

REPORT

UPDATING EVALUATION AND WORK REQUIRED
ON JEWEL LAKE PROPERTY

DENTONIA RESOURCES LTD.
930 - 625 Howe Street
Vancouver, B.C. V6C 2T6

GREENWOOD MINING DIVISION

NTS NO. 82E/2E

By

E.O. CHISHOLM, P. ENG.

October 15, 1980

Vancouver, B.C.

*report taken from VSE,
DENTONIA RESOURCES LTD.*

NOTES TO INTERIM FINANCIAL STATEMENTS

(Unaudited)

JANUARY 31, 1981

6. a) During the year the company issued 400,000 shares for cash as follows:
- 1) 300,000 shares were allocated to the public under a prospectus for cash consideration of \$112,500 after commissions of \$37,500.
 - 2) 100,000 shares were allocated under a private placement at \$1 per share, netting \$100,000 to the treasury. \$50,000 of these proceeds were used for an Exploration and Development Fund.
- b) Outstanding shares include 670,000 escrowed shares held by directors of the company. There were originally 750,000 shares issued, but this number was reduced by the Superintendent of Brokers to 670,000.

7. Transactions with related parties

During the eleven months ended January 31, 1980 the company was involved in the following transactions with companies owned by the principals of Dentonia Resources Ltd.:

- a) Transcolt Resources Corporation
The company purchased mining equipment from Transcolt Resources Corporation for \$7,200. As at January 31, 1981, the company owes Transcolt Resources Corporation \$7,200.
- b) Kettle River Mines Ltd.
The company rented equipment to Kettle River Mines Ltd. for \$500.
- c) Curlew Holdings Ltd.
The company rented a truck from Curlew Holdings Ltd. for \$2,554. As at January 31, 1981 the company owes Curlew Holdings Ltd. \$2,904 in rent and other expenses to be reimbursed.

The above transactions took place at competitive prices.

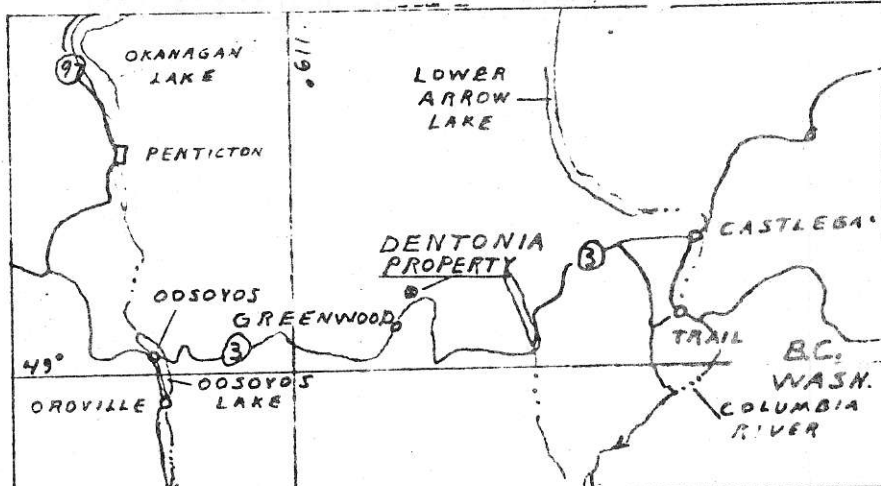
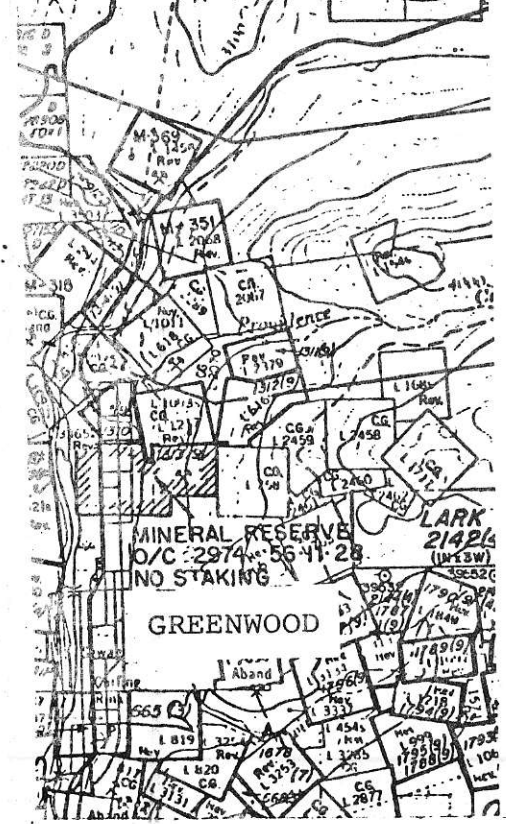
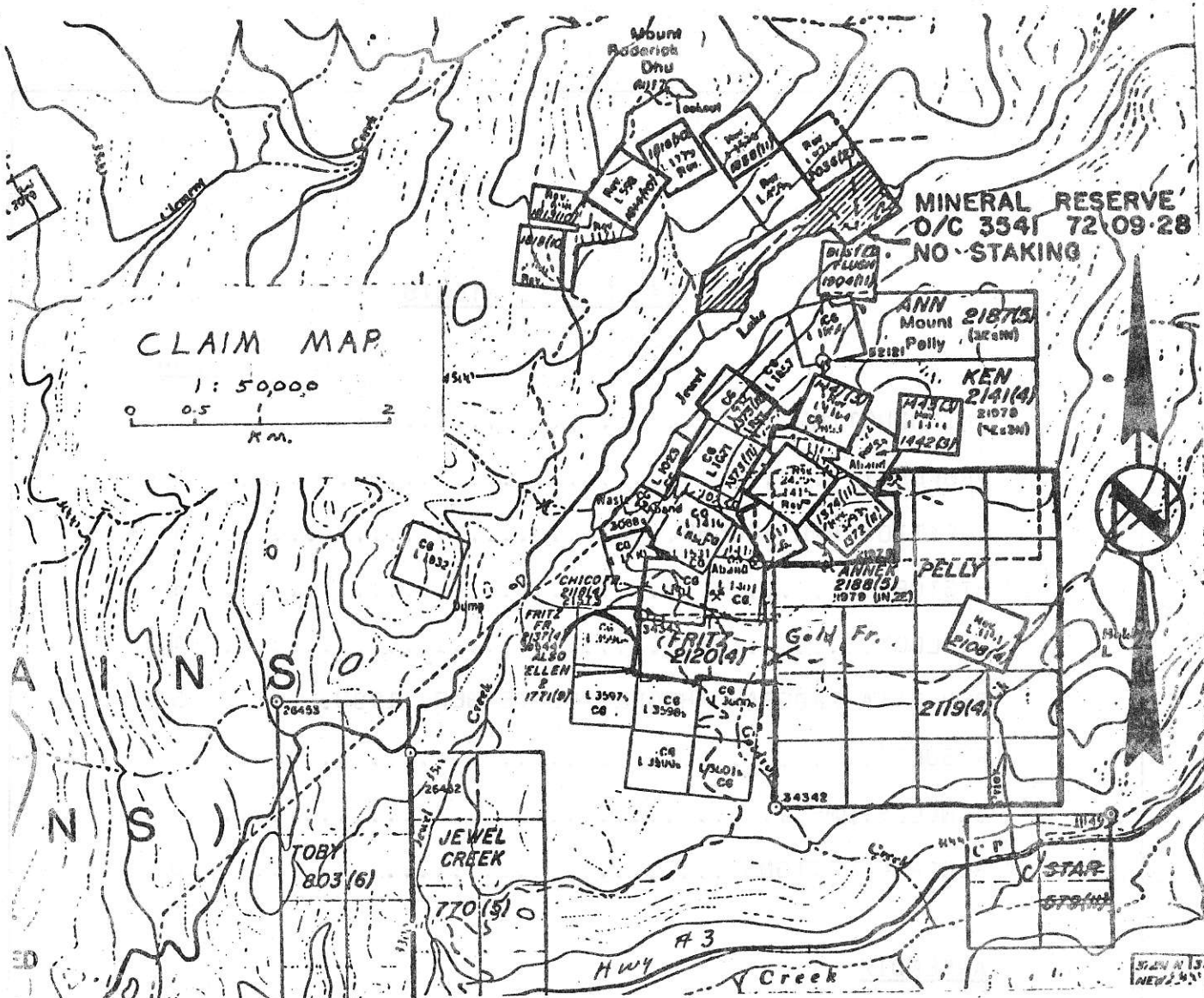
No reimbursement has been given to the principals for their involvement in the company's operations.

8. Additional information

The company has the opportunity to obtain a 25% working interest in a Three-Well Exploratory Drilling Venture in Jim Wells County, Texas. Payments required to obtain this interest are as follows:

| | | |
|--|------------------|------|
| On or before April 1, 1981 | \$ 50,000 | U.S. |
| On or before the first well is commenced | <u>200,000</u> | U.S. |
| | <u>\$250,000</u> | |

Though no contractual obligation exists, it is management's intention to meet the initial \$50,000 payment due by April 1, 1980.



LOCATION MAP
 1:1,900,000
 0 20 40 60 Km

FIGURE 1
 CLAIMS AND LOCATION MAPS
 DENTONIA RESOURCES LTD.
 September, 1980

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INTRODUCTION

DENTONIA RESOURCES LTD. holds, under an agreement to purchase, the JEWEL gold-silver property located seven miles northeast of Greenwood, B.C. The writer prepared a report, dated October 30, 1979 for the DENTONIA prospectus. DENTONIA has been working on the property from June 1, 1980 to the present.

The writer has made an examination of DENTONIA property on June 9th and 10th, 1973 and April, 1975, and reviewed all records and maps on hand in the company files. The data for this report were obtained from these sources.

During the course of the present work program, the DENERO GRANDE workings were dewatered and an underground drilling program was completed there. Costs of the program were higher than anticipated. The company then dewatered the JEWEL workings and retimbered the collar of the JEWEL shaft. DENTONIA has taken steps to complete a private issue of stock to cover the cost overruns and the cost of completing the surface drilling recommended in the writer's October 30, 1979 report.

This report, updating work recommendations on the property, was requested by H.H. SHEAR, President of DENTONIA RESOURCES LTD.

PROPERTY

DENTONIA RESOURCES LTD. has an agreement to purchase the crown granted mineral claims listed below. The mineral claims and fractions listed below the crown grants are owned by the company.

Six claims have been added to the Company's holdings since the writer's October, 1979 report was prepared.

| <u>Name</u> | <u>Lot No.</u> |
|-----------------------|----------------|
| Jewel | 850 |
| Denero Grande | 851 |
| Ethiopa | 932 |
| Anchor | 1021 |
| Enterprise | 1022 |
| Massachusetts | 1401 |
| Gem Fraction | 1416 |
| Imperial | 1418 |
| Perseverance Fraction | 30885 |

| <u>Name</u> | <u>Record No.</u> | <u>Expiry Date</u> |
|-----------------|-------------------|--------------------|
| Anchor Fraction | 1375 | November 8, 1985 |
| Bell Flower | 2108 | April 1, 1985 |
| Gold Fraction | 2406 | Sept. 22, 1985 |
| Chiko Fraction | 2118 | April 9, 1985 |
| Pelly | 2119 | April 9, 1985 |
| Fritz | 2120 | April 9, 1985 |
| Fritz Fraction | 2137 | April 28, 1985 |

The location of the claims is believed to be reliable. Any implications regarding their legal status is beyond the scope of this report.

LOCATION AND ACCESS

The property lies 300 miles east of Vancouver, B.C., and about seven miles northeast of Greenwood, B.C. It is situated on the east side of Jewel Lake Valley. The workings lie mainly on the Denoro Grande, Jewel, Enterprise and Anchor crown granted claims. A paved road services Jewel Lake from B.C. Highway 3. A good gravel road connects with the Jewel Lake road 1/2 mile south of the lake and leads one mile easterly to the property. Logging and mining roads cross the property area and give good access. The highest vein exposures are 500 feet above Jewel Lake which is at an elevation of 3,600 feet.

HISTORY

Since its discovery in 1895, the property has seen several periods of production. In 1898 Jewel Gold Mines of London shipped 2,000 tons of ore to the Granby Smelters 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 of ore was shipped by leasers. From 1934 to 1946, Dentonia Mines Ltd. produced 66,531 tons of ore which averaged about 0.31 ounces of gold and two ounces of silver per ton. Recovery was reported to be about 85.5%. Between 1938 and 1940 leasers shipped a few thousand tons of ore from the Enterprise section. In addition, a few hundred tons was shipped from the Lakeside and Ethiopia claims.

All of the above production, except where noted, came from the Anchor, Enterprise and Jewel claims along a strike length of 2,300 feet. The north end of the vein explored on the Ethiopia lies 1,500 feet north of the Anchor workings and is thought to be the same vein.

Colt Resources Ltd. worked on the Denero Grande claim from 1973 through 1975. After a diamond drilling program, they sank a 290 ft. shaft into the hanging wall of the vein, cut a shaft station at the 250 ft. level and crosscut 225 ft. in a northwesterly direction to the vein. Colt shipped 2,227 tons direct to the Trail, B.C. smelter. This tonnage averaged 0.3 oz/ton gold and 1.9 oz/ton silver. The ore shoots mined by Colt continue into unmined ground below the 250 ft. level. Colt's work extended the known Jewel vein 800 ft. to the south. The vein continues south from these workings and has not yet been delineated.

Total recorded production to date out of the Jewel vein from the Denero Grande to the Ethiopia claims is 130,610 tons from which 38,662 oz gold and 223,660 oz silver were recovered. The average recovered grade is approximately 0.3 oz/ton gold and 2 oz/ton silver. The vein has a known length of 4,600 feet.

GEOLOGY

The geology of the property is relatively simple and consists of a body of Nelson granodiorite which intrudes highly metamorphosed 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 is the Jewel vein crossing the claims group in a northerly direction for at least 4,600 feet. It fills fault and breccia zones near and along the contact between the older schistose rocks and the granodiorite. It varies from a few inches to 20 feet in width, pinches and swells and dips from 30 to 60° to the east. Its locus is a persistent transcurrent fault structure. The quartz is well fractured and milky white and contains sparse pyrite, chalcopyrite, galena, sphalerite, native gold, tellurides and tetrahedrite. Chlorite and sericite occur as gangue minerals in the quartz. Mining has been confined solely to quartz veins.

DENTONIA PROGRAM THROUGH SEPTEMBER, 1980

During the spring, DENTONIA added six mineral claims and fractions to their holdings by staking and by application for one reverted crown grant. This added approximately 24 units [600 hec.] to the size of the property. A line cutting program was begun on June 1, 1980 to cover most of the crown grants and approximately half of the newly staked claims. A total of 28.02 km of lines were cut of which 3.05 km were base lines and the balance, cross lines.

Geochemical [soil] and biogeochemical [mull] samples were collected for an orientation survey. It was found that mull samples analysed for Au, Ag, Pb and Zn gave the best and most indicative response. To date, 112 mull samples have been collected along two lines and results are not yet available.

The Denero Grande shaft and workings were dewatered. Equipment was purchased and rented to proceed with underground drilling. A 35 kw diesel generator was used to complete the dewatering. The hoist building and the compressor-generator shed were wired for electric power.

The completed underground drilling program consisted of eight holes totalling 1,295.5 feet. The first hole was abandoned. The holes were drilled from the 250 foot level shaft station on the Denero Grande claim. The seven completed holes tested an area approximately 150 ft. x 150 ft. of the vein from approximately 3,450 feet in elevation, level with the shaft, up to approximately 3,585 feet. The 250 foot level is at approximately 3,620 feet.

The company proceeded to dewater the Jewel workings. Using a large front end loader, the company opened a hole into the Jewel shaft and adjacent stope.

The Jewel workings were dewatered and the Jewel shaft was retimbered down to the second level. Below the second level most of the old timbers are still sound.

The Enterprise adit portal was cleaned out and a new door put in place.

Approximately 1,000 feet of drifting was surveyed by compass and chain on a sub level below the Rowe shaft, lying between the Enterprise and Jewel workings. These workings were not shown on old maps. Seven samples were taken by H.H. Shear on two veins explored by these workings.

A two-man crew is continuing work on the property. The dry room used from 1973 to 1975 and an old log cabin is being rehabilitated into living and office quarters. Work to the bottom of the Jewel shaft is also to be completed. This comprises installing ladders, replacing the odd set of timbers where needed below the second level.

Pumps have been installed in both workings and a crew is keeping them pumped out.

RESULTS

The Dentonia underground drilling resulted in vein intersections from 2 inches in UG-80-2 to 35 feet in UG-80-6. Hole UG-80-7, 75 feet down dip from 6, cut 31 feet of vein. These two wide intersections, located south of the 250 foot level crosscut, consist of several quartz veins interspersed with highly altered granodiorite, and represent true widths in excess of 20 feet. This is the widest known section on the Jewel vein and demonstrates a very strong structure. Assay values were

sub-marginal. The zone of wide barren quartz lies immediately adjacent to the Enterprise ore body.

Assay results on holes UG-80-3 to 5, which intersected the vein north of the shaft and crosscut, are listed below:

| <u>Hole No.</u> | <u>Intercept [feet]</u> | <u>Length [feet]</u> | <u>Au oz/ton</u> |
|-----------------|-------------------------|----------------------|------------------|
| 3 | 116.5 - 118.0 | 1.5 | 0.069 |
| 4 | 110.5 - 112.5 | 2.0 | 0.088 |
| 5 | 145.5 - 147.0 | 1.5 | 0.147 |
| 5 | 150 - 152.3 | 2.3 | 0.049 |

These values are encouraging considering the preliminary nature of the work completed to date. The ore mined by Colt Resources in the stopes up dip from these intersections, was characterized by a very erratic distribution of values. Values in the range below .01 seldom occurred in ore zones.

It is of interest to note that gold values are increasing from holes 3 to 5, down dip.

Pumping out the Jewel workings revealed interesting sections of quartz vein in the south portion of the workings, at the Jewel and Denero Grande claims border.

Approximately 400 feet of vein is exposed in sub level workings below the Rowe shaft. The writer and Dentonia management were not aware of these workings until a few weeks ago, since these workings are not shown on the old maps in Dentonia's possession. It was not apparent

from looking at these old maps that anything of interest was found in the few workings between the Jewel and Enterprise ore bodies. However, a rough survey and some channel sampling completed recently by H.H. Shear indicate otherwise. His best sample returned values of 0.36 Au and 2.46 Ag across a true width of 30 inches. Two other samples of interest returned 0.27 Au across 8 inches and 0.13 Au across 50 inches. The mineralized vein found in the Rose shaft area shows that ore grade values occur more frequently along the Jewel vein than was previously thought to be the case.

CONCLUSIONS

The Jewel vein continues strongly down dip below the Denero Grande workings. Assay values from diamond drilling show that ore zones are to be expected. The ore shoots mined by Colt Resources from 1974 - 1975 are open to depth below the 250 foot level.

The writer has first hand experience of the difficulty in evaluating gold quartz veins by diamond drilling. The only suitable method is to drive and raise along the vein to establish the values present.

Areas other than below the Denero Grande workings show a potential for developing ore grade tonnage. Thorough sampling of the Rowe, Jewel and Denero Grande workings is planned by Dentonia and will be financed with funds received through a private placement. A

surface diamond drill program is also planned, south of the Denero Grande workings.

RECOMMENDATIONS

It is recommended that the Denero Grande shaft be deepened 100 feet and the 350 foot level be established first since the only practical way to prove up ore below the 250 foot level is to drift on the vein at a lower level and raise to block out ore. Some underground work could be justified from the 250 foot level up, however, all development and exploration work will have to cease at such time as the shaft is deepened. Therefore, it would be more practical to complete this stage of work first.

The next stage would be to crosscut some 75 feet to the vein from the 350 foot level shaft station and drift along the vein to the Jewel workings, a distance of approximately 850 feet. A short raise up to the bottom of the Jewel shaft would provide a second exit and ventilation. Additional drifting will be warranted south on the 350 foot level, north on the 250 foot level to the Jewel workings, and south on the 250 foot level. Consideration should be given to completing a crosscut to the vein from the shaft station already cut at the 170 foot level. Raising between levels will be required. The timing of this development will be contingent on results obtained as work progresses.

It is recommended that a small mill of at least

30 tons per day capacity be acquired for bulk sampling purposes before drifting on the veins commences.

The cost of the shaft sinking is estimated to be \$2,500.00 per foot or \$250,000.00 for 100 feet of sinking. Funds for contingencies are \$60,000.00. A total of \$300,000.00 is required for the first stage of work.

It is recommended that a figure of at least approx. \$500,000.00 be provided to proceed with the second stage of drifting, raising and bulk sampling.

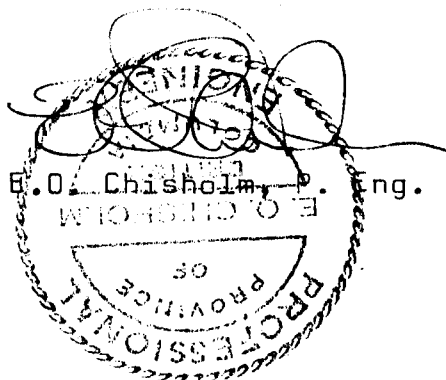
ESTIMATED COSTS IN DETAIL

Phase I - Shaft Sinking [100 feet]

| | |
|---------------------|-------------------------|
| Labor [sinking] | \$135,000 |
| Powder | 7,000 |
| Caps | 4,000 |
| Special Timber | 1,000 |
| Timber | 4,000 |
| Headframe | 5,000 |
| Dump Door | 2,000 |
| Tram Rental | 5,000 |
| Freight | 6,000 |
| Shaft Station Labor | 67,500 |
| Contingencies | <u>60,000</u> |
| Total | <u>\$296,500</u> |
| Say | <u><u>\$300,000</u></u> |

Phase II - Drifting, Raising & Bulk Sampling

Until shaft sinking is completed an exact estimate cannot be compiled. At least \$500,000 should be made available for this phase of the development.



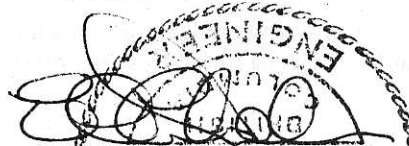
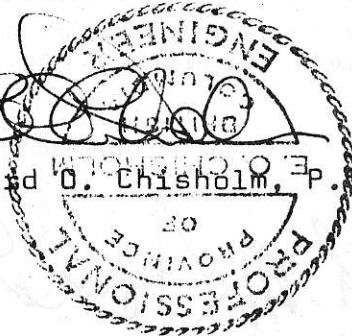
October 15, 1980

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 821 - 602 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 Dentonia Resources Ltd. or its affiliates, nor do I expect to receive any such interest.
5. This report is based on a personal examination of the property by the writer on June 9th and 10th, 1973 and April 1975, and a review of all records and maps on hand in the company files.
6. I hereby consent to the use of this report by the company 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 15th day of October, 1980.


Edward O. Chisholm, P. Eng.


NOT part of this report

20. STATUTORY RIGHTS OF RESCISSION

Sections 6 and 6.1 of the "Securities Act, 1979" R.S.B.C. provides in effect, that where a security is offered to the public in the course of primary distribution: c. 380,

- (a) A purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last Statement of Material Facts, together with financial statements and a summary of engineering reports as filed with the Vancouver Curb Exchange, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.
- (b) A purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the Statement of Material Facts or any amended Statement of Material Facts offering such security contains an untrue statement of material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such Statement of Material Facts or amended Statement of Material Facts is received or is deemed to be received by him or his agent.

Reference is made to the said Act for the complete text of the provisions under which the foregoing rights are conferred.

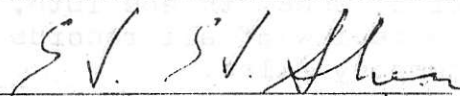
21. CERTIFICATE OF THE DIRECTORS AND PROMOTERS OF THE ISSUER:


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


February 24th, 1981

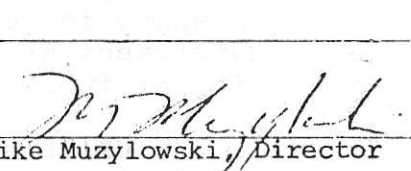
(Date)

DENTONIA RESOURCES LTD.


 Henry Herbert Shear, President,
 Promoter and Director


 William S. Henson, Secretary
 and Director


 George O. M. Stewart,
 Director


 Mike Muzylowski, Director

CERTIFICATE OF THE UNDERWRITER(S):

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

February 24th, 1981

(Date)

MERIT INVESTMENT CORPORATION

