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**NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING OF THE
SHAREHOLDERS
HERITAGE EXPLORATIONS LTD.**

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TAKE NOTICE that the Annual and Special General Meeting of the Shareholders of HERITAGE EXPLORATIONS LTD. (hereinafter called the "Company") will be held in the Garibaldi Room, Four Seasons Hotel, 791 West Georgia, in the City of Vancouver, in the Province of British Columbia, Canada, on Monday, June 10, 2002 at the hour of 1:30 p.m. (local time) for the purpose of:

- 1. Receiving and considering the Report to the Shareholders from the Board of Directors.**
- 2. Receiving and considering audited financial statements of the Company and the Auditor's Report thereon.**
- 3. Considering the reappointment of Staley, Okada, Chandler & Scott., Chartered Accountants, as the Auditors of the Company for the ensuing year, and to authorize the Directors to fix the remuneration to be paid to the Auditors.**
- 4. Electing Directors for the ensuing year.**
- 5. Considering approval of a stock option plan to be known as the Heritage 2002 Stock Option Plan.**
- 6. Considering and if thought fit passing a resolution approving the Company's purchase of 100% of the issued shares of Glenfred Holdings Ltd.**
- 7. Considering and if thought fit passing a resolution approving the Board of Directors issuing shares pursuant to private placements or other transactions, in numbers of up to 100% of the number of shares presently issued.**
- 8. Considering approval of Directors' actions and activities during the period since the last shareholders' meeting.**
- 9. Transacting such other business as may properly come before the Meeting or any adjournment thereof.**

Shareholders who are unable to attend the Meeting in person are requested to date and sign the accompanying form of Proxy and to return it to the Company c/o Pacific Corporate Trust Company of 10th Floor, 625 Howe Street, Vancouver, B.C. V6C 3B8 not later than 1:30 p.m. (Vancouver local time) on Thursday, June 6, 2002.

DATED this 6th day of May, 2002.

BY ORDER OF THE BOARD

HERITAGE EXPLORATIONS LTD.

INFORMATION CIRCULAR

**For the Annual and Special General Meeting
To Be Held on Monday, June 10, 2002**

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the management (the "Management") of **Heritage Explorations Ltd.** (the "Company" or "Heritage") for use at the Annual and Special General Meeting (the "Meeting") of members of the Company to be held at the time and place and for the purposes set forth in the accompanying Notice of the Annual and Special General Meeting of Members, and at any adjournment thereof. The solicitation will be by mail and possibly supplemented by telephone or other personal contact to be made without special compensation by regular officers and employees of the Company. The cost of solicitation will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the accompanying Instrument of Proxy (the "Proxy") are directors of the Company. **A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON TO ATTEND AND ACT FOR HIM/HER/IT ON HIS/HER/ITS BEHALF AT THE MEETING OTHER THAN THE PERSONS NAMED IN THE ENCLOSED PROXY. TO EXERCISE THIS RIGHT, A SHAREHOLDER SHALL STRIKE OUT THE NAMES OF THE PERSONS NAMED IN THE PROXY AND INSERT THE NAME OF HIS/HER/ITS NOMINEE IN THE BLANK SPACE PROVIDED OR COMPLETE ANOTHER PROXY. THE COMPLETED PROXY SHOULD BE DEPOSITED WITH THE COMPANY'S REGISTRAR AND TRANSFER AGENT, PACIFIC CORPORATE TRUST COMPANY, 10TH FLOOR, 625 HOWE STREET VANCOUVER, BRITISH COLUMBIA, V6C 3B8 ("PACIFIC CORPORATE") NOT LATER THAN 1:30 P.M. ON THURSDAY, JUNE 6, 2002.**

The Proxy must be signed by the Shareholder or by his/her/its attorney in writing, or, if the Shareholder is a corporation, it must either be under its common seal or signed by a duly authorized officer.

A Shareholder who has given a Proxy may revoke it at any time before it is exercised. In addition to revocation in any other manner permitted by law, a Proxy may be revoked by instrument in writing executed by the Shareholder or by his/her attorney authorized in writing or, if the Shareholder is a corporation, it must either be signed by a duly authorized officer and deposited with either the Company's Registered Office at 1710 – 1177 West Hastings Street, Vancouver, B.C. V6E 2L3 or Pacific Corporate at their addresses set out herein at any time up to and including the last business day preceding the day of the Meeting, or any adjournment of it, at which the Proxy is to be used or with the Chairman of the Meeting on the day of the Meeting or any adjournment of it.

THE SHARES REPRESENTED BY PROXY WILL BE VOTED OR WITHHELD FROM VOTING BY THE PROXY HOLDER IN ACCORDANCE WITH THE INSTRUCTIONS OF THE SHAREHOLDER ON ANY BALLOT THAT MAY BE CALLED FOR. IN THE ABSENCE OF ANY INSTRUCTION IN THE PROXY, IT IS INTENDED THAT SUCH SHARES WILL BE VOTED IN FAVOUR OF THE MOTIONS PROPOSED TO BE MADE AT THE MEETING AS DESCRIBED UNDER THE HEADINGS IN THIS INFORMATION CIRCULAR, AND IN FAVOUR OF THE NOMINEES FOR ELECTION AS DIRECTORS.

The enclosed Proxy, when properly signed, confers discretionary authority with respect to amendments or variations to the matters which may properly be brought before the Meeting. At the time of printing this Information Circular, Management of the Company is not aware that any such amendments, variations or other matters are to be presented for action at the Meeting. However, if any other matters should properly come before the Meeting, the Proxies hereby solicited will be exercised on such matters in accordance with the best judgement of the nominee.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As of the date hereof, 7,386,057 common shares of the Company are issued and outstanding, each share carrying the right to one vote.

Only those Members of record on June 6, 2002 shall be entitled to vote at the forthcoming Meeting or any adjournment thereof in person or by Proxy.

To the knowledge of the directors and senior officers of the Company only the following own directly or indirectly, or exercise control or discretion over shares carrying more than 10% of the voting rights attached to all outstanding shares of the Company:

Name of Shareholder	Number of Shares	Percentage of Issued and Outstanding
St Andrew Goldfields Ltd. ⁽¹⁾	2,750,000	37.2%
Zebrex Holdings Inc. ⁽²⁾ Vancouver, British Columbia	2,750,000	37.2%

⁽¹⁾ St Andrew Goldfields Ltd. is an Ontario corporation of which Glenn Laing is a Director, the President and Chief Executive Officer. Glenn Laing directly and indirectly owns 4.7% of the issued shares of St Andrew Goldfields Ltd.

⁽²⁾ The sole principals of Zebrex Holdings Inc. are W. Frederick Christensen, a director of the Company, and his wife.

INFORMATION CONCERNING NOMINEES SUBMITTED BY MANAGEMENT

Name, Country of Ordinary Residence and Other Positions, if any, held with the Company	First Became a Director ⁽²⁾	Number of Shares Beneficially Owned Directly or Indirectly ⁽¹⁾
Glenn Laing Oakville, Ontario President, Chief Executive Officer and Director	May 18, 2001	None ⁽⁵⁾
Charles Douglas Proctor Vancouver, British Columbia Secretary and Director	May 18, 2001	None
W. Frederick Christensen Tuckers Town, Bermuda Director	May 18, 2001	2,750,000 ⁽⁴⁾⁽⁵⁾

James J. Bond Burnaby, British Columbia Director	July 25, 1994	257,771 ⁽³⁾
Richard J. Billingsley Surrey, British Columbia Director	January 30, 1998	203,500 ⁽³⁾
Herbert Abramson Toronto, Ontario Director	May 18, 2001	None

Notes:

1. The number of shares beneficially owned by nominees for directors, directly or indirectly, as of the date hereof is based on information furnished by the nominees themselves.
2. The Company was created on July 25, 1994 by the amalgamation of Heritage Petroleum Inc. and American Fibre Corporation.
3. Represents shares owned directly.
4. Shares are held indirectly through Zebrex Holdings Inc. ("Zebrex"), the sole principals of which are Mr. Christensen and his wife.
5. Zebrex Holdings Inc. and St Andrew Goldfields Ltd. each hold the right to purchase an additional 1,500,000 common shares of the Company at a price of \$0.10 per share until October 16, 2003, 1,062,500 common shares of the Company at a price of \$0.12 per share until May 18, 2003 and 187,500 common shares of the Company at a price of \$0.40 per share until November 17, 2002.

Principal Occupation or Employment During the Past Five Years

James. J. BOND

Mr. Bond is a self-employed business executive and President of International Corporate Services Ltd.

Richard J. BILLINGSLEY

Mr. Billingsley has been self-employed in the mining industry in British Columbia for many years. Prior to 1995, he was also involved in computer software development.

W. Frederick CHRISTENSEN

Mr. Christensen is a financier, corporate manager and promoter. He is a Director and President of both Jumbo Development Corporation and Dolly Varden Resources Inc. and is a Director and Officer of Glenfred Holdings Inc. and Tagish Resources Ltd.

Glenn LAING

Mr. Laing is President and Chief Executive Officer of St Andrew Goldfields Ltd., a gold mining and exploration company. He is also President of Silverbridge Capital Inc., a private investment company. Prior to 2000, Mr. Laing held positions as officer and/or director with Nelson Gold Corp., Lytton Minerals Ltd., New Indigo Resources Inc. and Tahera Corp.

Charles Douglas PROCTOR

Since 1994, Mr. Proctor has been a self-employed Chartered Accountant. Previously, Mr. Proctor was a senior tax partner with Coopers & Lybrand. Mr. Proctor is currently a Director of Dolly Varden Resources Inc. and Jumbo Development Corporation.

Herbert ABRAMSON

Mr. Abramson has been President of Strategic Capital Partners Inc., an investment dealer/portfolio management company. Prior thereto he was a Vice-President with portfolio management duties, Conner Clark & Company Ltd.

Audit Committee

Pursuant to the British Columbia Company Act a reporting company is required to have an Audit Committee comprised of not fewer than three directors, of whom a majority shall not be officers or employees of the Company or an affiliate of the Company. The Audit Committee's functions are to monitor overall adherence to Company policy, the effectiveness of the Company's internal accounting personnel and their activities, and to meet with the Company's accountants and auditors on financial and audit matters as appropriate. Presently, Messrs. Bond, Christensen and Proctor are members of the Company's Audit Committee.

EXECUTIVE COMPENSATION

The Company's fiscal year end is the last day of December in each calendar year.

Pursuant to Form 41 of the Regulation to the British Columbia Securities Act the Company is a "small business issuer", which is defined as a company that:

- had revenues of less than \$25,000,000 in its last completed financial year;
- is not a non-redeemable investment fund or mutual fund;
- has a public float of less than \$25,000,000; and
- if it is a subsidiary of another company, that other company is also a small business issuer.

Named Executive Officers

The Company has created three (3) offices, namely that of President, Secretary and Chief Executive Officer ("CEO").

During the last three completed fiscal years ended, the Company's "Named Executive Officers" were, or presently are, as follows:

	Date Appointed	Date Ceased
President: Glenn Laing James J. Bond	August 31, 2001 July 25, 1994	to present August 31, 2001
Secretary: Charles Douglas Proctor Richard Billingsley Bradford Cook Gerald D. Lamont	August 31, 2001 May 18, 2001 June 22, 1999 January 5, 1996	to present August 31, 2001 May 18, 2001 June 22, 1999
Chief Executive Officer: Glenn Laing James J. Bond	August 31, 2001 June 22, 1999	to present August 31, 2001

Notes:

- (1) Please refer to the disclosure above the Summary Compensation Table for a description of the Company's Named Executive Officers.
- (2) During a portion of 2001 a management fee was paid to St. Andrew Goldfields Ltd. of which Mr. Laing is the President and CEO.
- (3) These sums represent management fees that have been paid or are accruing to International Corporate Services Ltd. ("ICS"), a company the principal of which is Mr. Bond. As of December 31, 2001, an aggregate of \$42,500 remained owing to ICS.

Long-Term Incentive Plans - Awards in most recently completed Financial Year

During its most recently completed financial year and for the two (2) previously completed financial years, the Company has not awarded or instituted any LTIPs in favour of its Named Executive Officers.

Option/SAR Grants during the most recently completed Financial Year

During its most recently completed financial year and for the two (2) previously completed financial years, no Options or SARs were granted or in effect in favour of any of the Company's Named Executive Officers.

Aggregate Option/SAR Exercises during the most recently completed Financial Year and Financial Year End Option/SAR Values

During its most recently completed financial year and for the two (2) previously completed financial years, no Options or SARs were exercised by any of the Company's Named Executive Officers or Company directors.

Termination of Employment, Change in Responsibilities and Employment Contracts

There is no arrangement for compensation of the Named Executive Officers, or other directors of the Company, in the event of termination of employment, changes in responsibilities and/or employment contracts, or in the event of change of control of the Company.

Compensation of Directors

For the Company's most recently completed fiscal year:

- a. No compensation of any kind was accrued, owing, granted or paid to any of the Company's directors for acting in their capacity as such.
- b. The sum of \$29,950 was paid to Richard Billingsley, a director of the Company, for the provision of consulting services to the Company.
- c. No other material compensation of any kind was accrued, owing or paid to any of the Company's directors for services rendered to the Company, or expected to be rendered, as consultants or experts.
- d. No SARs or LTIPs were outstanding or in effect in favour of any of the Company's directors.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

None of the directors or officers of the Company, or any subsidiary thereof (if any), or any associates or affiliates of any of them is or has been indebted to the Company at any time during the last three completed fiscal years of the Company, in connection with the purchase of securities of the Company, or any subsidiary thereof (if any), or otherwise. There has been no indebtedness the subject of a guarantee, support agreement, letter of credit or other arrangement provided by the Company or any subsidiary thereof (if any).

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

No insider of the Company has an interest in a material transaction with the Company since the beginning of the Company's last financial year or in any proposed transaction with the Company other than described under Executive Compensation and set out below.

To the best of the Company's knowledge related party transactions entered into since December 31, 2000 are the following:

- On May 18, 2001, the Company entered into a private placement with St Andrew Goldfields Ltd. and Zebrex Holdings Ltd. for 2,125,000 common shares and 2,125,000 warrants for total gross proceeds of \$255,000. Mr. Christensen is one the sole principals of Zebrex Holdings Ltd., and also a director of the Company. Mr. Laing, a director of the Company, is also an insider of St Andrew Goldfields Ltd.
- On December 6, 2001, the Company entered into a private placement with St Andrew Goldfields Ltd. and Zebrex Holdings Ltd. for 3,000,000 common shares and 3,000,000 warrants for total gross proceeds of \$300,000.
- The Company made advances totaling \$64,017 to certain related companies. These advances have been repaid.

MANAGEMENT CONTRACTS

Management functions of the Company are not to any substantial degree, performed by a person or persons other than the directors or senior officers of the Company, except that St. Andrew Goldfields Ltd. provides financial, administrative and technical services to the Company on a reimbursable basis.

PARTICULARS OF MATTERS TO BE ACTED UPON

(a) DIRECTORS' REPORT TO MEMBERS AND FINANCIAL STATEMENTS

The Directors' Report to Members, audited financial statements of the Company for the fiscal year ending December 31, 2001 (the "Financial Statements") and the Auditor's Report thereon will be presented to Members at the Meeting for review and consideration.

(b) APPOINTMENT AND REMUNERATION OF AUDITORS

Management proposes the reappointment of Staley, Okada, Chandler & Scott, Chartered Accountants as auditors for the Company to hold office until the next annual general meeting of the Members, at a remuneration to be negotiated with them by the Company's Board of Directors.

(c) ELECTION OF DIRECTORS

Reference is made to the heading above "Information Concerning Nominees Submitted by Management" for particulars relating to nominees for director. The names of further nominees for directors may come from the floor at the Meeting.

(d) APPROVAL OF STOCK OPTION PLAN

Management of the Company has considered it desirable and in the best interests of the Company to create a stock option plan, known as the Heritage 2002 Stock Option Plan (the "Option Plan"). A copy of the Option Plan is attached hereto as Schedule "A".

The Option Plan provides for options to be granted from time to time as to numbers of shares which will never exceed 10% of the issued and outstanding common shares of the Company. Pursuant to the Option Plan, employees, officers, directors and consultants of the Company will be entitled to receive options. The maximum term of options granted under the Option Plan will be 5 years. The option exercise price shall not be less than the minimum exercise price provided for by the rules of any stock exchange upon which the Company's common shares are listed or securities act to which the Company is subject.

(e) PURCHASE OF GLENFRED HOLDINGS INC.

The shareholders will be asked to consider, and if thought appropriate pass, a resolution approving the purchase by the Company of 100% of the issued shares of Glenfred Holdings Inc. ("Glenfred"). The Board of Directors of the Company has signed an agreement dated April 19, 2002 with the three holders of the outstanding shares of Glenfred, St. Andrew Goldfields Ltd. (50%), Zebrex Holdings Ltd. (37.5%) and Dolly Varden Resources Ltd. (12.5%). The consideration proposed to be given for the purchase of the shares is 7,378,750 shares of the capital of the Company and certain NSR interests over the Glenfred properties. The existing 100 common share purchase options of Glenfred Holdings Inc. outstanding (being equal to 10% of the issued shares) will, on the acquisition of 100% of the issued shares of Glenfred Holdings Inc. be exchanged for equivalent options in the Company. The option holders will be entitled to acquire common shares of the Company equal to 10% of the consideration proposed for the purchase, being 737,875 shares for total consideration of \$90,000. The terms of the Agreement are subject to its being accepted for filing by the Exchange. The resolution that the shareholders will be asked to pass, will provide that the Board of Directors of the Company will have the authority to amend the terms of the Agreement to the extent that amendments may be required to satisfy the requirements of the Exchange.

Attached as Schedule "B" to this Information Circular is a set of financial statements of Glenfred prepared as of March 31, 2002.

Attached as Schedule "C" to this Information Circular are extracts from a Report on the mineral properties of Glenfred dated April 30, 2002 prepared by Paul McGuigan, P.Geo. A full copy of the Report will be available at the Meeting and will also be sent, in advance of the meeting, to any shareholders of the Company who may request one.

(f) APPROVAL OF FUTURE PRIVATE PLACEMENTS

The shareholders will be asked to pass a resolution approving the Company, under the control of its Board of Directors, entering into private placement or other agreements, during the period until the next general meeting of the shareholders, pursuant to which the Company may issue, or commit itself to issue, shares up to equal to the number of shares of the Company presently issued – i.e. 7,386,057 shares – without the necessity of having the allotments, or any of them, specifically approved by the shareholders of the Company. This authorization will be requested so that such allotments can be made

notwithstanding that the result of the allotments may be a change in the control of the Company. As the Company's shares are listed for trading on the TSX Venture Exchange (formerly the Canadian Venture Exchange) the Company's issuance of such further shares will have to be subject to the rules of the Exchange and whatever may be the requirements of the Exchange to get its approval.

Save for the matters referred to herein, Management knows of no other matters intended to be brought before the Meeting. However, if any matters which are not now known to Management shall properly come before the Meeting, the Proxy given pursuant to this solicitation to Management in the event discretionary authority is provided in the Proxy will be voted on such matters in accordance with the best judgement of the person voting the Proxy.

ADVANCE NOTICE of the Meeting was, pursuant to Section 135 of the B.C. Company Act, published in The Province, Vancouver, B.C. on March 20, 2002.

DATED at Oakville, Ontario on the 30th day of April, 2002.

**BY ORDER OF THE BOARD OF DIRECTORS
HERITAGE EXPLORATIONS LTD.**

SCHEDULE "A"**HERITAGE****2002 STOCK OPTION PLAN**

1. **PURPOSE:** The purpose of this stock option plan (the "Plan") is to encourage common stock ownership in Heritage Explorations Ltd. (the "Company") by consultants, directors, employees and management Company employees (such terms to have the same meaning as set out in the TSX Venture Exchange (the "TSX") rules and policies governing stock options) of the Company (hereinafter referred to as "Optionees") to advance the interests of the Company by providing additional incentive for superior performance by such persons and to enable the Company to attract and retain valued persons by granting options (the "Options" or "Option") to purchase common shares (the "Common Shares") of the Company on the terms and conditions set forth in this Plan and any stock option agreements (the "Stock Option Agreements") entered into between the Company and the Optionees in accordance with the Plan.

2. **ADMINISTRATION:** The Plan shall be administered by the Board of Directors (the "Board of Directors") from time to time by the Company (the "Administrator"). No member of the Board of Directors shall by virtue of such appointment be disqualified or ineligible to receive options. The administrator shall have full authority to interpret the Plan and to make such rules and regulations and establish such procedures as it deems appropriate for the administration of the Plan, taking into consideration the recommendations of management, and the decision of the administrator shall be binding and conclusive. The decision of the administrator shall be binding, provided that notwithstanding anything herein contained. The Administrator may from time to time delegate the authority vested in it under the clause to the President who shall thereupon exercise all of the powers herein given to the Administrator, subject to any express direction by resolution of the Board of Directors of the Company from time to time and further provided that a decision of the majority of persons comprising the Board of Directors in respect of any matter hereunder shall be binding and conclusive for all purposes and upon all persons. The senior officers of the Company are authorized and directed to do all the things and execute and deliver all instruments, undertakings and applications as they in their absolute discretion consider necessary all the implementation of the Plan.

3. **NUMBER OF SHARES SUBJECT TO OPTIONS:** The Board of Directors of the Company will make available that number of common shares for the purpose of the Plan that it considers appropriate, subject to the following limitations:

- a) Subject to adjustment pursuant to section 6 or section 7 hereunder, the aggregate number of Common Shares issuable pursuant to the Plan shall not exceed 10% of the issued Common Shares; and
- b) An individual can receive grants of no more than 5% of the issued common shares.

In the event that Options granted under the Plan are surrendered, terminate or expire without being exercised in whole or in part, new options may be granted covering the Common Shares not purchased under such lapsed options.

4. **PARTICIPATION:** Options shall be granted under the Plan only to Optionees as shall be designated from time to time by the Administrator and shall be subject to the approval of such regulatory

authorities as the Administrator shall designate, which shall also determine the number of Common Shares subject to such Option.

5. **TERMS AND CONDITIONS OF OPTIONS:** The terms and conditions of each Option granted under the Plan shall be set forth in written Stock Option Agreements between the Company and the Optionee. Such terms and conditions shall include the following as well as such other provisions, not inconsistent with the Plan, as may be deemed advisable by the Administrator:

(a) **Option Exercise Price:** The option exercise price (the "Option Exercise Price") of any Option granted under the Plan shall be not less than the minimum exercise price of options as provided by the rules of any stock exchange upon which the Common Shares are listed. In the resolution allocating any Option, the Administrator may determine that the date of grant aforesaid shall be a future date determined in the manner specified by such resolution. The Administrator may also determine that the Option Exercise Price per share may escalate at a specific rate dependent upon the year in which any Option to purchase Common Shares may be extended by the Optionee.

(b) **Payment:** The full purchase price of Common Shares purchased under the Option shall be paid in cash upon the exercise thereof. A holder of an Option shall have none of the rights of a stockholder until the Common Shares are issued to him. All Common Shares issued pursuant to the exercise of Options granted or deemed to be granted under the Plan, will be so issued as fully paid and non-assessable Common Shares. No Optionee or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any Common Shares subject to an Option under this Plan, unless and until certificates for such Common Shares are issued to him or them under the terms of the Plan.

(c) **Term of Options:** Options may be granted under this Plan exercisable over a period not exceeding 5 years. Each Option shall be subject to earlier termination as provided in subparagraph (e) below.

(d) **Exercise of Options:** The exercise of any Option will be contingent upon receipt by the Company at its head office of a written notice of exercise, specifying the number of Common Shares with respect to which the Option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Common Shares with respect to which the Option is exercised. An Option may be exercised in full or in part at any time during the term of the Option. This Plan shall not confer upon the Optionee any right with respect to continuance as a director, officer, employee or consultant of the Company or of any affiliate of the Company.

(e) **Termination of Options:** Any Option granted pursuant hereto, to the extent not validly exercised, and save expressly otherwise provided herein, will terminate on the earlier of the following dates:

- (i) the date of expiration specified in the Stock Option Agreement, being not more than 5 years after the date the Option was granted;
- (ii) where the Optionee is a personal holding company controlled by, or a registered retirement savings plan established by, a person eligible to be holding options under the Plan, the date prior to the date that such personal holding company ceases to be controlled by, or such registered retirement savings plan ceases to be for the benefit of, a person eligible to be granted options under the Plan;

- (iii) in respect to options granted to an Optionee who is a Director, Employee, Consultant or Management Company Employee, such options must expire within 90 days after the Optionee ceases to be in at least one of this categories;
- (iv) in respect to options granted to an Optionee who is engaged in Investor Relations Activities, such options must expire within 30 days after the Optionee ceases to be employed to provide Investor Relations Activities;
- (v) a period of time not to exceed one year after the date of an Optionee's death during which period the Option may be exercised only by the Optionee's legal representative or the person or persons to whom the deceased Optionee's rights under the Option shall pass by will or the applicable laws of descent and distribution, and only to the extent the Optionee would have been entitled to exercise it at the time of his death if the employment of the Optionee had been terminated by the Company on such date;
- (vi) 90 days after termination of the Optionee's employment by permanent disability or retirement under any retirement plan of the Company during which 90 day period the Optionee may exercise the Option to the extent he was entitled to exercise it at the time of such termination provided that if the Optionee shall die within such 90 day period, then such right shall be extended to the period provided by subparagraph e(v) (as specifically provided in the applicable Stock Option Agreement) and shall be exercisable only the persons described in subparagraph (e)(v) hereof and only to the extent therein set forth.

(f) **Non-transferability of Options:** No Option shall be assignable or transferable by the Optionee other than by will or the laws of descent and distribution and shall be exercisable during his lifetime only by him.

(g) **Applicable Laws or Regulations:** The Company's obligation to sell and deliver stock under each Option is subject to such compliance by the Company and any Optionee as the Company deems necessary or advisable with all laws, rules and regulations of Canada and the United States or America and any Provinces and/or States thereof applying to the authorization, issuance, listing or sale of securities and is also subject to the acceptance for listing of the Common Shares which may be issued in exercise thereof by each stock exchange upon which Common Shares are listed for trading.

(h) **Disinterested shareholder approval** will be obtained for any reduction in the exercise price of an Option if the Optionee is an insider of the Company at the time of a proposed amendment.

(i) In any Stock Option Agreement entered into by the Company, the Company shall represent that the Optionee is a bona fide Employee, Consultant or Management Company Employee, as the case may be, of the Company or its subsidiary.

6. **ADJUSTMENT IN EVENT OF CHANGE IN STOCK:** Each Option shall contain uniform provisions in such form as may be approved by the Administrator to appropriately adjust the number and kind of shares covered by the Option and the exercise price of shares subject to the Option in the event of a declaration of stock dividends, or stock subdivisions or consolidations or reconstruction or reorganization or recapitalization of the Company or other relevant changes in the Company's

capitalization (other than issuance of additional shares) to prevent substantial dilution or enlargement of the rights granted to the Optionee by such Option. The number of shares available for Options, the shares subject to any Option, and the Option Exercise Price shall be adjusted appropriately by the Administrator and such adjustment shall be effective and binding for all purposes of the Plan.

7. **AMALGAMATION, CONSOLIDATION OR MERGER:** If the Company amalgamates, consolidates with or merges with or into another corporation, which it reserves the right to do, any Common Shares receivable on the exercise of an Option granted under the Plan shall be converted into the securities, property or cash which the Optionee would have received upon such amalgamation, consolidation or merger if the Optionee had exercised his Option immediately prior to the record date applicable to such amalgamation, consolidation or merger, and the Option Exercise Price shall be adjusted appropriately by the Administrator and such adjustment shall be binding for all purposes of the Plan.

8. **APPROVALS:** The Obligation of the Company to issue and deliver the Common Shares in accordance with the Plan is subject to any approvals which may be required from any regulatory authority or stock exchange having jurisdiction over the securities of the Company. If any Common Shares cannot be issued to any Optionee for whatever reason, the obligation of the Company to issue such Common Shares shall terminate and any Option Exercise Price paid to the Company will be returned to the Optionee.

9. **STOCK EXCHANGE RULES:** The rules of any stock exchange upon which the Common Shares are listed shall be applicable relative to Options granted to Optionees.

10. **AMENDMENT AND DISCONTINUANCE OF PLAN:** The Board of Directors may from time to time, subject to regulatory approval or compliance, amend or revise the terms of the Plan or may discontinue the Plan at any time provided however that no such amendment or revision may, without the consent of the Optionee, adversely affect the Optionees rights under any Option theretofore granted under the Plan.

11. **EFFECTIVE DATE AND DURATION OF PLAN:** Subject to regulatory compliance, the Plan shall remain in full force and effect from the date of the resolution of members approving the Plan from year to year thereafter until amended or terminated and for so long thereafter as Options remain outstanding in favour of any Optionee. The Plan can be amended by the Company's Board of Directors from time to time, provided that no amendment will be applicable to any options already granted.

April 30, 2002.

HERITAGE EXPLORATIONS LTD.

Per: _____

Glenn Laing, President

B1

SCHEDULE "B"

GLENFRED HOLDINGS INC.

(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

**31 MARCH 2002, 31 DECEMBER 2001
and 31 DECEMBER 2000**

STALEY, OKADA, CHANDLER & SCOTT

Chartered Accountants

AUDITORS' REPORT

To the Shareholders of Glenfred Holdings Inc.

We have audited the consolidated balance sheet of Glenfred Holdings Inc. (A Development Stage Company) as at 31 March 2002, 31 December 2001 and 31 December 2000 and the consolidated statements of loss and deficit and cash flows for the periods then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at 31 March 2002, 31 December 2001 and 31 December 2000 and the results of its operations and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.

“Staley, Okada, Chandler & Scott”

Langley, B.C.
22 April 2002

STALEY, OKADA, CHANDLER & SCOTT
CHARTERED ACCOUNTANTS

Glenfred Holdings Inc.
(A Development Stage Company)
Consolidated Balance Sheet
Canadian Funds

Statement 1

ASSETS	31 March 2002	31 December 2001	31 December 2000
Current			
Cash	\$ 12,857	\$ 12,881	\$ 5
Receivables and prepaid expenses	7,861	1,679	-
	20,718	14,560	5
Due From Related Parties <i>(Note 9a)</i>	-	-	192,161
Equity investment <i>(Note 5)</i>	-	-	1
Resource Property Costs - <i>Schedule (Note 7)</i>	1,151,503	787,230	23,139
	\$ 1,172,221	\$ 801,790	\$ 215,306
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 85,346	\$ 32,494	\$ 2,500
Property payments payable <i>(Note 7a)</i>	100,000	100,000	-
	185,346	132,494	2,500
Due to Related Parties <i>(Note 9b)</i>	502,108	157,490	227,171
Non-Controlling Interest	64,856	66,501	-
Continued Operations <i>(Note 1)</i>			
Contingent Liability <i>(Note 11)</i>			
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share Capital <i>(Note 8)</i>	536,876	536,876	5
Deficit - <i>Statement 2</i>	(116,965)	(91,571)	(14,370)
	419,911	445,305	(14,365)
	\$ 1,172,221	\$ 801,790	\$ 215,306

ON BEHALF OF THE BOARD:

"Signed"

_____, W. Frederick Christensen, Director

"Signed"

_____, Glenn Laing, Director

Glenfred Holdings Inc.
(A Development Stage Company)

Statement 2

Consolidated Statement of Loss and Deficit

Canadian Funds

	For the Three Months Ended 31 March 2002	For the Year Ended 31 December 2001	For the Year Ended 31 December 2000
General and Administrative Expenses			
Professional fees	\$ 16,959	\$ 51,794	\$ 39,329
Audit, accounting and administrative fees	5,245	32,741	201
Travel and promotion	3,422	6,918	4,840
Consulting fees	1,413	1,884	-
Loss Before the Following	27,039	93,337	44,370
Other Items			
Management fees received	-	(15,000)	(30,000)
Loss attributable to non-controlling interest	(1,645)	(1,136)	-
	(1,645)	(16,136)	(30,000)
Loss for the Period	25,394	77,201	14,370
Deficit - Beginning of period	91,571	14,370	-
Deficit - End of Period	\$ 116,965	\$ 91,571	\$ 14,370
Loss per Share – Basic and fully diluted	\$ 25.40	\$ 126.56	\$ 14,370.00

Glenfred Holdings Inc.
(A Development Stage Company)

Statement 3

Consolidated Statement of Cash Flows

Canadian Funds

Cash Resources Provided By (Used In)	For the Three Months Ended 31 March 2002	For the Year Ended 31 December 2001	For the Year Ended 31 December 2000
Operating Activities			
Loss for the period	\$ (25,394)	\$ (77,201)	\$ (14,370)
Item not affecting cash			
Loss attributable to non-controlling interest	(1,645)	(1,136)	-
Changes in non-cash working capital	46,670	55,256	2,500
	19,631	(23,081)	(11,870)
Investing Activities			
Acquisition of subsidiary	-	(23,625)	-
Resource property costs	(364,273)	(349,394)	(4,830)
Proceeds on sale of property	-	23,139	-
	(364,273)	(349,880)	(4,830)
Financing Activities			
Due to related parties, net	344,618	(66,033)	16,700
Share capital issued for cash	-	451,870	-
	344,618	385,837	16,700
Net Increase (Decrease) in Cash	(24)	12,876	-
Cash position - Beginning of period	12,881	5	5
Cash Position - End of Period	\$ 12,857	\$ 12,881	\$ 5

Schedule of Additional Cash Flow Information

Shares issued for purchase of Note Receivable and shares of a subsidiary	\$ -	\$ 85,001	\$ -
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Glenfred Holdings Inc.
(A Development Stage Company)

Schedule

Consolidated Schedule of Resource Property Costs

Canadian Funds

	Acquisition Costs	Exploration Costs	For the Three Months Ended 31 March 2002	For the Year Ended 31 December 2001	For the Year Ended 31 December 2000
Direct - Mineral					
Eskay Creek claims, British Columbia					
Option payments	\$ 183,570	\$ -	\$ 183,570	\$ 121,000	\$ -
Geological consulting, mapping and modelling	-	66,890	66,890	131,915	-
Staking	60,898	-	60,898	53,607	-
Annual maintenance payments	51,962	-	51,962	3,980	4,830
Field costs and other	-	953	953	38,892	-
Direct Costs for the Period	296,430	67,843	364,273	349,394	4,830
Acquisition of subsidiary (Note 5b)	-	-	-	437,836	-
Total costs for the Period	296,430	67,843	364,273	787,230	4,830
Sale of property	-	-	-	(23,139)	-
Balance - Beginning of period	606,516	170,807	787,230	23,139	18,309
Balance - End of Period	\$ 902,946	\$ 238,650	\$ 1,151,503	\$ 787,230	\$ 23,139

- See Accompanying Notes -

Glenfred Holdings Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****31 March 2002, 31 December 2001 and****31 December 2000***Canadian Funds*

1. Continued Operations

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Several adverse conditions and events cast doubt upon the validity of this assumption. The company has incurred operating losses over the past three fiscal periods and has a working capital deficiency.

The company's continued existence is dependent upon its ability to raise additional capital, and attain profitable operations, in the future.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate because management believes that the actions already taken or planned, as described above, will mitigate the adverse conditions and events which raise doubts about the validity of the going concern assumption used in preparing these financial statements.

If the going concern assumptions were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

2. Acquisition Transaction

By agreement dated 20 March 2002, the Company's shareholders have entered into an agreement to sell 100% of the issued and outstanding shares of the Company to Heritage Explorations Ltd. ("Heritage"), a public company listed on the TSX Venture Exchange. Heritage will effect this transaction by issuing 7,378,750 common Heritage shares and varying Net Smelter Royalties ("NSR") of between 2-4% in exchange for all of the shares of the Company. This is a related party transaction as the companies have certain directors in common. This transaction is subject to shareholder and regulatory approvals.

3. Significant Accounting Policies**a) Principles of Consolidation**

These consolidated financial statements include the accounts of the Company and the following subsidiaries:

- 615857 B.C. Ltd. ("BCCO"), incorporated 16 October 2000, in British Columbia. The Company owns 100% of BCCO. Included in these financial statements are the results of operations of BCCO from date of incorporation.

Glenfred Holdings Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****31 March 2002, 31 December 2001 and****31 December 2000***Canadian Funds***3. Significant Accounting Policies - Continued****a) Principles of Consolidation - Continued**

- Tagish Resources Limited ("Tagish"), incorporated 16 June 1989, in British Columbia. The Company purchased a 45% interest effective 8 December 1999, an additional 8.75% effective 4 July 2001 and an additional 10% effective 21 August 2001. From 8 December 1999 to 3 July 2001 the Company recorded Tagish as an equity investment as control did not exist. Since 4 July 2001 Tagish has been consolidated with the accounts of the Company. Included in these financial statements are the results of operations of Tagish as follows:
 - 53.75% from 4 July 2001 to 20 August 2001
 - 63.75% from 21 August 2001 to 31 March 2002

All of the subsidiaries are accounted for using the purchase method.

b) Cash

Cash includes cash on account and highly liquid investments with a remaining term to maturity of three months or less at the date of purchase.

c) Mineral

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Mineral exploration and development costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while costs for properties abandoned are written off.

The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's title to the mineral properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Title to mineral properties involves inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently unreliable conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, all of its properties are in good standing.

Glenfred Holdings Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****31 March 2002, 31 December 2001 and****31 December 2000***Canadian Funds*

3. Significant Accounting Policies - Continued**d) Environmental Expenditures**

The operations of the Company may in the future be affected from time to time by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related business operation, net of expected recoveries.

e) Joint Ventures

Certain of the Company's properties are the subject of joint venture agreements. Where joint venture agreements exist, the Company's proportionate share of assets, liabilities, revenues, costs and expenditures related to these properties have been recorded in the accounts.

f) Equity Investment

The equity method of accounting for investments records the investment as follows:

- i) the cost of the investment in the investee; plus
- ii) the income or loss (including the investor's proportionate share of discontinued operations and extraordinary items) relating to the investee subsequent to the date when the use of the equity method first became appropriate; plus
- iii) the investor's proportionate share of a change in an accounting policy, a correction of an error relating to prior period financial statements and capital transactions of the investee subsequent to the date when the use of the equity method first became appropriate; plus
- iv) the investor's proportion of dividends paid by the investee subsequent to the date when the use of the equity method first became appropriate.

g) Income Tax

Income taxes are accounted for using the asset and liability method. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future periods to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on deferred taxes for a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. In addition, the method requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

Glenfred Holdings Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****31 March 2002, 31 December 2001 and****31 December 2000***Canadian Funds*

3. Significant Accounting Policies - Continued**h) Share Capital**

- i) The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company. No compensation expense is recognized for stock options.
- ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value reduced by an estimate of transaction costs normally incurred when issuing shares for cash, as determined by the board of directors of the Company.

i) Loss per Share

Earnings (loss) per share amounts have been calculated and presented in accordance with the new recommendations of the Canadian Institute of Chartered Accountants.

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

j) Management's Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

4. Fair Value of Financial Instruments

The Company's financial instruments consist of cash, receivables, amounts due to related parties, accounts payable and property payments payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Glenfred Holdings Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****31 March 2002, 31 December 2001 and****31 December 2000***Canadian Funds***5. Purchase of Tagish**

Tagish was purchased over a series of transactions as follows:

- a) By agreement dated 8 December 1999, the Company purchased the following items from a third party for \$125,000:
- A resource property known as the Kitsault property, located in the Eskay Creek area, Northern British Columbia
 - Certain amounts owed by Tagish totalling \$106,690 ("receivables");
 - a 45% interest of Tagish

The allocation of the acquisitions was recorded so that receivables were recorded at book value, being \$106,690, the investment in Tagish at a nominal amount of \$1 and the Kitsault property at the remainder, being \$18,309.

This initial investment of Tagish has been treated as an equity investment as control did not exist at that time. The loss in Tagish for the period from acquisition, being 8 December 1999, to 4 July 2001 (*Note 5b*) of \$9,907 did not erode the value of the Investment in Tagish as per company policy.

- b) On 4 July 2001, the Company purchased an additional 8.75% of Tagish from a related party. The balance sheet of Tagish at that date was as follows:

Cash	\$	2,232
Resource Property Costs		533,156
Payables		(160,291)
Due to Glenfred Holdings Inc.		(188,513)
	\$	<u>186,584</u>

From 4 July 2001 onward, the accounts of Tagish are consolidated with the Company, as a control position existed. A purchase price discrepancy of \$95,320 reduces the non-monetary assets, being Resource Property Costs, in accordance with Canadian generally accepted accounting principles. The non-controlling interest is recorded at the net book value, adjusted for the non-controlling interests' portion of income or losses.

- c) On 21 August 2001, the Company purchased from a related party, an additional 10% of Tagish and an \$85,000 portion of a \$150,000 Note Receivable (*Note 6*) from Canamera Geological Ltd. ("Canamera"), with a personal guarantee from the principal of Canamera. This increased the total Investment in Tagish to 63.75%. As consideration, the Company issued 125 common shares of the Company. Since this is a related party transaction with non-cash consideration, both the Canamera Note Receivable and the Investment in Tagish must be recorded at the book value of each in the books of the related party. Accordingly, the Canamera Note Receivable has been recorded at \$85,000 and the additional investment in Tagish at \$1.

Glenfred Holdings Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****31 March 2002, 31 December 2001 and****31 December 2000***Canadian Funds***5. Purchase of Tagish - Continued**

- d) On 23 January 2002, the Tagish directors issued a notice to all shareholders of Tagish whereby the existing shareholders were given the right to participate pro-rata in a \$300,000 share purchase offering of Tagish shares at \$1 per share. The Company elected to participate and subsequent to period-end purchased 191,250 shares for a total cost of \$191,250. The Company was the only participant in the share issuance, which increased the total Investment in Tagish to 99.77%.

6. Canamera Note Receivable

By agreement dated 16 October 2000, the Company purchased, from a third party, a \$65,000 portion of the Note Receivable and a personal guarantee from the principal of Canamera. Consideration paid was \$65,000. As discussed in Note 5(c), a further \$85,000 portion of the Note Receivable and guarantee was purchased on 21 August 2001. Management believes that the Note is fully enforceable, but given the details outlined in Note 11, collectibility is in doubt and accordingly has fully reserved the Note.

7. Resource Property Costs**a) TEG 2 Joint Venture, Eskay Creek**

The Company currently has a 100% interest of the TEG 2 Joint Venture, which has certain property located in the Eskay Creek area, Northern British Columbia. The interest has been acquired in two steps as follows:

- Tagish, the Company's subsidiary, was an original participant and owns 50% of the TEG 2 Joint Venture Agreement dated 23 December 1991 and amended 31 October 2001. The interest is subject to a 4% NSR.
- By four separate agreements dated 29 March 2001 and 20 April 2001, the Company purchased the other 50% interest in the TEG 2 Joint Venture for \$120,000 as follows:

On execution of the agreements (paid)	\$	20,000
Twelve months thereafter (paid subsequent to period end)		40,000
Six months thereafter		60,000
	<u>\$</u>	<u>120,000</u>

The four vendors have retained their NSR interest up to a maximum of \$1,000,000 each at which point the NSR becomes the property of the Company. The Company has the right of first refusal on the sale of any NSR interest.

Management intends to dissolve the Joint Venture, as it now owns 100%.

Glenfred Holdings Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****31 March 2002, 31 December 2001 and****31 December 2000***Canadian Funds***7. Resource Property Costs - Continued****b) Coul and Unuk Claims, Eskay Creek**

By agreements dated 29 January 2002, 6 February 2002 and 4 March 2002, the Company purchased, from third parties, certain mineral claims, known as the Coul and Unuk claims, located in the Eskay Creek area, Northern British Columbia. Total consideration paid for these claims was \$134,770. The claims are subject to a 2% NSR.

c) Pud Claims, Eskay Creek

By agreement dated 1 March 2002, the Company purchased, from third parties, certain mineral claims, known as the Pud Claims, located in the Eskay Creek area, Northern British Columbia. Total consideration paid for these claims was \$28,800. The claims are subject to a 2% NSR, which can be purchased by the Company for \$1,000,000 for each 1%.

d) Treaty and Bonsai - Mack Claims, Eskay Creek

By two agreements dated 18 March 2002, the Company has the option to acquire a 50% interest in certain mineral claims, known as the Treaty and Bonsai - Mack Claims, located in the Eskay Creek area, Northern British Columbia.

As consideration for each of the two properties, the Company must, at its option, make cash payments and incur exploration expenditures as follows:

	Cash	Exploration Expenditures (Cumulative)
Upon signing (paid)	\$ 10,000	\$ -
On or before 18 March 2003 (expl. by 31 March 2003)	15,000	\$ 100,000
On or before 18 March 2004 (expl. 31 March 2004)	20,000	\$ 250,000
On or before 18 March 2005 (expl. 31 March 2005)	30,000	\$ 450,000
On or before 31 March 2006	-	\$ 750,000
	\$ 75,000	

The Company has a firm commitment to incur exploration of \$50,000 per property (\$100,000 in total) by 31 March 2003. In the event the expenditures are not completed, the shortfall must be paid in cash.

Once all conditions are completed under the option agreement, a Joint Venture will be formed, of which the Company will have a 50% interest. The Company will vest into the Joint Venture certain properties that it owns adjacent to the above properties. The properties are subject to a 4% NSR.

e) Staked Claims, Eskay Creek

The Company has staked approximately 57,750 acres of claims in the Eskay Creek Area.

Glenfred Holdings Inc.
(A Development Stage Company)

Notes to Consolidated Financial Statements

31 March 2002, 31 December 2001 and
31 December 2000

Canadian Funds

8. Share Capital

a) Details are as follows:

	Number of Shares		Amount
Authorized:			
Unlimited number of common shares without par value			
Unlimited number of preferred shares without par value			
Issued and fully paid:			
31 December 1999 and 2000	1	\$	5
Issued for cash (i) (iii)	874		451,870
Purchase of Note Receivable and Tagish shares <i>(Note 5c) (ii)</i>	125		85,001
31 December 2001 and 31 March 2002	1,000	\$	536,876

- i) On 4 July 2001, the Company issued 374 common shares at \$5 per share for total proceeds of \$1,870. The shares were issued to a company controlled by the sole shareholder.
- ii) On 21 August 2001, the Company issued 125 common shares to a related party for purchase of the Canamera Note Receivable *(Note 5c)* and the Tagish shares *(Note 5c)*. As this was a related party transaction the shares issued have been recorded at the related party's book value for the assets given up.
- iii) On 5 September 2001, the Company issued 500 common shares to a third party for total proceeds of \$450,000.

b) As at 31 March 2002, the Company has 100 common share purchase options outstanding exercisable at \$900 per share that expire 1 October 2006.

9. Related Party Transactions

Except as disclosed elsewhere in the financial statements, related party transactions are as follows:

- a) Due from related parties includes \$NIL (2001 - \$NIL; 2000 - \$192,161) owing from Tagish.
- b) Due to related parties includes the following:
- \$19,637 (2001 - \$5,172; 2000 - \$13,580) owing to a company controlled by a director/officer of the Company's subsidiaries
 - \$412,556 (2001 - \$87,720; 2000 - \$NIL) owing to St Andrew Goldfields Ltd. ("St Andrew"), a shareholder and a company with a director in common
 - \$NIL (2001 - \$NIL; 2000 - \$184,363) owing to a director of the Company
 - \$69,915 (2001 - \$64,598; 2000 - \$29,228) owing to companies with directors and officers in common

Amounts due from and due to related parties are non-interest bearing and without specific terms of repayment.

Glenfred Holdings Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****31 March 2002, 31 December 2001 and****31 December 2000***Canadian Funds***9. Related Party Transactions - Continued**

- c) During the period, administration fees of \$NIL (2001 - \$30,000; 2000 - \$NIL) were paid or accrued to a director of the Company.
- d) During the period, legal fees of \$16,688 (2001 - \$24,271; 2000 - \$27,990) were paid or accrued to a company controlled by a director/officer of the Company's subsidiaries.

10. Income Taxes

- a) The Company has accumulated non-capital losses for income tax purposes of approximately \$199,000, which may be used to reduce future taxable income. These losses expire as follows:

2007	\$	84,000
2008		88,000
2009		27,000
	\$	<u>199,000</u>

- b) The Company has incurred approximately \$1,476,000 of resource related expenditures, which may be carried forward indefinitely and used to reduce prescribed taxable income in future periods. Some of these costs may be restricted to certain income if the acquisition of the Company occurs.

The potential future tax benefits of these income tax losses and resource related expenditures have not been recognized in the accounts of the Company.

11. Contingent Liability

The Company is a defendant in a lawsuit by Canamera Geological Ltd. for an amount of \$658,341. Canamera claims that it incurred exploration expenditures, cash paid in lieu of exploration work and various fees from July 1996 to January 1999 on behalf of Tagish and the TEG 2 Joint Venture. Management does not believe any monies are owing because the said work was not incurred and/or any work that was incurred was not properly done or authorized by management. In addition, off-sets will be claimed for the \$150,000 Note Receivable referred to in Notes 5(c) and 6 and counterclaims are being made against Canamera and its principal. No amounts have been accrued in these consolidated financial statements for the Canamera claim. The Note Receivable has been fully reserved.

SCHEDULE "C"
EXTRACTS FROM REPORT PREPARED
BY PAUL McGUIGAN P.GEO

INTRODUCTION

Heritage Explorations Ltd. (Heritage), a corporation continued under the provincial laws of British Columbia, and the shareholders of Glenfred Holdings Inc. (Glenfred), an Ontario corporation, have entered into a "Share Purchase Agreement", dated April 19, 2002. The agreement states that shareholders representing 100% of Glenfred wish to sell, and Heritage wishes to purchase all of the shares of Glenfred. Glenfred's owns mineral claims and leases adjacent to Heritage's SIB property in the Iskut river area of northern British Columbia. This "Share Purchase Agreement", when complete, constitutes a material change for Heritage and, as such, this technical report must be prepared and filed in accordance with National Instrument 43-101. In addition, approval must be obtained from the shareholders of Heritage for the transaction to be completed. The author was requested by Heritage to prepare a technical overview of the exploration history and mineral potential of the Heritage and Glenfred properties, and to recommend further exploration programs.

Heritage and Glenfred have assembled extensive holdings of mineral tenures in the Eskay Creek area of northern British Columbia. See the location map in Figure 1. The mineral tenures straddle highly prospective volcanic-sedimentary horizons that are along strike and/or similar to the stratigraphy and setting of the rich Eskay Creek gold-silver mine. The main property of Heritage is the SIB-Polo ground originally acquired by Heritage and its predecessor company. The Heritage properties comprise approximately 3,635 hectares (8,724 acres). The Glenfred properties comprise 39,600 hectares (97,852 acres). The properties are shown on the simplified mineral tenure map is shown in Figure 2.

This report is based on the author's exploration and mining experience in the Stewart-Iskut region spanning 1979 to the present, his supervision of some of the past exploration programs on the properties now included in the Share Purchase Agreement, and on two personal visits for fieldwork on the SIB-Polo and Glenfred claims spanning 7 days during August 2001. During his preparation of this report, the author conducted an in-depth study of material from Heritage and Glenfred corporate files and of public documents available from government studies, research papers and assessment reports. In addition, Dr. Peter Lewis, P. Geo. contributed the sections on Hazelton Group stratigraphy and structural geology contained within this report and collaborated on interpretation of the geological setting. The author also supervised Roger Galibois, BC Land Surveyor, in his review of current tenure records and claim surveys for the Heritage and Glenfred properties. Both collaborators were active on the properties in the early 1990's, Dr. Lewis with the Mineral Deposit Research Unit of the University of BC., and Galibois, as the surveyor for the SIB and Polo exploration programs.

Most of the exploration work on the subject properties was conducted in the period 1984 to 1996, prior to the completion of major government, academic and industry efforts to resolve the geological setting

consisted of an orientation geochemical stream sediment survey. Results from the orientation are relevant to the current recommendations and are summarized herein. Emphasis in this report is placed on preparing an exploration overview and recommendations, based on the most recent geological interpretations of the region. The author's recommendations for exploration work are included in a later section of this report.

LOCATION AND DESCRIPTION OF THE HERITAGE AND GLENFRED PROPERTIES

The subject properties are located in northwestern British Columbia, 70 km northwest of Stewart and 900 kilometres northwest of Vancouver (Fig. 1). Reference maps are NTS Sheets 104B 9W and 10E. The subject properties are centered at approximately 56 degrees 35 minutes north and 130 degrees 29 minutes west.

The properties lie adjacent to the Eskay Creek gold mine, owned and operated by Barrick Gold Corporation. The main property of Heritage is the SIB-Polo ground originally acquired by Heritage and its predecessor company. These properties comprise 186 units of mineral claims, with holding tenure over an area of approximately 3,635 hectares (8,724 acres). The Glenfred properties are comprised of a mineral lease and 1,856 units of mineral claims and 39,604 ha (97,852 acres).

Included in the Glenfred Tenures is a Mining Lease covering the previous Aftom 10 and Aftom 11 claims. The Eskay Creek Gold Mine has an all weather road that traverses this Mining Lease, a gravel pit and waste disposal dump are also located on the surface of this Mining Lease. Figure 2 shows the simplified plan of the subject properties, relative to one another and other property boundaries.

With respect to the mineral tenures included in the current holdings of Heritage and the mineral tenures that a part of the Property Purchase Agreement with Glenfred, the name, record number, tag number, description, and status of each tenure with the Mining Recorder have been examined. These details have been reviewed by Galibois and verified with available locator's affidavits and claim post surveys. There are no disputes filed, nor known to the author or to Heritage or to Glenfred, on any of the subject properties with respect to the ground the claims hold under the Mineral Tenure Act.

From information supplied by Heritage, the author has made additional notations as to the percentage ownership and any royalty obligations due under existing agreements between Heritage, Glenfred and various parties to underlying and preceding agreements on the respective properties.

Employing the above information, Galibois has compiled a plan of the mineral tenures, using the survey work of Mark McGladrey, BCLS, Don Whyte, BCLS and Galibois, BCLS. These surveyors determined the locations of claim posts relative to BC Provincial Control Monument TOM, and others, for much of the Prime (Barrick), Glenfred, and Heritage ground, respectively. Good correspondence was found between the work of the three surveyors. Not all the currently valid or preceding mineral claims have been surveyed and therefore some claim locations, and the amount of ground they hold, might be revised in the future. In areas that have not been surveyed, many of the claim post locations have been verified in the field by BC government claims inspectors. Galibois has relied upon those inspections and upon the locator's affidavits that have been filed and accepted by the Gold Commissioner in preparing his plan of the mineral tenures.

The mineral tenures are organized into two “blocks”:

- 1) **Heritage Block:** Heritage Explorations Ltd. properties.
- 2) **Glenfred Block:** Glenfred Holdings Inc. properties.

The Heritage and Glenfred properties have separate exploration histories and continuity of ownership and herein are described separately, in order to maintain a clear distinction in the descriptions of ownership history, agreements, exploration work, geological potential and recommendations for future work. The locations of the blocks of mineral tenure are shown in Figure 2. survey plan of the individual mineral tenures at a scale of 1:20,000. The titles to some of Glenfred’s properties are held on its behalf, by Estey Agencies Ltd.

Heritage Explorations Ltd. Properties

The Heritage mineral tenures are comprised of the S.I.B., Polo, Skookum, Sto, Megan and John, Rambo, Fog and Link FR mineral claims.

S.I.B. Claims – Uniterre Joint Venture

During 1989, a predecessor company of Heritage completed all the terms of a June 30, 1988 agreement and earned a 50% interest in the S.I.B. Claims. Upon earning the 50% interest Heritage and a predecessor company of Uniterre Resources Ltd entered into a joint venture to further explore and develop the mineral claims. Both parties have contributed their proportionate share of costs to date. The joint venture agreement provides for a non-contributing party having its interest reduced proportionately to a minimum of 15%, at which time the interest becomes a 15% net profits interest on which a minimum annual payment of \$10,000 is required. There are no royalty agreements in respect of the S.I.B Claims.

Polo Claims

In 1988, a predecessor company of Heritage acquired a 100% interest in the Polo Claims in an agreement dated June 29, 1988, subject to a 2% net smelter return royalty (NSR). The cash and treasury share components have been completed.

Skookum Claims

Heritage obtained a 100% interest in the Skookum Claims, from Noront Resources Ltd., subject to a prior 2 1/2 NSR.

Lance, Sto and John Claims

The Sto and John claims were staked in 2000 and 2001 by Heritage. There are no outstanding royalty arrangements with respect to these claims.

Rambo, Fog and Link FR Claims

A 100% interest in the Rambo, Fog and Link FR Claims were obtained pursuant to purchase agreements entered into in 2000. There are no royalty arrangements in respect to these claims.

Megan Claims

The Megan Claims were staked in 2000 and are owned 50% by Heritage and 50% by Uniterre.

Glenfred Holdings Inc. Properties

The Glenfred Holdings Inc. properties are described in this section as to their current status, and do not include descriptions of any additional obligations that might be added as part of the Heritage purchase of the shares of Glenfred.

The Glenfred properties are comprised of TEG 2 Joint Venture mineral claims, and the claims staked in the period 1992 to 2001, including the Calvin, Noot, Irving, Bell, Toon, Harry, SC and TC Claims. Additional Calvin and Irving claims were staked in 2002, plus the King, Valcano, Gringass and Treaty claims. In 2002, Glenfred purchased the Coul, Unuk and Pud claims and optioned the Bonsai and Treaty properties.

TEG 2 Joint Venture

Pursuant to an agreement dated December 23, 1991, Tagish Resources Ltd. ("Tagish") contributed a number of mineral claims (the "Tagish Claims") and the Eskay Group contributed a number of claims (the "Eskay Group Claims") to a joint venture, on the basis of Tagish having a beneficial undivided 50% interest in the joint venture, and the four parties comprising the Eskay Group each having a 12.5% interest. The Tagish Claims are subject to 4% net smelter returns interest and the Eskay Group Claims are subject to 3% and 4% net smelter returns interests. Both parties have contributed their proportionate share of the costs to the joint venture expenditures. The joint venture agreement provides for a non-contributing party having its interest reduced proportionately to a minimum of zero percent (0%).

By a series of agreements Glenfred has acquired, 99.77% of the issued shares of Tagish.

By agreements dated in March and April, 2001, Glenfred acquired all of the remaining 50% of the TEG 2 Joint Venture.

Located Mineral Claims

Separate from the TEG 2 Joint Venture, mineral claims were staked in the period 1992 to 2001, including the Calvin, Noot, Irving, Bell, Toon, Harry, SC and TC Claims and are owned 100% by Glenfred.

The TC 1 to TC 8 claims are part of the Perimeter Claims, as defined in the Treaty Creek Option agreement between Teuton Resources Corp. and Glenfred. They are presently 100% owned by

Glenfred, but are subject to contribution to the property of the Treaty Creek Joint Venture upon vesting by Glenfred in the Treaty Creek property

Additional Calvin and Irving claims were staked in 2002 along with the King, Valcano, Gringass and Treaty claims. Watershed Resources staked the claims for Glenfred. Watershed remains as the recorded owner. Glenfred is the 100% owner of these claims.

A total of approximately 57,000 acres has been staked.

There are no net smelter interests or obligations for exploration on these claims.

Treaty Creek Property Option

Teuton Resources Corp. and Glenfred have entered into a Letter of Intent on March 18, 2002 for an Option Agreement on the Treaty Creek property, which is comprised of nine mineral claims located west of the S.I.B. property. The Option is for an undivided 50% of the property. To earn the interest, Glenfred must pay a total of \$75,000 in cash and \$750,000 in exploration expenditures over four years. The first year commitment is \$10,000 cash, which has been paid, and \$100,000 in exploration expenditures before March 18, 2003.

Glenfred is the Operator during the term of the Option.

Upon Glenfred earning a 50% interest in the property, Glenfred and Teuton will commence a Joint Venture. Deemed Expenditures for purposes of the dilution provision are \$750,000 for both Glenfred and Teuton. Each party will be required to contribute proportionately to the work program. Non-contribution will result in dilution. Upon reduction to a 10% working interest, the non-contributing party will receive a 10% Net Profits Interest in the property.

Upon formation of the Joint Venture, a 4% Net Smelter Return Royalty (NSR) will be registered against the property. St. Andrews Goldfields Ltd. will hold a 2% NSR and Teuton will hold the remaining 2% NSR. Additionally, Teuton and Glenfred have agreed to license the geoinformatics technology platform and mineral deposit databases of St. Andrew Goldfields for a cash consideration representing 5% of the Joint Venture expenditures on the property, payable quarterly.

Upon formation of the Joint Venture, Glenfred has agreed to contribute its 100% ownership of the TC 1 to TC 8 claims (the "Perimeter Claims") to the property of the Joint Venture.

Furthermore, if Glenfred should relinquish or forfeit its Option, Teuton will have from such point in time a three month grace period in which to elect whether or not to earn a 50% interest in the Perimeter Claims, under similar terms to this Option, but with dates and times adjusted to reflect the later onset of the Perimeter Claims Option agreement.

Bonsai Property Option

Teuton Resources Corp. and Glenfred have entered into a Letter of Intent on March 18, 2002 for an Option Agreement on the Bonsai-Mack property, which is comprised of nine mineral claims located west of the S.I.B. property. The Option is for an undivided 50% of the property. To earn the interest,

Glenfred must pay a total of \$75,000 in cash and \$750,000 in exploration expenditures over four years. The first year commitment is \$10,000 cash, which has been paid, and \$100,000 in exploration expenditures before March 18, 2003.

Glenfred is the Operator during the term of the Option.

Upon Glenfred earning a 50% interest in the property, Glenfred and Teuton will commence a Joint Venture. Deemed Expenditures for purposes of the dilution provision are \$750,000 for both Glenfred and Teuton. Each party will be required to contribute proportionately to the work program. Non-contribution will result in dilution. Upon reduction to a 10% working interest, the non-contributing party will receive a 10% Net Profits Interest in the property.

Upon formation of the Joint Venture, a 4% Net Smelter Return Royalty (NSR) will be registered against the property. St. Andrews Goldfields Ltd. will hold a 2% NSR and Teuton will hold the remaining 2% NSR. Additionally, Teuton and Glenfred have agreed to license the geoinformatics technology platform and mineral deposit databases of St. Andrew Goldfields for a cash consideration representing 5% of the Joint Venture expenditures on the property, payable quarterly.

A portion of the Mack 24 and Mack 25 claims are subject to an agreement between Teuton and the owners of the Eskay Creek mine, allowing tailings disposal.

Pud 1 and Pud 2 Claims

Glenfred and Lorne Warren entered into a Claims Purchase Assignment Agreement dated March 1, 2002 for Glenfred's purchase of the Pud 1 and Pud 2 mineral claims. Lorne Warren assigned his 100% interest in the claims to Glenfred. The claims are subject to a prior agreement between Lorne Warren and Calypso Developments Ltd., granting Calypso a Net Smelter Royalty of 2%. The 2% NSR can be purchased at any time by Glenfred for \$2,000,000 or \$1,000,000 for each 50% of the NSR.

Unuk and Coul Claims

The Unuk and Coul Claims were acquired by Glenfred under several agreements. Prior to the acquisition by Glenfred, Afrasia Mineral Fields Inc. held a 35% interest in a Joint Venture created pursuant to an Agreement dated January 3, 1989 between Cove Resources Corporation, Springer Explorations Ltd., Luran Minerals Corporation, Arania Minerals Corporation and Granges Exploration Ltd. Vista Gold Corp, the successor company to Granges held the remaining interest in the Joint Venture.

Pursuant to Acquisition Agreements dated January 29, 2002 and February 10, 2002 Glenfred acquired a total of 100% interest in the Joint Venture. The Joint Venture was dissolved and 100% of the claims are owned by them.

E. Clive Ashworth and J. Malcolm Bell each hold a 1% Net Smelter Royalty interest in the claims, pursuant to an Agreement between them and Glenfred dated March 4, 2002.

HISTORY

Stewart-Iskut Region

The properties of Heritage and Glenfred lie within a historically active mining and exploration area that extends from Stewart in the south to near Telegraph Creek in the north. Within this area, which has been referred to as the Stikine Arch, active mining goes back to the turn of the century. Due to the size of the region, it has historically been referred to by more specific area names (i.e. the Alice Arm, Kitsault, Anyox, Stewart, Sulphurets, Eskay Creek, Iskut River and Galore Creek camps). The entire area can be considered as one large mineralized province with attendant subareas.

Eskay Creek – Tok and Kay Property

A prospecting expedition representing a Premier-backed syndicate in 1932 led by T.S. Mackay, A.H. Melville and W.A. Prout conducted exploration efforts in the Ketchum Creek area and Eskay Creek areas. From 1935 to 1938, Premier Gold Mining Corporation optioned the Eskay property and defined 30 mineralized showings, one of which was the 21 zone. Exploration continued under numerous options but ownership the ground always reverted back to Mackay or his associates. In the 1980's, Kerrisdale Resources drilled four holes near the 21 zone, one of which intersected the stratiform mineralization of the 21A zone. In 1988, drilling by Stikine Resources and Calpine Resource Inc. confirmed the presence of a major Au-Ag rich massive sulfide body in the 21 A. zone. Subsequent geophysical surveys outlined a chargeability anomaly that was drill tested by hole 109, that intersected 61m of 99g/t Au, and 29 g/t Ag (109 Zone). The 21B zone was drill defined in 1990 and production commenced in the fall of 1994.

Eskay Creek – S.I.B. Property

The SIB-Polo property is comprised of the SIB, Polo, Rambo, Sto, Fog and Megan claims. The area was separately explored as the SIB claims by American Fibre Corp. and Silver Butte Resources Ltd. Heritage and its predecessor explored the adjacent Polo claims.

American Fibre Corp. and Silver Butte Resources Ltd. conducted extensive exploration work on the SIB and Polo claims, including detailed geological mapping, systematic rock and soil sampling, geophysics, and nearly 12,000 m of diamond drilling in 105 holes. Numerous rock and soil geochemical anomalies are reported throughout the property. Drilling has explored the entire strike length of mine sequence strata on the property, with the greatest along-strike gap in drilling being about 200 metres. Numerous mineralized drillhole intersections are reported.

The Glenfred 2001 exploration program conducted an orientation geochemical survey in 2001 on the abutting Noot 2 and Aftom 20 claims. Heritage made none of the expenditures. However, drainages crossing the SIB claims were sampled near the eastern, southern and western boundary of the SIB claim. BLEG and sieved silt samples were obtained from high energy sampling sites. Anomalies in Au, Ag, As, Sb, Zn, Cu, Hg and Te are sourced on the SIB claims.

DEPOSIT GEOLOGY

Mineralization and Deposit Types

Exploration of the Eskay properties of Heritage and Glenfred must be designed to accommodate a wide range of deposit types, in several contrasting combinations of geological settings. Most mineral camps in the Canadian cordillera have poor representation of the range of mineralization types related to arc assemblages. Characteristically, porphyry Cu and Au deposits form in the root zones and high- and low-sulfidation epithermal Au (-Ag) deposits form near the flanks and tops of andesitic stratovolcanoes. Typically, higher levels of the stratovolcanoes are lost during later erosion.

In the Stewart-Iskut region, formation of Early to Middle Jurassic mineral deposits was closely followed by down warping and the deposition of Bowser Lake Group, an event that preserved the mineralized arc and rift sequences. Cretaceous thrust faulting stacked older strata upon the favourable sequences preserving the strata during Tertiary uplift and erosion. .

In general, the mineral tenures of Heritage and GlenFred in the Eskay area are extensive and span geological settings permissive for a wide range of base and precious metal deposit types, including high sulfidation VMS. Volcanic stratigraphy, plutonism, alteration and mineralization found on or nearby the properties indicate the following deposit types should be considered in evaluating the exploration potential of the claims:

- 1) Porphyry Cu and Cu-Au.
- 2) Intrusion-Related Au (Cu) Veins and Stockworks
- 3) High- and Low- Sulfidation Epithermal Au (Ag)
- 4) Volcanogenic Massive Sulfides, of Besshi- or Cyprus- type
- 5) Eskay Creek- type stratabound massive sulfide – Au–Ag.
- 6) High sulfidation VMS.

Each of these deposit types is represented by producers, past producers or advanced properties within the Stewart-Iskut region.

Eskay Creek- type Stratabound Massive Sulfide – Au–Ag.

The **Eskay Creek Mine** lies 80 km north of Stewart on claims adjoining the S.I.B. claims to the north. By the end of 1999, the mine had produced 1.24 million ounces gold and 58.6 million ounces silver from 696,000 tons of ore. Proven and probable reserves at the beginning of 2000 were estimated at 1.61 million tons grading 1.46 ounces per tonne gold and 68.3 ounces per tonne silver. The deposit also contains approximately 3.2 percent Pb, 5.2 percent Zn, and 0.7 percent Cu. It is the fifth largest silver producer in the world.

The mine property includes several deposits of polymetallic sulfide and sulfosalt mineralization as exhalative massive sulfide, stratabound breccias and discordant veins. Economic concentrations of precious and base metals are contained in the 21 Zone, which is divided into a number of subzones. The bulk of stratiform / stratibound ore is contained in the 21B and NEX zones, which are hosted in marine mudstone overlying rhyolite. The 21B zone is a tabular body of bedded sulfides and sulfosalts dominated by sphalerite, tetrahedrite and lead-sulfosalts with lesser galena and pyrite, and minor arsenopyrite. Stibnite and rarely cinnabar locally overprint the ore. The NEX zone lies north of the 21B lens, at the same stratigraphic horizon, and consists of mainly massive sphalerite, tetrahedrite, galena and lesser lead-sulfosalts, with late chalcopyrite stringers crosscutting the lens.

Mineralization at Eskay Creek is inferred to have formed at, or near, the sea floor in a relatively shallow-water setting. Significant quantities of gold-silver mineralization occur within crosscutting structures to, and as irregular stratabound replacements of earlier sulfide mineralization.

The Eskay Creek deposits are examples of shallow subaqueous hot spring deposits, an important new class of submarine mineral deposits that has only recently been recognized in modern geological environments. They are relatively under explored and poorly recognized within the geological record. The deposit type is transitional between subaerial hot spring Au-Ag deposits and deeper water, volcanogenic massive sulfide exhalites (Kuroko or Besshi types) and shares mineralogical, geochemical and other characteristics of both.

MINERALIZATION ON THE HERITAGE BLOCK

Heritage Explorations Ltd. has conducted no work or made any exploration expenditures on its Eskay Creek area properties in 2001 or to date in 2002. Heritage and its predecessor companies have not conducted exploration work on the properties since the conclusion of the 1991 diamond drilling program and reporting in 1992.

SIB – Polo Property

The SIB claims adjoin the Eskay Creek property to the south, and contain the strike extension of the stratigraphic units present at Eskay Creek. The Hazelton Group stratigraphic sequence mapped on the SIB claims includes from bottom to top: andesite breccias and volcanoclastic rocks; intercalated mudstone, siltstone, and conglomerate, and felsic tuffs and flows. Basalts equivalent to the hangingwall sequence at Eskay Creek are absent at the SIB claims. The felsic sequence contains, similar to Eskay Creek, both a lower tuffaceous unit, and the upper flow sequence of the Eskay Rhyolite. As well, gossanous felsite representing sub-volcanic feeders to the Eskay Rhyolite occur in several places on the property. Mudstones occur within the rhyolite on the Sib claims, and are locally mineralized.

At the southern end of the SIB claims, Hazelton Group rocks are thrust westward over Bowser Lake Group rocks along the Coulter Creek Thrust Fault. This thrust fault truncates favourable strata in the subsurface, detracting from the exploration potential of near surface rocks of the southern half of the property.

Felsite knobs exposed on the SIB properties are strongly gossanous resulting from abundant finely disseminated pyrite.

Four styles of mineralization are reported on the property:

- 1) stringer and disseminated Au-Ag-As-Pb-Zn,
- 2) stratabound Pb-Zn veins,
- 3) Au-stibnite quartz+carbonate veinlets, and
- 4) stratiform (?) sulfide-sulfate bodies.

The most promising mineralization encountered to date is the stringer and disseminated Au-Ag-As-Pb-Zn type, identified in two principal localities: the **Lulu Zone**, and the **Marguerite Zone**. These two zones are now believed to be fault offset portions of a single, originally continuous zone. The best drillhole intersection to date returned a value of 14.43 g/T Au over 14.3 m from within the Lulu.

John 1-2

The John 1 and 2 mineral claims incorporate all of the Corey-TV (or "Tim / Val") zone and the northern part of the Corey-PRU joint venture block. The TV zone lies 700 meters south of the northern boundary of the original Corey Property and is within the same structural corridor as the "Jeff Grid" or "710/910" gold-silver-zinc discovery area of the former Granges-Springer-Cove claims 700 meters further north (that zone is now included in the Coul 3 claim of the Glenfred Block).

Drilling of 22 diamond drill holes by previous operators, resulted in the discovery of stratabound massive to semi massive gold-silver-zinc-lead mineralization (Hutchings horizon) in the TV (Tim/Val) zone. The TV Zone consists of a quartz stockwork zone hosted by intermediate and felsic volcanic rocks and black graphitic shales. Mineralization comprises pyrite, galena, arsenopyrite, with traces of sphalerite, ruby silver and possibly stibnite. Sulfides occur as disseminated grains, veinlets and colloform in-fillings in breccia, rhyolite and black mudstone. Prospecting and trenching have located a minimum 100 meter wide area with good gold and silver mineralization averaging 0.06 ounces per ton of gold and 3.0 ounces per ton of silver, with local high grade areas exceeding one ounce of gold per ton over one meter. Diamond drilling has confirmed these grades with intersections of 2.86 g/T Au and 176.9 g/T Ag over a width of 7.3 meters and 2.07 g/T Au and 120.3 g/T Ag over a width of 12.3 meters. The northeast portion of that zone contains silver-rich (pyrargarite) mineralization that is hosted by black shales. Based on the 1993 - 1998 exploration programs, the TV Zone remains a high priority target for diamond drilling.

MINERALIZATION ON THE GLENFRED BLOCK

Glenfred and companies that have contributed properties to the Glenfred Block have done no exploration work in the last three years, except for a small geochemical survey conducted on TEG 2

Joint Venture mineral claims in 2001. The results of that survey were filed for Assessment Work credits and the report is available to the public in September 2002.

The properties of the Glenfred Block are divided into sub-areas, each spanning a region of mineral tenures that lie over common geology and structure. The sub-areas are described as follows:

1. **Eskay West:** Mineral tenures lying over Bowser Lake and Hazelton Group lithologies, located west of the Eskay Mine and the northern SIB mineral claims. The principal tenures include the Aftom 10-11 Mineral Lease and the Bonsai Property Option.
2. **Eskay South:** All Glenfred mineral claims adjacent and south of the SIB mineral claims owned by Heritage. These claims include the King, Harry, Pmac, Noot, Fred 15, Aftom 20 and Coul claims. In combination with the SIB, Sto and Polo claims of Heritage, almost all of the prospective ground from the Harrymel fault to the Unuk River Syncline is held by these claims. Part of the Eskay South was covered by a geochemical survey in 2001.
3. **Eskay East:** This parcel lies east of the Eskay Mine, including the rest of the Aftom claims and the Bell, Pud, Unuk, Coul 3, Gringass, SC and some of the Calvin claims. In combination with the Lance claims of Heritage, this parcel of claims covers a mineralized, north-trending belt that contains all of the prospective ground lying east of the Unuk River Syncline to the crest of the McTagg Anticline. Additionally, the parcel covers the eastern flank of the Eskay Anticline in close proximity to the Eskay Anticline. Part of the Eskay South was covered by a geochemical survey in 2001.
4. **Treaty Creek:** The core of this parcel is the Treaty Creek Option. Surrounding claims include the Calvin, Irving, TC and Treaty claims of Glenfred. These claims hold ground over all of the prospective ground in and around the Treaty Creek zone and adjacent Salmon River Formation lithologies.

Eskay West

The Eskay West parcel is located on the western margin of Prout Plateau and the flanks of Mt. Shirley. The principal mineral tenures are the Aftom 10-11 Mineral Lease and the Bonsai Property Option.

Folded clastic strata of the Bowser Lake Group; sediments, basalts; felsic volcanics of Salmon River formation and undifferentiated Hazelton Group volcanics and sediments crop out in the parcel.

Prominent in this sub-area is the Harrymel – South Unuk fault zone. This fault zone was active during deposition of Salmon River formation bi-modal volcanic suite. In this sub-area, the Harrymel fault zone is likely a basin controlling fault to the deposition of Salmon River formation basalts and is a locus for coeval mafic dykes, stocks and sills. Further north, the Forest Kerr fault, a northern extension of the Harrymel fault, is a locus for narrow north-south trending basins of Salmon River formation mafic and felsic volcanic rocks and sediments. In this area, the fault is the western boundary of the thickest accumulations of Salmon River formation in the Stewart-Iskut belt.

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Northwest-striking faults on the western edge of the Prout Plateau, on the Noot, Fred 15 and Mack 24 & 25 claims, juxtapose differing Hazelton Group / Salmon River formation successions, and may therefore have been active during Hazelton Group deposition.

The Aftom 10 and Aftom 11 claims are located on the west edge of the Prout Plateau, beginning approximately 1.5 km WNW from the Eskay Creek mine. The Aftom claims were part of the original Tagish Resources properties. Geological mapping of the claims was completed in 1991, at 1:10,000 scale, and revised at 1:5,000 scale in 1995. The earlier work reports moderate alteration and pyrite mineralization in the western half of Aftom 10, within Salmon River formation but no anomalous values were obtained from the few rock samples collected.

Folded clastic strata of the Bowser Lake Group underlie the Aftom 11 claim and the eastern half of the Aftom 10 claim. Structural and stratigraphic relationships in surrounding areas indicate that these strata are at least several hundred meters thick, and possibly up to several kilometers thick. The western half of the Aftom 10 claim consists of undifferentiated Hazelton Group strata, juxtaposed against the Bowser Lake Group along a west-dipping thrust or reverse fault (Mount Shirley Fault). These strata include thick sequences of pillowed flows, and thin lenses of felsic strata crop out just west of the claim boundary. On this basis, at least part of the sequence in the western part of the Aftom 10 claim is likely stratigraphically correlative with the mine sequence at Eskay Creek.

Bonsai Property Option

The Bonsai property is comprised of claims staked by Teuton Resources Corp. in 1987 and 1992. The property is under option by Glenfred. Exploration by Prime Resources / Homestake Canada Inc. on the property included 6 diamond drill holes, completed in 1995 and 1996. Five of the holes tested the rhyolites of the Salmon River formation and one, drilled in 1996, tested deep targets near Little Tom Mackay Lake.

Work in 1991 by Teuton Resources outlined a zone of altered rhyolite within the Salmon River Formation containing anomalous As, Sb, and Hg (the Bonsai showing). This rhyolite is stratigraphically correlative to the mineralized rhyolite at the Eskay Creek deposit. Follow up work was done in 1994 in the form of mapping and soil sampling by Homestake Canada Inc. Five diamond drill holes totaling 1180 meters were drilled in 1995. Anomalous gold values were intersected within the rhyolite and overlying strata, including a high value of 1710 ppb Au over one meter.

The 1996 drill program was a continuation of the previous holes, and also targeted the sediments immediately above the rhyolite. The hole targeted rhyolite along strike and to the north of the Bonsai showing; a rhyolite outcrop anomalous in As, Sb, and Hg. This rhyolite has been correlated with the Eskay Creek member of the Salmon River Formation, which is intimately associated with Eskay Creek gold-silver mineralization. No anomalous mineralization was intersected in the single drill hole, which was drilled to a final depth of 710 meters.

The drilling programs intersected rhyolite and basalts with brecciated contacts indicative of intrusion in to wet, unconsolidated sediments of the Salmon River Formation. The diamond drilling in 1996 did not extend through the complete thickness of Salmon River Formation on the Bonsai property.

Eskay South

The Eskay South parcel includes all the Glenfred mineral claims lying adjacent and south of the SIB mineral claims owned by Heritage. These claims include the King, Harry, Pmac, Noot, Fred 15, Aftom 20 and Coul 1-3 claims. In combination with the SIB, Sto, Polo and John mineral claims of Heritage, almost all of the prospective ground from the Harrymel fault to the Unuk River Syncline is held by these claims.

The axial traces of the Mackay syncline, Eskay anticline and Unuk River syncline bend to more northerly trends near the latitude of the SIB property Lulu / Marguerite zones. Southward these major folds pass into a series of westerly-vergent imbricate thrusts exposed along the Unuk River Valley on the Coul and John mineral claims. For purposes of description of work and targets, the Eskay South parcel lies west of the thin panel of Bowser Lake group sediment that is the southern continuation of the Unuk River syncline and south of the Bonsai property. See Figure 2.

The main showings and target areas in the Eskay South are as follows:

Fred 15, P-Mac 1 to P-Mac 10, Noot 3, Harry and King.

Swift Minerals conducted an airborne magnetic, electromagnetic and VLF-EM survey over this Fred 15 area and the DUP claims in 1989. Roland Bartsch of the MDRU mapped these claims as part of his M.Sc. thesis at the Mineral Deposit Research Unit, and noted lithologic similarities to the mine sequence at Eskay Creek. Exploration work on the property includes several generations of mapping and sampling, and a single diamond drillhole completed in 1990.

The Fred 15, P-Mac 1-10, and Noot 3 claims lie along the southern part of the Prout Plateau, approximately 6-8 km southwest from the Eskay Creek Mine (Fig 1). A variety of Hazelton Group rock types occur on the claims, including intermediate composition volcanoclastic rocks and overlying siltstones and mudstones equivalent to the footwall section at the Eskay Creek mine, mafic flows and breccias correlated with the Eskay Creek mine sequence, and thin felsic intervals within the mafic rocks. These units are cut and displaced by several steep, northwest-striking faults. The movement direction on these faults is uncertain, and there is no direct evidence of whether or not they were active synchronous with volcanism. However, these faults juxtapose differing Hazelton Group / Salmon River formation successions, and may therefore have been active synchronous with Salmon River deposition.

Two zones of anomalous alteration and mineralization are described on the claims:

1. On Fred 15, a NE-striking gossanous fault zone containing disseminated to semi-massive pyrite and arsenopyrite, with anomalous Au, Ag, Cu, and Zn; and
2. On Noot 3, a polymetallic breccia in felsic volcanic rocks along a fault zone, anomalous in Au, Pb, and Zn.

The single drillhole, completed on the Fred 15 claim, encountered no anomalous mineralization, but did not reach target depth.

Minor copper occurrences are reported near the Harrymel – South Unuk fault zone. They are classified as Besshi-type mineralization but no work is documented in the last 20 years.

Noot 1, Noot 2 West, Noot 4

Previous work on the claims includes geological mapping, sampling, and geophysics. No significant mineralization is reported in the surface exposures.

The Noot 1 and 4 claims, and the western portion of the Noot 2 claim, all lie in the core of the McKay syncline from 5-8 km southwest of the Eskay Creek mine. These three claims are all underlain by complexly folded and faulted Bowser Lake Group strata. The tight fold geometry here makes it unlikely the favorable Hazelton Group strata are present in the shallow subsurface, and Hazelton Group rocks to the east of the claim boundary are thrust westward over the Bowser Lake Group rocks on the shallowly east-dipping Coulter Creek Thrust Fault.

Aftom 20

Previous work on the claims includes mapping, sampling, and geophysics. Mapping and sampling identified a NE striking gossanous fault zone in sericite-altered andesite on the Aftom 20 claim, but reported no anomalous geochemistry related to this structure. One sample collected from felsic rocks contained strongly anomalous Pb, Ag, As, and Au. The sample description suggests that it was collected from a small unmapped felsite intrusion, representing the sub-volcanic equivalent to the Eskay Rhyolite.

The area was also sampled during the 2001 geochemical orientation survey.

The Aftom 20 claim and the eastern portion of the Noot 2 claim occupy the core of the Eskay Anticline, approximately 4 km south of the Eskay Creek mine. Strata exposed on the property include, from west to east, an andesitic volcanoclastic sequence of the lower part of the Hazelton Group (Unit 2), clastic sedimentary strata forming the base of the Hazelton Group, and felsic tuffs and possible flows of the Eskay Creek Mine Sequence.

A northeast-striking fault, subparallel to the syn-volcanic East Break Fault, crosses the area, and the Aftom 20 claim is roughly bisected by the axial surface trace of the Eskay Anticline. Only minor alteration and mineralization are reported on the claims.

Strata correlative to the Eskay Creek mine sequence exposed on the southeastern part of the Aftom 20 claim are prospective; however, the upper contact of the felsic sequence, which is likely the most favorable stratigraphic interval, extends for only a few hundred meters on the property. Remaining portions of the property are in too low a stratigraphic position for Eskay Creek type mineralization to crop out.

However, sampling in the geochemical orientation survey indicates a broad and strong Au-Ag-multi-element geochemical response in Betty Creek formation on the west side of Aftom 20.

Coul 1, 2 and 3

Earliest documented exploration in the area now encompassed by the Unuk-Coul claims was by Newmont Exploration in 1960 as part of a broad regional reconnaissance mapping program. Several zones were identified: Tarn (Unuk Zone 1), AP (Unuk Zone 2) and Unuk Zone 4 (McTagg Creek) and Gingrass Creek. In 1986 the Coul 1-4, and Unuk 1-25 claims were staked followed by the Unuk 26-50 claims in 1987. An airborne Mag/VLF survey was flown over the property in 1986.

The Jeff Grid (Coul 3) potential for mineralization was recognized through airborne geophysics and moderate stream sediment and soil anomalies collected through reconnaissance programs. See Figure 2. A subsequent detailed program in 1991 led to drilling of 30 diamond drill holes on coincident geophysical and geochemical anomalies. The area is underlain by andesitic tuff, andesitic-basaltic massive and pillowed amygdaloidal flows. The best results obtained were in DDH-J91-7 with 34.04 g/T gold over 4.0m. Mineralization occurred as anastomosing veins, masses and disseminations of pyrite, pyrrhotite with lesser volcanics containing quartz carbonate, veins and sericite sphalerite, galena and chalcopyrite in vesicular mafic alteration.

Eskay East

This parcel lies east of the Eskay Mine, including the rest of the Aftom claims and the Bell, Pud, Unuk, Coul 3, Gringass, SC and some of the Calvin claims. In combination with the Lance claims of Heritage, this parcel of claims covers a mineralized, north-trending belt that contains all of the prospective ground lying east of the Unuk River Syncline to the crest of the McTagg Anticline. Additionally, the parcel covers the eastern flank of the Eskay Anticline in close proximity to the Eskay Anticline.

Aftom 18

The Aftom 18 claim abuts the Eskay Creek mine property on the eastern side. The Aftom 18 claim has had several generations of mapping and prospecting, due to its proximity to and similar stratigraphic setting to the Eskay Creek deposit. Previous workers report no significant alteration, and the only mineralization reported is the presence of pyrite laminations within mudstone immediately overlying the felsic volcanic rocks.

The Aftom 18 claim lies on the east limb of the Eskay Anticline, approximately 2-3 km south of the Eskay Creek Mine. Sedimentary strata of the basal Hazelton Group underlie the northwest corner of the property, and are overlain to the east by SE-dipping felsic volcanic rocks of the Eskay Creek mine sequence, and by clastic strata of the Bowser Lake Group. The East Break Fault, interpreted as having syn-volcanic movement on it, crosses the northwest corner of the claim. Lowermost Hazelton Group clastic strata are exposed on both sides of the fault, and its position is inferred from both topographic expression and displacements of stratigraphic contacts along strike outside of the claim.

The Aftom 18 claim contains strata equivalent to the Eskay Creek mine sequence. If the structural interpretation for the area is correct, the felsic strata on the Aftom 18 claim were deposited in a separate, en-echelon sub-basin from time-correlative strata at Eskay Creek. However, the geometry of the sub-basins is not well understood. The East Break fault is one of several sub-parallel, syn-volcanic faults in the Eskay Mine area, and all have mineralization within the fault zones and in segments of

Salmon River stratigraphy on either side of the faults. Further examination of the Aftom 18 geology and geophysics is warranted, due to its proximity to the Eskay Creek Mine and the important footwall structures to the Eskay Creek deposit.

The 2001 geochemical orientation survey contained anomalous samples in Eskay Creek, but are interpreted as downstream dispersion from the Mackay adit, Emma and other zones.

Aftom 7, 16, 19

Favourable strata and indications of surface alteration on the Aftom 7, 16, and 19 claims have led to several generations of mapping and prospecting. Several reports describe a northeast-trending line of gossanous bluffs, attributed to pyritic silicified alteration zones within the mine sequence strata. None of the soils and rock samples collected from these altered areas has returned significantly anomalous geochemical results. However, orientation steam sediment sampling show anomalous multi-element silt and BLEG results, possibly sourced in the gossans or in footwall zones present of the abutting Unuk claims located up-slope from the Aftom ground.

The Aftom 7, 16, and 19 claims lie along the northwest flank of the McTagg Anticlinorium to the southeast of the Eskay Creek deposit (Figure 2). Strata of the mine sequence strike northeasterly across all three claims, and dip steeply to the west beneath Bowser Lake Group rocks underlying the northwest two-thirds of all claims. On the claims, the mine sequence consists of a lower felsic volcanic conglomerate to breccia, overlain by a pillowed mafic flow sequence on the southern two claims (Aftom 19, 7). This is overlain by aphyric, flow-banded felsic flows, and capped by a second mafic flow sequence, which is again limited to the southern two claims. Aftom 19 also contains a southeast-dipping section of mine sequence rocks, on the opposing limb of the Unuk River Syncline. No evidence of significant faulting is indicated on available maps of the claims.

The abutting Coul 3, Unuk 12, 13 and 14 claims, part of GlenFred-Unuk Block, holds this same geology.

In contrast, this area is the site of a broad gold anomaly in the 2001 geochemical orientation survey. Since this ground is very difficult to traverse and sample in detail, future stream sampling at the high-energy sites is indicated.

Unuk 1, Coul 4, Unuk 11-14

Earliest documented exploration in the area now encompassed by the Unuk-Coul claims was by Newmont Exploration in 1960 as part of a broad regional reconnaissance mapping program. Several zones were identified: Unuk Zone 1 (Jack Glacier), Unuk Zone 2 (Bruce Glacier) and Unuk Zone 4 (McTagg Creek) and Gingrass Creek. In 1986 the Coul 1-4, and Unuk 1-25 claims were staked followed by the Unuk 26-50 claims in 1987. An airborne Mag/VLF survey was flown over the property in 1986.

Both 1987 and 1988 saw reconnaissance programs to relocate and resample existing showings and outline additional localities for potential Sulphurets type mineralization, and later, in 1989 and 1990, for potential Eskay Creek stratigraphy. Six areas were identified: AP (Zone 1), Tarn (Zone 2), R grid, Jeff (J. grid), Bedee Zone, and Zone 4 (McTagg Creek).

Grid geological, geochemical and geophysical survey, plus diamond drilling were completed in the period 1989 to 1991.

Work was concentrated on altered felsic volcanics of the Salmon River formation and felsic intrusions, lying in at a lower stratigraphic horizon than the lithologies on the adjoining Aftom 7, 16, and 19 claims, to the northeast.

The AP (Zone 1) is located between the Bruce and Jack glaciers on Unuk 14, Unuk 15 and Unuk 26 claims. Mineralization is hosted by tuffaceous mudstone and brecciated welded tuff characterized by galena, sphalerite, pyrite, arsenopyrite and chalcopyrite associated with shearing, brecciation, silicification, and clay-talc-sericite carbonate albite- alteration. Trench chip grabs have returned values as high as 56.5 g/T gold, 32 g/T silver over 0.5m. Best results returned in drilling were 7.908 g/T gold, 148.6 g/T silver, 0.65% zinc and 0.33% lead over 0.4m.

The Tarn (Zone 2) occurs on the Unuk 13, Unuk 12 and Unuk 11 claims, is centred around Tarn Lake, and encompasses both felsic and mafic lithologies and a number of showings. The Tarn Creek showing is a quartz stringer zone containing 5% pyrite, arsenopyrite, and sphalerite hosted in mafic to intermediate flows, trace tuff, tuff breccia and tuffaceous argillite. Best surface results returned 12.8 g/T over 1.0m. This structure was tested by drill hole T-91-1 was anomalous in silver but best gold returned was between 38.3 and 38.92 meters at 1240 ppb gold.

Treaty Creek

The core of this parcel is the Treaty Creek Option. Surrounding claims include the Calvin, Irving, TC and Treaty claims of Glenfred. These claims hold ground over all of the prospective ground in and around the Treaty Creek zone and adjacent Salmon River Formation lithologies.

The property is situated along the east limb of the McTagg anticline and is underlain by volcanic, sedimentary rocks of the Upper Triassic Stuhini Group and the Jurassic Hazelton Group that are intruded by orthoclase porphyry, monzonite, diorite and felsic intrusions. To the north and east of the property are sedimentary rocks of the Bowser Lake Group. To the south, Hazelton Group strata is in fault contact with the Bowser Lake Group along the east-vergent Sulphurets Thrust Fault. In general, stratigraphy on the property youngs from west to east with local variation caused by minor folding and faulting.

Four main alteration/mineralization zones are exposed on the Treaty Creek property. These include: the Treaty Nunatak, West Nunatak, Orpiment Zone and GR-2 zone. Alteration is dominated by chlorite, sericite, kaolinite, pyrophyllite and silicification with abundant quartz and pyrite and lesser calcite and alunite. Although spatially separate, the four main areas of alteration on the Treaty Creek property are considered to be different expressions of hydrothermal activity within an epithermal environment.

The 1994 exploration program concentrated on evaluating the extent of mineralization beneath the Eureka and Orpiment zones. Seven diamond drill holes totaling 635 meters were drilled on the Eureka zone and a single drill hole, TC94-8, totaling 231.5 meters was collared at the base of the Orpiment zone. Samples collected from core at the Eureka Zone are anomalous but sub-economic in gold with the highest values obtained from TC94-1 which assayed 1.96 gpt Au over 4 meters. As a result of poor

ground conditions and thick moraine, drilling did not fully test the strike extent of mineralization in the Eureka zone.

Results from the 1994 program identified two zones with potential to host precious metal mineralization. Surface exploration and diamond drilling on the Eureka zone has outlined a zone of >500 ppb Au mineralization centred around the discovery trench TR93-11 extending northeast to drill hole TC94-2 and southwest towards drill holes TC94-6 and 7. The altered zone measures approximately 130 meters along strike and dips moderately to the southeast where it is open at depth. The zone may plunge to the northeast as it was not intersected in hole 94TC94-5. The strike potential of the Eureka zone is limited to the southwest where it is interpreted to be truncated by the northwest striking Gossan Fault. To the northeast the Eureka zone appears to narrow into two zones of sericite+quartz+pyrite alteration with anomalous but sub-economic gold mineralization observed in trenches TR94-8 and 9 and in drill hole TC94-5. Surface sampling on the Goat Trail zone identified a zone of greater than 1 gpt Au mineralization within a sericite+quartz+pyrite alteration zone that measures 750 meters long and 300 meters wide.

Gold mineralization within the Goat Trail zone is hosted by pyrite veining, pods of massive pyrite and kaolinite+quartz+pyrite alteration within fault zones. Surface mapping and rock sampling on the Orpiment zone identified a central core of barren silicification with pyritic margins that was anomalous in gold and mercury. A single diamond drill hole was located at the base of the Orpiment zone and intersected barren silicification. Assay values from the entire hole were sub anomalous averaging less than 600 ppb Au. Additional work is required to fully test the gold bearing potential of the Eureka and Goat Trail zones.

EXPLORATION

Exploration on the Heritage Properties

Heritage and its predecessor companies have not conducted exploration work on the properties since the conclusion of the 1991 diamond drilling program and reporting in 1992.

Glenfred conducted a geochemical orientation survey over Glenfred mineral claims that abut the SIB property. Samples taken near the fringes of the SIB - Glenfred property boundary indicate a geochemical pattern that is important in the interpretation of the SIB property geology. The main anomaly discovered in the orientation survey is located on the central part of the Aftom 20 and Noot 2 claims and the abutting SIB claims. The anomaly appears to be sourced by alteration and mineralization in Salmon River Formation rocks (mafic and felsic volcanic rocks) and footwall felsic intrusions within Betty Creek and Jack formations. The anomaly is broad. In areas underlain by Salmon River Formation bedrock, on the west side of the SIB claims, the anomaly is a gold-silver-zinc anomaly and passes eastward into a distinctive gold-mercury (antimony-arsenic-silver-copper-tellurium) anomaly in the lower strata of Betty Creek and Jack Formation. The changes likely reflect broad distributions of disseminated and vein mineralization hosted in the footwall of Lulu and other stratabound horizons of Salmon River Formation on the Noot 2 and SIB claims.

Geochemical Survey on the Glenfred Properties

Glenfred conducted a geochemical survey conducted on TEG 2 Joint Venture mineral claims in 2001.

Geochemical Survey Methods and Sampling Done

During the period, August 18 to 26, 2001, a five-man team sampled high-energy sediments, using a helicopter for moves between sampling sites. On Tag West Group, 45 Bulk Leach Extractable Gold (BLEG), 50 Sieved Silt and 3 Heavy Mineral samples were taken. On the Tag East Group, 21 BLEG, 22 Sieved Silt and 9 Heavy Mineral samples were taken.

Sampling for this survey was conducted at sites characterized by active stream channels containing a range of coarse, immature sediments, dominated by gravels, cobbles and boulders. Sampling of high energy sites contrasts with the standard stream sediment sampling procedure where silt and/or clay are collected from accumulation sites associated with more quiet-water sedimentation.

Gold deposits are targeted by this survey and gold is the primary pathfinder element employed in the survey. Sampling the high-energy environment is especially important in gold exploration. Currently, three basic sampling/analytical methods are employed by industry to sample the high-energy environment:

1. **Bulk Leach Extractable Gold (BLEG) Surveys**, yielding a gold determination from a large sample of sieved sediment (typically, minus 20 mesh material). BLEG sampling is selective to native gold particles and gold within oxides.
2. **Sieved Silt Surveys**: Large amounts of high-energy sediment are sieved to obtain a coarse sand and silt sample (minus 20 mesh) that is later sieved to minus 80 mesh and analyzed for gold and multi-elements. Analysis is by a large, 30g sub-sample, aqua-regia digestion and ICP-MS. All gold in native form and within oxide and sulfide minerals is determined. The ICP-MS determines a suite of elements that assists in interpretation.
3. **Heavy Mineral Surveys**: Sieving of large amounts of high-energy sediment to obtain a coarse fraction that is sieved in the laboratory and separated by density and magnetic properties into various combinations of size, density and magnetic fractions. Determination of gold is by ICP-MS and/or INAA on each of the heavy, nonmagnetic fractions.

Geochemical Survey Results

The orientation survey indicated the suitability of sampling stream sediments that have been deposited during freshet stages of stream flows. Samples taken in this high-energy environment defined promising geochemical patterns on the Tag West and Tag East claim groups. Gold in Sieved Silt and gold in BLEG samples confirm each other's reliably. Almost all gold results in BLEGs greater than 1.6 ppb are confirmed with gold in Sieved Silts greater than 16 ppb. The approximated ratio of concentration ranges from 1:5 to 1:10 BLEG vs. Sieved Silts. Each gold geochemical pattern is confirmed with a moderate correlation with silver, antimony, arsenic and mercury results in the Sieved Silt sampling. A nugget effect appears to occur in the Sieved Silt gold results, which display a wider range of values than

the BLEGs and somewhat weaker correlation with other elements. Anomalies in each have downstream dispersion trains of 200 to 600 meters.

Heavy Mineral samples proved suitable for detecting areas of anomalous gold at greater distances than the BLEG and Sieved Silt samples. In the rugged terrain of the Tag East claim group, Heavy Mineral samples were successful in characterizing areas that lacked sufficient density of helicopter landing sites or sample sites for a reliable BLEG / Sieved Silt survey. Although insufficient samples were obtained to be certain, Heavy Mineral dispersion trains for gold on the claim groups are at least 2 to 3 kilometers.

Geochemical Anomalies

Two large geochemically anomalous areas were identified and follow-up geochemical surveys are recommended.

Eskay South parcel: The main anomaly is located on the central part of the Tag West claim group, incorporated in the Eskay South parcel. The anomaly appears sourced by alteration and mineralization in Salmon River Formation rocks (mafic and felsic volcanic rocks) and footwall felsic intrusions within Betty Creek and Jack Formations. The broad anomaly is on the Aftom 20 and Noot 2 claims and the abutting SIB claims. In areas underlain by Salmon River Formation bedrock, it is a gold-silver-zinc anomaly and passes into a distinctive gold-mercury (antimony-arsenic-silver-copper-tellurium) anomaly in the lower strata of Betty Creek and Jack Formation. The changes likely reflect broad distributions of disseminated mineralization within alteration and stockworks that feed the Lulu and other stratabound horizons of Salmon River Formation on the Noot 2 and SIB claims.

Eskay East parcel: The other prominent geochemical anomaly is located on the Tag East claim group. Gold in Heavy Mineral, BLEG and Sieved Silt samples defines a broad anomaly within mostly felsic rocks of the important Salmon River Formation. Taken together, the results indicate that a source area lies in a northeast trending belt trending parallel to Storie Creek. Small drainages have gold in BLEG, Sieved Silt and Heavy Mineral samples. The larger Storie Creek responds in the Heavy Mineral sampling. The gold geochemistry indicates that the source is in the rocks at or stratigraphically below, the Salmon River formation – John Peaks basalts and Bruce Glacier Member felsic volcanic rocks, centered on the Lance 3, Bell 5, Aftom 7, Aftom 19 and Unuk claims.

There are five Heavy Mineral samples in this area, all anomalous in gold. Samples along Storie Creek are gold and gold-silver-lead-mercury anomalies. A sample draining Aftom 19 and Polo 13 claims, is a gold-silver-antimony-arsenic anomaly. The samples on the Lance 3 claim give an upstream gold-lead-arsenic-antimony-mercury anomaly and a downstream gold-silver-copper-lead-zinc-cadmium-arsenic-antimony-mercury anomaly. The source on the Lance claim anomaly appears to be rocks in the AP zone and its hanging wall.

On Aftom 18, Eskay Creek was sampled at two localities and a two-sample silver-zinc-antimony-arsenic anomaly was located. The upstream cut-off sample is anomalous, indicating that the anomaly source lies upstream of the claim group. Eskay Creek drains a linear zone of Betty Creek and Salmon River formation rocks that contain the important East Break fault that contains syn-faulting mineralization..

Follow-up geochemical surveys were recommended for the entire area of the Tag West and Tag East claim groups, at a density greater than 5 samples per square kilometer for BLEG and Sieved Silt samples and a density of one Heavy Mineral sample for each 5 to 10 square kilometer of drainage.

INTERPRETATION AND CONCLUSIONS

Geological Setting

Advances in the understanding of the geological setting of the Eskay Creek mine and the hosting Hazelton group rocks have been achieved after the major period of exploration activity on the Heritage and Glenfred properties. Interpretation of the past property assessment work and the regional geological mapping by the MDRU, BC Geological Survey and the Geological Survey of Canada lead to the following conclusions on the geological setting of the Eskay Creek and other deposits:

- 1) Betty Creek formation is a calc-alkaline volcanic-sedimentary island arc assemblage.
- 2) Texas Creek plutonism (195 –180 Ma) is contemporaneous Betty Creek formation and spawned intrusion-related and epithermal precious and base metal porphyry, stockwork, vein and replacement style deposits.
- 3) Principal deposit types related to this Early Jurassic pulse of plutonism are the Intrusion-related Au (Cu) and large porphyry Cu-Au deposits that are related to several styles of epithermal Au-Ag deposits at their periphery.
- 4) Salmon River formation marks a change in volcanism to a bi-modal extrusive suite, with volcanic signatures ranging from arc to oceanic / back-arc settings. At Eskay Creek, the suite contains rhyolite; sub-aqueous basalt flows and intercalated sediments. Salmon River formation marks a transition from arc volcanism to a rift and/or back-arc tectonic setting.
- 5) Sub-volcanic felsic intrusions (180-170 Ma) are contemporaneous with Salmon River formation and occupy syn-mineralization faults. Those same faults are mineralized and could represent hydrothermal feeders for syngenetic mineralization and later stratabound replacement mineralization. The same structures are a locus for strong hydrothermal brecciation that is possibly caused by the channeling of overpressured magmatic fluids.
- 6) Contrasting styles of alteration and mineralization in the Eskay Creek and SIB deposits indicate that early syngenetic mineralization has been overprinted by a stage of mineralization that was high in gold and characterized by hydrothermal brecciation and replacement.
- 7) Salmon River formation sequences are favourable for Eskay Creek style of mineralization, high sulfidation and alkalic hydrothermal mineralization and high sulfidation VMS mineralization.

In searching the Salmon River stratigraphy for additional Eskay Creek-type deposits, the conclusion reached herein is that the following features be systematically targeted across all the prospective terrain on the Heritage, Glenfred and Glenfred-Unuk Blocks:

- 1) Volcanic stratigraphy containing bi-modal sub-aqueous volcanism, felsic domes and cyptodomes within Salmon River sedimentary rocks.
- 2) Syn-volcanic /syn-mineralization faulting,

- 3) Extensive stockwork, vein, hydrothermal breccias or other discordant mineralization,
- 4) High level felsic intrusions and
- 5) A gold-silver-antimony-mercury-arsenic (copper-lead-zinc) geochemical signature in soils, stream sediments and rock for Eskay Creek style mineralization.

Exploration Techniques

Geochemical Stream Sediment Surveys

Geochemical stream sediment surveys have the highest likelihood of localizing targets all the major deposit types sought on the Eskay properties. Stream geochemistry can detect the following pathfinders to the deposit types sought:

- 1) Dispersion trains sourced in the targeted mineral deposits, and
- 2) Dispersion trains sourced in broad alteration/mineralization in the footwall or peripheral to deposits, and
- 3) Dispersion trains sourced in stockworks and veins systems that are part of larger hydrothermal systems.

In choosing preferred geochemical survey strategy, the cost and the relative level of collection effort between BLEG, Sieved Silt and Heavy Mineral geochemical surveys are important factors. Based on the results of the 2001 orientation survey, a combination of BLEG sampling and Sieved Silt sampling appears to reflect local geology at downstream distances of 200 to 600 meters in the drainages for gold. When compared to Heavy Mineral surveys, the Sieved Silt and BLEG surveys do not detect gold nearly as far downstream.

Long dispersion trains for zinc, mercury, antimony, arsenic are present in the Sieved Silt sampling, as indicated by the results on the Eskay South and Eskay East parcels; and the responses on Eskay Creek.

Further conclusions can be drawn after data from additional surveys are available. Of prime interest is the reliability of the gold results from the Sieved Silt surveys in comparison to BLEG surveys. Until additional data is available, the authors of the 2001 orientation survey provisionally recommend the following configuration for future sampling:

1. BLEG samples should be taken at every sample site as a first priority. Samples of -20 mesh material should be increased to 5 kg where feasible.
2. Sieved Silt samples should weigh 500 g and be twinned with BLEG samples in order to yield the multi-element signature. 500-gram samples should ensure that at least 30 g of -80 mesh material is available for each ICP-MS analysis.

3. Heavy mineral sampling should be employed to serve as a back-up to detect significant anomalies that could not be intersected by BLEG or Sieved Silt sampling due to lack of suitable sample sites.
4. The high-energy sample sites continue to be employed. With fly-camps and more time at each location, samplers should be able to increase sieving time and increase the density of sampling.

Sample densities for the combined BLEG / Sieved Silt surveys should be 10 to 15 per square kilometer in order to provide better definition for follow-up. Heavy Mineral samples should be collected at a density of one per 10 square kilometers.

Geophysical Surveys

Review of the geophysical data from the Assessment Report records, indicates that on a property scale, magnetic, induced polarization and VLF surveys are effective in mapping geology and in some cases, detecting massive sulfide mineralization. However, Eskay Creek deposits are difficult to detect at depth.

The primary objective of geophysical surveys for deep drilling target might better be set as modeling geological contacts, especially the magnetic properties of the Salmon River basalts.

Exploration at depth beneath Bowser Lake group sediments should be feasible using magnetic modeling, in areas where Salmon River basalts are present.

Exploration Potential: Heritage Properties

S.I.B. – Polo Claims

Historically, the primary zone of interest on the property is the Lulu Zone, a block of mineralized Salmon River formation mudstone that has been extensively drill tested. Mapping by MDRU geologists places the Lulu (and Marguerite) zones at a lower stratigraphic level in Salmon River formation than the Eskay 21 zone deposits, implying significant potential up-section from the known zones on the SIB property. Work to date indicates broad zones of alteration and mineralization and high level felsic intrusions occur in the Betty Creek rocks of the SIB claims. Locally, a siltstone unit within Betty Creek is a locus for intrusion of felsic rocks, pyrite mineralization and sericite alteration. A hydrothermal system of that breadth suggests that the mineralization of the SIB claims could be fault and fracture controlled mineralization related to Salmon River age equivalent intrusions, hydrothermal breccias, replacements and stratabound/stratiform mineralization, both cropping out and at depth. Since the favorable geology is cut off at depth and to the south, a program of deep drilling would be required to test higher levels of the stratigraphy, located below the Coulter Creek thrust.

After the last drilling program ended in 1991, the summary report by Oliver (1992) recommended no significant further exploration work, due to the existing close drill spacing and disappointing continuity/grades encountered. Conclusions made Oliver and others were also influenced by the cut-off of the Lulu and Marguerite zones down dip and along strike by the Coulter Creek thrust fault. No further work on the SIB or the neighboring Polo claims has been done since that time. However, this

conclusion has not taken into account the potential for significant mineralization at higher stratigraphic levels in the Lulu and Marguerite zones and alternate interpretations of the genesis of the mineralization on the property.

The proximity to Eskay Creek, the stratigraphic and structural setting, and the widespread presence of alteration and mineralization all underscore the high mineral potential of the SIB claims. Thorough compilation and evaluation of previous exploration data are required to determine if this potential has been adequately tested in all parts of the claim, or if further drilling is desirable.

Taken alone, the SIB ground has insufficient ground to warrant such a comprehensive re-evaluation of the geology or a deep drilling program due to the uncertainty of estimates of the location of Salmon River formation on the footwall of the thrust. However, in conjunction with programs on the abutting Glenfred owned claims, a comprehensive re-evaluation and deeper drilling is much more practical.

John 1 & 2

The TV zone is within a thrust-bounded panel of prospective Salmon River formation volcanics and sediments. It lies in the hanging wall of the Coulter Creek thrust. Although several small thrust faults are mapped east of the zone, the TV zone can be considered as part of the eastern limb of the Unuk River Syncline. Locally, Bowser Lake group sediments lying east of the TV zone are mapped continuously to the core of the Unuk River syncline. The bedrock geology is correlative with the Coul 3 - 4 (owned by Glenfred) and Polo 7 (owned by Heritage). The significant thickness of Salmon River formation basalts and felsic volcanics is correlative with the geology of the Storie Creek section.

Taken together with the mineralized zones on the Polo 7, Coul (Jeff), to the north, and the Corey property, to the south, the TV is part of a belt of Au-Ag- base metal VMS showings and associated footwall quartz-chlorite-sericite-sulfide stockwork zones with low sulfidation style mineralization and alteration.

Exploration Potential: Glenfred Properties

On the Glenfred Block, the exploration potential is for a general Eskay Creek type deposit. In addition, Glenfred ground has the potential for containing the faulted, up-section portion of the very favourable SIB geology. Geology on the Fred 15 is similar to Eskay Creek and spawned geochemical stream sediment anomalies in 2001 orientation survey.

Due to the uncertainty of the throw on the Coulter Creek thrust and the geological trends at depth, it is advantageous to combine the land holdings of Heritage and Glenfred. In that way, success on one block can lead to follow up on adjacent land. This is particularly important if deep drilling is to be undertaken at a later date.

Eskay West

The pillowed flows and felsic volcanics on the west half of Aftom 10 and the Bonsai property are correlative with Salmon River formation and have indications of minor anomalous alteration and mineralization. Assessment reports do not indicate that these areas have been thoroughly sampled.

Drilling on the Bonsai property has indicated mineralization and style of volcanism indicative of intrusion of both rhyolite and basalts into accumulations of unconsolidated wet sediments of the Salmon River formation.

Mineralization encountered to date is weak, but the setting of the strata is within structurally controlled basins that are similar to the style at the Eskay Creek deposit.

The Salmon River strata on the eastern portions of the Mack, east half of the Aftom 10 and Aftom 11 claim are deeply covered by non-prospective Bowser Lake Group rocks. However, this ground is close to the Eskay Creek mine and remains prospective, pending refinement of the exploration models and the capability to target for deep drilling.

Eskay South

The Eskay South parcel, together with the Heritage properties, spans an east-west area containing all of the major fault and fold structures in the Eskay Creek area. The claims lie over the important regional-scale Harrymel – South Unuk fault zone. In sequence eastward are the Mackay syncline, the Coulter Creek thrust, the Eskay anticline, syn-mineralization faults (East Break parallel faults) and the Unuk River syncline. Favourable strata crop out east of the trace of the Mackay syncline and lie in the hanging wall of the Coulter Creek thrust (the Lulu and Marguerite zones of the S.I.B. property). This entire area is prospective for Eskay Creek style mineralization at depth below the Mackay syncline and the Coulter Creek thrust.

West of the P-Mac and Fred 15 claims, undifferentiated Hazelton Group volcanics and sediments, including recognized sections of Salmon River and Betty Creek formations, located on the east side of Harrymel Creek, are in fault contact with the Upper Triassic Stuhini Group sediments, Betty Creek and Salmon River formations to the west. The contact between the Triassic and Lower Jurassic rocks is marked by an extensive north-northwest trending brittle – ductile shear zone, known as the South Unuk – Harrymel fault zone, which contains biotite-chlorite-epidote schist.

The Fred 15, P-Mac 1-10, and Noot 3 claims contain both favourable mine sequence strata and several zones of alteration and mineralization. The structure and stratigraphic distribution of the area is probably not known in enough detail to determine whether all areas with greatest exploration potential have been adequately tested.

The Noot 1, 4, and western Noot 2 claims all lack shallow exploration potential due to the high stratigraphic level of rocks exposed on surface. In the context of deep drilling, these claims lie astride the trend of between the geology of Fred 15 and the SIB which are the two localities in the region with closest similarities to the Eskay Creek mine. The large hydrothermal system under on the SIB claims might have spawned an Eskay Creek type deposit, that is now possibly located in the footwall of the Coulter Creek thrust fault. That stratigraphy possibly lies at depth below the Noot claims, in the MacKay syncline.

A hydrothermal system of that breadth suggests that the mineralization of the SIB claims could be fault and fracture controlled mineralization related to Salmon River age equivalent intrusions, hydrothermal breccias, replacements and stratabound/stratiform mineralization, both cropping out and at depth. Since the favorable geology is cut off at depth and to the south, a program of deep drilling would be required to test higher levels of the stratigraphy, located below the Coulter Creek thrust.

The Aftom 20 / Noot 2 claims and the Fred 15-Noot claims have sufficient ground to warrant such a deep drilling program. The practicality of exploring this ground is greatly enhanced in combination with the Heritage SIB-Polo properties. An ambitious exploration program is warranted.

Eskay East

The Aftom 7, 16, and 19 and Unuk claims contain strata correlative to those associated with mineralization at Eskay Creek. Several factors are favorable to the exploration potential of these claims:

- 1) Rocks within the mine sequence on the claims are both lithologically diverse and laterally discontinuous, consistent with a depositional setting proximal to volcanic centers and/or controlled by syn-volcanic structures,
- 2) Mineralization occurs within these same units to the south on the Coul 3, John and Corey claims, and
- 3) Favourable, altered strata are exposed on steep densely wooded slopes, and have not been examined or sampled in anywhere near the level of detail of more accessible outcrops in adjacent areas.
- 4) Historical and current geochemical stream and soil surveys show distinct anomalies in Au-Ag-Cu-As-Sb-Hg indicative of Eskay type mineralization proximal to the rhyolite members of Salmon River formation.

Regionally, the trend of bi-modal volcanism in Salmon River formation has a general NNW trend.

Additional occurrence mapping, volcanic facies mapping and geochemical sampling of the mine sequence strata is recommended. Since this ground is very difficult to traverse and sample in detail, stream sampling at the high-energy sites is indicated.

Treaty Creek

Four main alteration zones are exposed on the Treaty Creek property. These include: the Treaty Nunatak, West Nunatak, Orpiment Zone and GR-2 zone. Alteration is dominated by chlorite, sericite, kaolinite, pyrophyllite and silicification with abundant quartz and pyrite and lesser calcite and alunite.

Although spatially separate, the four main areas of alteration on the Treaty Creek property are considered to be different expressions of hydrothermal activity within an epithermal environment:

1. Kaolinite, pyrophyllite, silicification, alunite and native sulphur within the Orpiment zone and Main Gossan are characteristic of high-sulphidation environment.
2. Quartz-carbonate-barite veins hosting base metal mineralization within zones of sericite+quartz+pyrite and Fe-carbonate+sericite+pyrite alteration, within the GR-2 and Ridge zones, are characteristic of low-sulphidation environments.

3. The Eureka zone and Goat Trail zone are likely transitional between these two environments. Factors contributing to gold mineralization include: sulphide mineralogy, veining and alteration. Gold is associated with pyrite mineralization and to a lesser extent tetrahedrite, chalcopyrite, galena and sphalerite.

Auriferous styles of alteration include: sericite+quartz+pyrite, silicification, kaolinite+quartz+pyrite and skarn like alteration comprising chlorite+epidote+calcite+magnetite. Locally hematization appears to be an important factor in gold mineralization. Types of auriferous veining include pyrite, quartz- pyrite and quartz-carbonate-barite.

Taken together these alteration-mineralization assemblages are presently sub-economic. However, the entire system is only partly explored and represents a dominantly high-sulfidation mineralization environment. In the context of the recognition in the last decade of gold-rich high sulfidation VMS deposits elsewhere in the world, the Treaty Creek property is prospective for gold-rich VMS deposits in Salmon River formation rocks on the property.

RECOMMENDATIONS

The Heritage properties comprise approximately 3, 635 hectares (8,724 acres). The Glenfred properties comprise 39, 600 hectares (97,852 acres). A multi-year program of exploration and drilling is recommended on the Heritage and Glenfred properties. Assembly of the Heritage and Glenfred properties represents the historically largest land assembly in the Eskay Creek region. Numerous operators each have explored this area holding small land positions for relatively short periods of time. In aggregate, these operators have spent well in excess of \$14,000,000 in recorded Assessment Work in the last 15 years. That recorded expenditure represents only a fraction of the actual exploration effort on the properties because mining companies rarely file all categories of cost or the entire total of work when applying to extend the life of the mineral tenures they control.

With the exception of the S.I.B. property, these programs have been limited in scope and thoroughness. S.I.B. drilling has ruled out a major deposit on the near surface of the claims. Elsewhere, the majority of discovered mineral occurrences on the Glenfred properties are consistent with volcanogenic massive sulfide-related mineralization and related high- and low-sulfidation epithermal systems. They are only superficially explored.

A review of the 100's of exploration reports available for the Glenfred and Heritage properties indicates a fundamental requirement to collate and re-interpret all of the data on record for these properties. In the last 15 years, the combined Glenfred and Heritage properties have seen the following:

1. Diamond drilling: 239 holes totaling 33, 3007 metres (105 holes on the S.I.B.).
2. Soil Sampling: 22,800 samples.
3. Silt Sampling: 2,215 samples.
4. Airborne Magnetic Surveys (EM Surveys): 3, 970 km (2, 870 km).

In light of the advances in understanding of the regional geology and deposit models, a comprehensive program of data tabulation, re-interpretation and synthesis is strongly recommended. For the diamond

drill core, about 60% of the core is readily accessible and available for re-logging and sampling. All the assays of drill core and geochemical samples have results correctly tabulated in reports and map locations that are known to reasonable accuracy. The airborne surveys are not generally available in digital form without the cooperation of the sponsoring companies and as a result, data from those surveys is available only in paper facsimiles.

The historical data is a high potential resource for the interpretation of the geology and exploration potential of the Heritage and Glenfred properties. In combination with the new stratigraphic and structural information now available, and initial target selection process can be undertaken on the results of the synthesis.

Concurrently, a program of field data verification, geochemical surveys, geological mapping and airborne geophysical surveys are recommended. The recommended focus for the next phases of exploration is as follows, to be conducted concurrently between Phase One and Phase Two, as data for targeting becomes available.

Phase One: Years 2002 and 2003. First Pass.

Data tabulation, interpretation and synthesis:	\$250,000	
Geophysical Data Purchase and modeling	50,000	
Field geological mapping, and core examination, 6 geologists and technicians for 4 months.	350,000	
Geological samples and litho-geochemistry	60,000	
Stream Sediment Surveys, 2000 sample sites, at \$375 per sample site all in cost, including personnel, analytical and helicopter.	750,000	
Airborne Geophysical Mag-EM Surveys, 200 m. line spacing, 350 sq km at \$150/line km.	262,500	
Helicopter support, for geologists and camps, 3 months with 100 hrs total at \$950 per hour.	95,000	
Logistics, camp construction, accommodation, transportation, communication and other support.	200,000	
Data Synthesis and Reporting, including 5% fee for services of St. Andrew geoinformatics technology platform.	200,000	
Total Phase One Program:	\$2,217,500	\$2,217,500

Phase Two: Years 2002 and 2003. Success Contingent Grid Work and Diamond Drilling.

Ground geophysical surveys and grid work. 200 km at \$800/km	160,000	
Helicopter support, with 100 hrs total at \$950 per hour.	95,000	
Diamond Drilling: all in cost, \$180/m, including helicopter, 3,000 metres, shallow targets	540,000	
Diamond Drilling: all in cost, \$200/m, including helicopter, 3,000 metres, deep targets	600,000	
Logistics, camp construction, accommodation, transportation, communication and other support.	200,000	
Data Synthesis and Reporting, including 5% fee for services of St. Andrew data team.	160,000	
Total Phase Two Program:	<u>1,755,000</u>	1,755,000

Total Recommended Two Year Program, including success contingent work:

Total Phase One and Two: \$3,972,500



