820007

PROJECT PROPOSAL

GRAHAM ISLAND, B.C.

Previous attempts to locate new Cinola-type orebodies along the Sandspit Fault System have been hampered by the lack of outcrop exposure in the Tertiary sediments, a lack of serious intent (speculative staking), and the inaplicability of standard exploration tools.

A refined approach is offered involving the use of bulk geochemical sampling, drift prospecting, and detailed topographic study. It is believed that a specialized usage of these three methods will overcome the previous difficulties.

Background

The Cinola deposit contains in excess of 40 million tons grading 0.07 oz. per ton Au. Higher grades are present locally in a multiple-quartz veined root system within the main deposit, which can therefore be considered to have varied potential with respect to grade/tonnage combination.

The host rocks are Tertiary, a felsic dyke, felsic pyroclastics and porphyry, and a conglomerate. Exact relations between these lithologies are somewhat obscured by a major zone of pervasive and intense silification. This zone is coincident with the Au mineralization, and lies within a halo of clay alteration.

The deposit is immediately adjacent to land in the hanging wall of a E. dipping fault which is believed to be a splay of the Sandspit Fault. This latter Fault (or Fault System) can be traced across Graham Island northwesterly for some 40 km.

Dispersion of Au bearing material

Au, As, Hg, Sb and several other metals are variably anomalous in glacial drift overlying the Cinola deposit, over a broad zone of bedrock adjacent to it, and in stream sediments draining it.

Au is concentrated in beach placers along the northern part of the eastern shore of Graham Island and may have been recognized at Mayer River (formerly known as Gold Creek). These two sites are roughly "down-ice" from the Cinola deposit. Either the Au has been transported glacially some 55 km. and reconcentrated by wave action, or, more likely, there are other sources within the Tertiary terrane N. of Cinola.

Whichever the case this deposit, or any similar to it, is likely to have a very elongate, low-amplitude geochemical train which would be amenable to bulk sampling.

Silicified rock or quartz will similarly have an elongate distribution or fan. Material from the upper levels of the Cinola deposit is both extremely hard and of distinctive texture. Geochemically anomalous and otherwise favourable felsic dyking would be also distinctive to the locally experienced prospector or geologist.

Topography

Advantage can be taken of several topographic features.

Eight main creeks, as well as the beaches of Juskatla and Masset Inlets, cross the Sandspit Fault System. Three of these crossings show a distinct northward deviation at the site of the main fault trace. They thus provide clues to the position of the fault strands as well as stream or beach sampling media.

A further topographic clue of use in exploration is the erosion-resistant nature of the Cinola deposit. Alteration zones such as this could show up as subtle topographic highs in the otherwise almost unconsolidated Tertiary sediments. Such features might be detectable on orthophotos contoured on a 5 m interval.

Non-outcropping silicification may be discernable with resistivity or seismic techniques. Induced Polarization would have the advantage of yielding the distribution of disseminated sulphides as well as resistivity data, though such sulphides are not narrowly specific to the Cinola ore zone.

Economics

Several points are worth noting:

1. The Cinola deposit is nearly, but not quite, economic under present conditions.

2. The discovery of even modest additional volumes of Au ore on Graham Island and/or a reduction in the required pre-production capital costs could render the Cinola deposit economic. It is reported that the now unused mill at Tasu is being considered as a mill site. This could have a major impact on capital requirements.

3. Environmental difficulties faced by the Cinola management have reflected the possible effect of pollution on fish in the Yakoun River. Discoveries in other less accessible sites on Graham Island may well be subject to less environmental concern.

4. Transportation costs are not high for Graham Island, where road building is relatively inexpensive, and sea access available.

5. The infrastructure is well established, i.e. Massett and Queen Charlotte City, and a fairly broad extent of logging roads along the southern portion of the proposed exploration area.

Proposed Program

PHASE I - SCOUTING

I.A. (Road and boat access)
Collection of 20 bulk geochemical samples as well as 20 standard geochemical samples from the Tllel, Canoe, Yakoun and Florence drainages, and from the beaches of Masset and Juskatla Inlets.
Careful drift prospecting, same area.

Total Cost, approx. $6,500.00

I.B. (Helicopter access)
Collection of 25 bulk and 25 standard geochemical samples from Ian, Ain, Hancock and Naden drainages and from Naden Harbour beaches.
Associated drift prospecting.

Total Cost, approx. $13,500.00

PHASE II - SURFACE FOLLOW-UP

Any promising Phase I results in high-relief terrane may be followed up by standard geochemical sampling and geological mapping procedures.
Promising results from low-relief terrane may be followed up by some combination of the following:

Geochemical "fences" perpendicular to ice direction.
Close contoured orthophotography.
Resistivity, seismic, or I.P. surveying.

No exact cost can be estimated but one would expect to spend a minimum of $25,000.00 per target followed-up.

PHASE III - DRILLING

As required.

Dave Arscott

DAVID ARSCOTT
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733-5465

References:

N.T.S. Areas - 103F - 8E, 9E, 9W, 1SE, 16W.

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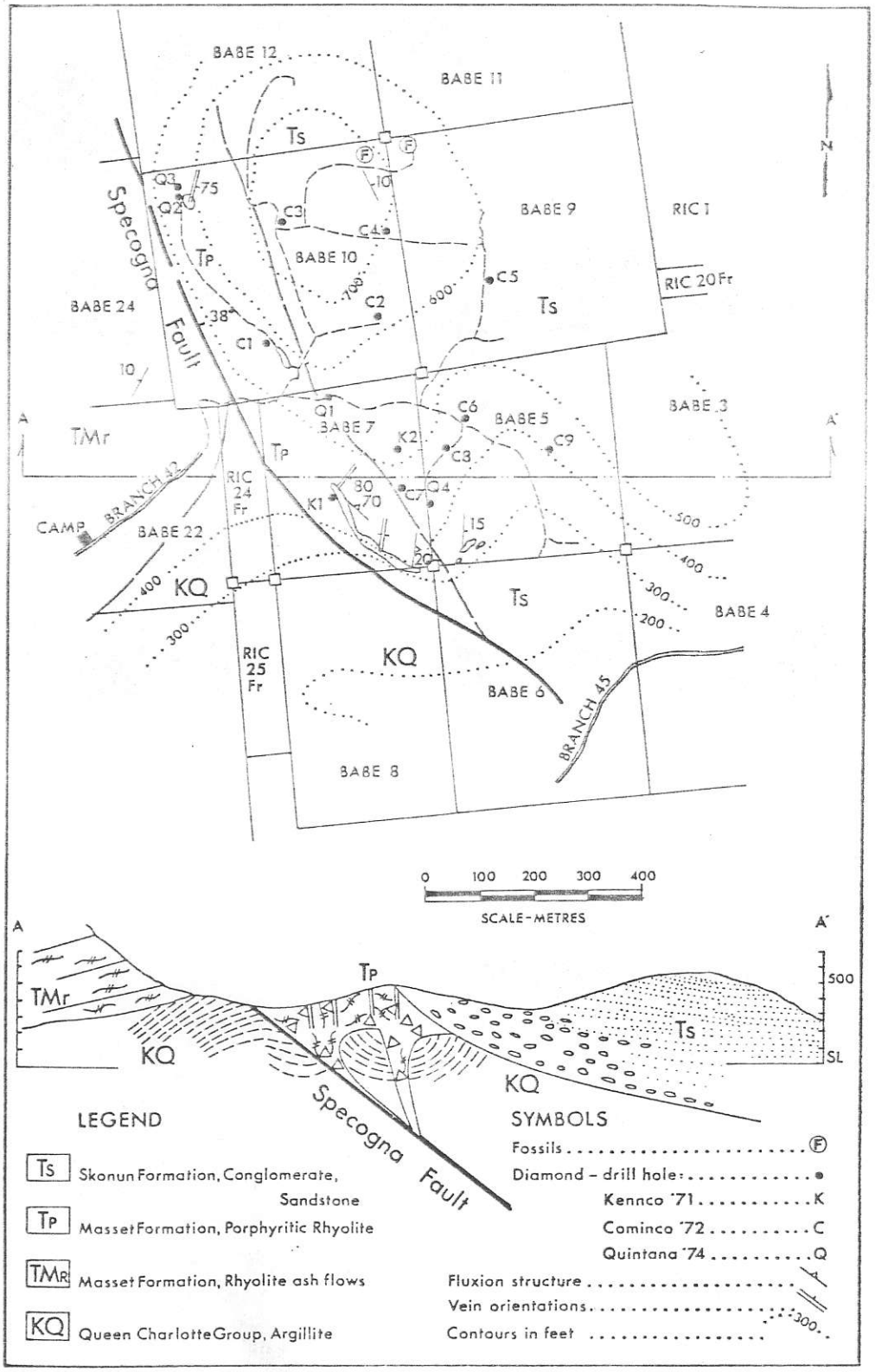
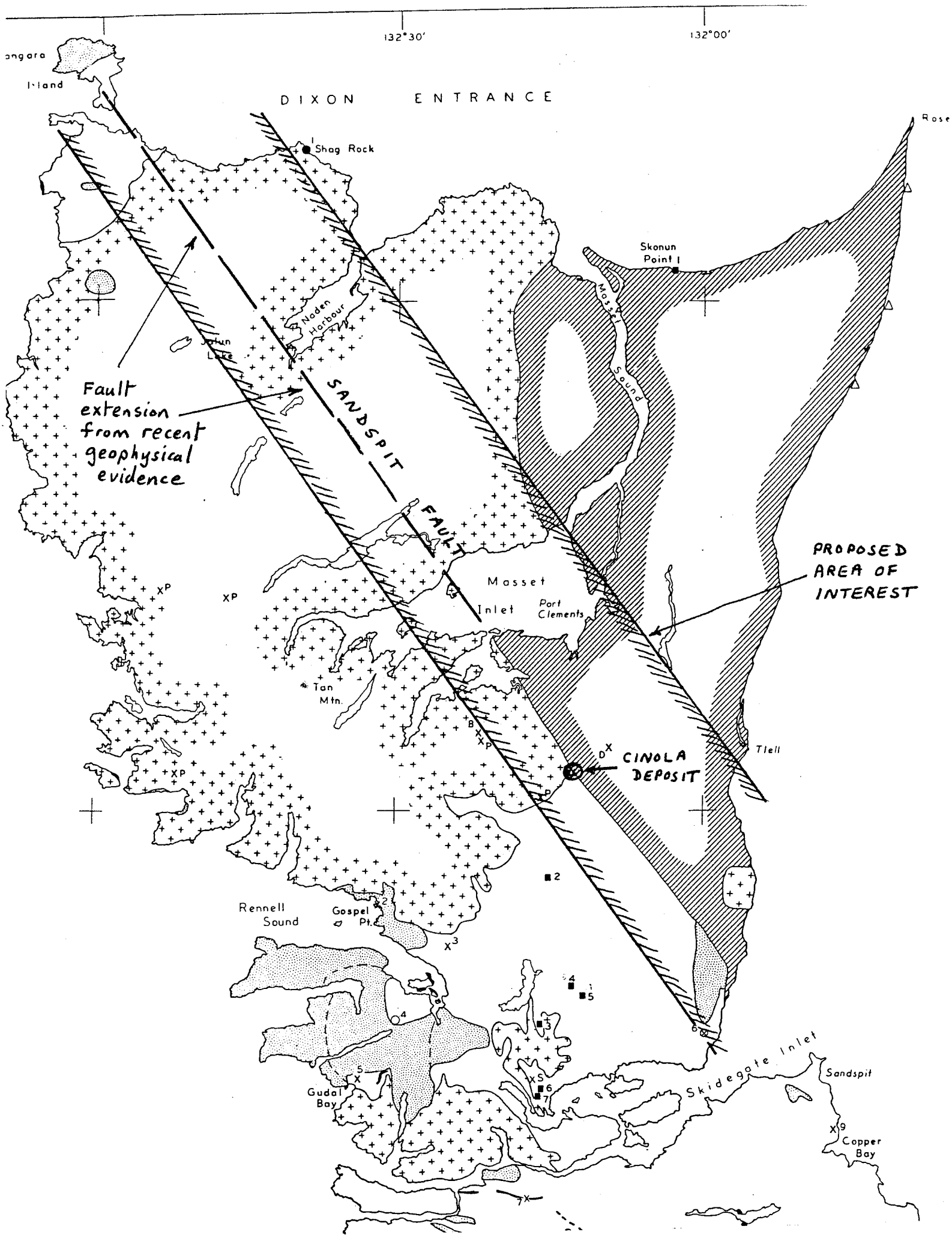


Figure G-34. Geological sketch map and section, Babe gold prospect.


132°30'
132°00'
ongara
Island
DIXON ENTRANCE
Rose
Shag Rock
Skonun Point
Naden Harbour
Masset Sound
Jalun Lake
Fault extension from recent geophysical evidence
SANDSPIT FAULT
PROPOSED AREA OF INTEREST
Masset Inlet
Port Clements
Tan Mtn.
CINOLA DEPOSIT
Tlell
Rennell Sound
Gospel Pt.
Gudal Bay
Skidegate Inlet
Sandspit
Copper Bay