTTE RESOURCES LTD.

SIB CLAIMS.

STIKINE M.D.
BRITISH COLUMBIA

DATE: MAY 1989 FIG. 2.2

2.3 PROPERTY cont...

CLAIM NUMBER	RECORD NUMBER	COMMENTS
SIB 1-16 (inclusive)	37223 - 37238 (inclusive)	Good standing to 31/05/95

Map reference: NTS 104B/9W Lat. 56° 37' Long. 130° 27'.

The present claims were staked in 1972, as per two post staking regulations, and the original posts are reported to be difficult to locate. Until the claims are surveyed, the exact property boundaries are indeterminate.

2.4 REGIONAL GEOLOGY

Cooke (Ref.2.4) summarizes the regional geology as follows:

"The Stewart gold-silver mining district lies at the western margin of the Intermontaine Belt of volcanic and sedimentary rocks where it meets the Coast Plutonic Complex of plutonic and metamorphic rocks. Local geological elements include Triassic to Jurassic volcanic-sedimentary rocks of the Stewart Complex, the primary host rocks to gold-silver mineralization in the region. Triassic to Tertiary plutonic rocks of the Coast Intrusions are possible source rocks to gold-silver mineralization. Jurassic sedimentary rocks of the Bowser Basin cover rocks to the Stewart Complex.

Gold-silver (copper, molybdenum) quartz veins follow narrow fractures and broad shears in Stewart Complex volcanics and sediments near felsic porphyry sills and dykes. They form part of a regional zoning from copper-rich mineralization in the west to molybdenum-bearing zones moving eastward, and from gold-rich veins in the north to silver-dominant mineralization moving southwards."

2.5 PROPERTY GEOLOGY

Cooke (Ref 2.4) describes the geology and mineralization as follows:

"The property is underlain predominantly by rocks of the Stewart Complex, including andesite, rhyolite and greywacke of the Lower Jurassic Unuk River Formation, unconformably overlain by argillite, sandstone and conglomerate of the Middle Jurassic Salmon River Formation. These rocks strike to the northeast and dip steeply northwest, along several northeast trending fold axes, intruded by feldspar porphyry plugs, dykes and sills of Jurassic age.

A major northeast-trending lineament more than 10km long crosses the property, marked by shearing, alteration and mineralization up to 500 metres wide. It is these pyritized, brecciated felsic rocks, variously described as rhyolite flows, tuffs and breccias or silicified replacement zones, that contain extensive low grade, Au-Ag-Pb-Zn-Cu* stockworks and localized high grade, Au-Ag-Pb-Zn-Cu* veins

2.5 PROPERTY GEOLOGY cont...

and Au-Ag-As-Sb-Hg* pods. *(Au-gold, Ag-silver, Pb-lead, Zn-zinc, Cu-copper, As-arsenic, Sb-antimony, Hg-mercury)

Two different styles of mineralization have strong exploration potential on the SIB claims. Low grade, gold-silver stockworks and disseminations appear to be stratabound, volcanogenic, vent-proximal sulphide mineralization with large tonnage potential, especially if more distal massive sulphides, similar to the Calpine discovery can be located. Higher grade crosscutting gold-silver veins probably represent late-stage, epigenetic veining with high grade potential, particularly at the intersections of northwest and northeast-trending structures."

Dirom (Ref.2.1) categorizes the main distinctive types of mineral occurrence as follows:

(i) A series of short narrow fractures in highly silicified and replaced volcanics. Sulphide mineralization is mainly sphalerite and pyrite with lesser amounts of galena and arsenopyrite. Gold probably occurs in a finely divided free state, as there is no apparent relationship between sulphide content and gold values, which may be quite high over narrow widths.

(ii) A series of narrow shears and fractures in variably silicified and generally sheared volcanics. Sulphide mineralization in the variably dipping, commonly parallel, narrow, erratic and discontinuous shears, is usually heavy, consisting of pyrite, sphalerite, galena, chalcopyrite and arsenopyrite. Gold values may be quite high over narrow widths.

(iii) A network of sulphide-filled joints and fractures in highly brecciated, silicified and replaced volcanics. Sulphide mineralization is usually fine grained to massive pyrite, with minor galena and sphalerite. Some of the seams and joints contain graphitic material, and gold values in general are low.

2.6 HISTORY - WORK TO DATE

The mineral possibilities of the Unuk area have been known by prospectors since the early 1880's, and several lode properties were staked in the lower reaches of the Unuk River valley, but did not prove successful.

In 1932, two claim groups were staked along a five mile length of the axis of an anticline on Prout Plateau, which were optioned by Premier Gold Mines and who carried out an extensive exploration program in the years 1935 to 1937, under the

2.6 HISTORY - WORK TO DATE cont...

direction of Gavin A. Girom. This work consisted of a geologic study of the area, excavating and sampling upwards to 150 surface pits in several mineralized zones, and shallow subsurface testing by 40 diamond drill holes. It was concluded from this work that the belt of mineralized zones conforms with the major axis of an anticline containing four distinct rock formations, of which a white, silicified and altered unit may be the most favourable host rock. The formations are moderately fractured in a southeasterly direction, and major fractures frequently contain narrow veinlets and stringers , which carry erratically distributed gold values. However, in places they may be sufficiently closely spaced to be of economic interest.

Premier allowed their option to expire in 1937.

In 1939, both groups were acquired by MacKay Gold Mines Ltd. (Ref. 2.2) Two adits were driven, one being on the most promising mineralized zone on the northerly claim group, which is currently being explored by Consolidated Stikine Silver Mines Ltd. and Calpine Resources Inc. Gold mineralization was found to be largely confined to narrow east-west striking, southerly dipping fractures, which together, over a 150 foot width, indicated the possibility of the development of large low grade tonnage.

In 1963, Western Resources drove an adit about 600 feet south of the former workings, and encountered weak mineralization over a width of 30 to 40 feet, lacking continuity.

In 1975, Texas Gulf Resources acquired an option to lease the properties and conducted substantial mapping, sampling and geophysical programs, followed by diamond drilling in 1976, in an effort to delineate zones of massive sulphides. Results were reported to have been discouraging and the option was cancelled.

In 1979, May-Ralph Resources Ltd carried out a highgrading operation with unknown results.

Under terms of a 1980 agreement with Silver Butte, Ryan Exploration Co., Ltd. (Ref. 2.3) carried out a reconnaissance stream sediment sampling program in 1982 in the main drainage system and tributaries of Sam Coulter Creek, which lies immediately west of and generally parallel to the SIB claim group. Sixty-eight stream sediment and twenty-seven rock chip samples were collected at maximum intervals of 300 metres, over an area of 1000 metres by 4000 metres. Anomalous gold-silver-lead-zinc values were found in samples in the south sector, suggesting that the source of this mineralization may be at higher elevations within the boundaries of the more southerly claims. Anomalous silver-lead-zinc and elevated gold values were returned from two rock chip samples, taken on narrow veins near an old adit further to the north.

2.6 HISTORY - WORK TO DATE cont...

American Fibre Corporation, under terms of their option agreement, dated June 30, 1988, with Silver Butte, have expended approximately $90,000. on exploration of the property to date, under the direction of Cooke Geological Consultants Ltd. (Ref.2.4). Geochemical, magnetometer and geophysical surveys were carried out over an area 1000 x 3600 metres, providing coverage in excess of the claim group area. A total of 679 soil samples were collected at 25 metre intervals along grid lines 200 metres apart, and were tested for gold, silver, lead, copper, antimony and arsenic. Several anomalous readings in all minerals, in places coincident, were outlined, predominantly in the western half of the grid area. Initial interpretation suggests a north to northeasterly trend to this mineralization.

Magnetic and VLF-EM surveys, totalling 36.55 kilometres each, were carried out with readings taken at 25 metre intervals, along grid lines 100 meters apart. A series of magnetic highs form a strong north to northeast trend down the centre of the grid, probably reflecting a more highly magnetic stratigraphic unit. Electromagnetic highs and lows form a distinct north to northeast trend, most pronounced in the south and west parts of the grid.

An airborne magnetometer survey has just been completed, the compilation and interpretation of which is not yet available.

2.7 SUMMARY AND CONCLUSIONS

Geologically, altered and mineralized rocks observed on the property are similar to those which occur, on strike, on the Calpine property, some three kilometres to the northeast. Stream sediment sampling, soil geochemistry and rock sampling indicate that one or more mineralized zones may occur within the SIB grid area. Geophysics show several strong north to northeast trending magnetic and conductive anomalies, some coincident with anomalous geochemical values, that further strengthen the possibility of the presence of mineralized zones.

These results, and taking into consideration the encouragement encountered from diamond drilling on the adjoining Calpine property, further exploration on the SIB claims is warranted.

2.8 FUTURE EXPLORATION

American Fibre Corporation have advised of their intention to resume exploration on the property when snow conditions permit, probably about the end of June. The proposed program will include geological mapping, rock trenching, sampling and more detailed geochemical and geophysical in specific areas of interest, the techniques found to be useful on the Calpine property. The cost of this program is estimated to be approximately $300,000, which when combined with

2.8 FUTURE EXPLORATION cont...

expenditures to date, will satisfy the exploration expenditure necessary to acquire a 50% interest in the SIB claims.

It is anticipated that this phase of the program will be completed by late summer or early fall, at which time, if warranted, a diamond drilling program is contemplated. At this juncture Silver Butte will be required to enter into a Joint Venture Agreement with American Fibre to maintain its 50% interest in the property. Taking into consideration the amount of diamond drilling required to identify and outline mineralized zones on the Calpine property, an expenditure of $600,000 for diamond drilling on the SIB property might be anticipated, $300,000 being required from Silver Butte.

3. MOOSE AND RUBY CLAIM GROUPS

ALICE ARM AREA

Skeena Mining Division, B.C.

3.1 INTRODUCTION

The appraisals of the two claim groups are based exclusively on data recorded in several Minister of Mines, B.C., Annual Reports, and Mines and Petroleum Resources Reports. Company ownership is 100%. The writer has not visited the properties.

3.2 LOCATION AND ACCESS

The town of Alice Arm is serviced by boat and small aircraft from Prince Rupert. The town of Kitsault is about two miles southeast of Alice Arm, across the fiord, and is connected by a secondary road to Terrace on Highway 16. Both Prince Rupert and Terrace are serviced by regularly scheduled airlines.

Hydro power is available at Kitsault.

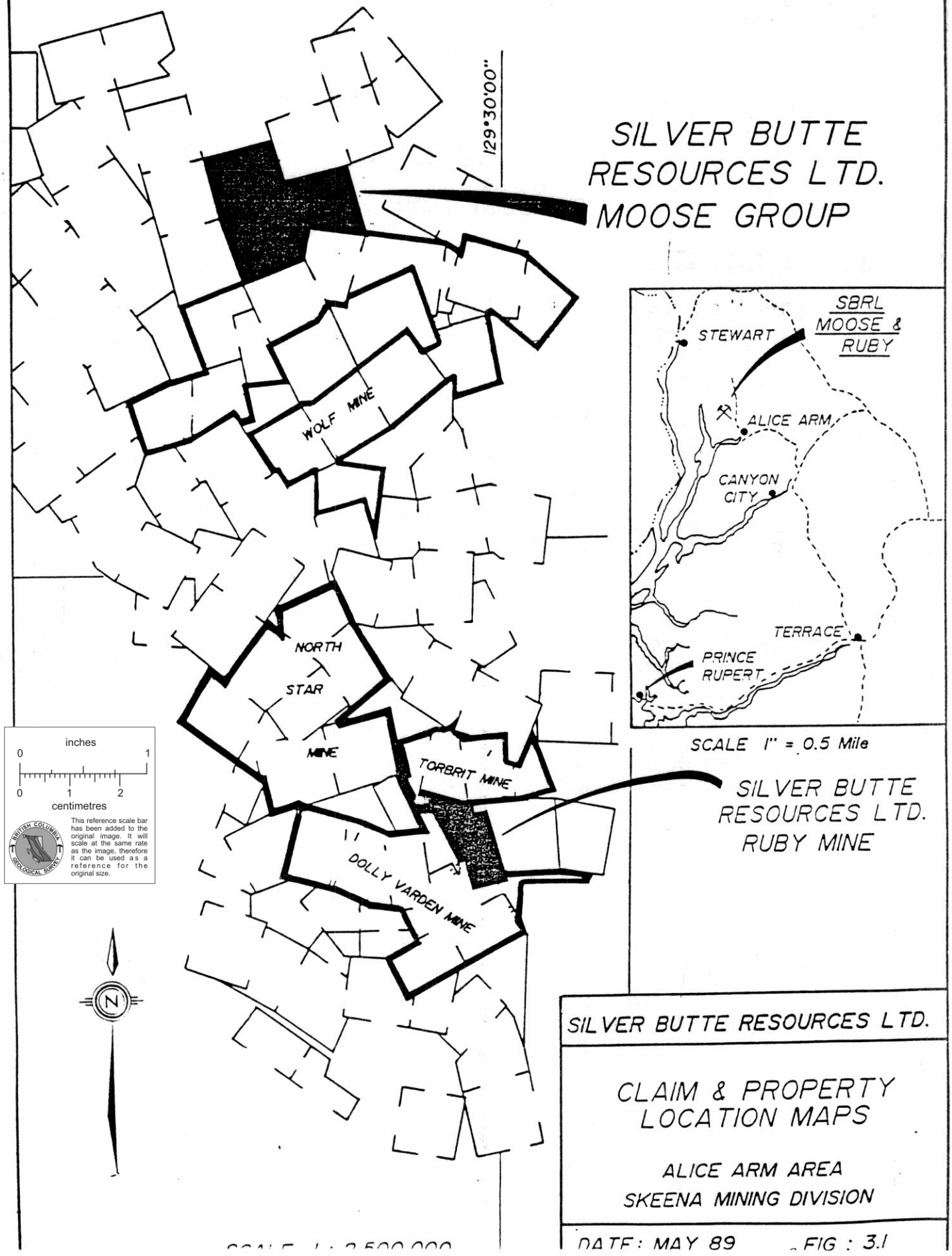
The properties are located approximately 21 miles north of Alice Arm along the east slope of the Kitsault River and are accessible by a gravel road. The more southerly Ruby Group adjoins three Dolly Varden former producing properties, the Torbrit mine to the north and the North Star and main Dolly Varden mines to the west. The Moose Group is located approximately 2 miles further north, just beyond Trout Creek, and about 1/3 mile north of another Dolly Varden former producer, the Wolf Mine No.1 and No.2 deposits.

3.3 PROPERTY

Group	Crown Grants	Lot Number	Folio Number	Mineral Land - Tax Number
MOOSE	Moose No. 1	1241	67237	1241
	Moose No. 2	1242	67237	1242
	Moose No. 6	1243	67237	1243
RUBY	Ruby	4210	67237	4210
	North Star Fraction	4211	67237	4211

Mineral Land Tax has been paid for the year 1989.

Map Reference: NTS 103P/12E Lat. 55° 42' Long. 129° 30'



SILVER BUTTE RESOURCES LTD.

CLAIM & PROPERTY LOCATION MAPS

ALICE ARM AREA
SKEENA MINING DIVISION

DATE: MAY 89 FIG : 3.1

3.4 GEOLOGY

The country rocks in this sector of the Alice Arm area are massive to tuffaceous fine grained, grey-green to purplish volcanics of andesitic composition, belonging to the Jurassic Hazelton group of rocks, which host gold occurrences in the Stewart area to the north. Geologic studies suggest that the volcanics were vented into a submarine environment, related to lower Jurassic intrusives. Zones of crustal weakness resulted, followed by faulting and folding, which facilitated the introduction of silver-rich, essentially base metal mineralization. After a period of remobilization the intrusion of porphyritic rocks elevated the volcanic pile out of its submarine environment, and provided hydrothermal fluids, from which gold-silver-copper mineralization was precipitated in northwest trending structures.

On the Ruby Group a strong shear and fracture system, within the volcanics, showed some silicification and sparse sulphide mineralization. This structure was the object of the only exploration known on the property.

On the Moose Group the main mineralized showings occur in a quartz-barite-jasper replacement deposit, striking roughly east-west, dipping steeply north and probably extending onto the Climax claim to the east. Zone widths vary along strike from 12 feet in the east to 40 feet in the west, and contacts with the host volcanics may be sharp or gradational, but appear to be essentially fracture controlled. Sulphide mineralization includes variable amounts of galena, sphalerite, pyrite, chalcopyrite and silver-bearing tetrahedrite.

3.5 HISTORY - WORK TO DATE

Between the years 1919 and 1921 the Dolly Varden Mine produced 1,350,000 ounces of silver from 36,000 tons, while the Torbrit Silver Lead Mine produced 18,706,847 ounces of silver and 10, 772,575 lbs.of lead until its closure in 1959. In a recent study, Derry, Michener and Booth, Consulting Geologists and Engineers of Toronto, estimate the combined proven and probable reserves on the North Star, Wolf and Dolly Varden properties at 515,350 tons grading 11.04 oz Ag/ton, or containing 5,688,375 ounces of silver.

Ruby Group

During the period 1919-1921 a 15 foot wide shear zone in greenstone was explored by surface trenching. Minor pyrite and galena mineralization occurred in silicified sections and associated with minor quartz veining. Assays were reported to have been low. A 100 foot tunnel, with several crosscuts up to 45 feet in length, prospected about 40 feet below the shear zone, but it is reported that no mineralization was encountered. In 1951, neither the surface trenching nor the tunnel could be located.

3.5 HISTORY - WORK TO DATE cont...

Moose Group

The first recorded work, in the form of rock trenching was in 1918. This was followed by the driving of short tunnels. The upper tunnel, at approximately the 2300 foot elevation, below the rock trenching, and a lower tunnel at 2000 foot elevation, were completed in 1920 and 1921.

(i) Upper Tunnel

This was extended approximately 100 feet, of which the last 60-65 feet exposed vein about 12 feet wide. Where first encountered, 6 feet of the vein are reported to have assayed 30 oz. silver/ton. Further along, selected samples assayed up to 600 oz. silver/ton, and the overall average was considered to be of good "milling grade". This tunnel is now inaccessible.

(ii) Lower Tunnel

Total advance was approximately 180 feet. The first 25 feet were driven on vein, at which point a cross fracture or fault terminated the vein. A vein (probably the offset extension of the original) was subsequently found after considerable driving in waste. Drifting was carried out for 75 feet along the footwall of the vein and crosscuts into the hangingwall indicated vein widths ranging from 10 to 22 feet. Grade of mineralization was reported to be low, with the best values being encountered at the intersections of the vein and crosscutting fractures.

The tunnel was still open in 1951. A sample cut on the vein near the portal assayed 12.3 oz. silver/ton over a width of 3 feet. At the east face, assays from three samples averaged 7.5 oz. silver/ton over 15.2 feet.

In 1964, 2040 feet of diamond drilling, completed in the eastern part of the property near the Climax boundary, indicated the presence of a mineralized deposit, averaging 12 feet wide, which may be a continuation of the replacement zone opened up in an adit, about 300 feet southeast on the adjoining Climax property. No assay data or drill hole locations are available.

3.6 SUMMARY AND CONCLUSIONS

These two claim groups are favourably located with respect to former producing properties. Current geological and engineering data is limited and inconclusive. It is believed, therefore, that a reconnaissance exploration program is warranted, to provide an initial assessment of these properties, which, if considered favourable, should be followed by more detailed investigation.

3.7 PROPOSED EXPLORATION PROGRAM

Phase "A"

Geologist and helper for approximately 3 weeks.

(i) Locate the claim groups in the field.

(ii) Locate former workings and sample vein exposures.

(iii) Carry out reconnaissance geological mapping and surveying.

(iv) Estimated cost--$15,000.00

Phase "B"

Geologist plus 3 crew members for approximately 4 weeks.

This phase will be contingent on confirmation, in Phase "A", of information referred to above, and could include the following:

(i) Establishment of a control grid on each claim group for detailed geological mapping, magnetometer, VLF-EM and geochemical surveys.

(ii) Rehabilitation of underground workings, (if feasible) followed by geological mapping and sampling.

(iii) Surface trenching and sampling.

(iv) Estimated cost--$50,000.0

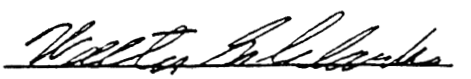
Total Estimated Cost Phases "A" and "B" - $65,000.00

4. **SUMMARY ESTIMATED COSTS**

PROPERTY	PHASE "A"	PHASE "B"	TOTAL
North Chester	$ 3,000.00	$ 38,850.00	$ 41,850.00
Central Chester	24,000.00	38,850.00	62,850.00
South Chester	3,000.00	38,850.00	41,850.00
Yeo Township	6,000.00	38,850.00	44,850.00
Osway Township	20,000.00	38,850.00	58,850.00
Moose and Ruby	15,000.00	50,000.00	65,000.00
TOTALS	$ 71,000.00	$244,250.00	$315,250.00

FUTURE ANTICIPATED COSTS

SIB Joint Venture $300,000.00



May 31,1989

Walter E. Clarke, B.Sc., P.Eng

REFERENCES

CHESTER, YEO & OSWAY TOWNSHIPS PROPERTIES

1.1 John R. Boissoneault, P.Eng. June 26,1981: Geological Report on Chester, Potier, Huffman, Arbutus and Osway Townships Property for Hargor Resources Inc.

1.2 L. K. Lytle, Hanson Mineral Exploration Limited: South Chester Group. Various Diamond Drill, Geophysical Reports, 1980 through 1983.

1.3 John R. Boissoneault, P.Eng. July 9,1985: Geological Evaluation Report of Swayze Area Properties for Consolidated Silver Butte Mines Ltd.

1.4 J. Bankowski, B.Sc., February 1987: Reports on 1986 Exploration Programs, Swayze Properties, Geological and Geochemical Surveys, Claims P-757976 & 977, Chester Twp., for Consolidated Silver Butte Mines Ltd.

1.5 J. Bankowski, B.Sc., April 1988: Swayze Project, Report of Activities 1987 and Proposed Program and Projected Costs, 1988, for Consolidated Silver Butte Mines Ltd.

1.6 J. Bankowski, B.Sc., February 28, 1989: Report on Chester, Yeo and Osway Townships Properties of Consolidated Silver Butte Mines Ltd.

SIB PROPERTY

2.1 Gavin A. Dirom, 1935: Report on Unuk Group for Premier Gold Mining Company Ltd.

2.2 MacKay Gold Mines Ltd, 1939: Report of Operations

2.3 Roger H. George, April 1983: Geochemical Report SIB 1-16 Claims, for Consolidated Silver Butte Mines Ltd. and Ryan Exploration Co., Ltd.

2.4 Bradford J. Cooke, November 1988: Exploration Report on the SIB and Polo Properties for American Fibre Corporation

MOOSE AND RUBY CLAIM GROUPS

3.1 B.C. Minister of Mines Annual Reports for years, 1916, 1918, 1919, 1922, 1930, 1931 and 1951.

3.2 B.C. Mines & Petroleum Resources Report, 1964, N.C. Carter.

3.3 Memorandum, January 1989: American Pacific Mining, New York, Inc., re Dolly Varden Minerals Inc., by A. F. Mathews.

CERTIFICATE

I, Walter E. Clarke, of the City of Victoria, British Columbia, do hereby state that:

1. I am a consulting geological and mining engineer with an office at 1362 Dallas Rd., Victoria, British Columbia, V8S 1A1.

2. I am a graduate of Queen's University (1939) Kingston, Ontario, with a B.Sc., degree in Geology and Mineralogy.

3. I have practised my profession for over 40 years in the fields of geological exploration, mine development and operating, and consulting , throughout Canada, Western United States and various foreign countries.

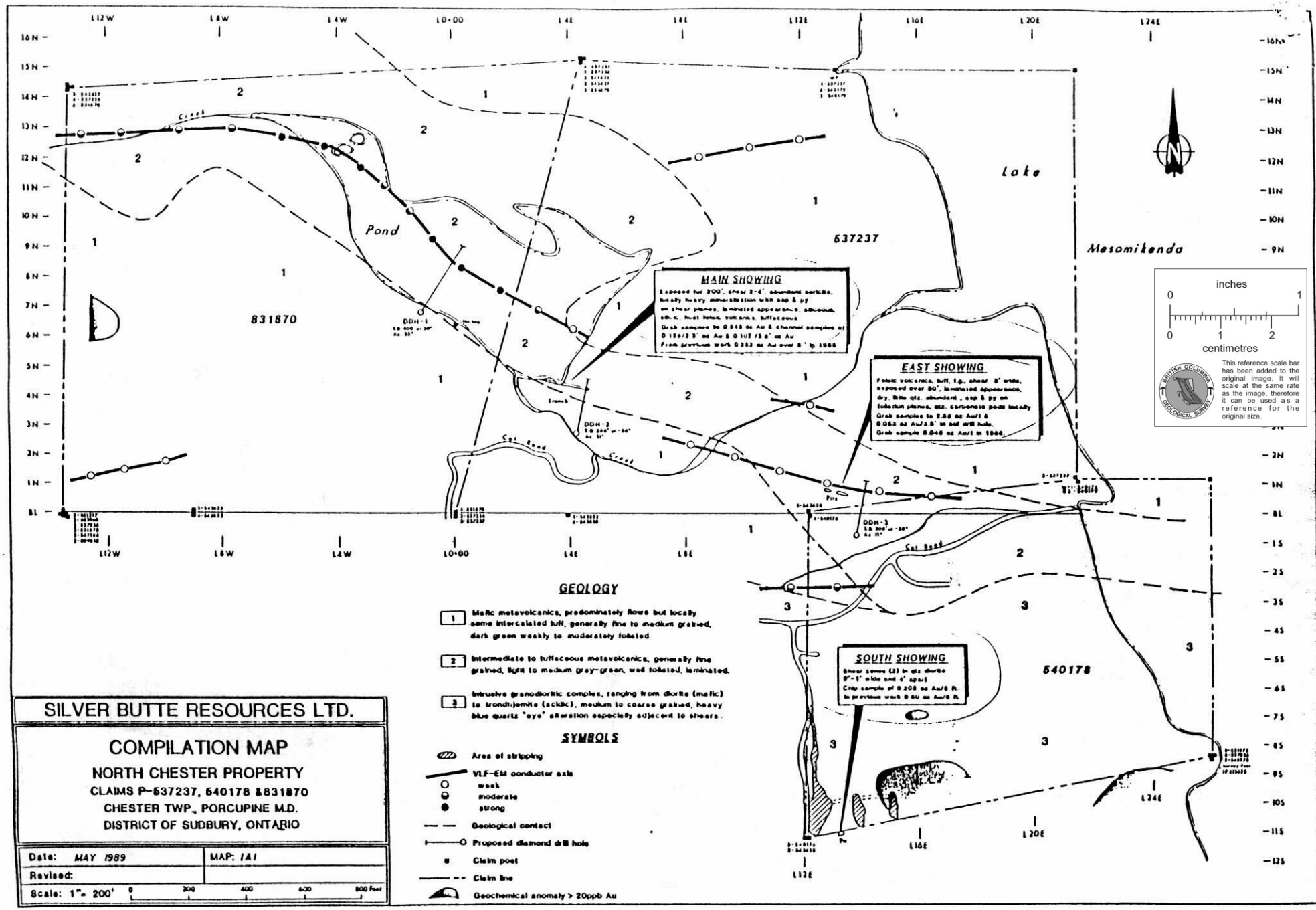
4. I am a member in good standing of the Association of Professional Engineers in the provinces of British Columbia and Ontario.

5. I have examined most of the properties in the Swayze area of Ontario, and have studied the various reports listed under "References" and other relevant data.

6. I have no interest, either direct or indirect, in the properties or securities of Silver Butte Resources Ltd., nor do I expect to acquire any such interest in the future.

7. I consent to the use of this report in a Prospectus, Statement of Material Facts or Qualifying Report, provided that no material will be extracted out of context or used for other purposes.

Walter E. Clarke, B.Sc., P.Eng



GEOLOGY

1. Mafic metavolcanics, predominately flows but locally some intercalated tuff, generally fine to medium grained, dark green weakly to moderately foliated
2. Intermediate to tuffaceous metavolcanics, generally fine grained, light to medium grey-green, well foliated, laminated.
3. Intrusive granodioritic complex, ranging from diorite (mafic) to trondhjemite (acidic), medium to coarse grained, heavy blue quartz "eye" alteration especially adjacent to shears.

SYMBOLS

- Area of stripping
- VLF-EM conductor axis
  - weak
  - moderate
  - strong
- Geological contact
- Proposed diamond drill hole
- Claim post
- Claim line
- Geochemical anomaly > 20ppb Au

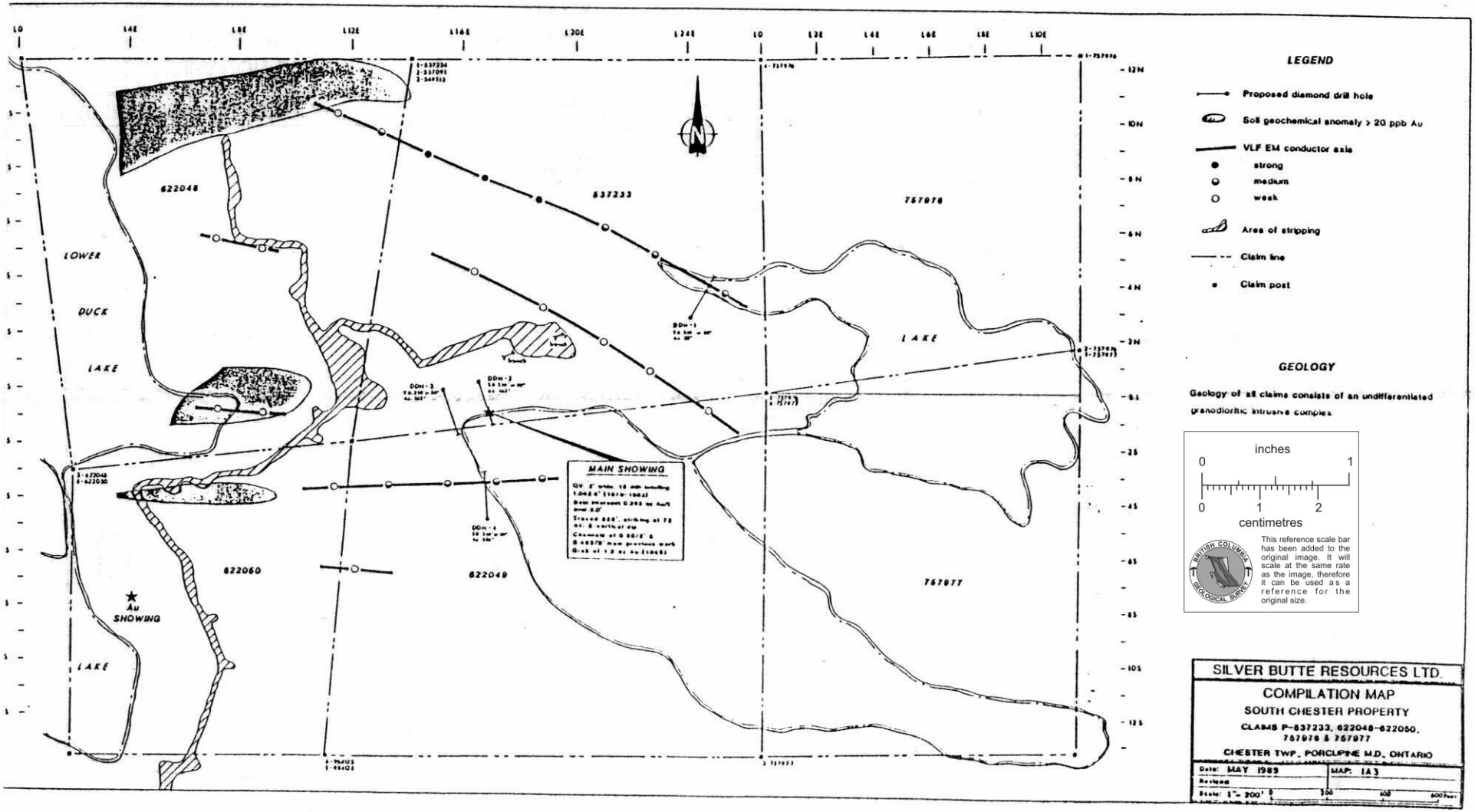
SILVER BUTTE RESOURCES LTD.

COMPILATION MAP

NORTH CHESTER PROPERTY
CLAIMS P-637237, 640178 &831870
CHESTER TWP., PORCUPINE M.D.
DISTRICT OF SUDBURY, ONTARIO

Date: MAY 1989	MAP: 1A1
Revised:	

Scale: 1"= 200' 0 200 400 600 800 feet



LEGEND

- Proposed diamond drill hole
- Soil geochemical anomaly > 20 ppb Au
- VLF EM conductor axis
  - strong
  - medium
  - weak
- Area of stripping
- Claim line
- Claim post

GEOLOGY

Geology of all claims consists of an undifferentiated granodioritic intrusive complex

inches
0 1
0 1 2
centimetres

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BRITISH COLUMBIA GEOLOGICAL SURVEY

SILVER BUTTE RESOURCES LTD.

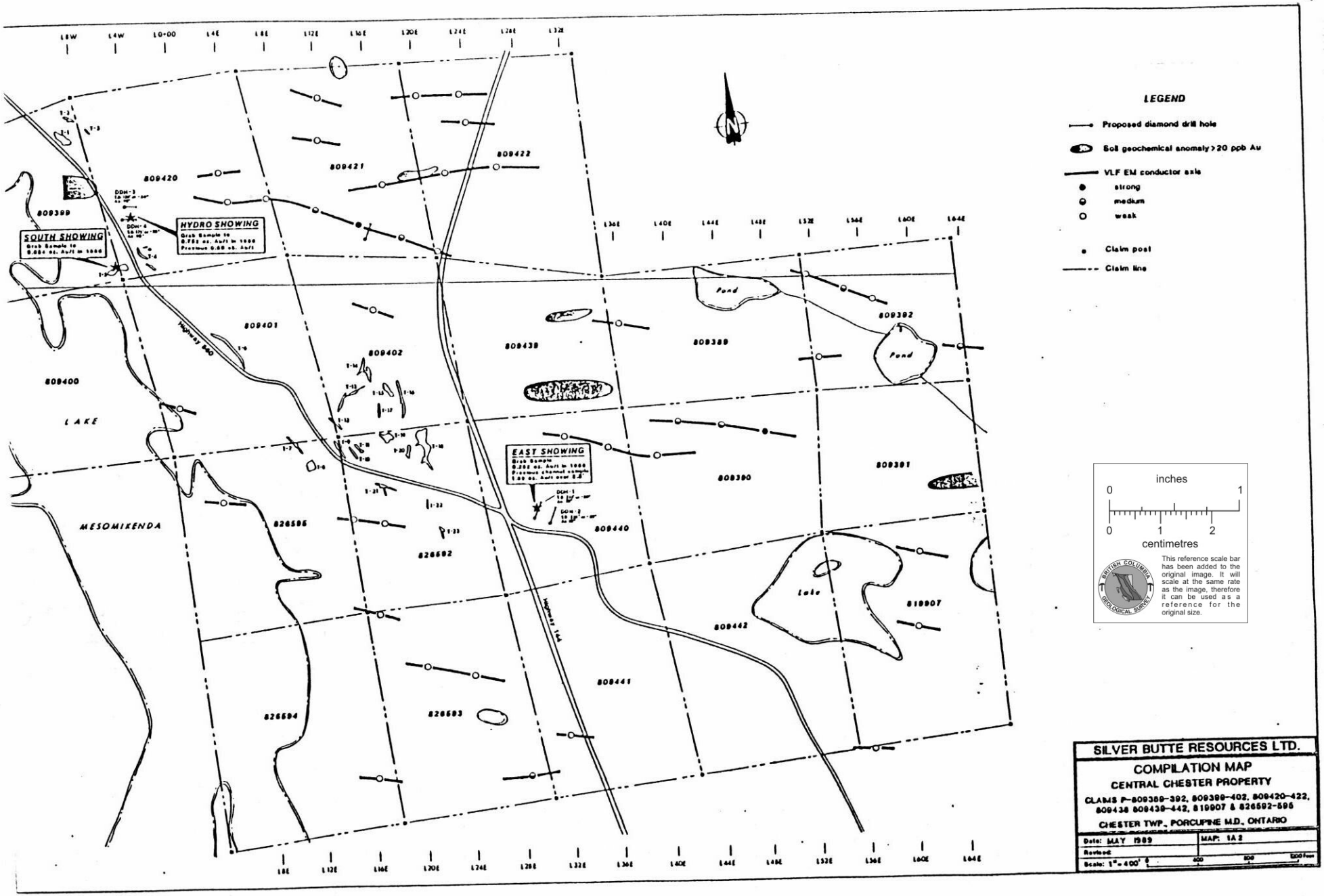
COMPILATION MAP

SOUTH CHESTER PROPERTY

CLAIMS P-837233, 622048-622050, 767976 & 767977

CHESTER TWP., PORCUPINE M.D., ONTARIO

Date: MAY 1989	MAP: 1A3
Revised:	
Scale: 1" = 200'	100 200 400 600 Feet



LEGEND

- Proposed diamond drill hole
- Soil geochemical anomaly > 20 ppb Au
- VLF EM conductor axis
  - strong
  - medium
  - weak
- Claim post
- Claim line

inches
0 1
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centimetres

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SILVER BUTTE RESOURCES LTD.

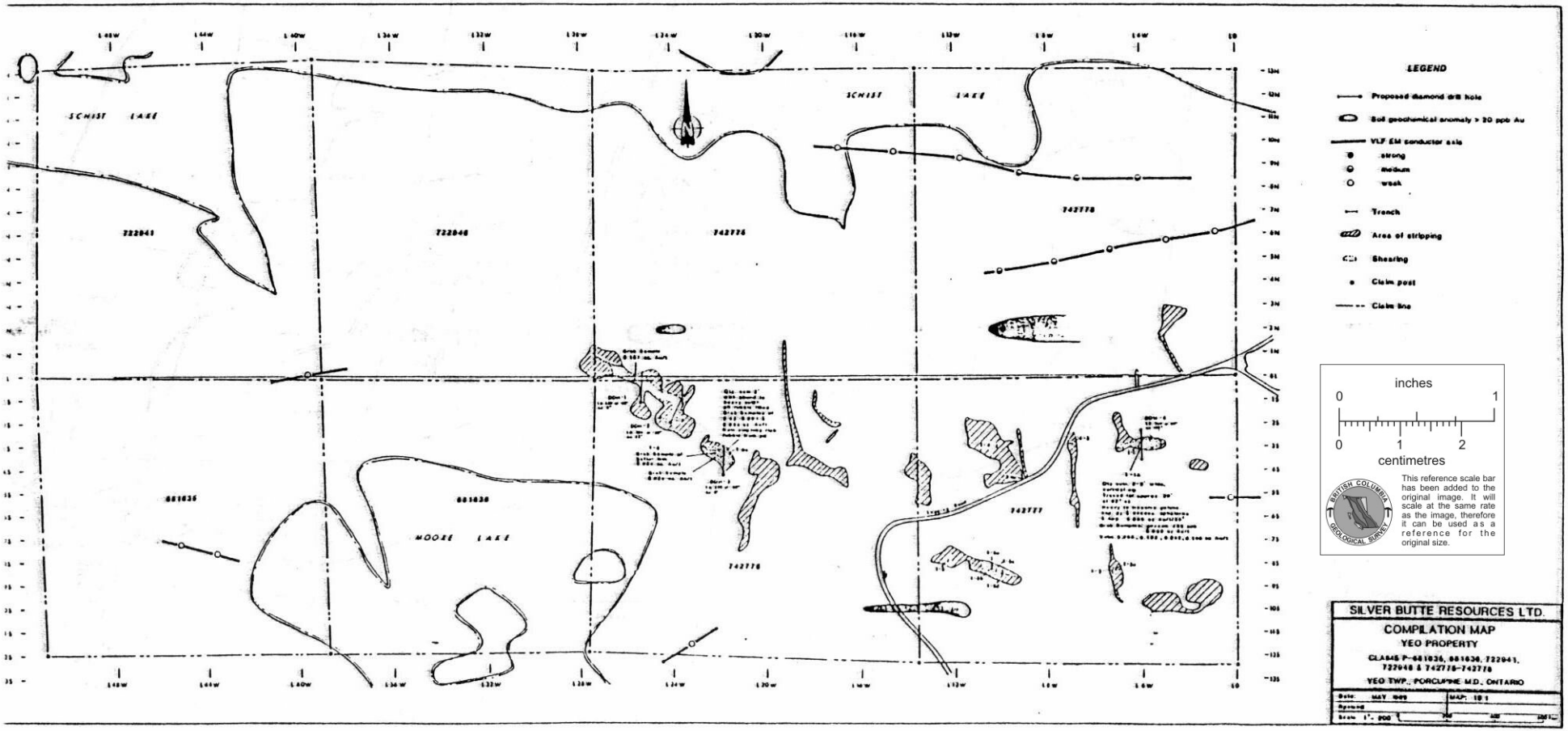
COMPILATION MAP

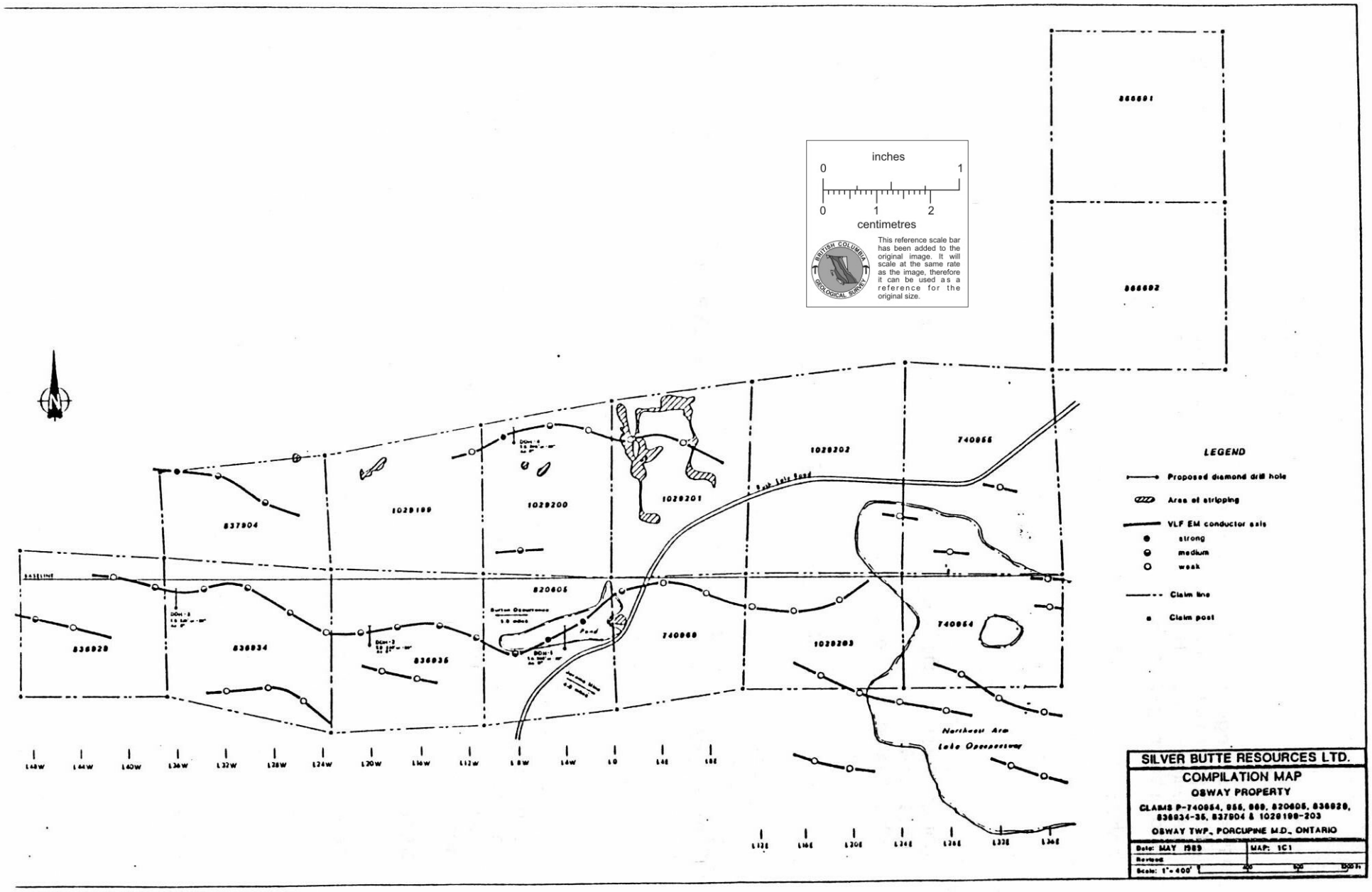
CENTRAL CHESTER PROPERTY

CLAIMS P-809388-392, 809398-402, 809420-422, 809438 809439-442, 819907 & 826592-596

CHESTER TWP., PORCUPINE M.D., ONTARIO

Date: MAY 1989	MAP: 1A 2
Revised:	
Scale: 1"= 400'	0 400 800 1200 Feet


SCHIST LAKE
SCHIST LAKE
722941
722946
742776
742778
881635
881636
MOOSE LAKE
742777
742776
LEGEND
Proposed diamond drill hole
Soil geochemical anomaly > 20 ppb Au
VLF EM conductor axis
strong
medium
weak
Trench
Area of stripping
Shearing
Claim post
Claim line
inches
0
1
0
1
2
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.
SILVER BUTTE RESOURCES LTD.
COMPILATION MAP
YEO PROPERTY
CLAIMS P-881635, 881636, 722941, 722946 & 742776-742778
YEO TWP., PORCUPINE M.D., ONTARIO
Date: MAY 1989
MAP: 1B 1
Drawn:
Scale: 1" = 200'


inches
0
1
0
1
2
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.
866891
866892
1028202
740855
1028199
1028200
1028201
837904
Sand Lake Sand
820605
836928
836934
836935
740868
1028203
740854
Pond
Northeast Arm
Lake Opeepeesway
LEGEND
Proposed diamond drill hole
Area of stripping
VLF EM conductor axis
strong
medium
weak
Claim line
Claim post
SILVER BUTTE RESOURCES LTD.
COMPILATION MAP
OSWAY PROPERTY
CLAIMS P-740854, 855, 868, 820605, 836928, 836934-35, 837904 & 1028199-203
OSWAY TWP., PORCUPINE M.D., ONTARIO
Date: MAY 1989
MAP: 1C1
Revised:
Scale: 1"=400'

CERTIFICATES

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

DATE: OCTOBER 10, 1989

ISSUER

LOUIS PHILIP STARCK
PRESIDENT
(Chief Executive Officer)

HONOURABLE JACK AUSTIN, P.C., Q.C., DIRECTOR
(Chairman of the Board)

ON BEHALF OF THE BOARD OF DIRECTORS

DONALD HALES
DIRECTOR

MARGUERITE McKAY
DIRECTOR

AGENTS

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

DATE: OCTOBER 10, 1989

CANARIM INVESTMENT CORPORATION LTD.

Per: _____

CSB930