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**REPORT ON THE FH CLAIMS
DAK RIVER, ALICE ARM AREA, B.C.
SKEENA MINING DIVISION
103 P 11**

For
**XYZ RESOURCES LTD.
789 HASTINGS STREET,
VANCOUVER, BRITISH COLUMBIA**

By
**HAROLD M. JONES, P. Eng.
HAROLD M. JONES & ASSOCIATES INC.**

April 10, 1996

TABLE OF CONTENTS

	<u>Page</u>
SUMMARY	1
INTRODUCTION	
Location and Access	2
Topography and Vegetation	3
Property	3
History and Previous Work	4
GEOLOGY	7
General Geology	7
Property Geology	9
ALTERATION AND MINERALIZATION	10
EXPLORATION RESULTS - 1991 - 1993	11
DISCUSSION	12
CONCLUSIONS	13
RECOMMENDATIONS	13
Cost Estimate	14
REFERENCES	15
CERTIFICATE	16

List of Illustrations

	<u>Following Page</u>
Figure 1 Location Map	2
Figure 2 Claim Map	2
Figure 3a General Geology	7
Figure 3b Legend for Figure 3a	7
Figure 4 Property Geology	9
Figure 5 Soil Geochemistry - Au & Cu	11

- 1 -

SUMMARY

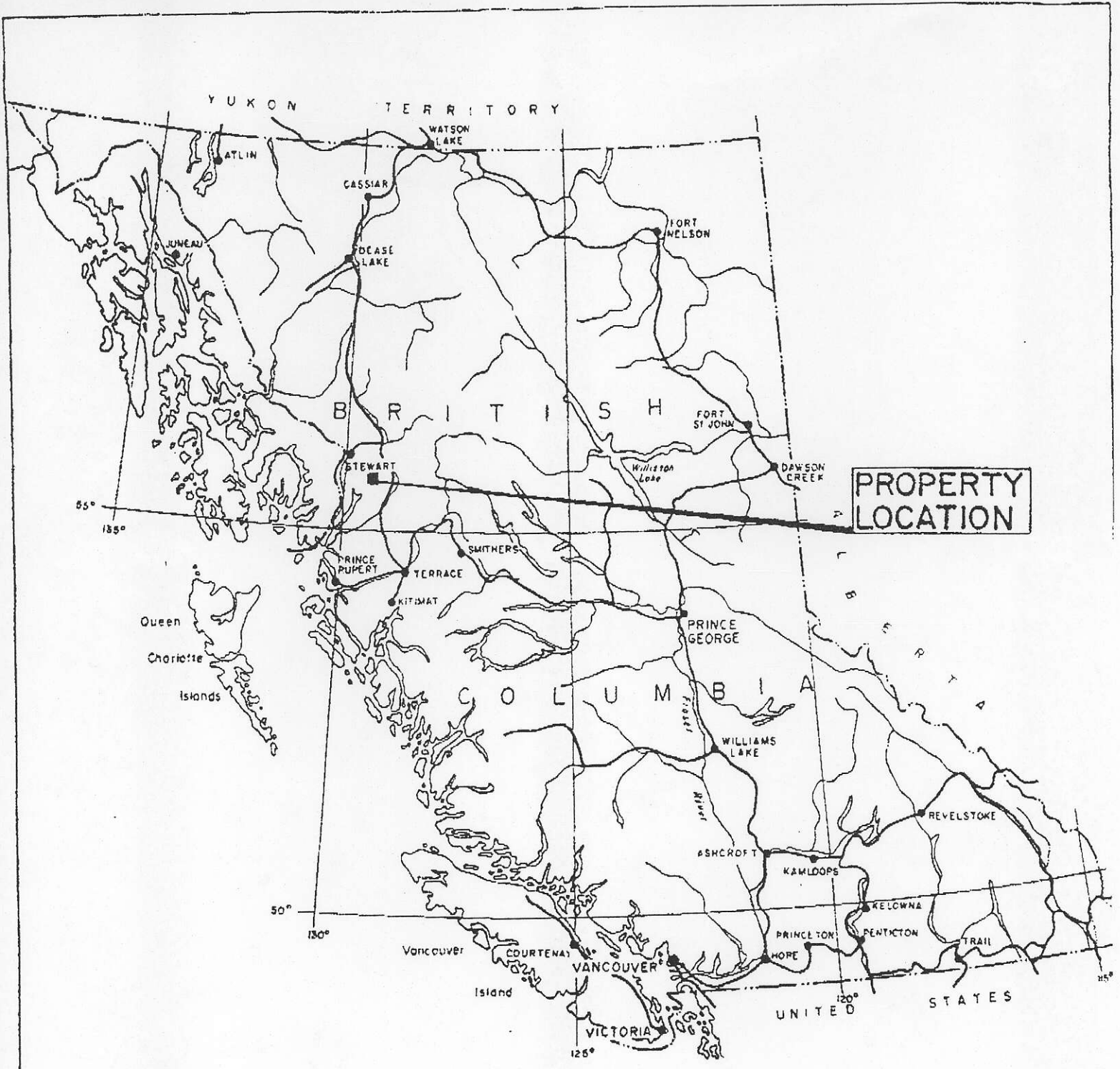
The FH claims are located in the Alice Arm area of northwestern British Columbia approximately 40 kilometres southeast of Stewart. While they are only a few kilometers from tide water, access is presently by helicopter.

The property is on the eastern margin of the Coast Plutonic Complex and is underlain by dioritic intrusives in Hazelton Group Volcanic and Sediments.

Numerous mineral occurrences are present in the Alice Arm area including a number on and in proximity to the FH claims. Many are structurally controlled silicified zones on quartz veins mineralized with one or more of silver, gold, lead, zinc and copper. Prophyry molybdenum deposits are also present, including the now closed B.C. Moly Mine.

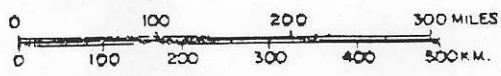
Proectors and mining companies have been attracted to the FH claims area since the early 1900's, mostly because of a prominent iron gossanous zone called Red Bluff, which is located on crown granted claims at the north western edge of the property. Some significant copper values were obtained in this area. Reconnaissance soil and rock sampling have been concentrated in this area and south onto the ground now covered by the FH claims. Between 1990 - 93 the property owner and later Noranda Explorations, the latter who held an option on the ground, conducted reconnaissance soil and rock sampling, defining a coincident gold, copper anomaly approximately 1000 metres long and up to 500 metres wide. Values within the anomaly commonly ranged from 110 to 580 ppb Au with less higher values to 21,000 ppb Au and copper values ranging from 238 to 1442 ppm Cu. Other narrow lenticular anomalies were also located.

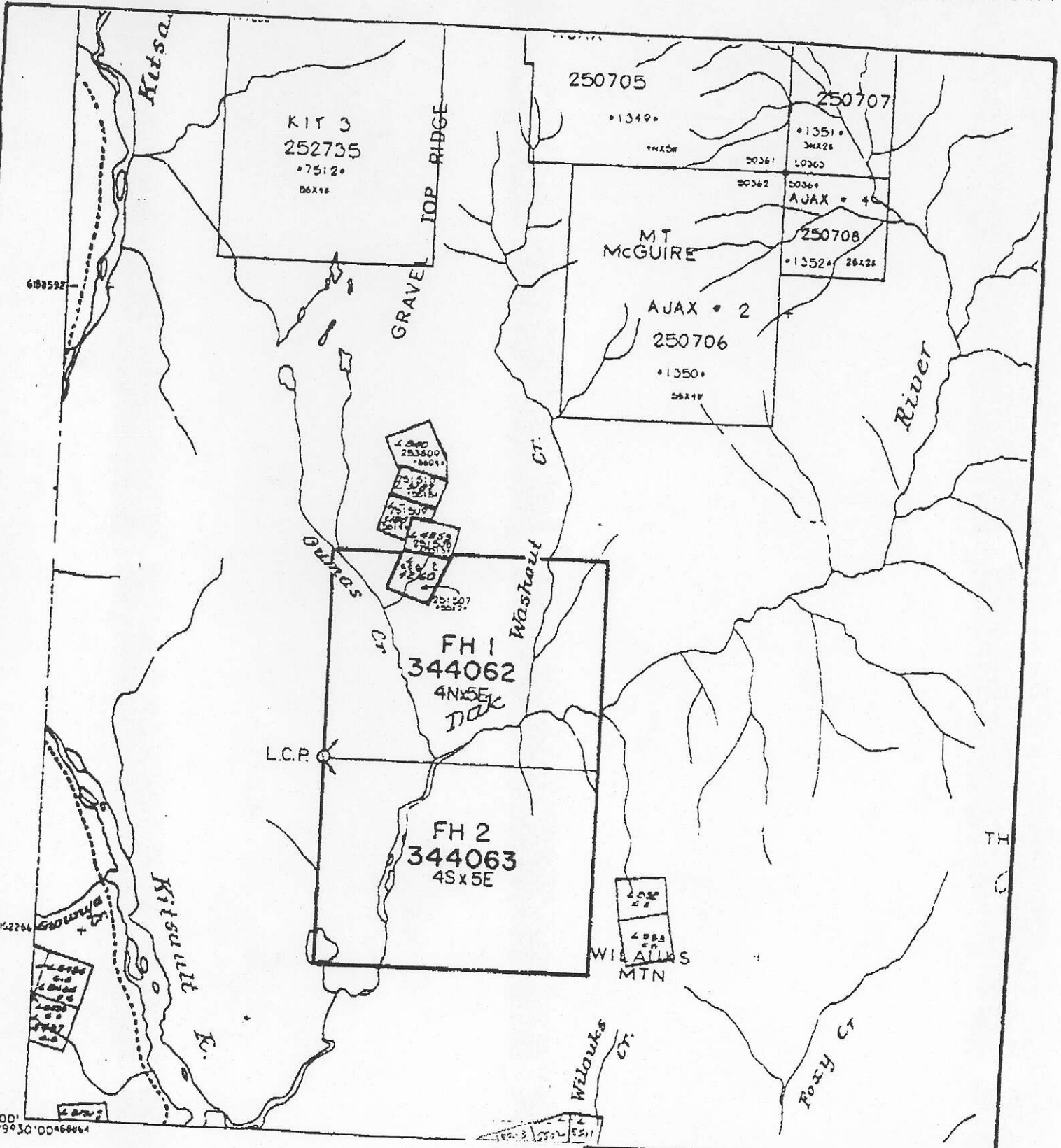
The above is the most detailed work conducted in the present claims area. Additional detailed geological mapping and soil and rock sampling are warranted to explore the anomalous area for bulk tonnage, low grade copper - gold in mineralization. A Stage I program, estimated to cost \$106,000, is recommended to conduct the above work. Based on the results obtained, a preliminary diamond drilling program is recommended as Stage II at an estimated cost of \$166,000.



**PROPERTY
LOCATION**

H.M. JONES & ASSOCIATES INC.		VANCOUVER, B.C.	
FH CLAIMS LOCATION MAP			
DAK RIVER, ALICE ARM AREA			
N.T.S. 103P-11W		SKEENA M.D., B.C.	
SCALE : AS SHOWN		APRIL 1996	FIG 1





H. M. JONES & ASSOCIATES INC. VANCOUVER B.C.

FH CLAIMS CLAIM MAP

DAK RIVER, ALICE ARM AREA
N.T.S. 103P-11W
SKEENA M.D., B.C.



- 2 -

INTRODUCTION

This report was prepared at the request of Mr. Clive Brookes, president of XYZ Resources Ltd. Data for the report was from the writer's personal knowledge of the area and from published reports (see References). The writer examined, worked and reported on various parts of the general area during 1987 - 1990 when Great Northwest Resources Corp. held a large block of claims totalling 485 units covering the Dak River to Illiance River area. The FH claims are within the western part of this area.

The purpose of this report is to review the FH claims and recommend an exploration program, if warranted.

Location and Access

55° 32' North Latitude)	to approximate centre
129° 26' West Longitude)	of claims

The claim block is located at the head of Alice Arm, an inlet branching off the north end of Observatory Inlet (Figure 1). It is accessible by helicopter from Stewart, 40 kilometres to the northwest, or from Terrace, 90 kilometres to the southeast. Locally, the claims are 5 kilometres northeast of Alice Arm. They straddle the Dak River, lying on the southern slopes of Mt. McGuire and the western slopes of Wilaux Mountain.

Kitsault, the abandoned townsite for Amax's B.C. Moly mine, is situated on the east side of Alice Arm and is accessible by road from Terrace via a branch road off the Nass Valley road. When the writer last visited the area in 1990 arrangements had to be made with the mine site to use this road since it is blocked by a locked gate. It is approximately 5 kilometres to the claims from Kitsault but with no road access.

- 3 -

The old town of Alice Arm, now almost a ghost town, is located across the inlet from Kitsault. dock facilities at this site permit the unloading of barges and is currently being used by those working on the old Dolly Varden mine project.

There is no ground access to the claims. The old road used to service Newmont's Ajax property, which was strictly a cat road, passes through the FH claims but is in complete disrepair and would require numerous bridges across the Dak River, as well as one across the Kitsault River, before it could be used.

Topography and Vegetation

The claims are within the Boundary range of the Coast Mountains. These are characterized by rugged, steep-sided, north-trending fiords and glacial valleys dissected by numerous high gradient streams draining easterly and westerly from ice fields and/or snow and ice-filled cirques.

Valleys and slopes to about 1,050 metres are well forested with conifers while above this elevation open, grassy, steep slopes and ridges, talus slopes, cliffs and in some areas, ice fields are common. A thick undergrowth of small brush, devils club, etc. are common in the valleys.

Elevations range from near sea level to approximately 800 metres on the upper slopes.

Property

The property consists of two claims totalling 40 units. They are (see Figure 2):

Claim Name	No. of Units	Tenure No.	Date of Location
FH1	20	344062	February 28, 1996
FH2	20	344063	February 28, 1996

- 4 -

The claims are owned by Frank Onucki, 209 - 2040 Barclay Street, Vancouver, B.C., V6G 1L5

History and Previous Work

The Alice Arm area has been actively prospected since the early 1900's. During this period a large number of mineral occurrences were located, some of which developed into producing mines. The abundance of mineral occurrences is graphically illustrated on Open File Map 1986/2 (Alldrick et. al.[1986]) where the location of 120 mineral properties are shown, most of which lie within a narrow north-trending belt following the Kitsault River. Most of these deposits are structurally controlled silicified zones or quartz veins mineralized with one or more of silver, gold, lead, zinc, and copper. Porphyry molybdenum deposits also occur in the area, lying on the eastern and southern fringes of the mineralized belt.

Former producing mines in the area included:

Mine	Tons	Gold (oz)	Silver (oz)	Copper (lbs)	Lead (lbs)	Zinc (lbs)
Torbrit Silver	1,379,300	110	18,646,304	-	10,732,871	623,993
Dolly Varden	36,850	-	1,364,847	421	2,048	-
Esperanza	4,980	256	143,115	2,623	13,300	-
Silver Tip	27	10	2,208	-	8,010	11,209
Speculator No.2	70	14	15,992	-	4,382	3,375
LeRoy	40	-	6,971	-	-	-
Wolf	40	7	4,947	160	767	725

* from B.C. Mineral Inventory

B.C. Moly, the only producer of molybdenum in the district, operated between 1967 - 72 producing 46,153,534 lbs. of molybdenite.

- 5 -

Approximately 20 kilometres west of Alice Arm, mines in the Anyox area produced in excess of 14,000,000 tons yielding approximately 350,000,000 lbs of copper, 7,000,000 ounces silver and 130,000 ounces gold.

The Red Bluff area, located at the northwest edge of the FH claims and partially overstaked by them, was also explored in the early 1900's. Prospectors were attracted to this area by a prominent iron gossan on the ridge between Gumas and Washout Creeks. It was tested by several short adits. This area is covered by the FH claims and four reverted Crown grants owned by M. Boyle - Sunbeam (L.3187), Albion (L.3188), Red Bluff (L.4259) and Devils Club (L.4260).

During 1966 - 68, Northlodge Copper Mines Ltd. and Kennco Exploration Ltd. and in 1980 Amax Explorations Ltd. conducted reconnaissance geological-geochemical surveys over parts of the Red Bluff area. These programs were oriented toward locating copper-molybdenite porphyry-type deposits within a large pyritized porphyry body. Only the latter company assayed their samples for gold. The results of the above exploration indicated that the area contained anomalous amounts of copper, molybdenum and gold in soils and rocks.

Newmont Mining Corp.'s Ajax Moly property is located 3 km north of the Red Bluff area. Considerable diamond drilling on this property in the mid-1960's developed a mineral resource of approximately 200,000,000 tons grading 0.12% Mo. An old gold prospect, the LeRoy, is located in the eastern part of this property.

During 1987 - 89, Great Northwest Resources Corp. conducted prospecting programs on the MB claims mostly in the vicinity of the old Standard and Sunrise properties, which lies just to the south of the FH claims (Figure 2). During this period numerous old pits and trenches were located, mapped and sampled Jones (1990). This work indicated that significant zinc mineralization was present in the areas explored.

In 1990 Noranda Exploration Ltd. examined the northern end of the Red Bluff property, in the

- 6 -

vicinity of the gossanous bluff of the same name. They ran several reconnaissance soil lines. Results from these returned some samples anomalous in gold and copper. They were sufficiently interested in the claims to make a tentative offer to option the property from M. Boyle and Great Northwest Resources Corp.

In 1991 Boyle (Great Northwest Resources Corp.) conducted a reconnaissance soil sampling program on the slopes extending south from the Red Bluff area to the Dak River and on the lower western slopes of Wilaux mountain. These samples returned a number of locations anomalous in one or more gold, arsenic, copper, molybdenum, zinc and to a lesser degree silver. The results clearly indicated that significant gold and copper mineralization may be present in the area and that additional exploration was warranted.

In 1992 Hemlo Gold Mines Inc. optioned the Red Bluff part of the large property held by Great Northwest Resources Corp. and M. Boyle, with Noranda Exploration Ltd. being the operator. In 1992 they laid out a grid and conducted geological mapping, soil and rock sampling over the northern part of the optioned ground. Significant anomalous values were obtained in Au, Cu, As and Zn. The following year they extended the grid to the south as well as filled in intermediate grid lines in areas of significant Cu-Au anomalous soil sample sites. Although they defined a large Cu-Au geochemical anomaly they terminated their option in 1993. The results of this recent exploration will be reviewed in the following report.

Active exploration was and is being conducting in the Torbrit Silver-Dolly Varden Mines area, 15 km to the northwest, as well as at Red Mountain, 50 km to the north northwest of the FH claims. In the Red Mountain area Lac Minerals reported geological reserves of 2.5 million tonnes grading 12.8 gpt Au and 38.1 gpt Ag (1994) on the Red Mountain property. Gold is spatially associated with a brecciated contact between hornblende feldspar porphyry and bedded volcanoclastics and sediments of the Hazelton Group.

GEOLOGY

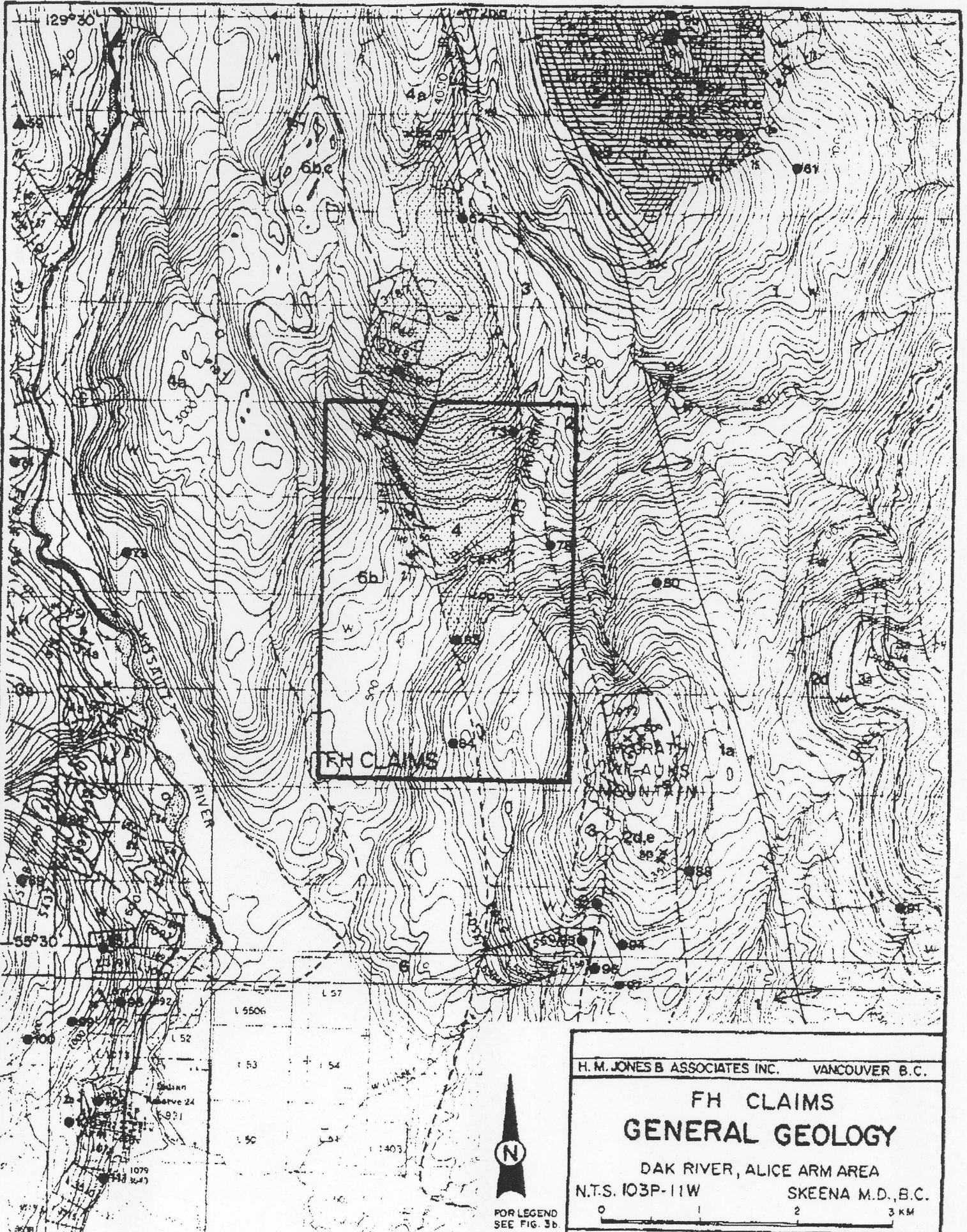
General Geology

The Alice Arm area is located on the eastern contact of the Coast Plutonic Complex where it intrudes the west-central margin of the Bowser Basin. Geologically, geographically and economically the country rocks to the east of the Coast Plutonic complex form a well defined entity (Grove, 1986) which he has termed the Stewart Complex.

In the Alice Arm area the Stewart Complex includes sedimentary and volcanic rocks of the Hazelton Group which has been subdivided into a number of formations, most of which are present in the Alice Arm area.

These are:

- Nass Formation** - Upper Jurassic: primarily siltstone, greywacke and sandstone, minor argillite, conglomerate, sandstone.
- Salmon River Formation** - Middle Jurassic: consists mostly of siltstone, greywacke, and sandstone with minor limestone and conglomerate, includes massive rhyolite and rhyolite breccias, tuffaceous beds.
- Bette Creek Formation** - Middle Jurassic: consists mainly of beds of red and green epiclastic volcanic sandstone and conglomerate, also breccias, tuffs and pillow lavas.
- Unuk River Formation** - Lower Jurassic: mostly thick bedded green, red and purple volcanic breccia, conglomerate, sandstone and siltstone intercalated with tuffs, pillow lavas and flows.



PROVINCE OF BRITISH COLUMBIA
MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES

OPEN FILE MAP 1986/2


GEOLOGY OF THE KITSALTY RIVER AREA
NTS 103P

Geology by D. J. Allardick, G. L. Dawson, J. A. Basher, and J.C.L. Webster
Compilation and drafting by G. L. Dawson


LEGEND


INTRUSIVE ROCKS

TERTIARY
EOCENE AND YOUNGER

 DYKES: diorite, microdiorite (a); lamprophyre (b); diorite, sill phase (c)


EARLY TO MIDDLE EOCENE

 ALICE ARM INTRUSIONS: quartz monzonite (a); biotite quartz monzonite porphyry (b); sericite quartz monzonite porphyry (c)


 COAST RANGE BATHOLITH: quartz monzonite (a); granodiorite (b)

VOLCANIC AND SEDIMENTARY ROCKS


QUATERNARY
PLEISTOCENE


 MAFIC VOLCANICS: olivine basalt flows


JURASSIC
MIDDLE TO UPPER JURASSIC


 UPPER SEDIMENTARY UNIT: basal fossiliferous wacke (a); siltstone, shale, and minor sandstone (b); intraformational conglomerate (c); limestone (d)


LOWER TO MIDDLE JURASSIC

 EPICLASTIC AND FELSIC VOLCANIC UNIT: maroon and green volcanic conglomerate, breccia, and minor sandstone (a); black siltstone, argillite, wacke, and limestone (b); greenish grey dacitic pyroclastic rocks and feldspar porphyritic flows (c)


 INTERMEDIATE VOLCANIC UNIT: green and minor maroon andesite pyroclastic rocks (a); feldspar & hornblende andesite porphyry (b); black siltstone (c); maroon siltstone, sandstone, and conglomerate (d); limestone and fossiliferous limestone (e); chert (f)

 MIDDLE SEDIMENTARY UNIT: black siltstone (a); limestone and fossiliferous limestone (b); green and purple volcanic breccia with minor siltstone, sandstone, and conglomerate (c); interbedded siltstone, sandstone, wacke, and polygenic pebble conglomerate (d)

 MAFIC VOLCANIC UNIT: olivine porphyry basalt flows (a); augite porphyry basalt flows and pillowed flows (b); basaltic pyroclastic rocks (c); basaltic conglomerate (d); black siltstone, sandstone, wacke, and limestone (e)

 LOWER SEDIMENTARY UNIT: black siltstone, argillite, shale (a); black wacke, sandstone, limestone (b)

ALTERATION








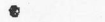

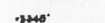



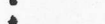


BIOTITE HORNFELS 

SILICIFICATION-SERICITIZATION-PYRITIZATION 

Abbreviations

Barite	Ba	Lead	Pb
Chalcopyrite	cp	Molybdenum	Mo
Chlorite	chl	Nickel	Ni
Cobalt	Co	Pyrite	py
Copper	Cu	Pyrrhotite	po
Epidote	ep	Silica	Si
Galena	gn	Silver	Ag
Gold	Au	Sphalerite	sp
Iron	Fe	Zinc	Zn
Jasper	Ja		

SYMBOLS

Adit	
Anticline (normal, overturned)	
Bedding, tops unknown (horizontal, inclined, vertical) ..	
Bedding, tops known (inclined, overturned)	
Contours (interval 500 feet)	
Fault, arrows indicate sense of movement (defined, approximate)	
Fossil locality	
Geological contact (defined, approximate, assumed)	
Height in feet above mean sea level	
Limit of alteration	
Mineral occurrence, trench, or pit	
Minfile location: accurate within 500 metres	
Minfile location: accurate within 1 kilometre	
Schistosity (horizontal, inclined, vertical)	
Syncline (normal, overturned)	
K-Ar Date (Ma)	

MAP NO.	NAME	COMMODITIES	MINFILE NO.
58	LEAGY	Pb, Ag, Au	163
59	EAGLE	Fe	174
60	LOX	Pb, Zn, Ag	164
61	BUTTE	Pb, Zn, Ag	165
62	DREVEREA	Cu, Pb, Zn	162
63	HOKANCH	Cu	15
64	DOLLM HILL	Pb, Zn, Ag	229
65	LA ROSE	Ag, Pb	170
66	ST. CLOU	Ag	171
67	SPECULATOR 2	Ag	172
68	SILVER BAR	Ag, Be	142
69	MORSECT	Pb, Zn, Ag	-
70	RED BLUFF	Cu	160
71	BUNKER HILL	Ag, Pb	173
72	SILVER BELL	Ag, Cu, Pb, Zn	141
73	FOX	Cu, Zn	161
74	CAPE HOME	Zn	160
75	SILVER STAR	Ag	143
76	GREY GOOSE	Ag, Pb, Zn	140
77	BELLEVUE	Ag, Pb, Zn	139
78	WAR DANCE, 1A	Cu, Zn, Ag	156
79	BLUESIDE	Ag, Pb	146
80	SILVER CHORD, SILVER BAR	Pb, Zn, Ag	159
81	SILVER STAR, SILVER WING, SILVER CREST	Pb, Zn, Ag	169
82	OLK	Ag	-
83	SAN DIEGO	Cu	155
84	DEVLIN ZONE	Ag, Zn	-
85	PAY MASTER, ALICE	Ag	130
86	BEAVER EXTENSION	Ag	137
87	TRON	Au, Ag	136
88	MAC, SCHWISS, SILVER BAND	Zn	147
89	ANNA PRICK	Ag	129
90	GOLDEN CHEST	Cu	138
91	HABESMOE	Cu	148
92	SILVER STAR	Ag, Pb	169
93	STANWAD	Zn	148
94	KERT, RALE LEAF	Zn	151
95	LOME MAID	Zn	128
96	NICHLAND	Zn	150
97	BILLY MAC	Zn	149
98	ESPERANZA	Ag, Cu, Pb, Zn	126
99	ACADIA	Ag, Zn	127
100	BILLY BARTON	Ag, Pb, Zn	123
101	LOME STAR, ALANZIA	Zn	153
102	UTOPIA, LYON	Ag, Pb, Zn	122
103	INDIANNA'S	Ag, Pb	134
104	WOLF	Ag	125
105	SILVER LEAF	Ag	125
106	INDEPENDENT	Ag, Pb, Zn	131
107	COPPER CADEE	Pb	251
108	SILVER BELL	Pb, Zn	154
109	CASEY, BROWN BEAR	Pb	132
110	THREE HOLE	Ag, Pb, Zn, Au	132
111	CARBON FRACTION	Ag	224

H. M. JONES & ASSOCIATES INC. VANCOUVER, B.C.

FH CLAIMS
LEGEND FOR FIG. 3a

DAK RIVER, ALICE ARM AREA

N.T.S. 103P-11W

SKEENA M.D., B.C.

- 8 -

The above rocks are intruded by the Coast Plutonic Complex. It consists of multiple intrusions ranging in age from Triassic to Cretaceous. In the Alice Arm - Stewart area, Grove (1986) has subdivided the eastern margin of the complex into a number of intrusive phases. These include: the Texas Creek pluton of probable Middle Jurassic age; the Hyder pluton and related bodies of Tertiary age; and an undivided group comprising part of the Central Gneiss Complex.

The Hyder pluton occurs in the Alice Arm area covering an extensive area approximately 185 km long by 12 - 32 km wide. It grades between granodiorite and quartz monzonite. It is described as being medium grained, porphyritic, light pink to light grey and speckled with fine grained black biotite and/or hornblende (Grove, 1986).

A number of satellite plutons occur along the eastern margin of the Coast Plutonic Complex ranging in age from late Triassic to late Tertiary. In the Alice Arm area two sets of plutons are present, Kitsault intrusions, Cretaceous(?) and/or Tertiary aged, form several plutons of variable composition, including feldspar porphyry, augite porphyry and hornblende diorite. These rocks generally have undergone pervasive carbonate-sericite alteration. Disseminated pyrite and replacement chalcopyrite-pyrite occur in the country rock adjacent to the plutons as well as in minor quartz-sulfide fissure veins within them.

A second set of satellite plutons in the Alice Arm area are collectively called the Alice Arm intrusions. These include at least twenty small granodiorite to quartz diorite stocks and plugs. They commonly contain significant molybdenum mineralization. One of these, the Line Creek stock, hosts the B.C. Moly deposit. Another hosts the Ajax molybdenum property.

Structurally, all formations within the Hazelton Group have undergone periods of deformation. Each is also separated by an unconformity.

Folding is prevalent in the district in the Illiance River area. Two synclinal and one anticlinal folds, all trending north to north northeast, were mapped. A regional north-northwest anticlinal fold was

- 9 -

also noted passing through Wilaux Mountain.

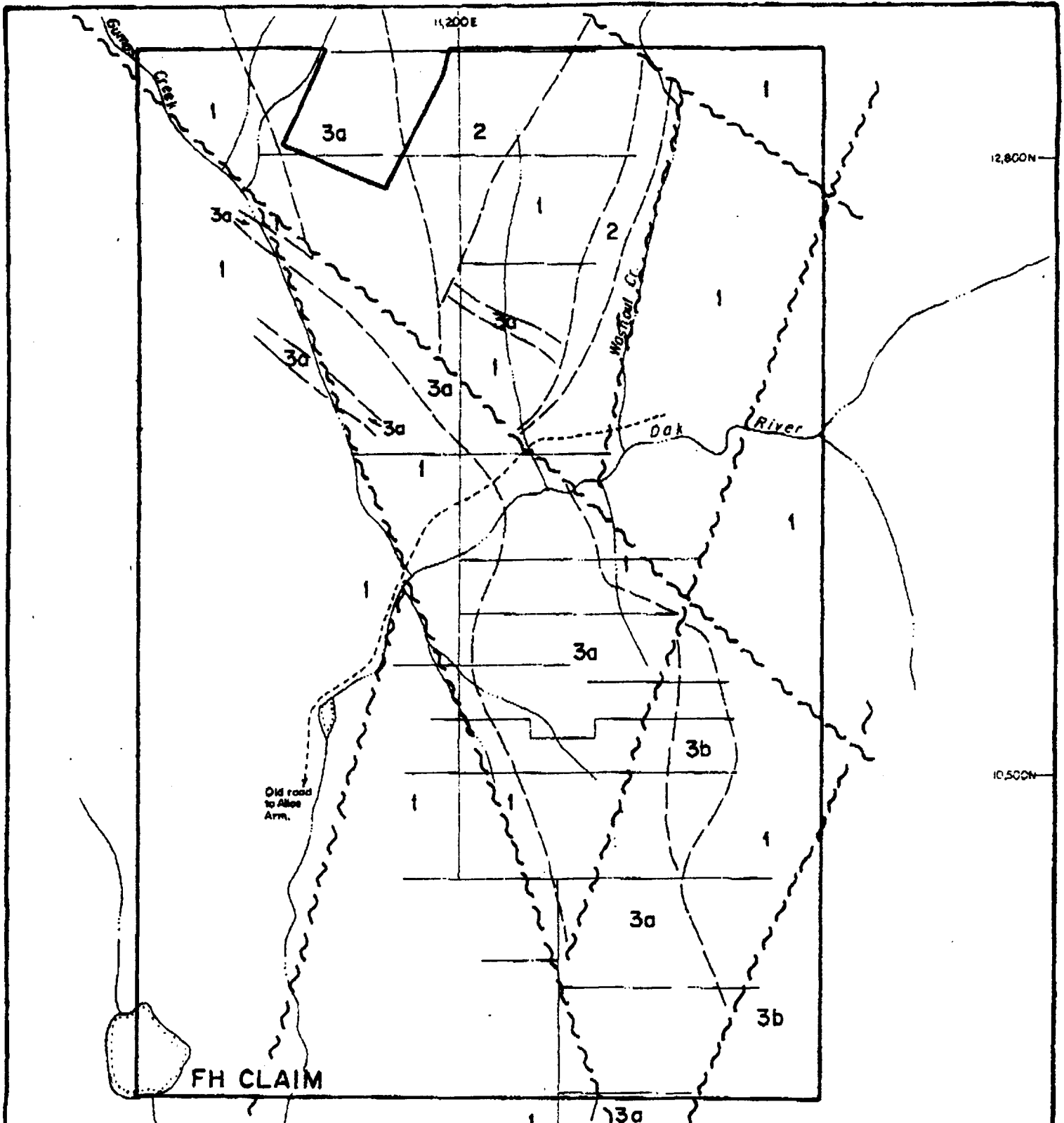
Faults are common features in all the mines and mineral deposits in the Stewart complex. Four faults sets are recognized in the general Alice Arm area. These trend northwesterly, northerly, northeasterly and easterly. Many of the topographic features are controlled by these faults, i.e., fiords, glaciers and river valleys, etc.

Property Geology

The property is underlain by an elongate hornblende-feldspar diorite intrusion in fault contact with sediments and minor volcanic of the Hazelton Group (Figure 3 and 4). Unit descriptions are as follows (Savell, 1992).

Lithology

- Unit 1: Argillites, wackes (1a) and conglomerate (1b) of unit 1 crop out in the west and east portions of the property as small cliff forming units. Conglomerates and pebbly sandstones overly black argillites and contain chips and pebbles of argillite.
- Unit 2: Massive andesitic fine-grained rocks (flows?) crop out in one location as a small inconspicuous knob. Contact relations of it with unit 1 are unclear.
- Unit 3: Blocky to locally strongly fractured diorite (microdiorite, feldspar porphyry, hornblende-feldspar porphyry) underlies the central portion of the property as a north-south intrusive body 100 to 500 m wide. The outer portion of the composite(?) intrusion is dominated by fresh feldspar porphyry.
- Unit 4: Late dykes, believed to be Tertiary, occur as narrow steeply east dipping bodies. The dykes have a diabasic texture, are black and feldspar phyric.



LEGEND

JURASSIC

- 3a Microdiorite
- 3b Feldspar porphyry
- 2 Andesite
- 1 Block argillite, siltstone, greywacke, grit, conglomerate

— Contact

~ Fault

--- Cell grid lines (1992-1993)

H.M. JONES & ASSOCIATES INC. VANCOUVER B.C.

**FH CLAIMS
PROPERTY GEOLOGY**

DAK RIVER, ALICE ARM AREA
N.T.S. 103P-11W SKEENA M.D., B.C.

0 200 400 800 1200 METRES

SCALE : AS SHOWN

- 10 -

Structurally the microdiorite body is interpreted to be mainly in fault contact with the adjacent sediments and volcanics. North-northeast and north-northwest trending faults appear to control the distribution of the microdiorite. Later northwest trending faults appear to offset the microdiorite with sinistral movement.

Two major fracture sets cut the Hazelton Group rocks. These parallel the fault trends. The north northeast trend was the preferred host of the later diabasic dykes. Fracturing in the diorite intrusive and andesite favours these trends, although directions in intensely fractured zones appear random.

ALTERATION AND MINERALIZATION

The following description is from Savell (1992) with some modifications. Hydrothermal alteration accompanied the emplacement of the long dyke-like microdiorite body and narrow peripheral dykes which transect the north-trending property. The most intense alteration occurs within and peripheral to the microdiorite and is most commonly a pervasive quartz-sericite-pyrite assemblage which had bleached and almost totally obliterated the original texture. Pyrite occurs as fine disseminations and fracture fillings and comprises from 5 to 20% of the rock. Chalcopyrite occurs at several localities generally near the edge of the intrusive body (see below). The country rocks are typically strongly bleached, silicified and pyritic within 10 to 50 meters of the microdiorite. Alteration in the surrounding andesites at the north end of the intrusive is generally weaker though over a much wider area, in the order of several hundred meters. Fracturing and associated pyrite and epidote mineralization is also much more prevalent in the andesites than in the sediments. The distinction between altered andesites and altered microdiorite is difficult as they look very much alike in oxidized, fractured outcrops.

Most of the exposures are highly oxidized and gossanous, especially the striking "Red Bluff" cliffs on the crown grants at the northwest part of the property. An exception is the outcrop of the diorite in the Dak River between Gumas and Washout Creeks where unoxidized altered rocks are exposed. A pale pink-purplish hue observed in large patches here probably indicates potassic alteration. This

- 11 -

is also the lowest exposure of the intrusive.

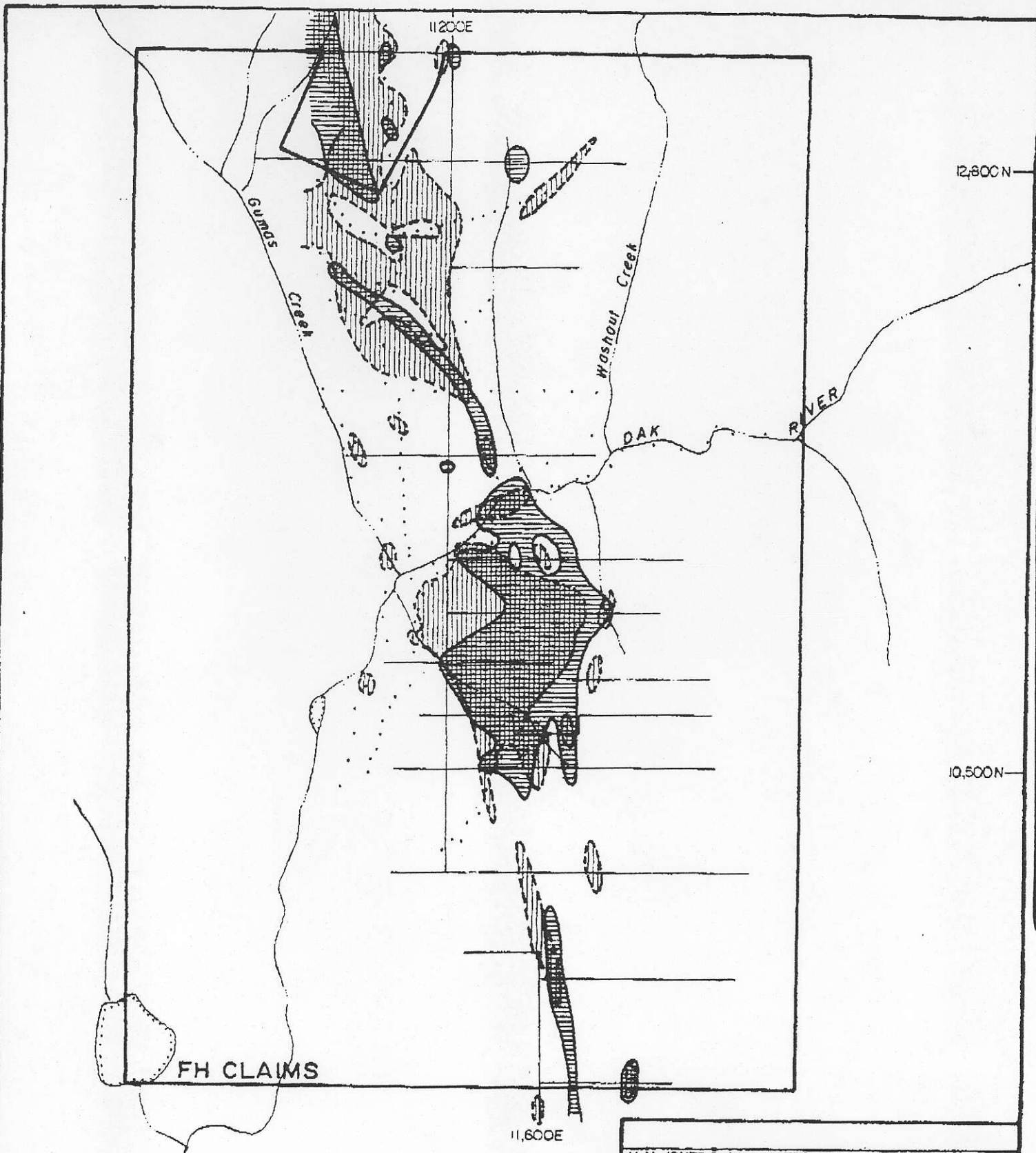
Overprinting the quartz-sericite-pyrite alteration is a weak though fairly widespread quartz-Fe carbonate alteration that appears to be associated with the north northeast trending fracture set. It is manifested as narrow quartz-ankerite veinlets and more rarely as a pervasive orange tinting.

Pervasive pyrite mineralization is present in all hydrothermally altered rocks on the property. Previous work indicates large areas of anomalous gold geochemistry which together with the large volumes of pyritic altered rocks suggests good potential for bulk tonnage low grade gold mineralization.

Copper mineralization was observed at several locations along the length of the microdiorite and surrounding altered rocks. At the Red Bluff adit chalcopyrite occurs with pyrite over an area of about 10 by 20 meters, and is estimated at between 0.1 and 0.4%. A similar occurrence was located about 500 meters to the south-southeast over about 4 meters and is open to the south. Weak chalcopyrite mineralization also occurs in small scattered outcrops in and just south of the Red Bluff Crown grants. Spotty chalcopyrite was observed in the outcrop of altered diorite in the Dak River, which is very close to sloughed trenches where widespread malachite staining had been reported.





EXPLORATION RESULTS - 1991 to 1993

In 1991 M. Boyle (Great Northwest Resources Corp) conducted a reconnaissance soil sampling program on a part of their large property. Five lines were laid out following topographic contours, two on the lower slopes to the east of Dak River and three on the lower slopes to the north of Dak River between Gumas and Washout Creeks (see figure 5). Samples were taken at 50 metres intervals along each line. Of 98 samples collected 19 were anomalous in gold (80 to 1030 ppb Au); 26 were anomalous in copper (250 to 2762 ppm Cu) and 21 were anomalous in arsenic (60 to 347 ppm As). A scattering were also anomalous in molybdenum and zinc. The results of this survey were sufficiently encouraging that Hemlo Gold Mines optioned the property.



FH CLAIMS

LEGEND

-  Gold >100 ppb
-  Copper >200 ppm
-  Soil grid lines (1992-1993)
-  Soil sample locations (1990-1991)



H. M. JONES & ASSOCIATES INC. VANCOUVER B.C.

**FH CLAIMS
SOIL GEOCHEMISTRY
Au & Cu**

DAK RIVER, ALICE ARM AREA

N.T.S. 103P-11W

SKEENA M.D., B.C.

0 200 400 800 1200 METRES

SCALE : AS SHOWN

- 12 -

During 1992 - 93, Noranda Exploration Ltd., as operator for Hemlo, conducted soil and rock sampling and geological mapping over an area approximately 7000 metres long north-south by up to 1400 metres east-west (see figure 4). Lines were run at 400 metres separations and sampled at 50 metre intervals. The 1993 sampling included some fill-in lines within a significantly anomalous area.

Noranda's results confirmed those of Boyle (1991) and added considerably more geochemical assay data to the area. Their results obtained a positive correlation between anomalous gold and copper results and the underlying altered and fault-bounded microdiorite. A significant Au anomaly approximately 1000 metre long by up to 500 metre wide was located, defined by the 100 ppb Au contour. Most values within the anomaly range from 110 to 580 ppb Au with lesser higher values ranging up to 21,000 ppb Au (figure 5).

A copper anomaly, up to 900 metres long and 600 metres wide defined by the 200 ppm Cu contour, is coincident with the gold anomaly. Values within the anomaly ranged between 238 to 1442 ppm Cu (figure 5).

A number of lenticular Cu - Au anomalies, also defined by the same contours, were located along the trend of the microdiorite.

DISCUSSION

The FH claims were staked to include the large Cu - Au anomaly and most of the long, lenticular ones developed by the recent exploration programs. The anomalous values obtained in Cu, Au, As, and Zn may reflect significant copper-gold mineralization in and adjacent to the microdiorite intrusive (?) body and the adjacent volcanic-sediments units. The geochemical soil sampling was of a reconnaissance to semi-detailed nature over a limited part of the area and presents the most work ever conducted on the property in recent times. Additional detailed exploration is warranted to follow-up and expand on the interesting results obtained to date.

- 13 -

CONCLUSION

It is concluded that the FH claims are underlined by geology favourable for hosting bulk tonnage copper-gold mineralization and/ or vein-type mineralization. It is further concluded that the property is very unexplored and warrants a major exploration program.

RECOMMENDATION

It is recommended that a program of detailed geological mapping, soil sampling, and I.P. surveys be conducted on the FH claims, followed by diamond drilling of significant anomalous areas.

- 11 -

COST ESTIMATE

Stage I -	Geology and Geochemical Surveys, Time - estimate one month	
	Mobilization:	
	- includes crew from Vancouver via vehicle and air, helicopter move in and out	\$ 11,500
	Camp Support:	
	- helicopter from Stewart, allow	4,000
	Personnel:	
	Geologist @ \$250/day	7,500
	4 field assistants @ \$125/day	15,000
	1 cook @ \$100/day	3,000
	Assays:	25,500
	- say 2500 soils @ \$15/sample	37,500
	- say 50 rock @ \$20/sample	1,000
	Camp:	38,500
	- equipment	2,000
	- food	5,500
	Field Supplies	7,500
	Communications:	1,000
	- radio telephone rental and calls	500
	Report and maps	3,500
		Subtotal
		92,000
	Contingencies	13,800
	Total	105,800
	Total Stage I, say	\$ <u>106,000</u>

Stage II - Diamond Drilling

Diamond drilling,		
say 600 metres @ \$150/metre ^{incl. incl. incl.} all ^{incl. incl. incl.}	\$	137,250
Assays, say 350 @ \$20/sample ^{#20}		7,000
	Subtotal	144,250
Contingencies		21,750
Total Stage II	\$	<u>166,000</u>

Respectfully Submitted
Harold M. Jones, P. Eng
April 18, 1996

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- 16 -

CERTIFICATE

I, Harold M. Jones, of the City of Vancouver, British Columbia, do hereby certify that:

1. I am a Consulting Geological Engineer with offices at 605 - 602 West Hastings Street, Vancouver, British Columbia.
2. I am a graduate of the University of British Columbia in Geological Engineering, 1956.
3. I have practised by profession as a Geological Engineer for 40 years.
4. I am a member of the Association of Professional Engineers of British Columbia, Registration No. 4681.
5. I examined the FH claim area during 1987 and 1989 when the entire area between Dak River and Illiance River was held by claims owned by M. Boyle and Great Northwest Resources Corp.
6. I have no interest in, nor do I expect to receive any interest, direct or indirect, in any of the claims listed in this report or in the securities of XYZ Resources Ltd.
7. XYZ Resources Ltd. are hereby given permission to reproduce this report, or any part of it, in a Prospectus Statemetn of Material Facts or other documents as required by the regulating authorities, provided, however, that no portion may be used out of context in such a manner as to convey a meaning differing from that set out in the whole.

Dated at Vancouver, B.C. this 10th day of April 1996.

Harold M. Jones

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V7C 2T2**

**Telephone: (604) 277-8052
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Date: April 20/96

VIA FACSIMILE

To: Clive Brooks
From: Harold Jones
Page: 1 of 25
Subject: FH Claims, Alice Arm, B.C.

If you do not receive all pages, please contact me as soon as possible.

The following is a draft of the report on the above property. It can be easily adjusted for a specific company name or for an individual.

Recommended provision can be adjusted upward easily if either greater expenditure wanted or more claims are added to group.

I will be leaving at 11am tomorrow for Indonesia, back about May 2-3-4.

There are some corrections which must be made. Will do so in final report.

Best regards,

Harold Jones