

671803

LANCER RESOURCES INC.

Report on the

HC GOLD PROJECT

Kamloops Mining Division

British Columbia

N.T.S. 92P/9

Latitude 51° 34' N

Longitude 120° 21' W

by

REBAGLIATI GEOLOGICAL CONSULTING LTD.

TABLE OF CONTENTS

	<u>Page</u>
SUMMARY	1
INTRODUCTION	2
LOCATION AND ACCESS	2
CLAIMS	3
EXPLORATION HISTORY	3
REGIONAL GEOLOGY SETTING	4
PROPERTY GEOLOGY	5
ALTERATION AND MINERALIZATION	6
SOIL GEOCHEMISTRY	8
CONCLUSIONS	9
RECOMMENDATIONS	10
PROPOSED BUDGET	11
REFERENCES	12
CERTIFICATE OF QUALIFICATIONS	13

LIST OF FIGURES

		<u>Following Page</u>
Figure 1	LOCATION MAP	2
Figure 2	CLAIM MAP	3
Figure 3	REGIONAL GEOLOGY	5
Figure 4	BLOCK FAULTING	5
Figure 5	PROPERTY GEOLOGY	6
Figure 6	GOLD SOIL GEOCHEMISTRY	8
Figure 7	SILVER SOIL GEOCHEMISTRY	8
Figure 8	COPPER SOIL GEOCHEMISTRY	8
Figure 9	LEAD SOIL GEOCHEMISTRY	8
Figure 10	GEOCHEMICAL COMPILATION	8

SUMMARY

The HC claim, comprising 12 units, is located in South Central British Columbia, 22 km northwest of Little Fort. Highway 24 lies approximately 5 km south of the claim. Good quality logging roads leading from the highway traverse the claim and provide easy two-wheel drive vehicle access. Numerous small streams and lakes are ready sources of drill water.

Triassic-Jurassic volcanic units and derived sediments, lying on the eastern flank of the central volcanic core of the Quesnel Trough, underlie the claim.

The first mineral exploration within the claim area was directed towards the evaluation of silver-bearing base metal-rich veins located along the western side of the claim. This work, undertaken sometime around the 1930's, is not well documented and consisted of the sinking of hand-excavated pits and shallow shafts. In the 1960's and 1970's, the area immediately to the west of the claim was extensively explored for porphyry copper-molybdenum deposits by several companies. Reports from these companies refer to numerous silver-lead showings and some gold mineralization. From 1981 to 1985, the same area received extensive precious metal exploration. During this later period, the silver-zinc veins on the HC claim were relocated and three previously unknown zones of quartz-iron carbonate-mariposite alteration hosting gold mineralization were discovered.

Lancer Resources Inc. optioned the HC claim from BP Minerals Canada Ltd. and in 1987 conducted a detailed soil geochemical survey to trace and define the zones of gold and silver mineralization. Two strong zones of multi-element gold and silver anomalies were identified. A two-stage program of diamond drilling, budgeted at \$90,000 and \$200,000 respectively, is proposed. Phase II is contingent upon encouraging results being obtained from Phase I.

INTRODUCTION

In July 1987, the writer was commissioned by the President of Lancer Resources Inc. to make an appraisal of the company's HC mineral claim situated 22 km northwest of Little Fort, British Columbia.

This report is based on the writer's knowledge of the area gained by the study of available government and private reports; regional studies; the supervision of exploration on the adjacent Ta Hoola property during the period 1980-1982; an examination on July 13, 1986 of trenches excavated by BP Minerals; and the supervision of the geochemical survey conducted by the company in July-August 1987.

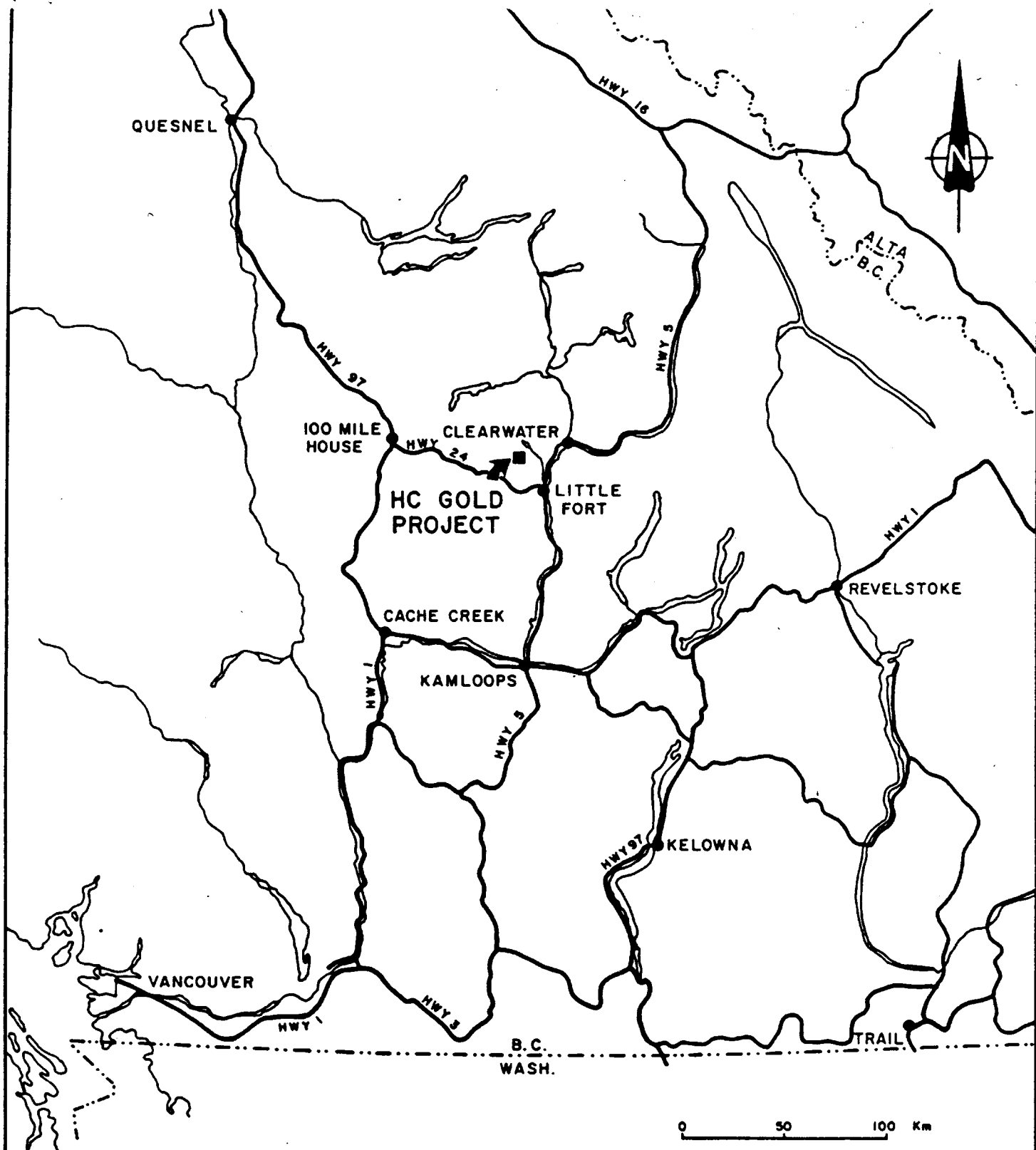
The property is held under option from BP Minerals Canada Ltd.

LOCATION AND ACCESS

The HC claim is located approximately 22 km northwest of Little Fort, British Columbia on NTS Map Sheet 92P/9 at latitude $51^{\circ}34'N$ and longitude $120^{\circ}21'W$ (Figure 1).

A network of good quality logging roads provide easy access to the property from Highway 24, which links the Yellowhead South Highway (No. 5) along the North Thompson River at Little Fort to the Cariboo Highway (No. 97) at 100 Mile House.

The property lies within the Thompson Plateau, a part of the Interior Plateau characterized by rolling uplands with rounded hills and numerous small lakes. Topography within the claim is moderate and elevations range from 1,340 m along the eastern boundary to 1,560 m at the top of a hill near the western boundary.



M. Rebaghathi
 BRITISH COLUMBIA
 PROFESSIONAL ENGINEER

LANCER RESOURCES INC. HC GOLD PROJECT
LOCATION MAP
Aug., 87 Figure 1

Vegetation consists of a mature spruce, fir and jack pine forest. Underbrush is moderately thick near the moist valley bottoms and thins at higher elevations where drainage is better. Two small portions of the southern edge of the claim have been logged.

CLAIMS

The 12-unit HC claim is owned by BP Resources Canada Limited. Lancer Resources Inc. holds an option to earn a 50% interest in the property by expending \$55,000 on exploration by December 31, 1987.

The writer has not inspected all of the claim posts and can pass no opinion on the manner of staking nor can he verify the location as depicted on the claim map (Figure 2). Essential claim data are as follows:

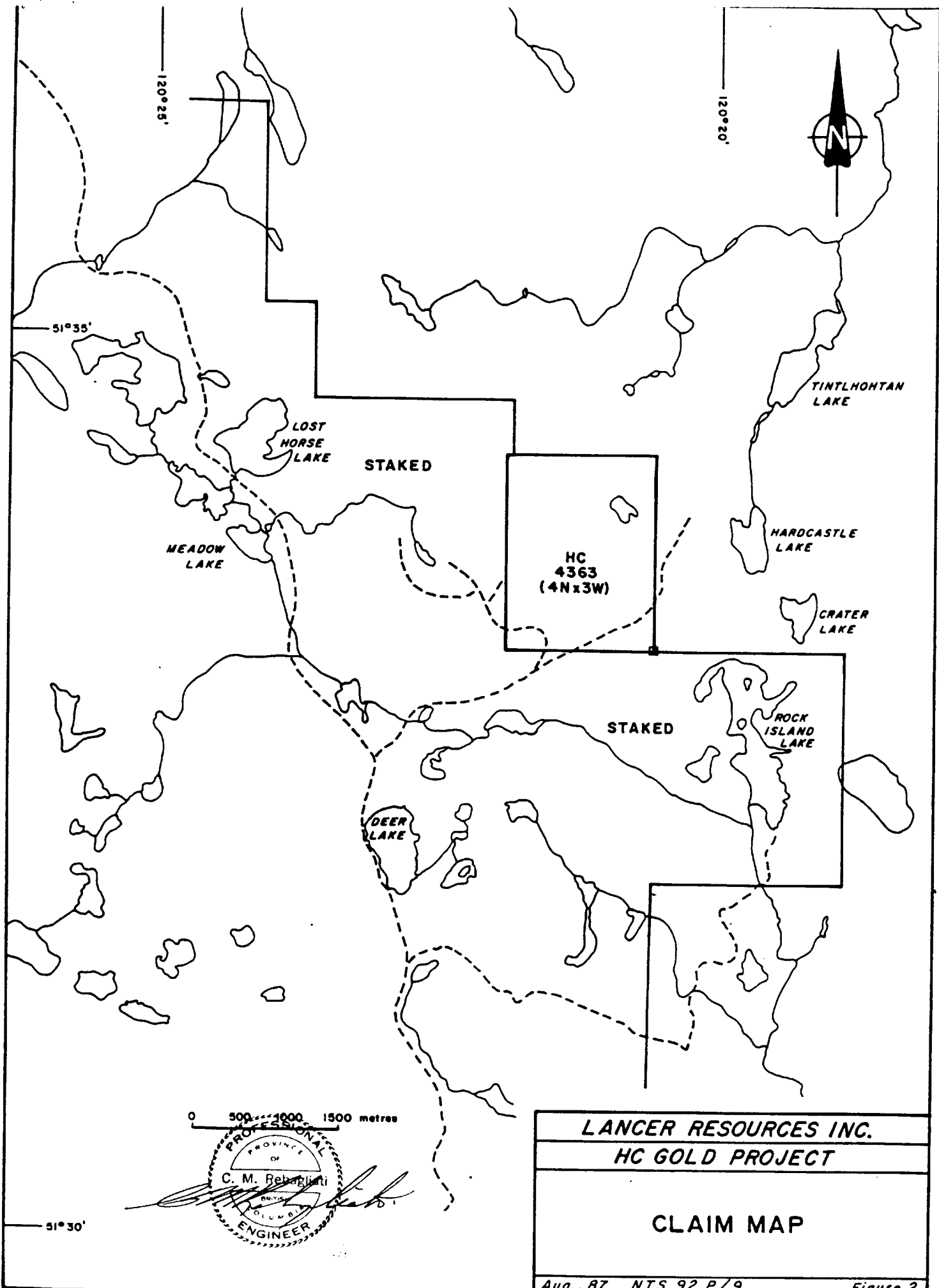
<u>Claim Name</u>	<u>Record No.</u>	<u>No. of Units</u>	<u>Mining Division</u>	<u>N.T.S.</u>	<u>Recording Date</u>	<u>Expiry Date</u>
HC1	4363	12	Kamloops	92P/9	Feb. 25, 1983	Feb. 25, 1990

EXPLORATION HISTORY

The first documented exploration on ground now covered by the HC claim is in an assessment report filed in 1974 by Imperial Oil Ltd. However, old hand-excavated shafts and several pits are located on the western side of the claim. It is speculated by the writer that this work was undertaken in the 1930's following the discovery of gold-copper skarn mineralization at the Lakeview property situated approximately 3 km to the southwest on the southwest shore of Deer Lake.

Imperial's work in 1974 included geological, geophysical and soil geochemical surveys. A silver anomaly was identified, however no further exploration was undertaken and the claims were allowed to expire.

In 1982, a regional reconnaissance program conducted by the Selco Division of BP Resources Canada Limited identified altered rocks in the project area



120°25'

120°20'

51°35'

LOST HORSE LAKE

STAKED

MEADOW LAKE

HC
4363
(4N x 3W)

TINTLHONTAN LAKE

HARDCASTLE LAKE

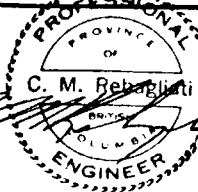
CRATER LAKE

STAKED

ROCK ISLAND LAKE

DEER LAKE

0 500 1000 1500 metres



LANCER RESOURCES INC.
HC GOLD PROJECT

CLAIM MAP

Aug., 87 N.T.S. 92 P/9

Figure 2

51°30'

carrying geochemically anomalous concentrations of mercury, arsenic and gold. At that time, the ground was held by another party who were inactive. Subsequently, the claims expired and Selco restaked the ground.

In 1982, the ground was prospected and silver-lead-zinc mineralization associated with quartz-carbonate veins was found in old hand-dug trenches. Further prospecting led to the discovery of quartz-iron carbonate-mariposite alteration zones. A reconnaissance multi-element soil geochemical survey utilizing a 200 m by 200 m sample spacing identified several single sample anomalies. The wide sample spacing proved ineffective in defining discrete zones of anomalous metal concentrations. In 1985 three quartz-iron carbonate-mariposite alteration zones were backhoe trenched to determine their width, mineralogical and structural characteristics and to ascertain their potential to host gold mineralization. (The writer had the opportunity to examine the trenches in July 1986 prior to their being back filled and landscaped.)

A program of diamond drilling was proposed to assess the auriferous quartz-carbonate-mariposite alteration zones, however, the property became inactive in late 1985 when the company's western Canadian exploration budget was sharply reduced. Lancer Resources Inc. optioned the HC claim from BP and in 1987 undertook a detailed soil geochemical survey to relocate and define zones indicated by previous surveys to be anomalous in precious metals.

REGIONAL GEOLOGICAL SETTING

The HC property is situated within the Quesnel Trough, a 2,000 km long northwesterly trending belt consisting of Upper Triassic-Lower Jurassic volcanic rocks, derived sedimentary rocks and intrusives. The belt is characterized by a volcanic core of Triassic subaqueous andesite pyroxene porphyritic flows, tuffs and breccias. Interbedded with the volcanics are calcareous argillite, siltstone, silicious cherty sediments and thinly bedded limestone. On the eastern and western margins of the volcanic core is an overlying and flanking sequence of Lower Jurassic pyroxene porphyritic volcanoclastic breccia with proximal to

distal epiclastic sediments consisting of conglomerate, greywacke and argillite (Figure 3). To the extreme east are fine clastic sediments, consisting of a siltstone, shale and argillite assemblage, which appear to form the base of the Triassic sequence.

Regional mapping indicates that the property area is underlain by Nicola Group alkaline volcanic and sedimentary rocks intruded by numerous comagmatic diorite to syenite stocks (Preto 1970, Campbell and Tipper 1971).

Late fumarolic or hydrothermal stages related to the plutons introduced volatiles and metals into the volcanics and extensively altered and mineralized large volumes of shattered volcanic rocks.

The Copper Mountain, Afton, Cariboo Bell copper-gold porphyry deposits and the Quesnel River gold deposit are directly associated with this late hydrothermal stage.

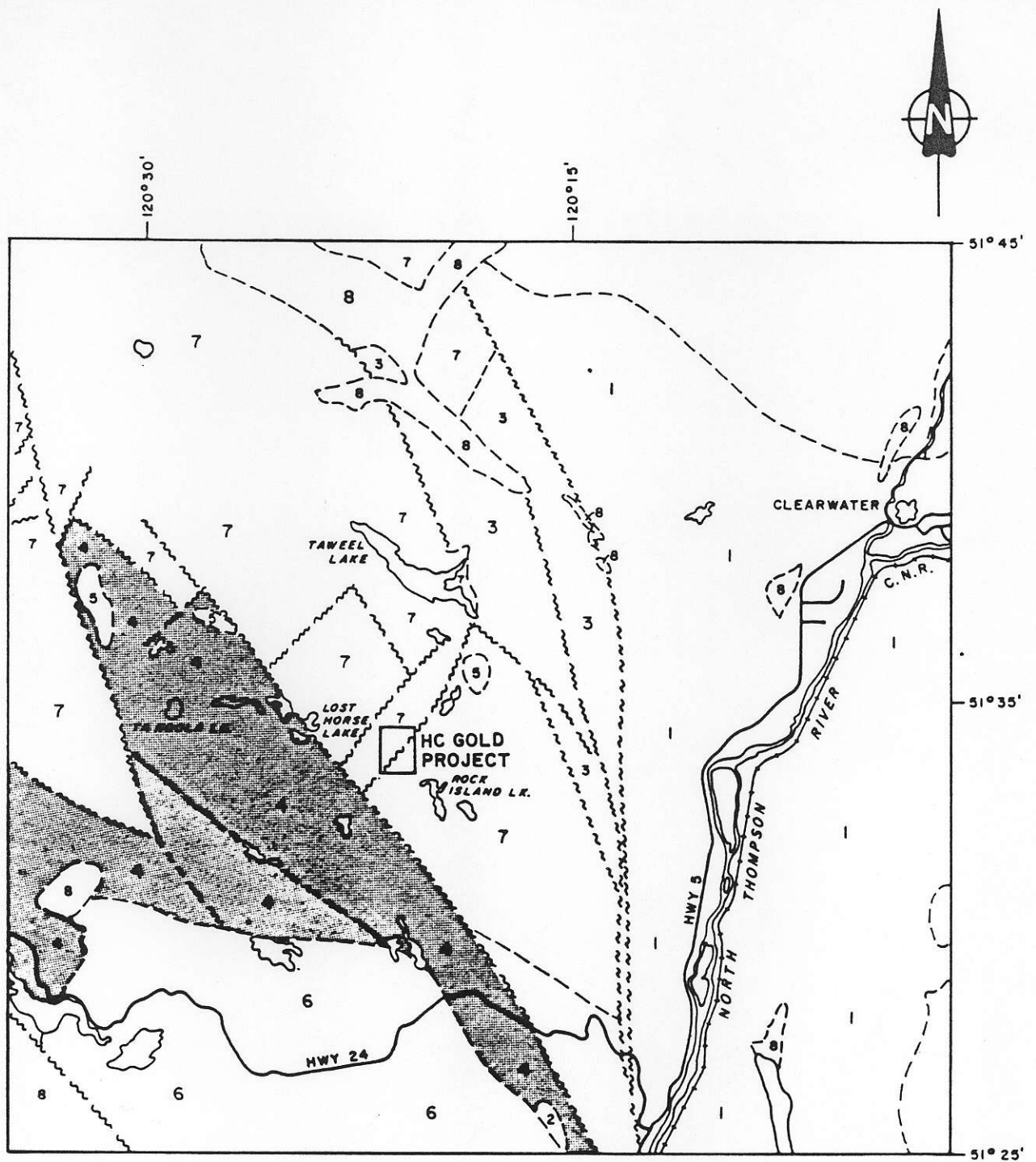
The HC claim lies within an area of intense block faulting, formed where the North Thompson Fault breaks into a multitude of northwesterly trending splays (Figure 4).

At Little Fort, where the North Thompson Fault breaks into the splays, there are two ultramafic bodies aligned along the fault. These ultramafic bodies are evidence that the fault represents a zone of deep crustal weakness, a favourable host structure for gold mineralization associated with iron-carbonate-mariposite alteration.

On the HC claim, wide, parallel, iron-carbonate alteration zones conform to the dominant northwesterly fault trend.

PROPERTY GEOLOGY

The HC claim is situated to the east of the main Upper Triassic volcanic core and is underlain by the eastern flanking sequence of interbedded Lower Jurassic

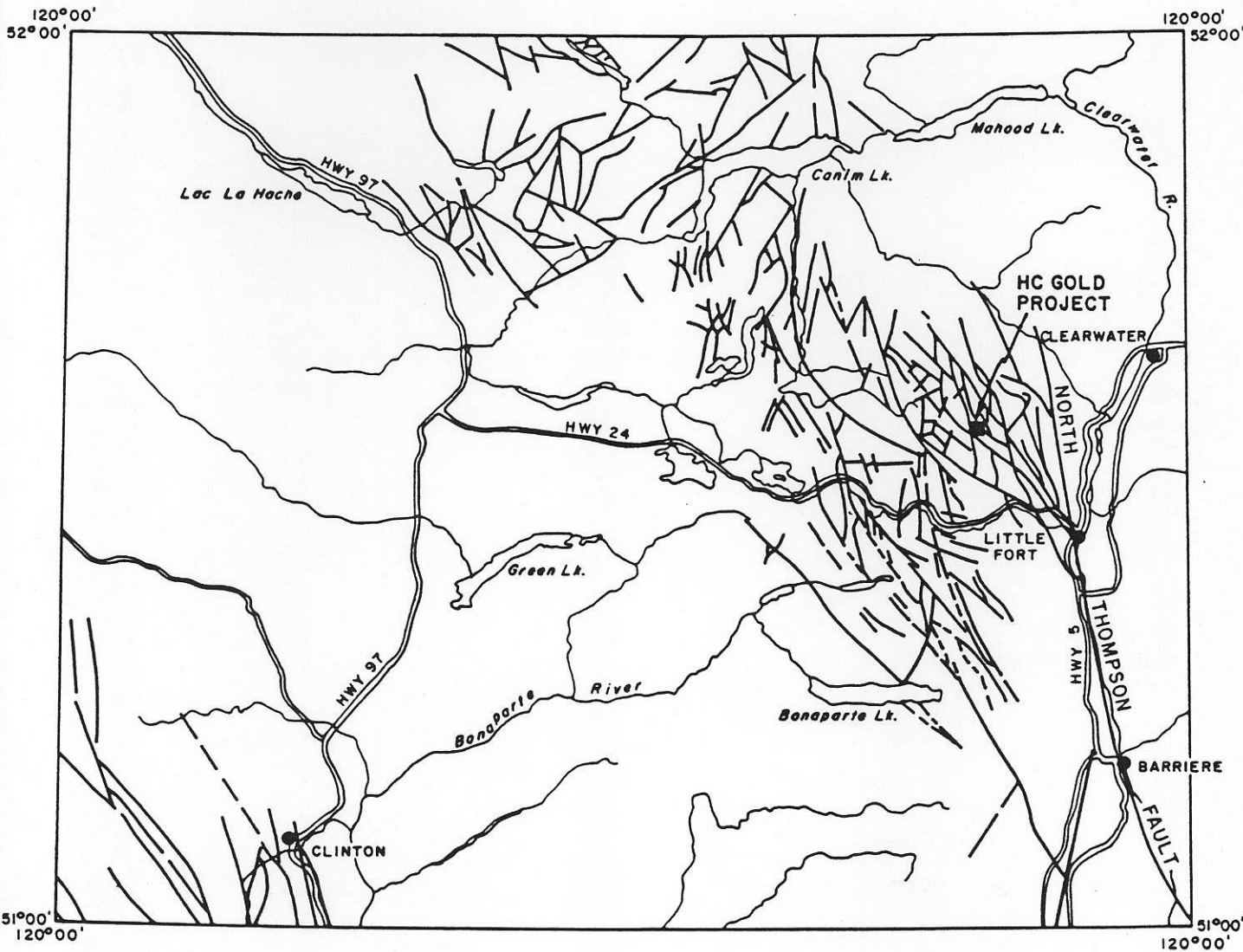


LEGEND

- 8 TERTIARY VOLCANICS
- JURASSIC
- 7 INTERBEDDED VOLCANICS AND SEDIMENTS
- TRIASSIC/JURASSIC
- 6 THUYA BATHOLITH
- 5 ALKALINE INTRUSIONS
- TRIASSIC
- NICOLA GROUP
- 3 BLACK SHALE, ARGILLITE
- 2 PERIDOTITE
- MISSISSIPPIAN
- 1 FENNEL FORMATION VOLCANICS



LANCER RESOURCES INC.
HC GOLD PROJECT
REGIONAL GEOLOGY



M. Debagnat

PROFESSIONAL
ENGINEER
BRITISH COLUMBIA

LANCER RESOURCES INC.
HC GOLD PROJECT

PATTERN OF BLOCK FAULTING
IN LITTLE FORT REGION

Aug., 87

Figure 4

pyroxene porphyritic pyroclastics and distal epiclastic sediments (Figure 3). Block faulting has disrupted the stratigraphy which has been rotated into a near vertical attitude, however the regional north-northwest strike is maintained.

Three similar bands of pyroxene lapilli tuff - agglomerate trend northwesterly across the claim (Figure 5). These rocks are medium to dark green, massive and medium to coarse-grained pyroclastics. Fragment sizes vary from 1 cm to 20 cm and are comprised of subangular to subrounded porphyritic augite andesite. Clasts are supported by a matrix of fine-grained ash tuff. Pyrite occurs in minor concentrations as widely-spaced disseminated grains.

The epiclastic sediments comprise siltstone, argillite, chert, greywacke and conglomerate. Siltstone predominates. It is usually massive, laminated, fine to medium-grained and light to dark grey coloured. Pyrite is sparse, occurring as disseminated grains, but reaches 5% to 10% in light grey bands as heavy disseminations with interstitial carbonate. Subordinate very fine-grained, massive, black, carbonaceous argillite is occasionally interbedded with the siltstone. Disseminated pyrite is ubiquitous and commonly comprises up to 5% of the rock.

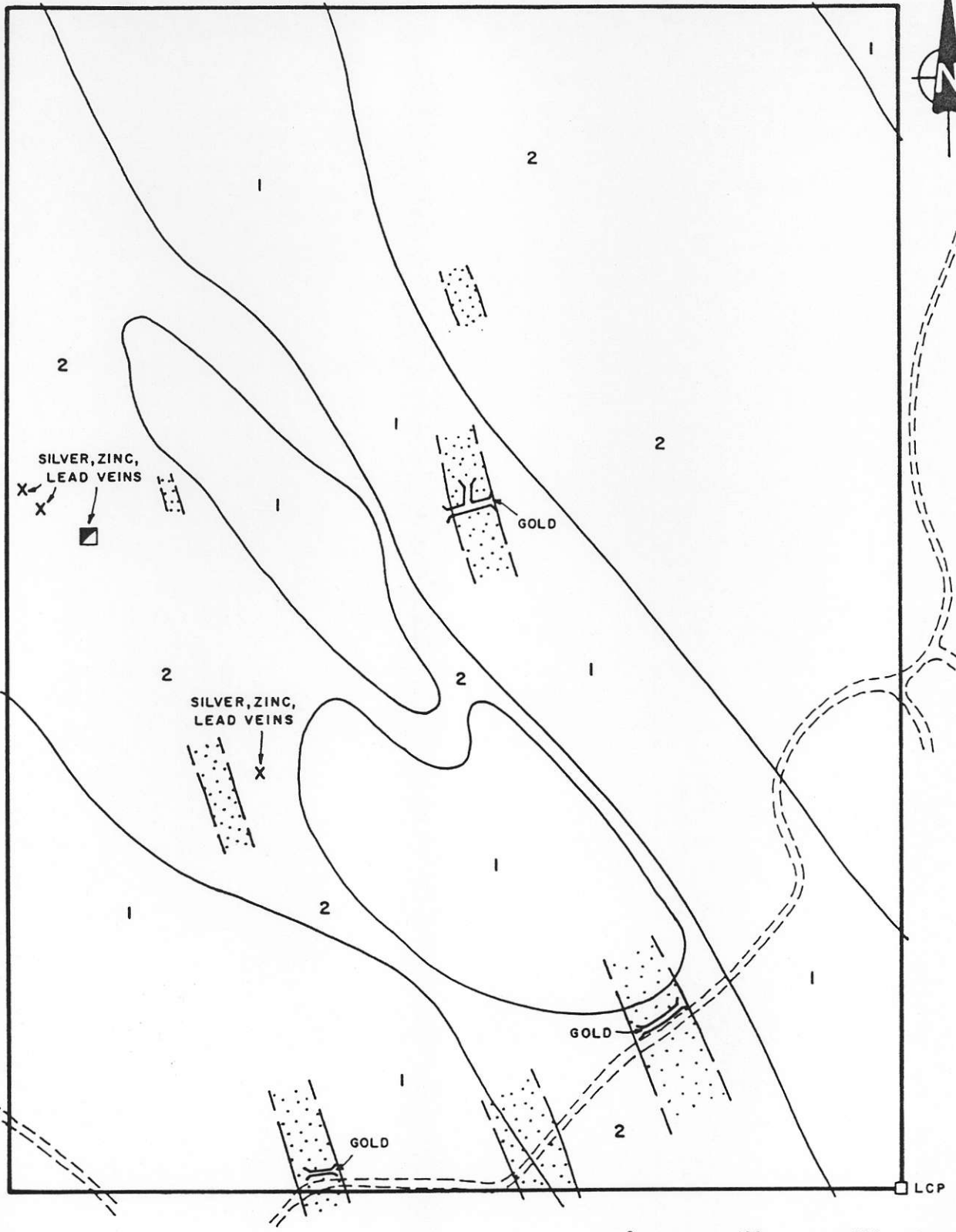
The only known intrusive rock on the claim is a northwesterly striking feldspar porphyry dyke situated near the southwest corner of the claim.

ALTERATION AND MINERALIZATION

Carbonate alteration is widespread on the HC claim, occurring in three principal modes.

Narrow, randomly oriented calcite stringers and grain aggregates are commonly in all units. They are generally sulphide-free and barren.

Near the midpoint in the western claim boundary, several calcite-quartz veins, up to 80 cm thick, cut siltstone units. These veins, exposed in old hand excavated shafts and trenches in a 500 m long southeast trending zone, carry an



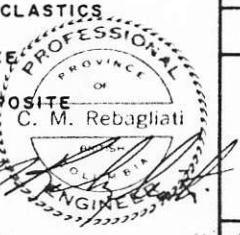
LEGEND

LOWER-MIDDLE JURASSIC

- 1 AUGITE PORPHYRY FLOWS AND PYROCLASTICS
- 2 SILTSTONE, ARGILLITE, GREYWACKE

QUARTZ - IRON CARBONATE - MARIPOSITE ALTERATION ZONE

- SHAFT
- X PIT
- () TRENCH



LANGER RESOURCES INC.
HC GOLD PROJECT

PROPERTY GEOLOGY

Aug., 87 N.T.S. 92 P/9

Figure 5

appreciable sulphide content comprised of sphalerite, chalcopyrite, galena, pyrite and tetrahedrite. A selected sample of sulphide rich material, collected by BP personnel, ran 239 ppm silver (7.0 oz./ton), 165 ppb gold, 0.99% copper, 0.62% zinc and 0.06% lead (Gamble 1986). A representative sample, cut by the writer, from a vein exposed in an old shaft at 61+25N 51+30E graded 0.71 oz./ton silver, 0.022 oz./ton gold and 3.31% zinc across 0.70 m.

Potentially of greater economic significance are three northwesterly trending zones of pervasive quartz-iron carbonate-mariposite alteration. These zones are moderately discordant to bedding, display crude banding, brecciation, crosscutting ferroan dolomite veining and are interpreted to be healed faults which have undergone multiple episodes of movement. These poorly exposed alteration zones are geochemically enriched in gold and have acted as important structural sites for gold mineralization. Late quartz stringers infilling fractures, breccias and dilation zones within the broad areas of carbonate alteration carry the highest gold values; accompanied by minor concentrations of copper and antimony.

BP's 1985 trench, located near the centre of the claim, exposed a 24 m wide zone of pyritic pervasive quartz-carbonate-mariposite alteration hosted by a fragmental andesite. A series of continuous 2.0 m long chip samples cut across the full width of the zone averaged 210 ppb gold, 2.25 ppm silver and 997 ppm copper with a geochemically significant enrichment in antimony. One 2.0 m interval cut by numerous late quartz stringers graded 0.034 oz./ton gold (Gamble 1986). A 1.0 m sample of strongly quartz veined rock cut by the writer from the core of the altered area graded 0.03 oz./ton gold and 0.14% copper.

Near the southeast corner of the claim, a 58 m wide band of interbedded mafic volcanics and cherty, silty argillaceous sediments is extensively carbonate altered and carries 1% to 5% fine-grained disseminated pyrite. Gold enrichment is in the order of 20 to 310 ppb.

The third iron-carbonate alteration zone, located near the southwest corner of the claim, is well exposed in a trench along the southern claim boundary where a

27 m interval of altered interbedded andesite breccia and limy sediments is cut by a coarse-grained feldspar porphyry dyke. The altered sediments carry 5% to 10% disseminated pyrite whereas, in the more intensely altered andesite breccias, pyrite concentrations up to 15% are attained. A 2.0 m interval cut by late quartz stringers in the core of the intensely altered zone ran 1,690 ppb gold (0.044 oz./ton) and 2,736 ppm lead (Gamble 1986).

Because of the intensity of the regional faulting (Figure 4), which is the probable structural control, the multiple auriferous quartz-carbonate-mariposite alteration zones on the HC claim can be expected to have long strike lengths and to extend to considerable depths.

SOIL GEOCHEMISTRY

A multi-element soil geochemical survey confirmed that base and precious metals are present in anomalous concentrations. Plots for gold, silver, copper and lead show that specific, coherent anomalies can be identified from the general scatter of individually anomalous samples (Figures 6, 7, 8 and 9). A compilation of coincident anomalies outlines two significant trends (Figure 10). The 1,300 m long eastern anomalous trend coincides with the central band of augite porphyry volcanics. These volcanics host the structurally controlled eastern-most auriferous quartz-iron carbonate-mariposite alteration zone. The western anomalous trend is more closely associated with the interbedded sedimentary units and shows a much more complex pattern of metal associations.

A broad zone of high zinc values extends across the western half of the claim and encompasses both the eastern and western anomalous trends. Peak zinc values correlate well with the composite anomalies outlined in Figure 10.

Core areas within the eastern and western anomalous trends have base and precious metal values sufficiently high to directly reflect underlying mineralization and must be considered as prime exploration targets.

683000

684000

50+00 E

65+00 E

70+00 N

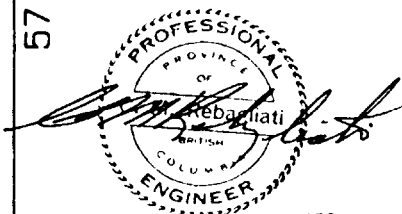
5716000

5715000

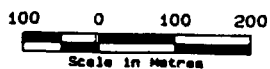
5714000

60+00 E

50+00 N



- > 100
- > 50 TO 100
- > 30 TO 50
- > 20 TO 30
- > 12 TO 20
- > 6 TO 12
- 0 TO 6



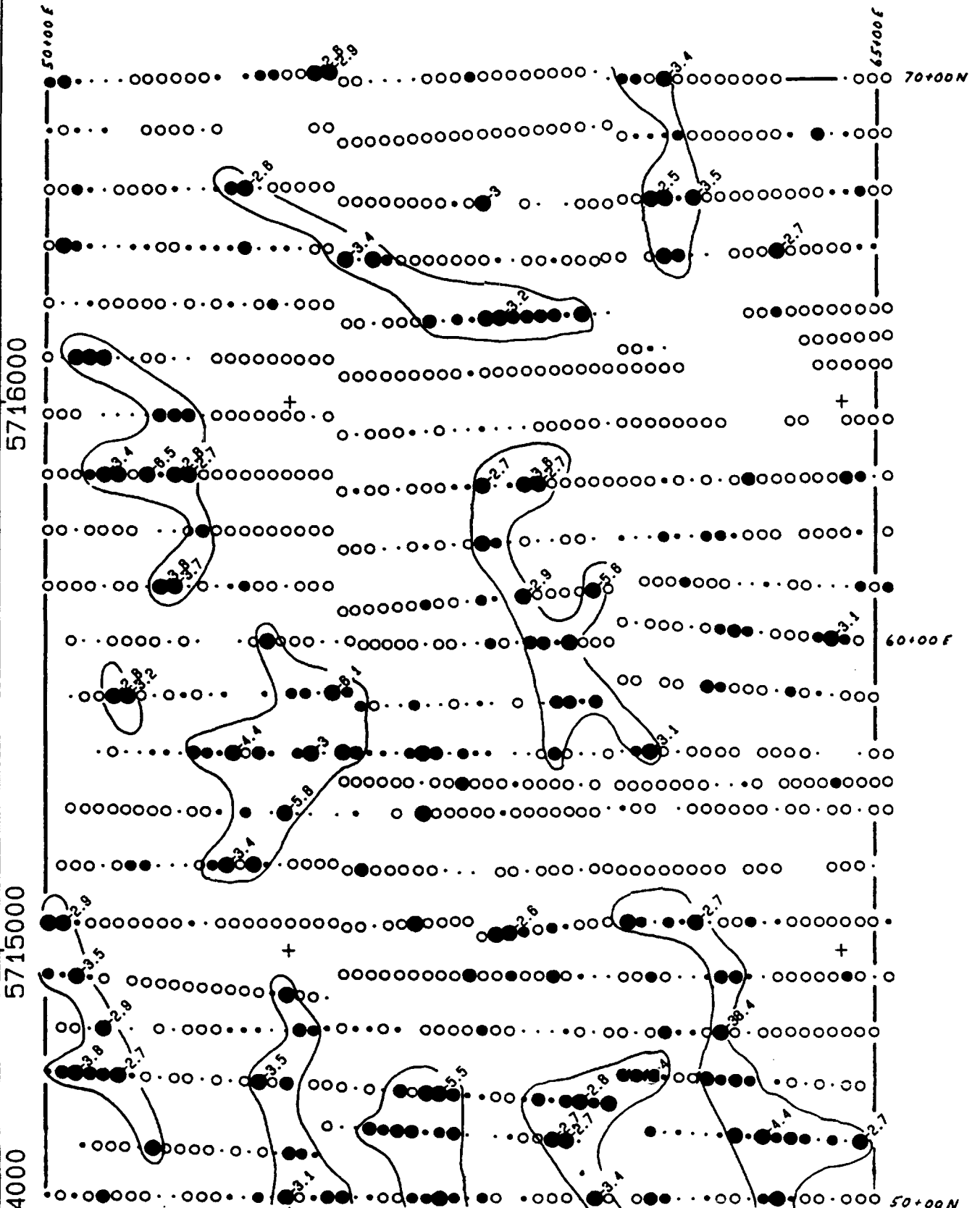
LANGER RESOURCES INC.
 HC PROJECT
 1987 SOIL GEOCHEMISTRY
 Gold (ppb)

DATE: AUG/87	PROJECT#: 562
NTS: 92 P/9	SCALE 1: 10000

Figure 6

683000

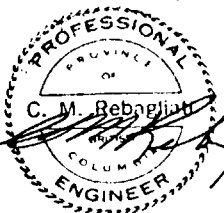
684000



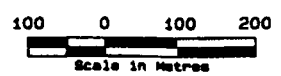
571600

571500

571400



- > 2.5
- > 2 TO 2.5
- > 1.5 TO 2
- > 1.2 TO 1.5
- > .9 TO 1.2
- > .6 TO .9
- 0 TO .6

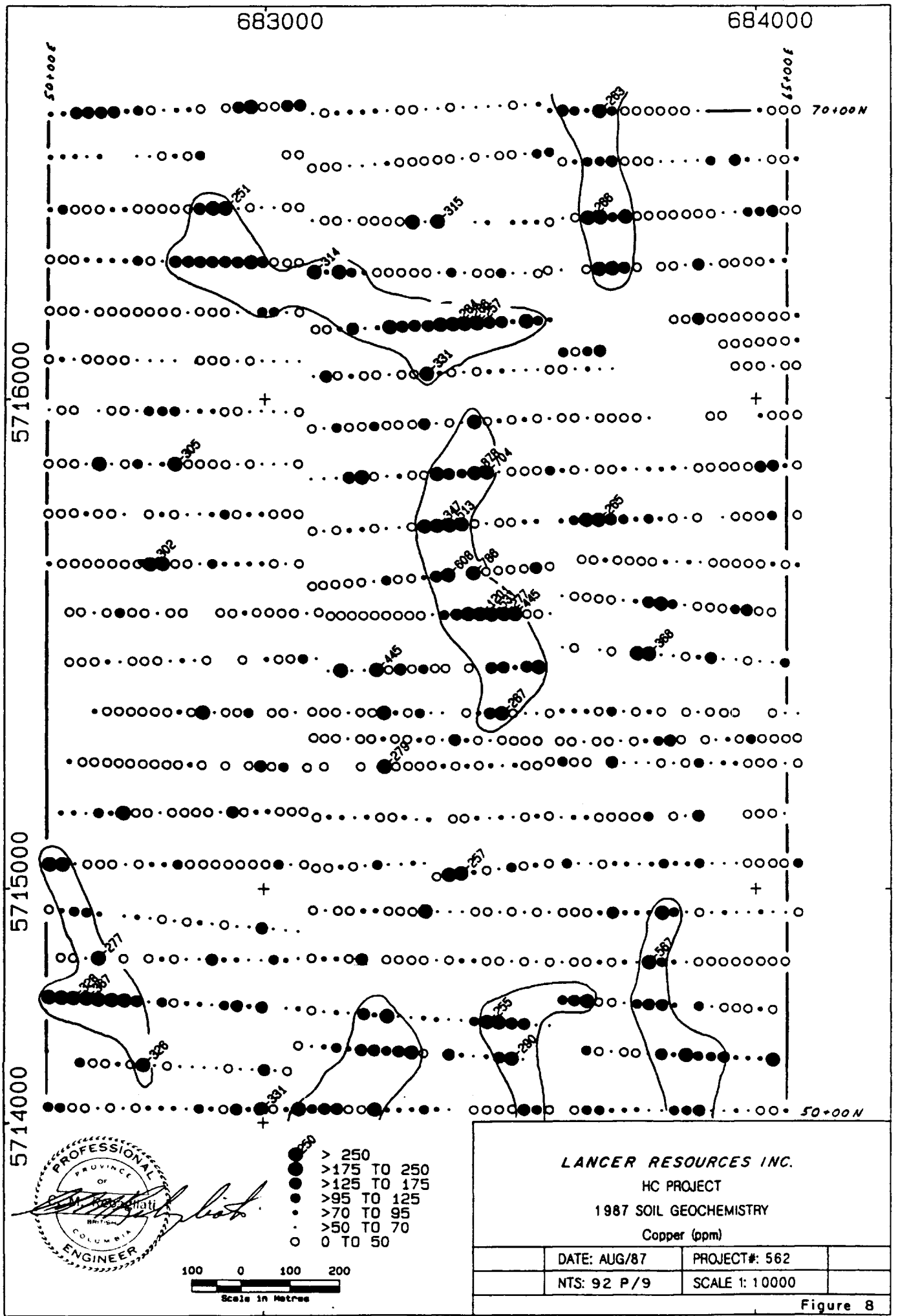


LANCER RESOURCES INC.

HC PROJECT
1987 SOIL GEOCHEMISTRY
Silver (ppm)

DATE: AUG/87	PROJECT#: 562
NTS: 92 P/9	SCALE 1: 10000

Figure 7



683000

684000

5716000

5716000

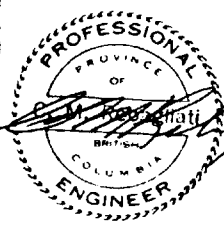
70100N

5716000

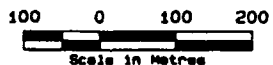
5715000

5714000

50+00N



- > 250
- > 175 TO 250
- > 125 TO 175
- > 95 TO 125
- > 70 TO 95
- > 50 TO 70
- 0 TO 50



LANCER RESOURCES INC.
 HC PROJECT
 1987 SOIL GEOCHEMISTRY
 Copper (ppm)

DATE: AUG/87	PROJECT#: 562
NTS: 92 P/9	SCALE 1: 10000

Figure 8

683000

684000

50100f

65100f

70100 N

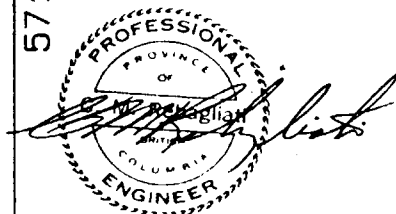
5716000

5715000

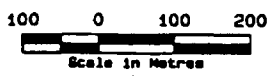
5714000

60100 E

50100 N



- > 50
- > 35 TO 50
- > 28 TO 35
- > 25 TO 28
- > 19 TO 25
- > 14 TO 19
- 0 TO 14

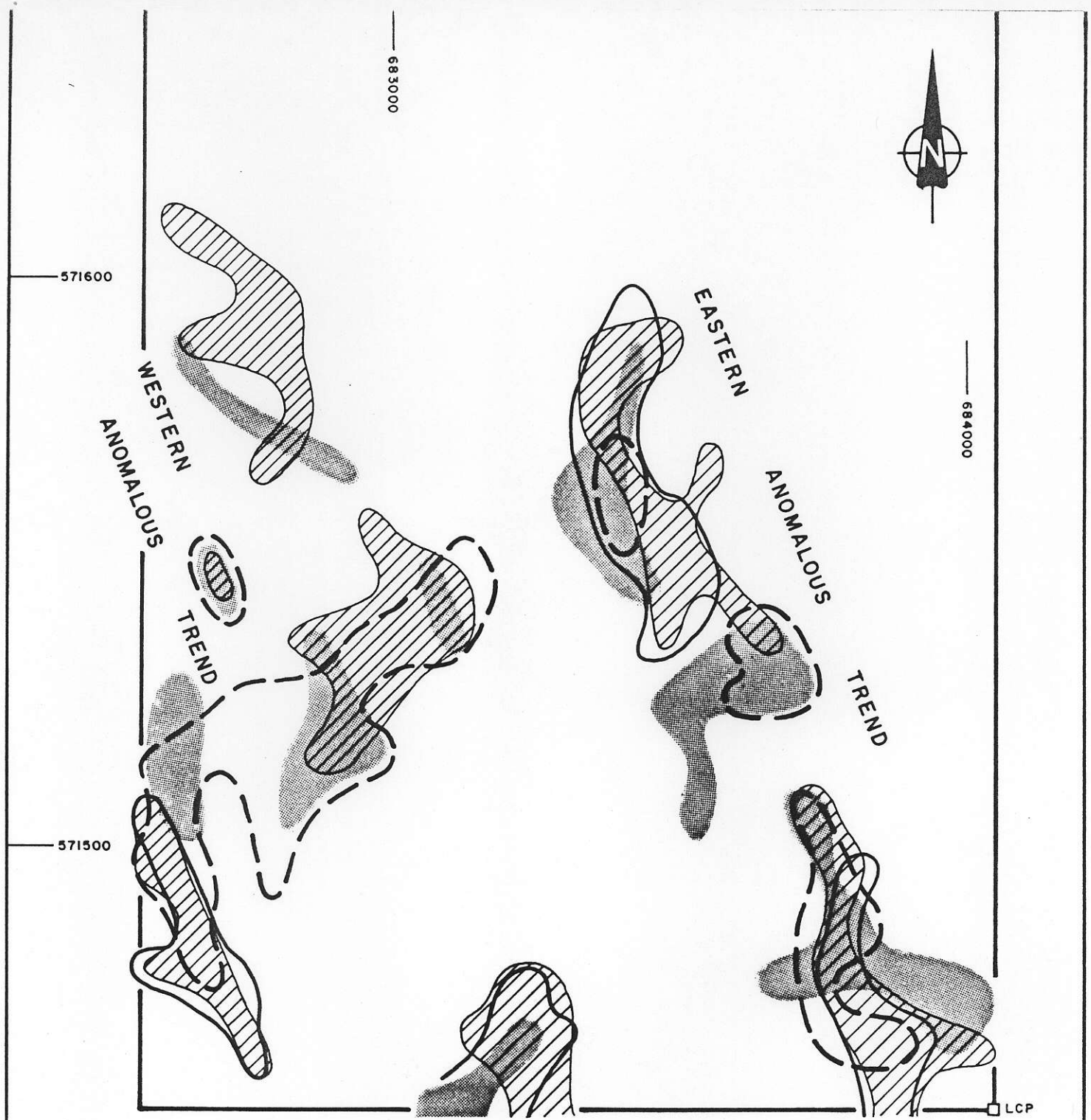


LANCER RESOURCES INC.





HC PROJECT
1987 SOIL GEOCHEMISTRY
Lead (ppm)

DATE: AUG/87	PROJECT#: 562
NTS: 92 P/9	SCALE 1: 10000

Figure 9



ANOMALIES

-  Au
-  Ag
-  Cu
-  Pb



0 200 400 metres

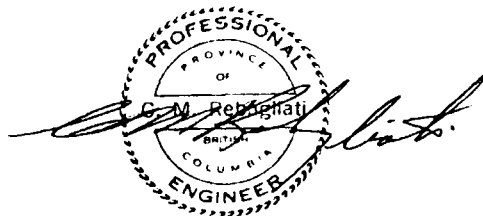
LANCER RESOURCES INC.
HC GOLD PROJECT

GEOCHEMICAL COMPILATION

CONCLUSIONS

The HC claim is situated immediately to the east of the central volcanic core of the Quesnel Trough in a geologically prospective area of complex faulting. Wide bands of quartz-carbonate-mariposite alteration geochemically enriched in gold, base metals and indicator elements are evidence that precious metal-generating hydrothermal events took place within the claim area. Multi-element soil geochemistry has outlined the trace of the altered zones and test trenching combined with rock chip sampling have substantiated that significant gold mineralization is present in at least two of the three carbonate alteration zones. The highest gold values occur where late stage quartz stringers cut carbonate altered fault planes.

The silver bearing calcite-quartz base metal veins situated in the central western portion of the claim are interesting secondary exploration targets. A program of diamond drilling is justified to explore the extensive geochemically anomalous segments of the quartz-carbonate-mariposite alteration zones for gold ore bodies.



RECOMMENDATIONS

A two-phase success-contingent exploration program is recommended.

Stage I:

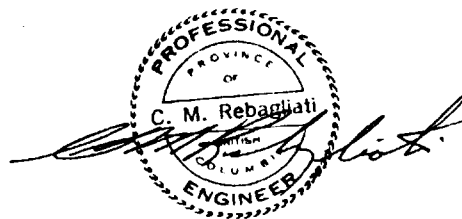
1. Test the most intense geochemically anomalous sections of the quartz-carbonate-mariposite alteration zones by systematically diamond drilling them at 100 m intervals utilizing NQ core.
2. Drill to evaluate the strong silver-lead-zinc soil anomaly situated along the western side of the property.

A 1,800 foot diamond drilling program budgeted at \$90,000 is proposed.

Stage II:

The recommended Stage II program is conditional upon encouraging results being received from Stage I. The proposed program may require modifications after the analysis of the Stage I results to more appropriately assess the property's precious metal potential.

A 4,000 foot diamond drilling program to define the strike and dip extent of the mineralized zones is proposed at an estimated cost of \$200,000.



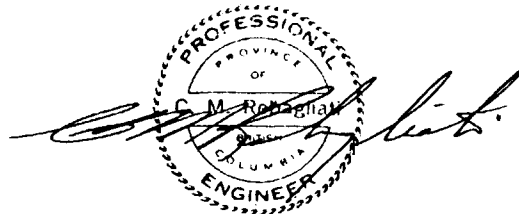
PROPOSED BUDGET

Stage I:

Diamond Drilling all inclusive	1,800 ft. @ \$32/ft.	\$ 58,000
Drill access trails		5,000
Supervision and core logging	18 days @ \$400/day	7,200
Labour core sampler	18 days @ \$150/day	2,700
Room and Board	36 days @ \$75/day	2,700
Vehicle including gas, mileage and insurance	18 days @ \$100/day	1,800
Assays	573 @ \$15.00	8,600
Engineer's Report including drafting, word processing and publication		<u>4,000</u>
		\$ 90,000

Stage II:

Fill-in diamond drilling - including all related expenditures 4,000 ft. @ \$50.00/ft.		\$200,000
---	--	-----------



REFERENCES

Aird, C.A. 1974; Geological, Geophysical and Geochemical Report on the A.A. 1-20 Claims, Imperial Oil Limited Assessment Report No. 5191.

Campbell, R.B., Tipper, H.W. 1971; Geology of Bonapart Lake Map Area, British Columbia, GSC Memoir 363.

Gamble, A.P.D. 1986; 1985 Summary Exploration Report. Geology, Geochemistry, Geophysics on the Ta Hoola Project (including the HC claim). Assessment Report No. 12101.

Preto, V.A.G., 1970; Geology, Exploration and Mining in British Columbia, p.p. 307-312.

Assessment Reports from nearby properties 981, 1061, 1169, 1690, 4028, 4260, 4262, 4678, 4684, 10287, 10880, 11413.

CERTIFICATE OF QUALIFICATIONS

I, Clarence Mark Rebagliati, of 3536 West 15th Avenue, Vancouver, B.C. hereby certify that:

1. I am a consulting Geological Engineer with offices at 3536 West 15th Avenue, Vancouver, B.C.
2. I am a graduate of the Provincial Institute of Mining, Haileybury, Ontario (Mining Technology 1966).
3. I am a graduate of the Michigan Technological University, Houghton, Michigan, U.S.A. (B.Sc., Geological Engineering 1969).
4. I have practiced my profession continuously since graduation.
5. I am a member in good standing of the Association of Professional Engineers of British Columbia.
6. The foregoing report is based on:
 - a) A study of all available company and government reports.
 - b) My personal knowledge of the general area resulting from regional studies and from examinations of the property made on July 13, 1986 and during supervision of the geochemical survey in July and August 1987.
7. I have not directly or indirectly received nor do I expect to receive any interest, direct or indirect, in the property of Lancer Resources Inc., or any affiliate, or beneficially own, directly or indirectly, any securities of Lancer Resources Inc., or any affiliate.
8. I consent to the inclusion of this report in a Statement of Material Facts or a Prospectus.



The seal is circular with a double-line border. The outer ring contains the text 'PROFESSIONAL ENGINEER' at the top and 'B.C. ASSOCIATION OF PROFESSIONAL ENGINEERS' at the bottom. The inner circle contains the name 'C. M. Rebagliati' and the word 'ENGINEER' at the bottom. A signature is written across the seal.

C.M. Rebagliati, P. Eng.
August 31, 1987