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GEOLOGICAL AND GEOCHEMICAL EVALUATION REPORT

on the

GUY 1 - 4 MINERAL CLAIM GROUP (80 Units) Record Nos. 6368, 6369, 6370, 6371(9) Surprise Mtn - Hoodoo Mtn - Iskut River Area Liard Mining Division Stewart, British Columbia

N.L. 56º - 46'

W.L. 1310 - 25'

for

NTS 104-B-14W

KRL RESOURCES CORP. Suite 1022 470 Granville Street Vancouver, British Columbia V6C 1V5



by

DONALD W. TULLY, P.ENG.

February 5, 1991

West Vancouver, B.C.

DON TULLY ENGINEERING LTD. SUITE 1205, 555-13TH STREET WEST VANCOUVER, BRITISH COLUMBIA V7T 2N8

TABLE OF CONTENTS

.

| 1.0 | Introduction | 1 |
|------|---|----|
| 2.0 | Summary and Conclusions | 1 |
| 3.0 | Property - Location, Access, Physiography and Environmental Considerations | 3 |
| 4.0 | Claims | 4 |
| 5.0 | History - Previous Development | 5 |
| 6.0 | References | 6 |
| 7.0 | Regional and Local Geological Setting | 7 |
| 8.0 | Results of the 1983 Exploration Program | 10 |
| 9.0 | Mineralization – Assays | 12 |
| 10.0 | Recommendations | 16 |
| 11.0 | Estimated Cost of the Proposed Work Program | 18 |
| 12.0 | Certificate | 19 |

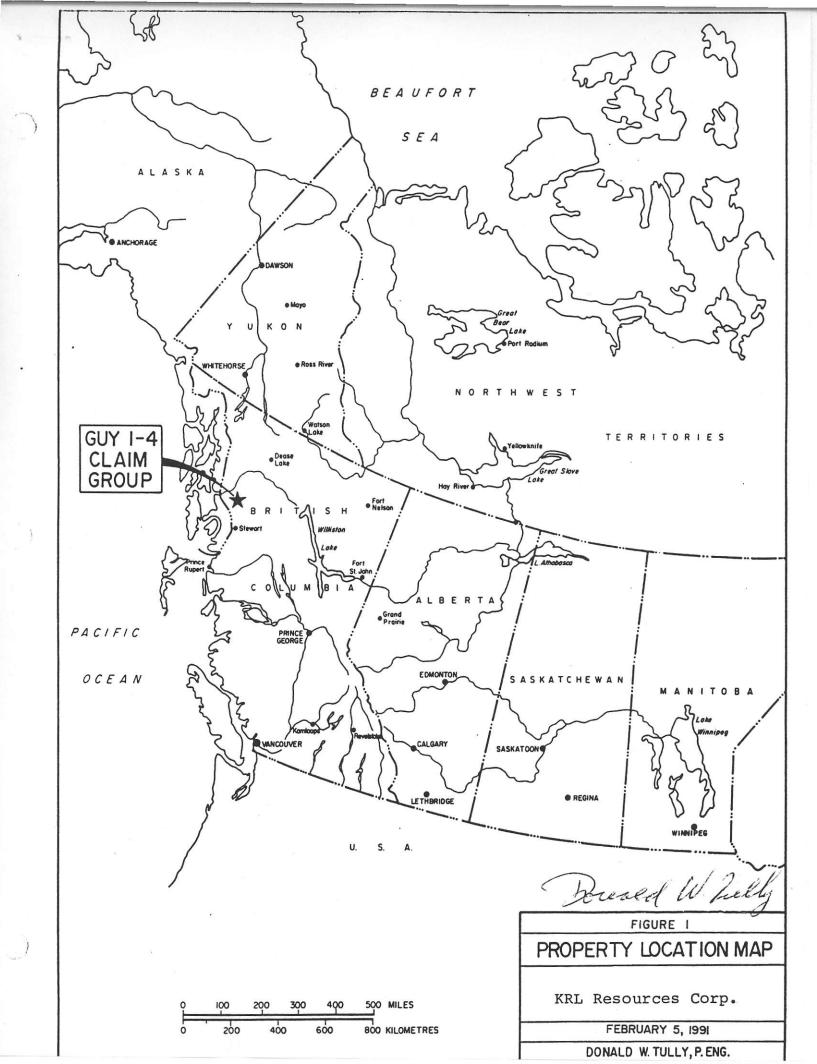
MAPS

| Figure 1 | Location Map | Frontispiece |
|------------|------------------------------------|-----------------|
| Figure 2 | Area Map | Follows page 1 |
| Figure 3 | Property Ownership Map (Area) | Follows page 2 |
| Figure 4 | Topography Map | Appendix I |
| Figure 5 | Claim Map | Follows page 4 |
| Figure 6 | Regional Geology | Follows page 6 |
| Figure 7 | General Geology | Follows page 7 |
| Figure 8 | Property Geology | Appendix I |
| Figure 9 | Aeromagnetic Map | Appendix I |
| Figure 10 | Sample Location Plan | Appendix I |
| Figure 11 | Sample Result Plan | Appendix I |
| Figure 12 | Heather Vein – Assays | Appendix I |
| Figure 13 | Heather Vein - Cross Section | Appendix I |
| Figure 14 | Heather Vein Area - Soil Profiles | Appendix I |
| Figure 15 | Histogram - Gold, Silver (ppb-ppm) | Appendix I |
| Figure 16 | Histogram - Gold, Silver (oz/t) | Appendix I |
| Figure 17 | Histogram - Sb, As (ppm) | Appendix I |
| Figure 18 | Histogram - Hg, Ba (ppm) | Appendix I |
| Schedule I | | Follows page 16 |

Schedule I

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INTRODUCTION

- 1 -

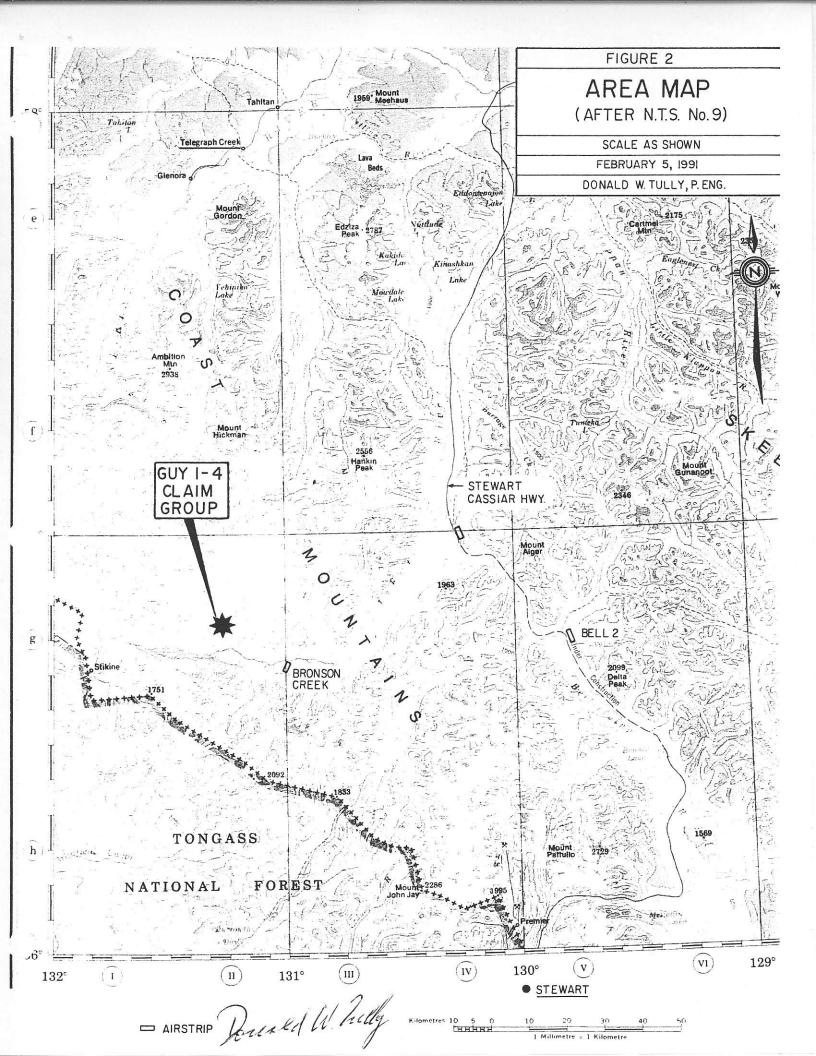
- This report was prepared pursuant to a request from the Directors of KRL Resources Corp., Suite 1022, 470 Granville Street, Vancouver, British Columbia V6C 1V5.
- 1.2 The purpose of this report is to review the previous development on the ground now held by the GUY 1 through GUY 4 mineral claim group and assess the mine-making potential of the property.
- 1.3 This report is based upon a property examination on December 5, 1989 in company with the staker, Guy R. Delorme and a review of available geological maps, reports and personal communications.
- 1.4 A program of mineral exploration is recommended.

2.0 SUMMARY AND CONCLUSIONS

- 2.1 The GUY claim group comprises four mineral claims containing a total of eighty claim units covering an area calculated to be 2,000 hectares.
- 2.2 The property is situated on the north side of the Iskut River some 125 km northwest of the town of Stewart, B.C. and about 70 km northeast of Wrangell, Alaska.
- 2.3 The ground is located on the east side of Surprise Mtn and adjoins a portion of the Hoodoo Glacier situated on Mount Hoodoo about 7 km to the northeast. Mount Hoodoo, an ice-filled volcanic crater rising to <u>+6,500</u> feet above sea-level, is the main topographic feature of the area.
- 2.4 The GUY claims are underlain by a bedded pile sequence of sediments, volcanics and volcaniclastics that have been intruded by dykes and irregular masses of diorite, granodiorite, quartz and feldspar porphyry. The volcano-

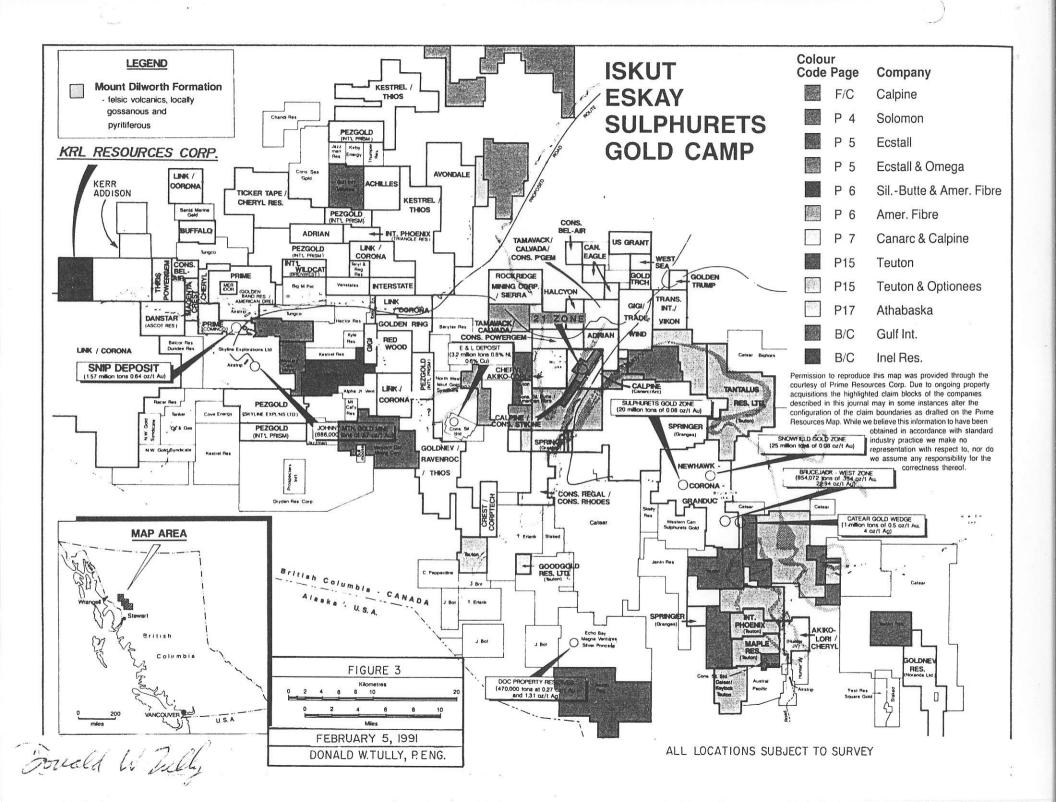
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sedimentary sequence ranges from Pre-Permian to Triassic in age. The intrusives belong to the Coast Plutonic Complex of Jurassic and Cretaceous age. Later mafic volcanics of Quaternary age are found in the general claim area. The regional trend of faulting, fracturing and associated base and precious metal mineralization is notwithstanding.

- 2.5 An eight-day field work program of geological mapping and geochemical soil and rock sampling by Kerr Addison Mines in 1983 revealed interesting values in gold (0.372 oz/t) and silver (49.52 oz/t). This limited work program indicated a polymetallic geologic environment carrying anomalous values in gold, silver, copper, lead, zinc, arsenic, antimony, barium and mercury. Three types of mineralization were identified, namely porphyry type copper and molybdenite in association with stockworks of quartz in a quartz monzonite host rock, contact mineralization in gossan zones of pyrite in hornfelsed rocks near acidic intrusive contacts and quartz-quartz carbonate veining carrying pyrite in fracture fillings in large envelopes of silicification and carbonatization.
- 2.6 It is concluded the GUY 1-4 property is underexplored and an excellent exploration bet in a favourable geological environment to discover an economic deposit of gold and silver and possibly base metals. This property warrants further mineral development.
- 2.7 A two-phase program of mineral exploration is recommended. An initial program is proposed at an estimated cost of \$160,712 and a second-phase costing an estimated \$252,000 for a total estimated cost of \$412,712 to further develop the GUY claim group.



3.0 PROPERTY - LOCATION, ACCESS, PHYSIOGRAPHY AND ENVIRONMENTAL CONSIDERATIONS

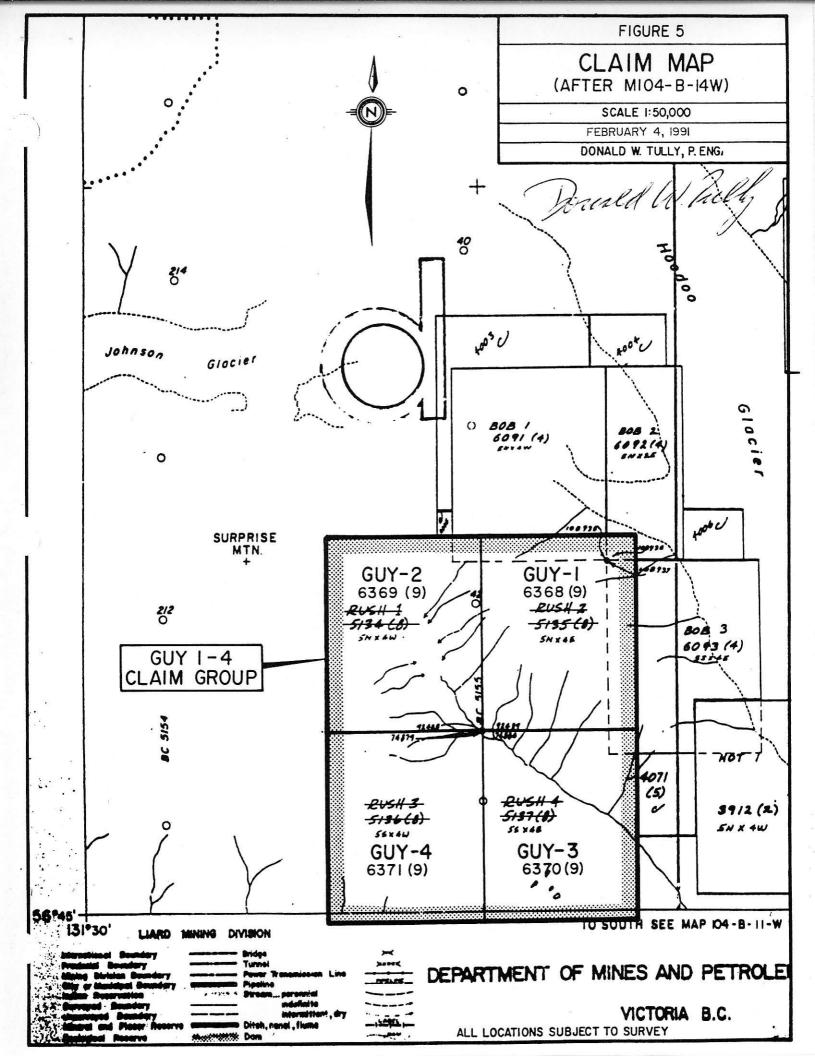
- 3.1 The property comprises four mineral claims named the GUY 1 through GUY 4 inclusive. Each claim contains twenty units for a total of eighty claim units and a calculated total area of 2,000 hectares, subject to survey.
- 3.2 The GUY claim group is centered on West Longitude 131° 25' and North Latitude 56° 47' on NTS 104 B 14 Map Sheet, in the Coast Mountains of British Columbia. Mount Hoodoo, located some 7 km to the east-northeast of the GUY claim area, is considered to be an ice-filled crater rising to some 2,000 metres a.s.l. The property is located some three kilometres north of the Iskut River. The town of Stewart, British Columbia is situated some 125 km southeast of the claim group. Wrangell, Alaska, a seaport town with an airstrip, is located about 70 km southwest of the property.
- 3.3 Helicopter access is the best mode of travel to the GUY claim group. At the present time helicopter transportation is available at a service depot, named BELL 2 located on the Cassiar Highway #37 some 260 km north of Kitwanga on Highway #16 between New Hazelton and Terrace, B.C. The flight distance from BELL 2 westward to the GUY claims is about 90 km. An airstrip, frequently serviced by charter aircraft from Smithers and Terrace. is situated on the north side of the Iskut River near the mouth of Bronson Creek. This Bronson Creek gravel airstrip is used part-time by the operators of the Skyline Gold Mine, located on nearby Johnny Mountain, The Bronson Creek airstrip is situated about 22 km east-southeast of the GUY claim group. The condition of the older gravel airstrip near the confluence of Snippaker Creek and the Iskut River was not observed. Helicopters are also permanently based at Stewart and Wrangell (Figures 2 and 6).
- 3.4 The GUY claim group is located on the east-southeast slope of Surprise Mtn. The topography is steep, hummocky and locally precipitous. A steep-walled valley bisects the claim area from the northwest sector to the southquadrant of the property. A valley glacier occupies the northwest extremity

Don Tully Engineering Ltd. Suite 1205, 555-13th street WEST VANCOUVER, BRITISH COLUMBIA of this valley feature. Both valley and alpine glaciers occur in the area of the GUY claims. The drainage pattern is east-southeast over the claims.

- 3.5 Elevations range from about 1,200 feet in the southeast sector of the claim group to some 6,000 feet in the northwest portion near the peak of Surprise Mtn (Figure 4).
- 3.6 Vegetation in the north area of the property is sparse in the recently glaciated terrain. Below 3,000 feet thickets of underbrush increase and the spruce timber becomes more mature with decreasing elevation.
- 3.7 The climate is generally considered to be mild and wet. Temperatures at elevations below 2,500 feet range on an annual basis between ±18°C through -10°C. Above this elevation the accumulations of snow in alpine and larger glacial masses attest to lower temperatures at higher altitudes. Average rainfall varies between 100 and 150 inches. The writer's experience in this area suggests most of the claim area outside of the glacial remnants would be clear of snow by the month of August.
- 3.8 The GUY claim group area is considered to be only moderately sensitive in the environmental sense.

4.0 CLAIMS

- 4.1 Four contiguous mineral claims named the GUY 1, 2, 3, 4 and containing a total of eighty claim units, are located in the Liard Mining Division.
- 4.2 The claims are situated on the east slope of Surprise Mtn and the west side of the Hoodoo Glacier, about five km north of the Iskut River.
- 4.3 Information with the Office of the Gold Commissioner for the Liard Mining Division at Vancouver, British Columbia, on February 4, 1991 was as follows:



| Claim Na me | Record No. | Units | Record Date | Recorded Owner |
|-----------------------|---------------|---------------------|----------------|-------------------|
| GUY I | 6368 (9) | $5N \times 4E = 20$ | Sept. 16, 1989 | Guy R. Delorme |
| GUY 2 | 6369 (9) | $5N \times 4W = 20$ | 11 11 | 11 11 |
| GUY 3 | 6370 (9) | 5S x 4E = 20 | 11 11 | 18 11 |
| GUY 4 | 6371 (9) | $5S \times 4W = 20$ | 19 19 | 88 88 |
| | | Total 80 units | | |

- 4.4 The four claims are calculated to contain 2,000 hectares subject to survey. A survey is recommended to establish the boundary with the previously staked BOB 1 - 3 claims adjoining on the northeast perimeter of the GUY claim area.
- 4.5 The GUY 1 4 mineral claim group is shown on Mineral Titles Map M104-B-14W (Figure 5).

5.0 HISTORY – PREVIOUS DEVELOPMENT

- 5.1 Since the Cassiar gold rush in 1873 prospecting was quite intermittent in the central regions of the Coast Range Batholith (Figure 6). Because of the difficulty of access little development work was done on the numerous mineral prospects in the region until the major copper discovery at Galore Creek just prior to 1957. Since that time helicopter access has greatly accelerated the mineral development of this region. In the area of the present GUY claim group a small prospect is indicated on Figure 7 about 7 km southwest of the claims.
- 5.2 There is no reported mineral development work having been done on the ground now held by the GUY claims until 1983. In August of that year, Kerr Addison Mines staked the Hoodoo West 1, 4 and 6 mineral claim group (70 units) and carried out a program of prospecting, geological mapping and geochemical soil and rock sampling over an area of some 16 square km in the north sector of the Hoodoo West claim area (Figures 8, 10 and 11).

Assessment report #12,200 by Peter Holbek reports Kerr Addison spent \$6,476 on this work program during 1983. Kerr Addison also did work on a second claim group, located about 2½ km to the east-northeast, that same year under the direction of P. Holbek.

5.3 Cominco staked the area of the GUY claim group in August 1988, but no assessment work was recorded. The GUY 1 - 4 claim group was staked at the same (Cominco LCP) location on September 16, 1989. No field work has been done since that date.

REFERENCES

6.1 British Columbia Ministry of Energy, Mines and Petroleum Resources.

Geology Fieldwork, 1986-1, pp. 81-91 Geology Fieldwork, 1987-1, pp. 211-216 Geology Fieldwork, 1988-1, pp. 489-492 Geology Fieldwork, 1989-1, pp. 285-292

Geological Branch Assessment Report 12,220, P. Holbek, B.Sc. (1983) Geological Branch Assessment Report 11,331, P. Holbek, B.Sc. (1983) Geological Branch Assessment Report 12,614, R.J. Fraser, P.Geol. (1984)

Bulletin 58 (19) E.W. Groves, pp. 75-76 Bulletin 63 (1986) E.W. Groves, pp. 29, 33, 37, 41

Open File Map 1987 - 22 (D.J. Aldrick) Open File Map 1988 - 4 (D.J. Aldrick et. al.) Open File Map 1989 - 10 (D.J. Aldrick et. al.)

Open File 1989 - 22 (T.G. Schroeter et. al.) Cordilleran Geology & Roundup (1989) C.A. Evanchick

Mineral Titles Map M104-B-14W

6.2 Geological Survey of Canada

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Summary Report 1928, Part A, pp. 11 – 26 (F.A. Kerr) Summary Report 1929, Part A, pp. 50 – 61 (F.A. Kerr)

Memoir 246, pp. 4-72 with Map 311A (1935 - F.A. Kerr)

Operation Stikine (Map 9 - 1957) Stikine River Area

Map 1418A

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131°

LEGEND

RvbTERTIARY BASALTKTqmCRET. + TERT. ACID INTRUSIVESJKdiJURA. + CRET. DIORITEJKsJURA. + CRET. - HAZELTON GROUPuTsvTRIASSIC VOLCANICS, SEDIMENTSCPsvPERMIAN VOLCANICS, SEDIMENTS

FIGURE 6 **REGIONAL GEOLOGY** (AFTER G.S.C. MAP 1418 A) Scale 1: 1,000,000 FEBRUARY 5, 1991 DONALD W. TULLY, P. ENG.

Paper 89-1E, Part E, pp. 145-154 (1988 - R.G. Anderson)

Aeromagnetic Maps 9235G, 9236G (Scale 1:50,000)

- 6.3 Canadian Journal of Earth Sciences, 1970, Vol. 7, pp. 565-566 (J.G. Souther)
- 6.4 Geological and Geochemical Evaluation Report on the GUY 1-4 Mineral Claim Group for Fury Explorations Ltd., dated December 14, 1989.

7.0 REGIONAL AND LOCAL GEOLOGICAL SETTING

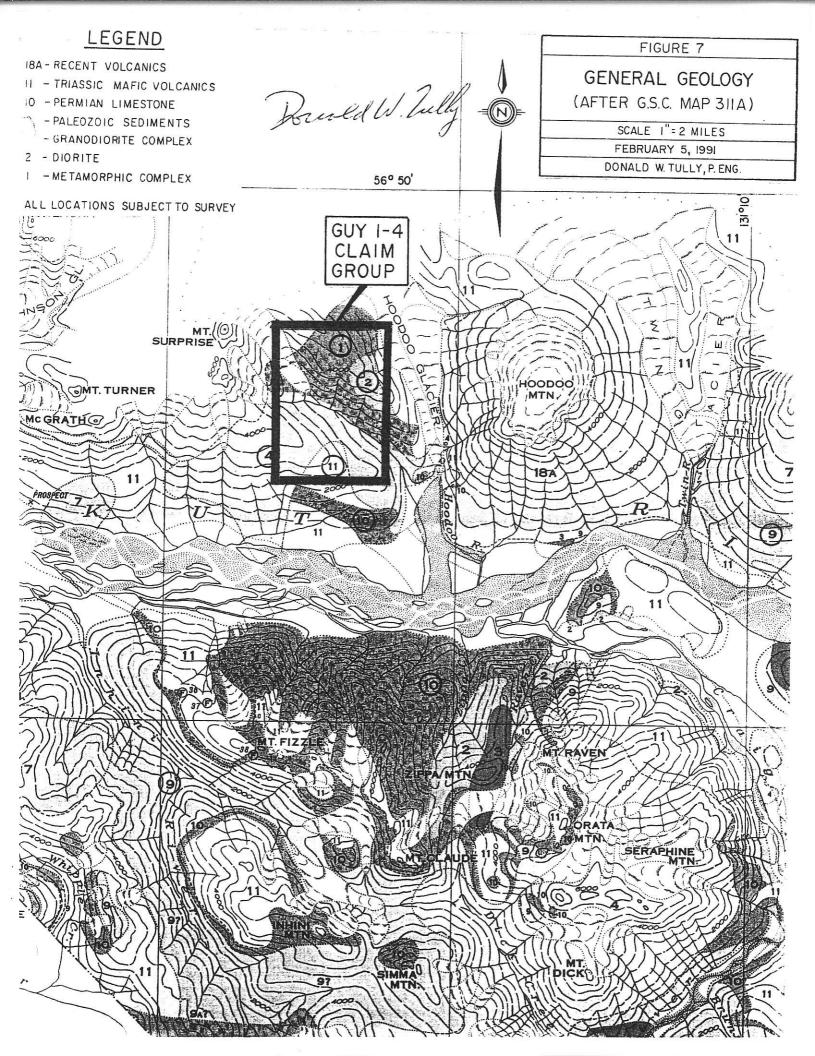
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7.1 The regional geology is shown on Figure 6. Jurassic and Cretaceous age intrusive masses and the enveloped Hazelton, Triassic and late Paleozoic groups of sediments and volcanics occupy a northerly trend sub-parallel to a major topographic lineament (±100 km) along the valley of the Stikine River. A transverse east-trending major lineament occupies the valley of the Iskut River in the area of the GUY claim group.

According to J.C. Souther the style of early Mesozoic tectonism in northwestern British Columbia suggests a highly mobile eugeosyncline associated with andesitic island arcs and a deep root-zone of sialic crust. A northwesterly trending fold with reverse faulting, deep-seated plutonism and andesitic volcanism gradually changed to east-west extension with passive high-level intrusion and explosive acid volcanism in early Tertiary time. This was followed by a quiet effusion of enormous volumes of undifferentiated alkali-olivine basalt in the late Tertiary. Hoodoo Mountain, situated just east of the GUY claim area is the probable source of many of these lava flows.

7.2 The general geology is shown on Figure 7. F.A. Kerr (Memoir 246) mapped four lithological units on the ground occupied by the GUY claim group. These are Triassic mafic volcanics (11), a complex of acid porphyry intrusives and granodiorite (4), masses of diorite (2) and a metamorphic schist and hornfelsed complex (11). In 1983, P. Holbek further studied the geology and concluded some of these rocks belong to the Stikine Assemblage. He subdivided these rocks in the northeast sector of the GUY



claim area into seven units as shown on Figure 8. Holbek's mapping was mostly above the 1,060 m (\pm 3,500') elevation. His mapping indicated a northwest strike trend with flat southwesterly dips and a north trending fault offsetting east-west trending fracture zones.

7.3 A tentative geologic timetable of the lithological features in the area of the GUY claim group is as follows:

| FORMATION | DESCRIPTION / EVENT | AGE |
|--|--|---------------------------------|
| Sand, gravel, clay, loam, boulders, glacial debris and Tertiary lavas | Unconsolidated overburden and Hoodoo volcanics (erosional unconformity including several phases of | Quaternary |
| | volcanic activity) | |
| Mineralization, Quartz veining, Metamorphism | Gold, silver and sulphides and compounds copper, lead, zinc, iron, arsenic antimony and mercury | Early Tertiary(?) |
| | (Folding, faulting, shearing and related tectonic activity) | |
| Coast Plutonic Complex | Dykes and masses of quartz porphyry, quartz monzonite, felsite, feldspar porphyry and hornfelsed contact rocks | Cretaceous to Triassic |
| | (Folding, faulting, shearing and related tectonic activity) | |
| Volcaniclastics Sediments | Mafic lava flows, tuffs, bedded chert, argillite | Upper Triassic to Permian |
| | (Folding, faulting, shearing and related tectonic activity) | |
| Stikine Assemblage | Chloritic schists quartz muscovite schist argillite, limestone and marble | Pre-Permian |

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7.4 Geological mapping of the northeast sector of the ground now held by the GUY claim is shown on Figure 8 and has been described by P. Holbek on pages 5 and 6 of his report dated November, 1983 as follows:

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"The property is underlain by three groups of bedded rocks which are cut by a number of intrusive lithologies.

The oldest rocks consist of schistose basaltic to rhyolitic pyroclastics, sediments and limestones. Chlorite schist and quartz sericite schists are the predominate lithologies. This unit is best exposed on the ridge north of the property where a thick bed of limestone forms a tight, recumbent fold plunging gently to the north.

Thin to thick bedded green, blue, black, grey and purple cherts with minor siltstone form the second unit. Occasional pyritic members form dark gossans but are not geochemically anomalous. Quartz-pyrite fracture fillings within the same units do yield anomalous geochemical analyses. In areas of poor exposure this unit is easily confused with conformable, hornfelsed volcanics of the upper unit.

The third and upper unit consists of a thick pile of well bedded, coarse to fine volcaniclastics, sediments and, possibly, minor flows. Bedding is best seen on weathered outcrops and is gently dipping over most of the property. In general, this unit is characterized by massive, resistant, green-blue coloured outcrops. Development of black, pyritic hornfels adjacent to intrusives is common whereas epidote, garnet skarns are rare. Rusty pyritic zones also occur along some fractures.

Intrusive lithologies, in approximate order of emplacement, include: quartz monzonite, biotite granodiorite, hornblende, fine grained feldspar porphyry diorite and quartz-eye felsite. Most intrusive-intrusive contacts are gradational and some, if not all, of the phases are likely co-genetic."

7.5 The aeromagnetic map of the GUY claim area is shown on Figure 9. This map was prepared by Sander Geophysics Limited for the B.C. Ministry of Energy, Mines and Petroleum Resources and the Geological Survey of Canada. It is based upon digitally-recorded high-sensitivity aeromagnetic data using a Sander NPM-5 proton precession magnetometer which measured the total magnetic field to 0.05 gamma resolution. This map shows the basement geological trend over the GUY claims to be northerly with a distinct fold in the iso-magnetic contours towards the west immediately south of the claim area. This fold may be due in part to the west-trending topographic influence of the deep valley of the Iskut River. The total aeromagnetic relief over the GUY property +200 gammas.

8.0 RESULTS OF THE 1983 EXPLORATION PROGRAM

- 8.1 Kerr Addison Mines carried out a program of prospecting, hand-trenching, local geological mapping, rock and geochemical soil sampling on the area of the GUY 1 4 mineral claim group during the period of August 12 20, 1983 under the direction of P. Holbek, B.Sc. Hand-trenching was carried out in the areas of mineralization found during prospecting and mapping activities over a ±16 square km area in the north sector of the property. Geology was mapped on a scale of 1:10,000 in the area of rock sample sites. Sixteen soil samples and 26 rock samples for a total of 42 samples were analyzed for gold, silver, arsenic and antimony. Some of these samples were tested for barium, mercury, copper, lead and zinc content as shown in Appendix 2.
- 8.2 Three types of mineralization were reported as follows:
 - a) Porphyry type chalcopyrite and molybdenite mineralization associated with stockworks of quartz in a quartz monzonite host.
 - b) Contact mineralization of pyrite and hornfels in volcanics peripheral acidic intrusive masses.
 - c) Quartz and quartz-carbonate veining with pyrite filling fractures and faults within large envelopes of silicification and carbonatization.
- 8.3 P. Holbek has described the mineralization and the results of the program on pages 6-11 of his report dated November, 1983 as follows:

"2.3 Mineralization

Three types of mineralization are exposed on the property. Porphyry style mineralization; consisting of a quartz monzonite hosted intense quartz stockwork, sparingly mineralized with chalcopyrite and molybdenite, is exposed on the ridge crest on Hoodoo West 1 claim. A large gossanous zone of intensely argillic altered quartz monzonite is exposed in the central area of Hoodoo West 6. Altered rock from this zone yield sub-anomalous values of arsenic and antimony.

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- 10 -

Contact mineralization occurs as small areas of hornfelsing and pyritization within volcanic rocks peripheral to intrusives. These zones, which vary from 1 to 100 m across, form a trend that runs northwest, diagonally across the northern part of the claim area. Pyritiferous samples from the contact zones give weak to strong silver anomalies from 3 to 100 ppm.

The third type of mineralization includes quartz and quartz + carbonate veins and associated alteration. Most veins are fault and fracture fillings of quartz, carbonate and minor sulphides with large alteration envelopes of silicification and carbonatization. Breccia textures are evident in some veins. Although most veins are geochemically anomalous, precious metal contents only become significant when base metal sulphides (galena, sphalerite, tetrahedrite and arsenopyrite) are visible. Veins occur over most of the property but strongly mineralized ones have only been discovered on the south-central part of the Hoodoo West 2 claim.

3. GEOCHEMISTRY

3.1 Methods

Rock samples were collected as random chips, usually from a 1 x 2 m area, in standard 20 x 33 cm plastic bags. Soil samples were collected in standard kraft bags from the 'C' horizon where possible at depths from 1 to 100 cm (see Section 3.2). All samples were analyzed for Au, Ag, As and Sb. Some samples were analyzed by Cu, Pb, Zn, Ba and Hg. All high geochemical results were re-analyzed using assay techniques. Sample preparations and analytical techniques are given in Appendix III. Sample locations are given in Figure 7, results are listed in Appendix IV and plotted on Figure 6. A detailed plot of geochemistry near the Heather Vein is given in Figure 5.

- 3.2 Discussion of Results
 - 3.2.1 Soils

Recent glaciation, rugged topography and climate have produced varied and complex soil profiles within the claim area. Soil depths vary from 0 to 150 cm with the deeper horizons often containing considerable amounts of colluvial material such as till and talus. Variation of the soil profile with topography is illustrated diagramatically in Figure 3. It is doubtful that soil development or depth of horizons limits geochemical prospecting, provided that soil material is residual. The presence of mineralized till or talus will, however, often lead to spurious anomalies. Additionally an impervious clay layer associated with till will prevent upward (but not later) dispersion of metals, particularly gold, as illustrated by samples from the Heather Vein (see Figure 4).

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3.2.2 Rocks

Outcrop sampling revealed numerous areas of weak to moderate silver geochemistry. Contact type mineralization yielded variable silver analyses that were associated with some antimony but not arsenic or gold. Vein type mineralization is characterized by enriched levels of arsenic, gold and antimony. These differences should allow distinction between mineralization types during overburden sampling. With only a single exception Hg and Ba were uniformly low.

4. CONCLUSIONS

A complex series of plutonic rocks, ranging from hornblendite to quartz-eye felsite, have intruded a bedded pile of Permo-Triassic sediments, volcanics and volcaniclastics. Porphyry and contact type mineralization, related to quartz monzonite and feldspar porphyry phases, are widespread and yield anomalous geochemistry but have limited exploration potential. Fracture hosted lead-zinc-silver veins are preferred exploration targets. Vein mineralization is accompanied by large, orange weathering, alteration envelopes and may be related to late phase quartz-eye felsite intrusions."

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MINERALIZATION - ASSAYS

9.1 A study of the analyses, of the forty-two (D-soils = 16, R-rock = 26) samples shown in Appendix 2, is indicated on the Figures 15, 16, 17, 18. The rock samples are deemed to be grab samples as no dimensions are given. The mineralization found in the soil and rock samples indicate a polymetallic geologic environment. Although histograms of the few samples do not permit a thorough statistical analysis of the assay results, some meaningful parameters are evident. Anomalous values in gold, silver, lead, zinc, arsenic, antimony and mercury are present. The results are described as follows:

DON TULLY ENGINEERING LTD. SUITE 1205, 555-13TH STREET WEST VANCOUVER, BRITISH COLUMBIA V7T 2N8 9.2 Gold (Figures 11, 15, 16)

| <pre># of Samples (16 Soil + 16 Rock)</pre> | Range of Results |
|---|---|
| 25 | 0 – 25 parts per billion (ppb) 100 – 110 |
| 2 soil | 225,225 ppb |
| 2 soil | 1550, 9550 ppb |
| 32 samples | |

Values in gold over 225 ppb are considered to be anomalous.

| 2 1 1 | rock rock rock rock rock | 0.003 - 0.010 oz/t 0.028, 0.036 oz/t 0.070 oz/t 0.094 oz/t 0.372 oz/t |
|-------------|--------------------------------------|---|
| | rock | 0.3/2 OZ/t |
| 11 | samples | |

9.3 Silver (Figures 11, 15, 16)

| # of Samples (16 Soil + 16 Rock) | Range of Results |
|-------------------------------------|-----------------------------------|
| 14 | 0.0 - 1.0 parts per million (ppm) |
| 5 | - 2.0 ppm |
| 8 | 2.1 - 6.0 ppm |
| 5 | 19.5, 100.0 ppm |
| 32 samples | |

Values in silver above 6.0 ppm are definitely anomalous.

| 3 | | 0.0 - 0.10 oz/t |
|----|---------|-------------------|
| 3 | | 0.11 - 0.30 oz/t |
| 1 | | 0.42 oz/t |
| 5 | rock | 2.02 - 49.52 oz/t |
| 12 | samples | |

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9.4 Antimony (Figures 11, 17)

| # of Samples (16 Soil + 19 Rock) | Range of Results |
|-------------------------------------|-------------------------|
| 19 | 0.5 - ppm |
| 3 | 5 – 10 ppm |
| 2 | 11 – 15 ppm |
| 3 | 16 – 20 ppm |
| 2 | 29, 30 ppm |
| 2 | 43 ppm |
| 4 | 200, 250, 270, 1000 ppm |
| 35 samples | |

Values in antimony indicate a multi-modal occurrence. Results above 30 ppm are anomalous.

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9.5 Arsenic (Figures 11, 17)

| <pre># of Samples (16 Soil + 19 Rock)</pre> | Range of Results |
|---|---------------------------------|
| 11 | 0 - 10 ppm |
| 3 | 11 – 20 ppm |
| 2 | 21 – 30 ppm |
| 4 | 31 – 40 ppm |
| 1 | 41 – 50 ppm |
| 1 | 51 – 60 ppm |
| 5 | 100 – 180 ppm |
| 8 | 230, 338, 750, 898, 1300, 5250, |
| | 10,000 and 10,000 ppm |
| 35 samples | |

Values in arsenic indicate a multi-modal occurrence. Results over 200 ppm are highly anomalous.

| # of Samples (2 Soil + 12 Rock) | Range of Results |
|------------------------------------|------------------|
| 1 | 38 ppm |
| 2 | 120, 120 ppm |
| $\overline{1}$ | 180 ppm |
| 2 | 260, 280 ppm |
| 2 | 320, 340 ppm |
| 2 | 360, 380 pm |
| 2 | 400, 400 ppm |
| 2 | 500, 580 ppm |
| 14 samples | |

Values in barium appear to be multi-modal in occurrence. The results above 380 ppm are considered to be anomalous.

9.7 Mercury (Figures 11, 18)

| # of Samples (3 Soil + 12 Rock) | Range of Results | | |
|------------------------------------|-----------------------------|--|--|
| 8 | 50 – 100 ppm | | |
| 3 | 101 – 150 ppm | | |
| 1 | 180 ppm | | |
| 1 | 228 ppm | | |
| 1 | 468 ppm | | |
| 1 | 6200 ppm, Sample R83 HWP 33 | | |
| 15 samples | | | |

Values in mercury are indicated to be bi-modal in occurrence. Results above 468 ppm are considered to be highly anomalous.

9.8 Copper, Lead, Zinc (Figure 11)

| Cu | Pb | Zn | Remarks |
|--------------------|-------------------|-------------------|-------------------|
| 500 ppm 650 ppm | 6 ppm 2350 ppm | 4 ppm 3750 ppm | Sample R83 HWB 33 |
| 398 ppm | 325 ppm | 320 ppm | |
| 0.04% | 0.24% | 0.24% | |
| 0.02% | 0.16% | 0.19% | |
| 0.51% | 6.93% | 8.37% | |

- 9.9 An alteration zone of hornfelsed host rock and carrying disseminated pyrite is shown in the east central area of the GUY 2 claim (Figure 8). A study of the assay results of some six samples taken in this area and shown on Figure 11 indicate a low tenor of gold and silver values.
- 9.10 The Heather Vein is reported to be in the east central area of the GUY 1 claim (Figures 10, 12, 13, 14). Holbek reports this quartz vein strikes northeasterly, dips some 45° westerly and is about one metre in thickness. Assays of 10,000 ppm in silver and 1550/9550 ppb in gold are indicated in samples HWP 4 / HWP 6. Holbek reports galena, sphalerite, tetrahedrite and arsenopyrite are visibly present. He also reports other quartz veins in this area.
- 9.11 Schedule I to this report follows this page. The visual image portrayed by this scale of risk inherent in the development of a mineral property, albeit simplistic, conveys the concept of risk reduction. As the various stages of exploration and development are completed the risk factor is reduced and the fair market value correspondingly increased. The GUY mineral claim group is considered to be at Stage 8 in exploration and development.

10.0 RECOMMENDATIONS

10.1 A two-phase program of mineral exploration is proposed as follows:

Phase I

- a) Survey the perimeter of the GUY claim area using a chain and compass to establish the working area relative to any adjoining mineral claims.
- b) When surveying the perimeter and establishing the grid control over the claim area it is proposed to carry out geological mapping to ascertain the contact areas of the acidic intrusives.

SCHEDULE I.

RISK VALUE SCALE FOR MINERAL PROPERTIES

| RISK SCALE | PROPERTY EVENTS | DEGREE RISK | FAIR MARKET VALUE | |
|----------------|------------------------------------|-------------|-------------------|--|
| 10 | Regional Survey | Maximum · | Minimum | |
| 9 . | Property Rights | [] | ł | |
| 8 * | Exploration | | i) I | |
| 7 | Preliminary Evoluation | | | |
| 6 | Conceptual Design | | | |
| 5 | Preliminary Feasibility Study | | | |
| 4 * | Test Mining and Milling Program | | | |
| 3 | Final Feasibility Study | 11 | | |
| 2* | Final Design and Construction | Vi Vi | | |
| 1 | Commercial Production | Minimum | Maximum | |

*Major points of project development expenditures.

- c) Line-cutting is proposed to establish survey control.
- d) It is proposed to carry out geological mapping and to geochemically soil sample, taking rock chip samples where soil is not available, over those zones of alteration including hornfelsed sediments and the sedimentary horizons, found while geological mapping which occur within the basement intrusive complex. This area of sediments, alteration zones and hornfelsed rocks is tentatively estimated at some 60% of the total GUY claim area. The mineralized areas are indicated to be somewhat less in area.
- e) An electromagnetic survey using a Geonics Protem No. 57 model instrument is recommended for at least 2 line-kilometres of field work in those hornfelsed and mineralized contact alteration zones established by geological mapping and geochemical soil and rock sampling carried out in (d) above.
- f) This program of mineral exploration would be helicopter supported because of location.
- 10.2 Contingent upon the results of the mineral exploration work done in the Phase I program and an engineering recommendation to further explore the GUY claim area, it is proposed to carry out a program of diamond drill testing, of any mineral anomalies deemed to have economic potential as follows:

Phase 2

Five BQ core size diamond drill holes each 300 metres in length, are proposed for a total of 1,500 metres of drilling. This proposed program would be helicopter supported. Should the program of diamond drilling be undertaken it is suggested the use of an effective precipitant and coagulant to reduce and/or remove any toxic minerals or metals, manganese, phosphates and suspended solids that may be present in any waste water from the work program. This will endeavor to maintain water quality in the surrounding environment.

11.0 ESTIMATED COST OF THE PROPOSED WORK PROGRAM

11.1 Phase 1

}

| | a) | Survey the perimeter of the GUY claims and establish the position of claim posts over the total GUY claim area | \$ | 10,000 |
|------|--|---|----|---------|
| | ь) | Line-cutting to establish survey control (estimate 160 line-km on a 100-metre grid at \$200/line-km) | | 32,000 |
| | c) | It is proposed to map the geology and geochemically soil sample and take rock chips where soil is not available over those areas indicated from the geological mapping to have alteration zones, sediments and hornfelsed areas (estimate mapping at \$150 per claim-unit and 1230 geochemical samples x \$25/sample using the ICP method and fire-assay analysis for Au, Ag, Pb, Cu, Zn, As, Sb, Hg, Mo | | 42,750 |
| | d) | An EM survey using Geonics Protem No. 57 unit (estimate 20 line-km x \$2,000/line-km) | | 40,000 |
| | e) | Helicopter support (estimate 20 hours x \$750/hour) | | 15,000 |
| | f) | Contingency @ 15% of the above costs for engineering report, emergencies and unforeseen circumstances | | 20,962 |
| | Estim | ated Total Cost of Phase 1 | \$ | 160,712 |
| 11.2 | Phase 2 | | | |
| | a) | 1500 metres of BQ core size @ \$140/metre | \$ | 210,00 |
| | ь) | Contingency @ 20% for core-handling, helicopter support, core analysis, engineering report and unforseen circumstances | | 42,000 |
| | Total | Total Estimated Cost of Phase 2 | | |
| | TOTAL ESTIMATED COST OF PHASES 1 AND 2 | | | |

February 5, 1991

Respectfully submitted,

Boundel W. Jully

Donald W. Tully, P.Eng. Don Tully Engineering Ltd.Consulting Geologist suite 1205, 555-13th street west vancouver, british columbia v7t 2N8

CERTIFICATE

I, DONALD W. TULLY, of the Corporation of West Vancouver, Province of British Columbia, hereby certify as follows:

- 12.1 I am a Consulting Geologist with an office at Suite 1205, 555 13th Street, West Vancouver, B.C.
- 12.2 I am a registered Professional Engineer of the Province of British Columbia and Ontario, a member of the Canadian Institute of Mining and Metallurgy (CIM) and a Charter Member Fellow of the G.A.C.
- 12.3 I have practised my profession for forty-five years.
- 12.4 I have no direct, indirect, or contingent interest in the securities of KRL Resources Corp. or the GUY 1 - 4 mineral claims, record numbers 6368, 6369, 6370, 6371(9), subject of this report, nor do I intend to have any interest.
- 12.5 This report dated February 5, 1991 is based on a knowledge of the claim area from a property examination on December 5, 1989, and from information gathered from available maps and reports and personal communications.
- 12.6 During the past five years, I have not examined any mineral property located within ten kilometres of the subject property.
- 12.7 Written permission from the author is required to publish this report dated February 5, 1991 in any Prospectus or Statement of Material Facts.

DATED at West Vancouver, Province of British Columbia, this $\int_{C} \int_{-\infty}^{\infty} day$ of February, 1991.

Bucket W helly

DONALD W. TULLY, P.Eng. Consulting Geologist

DON TULLY ENGINEERING LTD. SUITE 1205, 555-13TH STREET WEST VANCOUVER, BRITISH COLUMBIA V7T 2N8

12.0

APPENDIX I

MAPS FIGURES 4, 8 THRU 18 INCLUSIVE

DON TULLY ENGINEERING LTD. SUITE 1205, 555-13TH STREET WEST VANCOUVER, BRITISH COLUMBIA V7T 2NB

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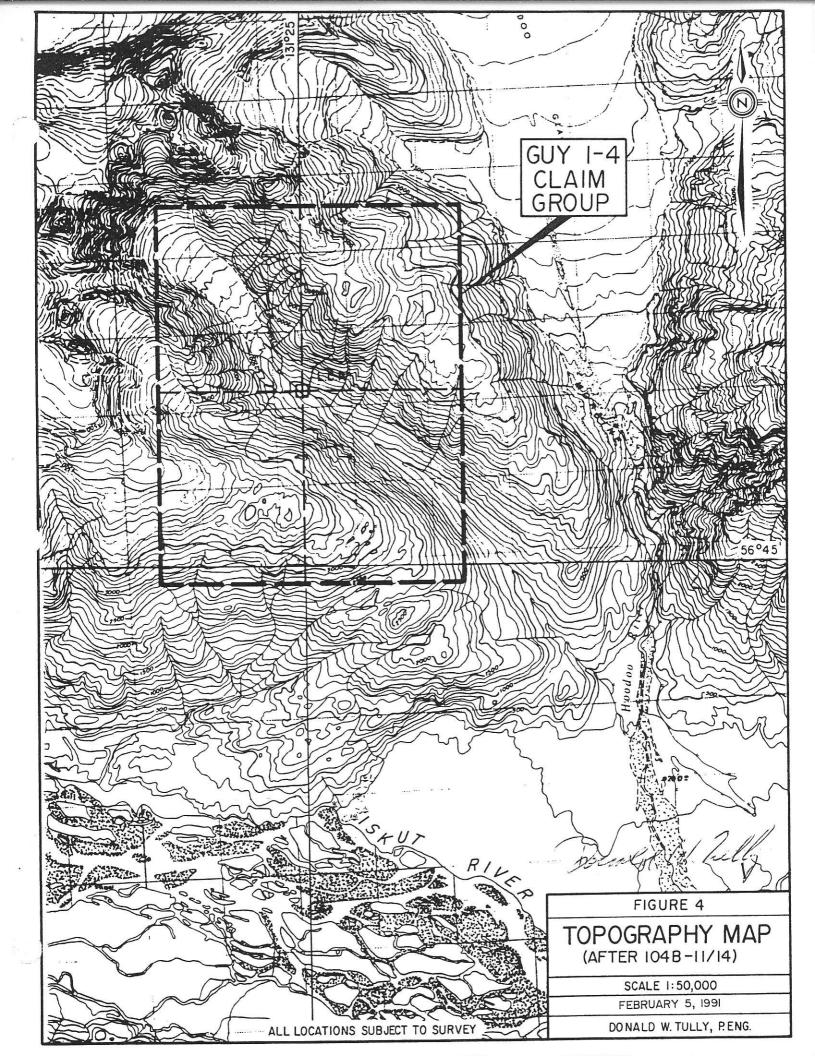
APPENDIX 2

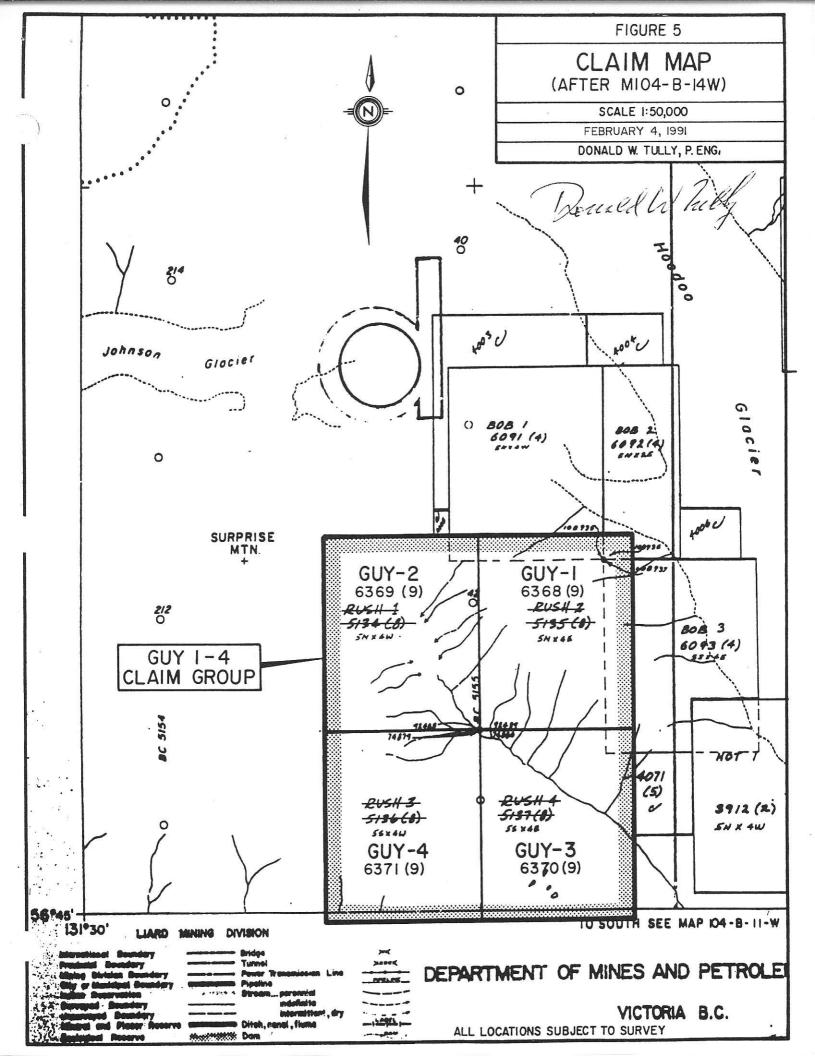
ASSAY CERTIFICATE AS PER REPORT BY P. HOLBEK DATED NOVEMBER 1983 FOR KERR ADDISON MINES LTD.

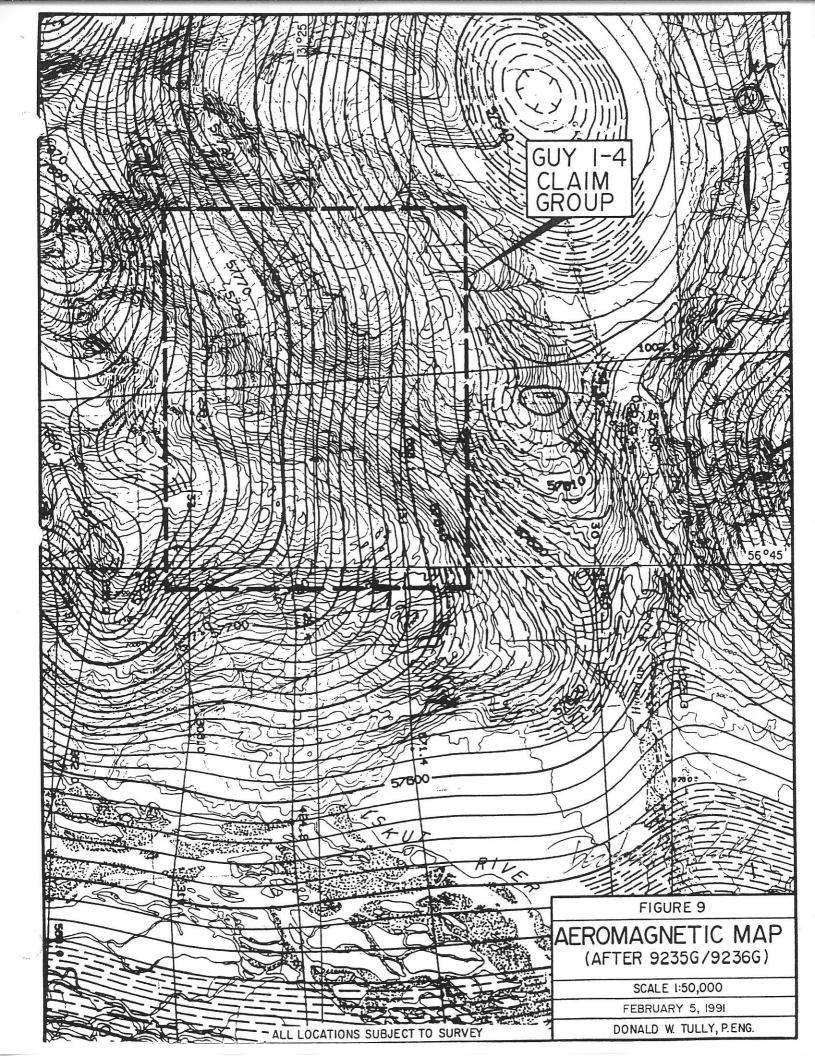
DON TULLY ENGINEERING LTD. SUITE 1205, 555-13TH STREET WEST VANCOUVER; BRITISH COLUMBIA V7T 2N8

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;







* HWP10 - 2.7, 7, 3.6, 15

HEATHER VEIN (I m thick).

HWP4

20.0 , >10 000 , 200.0 , 1550.

- 4.7, 110, 11.0, 10 6 - >100.0 , >10000 ,>1000.0 , 9850

A HWP11-22.0,100,19.4,100

HWP12-4.8,30,3.8, 5

A HWP 27 - 0.6, 5250, 43.0, 10

Ъę. HWP 26 - 1.1, 3, 0.6, 5

A HWP 28 - 5.3, 1300, 43.0, 225

HWP 29 - 19.5 , 890 , 3.2 , 225 HWP 30 - 2.8 , 5 , 0.4 , 15

Ag[ppm], As[ppm], Sb{ppm], Au[ppb].

SCALE - 1: 2000

Figure 5: Sample plan for geochemistry in the vicinity of the Heather Vein. Locations are approximate. 🛦 = soils x= rocks. (See Figure II)

Preseld W. Lelly.

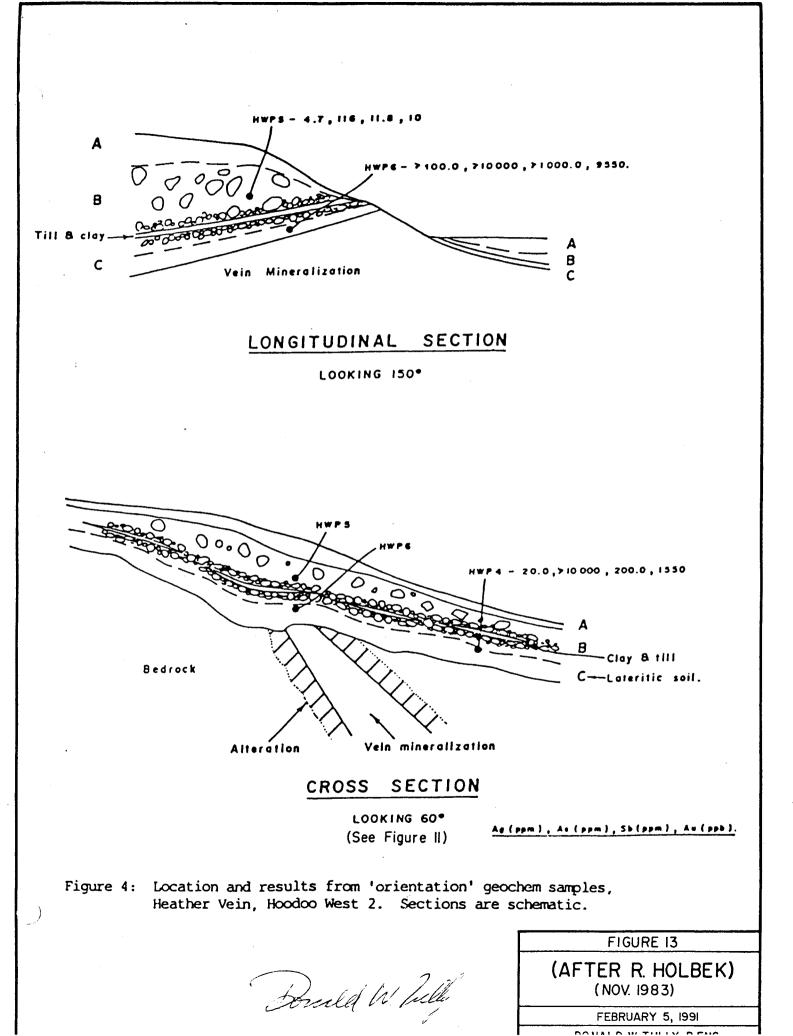
FEBRUARY 5, 1991 DONALD W. TULLY, P. ENG.

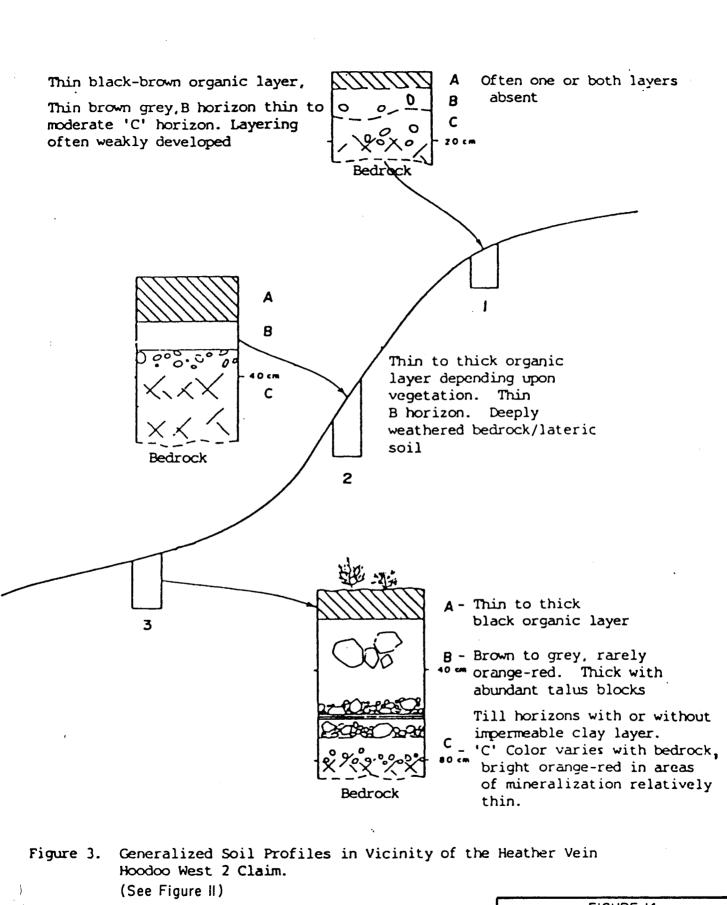
FIGURE 12

(AFTER R HOLBEK)

(NOV. 1983)

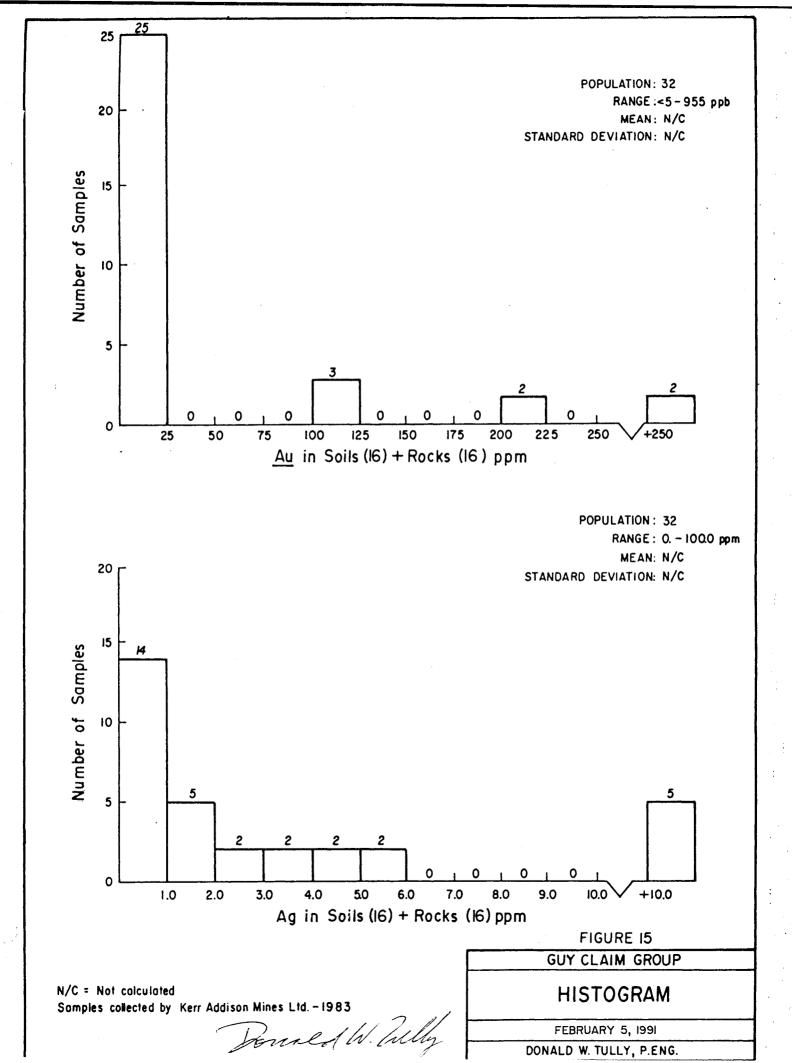
Gully with intermitent creek

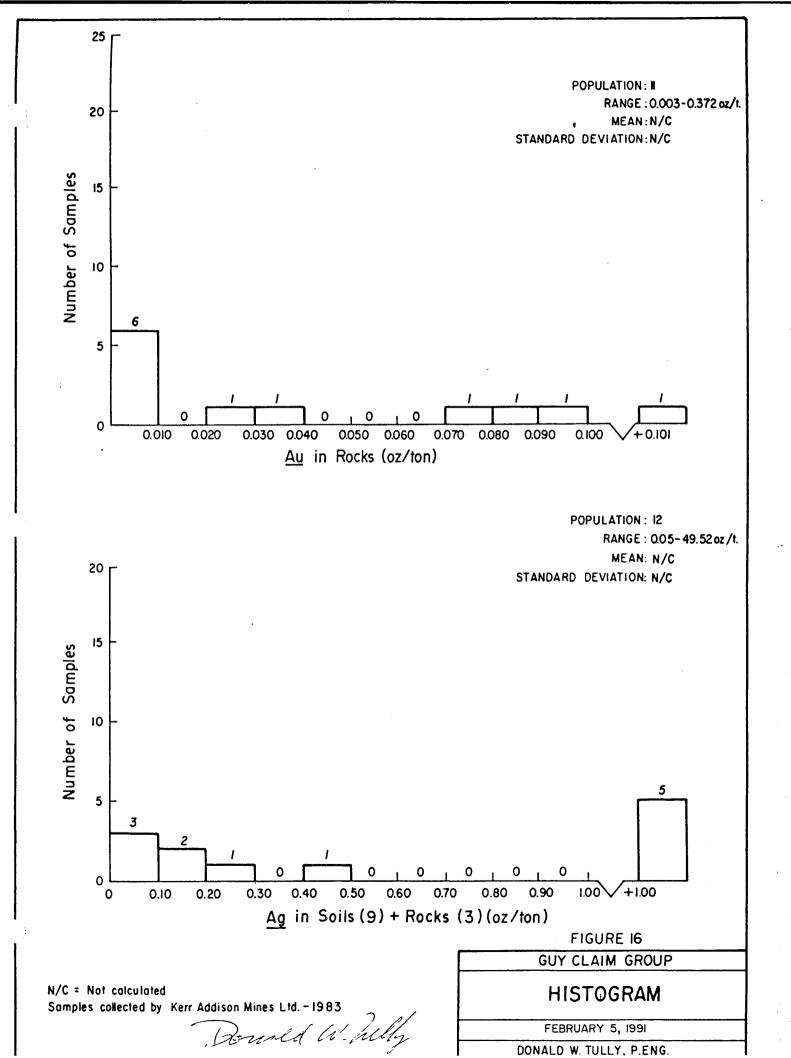


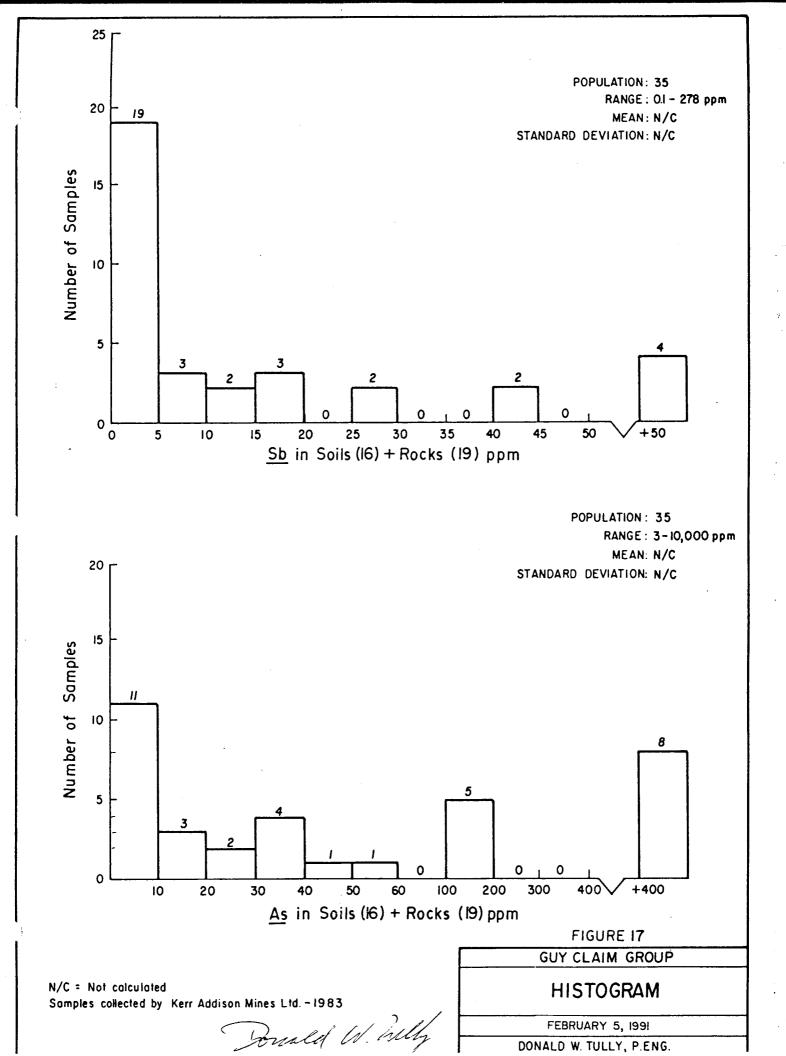


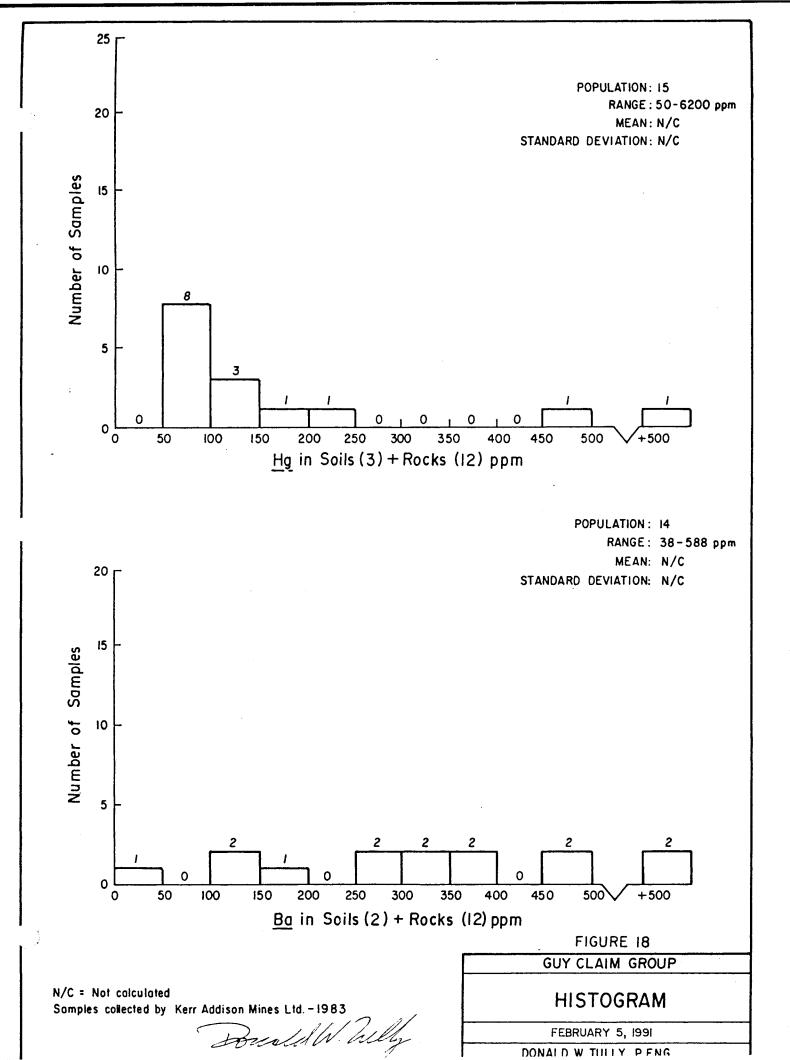
Breald W. hilly

FIGURE 14 (AFTER R. HOLBEK) (NOV. 1983) FEBRUARY 5, 1991 DONALD W. TULLY, P.ENG.









APPENDIX 2

ASSAY CERTIFICATE AS PER REPORT BY P. HOLBEK DATED NOVEMBER 1983 FOR KERR ADDISON MINES LTD.

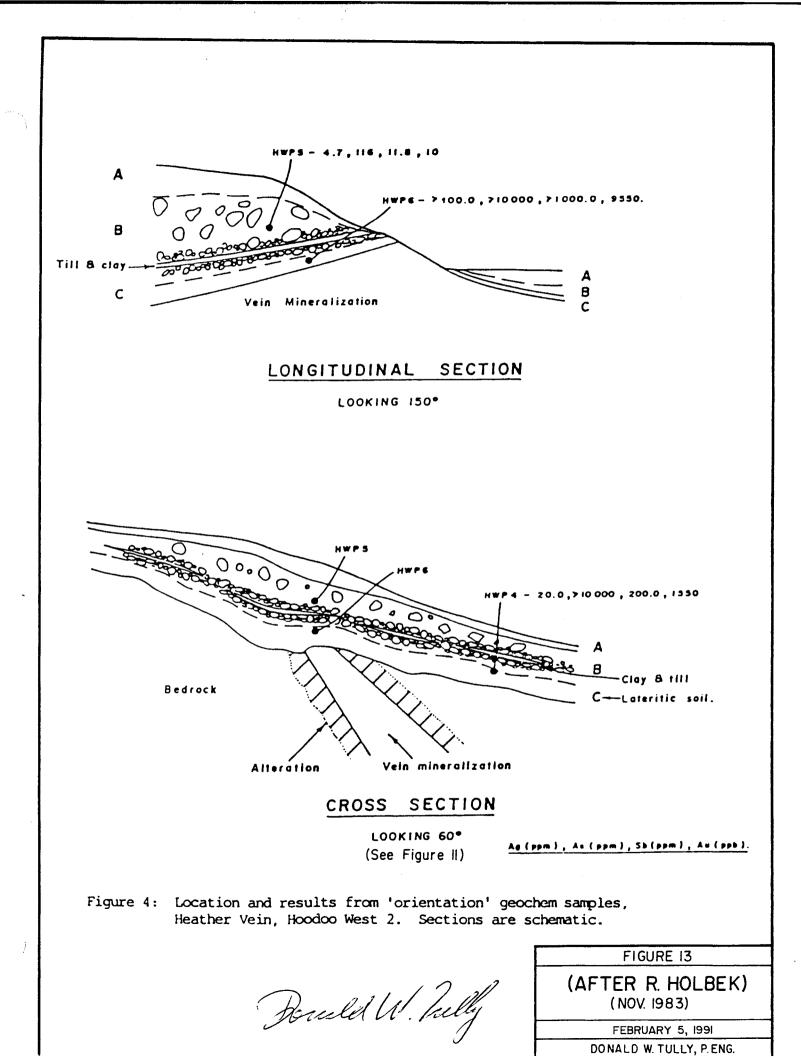
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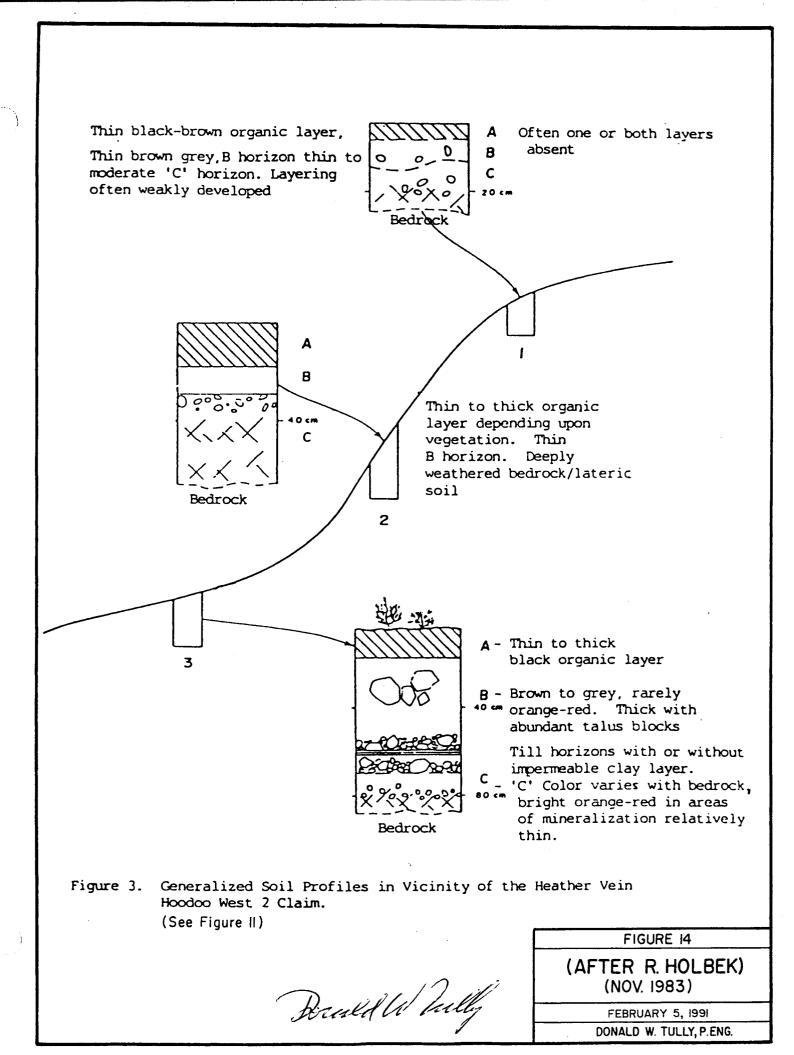
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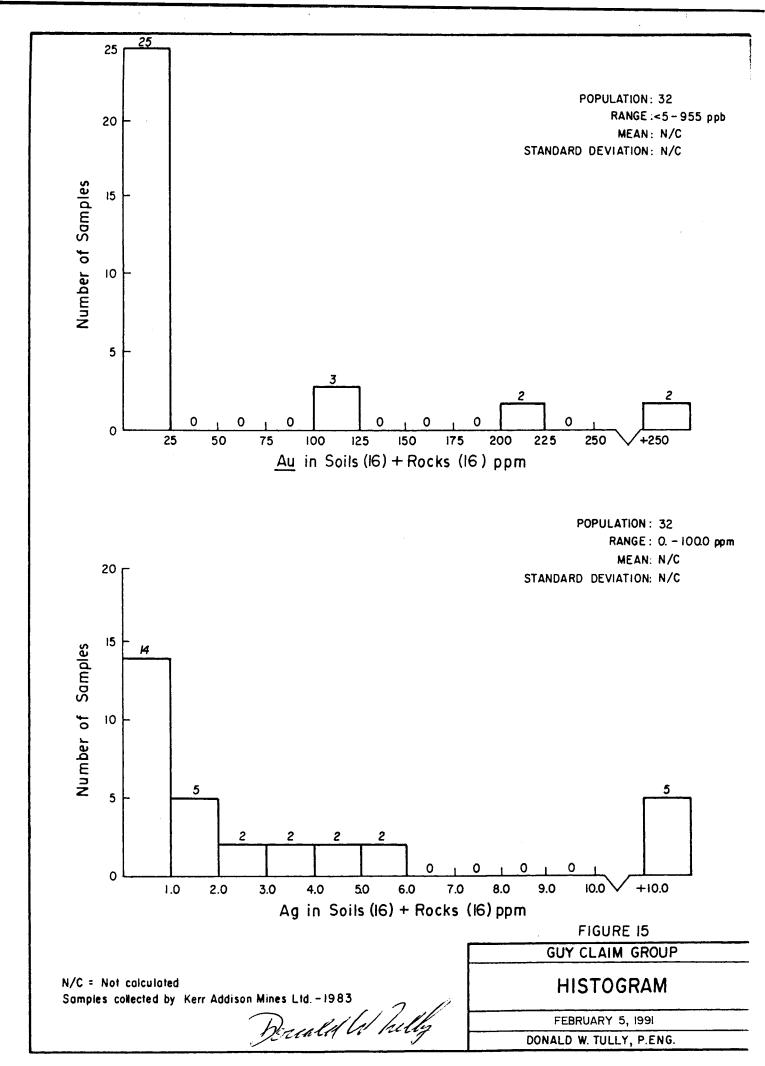
| Saaple descriptio | | | | | | | | | | | |
|------------------------------------|-----------|-----------|-----------|--------------|-------------|-----------|-------------------------|----------------|--------------------|-----------|-----------|
| | n | Cu pps | Pb ppe | Zn pp= | Ag pp# | AS pps | Sb A pp a | u ppb FA+AA | Ag Au oz/t oz/t | Нд рръ | Ba ppe |
| (D63 KAA | 1 | | | | . 6.8 | 14 | 8.1 | (5 | | 118 | |
| P.B.3 HMB | 1 | 500 | 6 | 42 | e. 5 | 7 | 8.6 | 5 | 8.18 (8.883 | | |
| R 53 HJB R 53 HJB | 2 3) | 588 | D | - T L | U. J | • | 0,0 | 5 | 1.34 | |)Heather |
| RES HAD | 3) | 658 | 2358 | 3758 | 31.0 | 178 | 27 8.8 | 188 | | |)Vein are |
| R93 HAB | 4 | | | | | | | | 5.38 8.372 | |)Figures |
| rb3 hmb | 5 | 398 | න | 358 | 3.6 | 16 | 12.8 | 15 | | |) 10,11 |
| des hab | 6 | | | | 8.2 | 9 | 15.4 | (5 | | | |
| P53 HAB | 7 | | | | 8.1 | 38 | 5.8 | 18 | | | |
| des har | 8 | | | | 8.1 | 32 | 6.4 | 5 | | 98 | 710 |
| rs3-HAB | 9 | | | | 8.5 | 128 | 5.8 | 28 | | 70 | 348 |
| 053 1510 | • | | | | | ł | | | 8.22 8.896 | | |
| RES HAP | 1 | | | | | | | | 8. 65 (2. 983 | | |
| rej hap rej hap | 2 3 | | | | | | | | e. 16 (e. re3 | | |
| Des hap | 4 | | | | 28.8 |) 16232 | 288.8 | 1550 | | |) See |
| DES HAP | 5 | | | | 4.7 | 115 | 11.8 | 18 | | |) Figure |
| DS3 HAP | 6 | | | |)168.8) | | | 9558 | | |) 12,13 |
| RB3 HAP | 7* | 8. 84 | 8.24 | 8.24 | | | 8. 836 | 6. 826 | 2.34 8.818 | | • |
| RS3 HHP | 8* | 6.82 | 8.16 | 8.19 | | | 8.382 | 8.828 | 2. 82 8. 828 | | |
| RB3 HAP | g*. | 8.51 | 6.93 | 8.37 | | | R. 128 | 8.527 | 49.52 8.894 | | |
| R53 HWP - | 10 | | | | 2.7 | 7 | 3.6 | 15 | | | |
| d83 HMP | 11 | | | | 22.8 | 198 | 19.4 | 168 | | | |
| D83 HMP | 12 | | | | 4.9 | 38 | 3. 8 | (5 | | | |
| db3 hnp | 13 | | | | 5.2 | 238 | 17.4 | 118 | | | |
| D83 Hap | 14 | | | | 4.8 | 27 | 1.8 | (5 | | | |
| rb3 hnp | 15 | | | | 8.5 | 5 | 8.2 | (5 | | | |
| D83 HMP | 16 | | | | 1.7 | 17 | 8.1 | (5 | | | |
| rb3 hmp | 17 | | | | 1.8 | 7 | 8. 1 | ເວ | | | |
| des hap | 18 | | | | 2.8 | 338 | 7.8 | 5 | | | |
| des hap | 19 | | | | 1.8 | 29 | 2.2 | 5 | | | 07.8 |
| RB3-HMP | 28 | | | | 8.9 | 6 | 1.2 | 5 | | 118 | 268 |
| RB3 HHP | 21 | | | | 4.8 | 43 | 8.8 | 18 | | 58 | 588 · |
| RB3-HMP | 22 | | | | 8.4 8.2 | 6 | 8.6 8.6 | 18 | | . 78 | 588 |
| г.83-ныр R83-ныр | 23 | | | | 8.2 | 5 6 | 6.6 | 5 (5 | | 58 | 168 |
| Rej-twp | 24 25 | | | | 1.1 | 3 | 8.6 | 5 | | 58 | 128 |
| REJ-HAP | 26 | | | | 8.2 | 188 | 11.8 | S | | 88 | 388 |
| Deg-HMP | 27 | | | | 8.6 | 5258 | 43.8 | 18 | | 148 - | |
| D83-HMP | 28 | | | | 5.3 | 1308 | 43.8 | æ | | 188 - | |
| RE3-HMP | 29 | | | | 19.5 | 898 | 3.2 | 225 | | 228 | 488 |
| RE3-HMP | 38 | | | | 2.8 | 5 | | 15 | | 58 | 38 |
| RE3-HAP | 31 | | | | | 758 | 29.8 | | e. e7 e. e38 | | 328 |
| Peg-HAP | 32 | | | | | 51 | 258.8 | | 8.42 8.878 | | 129 |
| PE3-HMP | 33 | | | | | 39 | | | 8.12 8.836 | 6208 | 368 |

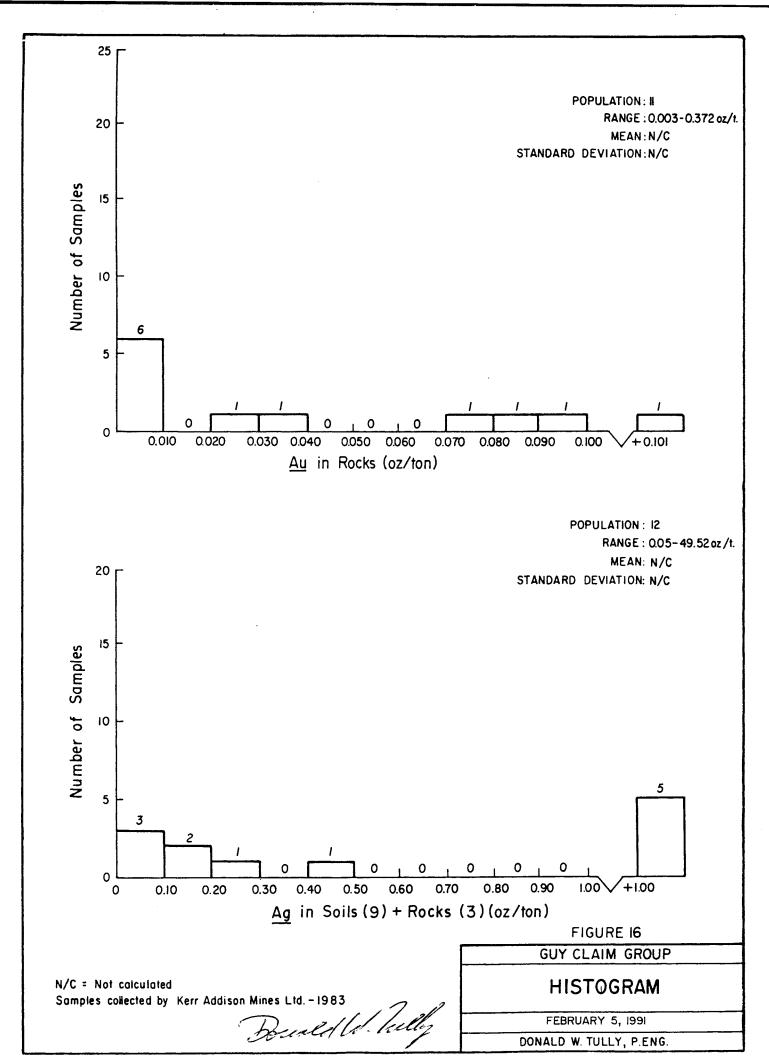
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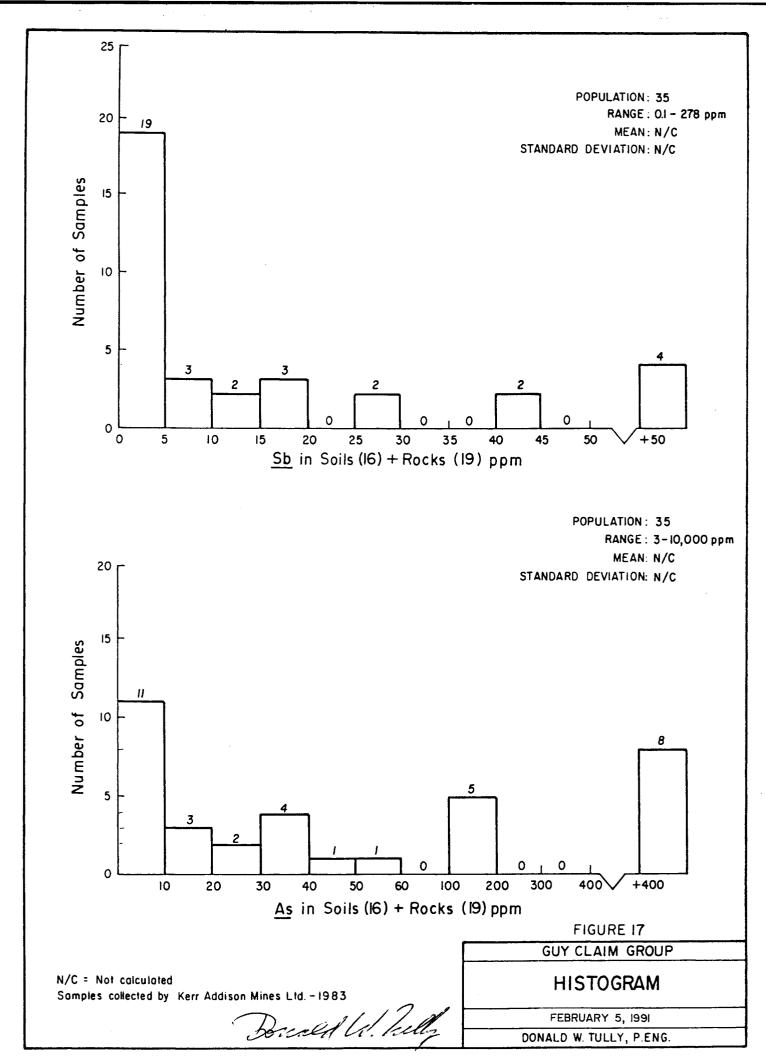
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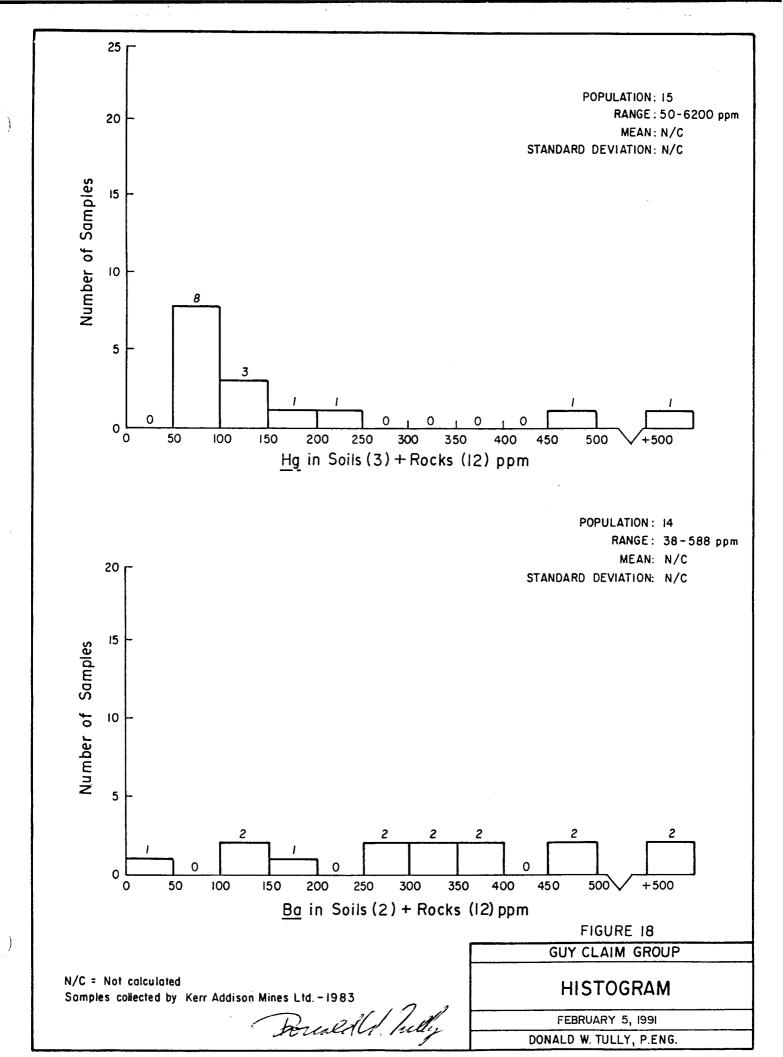








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| client - | : | KERR ADDI (ATTN: RA 783-1112 VANCOLMER VGE 251 | y dujari Kest pen |)IN) | | PENDI | <u>x 2</u> | | | | | |
|----------------------|--------------|--|----------------------|-----------|-------------------|-------------|----------------|-------------------------|--------------|---------------------|-------------|------------|
| Saaple descriptio | n | Cu ppm | Pb ppm | Zn pps | Ag pp s | AS pps | | lu ppb FA +AA | Ag oz/t | Au oz/t | Hg ppb | Ва рри |
| D53 H.A | 1 | | | | · 6. 8 | 14 | 8.1 | (5 | | | 118 | |
| RB3 HMB | 1 | | | | | | | | 8. 18 | (8. 883 | | |
| F63 HAB | 2 | 588 | 6 | 42 | e.5 | 7 | 8.6 | 5 | 1 71 | | |)Heather |
| RB3 HMB | 3) | | 6750 | | 74 0 | 170 | 676 A | 103 | 1.34 | | |)Vein ar |
| Res HAB . | 3/ | 658 | 2350 | 3758 | 31.8 | 1/6 | 27 e. 8 | 188 | 5 79 | e. 372 | |)Figures |
| RES HAB | 4 5 | 398 | හ | 328 | 3.6 | 16 | 12.8 | 15 | 2.30 | 6.316 | |) 10,11 |
| rb3 hmb de3 hmb | 6 | 370 | لتكد | 300 | 8.2 | 9 | 15.4 | (5 | | | | · |
| PS3 HAB | 7 | | | | 8.1 | 34 | 5.8 | 18 | | | | |
| des hab | 8 - | | | | 8.1 | 32 | 6.4 | 5 | | | | |
| RS3-HAB | 9 | | | | 8.5 | 188 | 5.8 | 58 | | | 98 | 348 |
| | | | | | | | | | | | | |
| R63 H#P | 1 | | | | | | | | | 8.896 | | |
| r:e3 hap | 2 | | | | | | | | | (8.983 | | |
| reg hap | 3 | | | | 50.0 |) 10222 | 288.8 | 1558 | č. 16 | (e. 1 03 | |) See |
| des hyp | 4 5 | | | | 4.7 | 116 | 11.8 | 18 | | | |) Figure |
| DS3 HWP | 6 | | | |) 168.8 | | | 9558 | | | |) 12,13 |
| RB3 HAP | 7* | 8.84 | 8.24 | 8.24 | | | 8.836 | | 2.34 | 6. 818 | | · |
| R53 HAP | 8 😤 | 6.82 | | 8.19 | | | 6.382 | 8.828 | 2. RC | 8. 828 | | |
| rb3 hap | 9 * . | 8.51 | | 8.37 | | | 8. 128 | 8.527 | 49.52 | 8. 894 | | |
| R53 HMP - | 18 | | | | 2.7 | 7 | 3.6 | 15 | | | | • |
| d83 hap | 11 | | | | 22.8 | 100 | 19.4 | 168 | | | | |
| d83 hhp | 12 | | | | 4.9 | 38 | 3.8 | (5 | | | | |
| DB3 HNP | 13 | | | | 5.2 | 238 | 17.4 | 118 | | | | |
| DS3 HAP | 14 | | | | 4.8 | 27 | 1.8 8.2 | (5 (5 | | | | |
| rb3 hwp db3 hwp | 15 16 | | | | 8.5 1.7 | 5 17 | 8.1 | (5 (5 | | | | |
| RB3 HMP | 17 | | | | 1.8 | 7 | 8. 1· | (5 | | | | |
| des hap | 18 | | | | 2.8 | 338 | 7.8 | 5 | | | | |
| des hap | 19 | | | | 1.8 | 29 | 2.2 | 5 | | | | |
| RB3-HMP | 28 | | | | 8.9 | 6 | 1.2 | 5 | | | 118 | 258 |
| rb3 hwp | 21 | | | | 4.8 | 43 | 8.8 | 18 | | | | |
| RB3-HMP | 22 | | | | 8.4 | 6 | 8.5 | 18 | | | 58 | 588 |
| F.B3-H#P | 23 | | | | 8.2 | 5 | 8.6 | 5 | | | 78 | 528 |
| RE3-HMP | 24 | | | | 8.2 | 6 | 8.6 | (5 | | | 58 50 | 188 |
| re3-1NP re3-1NP | ත x | | | | 1.1 6.2 | 3 | 8.6 | 5 | | | 58 88 | 128 388 |
| Des-Hap | 26 27 | | | | 8.6 | 188 5258 | 11.8 43.8 | (5 10 | | | 00 148 ≁ | |
| DS3-HMP | 28 | | | | 5.3 | 1388 | 43.0 | 225 | | | 188 ~ | |
| RE3-HMP | 29 | | | | 19.5 | 898 | 3.2 | 225 | | | 2218 | 488 |
| RE3-HMP | 38 | | | | 2.8 | 5 | 8.4 | 15 | | | 58 | 38 |
| re3-hrip | 31 | | | | | 758 | 29.8 | | | 829.9 | 98 | 328 |
| Pez-IMP | Z | | | | | 51 | 258.8 | | | 2 8.878 | 468 | 128 |
| <u>993-194</u> 0 | 33 | | | | | 39 | 30. 8 | | 8. 12 | e. 136 | 6208 | 368 |