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KINGVALE RESOURCES LTD.
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REPORT ON THE
YANKEE DUNDEE PROPERTY
YMIR, BRITISH COLUMBIA

by
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Vancouver, B.C.
July 19, 1988

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Introduction

This report has been prepared at the request of the Directors of Kingsvale Resources Ltd. to assist them in deciding whether to proceed into an exploration program on the Yankee Dundee property. The author would prefer that this report remain confidential in the company files and not be distributed to B.G.M. Diversified Energy Ltd. or field geologists.

The Yankee Dundee property was examined originally with A.F. Reeve and Bob Golac on March 30, 1988, and again on June 14 and 15, 1988, to locate adit portals, shafts and re-examine the Wildhorse adit. Files turned over to Kingsvale by B.G.M. contained reports by H.B. Hicks, W.C. Day and R.A. Wells for Goldrich Resources and Arizako Mines Ltd and an A.I.M.E. paper written in 1938 by L.B. Wright and L.G. Morrell. In an attempt to locate any old survey plans and assay plans and gain any other useful information, meetings were held with Brodie Hicks, C.D. Taylor (Chief Engineer when the property ceased production in 1942) and Bill Day. An attempt to locate R.A. Wells was not successful. Files were examined at the Mines Inspectors' offices in Nelson and Victoria and the B.C. Archives in Victoria. Two new maps were located in the Nelson Mines Inspectors office - one map showing the south end of the Wildhorse adit with drifts along the Yankee Girl and Bonus veins and another map showing the composite plan of the Dundee levels and the longitudinal stope outlines. There are no assay plans or survey plans available for any development headings on the Yankee Dundee property.

Brodie Hicks has discarded all his notes and maps on the Yankee Dundee property and could not confirm most of the statements made in his report. His recollection of technical information on the property is very limited and it is doubtful whether he is able or willing to contribute to further exploration programs on the

Yankee Dundee property. C.D. Taylor and Bill Day offered their comments on any technical data they could recall. A report on the 1985 underground drilling program conducted by Goldrich Resources was donated by Bill Day.

Conclusions

1. Potential ore reserves in the Yankee Girl vein above the Wildhorse adit elevation are limited to a minor number of tons in the vicinity of the raise up to the 1625 Level. The best grade of mineralization mined from the Yankee Girl Vein was located above the 1235 Level.
2. The Bonus vein and the Cannon vein, intersected while driving the Wildhorse adit, carry low to moderate ore grade mineralization representing attractive targets worthy of further exploration. *reported*
3. The quartz-filled shear zone striking through the Evening Star shaft may be part of the Lakeview fault system. Mineralized fault zones intersected in the Two Star adit, driven 800 feet in elevation below the shaft collar, are interpreted downdip projections of this zone.
4. Three soil geochemical anomalies located by Ryan Exploration during their geochemical survey in 1980 deserve further exploration.

Recommendations

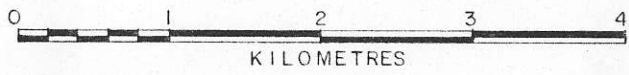
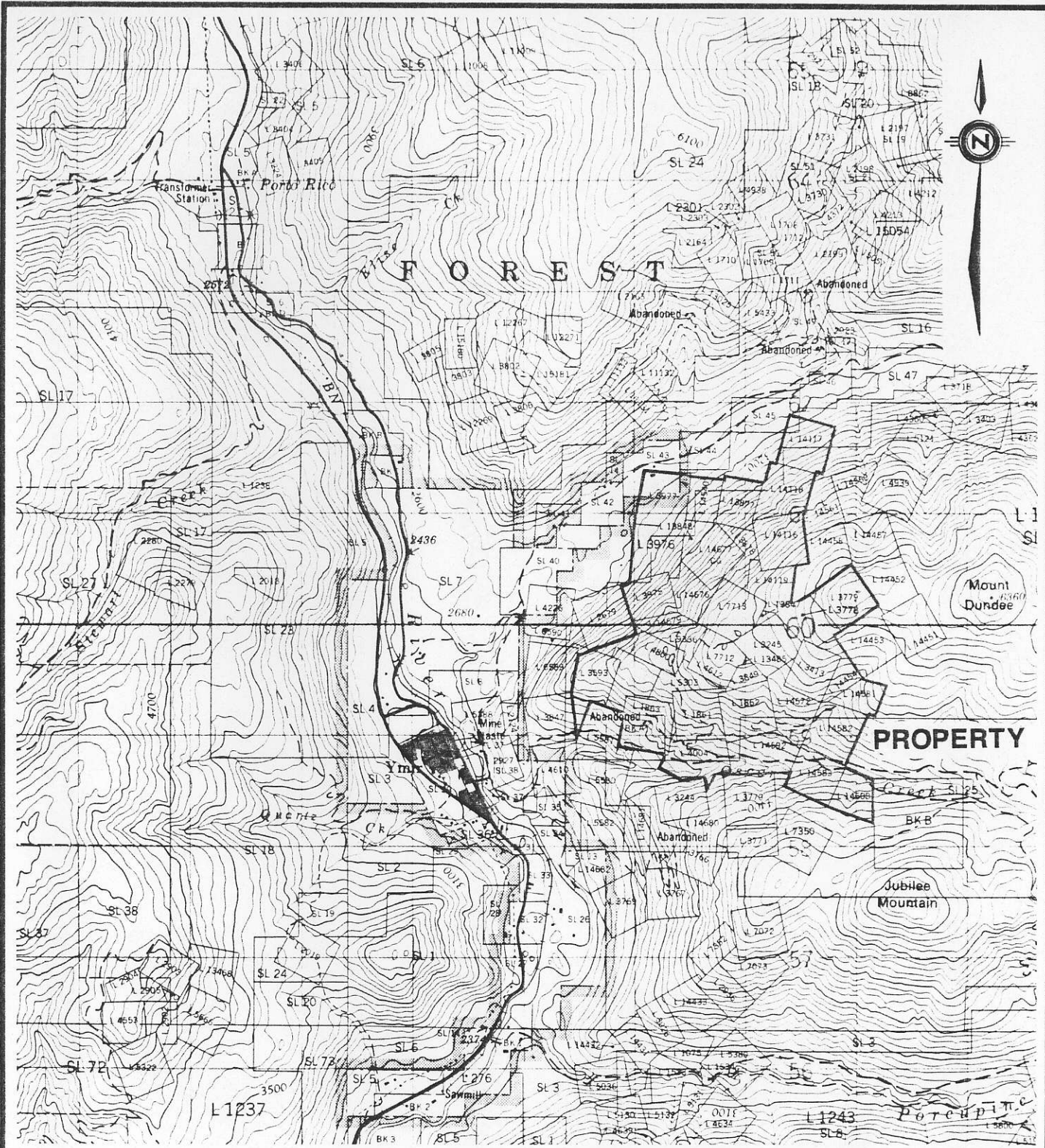
1. Current exploration of the Yankee Girl vein should be limited to mapping and sampling the vein in the drift at the Wildhorse adit elevation.

2. Concentrate on locating projections of the Bonus and Cannon Veins up to surface through geologic mapping, a VLF-EM survey and bulldozer trenching of soil geochemical anomalies and VLF-EM anomalies. Map and sample these veins in the Wildhorse adit.
3. Expose the Evening Star Shaft shear zone by bulldozer trenching then map and sample this zone. Examine the mineralized quartz veins and fault zones in the Two Star adit.
4. Follow-up the surface trenching and sampling program with diamond drill holes below mineralized trenches.
5. A recommended exploration program, divided into two phases with commencement of the second phase dependent on obtaining favorable results in the first phase, is estimated to cost \$276,000.

Claims

Current taxes have been paid on the twenty-six crown-granted claims held by B.G.M. Diversified Energy Ltd. Examination of the claim map revealed there is one claim, the Atlin Crown Grant, Lot 4800, in the midst of B.G.M. crown grants that is owned by R.H. Smallwood, 4325 - 192nd Street, Surrey, B.C. B.G.M. has contacted Mr. Smallwood to negotiate purchase or option of this crown grant.

Eight of the located claims are in good standing until March 17, 1993 and six located claims (B.D. Fraction, Aerial Fr., Mill Fr., Mint Fr., Southern Cross Fr. and Parker Fr.) are in good standing only until October 1, 1988. An enclosed claim map shows the location of these six claims and the Atlin crown grant.



YANKEE - DUNDEE PROPERTY

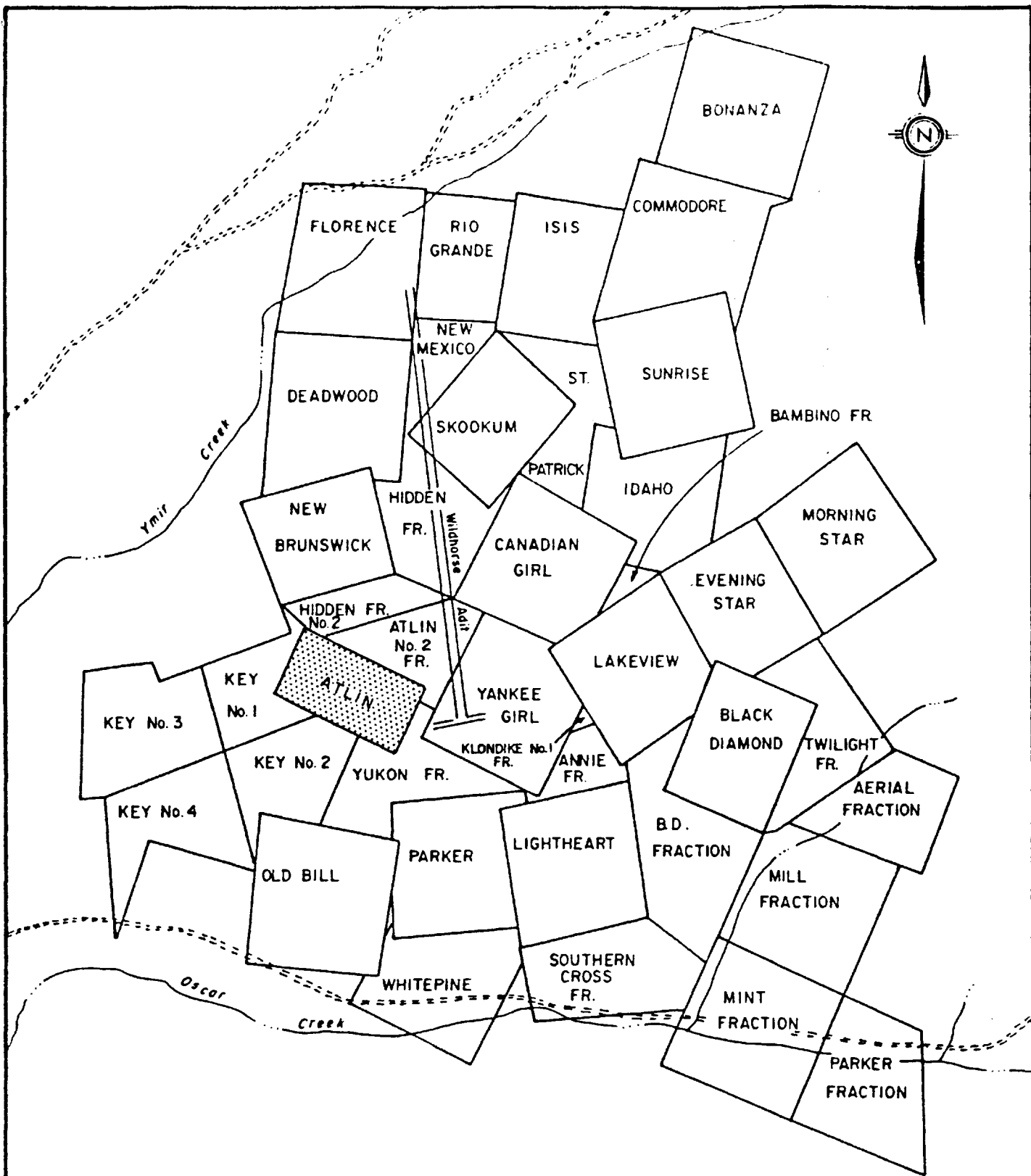
NELSON MINING DIVISION
 YMIR, BRITISH COLUMBIA

LOCATION MAP

KINGSDALE RESOURCES LTD.

DATE: JULY, 1988

FIG. 1



YANKEE - DUNDEE PROPERTY
 NELSON MINING DIVISION
 YMIR, BRITISH COLUMBIA

CLAIM MAP

FEET 0 1500 3000 FEET

KINGSDALE RESOURCES LTD.

DATE: July, 1988

FIG.2

Location, Access and Condition of Workings

The property is located on the western slope of Mount Dundee only two kilometres east of Ymir, a village of approximately 200 inhabitants located on paved Provincial Highway No. 3, 30 kilometres south of Nelson and ten kilometres north of Salmo. Gravel roads provide access to the old portals and mine dumps via Oscar Creek on the south side of Mount Dundee and to the Wildhorse adit portal on the north side of Mount Dundee. A logging road along Oscar Creek is in good condition for three kilometres but the access road up the south side of Mount Dundee will require some bulldozer rehabilitation. The adit portals and shafts on the south side of the mountain have caved and some have filled with water. Goldrich Resources attempted to open the 1235 Level portal in 1985 - major rehabilitation work is still required to gain access to the old drifts. The old road to the Two Star adit portal is mostly grown over and two bridges have collapsed. Timbers at the portal have rotted and fallen damming water back up the adit. The granite rock at the portal is competent and only minor work is required to provide access for sampling and mapping purposes.

The Wildhorse adit is located four kilometres by gravel road from Ymir on the south side of Ymir Creek, formerly called Wildhorse Creek. The 5150 foot long adit is in good condition complete with twenty pound rail (24 inch gauge) but only two-inch air pipe for most of the distance. Water was flowing along many fractures in mid-June and good ventilation is provided up the raise between the Wildhorse Level and the 1625 Level. A single phase power line provides electricity to settlers' homes in the Ymir Creek valley, including a couple of homes 500 metres north of the adit.

The homes in the Ymir Creek valley will prohibit development of a tailings pond or a millsite should sufficient ore reserves be

located to warrant production. Apparently these people have strong feelings toward environment protection which will demand a special public relations effort to allow mine development work to proceed smoothly.

History and Production

The original group of claims on the Yankee Girl property was staked in 1899 and until 1907 work was confined to surface exploration and collaring of the 50-foot Level drift. The 50-foot Level was extended and the 400-foot and 540-foot Levels were opened in 1907. In 1908, 22,622 tons grading 1.18 oz. gold per ton was shipped to a custom mill and another 4738 tons was shipped by 1911. Between 1911 and 1919 several thousand feet of development was completed, including 4000 feet of drifting on the 1235 Level, and 16,500 tons of ore were shipped averaging 0.82 oz. gold per ton. The property was leased from 1926 to 1934 when 32,433 tons were shipped averaging 0.57 oz. gold per ton. The property was acquired by Ymir Yankee Girl Gold Mines Ltd. in 1934 and a 150 ton per day flotation mill was erected in the town of Ymir. Between August, 1934 to July, 1937 94,106 tons were milled averaging 0.34 oz. gold per ton. According to Wright and Morrell, total production to July, 1937 amounted to 181,635 tons averaging 0.50 oz. gold per ton.

Development work during this period included 3150 feet of drifting in the Wildhorse adit and sinking of a winze from the 1235 Level to 1625 Level. C.D. Taylor stated that the dip of the Yankee Girl vein flattened considerably from the 1235 Level to the 1625 Level and the grade of ore mined was in the range of 0.25 oz. gold per ton. Production at the Yankee Girl Mine continued until closure in 1942.

The Dundee property was optioned to Ymir Yankee Girl Gold Mines in 1940 and they carried out extensive development work, including driving the joining crosscut on the 1235 Level, and mined about 50,000 of ore averaging 0.21 oz. gold per ton. The Dundee property ceased operation in 1942 when the Yankee Girl mill closed.

Some discrepancy exists in the production figures for the Yankee Girl and Dundee Mines. In a published paper, C.D. Taylor stated that the Yankee Girl Mine (includes the Dundee mine) produced 410,000 tons of ore averaging 0.251 oz. gold per ton (103,000 ounces), 1.30 oz. silver per ton (535,000 ounces), 1.46% lead (12,000,000 pounds), 1.34% zinc (11,000,000 pounds) and 0.30% cadmium (2,500,000 pounds). As Cominco did not pay the Yankee Girl operators for cadmium content in the ore, it is difficult to understand the cadmium production figure.

The Wildhorse adit was driven another 2000 feet in 1953 and 1954 to intersect the Yankee Girl vein and also discovered the Bonus vein 500 feet in the hanging wall parallel to the Yankee Girl vein. In 1961-1962, Cayzor Athabaska drove a three-compartment timbered raise from the Wildhorse adit to the old 1625 Level providing good ventilation and access to the old workings. They also carried out 490 feet of drifting on the Bonus vein. Following the completion of this work the property was acquired by Burlington Gold Mines Ltd., later to change its name to B.G.M. Diversified Energy Inc.

Ryan Exploration, an exploration division of U.S. Borax, optioned the property in 1980 and carried out a soil geochemical survey locating some interesting multi-element anomalies. Correspondence indicates they could not reach an acceptable continuing option agreement so the property was returned to Burlington Gold Mines.

Goldrich Resources (formerly Arizako Mines Ltd.) held the property under option in 1984 and 1985. Besides attempting to rehabilitate the 1235 Level portal, they rehabilitated the Wildhorse adit portal then drilled two up holes (26° and 30°) eastward from the northeast end of the East Drift on the Yankee Girl vein on the Wildhorse Level to intersect the Lakeview fault zone.

Geology and Mineralization

The property is underlain by northerly trending and steeply dipping slates, argillites, argillaceous quartzites and quartzites of the Triassic-Jurassic Ymir Group. Apophyses of granitic dykes off the Nelson batholith, located 2000 feet eastward, intrude the sediments and form favorable host rocks for vein-type ore deposits. Extensive faulting occurs in two dominant sets: (1) the Lakeview fault strikes N 25°-30° E and dips 55°-60° northwestward and (2) mineralized vein structures, including the Yankee Girl, Dundee, Bonus and Cannon veins, strike N 70° E and dip 60°-70° northwestward.

The strongest structure on the property is the Lakeview fault, a cataclastic shear zone up to 40 feet wide containing pyrite and sphalerite generally associated with quartz veining and argillic alteration. The fault zone is reported to contain low precious metal content, up to 0.10 oz gold per ton, and low zinc values. The most extensive exploration work has been carried out on the 1235 Level where the zone was drifted on for approximately 400 feet northeast of the intersection with the Yankee Girl vein. C.D. Taylor mentioned that the best mineralization was located near the junction with the Yankee Girl vein systems. Cannon is reported to have mentioned a "spiral raise driven upwards from the 1235 Level encountered good zinc over widths up to 30 feet" in the Lakeview fault zone.

At the Wildhorse adit elevation, the Lakeview fault zone was located about 150 feet east of the face of the northeast drift in two holes drilled by Goldrich in 1985. Negligible gold, silver, lead and zinc values were encountered within a 25 foot true width fault zone cutting granitic formations.

A strong quartz-filled shear zone strikes through the Evening Star shaft bearing N 47° E and dipping 80° northwestward that can be traced through the roadbed 200 feet to the southwest and in outcrops northeast of the old shaft. The quartz-shear zone is exposed over widths of 10 to 15 feet. Projecting the Lakeview fault zone up a 60° dip from the 1235 Level drift would trace the Lakeview fault through the Evening Star shaft. The strike and dip are not consistent with the reported attitude of the Lakeview fault zone but may represent a localized roll in the strike of the zone. There are no records available to indicate the amount of surface exploration along this zone. Old reports mention an assay of 0.50 oz gold per ton from the 95 foot shaft. A grab sample across ten feet on the surface of the quartz-pyrite filled dump returned negligible precious and base metal values.

The Two Star adit was driven a distance of 3135 feet slightly west of north to intersect the downdip projection of the shaft mineralization. At the interpreted intersection a drift was driven westerly on quartz stringers containing pyrite, galena and sphalerite from which "selected samples gave gold and silver values similar to the general content of the ores of the camp". Old reports refer also to a nine-foot wide fault zone in granite at 2955 feet from the portal but no assays were given. A composite sample from mineralized rock taken by Ryan Exploration in 1980 returned assays of 0.53 oz. gold per ton, 2.23 oz. silver per ton, 0.44% lead and 0.73% zinc.

The ore grade mineralized vein structures such as the Yankee Girl, Spur, Dundee and Bonus veins strike N 70° E and dip 65°-70° northwest. The best grade mineralization occurs adjacent to the intersection with the Lakeview fault zone. On the 1235 Level an 800 foot length of ore grade mineralization was mined from the Yankee Girl vein. The Yankee Girl vein averages 5 feet wide and has a maximum width of 30 feet. The vein consists of quartz gangue with fragments of brecciated schist and granite mineralized with pyrite, galena and sphalerite. Pods of steel galena occur sporadically through the vein system and host the highest grade gold and silver content and probably carry the highest cadmium levels produced from the Yankee Girl ore. The 50 foot Level mine dump contains a high percentage of fine grained massive pyrite with minor galena and sphalerite within the quartz vein material.

The longitudinal section through the Yankee Girl vein shows that mine production of the best grades of gold mineralization came from the upper part of the Mine. Production from many stopes averaged 0.4 to 0.7 oz gold per ton. As mentioned earlier the grades of mineralization from the 1235 Level to the 1625 Level lowered to 0.25 oz gold per ton. The assays from the face samples taken in the drifts on the 1625, 1500 and 1360 Levels reveal that there are no ore grade assays over mineable widths remaining in this area contrary to the "suggested potentially favorable ore area" mentioned in Brodie Hicks report. These facts suggest that future exploration of parallel veins should be directed toward the upper part of the vein system.

The raise driven from the Wildhorse Level to the 1625 Level in 1961-1962 encountered moderate grade ore mineralization (0.29% oz. gold/ton, 1.01 oz. silver/ton, 1.2% lead and 2.25% zinc) through 208 feet vertical height over an average width of 4.3

feet. The top 100 feet of the raise wandered off the vein. Using a strike length projection of 200 feet, a reserve calculation indicates 17,000 tons of this mineralization is in place. The assays on the 1625 Level indicate that the vein is only sparsely mineralized. Old reports indicate the vein in the Wildhorse Level drift carries only low assay values.

The Spur vein branches off the Yankee Girl vein on the footwall side and strikes parallel 100 feet distant for several hundred feet. It has been mined above the 1235 Level up to surface. Above the 800 Level a strike length of 550 feet was mined.

The Dundee vein is located southwest and 1000 feet into the footwall of the Yankee Girl vein. The vein is composed of hanging wall and footwall strands striking N 60° E and dipping 60°-70° northwestward. Average widths are five feet and the veins have been traced vertically over 1000 feet. A cross cut from the Yankee Girl joins the two vein systems on the 1235 Level. The Blue vein lies at a slightly flatter dip 50 feet to 80 feet in the footwall of the Dundee vein. It is narrower and carries lower grade gold and silver content.

In 1953-1954 the Bonus vein was intersected in the Wildhorse adit where it is located 500 feet (on a Cayzor Athabaska map and not 400 feet mentioned by Brodie Hicks) in the hanging wall of the Yankee Girl vein. It has a parallel attitude to the Yankee Girl vein - N 70° E strike and 65° northwest dip. At the intersection in the Wildhorse adit a 5 foot sample assayed 0.45 oz gold/ton, 0.29 oz. silver/ton, 1.2% lead and 2.7% zinc. Drifts 32 feet northeast and 37 feet southwest of the adit reportedly carried lower values. A 45° drillhole intersected the vein 75 feet vertically above the Wildhorse adit and returned assays of 0.23 oz. gold/ton, 0.68 oz. silver/ton, 0.37% lead and 1.6% zinc over an 8 foot width. No information is available from holes angled

on strike each side of this hole. Brodie Hicks report mentions that a drill hole intersection of 0.70 oz. gold per ton over three feet from the 1235 Level may represent an upward extension of the Bonus Vein zone.

Mapping by D. Cannon during an examination in November, 1953 shows assays on a 3.3 foot wide vein striking approximately N 60° E. Two assays are recorded, probably from each wall of the adit: (1) 0.18 oz. gold/ton, 0.66 oz. silver/ton, 2.37% lead and 1.20% zinc, and (2) 0.38 oz. gold/ton, 2.85 oz. silver/ton, 1.78% lead and 3.70% zinc. The location of the vein in the adit is not known but is assumed to be approximately 2100 feet north of the south end of the Wildhorse adit. These intersecting assay values represent an excellent exploration target.

Proposed 1988 Exploration Program

Kingsvale Resources program on the Yankee Dundee property will concentrate on exploring parallel zones to the Yankee Girl and Dundee vein systems. The Bonus vein and the Cannon vein offer attractive targets to commence our efforts and possibly new veins will be discovered. The best ore mineralization was located in the upper portions of the Yankee Girl vein therefore our work will emphasize exploration from surface rather than exploration from the Wildhorse adit.

The first phase of the 1988 program will establish a data base on the geology around the old portals, shaft collars and areas of surface projections of the Bonus and Cannon veins. The southern part of the Wildhorse adit will be mapped in the search for other parallel veins and the drifts on the Yankee Girl and Bonus veins will be thoroughly sampled. A VLF-EM survey will be conducted over the installed grid to attempt to locate the vein systems through their high sulphide content and possible water flows

through shear planes of the quartz-sulphide fault zones. Three soil geochemical anomalies identified during Ryan Exploration's 1980 program will be examined with a bulldozer and/or excavator-trenches will be mapped and sampled. The quartz vein-shear zone through the Evening Star shaft will be stripped and trenched with a bulldozer to expedite mapping and sampling. The Two Star adit will be examined and prominent quartz veins and fault zones will be mapped and sampled.

McElhanney Geosurveys are preparing an orthophoto contour map at a scale of 1:5000 with 5 metre contour intervals covering the western slope of Mount Dundee. A contract surveyor will establish precise survey control to tie in old mine portals, shafts, roads and trenches and also survey the Wildhorse adit to permit preparation of accurate plans and cross-sections.

The second phase of the 1988 program will follow up successful results of the program's first phase. The bulldozer will trench anomalies located during the VLF-EM survey and extend mineralized trenches sampled during the first program. A diamond drill will test 50 to 60 metres down dip below mineralized veins located in trenches on the soil geochemical anomalies, the Evening Star vein, the Bonus vein and possibly the Cannon vein.

1988 Program - Phase I August 1, to September 15, 1988

Surface Program

	\$
1. Road improvement - 2 days @ \$700	1,400
Mobe, demobe - 8 hrs @ \$50	400
2. Bulldozer trenching on geochemical anomalies	
- 8 days @ \$700	5,600

3.	Bulldozer trenching on Evening Star Vein	
	- 2 days @ \$700	1,400
4.	Sampling and mapping dozer trenches	
	geologist and helper: 10 days @ \$400	4,000
	plotting, drafting 5 days @ \$200	1,000
5.	Assaying - 100 samples @ \$28 + freight	3,100
6.	Reclamation bond	1,000
7.	Photo Base Map Preparation	6,000
8.	VLF Survey and Geology Mapping	
	1. Grid preparation	
	Cutting, picketing, secant chaining-8.6km @ \$600	3,200
	2. Flag and chain 24.7km @ \$250/km	6,200
	3. Geology mapping	
	- geologist and helper 15 days @ \$400	6,000
	4. VLF instrument rental	1,000
	5. VLF interpretation and report 4 days @ \$500	2,000
9.	Surveying	
	- mine portals, roads, trenches etc. 10 days @ \$500	5,000
	- plotting and map preparation	1,000
	Sub total	\$50,300

Underground Program

		\$
1.	Re - survey Wildhorse adit 10 days @ \$500	5,000
	- plotting and map preparation	1,000
2.	Wash, sample and map geology 2500' of Wildhorse adit, Yankee Girl vein drift, Bonus vein drift	
	Geologist and 2 helpers: 15 days @ \$450	6,800
	Assays: 250 samples x \$28 + freight	7,700
	Suppliers: Pump rental, hose, sample bags, compressor rental	2,000
3.	Examine Two Star adit - preliminary sampling and mapping, geologist and helper for 2 days, assays, supplies	1,000
	Sub total	\$23,500

General - Surface and Underground Program

1.	Project Engineering	
	C. Lalonde and A. Reeve	6,000
2.	Supplies	1,000
3.	Travel	2,000
4.	Truck rental and operation - 1.5 months	2,500
5.	Communications	<u>500</u>
	Sub total	\$12,000
	Phase I total	85,800
	+ 10% Contingency	<u>8,600</u>
	Phase I Total	<u>\$94,400</u>

1988 Budget - Phase II September 15 to October 15, 1988

Surface Program

		\$
1.	Bulldozer trenching VLF anomalies and extending trenches in Phase I program 5 days @ \$700	3,500
2.	Sampling, mapping trenches - geologist and helper 5 days @ \$350	1,750
3.	Diamond drilling Bonus vein, Evening Star vein geochemical anomalies - 15 NQ holes = 5000' @ \$25 (assuming two shifts/day and 7 days per week)	125,000
4.	Assaying 300 samples @ \$28 + freight	9,200
5.	Surveying drillhole collars, trenches - 5 days @ \$500	2,500
6.	Geologist and helper: logging and splitting core - 25 days @ \$350	8,750
7.	Supplies: bags, core racks, etc.	<u>2,000</u>
	Sub total	\$152,700

General - Surface Program

1. Project Engineering		
C. Lalonde and A. Reeve		6,000
2. Travel		3,000
3. Truck rental and operation - 1.5 months		2,500
4. Communications		<u>500</u>
	Sub total	\$ 12,000
	Phase II total	164,700
	+ 10% Contingency	<u>16,500</u>
	Phase II Total	<u>\$181,200</u>
	TOTAL 1988 PROGRAM	<u>\$275,600</u>

Respectfully submitted,



C.M. Lalonde

July 19, 1988
Vancouver, B.C.

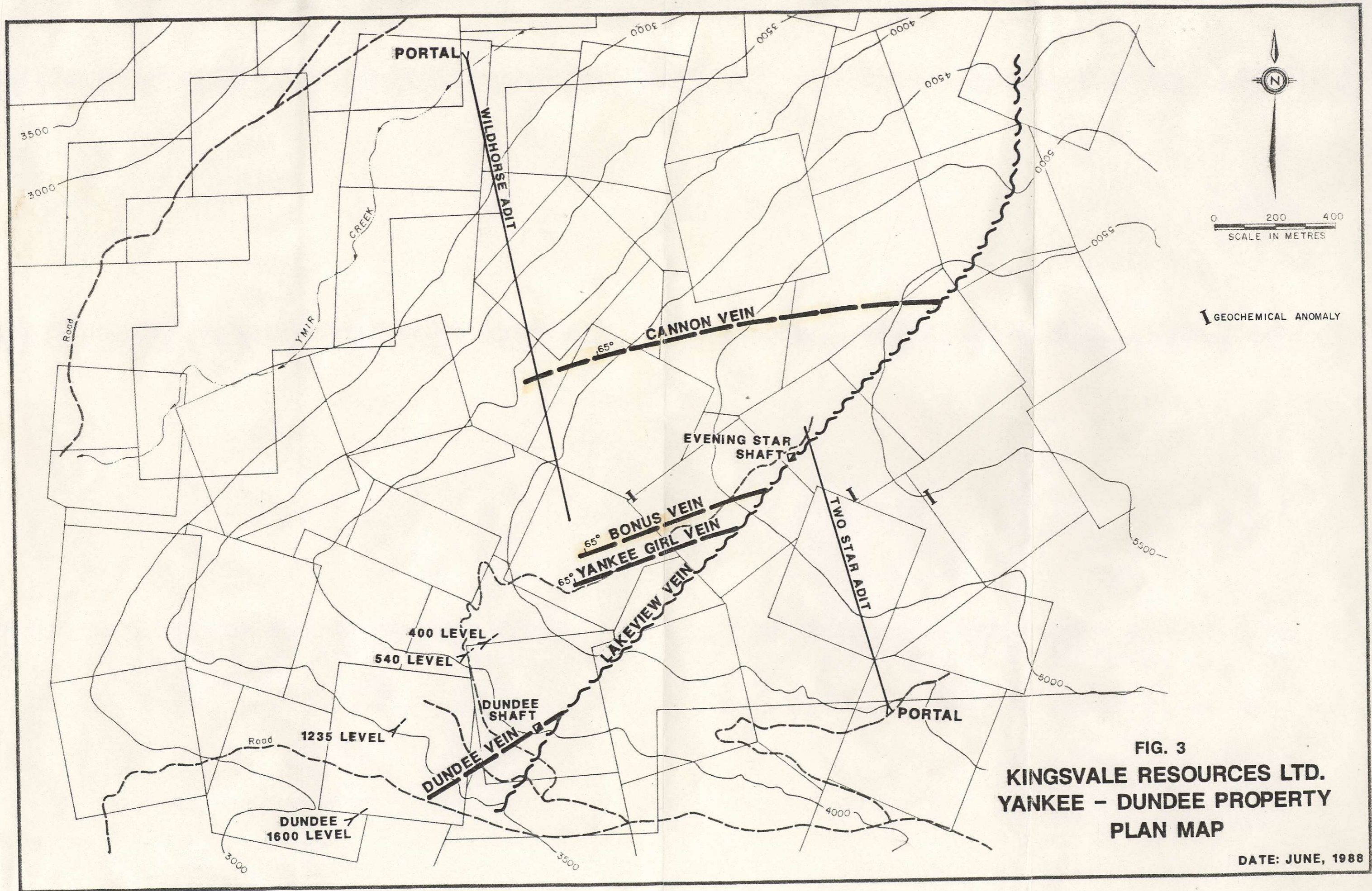


FIG. 3
KINGSVALE RESOURCES LTD.
YANKEE - DUNDEE PROPERTY
PLAN MAP

DATE: JUNE, 1988

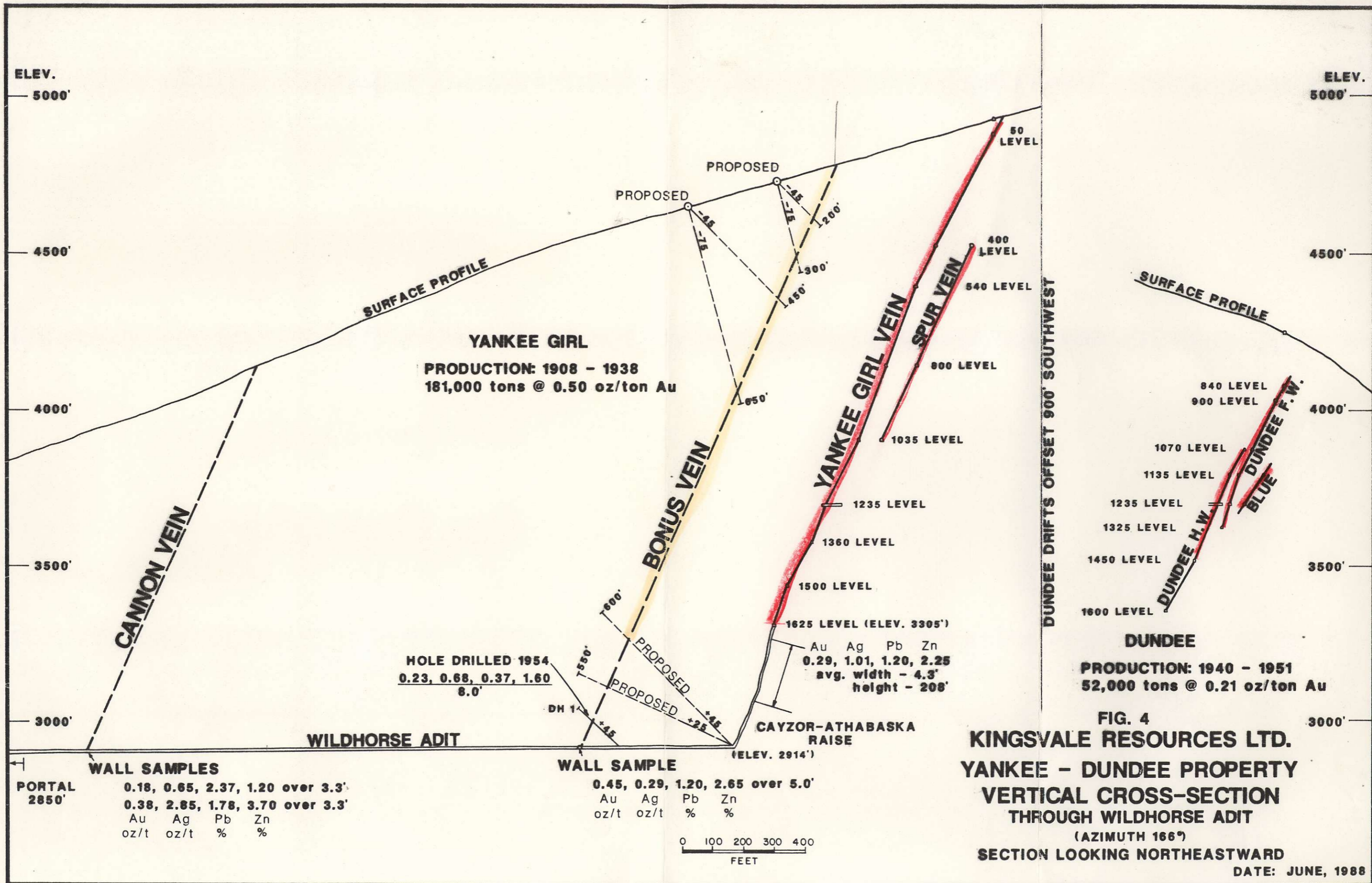


FIG. 4
KINGSDALE RESOURCES LTD.
YANKEE - DUNDEE PROPERTY
VERTICAL CROSS-SECTION
THROUGH WILDHORSE ADIT
 (AZIMUTH 166°)
SECTION LOOKING NORTHEASTWARD
 DATE: JUNE, 1988