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SUBMITTAL

Joint Venture Proposal for Exploration of Gilly Property,
Osoyoos, B.C. (82-E-4W)

April 1976

Contents

| | <u>Page</u> |
|---------------------------------|-------------|
| Introduction | 1 |
| Gilly Property | 1 |
| Geology | 2 |
| Previous Work | 2 |
| Canoxy Work | 2 |
| Mineral Targets | 2 |
| Drill results 1975 Program | 3 |
| 1976 Drill Program | 4 |
| Estimated Costs of 1976 Program | 5 |
| Joint Venture Proposal | 6 |
| Payment of Funds | |

Joint Venture Proposal for Exploration of Project Gilly,
Osoyoos, B.C. (82-E-4W)

Introduction

The property was located by regional stream sediment geochemical surveys completed during 1973-1974. These surveys initially indicated above normal copper and molybdenum values to be present in the drainage area of Gillanders Creek - a tributary of the Ashnola River. Later surveys indicated anomalous values in tungsten to be present as well. Claims were staked during September and November, 1974, and again during March, 1975. Field work was completed during 1974 and 1975 and preliminary drilling during late 1975. Work planned for 1976 should indicate whether the property has sufficient merit to embark on an expanded program in subsequent years. A partner is required to help finance work proposed for 1976 and in doing so can earn 40% equity in the property. Current efforts are to be directed at testing the tungsten potential of the property. In time, the copper-molybdenum possibilities will also be tested.

Gilly Property

Ownership of mineral claims - 100% Canoxy. Surface rights are held by the Crown.

Claims: Gil 1-26: 52 acres each were recorded on September 5, 1974 = 1352 acres.

Lig 1-18: 936 acres were recorded on September 5, 1974.

Li 1-20: 1040 acres were recorded on September 5, 1974.

Lg 1-3 : 18 units of 62 acres each = 1116 acres, were recorded on March 17, 1975.

Total area: 4444 acres.

The above were recorded at Penticton and are located in the Osoyoos Mining Division (NTS Sheet 82-E-4W)

The property is located in the Cascade Mountains, 7 air miles southwest of Keremeos. More specifically, it is situated on the west side of Indian Reserve 13 and can be reached by means of a logging road across the Reserve and then by 10 miles of road completed by Canoxy, a total of 30 road miles.

Topography of the area ranges from 4200-7500 ft. and is snow-free from mid-June to mid-November.

The valleys are well wooded with tree line at an elevation of about 7000 feet.

GEOLOGY

Previous Work

- a) historically, a major limonite zone, a mile square in area, has long been recognized by the Lower Similkameen Indian Band, who refer to the Gillanders Creek area as "Red Mountain".
- b) Bostock, who mapped the area for the G.S.C. in the 1930's, noted the presence of limestone units in the "Cache Creek" rocks and the presence of small felsic intrusives.
- c) Kennco Explorations (Western) Ltd. staked claims in 1960 in Gillanders Creek, but no known follow-up work was carried out.
- d) Union Carbide Exploration Corp. staked the PA 1-18 claims in 1972. The area was found by making panned concentrates of stream sediments and testing these for scheelite. Follow-up of the anomalous tributary of Gillanders Creek located numerous scheelite-bearing skarn showings.

Union Carbide drilled 13 short, EX, holes, for a total of 839 feet. Drill hole #4 contains 6 inches of 4.16% WO_3 and hole #12 contains 16.5 feet of 0.64% WO_3 .

Union Carbide let the claims lapse by default on January 1st, 1975, due to non-payment of annual rental fees, even though they still had valid assessment credits. Thus, Canoxy, who already held all the adjacent land stepped in and staked Lg 1, 2 and 3 during March, 1975.

Canoxy Work

During 1973: Princeton Project, a regional stream geochemical survey, highlighted Gillanders Creek as a Cu-Mo-Zn target area. The Gil 1-27 claims were staked to cover the open portion of this anomaly.

1974: detailed geological mapping and soil geochemical surveys showed that the Cu-Mo anomaly was of wider extent than anticipated and thus the Li and Lig claims were staked.

1975: detailed geological mapping and soil geochemical surveys covered the Li, Lig and Lg 2-3 claims.

Mineral Targets

Two complementary geological concepts have emerged from the geological and geochemical coverage. These concepts are based on the following observations.

- a) A major, almost circular limonitic gossan zone covers an area of over a mile in diameter.

b) Within this gossan zone a fairly abrupt thermal aureole can be mapped which cuts across the limestone, shale and chert assemblage and alter these rocks to hornfels and skarn.

c) Within this hornfels-skarn zone numerous quartz-feldspar porphyry dykes occur, some of these carry abundant sericite and some pyrite and molybdenite.

d) This zone had a centrally located, very strongly developed soil anomaly of +64 ppm Mo and +400 ppm Cu, with approximate dimensions of 4000 ft. x 3000 ft.

Thus, the concept emerged of a zoned, unroofed, high level pluton which could contain a potential Cu-Mo porphyry-type deposit.

e) The detailed geological mapping also outlined three major epidote-diopside-garnet skarn units, Nos. 1, 2 and 3. These were found to carry scheelite mineralization. Re-analysis of the stream sediment and soil samples outlined tungsten anomalies associated with these skarn horizons, at +160 ppm WO_3 level.

Union Carbide's area of interest was at one small specific locality at the southeast end of the central skarn unit (No. 2). Thus, a second concept emerged of a layered sequence of three hornfelsed skarn units with characteristic WO_3 mineralization plus subsidiary Cu + Mo mineralization.

Drill Results - 1975 Program

The 1975 drill program was planned to test these concepts and contemplated four, 600 feet, holes to section the central skarn unit and enter the possible unroofed porphyry at depth.

Due to problems with set-ups, rock hardness (the chert and hornfels) and low temperatures at high elevation of +6000 feet, this drilling program was not completed and no drill hole succeeded in reaching its target to section the projected position of the skarn unit.

However, scheelite mineralization was encountered in the overlying beds in the three drill holes which reached bedrock. The scheelite was associated with quartz-pyrite-molybdenite veins and fracture fillings which cut chert, argillite and tectonic breccia units lying above the skarn horizon (No. 2).

The following intersections were made:

Drill hole 3-75: 8 feet of 0.23% WO_3
Drill hole 4-75: 5 feet of 0.59% WO_3
Drill hole 5-75: 5 feet of 0.18% WO_3

1976 Drill Program

The 1976 drill program is to drill two long holes to evaluate the skarn at depth at Union Carbide's location of the No. 2 zone, and to complete the 1975 program by reaching and sectioning the skarn unit at Canoxy's major soil geochemical anomaly. A grab sample from outcrop of the No. 2 Zone at Union Carbide location returned a value of 5.18% WO_3 . This is not considered to be representative but simply an indication that interesting amounts of scheelite are present on the property which warrant further testing.

Estimated Costs of 1976 Program

| | | |
|--|---------------|-----------------|
| a) Bulldozer work: | | |
| open road and prepare drill sites | | |
| 100 hours @ \$40 per hour = | | \$ 4,000 |
| b) Drilling: | | |
| 6 x 500 feet = 3000 feet @ \$20 per foot | 60,000 | |
| c) Supervision and drill core analysis = | 6,000 | |
| d) Overhead and administration = | <u>10,000</u> | |
| | | <u>\$80,000</u> |

An overrun of 15% is to be agreed to and which has not been included with above sum.

Joint Venture Proposal

- 1) Property, 4444 acres, is currently owned 100% by Canoxy.
- 2) Canoxy's expenditures on the property during the period 1974-March 31, 1976, were about \$125,000.
- 3) A partner is required to provide funds equal to this amount which will then earn equity in the property, i.e. expenditures of \$125,000 will earn 40% equity.
- 4) Should partner withdraw before contributing \$125,000 of exploration costs then no equity will accrue.
- 5) Equity to be held, after total expenditure of \$250,000 will be as follows:

| | |
|---------|-------|
| Canoxy | - 60% |
| Partner | - 40% |
- 6) Expenditures to be shared pro rata by the two parties up to and including feasibility study stage.
- 7) Should either party not wish to continue funding project, after expenditure of first \$250,000 then their equity will be diluted on basis of expenditures provided by other party. However, Canoxy to retain a minimum non-assessable 10% net profits interest.
- 8) When property reaches production stage then funding to be provided on basis of equity held.
- 9) Management to be provided by Canoxy up to and including feasibility stage.
- 10) Party to manage property during production will have right to purchase additional interest in order to hold at least 51% equity.

Payment of Funds

- 1) Partner to provide funds on a cash call basis.
- 2) Interim statements of expenditures will be provided on a monthly basis.
- 3) On completion of field work and not later than December 31, of each year, final statement of expenses to be provided.

J.J. Brummer,
Exploration Manager,
Minerals Division,
Canadian Occidental Petroleum Ltd.

April 9th, 1976.

Gil 1-26: 1352
 Lig 1-18: 936
 Li 1-20: 1040
 Lg 1-3 : 1116
4444 acres

49°00'

120°00'

WASHINGTON

45'

To Oronille U.S.A.

To Oronille U.S.A.

82-E-4W
 GIL CLAIMS
 Scale: 1:125,000