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REPORT

ON THE

BULLION CHANNEL PROPERTY

PLACER LEASE NO. 12254

CARIBOO MINING DIVISION

BRITISH COLUMBIA

for

PACIFIC CANADIAN EXPLORATION INC.

by

JAMES S. FALCONER, P.Eng.

Vancouver, B.C.

November 27th, 1986

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CROWN EXPLORATION INC. INVOICE MAY-SEPTEMBER

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INTRODUCTION

Pursuant to a request by Mr. B. A. McClay, President of Pacific Canadian Exploration Inc., this report was written.

The Bullion Channel property, subject of this report, lies adjacent to the Bullion Pit. Various individuals and companies have undertaken examination, exploration and mining of the Bullion Pit, with the most extensive work being completed prior to 1940, when in excess of 80 million cubic yards of alluvial placers were mined. Pacific Canadian Exploration Inc. acquired a 10% working interest in the placer lease adjacent to the Bullion Pit in 1986. Excavations from May to September 1986 were done on Placer Lease No. 12254.

Appendix "A" lists exploration expenditures by Pacific Canadian Exploration Inc. on PL. 12254.

LOCATION AND ACCESS

The area of the Bullion Channel property lies between latitudes $52^{\circ} 30'$ and $52^{\circ} 45'$ and longitude $121^{\circ} 30'$ and 122° . The property is situated on the south side of the Quesnel River and two miles southwest from Likely, B.C.

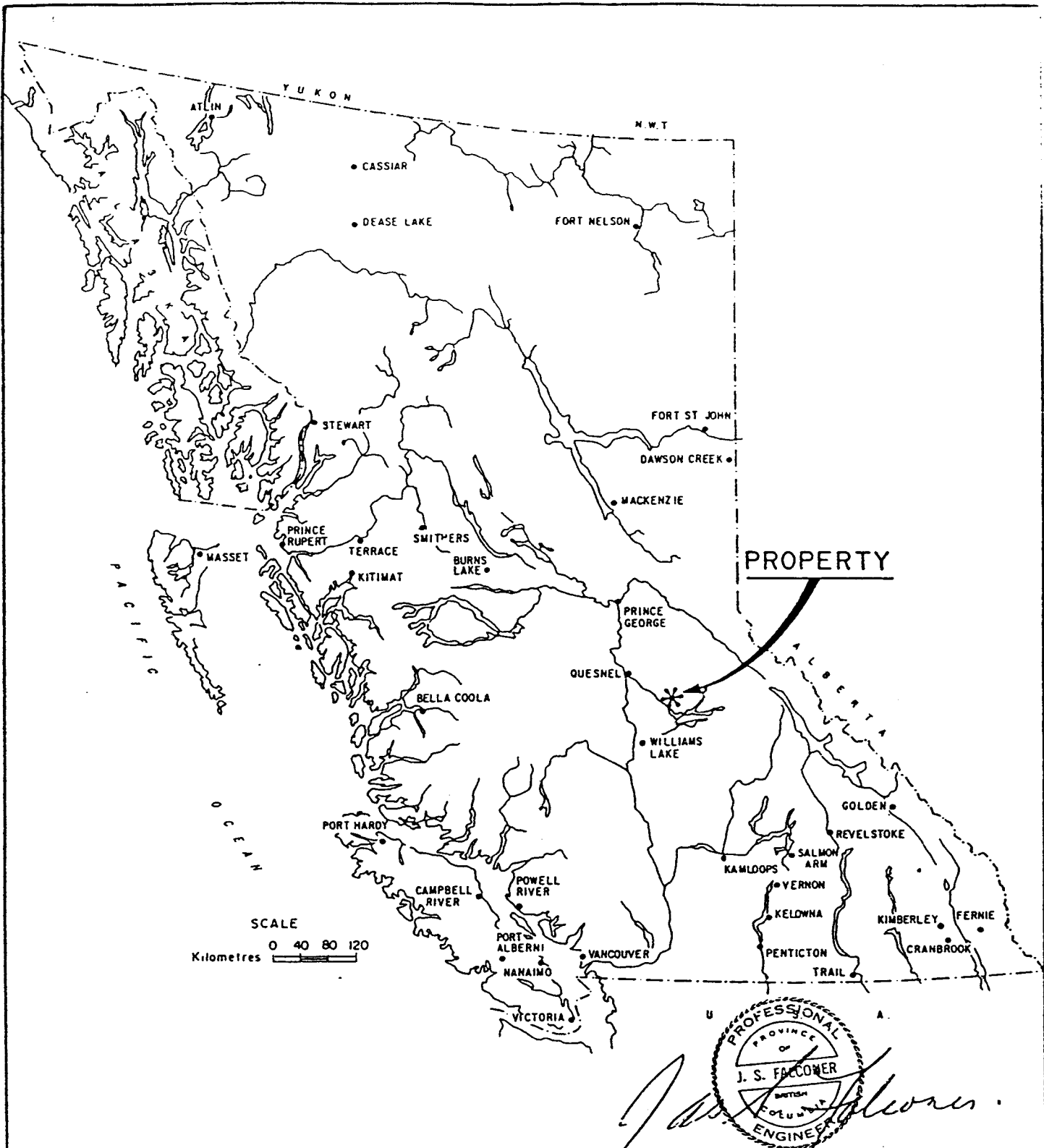


FIG. 1

TO ACCOMPANY REPORT BY J.S. FALCONER, P. ENG.

PACIFIC CANADIAN EXPLORATION INC.	
BULLION CHANNEL PROPERTY CARIBOO MINING DIVISION, B.C.	
LOCATION MAP	
DATE: NOV. 1986	SCALE: As Shown

Likely is located about 62 miles from 150 Mile House, B.C. on a good two-lane secondary highway.

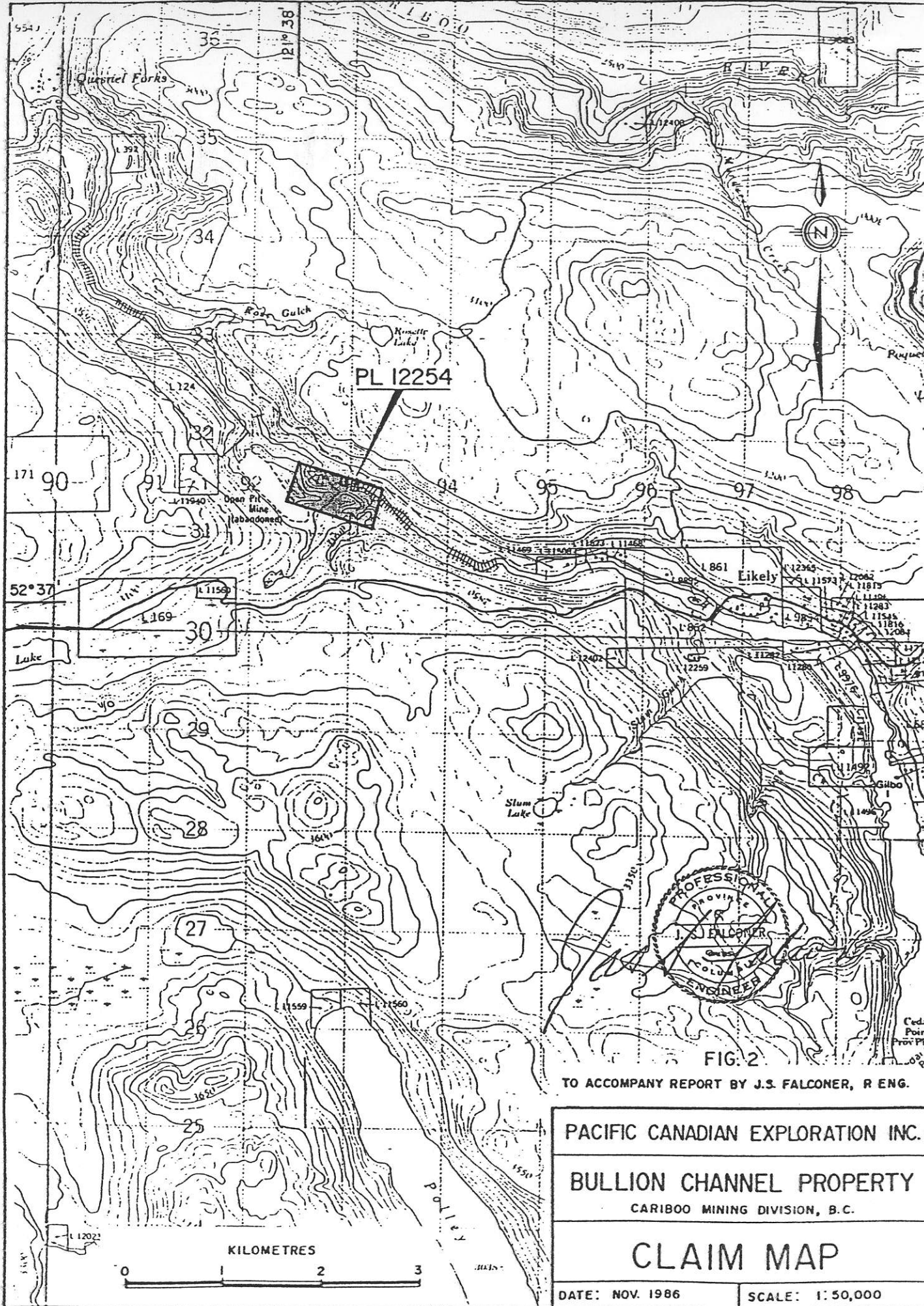
TOPOGRAPHY

The Bullion Channel property is located in a gently-sloping, easterly-trending valley, with the Bullion Pit at the west end and virgin alluvial gravels at the east end. Drop Creek dissects the property. Light evergreen forest cover surrounds the valley.

PROPERTY

The Bullion Channel property, consisting of Placer Lease PL12254 is located on the south side of the Quesnel River. It encompasses the eastern end of the old Bullion Pit workings from Black Jack Creek east to Drop Creek.

The property is owned by Vardax Consultants Inc. who have entered into an agreement with Pacific Canadian Exploration Inc. whereby it will carry out exploration to earn a 10% working interest in the property.



PL 12254

FIG. 2

TO ACCOMPANY REPORT BY J.S. FALCONER, R. ENG.

PACIFIC CANADIAN EXPLORATION INC.
 BULLION CHANNEL PROPERTY
 CARIBOO MINING DIVISION, B.C.

CLAIM MAP

DATE: NOV. 1986

SCALE: 1:50,000

HISTORY

Mining history of the property is best related by describing the history of the adjacent Bullion Pit. The Bullion Pit had its birth around 1888-1891 and started at the mouth of Dancing Bill Gulch. A group of Chinese miners had a small hydraulic outfit and the mine was known as the "China Pit." At about the same time, a similar operation was operated on Black Jack Gulch, by a company known as the South Fork Co. hence the name South Fork Pit.

In 1894, Mr. J. B. Hobson acquired both of the above and additional leases totalling over 8,500 feet of this old channel, and worked it for his Syndicate until 1905. In 1906, the property was sold to Guggenheim Exploration Co. Mr. Hobson proceeded to bring additional water to the site for the company, however, this was never completed and the property remained idle for many years, then sold. Since that time, the property has been worked by a number of leasees. It was working on a limited basis from the China Pit end in 1932.

All operators experienced the same problem, the high cost of maintaining over 28 miles of Ditch and Flumes to provide the large amount of water needed for their hydraulic operations.

The pits in 1894, one at either end of the current pit, were not deep enough to give a true picture of what the channel size would be. Also, they did not give definite thicknesses of the fill material in the channel. From numerous reports, it was gleaned that the bedrock was overlain by roughly stratified gravels, and well rounded cobbles and boulders, sandy gravel and some clay. Slide rock from the sides of the canyon walls can be expected. Coarser gravels close to bedrock, this layer averages 30-40 feet in thickness. Cross-bedding and poor sorting are characteristic of this layer or bed. Above the lower gravels there is a layer of boulder clay with only a minimum of boulders, but does not contain irregular patches of gravel. This layer does not occur as an even stratum across the pit, it is thickest on the south side where it almost rises to the surface, and is thinnest on the north side of the channel; minimum thickness is 100 feet. Overlaying this is a layer of well stratified gravels, 100-125 feet thick in the center of the pit, thinning towards the edge and follows the slope of the underlying clay. In places, depending upon slope and elevation, a layer of boulder clay and gravel covered this layer.

The channel, as exposed in the pit today, is a narrow gorge some 400 feet deep, 200-300 feet wide at the bottom, and varying from 1,000-1,500 feet wide at the top.

GEOLOGY

The Quesnel River basin, or trough, is situated in the interior plateau of Central British Columbia, which is bordered on the west by the Coast Mountains, and on the east by the Cariboo Mountains.

The topography of Central British Columbia is the result of a long development period dating back to late Cretaceous time, (135 million years ago), or earlier. Most of the eastern area and particularly the area of the property, has been undergoing uplift and erosion since mid-Triassic time, (200 million years ago.)

The major drainage systems of central British Columbia are believed to have had their beginning in the late Cretaceous period, as evidenced by fossiliferous sedimentary strata along these drainage systems, such as the Parsnip River, Fraser River and Quesnel River.

The Bullion Pit Channel has tentatively been referred to as part of the Morehead Channel, which passes by way of long and little lakes to Morehead Creek. The grades of bedrock, if projected to the point where these two come together, would show that the Morehead is a much higher level channel, and that both drain in the same direction. If the two are to be considered as old channels of the south fork of the Quesnel River

it is apparent that the Bullion Pit Channel is an intermediate stage, between Morehead Channel and the present location of the south fork stream.

It appears that the Morehead Channel was the preglacial channel of the south fork and was turned aside by ice or glacial accumulations from its older valley.

There is ample evidence that the Bullion Pit Channel was rapidly cut and rapidly filled. The gorge-like character of the valley is ample evidence of rapid cutting and the cross-bedded and poorly sorted character of the lower gravels evidence of rapid filling. Also, the gravels and boulders overlying the bedrock in the pit are not from the local area and are believed by the writer to have come from erosion of glacial deposits elsewhere.

Along with fossils found and the unconsolidated deposits, indicate that the bedrock gravels and the floor of the pit date to Pleistocene rather than Tertiary.

The property area lies within what is referred to as the Hydraulic Quadrangle which is only a small part of the overall quadrangle of the Cariboo District.

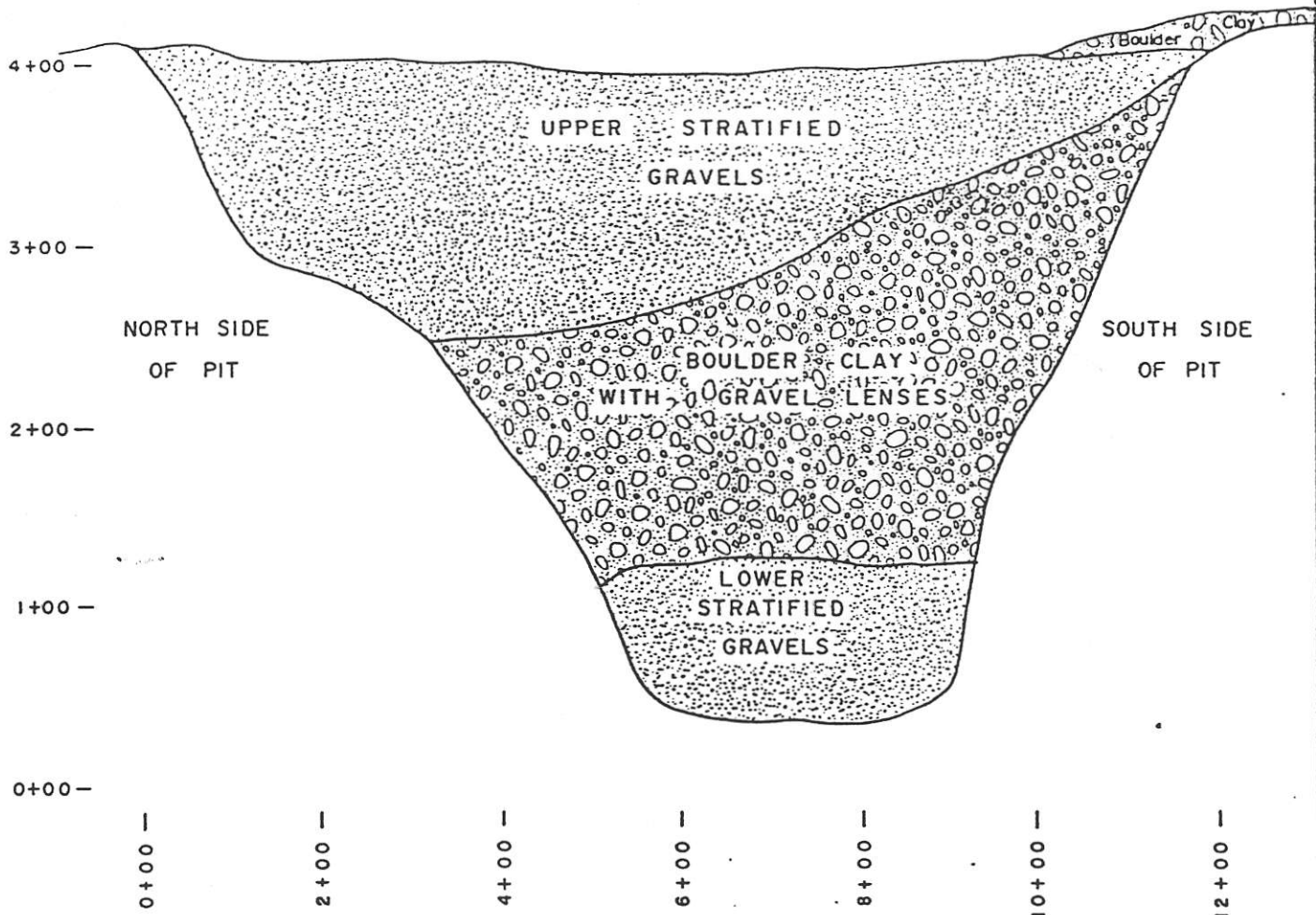
Bowman (1), made an extensive geological and geographical survey of the Cariboo Mining District during 1885 and 1886. Dawson (2) and Johnston (4), have also described the bedrock in the area in their reports. Detailed work in the area has not changed Bowman's conception of the geological features.

The northwesterly trend of the formation is shown on Bowman's map and discussed in his report. The rock formations southwest of Beaver Valley are mapped as Upper Paleozoic, probably a part of the Carboniferous age and similar to the Cache Creek series. The formations from Beaver Valley to the north fork of the Quesnel River are mapped as Quesnel River beds, (however Cretaceous in part), consisting of volcanics and sediments northeast of the Quesnel River beds, a belt of Quesnel Lake crystalline rocks is shown lying across the hydraulic quadrangle.

GLACIATION

This area has been glaciated many times over the past one million years, with the last Great Ice Sheet, about 10,000 years ago and some glaciation in the lease area as recent as 5,000 odd years ago.

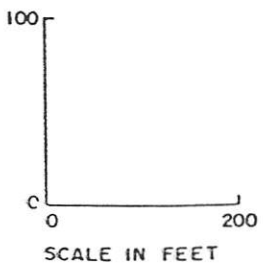
Glacial ice accumulated on the mountains ringing the interior plateau forming valley glaciers and grew and joined other glaciers, and eventually covered all of central British Columbia with



J.S. Falconer

PROFESSIONAL
ENGINEER
J. S. FALCONER
BRITISH COLUMBIA

FIG. 3
TO ACCOMPANY REPORT BY J.S. FALCONER, P. ENG.



PACIFIC CANADIAN EXPLORATION INC.	
BULLION CHANNEL PROPERTY CARIBOO MINING DIVISION, B.C.	
CROSS-SECTION SKETCH OF CHANNEL	
DATE: NOV. 1986	SCALE: 1" = 100' Vert. 1" = 200' Horiz.

what is referred to as the Cordilleran Ice Sheet. Ice flowed of the Coast Mountains easterly, northeasterly and northerly, and extended at least to the Fraser River. In this general area it met with ice flowing westerly, northwesterly and northerly from the Cariboo Mountains. The single mass then pushed northward eventually into the Peace River area with some being diverted south towards Kamloops. As the climate warmed, deglaciation took place following the reverse pattern. Late in glacial history there was a temporary re-advance from the Cariboo Mountains that filled the Quesnel River Basin and advanced far enough to block off the Fraser River and formed a lake around Castle Rock, blocked off the Chilcotin River and formed another lake.

In the final steps of deglaciation, a multitude of meltwater channels, commonly bounded by stagnant ice, were eroded in the till and bedrock surface to provide outlets for torrential streams from a rapidly melting ice sheet.

VALUES IN THE AREA OF THE BULLION PIT

Upper Gravels: The upper gravels contain basically the fine colours, from previous reports they run on an average of over \$3.06 U.S. per cubic yard for gold content with gold at \$400/oz U.S. however, this was from hydraulicing with a large flow of water which is not conducive to collecting flour gold.

Lower Gravels: The lower gravels from test pits sunk to bedrock, in the south fork pit, were consistent throughout their depth, averaging \$12.24 U.S. per cubic yard, (Gold at \$400/U.S. oz) with slightly higher on and in bedrock.

Platinum: Although it varied in quantity for various set-ups throughout the pit it has been found in old samples of black sand concentrates. In 1932 values of 0.42 ounce per ton were reported on the property next to the South Fork Pit.

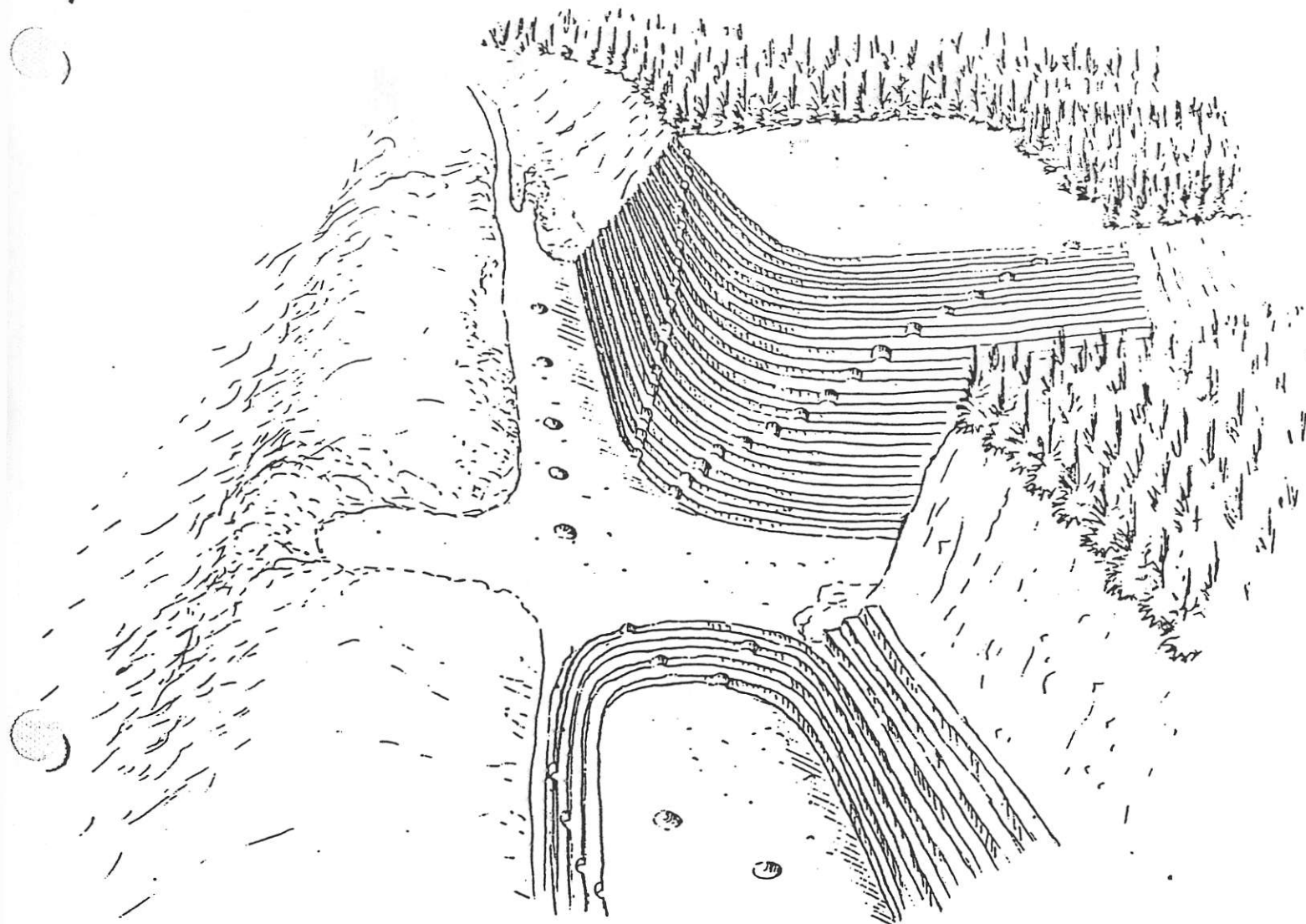
CHARACTER OF GOLD

The gold is well worn and flattened, varying in size from fine colors to flax or melon-seed size with some pieces being found up to 1/4 ounce in weight.

Included in the black sand concentrates there is platinum as small pellets, some native copper, native silver and some cinnabar.

SAMPLING ON THE BULLION CHANNEL PROPERTY

Sampling was carried out to determine the location of the bullion channel. The sampling entailed the excavations of five cubic yards to fifty cubic yards following which gold pan samples were taken to determine if the excavation was in auriferous gravels. The samples were taken throughout



J. S. Falconer




FIG. 4

TO ACCOMPANY REPORT BY J. S. FALCONER, P. ENG.

PACIFIC CANADIAN EXPLORATION INC.

BULLION CHANNEL PROPERTY
CARIBOO MINING DIVISION, B.C.

SKETCH SHOWING PRESENT
EXCAVATION & SAMPLE SITES
LOOKING EAST

DATE: NOV. 1986

SCALE: DIAGRAMMATIC

excavation, (refer to Figure 4). The samples were taken under the direction of engineer, G. M. Byerley.

The configuration of the excavation outlined the bullion channel.

STATEMENT OF PROJECT QUALIFICATION

The exploration carried out on Placer Lease No. 12254 is the first such mineral exploration on this placer lease, and it detailed the existence of an auriferous body of gravel by excavation, trenching and benching. This particular placer lease was virgin ground prior to this exploration.

STATEMENT OF WORK DONE ON BULLION CHANNEL PROPERTY
MAY-SEPTEMBER, 1986 EXPLORATION PROGRAM

MAY

Mobilize to site
Prepare pilot trails
Prepare pilot road
Prepare lower exploration face
Remove overburden from lower exploration face
Sample pay zone to verify virgin material

JUNE

Prepare upper exploration area
Remove overburden from sections of upper exploration area
Excavate and sample for virgin material

JULY

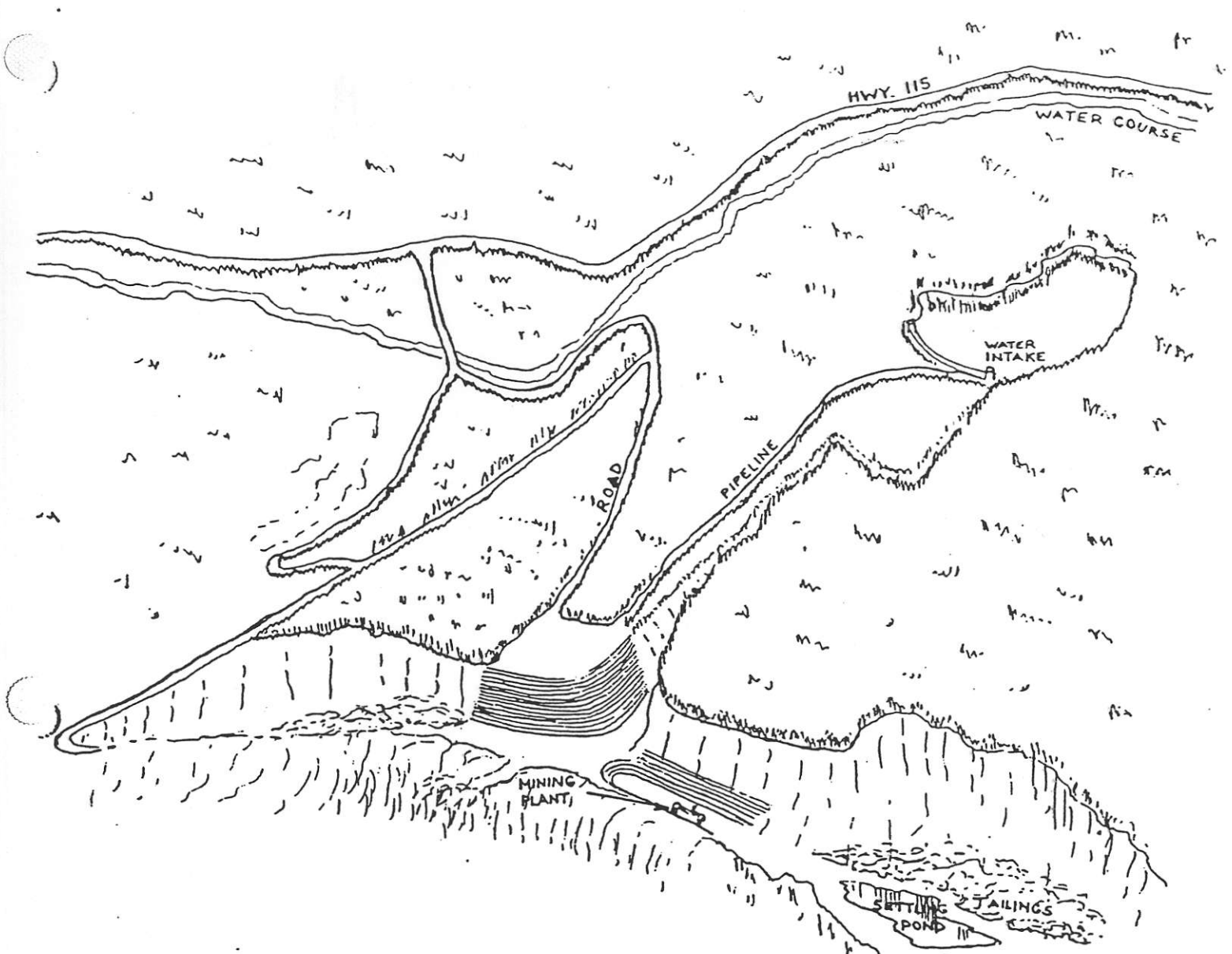
Construct main access road
Terrace exploration areas in accordance with W.C.B.
Specifications
Sample terrace sections for virgin material

AUGUST

Log timber from areas
Terrace exploration areas in accordance with W.C.B. specifications
Sample exploration area for virgin material
Engineer profile

SEPTEMBER

Log timber from areas
Terrace exploration areas in accordance with W.C.B. specifications
Sample exploration area for virgin material
Engineer profile



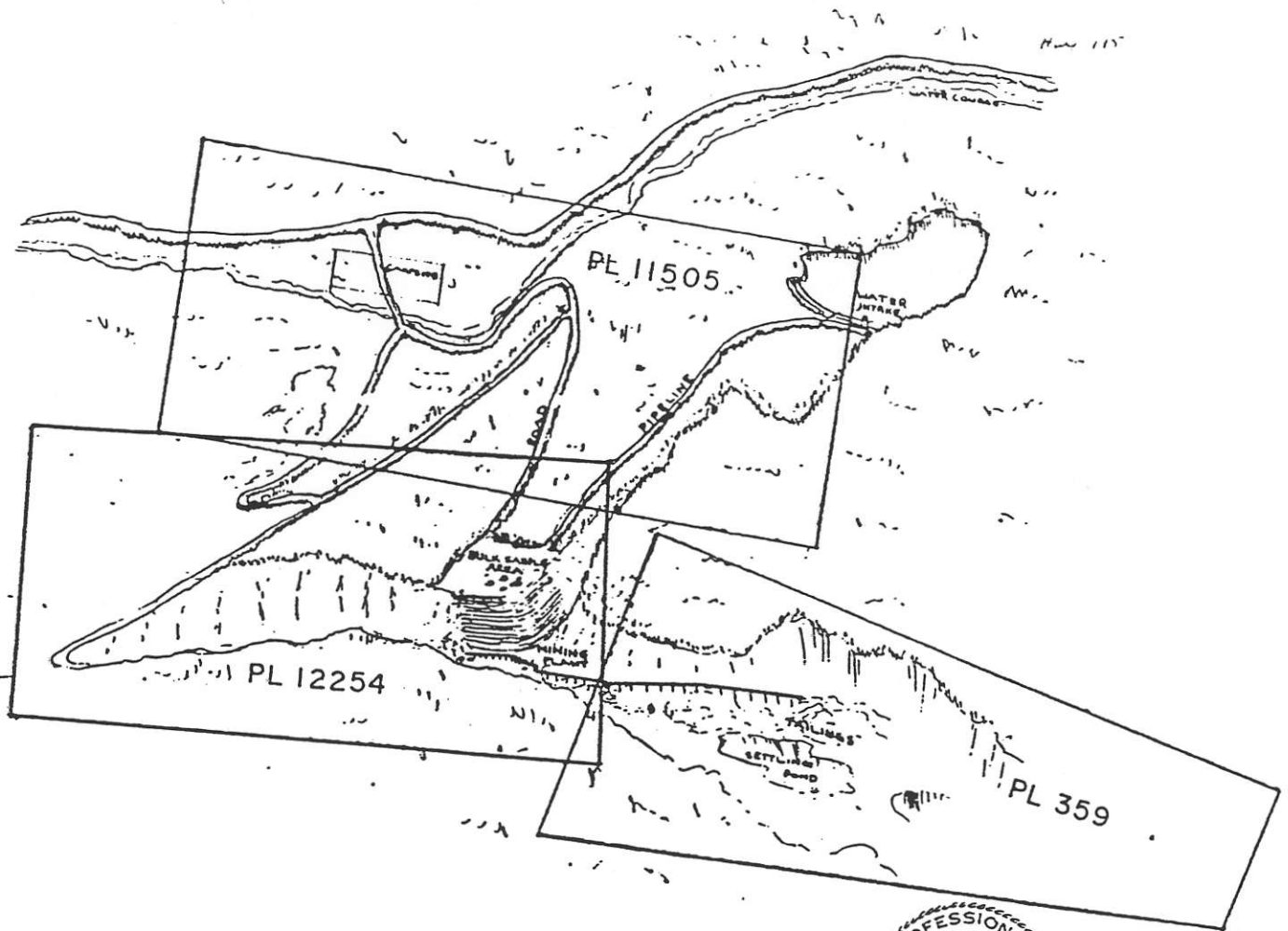
J. S. Falconer

P.R.C. PROVINCE OF
 J. S. FALCONER
 COLUMBIA
 ENGINEER

FIG. 5

TO ACCOMPANY REPORT BY J. S. FALCONER, P. ENG.

PACIFIC CANADIAN EXPLORATION INC.	
BULLION CHANNEL PROPERTY CARIBOO MINING DIVISION, B.C.	
SKETCH SITE MAP LOOKING SOUTH	
DATE: NOV. 1986	SCALE: DIAGRAMMATIC



Note: PL 359 and PL11505 are also owned by Vardax and form part of the group but are not described in the report.

J. S. Falconer

FIG. 6

TO ACCOMPANY REPORT BY J. S. FALCONER, P. ENG.

PACIFIC CANADIAN EXPLORATION INC.	
BULLION CHANNEL PROPERTY CARIBOO MINING DIVISION, B.C.	
EXCAVATION LOCATION MAP LOOKING SOUTH	
DATE: NOV. 1986	SCALE: DIAGRAMMATIC

BIBLIOGRAPHY

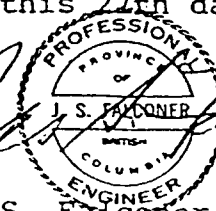
1. Bowman, A. Geo. Surv. Canada Rept. Vol. III 1887-88.
2. Dawson, G.M. Geo. Surv. Canada Rept. Vol. III 1887-1888.
3. Cockfield, W.E. Geo. Surv. Canada 1931.
4. Johnston, W.A., Geo. Surv. Canada 1922.
5. Ughow, W.L., Geo. Surv. Canada 1922.
6. Walker, J. F., Geo. Surv. Canada 1930.
7. Cockfield, W.E. and Walker, J.F., Geology and Placer Deposits of Quesnel Forks Area, 1932.
8. B.C. Minister of Mines Reports 1895-1907, 1914, 1926, 1927, 1930, and 1931.
9. Tipper, H.W., Geo. Surv. Canada Bulletin 196, Glacial Geomorphology fna Pleistocene History of Central British Columbia.
10. Byerley, G.M., Report and Production Feasibility on the Bullion Pit, 1986.

CERTIFICATE

I, JAMES SELKIRK FALCONER, of Vancouver, British Columbia, hereby certify as follows:

1. I am a mining engineer, residing at Suite 203-1049 Chilco Street, Vancouver, British Columbia.
2. I am a registered Professional Engineer of the Province of British Columbia, Alberta and Ontario.
3. I graduated with a degree of Engineer of Mines from the Colorado School of Mines in 1969.
4. I have practised my profession for seventeen years.
5. I have no direct, indirect or contingent interest in the Bullion Channel Property, subject of this report, nor in Pacific Canadian Exploration Inc., nor do I intend to have any interest.
6. This report, dated November 27th, 1986, is based upon a visit to the property on October 15, 1986, and from information gathered from available maps and reports.
7. Permission is granted from the author to publish this report dated November 27, 1986, in any Prospectus or Statement of Material Facts.

DATED at Vancouver, British Columbia, this 27th day of November, 1986.


James S. Falconer
James S. Falconer, P.Eng.
Mining Engineer

APPENDIX "A"

Crown Exploration INC.

8625 68th St.
Calgary, Alberta.

INVOICE

U: Pacific Canadian Exploration Inc.

Date May 31, 1986

707 - 700 West Pender Street

Vancouver, BC V6C 1G8

	Description		Amount
	Progress billing as per contract		
	Engineering		\$61,363.00
	Geological Survey		34,619.00
	Move In		121,008.00
	Road Construction		38,734.00
	Logging		40,577.00
	Site Preparation		142,225.00
	Set-Up		58,054.00
	Excavation		385,958.00
	Sampling		26,829.00
	Safety		34,388.00
	Supervision		23,702.00
		TOTAL	\$967,456.00

Crown Exploration INC.

8625 68th St.
Calgary, Alberta.

INVOICE

By: Pacific Canadian Exploration Inc.

Date June 30, 1986

707 - 700 West Pender Street

Vancouver, BC V6C 1G8

	Description		Amount
	Progress billing as per contract		
	Engineering		\$74,999.00
	Geological Survey		42,312.00
	Move In		147,899.00
	Road Construction		47,342.00
	Logging		49,594.00
	Site Preparation		173,831.00
	Set-Up		70,955.00
	Excavation		471,726.00
	Sampling		32,791.00
	Safety		42,030.00
	Supervision		28,969.00
		TOTAL	\$1,182,446.00

Crown Exploration INC.

8625 68th St.
Calgary, Alberta.

INVOICE

TO: Pacific Canadian Exploration Inc.

Date July 31, 1986

707 - 700 West Pender Street

Vancouver, BC V6C 1G8

	Description		Amount
	Progress billing as per contract		
	Engineering		\$29,604.00
	Geological Survey		10,008.00
	Mobilization / Demobilization		8,961.00
	Road Construction		1,793.00
	Logging		16,329.00
	Site Preparation		102,801.00
	Set-Up		47,382.00
	Excavation		327,728.00
	Sampling		18,379.00
	Safety		7,492.00
	Supervision		16,840.00
		TOTAL	\$587,317.00

Crown Exploration INC.

8625 68th St.
Calgary, Alberta.

INVOICE

0: Pacific Canadian Exploration Inc.

Date August 31, 1986

707 - 700 West Pender Street

Vancouver, BC V6C 1G8

	Description		Amount
	Progress billing as per contract		
	Engineering		\$14,492.00
	Geological Survey		6,628.00
	Mobilization / Demobilization		0.00
	Road Construction		3,114.00
	Logging		1,522.00
	Site Preparation		35,398.00
	Set-Up		26,104.00
	Excavation		231,188.00
	Sampling		122,493.00
	Safety		8,341.00
	Supervision		12,882.00
		TOTAL	\$462,162.00

Crown Exploration INC.

8625 68th St.
Calgary, Alberta.

INVOICE

To: Pacific Canadian Exploration Inc.

Date September 30, 1986

707 - 700 West Pender Street

Vancouver, BC V6C 1G8

	Description		Amount
	Progress billing as per contract		
	Engineering		\$12,086.00
	Geological Survey		6,481.00
	Mobilization / Demobilization		23,818.00
	Road Construction		1,240.00
	Logging		0.00
	Site Preparation		48,872.00
	Set-Up		19,366.00
	Excavation		135,437.00
	Sampling		67,771.00
	Safety		7,841.00
	Supervision		14,006.00
		TOTAL	\$316,918.00

JAMES FALCONER - MINING ENGINEER
203 - 1049 Chilco Street
Vancouver, B.C.
V6G 2R7

November 19, 1986

TO: PACIFIC CANADIAN EXPLORATION INC.
707 - 700 West Pender Street
Vancouver, B.C.

Dear Sirs:

RE: CHAVINE INVESTMENTS III LIMITED PARTNERSHIP

We have been retained by the Company to review the exploration program carried out by the Company as agent for Chavine Investment III Limited Partnership ("Exploration Program"). We have also been retained by the Company to review the conduct of the Exploration Program and the Company's expenditures on the Exploration Program incurred to the date of this letter.

On October 15, 1986 I attended the lease property for an on site inspection and after reviewing the conduct of the Exploration Program to date, we are of the opinion that:

- (a) the expenditures incurred to date are reasonable with respect to the exploration program carried out on the property; and
- (b) the sum of \$ 3,536,302.00 constitutes expenses as defined by 66.1(6) (a) (iii) of the Income Tax Act ("the Act") (as attached); and
- (c) none of the expenditures incurred are expenditures described in paragraphs 66.1(6) (a) (vi) or (vii) of the Act.
- (d) to the extent that there are any material variations or deviation from the Exploration Program, they are as follows: None

Any reference in this letter to any expenditures shall be a reference to outlays, expenditures or other amounts which the company has an unconditional, legal and binding obligation to pay, in respect of which goods or services have been provided, and for which the Company may or may not have made payment.

Yours very truly
JAMES FALCONER, MINING ENGINEER

BY: 
JAMES SELKIRK FALCONER, P.ENG

CERTIFICATE

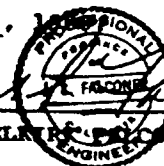
The author of the foregoing review (the "Engineer") hereby certifies:

- (a) that the Engineer's name, address and occupation are as follows:
...JAMES SELKIRK FALCONER
...203 - 1049 Chilco Street
...Vancouver, B.C. V6G.....Consulting Engineer
- (b) that the Engineer's qualifications are as follows:
-Member in good standing of:.....
-Association of Professional Engineers of B.C...
-Association of Professional Engineers of Alberta
-Association of Professional Engineers of Ontario
- (c) that the foregoing review is based on personal examination;
- (d) that the date of such examination was: October 15/86
- (e) the Engineer is not a director, officer or employee of the Company or of an affiliate of the Company, is not a partner, employer or employee of any such director, officer or employee and is not an associate of any director or officer of the Company or of an affiliate of the Company;
- (f) the Engineer has not, directly or indirectly, received and does not expect to receive any interest, direct or indirect, in the property of the Company or any affiliate, and does not beneficially own, directly or indirectly, any securities of the Company or any affiliate (except as follows:)
- (g) neither the Engineer nor any partner or employer of or associate of the Engineer beneficially owns, directly or indirectly, any securities of the Company or of a subsidiary thereof or, if the company is a subsidiary, any securities of the Company's parent.

DATED the 19 day of November

BY:


JAMES SELKIRK FALCONER, P.ENG.



ATTACHMENT

Canadian Exploration Expense of a taxpayer means any outlay or expense made or incurred after May 6, 1974 that is:

(iii) any expense incurred by him (other than an expense incurred in drilling or completing an oil or gas well or in building a temporary access road to, or preparing a site in respect of, any such well) for the purpose of determining the existence, location, extent or quality of a mineral resource in Canada including any expense incurred in the course of

- (A) prospecting,
- (B) carrying out geological, geophysical or geochemical surveys,
- (C) drilling by rotary, diamond, percussion or other methods; or
- (D) trenching, digging test pits and preliminary sampling;

but not including:

- (E) any Canadian development expense, or
- (F) any expense that may reasonably be considered to be related to a mine that has come into production in reasonable commercial quantities or to be related to a potential or actual extension thereof;

(iii.1) any expense incurred by him after November 16, 1978 for the purpose of bringing a new mine in a mineral resource in Canada into production in reasonable commercial quantities and incurred before the coming into production of the new mine, including

- (A) clearing, removing overburden and stripping, and
- (B) sinking a mine shaft, constructing an adit or other underground entry.