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GEOLOGICAL REPORT

on the

JEWEL LAKE MINING PROPERTY

of

SILVER CLOUD MINES LTD. and
HIGHLAND VALLEY RESOURCES LTD.
GREENWOOD MINING DIVISION
BRITISH COLUMBIA
82E/2E

by

EDWARD O. CHISHOLM, P.ENG.

Vancouver, B.C.

April 25, 1983

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SUMMARY

The Jewel Lake property of Silver Cloud Mines Ltd. and Highland Valley Resources Ltd. consists of six adjoining Crown grants located in the Phoenix - Greenwood Mining Camp of British Columbia. It adjoins to the west a former producing gold-silver mine known as the Dentonia mine which is currently being developed underground by other interests. Geological conditions on the claim appear favourable for the occurrence of similar gold-bearing veins, and an exploration and preliminary program of bulldozer trenching followed by diamond drilling, if warranted, is estimated at \$607,000.

INTRODUCTION

The writer made an examination of part of the property on June 9, 1973 and an extensive examination on surface and underground of the adjoining Dentonia Resources Ltd. property. The data for this report was obtained from these sources and other government and private reports listed in the appendices.

The report was requested by Mr. L. Bourgh on behalf of Highland Valley Resources Ltd. of 809 - 837 West Hastings Street, Vancouver, B. C.

Highland Valley Resources Ltd. furnished the writer with the attached claim map and represented that the claims shown on the map are owned by the company. Evaluation of any legal aspects of the claims is beyond the scope of this report.

LOCATION & ACCESS

The claims are situated at the southwest end of Jewel Lake about 7 miles northeast of the town of Greenwood, B.C. They are reached by a gravel motor road from Greenwood. They lie about 500 feet above Jewel Lake which is at an elevation of 3600 feet A.S.L. Logging roads crossing the area provide good access by car. The area is covered with second growth poplar, birch and pine. Water for all purposes is nearby.

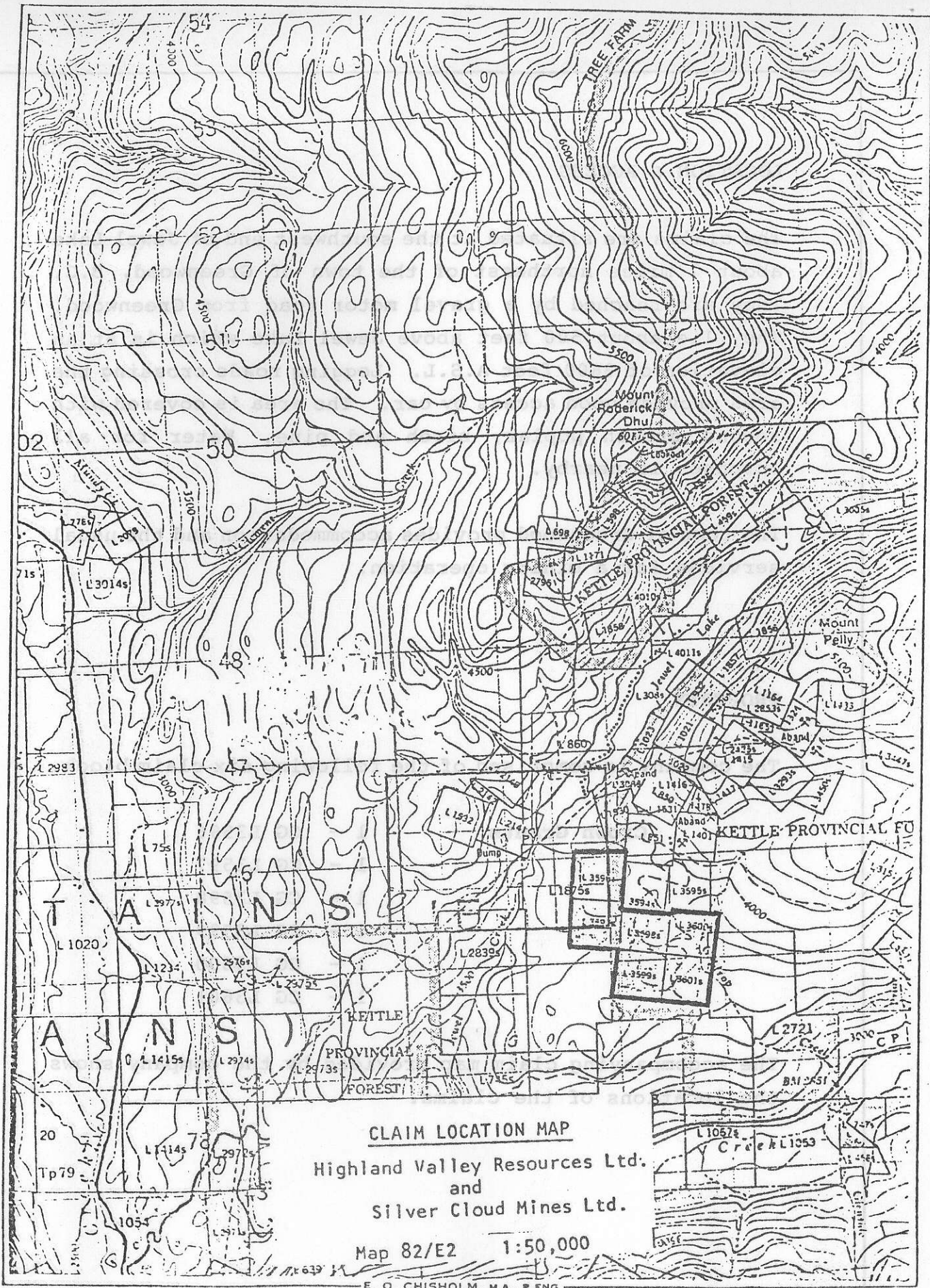
The town of Greenwood provides accommodation and the usual services for a mining operation.

PROPERTY

The company is comprised of the following six claim block.

Crown Grants	1 - CG L3596
	1 - CG L3597
	1 - CG L3598
	1 - CG L3599
	1 - CG L3600
	1 - CG L3601

The accompanying claim map provided by the company shows the locations of the claims.



CLAIM LOCATION MAP
 Highland Valley Resources Ltd.
 and
 Silver Cloud Mines Ltd.

Map 82/E2 1:50,000

E. O. CHISHOLM, M.A., P. ENG.
 CONSULTING GEOLOGIST

HISTORY

Since the discovery of gold in the area in 1895, the area has seen three periods of production: In 1898 Jewel Gold Mines of London shipped 2000 tons of ore to Granby Smelter at Grand Forks. From 1912 to 1915, the Jewel-Denora Mines Company of Edinburgh milled 27.105 tons of ore. Between 1915 and 1931, a few hundred tons was shipped by leasors. From 1934 to 1946, Dentonia Mines Ltd., the adjoining property to the east of the Highland Valley Resources claim block, produced 66.531 tons of ore which averaged 0.31 ounces of gold and two ounces of silver per ton. Since 1946 leasors have shipped few thousand tons of ore from the Enterprise section of Dentonia Mines.

Total production from the camp was 128,383 tons of ore from which 37,992 ounces of gold and 219,429 ounces of silver were recovered. This tonnage represents all previous ore milled or direct shipped to smelter from the properties in the camp during this period. The average recovered grade was approximately 0.3 ounces per ton gold and 2 ounces per ton silver. As far as known by the writer, no shipments were made from the what is now the Highland Valley Resources Ltd. property although most of the above ore shipments originated within a mile of this property.

GEOLOGY

The geology of the producing area is relatively simple and consists of a body of Nelson granodiorite which intrudes highly metamorphised sediments and volcanic rocks which have been altered to dark green hornblende schist, quartzite chert and chlorite schist. These rocks have been intruded by pulaskite porphyry and other acid and basic dykes.

The principal economic structure in the camp is the Jewel vein which crosses the adjoining property in a northeast-southwesterly direction and has been traced there for several thousand feet. It fills fault and breccia zones near and along the contact between the older schistose rocks and the granodiorite. It varies from 2 to 16 feet in width, pinches, swells and dips for 30 to 60 degrees to the east. Its locus is a persistent transcurrent fault structure at least a half a mile in length.

The quartz in the vein is well fractured and mostly white, and contains sparse pyrite, chalcopyrite, galena sphalerite, native gold, tellurides and tetrahedrite. Chlorite and sericite occupy the sulphides as gangue minerals in the quartz. Mining has been confined solely to quartz veins.

Ore shoots occur at intervals of approximately 500 feet along the Jewel vein which is normally referred to as the Dentonia Vein. Floatation tests on the Dentonia vein reported recoveries of 95% of the precious metals.

CONCLUSIONS & RECOMMENDATIONS

The Highland Valley Resources Ltd. property appears to straddle the strike of regional gold-bearing structure known as the Dentonia Vein that is currently being developed underground on the adjoining property to the east. Old test pits and dumps were observed on the Highland Valley Mines property on a previous examination by the writer. No serious attempts were made as far as I know to trace the Dentonia Vein or possible parallel structures on the property.

It is recommended that detailed mapping, bulldozer trenching, and follow up diamond drilling, if warranted, should be carried out on the Highland Valley Resources property at an estimated cost of \$157,000 follows.

Phase I

Line cutting - 5 miles @ \$400/mile	\$ 2,000
Geological mapping:	
- 1 Geologist, 1 month	5,000
- 2 Asst. Samplers, 2 man months	3,000
- Assay 300 samples @ \$10	3,000
- Room & Board, 90 man days @ \$33	3,000
- Vehicle Rental & Fuel	1,000
Bulldozer tenching	
- 400 hours @ \$75/hour	30,000
Contingencies	5,000
Sub Total - Phase I	\$ 52,000

Phase II

(If warranted by Phase I)

Diamond drilling:	
- 3000 feet @ \$30	\$ 90,000
- 1 Geologist, 1 month	5,000
- Room & Board @ \$33	1,000
- Assay	2,000
- Vehicle Rental & Fuel	1,000
Bulldozer - Site Preparation:	
- 25 hours @ \$75/Hour	2,000
Contingencies	4,000
Subtotal - Phase II	\$105,000

Total - Phases I & II **\$157,000**

Phase III

Underground exploratory decline shaft	
- 1000 feet @ \$450/foot	450,000
TOTAL - PHASES I, II & III	\$607,000

Vancouver, B.C.


E. O. Chisholm, P.Eng.

REFERENCES

Chisholm, E.O., P.Eng., Geological and Progress Reports on Dentonia property, dated June 12, 1973, July 25, 1973, and May 5, 1975

Arland, A.J., P.Eng., March 1948 - Report on Dentonia Mines, Greenwood, B.C.

Stewart, G.M., December 16, 1975, Exploration Manager, Colt Resources Ltd. [NPL] - Summary Report on the Dentonia Mine

Mackey, J. Michael Prechel, Colt Resources Ltd. [NPL] Interim Report, March 1, 1975

Colt Resources Ltd. [NPL] Various progress and engineering data, etc., on Company files from 1973 to 1976

H.H. Shear, P.Eng., October 1979, - Personal communications regarding Dentonia Mine property and Summary Report dated March 2, 1976

C.E. Cairnes, G.S.C. Mineral Deposits of the West Half of Kettle River, Preliminary Report 1947

R.A. McArthur, Vancouver, B.C., - Personal communications.

CERTIFICATE

I, Edward O. Chisholm of the City of Vancouver in the Province of British Columbia, hereby certify that:

1. I am a geologist with offices at 844 West Hastings Street, Vancouver B. C.
2. I am a graduate of the University of Toronto, Ontario, Master of Arts, 1939.
3. I am a member of the Professional Engineers of Ontario and British Columbia.
4. I have no direct or indirect interest in either the property or securities of **Silver Cloud Mines Ltd.**, **Highland Valley Resources Ltd.** or their affiliates, nor do I expect to receive any such interest.
5. This report is based on examination of the property in May 1975; on Company reports and records, and on government reports published on the area.
6. I hereby consent to the use of this report by the Companies in connection with a prospectus or a statement of material facts relating to the raising of funds for this project.

DATED at Vancouver, in the Province of British Columbia, this 25th day of April, 1983.



EDWARD O. CHISHOLM, P.Eng.