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SUMMARY PROGRESS REPORT

APPRAISAL OF DOCUMENTS & FIELD EXAMINATION

of the

GOLD MOUNTAIN, VERTEX & RED 1&2 MINERAL CLAIMS

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GOLD MOUNTAIN PLACER LEASES

July 16 to August 30, 1985

FOR

NATIONAL HYDROCARBON LTD.

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INTRODUCTION

In meetings with M. LaFleur and H.L. Donaldson it was decided that information pertaining to the mineral holdings and placer leases controlled by the LaFleur Group should be reviewed in order to establish a schedule of technical and financial objectives. Priority was given to a field examination of the properties which took place within the period August 6 to August 12, 1985. First priority was given to field appraisals and overall potential of the mineral claims and then to placer leases. The greater portion of the field time was allocated to the first priority.

GENERAL

Gold Mountain and Red 1 & 2 mineral claims are accessible by bush roads from highway 26 connecting Quesnel and Wells. The Gold Mountain property is 6.5 Km west of Wells and the Red 1 & 2 Claims are about 11 Km to the southwest. The camp on Coulter Creek was used as a field base.

Accompanied and guided by Mr. Matt LaFleur, the time spent on properties was allocated as follows:

Red Group	2.5 days
Gold Mountain Claims	1 day
Placer Leases	2 days

Improvements to roads are required for both the access to the Red Claims and to the hydraulic pit area of Coulter Creek. Additionally, in order to house field personnel at the camp at Coulter Creek the light plant, propane and oil heater require servicing.

REGIONAL GEOLOGY

As early as 1887 regional geology was studied and described. It was re-mapped as late as 1965 (A. Sutherland Brown). All of the properties are underlain by units of the upper Pre Cambrian to Lower Cambrian age Caribou group. These consist of the Upper Richfield meta-equivalents of argillite and quartzite overlain by the Barkerville limestone. They are included in the northwesterly trending "Island Mountain anticlinorium", which is the largest of a group of anticlinal structures on the Southwest flank of the Snowshoe synclinorium. There are at least two ages of secondary folding superimposed on the broad anticlinal structure noted above. The oldest folding event is of pre Mississippian age, followed by later cross folding of Mesozoic age.

Locally the Caribou group of metamorphosed and folded assemblages are cut by fault structures of three types:

- i Reverse compression faults
- ii Strike tension faults
- iii Normal (crosscutting) cross range faults

Of these, the normal cross range faults which trend northeasterly appear to exert an overall control of gold mineralization.

Quartz veins are of two main types. The type "A" group are contorted masses of white quartz veins which are roughly conformable to schistosity and sparsely mineralized. Type "B" veins strike northeast across trends and usually are small veins and lenses. The latter type, in proximity to the northerly trending cross range faults, usually have commercial potential. Gold orebodies generally are mineralized aggregates of parallel, cross-cutting and branching veins and stringers.

Gold occurs mainly within quartz veins, however, pyritic replacements in limestone horizons form a second type of deposit. Associated mineralization consists chiefly of pyrite and arsenopyrite with relatively small amounts of gold, galena sphalerite, pyrrhotite plus telluride and bismuth minerals.

GOLD MOUNTAIN, VERTEX AND RED MINERAL CLAIMS

GOLD MOUNTAIN GROUP:

These claims include the Gold Mountain Placer Lease and cover the watershed of Coulter Creek. The axis of the anticlinorium, noted previously, crosses the property in a northwesterly direction. The presence of relatively large "A" type quartz veins in Coulter Creek, directly below the camp site, coincides with the projected anticlinorium axis. Outcrop along the lower part of Coulter Creek consists of sericite and chloritic quartz schist trending $300^{\circ}T$ with plunges northwesterly averaging 20° . Limestone bands are exposed along Coulter Creek where it enters the Northwesterly trending Slough Creek valley.

At the headwater of Coulter Creek an old adit was driven, presumably to expose mineralized quartz vein structures, there is no information available related to geology or mineralization. Outcrops at two places at the entrance of the main placer pit are pyritic sericite quartz schist. It appears that the northerly trending cross range faults present on the Red Claims, seven kilometers to the south, extend northerly into the Gold Mountain property. The airborne magnetic and electromagnetic survey in 1980, which covers both properties, show some magnetic indication of such faults. Any concentrations of mineralized veins close to these faults are considered to be prospective areas for gold.

The same aeromagnetic survey also shows the location of two or more prominent magnetic features; the cause of which currently is not known. Since no coincident conductor responses were recorded, these magnetic features could be caused by magnetite and/or disseminated pyrrhotite.

VERTEX GROUP:

These claims, which adjoin the Gold Mountain claims at the east, are situated at the crest of Island Mountain, approximately 1.5 Km west and uphill from the Mosquito Creek Gold Mine. This mine is currently operating at about 80 tons of ore per day and is producing from rod shaped gold bearing quartz zones which plunge 20° north to northwest.

The airborne geophysical survey indicates very flat magnetics and no electromagnetic features for both the mine area and the Vertex ground. There is a northwesterly band of conductive rock between the mine and Vertex ground which could reflect graphitic horizons along a fold axis. If this is correct, rock hosting the Mosquito Creek mineralization could be present on Vertex ground as the southwest limb of a fold.

RED 1 & 2 MINERAL CLAIMS:

This property, which totals 20 units (2,000 acres), is located south of Burns Mountain and includes Perkins and Amador Placer Creeks. Initial prospecting started in the 1880's and soon resulted in the discovery of the Cohen, Perkins and Galena veins. Over the years extensive rock trenching and underground work was done at these locations; however, there is no official record of production. The property is underlain by that part of the Richfield formation which is on the south limb of the anticlinorium axis. The Richfield Formation locally is mainly quartzite grading to quartz chlorite schist as well as slates and argillite. There are a few relatively thin sections of graphitic-pyrite slates exposed in the Perkins trench. The claims are traversed by two northerly trending (cross range) faults which cut across the area of the Perkins and Galena workings. Geophysical responses from the airborne survey are weak magnetically with

some separate but weak conductors.

Rock specimens were collected for assay from the Galena Portal area, the Perkins waste dump and rock trench and the Dry Gulch area. Except for specimens collected at the Galena Portal, results were negative. The portal specimens as tabled below indicate localization of gold where quartz veins are displaced by faults.

GALENA PORTAL:

Sample No.	Rock Types	Au/oz/ton
81087	quartz vein cut by fault	0.386
81088	fault gouge above vein	0.001
81089	vein quartz 3 ft. from fault	0.006
81090	wall rock away from veins	0.001

Since repetitions of quartz structures near northerly trending faults have not been recorded along the southerly extension of such faults this area appears prospective and should be trenched to expose bedrock for sampling and to determine if further work, such as ground geophysics or geochemistry is warranted to develop targets for drill tests.

GOLD MOUNTAIN PLACER:

Almost all of the Coulter Creek and part of Slough Creek is covered by the eleven Placer leases of Gold Mountain Ltd. Placer work along Coulter Creek started in the 1870's on a relatively small scale. Hydraulic operations beginning in the 1920's continued sporadically until 1960. The Fleurmont group commenced work in 1964. Two seismic surveys were conducted in order to trace buried channels within Coulter Creek valley.

There is no reliable record of gold production. From 1879 to 1948 1113 ounces of placer gold were reported but there must be substantial amounts of unrecorded production from sluicing and exploratory tunnelling over a period of several years.

In addition to the seismic surveys, the most definitive reporting on activity is that by W.M. Sharp, P. Eng. during the period 1964 to 1967. In his report dated June 1964, Mr. Sharp, in the absence of basic production data, "attempted to arrive at an estimate of probable grade and minimum volume by means of a rather brief sampling - - - - cross sectioning procedures during the recent examination". The exploratory tunnel driven by J. Chause was found to be still open after the portal area was excavated. Three "bulk samples" (each about 3 cubic feet in volume) were collected at sites in the tunnel close to the buried channel wall. These, in addition to a small composite bulk sample of gravel up the north pit wall, were reduced by gold pan concentration and bagged for assay.

Assay results are reproduced below:

Samples (x) map locations	Mg	Gold	Silver		Est/c.v.
		Value ¢	Mg	Value ¢	
(1) & (2) - #57301	688.02	77.40	73.5	0.33	\$ 7.00
(3) & (4) - #57302	529.03	59.52			\$ 5.46
(5) - #57303	684.06	76.96			\$ 6.92
(6) Composite- #57304	0.09	0.01			\$ 0.38

From the above, allowing for minor pan-losses, it would appear that the bottom 6 foot to 8 foot depth of channel gravels are worth from \$ 5.50 to \$ 7.00 per cubic foot.

The above constitutes the only satisfactory recorded evidence of

commercial potential of placer gravels along Coulter Creek valley. It should be noted that the dollar conversions are based on a price of C\$ 35.00 per ounce of gold. Assuming a current price of C\$ 440.00 per ounce of gold the conversion factor for present day prices is approximately 12 times. Accordingly, the estimated values per cubic yard (right hand column) are as follows:

Est/c.v.

\$ 84.00

\$ 56.52

\$ 83.04

\$ 4.56

In addition to the encouraging gold grades from gravels exposed in the tunnel, the composite sample grade suggests the possibility that processing some of the overlying fluvial material may be feasible.

Notwithstanding the general lack of adequate grade data there is sufficient qualitative information to warrant a bulk sampling and testing program this year. The purpose will be to determine gold content per cubic yard at locations determined by the seismic surveys as well as in the main and lower pit areas. Key to this sampling program is on site processing by the portable Knelson Concentrator pilot plant. This equipment is capable of processing up to 2 cubic yards of minus quarter inch fraction of gravel per hour. The product is a concentrate weighing about 25 lbs. suitable for on site amalgamation. The testing program produces information on grade and recovery of gold at the site without delays and potential sample contamination occasioned by transportation and laboratory analysis.

ORE RESERVES:

There are no reserves outlined on any of the mineral properties; however, two well known mines located near the town of Wells, the Island Mountain and Caribou Gold Quartz mines, operated fairly continuously from 1926 to 1967 and in this period mined and treated about 2,690,000 tons of ore for a yield of just over 1,090,000 ounces of gold. The two mines operated each with a milling capacity of 50 to 100 tons per day. The average grade of ore treated averaging 0.57 ounces of gold per ton.

Mosquito Creek Gold Mining Company Limited is operating near Wells today with mill production of 80 tons of ore per day and mill heads averaging over 0.4 ounces gold per ton.

With regards to the Placer Leases at Coulter Creek substantial amounts of gravel have been excavated but with no record of gold production. Although there is ample room for reserves in the tens of millions/cubic yard actual ore grade material must be demonstrated by testing.

CONCLUSIONS

Each of the three mineral properties contain sufficient open or untested areas of prospective geology to warrant Stage I expenditures.

The most attractive mineral property at this time appears to be Gold Mountain, however, because of extensive and thick overburden cover exploration will be relatively expensive.

The field programs recommended in two stages should provide enough exploration exposure to identify and justify further expenditures.

Given firm information on grades and reserves for the placer leases an early start on a production basis should be possible in 1986 with minimum front end cost.

RECOMMENDATIONS

STAGE I - 1985

Mineral Claims

- Gold Mountain - ground geophysics and geochemistry
- Vertex - Mapping and surface sampling
- Red - Trenching and sampling
- Placer Leases - Bulk sampling and on site processing

STAGE II - 1986

Mineral Claims

- Gold Mountain - Drill test of geophysical & geochemical targets
- Vertex - Drill tests of mineralized sites
- Red - Ground geophysics and drilling
- Placer Leases - Production on a small scale to generate funds to develop further reserves

STAGE III - 1986 - Drilling continued on the most promising mineralization

BUDGET CONSOLIDATED

STAGE I - Gold Mountain Ltd.

Mineral Claims (MC)	\$ 15,250.		
Placer Leases	\$ 34,875.		
Vertex MC	\$ 10,350.		
Red 1 & 2 MC	\$ 12,600.		
Transportation Cost	\$ 5,000.		
Contingency @ 10%	\$ 7,807.	<u>\$ 85,882.</u>	
			<u>\$ 86,000.</u>

STAGE II - Gold Mountain Ltd.

Mineral Claims (MC)	\$ 104,200.		
Placer Leases	---		
Vertex	\$ 41,520.		
Red 1 & 2 MC	\$ 45,000.		
Transportation Cost	\$ 10,000.		
Contingency @ 10%	\$ 20,072.	<u>\$ 220,792.</u>	
			<u>\$ 221,000.</u>

EXPENDITURE SCHEDULE

STAGE I - 1985

August	Sept.	Oct.	Nov.	Dec.	Total
\$ 3,000.	\$ 30,000.	\$ 42,000.	\$ 8,000.	\$ 3,000.	<u>\$ 86,000.</u>

STAGE II - 1986

1st quarter	2nd quarter	3rd quarter	4th quarter	Total
\$ 10,000	\$ 15,000.	\$ 155,000.	\$ 41,000.	<u>\$ 221,000.</u>

PLACER LEASES

Sample and test program at three locations

BUDGET:

1	Bulldozer D-7	55 hours @ \$125./hr	\$ 6,875.
		Upgrading access road on site roads, preparation of two 40' square 8' deep water ponds	
2	Backhoe	70 hrs. @ \$ 80./hr	\$ 5,600.
		2 yd. samples - 4 lower pit 10 main pit 5 upper adit area	
3	Dump truck - 2 yd. capacity	50 hrs @ \$ 60./hr.	\$ 3,000.
		Transport sample to pond site	
4	Knelson Concentrator test plant	9 days @ \$750.	\$ 6,750.
5	Supervisor	30 days @ \$ 150.	\$ 4,500.
6	Food and Lodging	5 men for 21 days @ \$ 30./day	\$ 3,150.
7	Engineering		<u>\$ 5,000.</u>
			<u>\$ 34,875.</u>

GOLD MOUNTAIN MINERAL CLAIMS

STAGE I	- Ground Geophysics, Magnetic & E.M.	\$ 10,000.	
	Geochemical Sampling Analysis		
	Board 5 men for 15 days @ \$ 30.	\$ 2,250.	
	Engineering	<u>\$ 3,000.</u>	
			<u>\$ 15,250.</u>
STAGE II	- Drilling		
	i BQ Wireline 500M @ \$ 160.	\$ 80,000.	
	ii Road Access	\$ 4,000.	
	iii 3 men, 6 weeks	\$ 12,700.	
	1 @ \$ 150., 2 @ \$ 100.		
	Accomodation	\$ 2,500.	
	Engineering	<u>\$ 5,000.</u>	
			<u>\$ 104,200.</u>

VERTEX

STAGE I	- Access tote road	\$ 4,000.	
	Surface sampling & assay	\$ 5,000.	
	1 helper, 1 week @ \$150.	\$ 1,050.	
	Board 3 men 10 days @ \$30.	<u>\$ 300.</u>	
			<u>\$ 10,350.</u>
STAGE II	- Drilling 200M x \$ 160./M	\$ 32,000.	
	Geology	\$ 4,000.	
	Assaying	\$ 1,000.	
	Board 6 men, 14 days @ \$ 30.	\$ 2,520.	
	Report	<u>\$ 2,000.</u>	
			<u>\$ 41,520.</u>

RED 1 & 2

STAGE I - Trenching 60 hours @ \$ 125./hr.	\$ 7,500.	
Supervision & Sampling 14 X \$ 150.	\$ 2,100.	
Assaying	\$ 1,000.	
Report	<u>\$ 2,000.</u>	
		\$ 12,600.
 STAGE II - Ground Geophysics	\$ 6,000.	
Drilling 200M @ \$ 160.	\$ 32,000.	
Supervision	\$ 4,000.	
Assaying	\$ 1,000.	
Report	<u>\$ 2,000.</u>	
		\$ 45,000.



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