

823457

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REPORT
ON THE
NO.7 PROPERTY
NTS: 82E/2E

GREENWOOD MINING DIVISION

LATITUDE: $49^{\circ} 01'N$
LONGITUDE: $118^{\circ} 38'W$

for

Kenar Resources Ltd.
463 - 1155 W. Georgia St.
Vancouver, B.C.
V6E 3H4

by

R.D. Kregosky, B.Sc., F.G.A.C.

January 31, 1988

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SUMMARY

The No. 7 mine is located in the historically productive and currently active Boundry District near Greenwood, B.C.

The property is underlain by southeasterly striking belts of greenstone, schist and amphibolite of Paleozoic and early Mesozoic age. These rocks are cut by a wide variety of igneous intrusions including serpentine, quartz porphyry and diorite.

The No. 7 vein is associated with the serpentine-amphibolite contact. Precious metal mineralization is associated with disseminated pyrite, galena and sphalerite in a quartz gangue.

The No. 7 mine has a production record of over 15,000 tons of Ore grading .25 oz/ton gold and over 9.7 oz/ton silver with lead and zinc and other minerals.

Development and exploration of the mine area could prove up an additional tonnage which could be significantly increased if the No. 7 vein extends to depth.

Areas of newly discovered gold mineralization were located on the property during a 1983 exploration program which needs to be further investigated.

Based on these favourable factors, a two phase development and exploration program is recommended for the No. 7 property at a total cost of \$113,668.50.

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INTRODUCTION

The author was retained by Kenar Resources Ltd. to examine the No. 7 mining property and to prepare an evaluation report stating conclusions and making recommendations for further exploration and development.

This report is based on field observations made on the property during the period July 18-21, 1986. It is also based on the research of various published and unpublished accounts of the property.

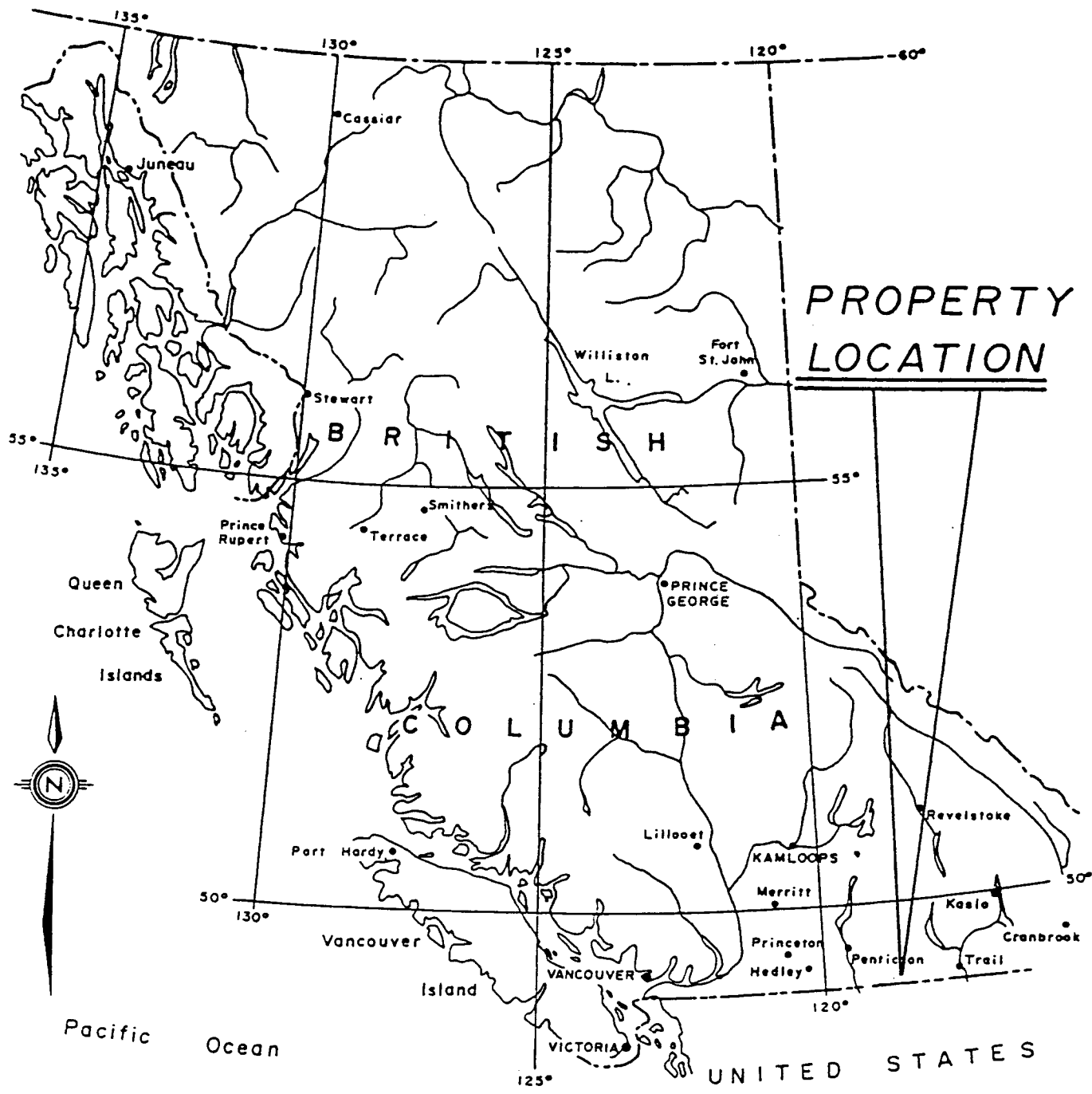
PROPERTY DESCRIPTION

The No. 7 property (fig. 1) consists of 9 contiguous claims located in the Greenwood Mining Division as outlined below:

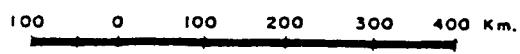
<u>Claim</u>	<u>Lot/Record No.</u>	<u>Expiry Date</u>	<u>Units</u>
No. 7-1	26662	Dec. 15, 1995	1
No. 7-2	26663	Dec. 15, 1995	1
No. 7-3	26664	Dec. 15, 1995	1
No. 7-4	26665	Dec. 15, 1995	1
No. 7-5	37696	Jan. 13, 1994	1
No. 7-6Fr.	37697	Jan. 13, 1994	1
No. 7-7	37694	Jan. 13, 1994	1
No. 7-8Fr.	37695	Jan. 13, 1994	1
Rob Roy	(L.1153) 920	Dec. 13, 1995	<u>1</u>
			9

LOCATION AND ACCESS

The No. 7 property (fig. 2) is located approximately 7 kilometers southeast of Greenwood and 15 kilometers west of Grand Forks, B.C. Access to the claims is via the McCarren Creek Road which joins B.C. Highway #3, 4km. south of Greenwood. Logging and mining roads provide good access around the property.



**PROPERTY
LOCATION**



KENAR RESOURCES LTD.		
No.7 PROPERTY GREENWOOD, B.C. - GREENWOOD M.D.		
PROPERTY LOCATION MAP		
MONASHEE GEOLOGICAL CONSULTANTS	nts: 82E/2E Jan. 31/88	FIG. 1

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TOPOGRAPHY

The No. 7 mine site (fig. 3) is located in the northwest portion of an area known as the Central Camp in the Boundry District of the Greenwood Mining Division. The claims are situated between Gidon and McCarren Creeks on the northwest flank of Mount Wright. Elevations range from 1100 meters in the northern portion to approximately 1500 meters in the southern sectors.

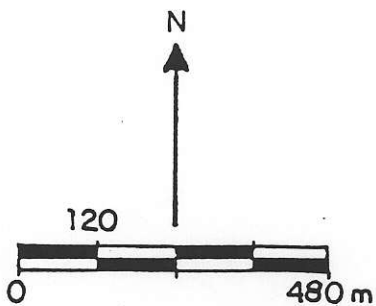
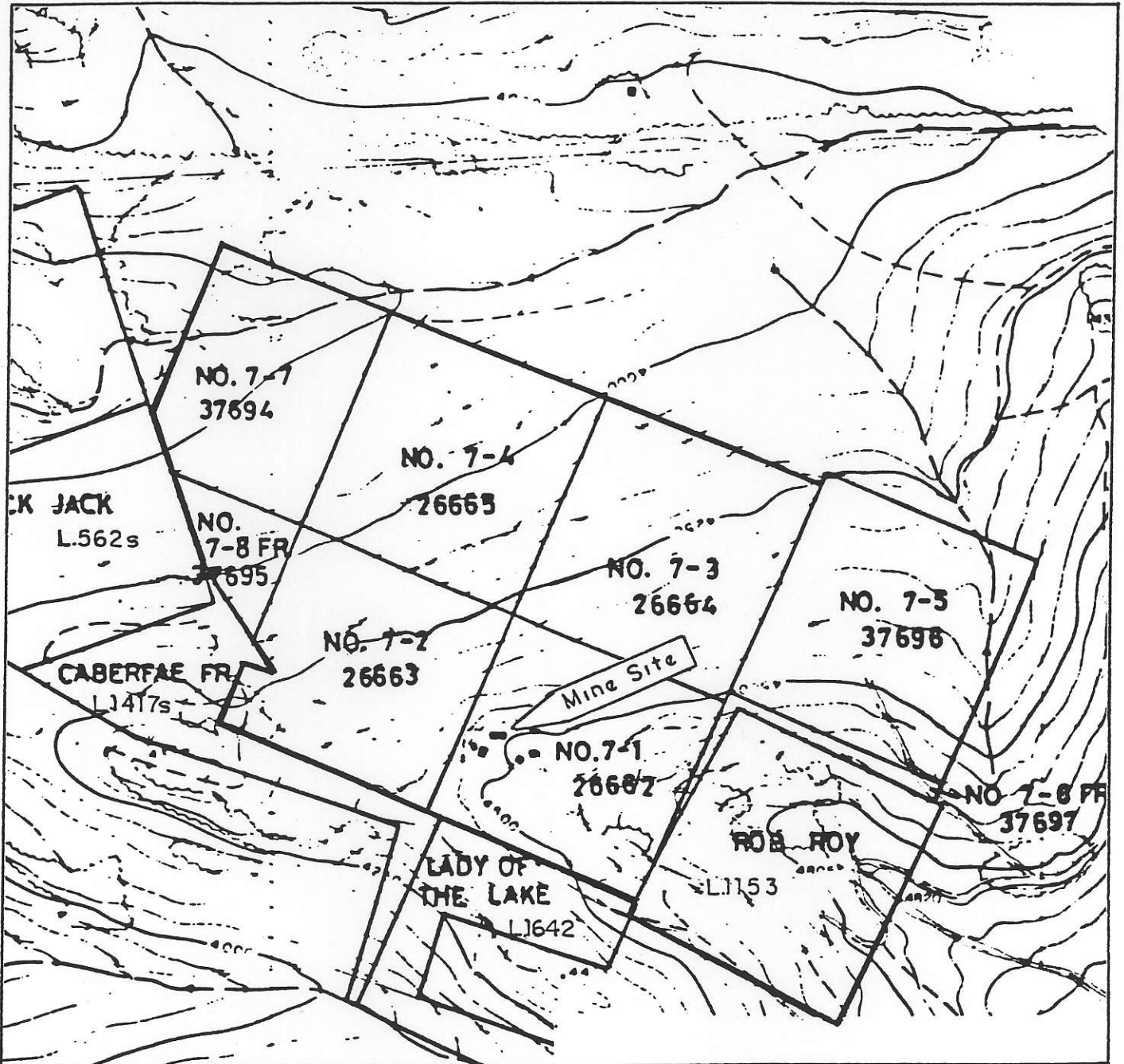
The claims occupy gentle to moderate mountainous terrain which is cut by small creek valleys. Slopes generally have a northerly exposure and are timbered with moderate to thick stands of fir, tamarack, spruce and pine coniferous forests.

Water and timber resources are readily available for development purposes. In addition, a major power transmission line is situated near McCarren Creek and close to the property.

HISTORY

The original claims of the No. 7 property were located in 1891. Development work was started in 1896 with the sinking of a 140 foot shaft, at the bottom of which, a couple of short cross-cuts and drifts were driven on a large quartz vein. The first ore shipment was produced in 1901 by the No. 7 Mining Company Ltd. of New York and totalled 665 tons. It is stated that the quartz ore varies in width from 18 inches (.46 m.) to 7 feet (2.1 m.) and is mineralized with gold, silver, lead and zinc. Average widths were reported to be 2.5 feet (.76 m.). Between 1901 and 1903, 940 tons of ore were shipped producing 256 ounces of gold and 12,398 ounces of silver.

In 1909, the Consolidated Mining and Smelting Company of Canada (Cominco) acquired the No. 7 mine. At this stage, the mine had been developed by $\frac{1}{2}$ mile (800 m.) of underground workings which consisted of a working shaft down 320 feet with levels run at 60, 120, 200 and 300 feet respectively (fig. 5 & 6). An aerial tram was constructed connecting the mine to a mill at Boundry Falls.



KENAR RESOURCES LTD.		
No. 7 PROPERTY - GREENWOOD M.D.		
CLAIM LOCATION MAP		
MONASHEE GEOLOGICAL CONSULTANTS	nts: 82E/2E Jan. 31/88	Fig. no. 3

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PRODUCTION

Production was mainly from the 60 foot and 120 foot levels. The 60 foot level has been stoped to surface for about 600 feet (180 m.) southeast of the main shaft. Further along this section, the Ore was developed by drifting and raising on the 200 and 300 foot level, Assay samples collected by COMINCO in 1910 (fig. 5) indicate significant precious metal mineralization with gold values ranging up to .47 oz/ton and silver values up to 20.60 oz/ton and 5 feet in widths.

The mine in 1914 having produced approximately 7,000 tons of ore grading 0.25 oz/ton gold and 9.7 oz/ton silver.

Various leasees operated the mine until the mid-40's when the last ore was shipped. The property was dropped by COMINCO in 1951.

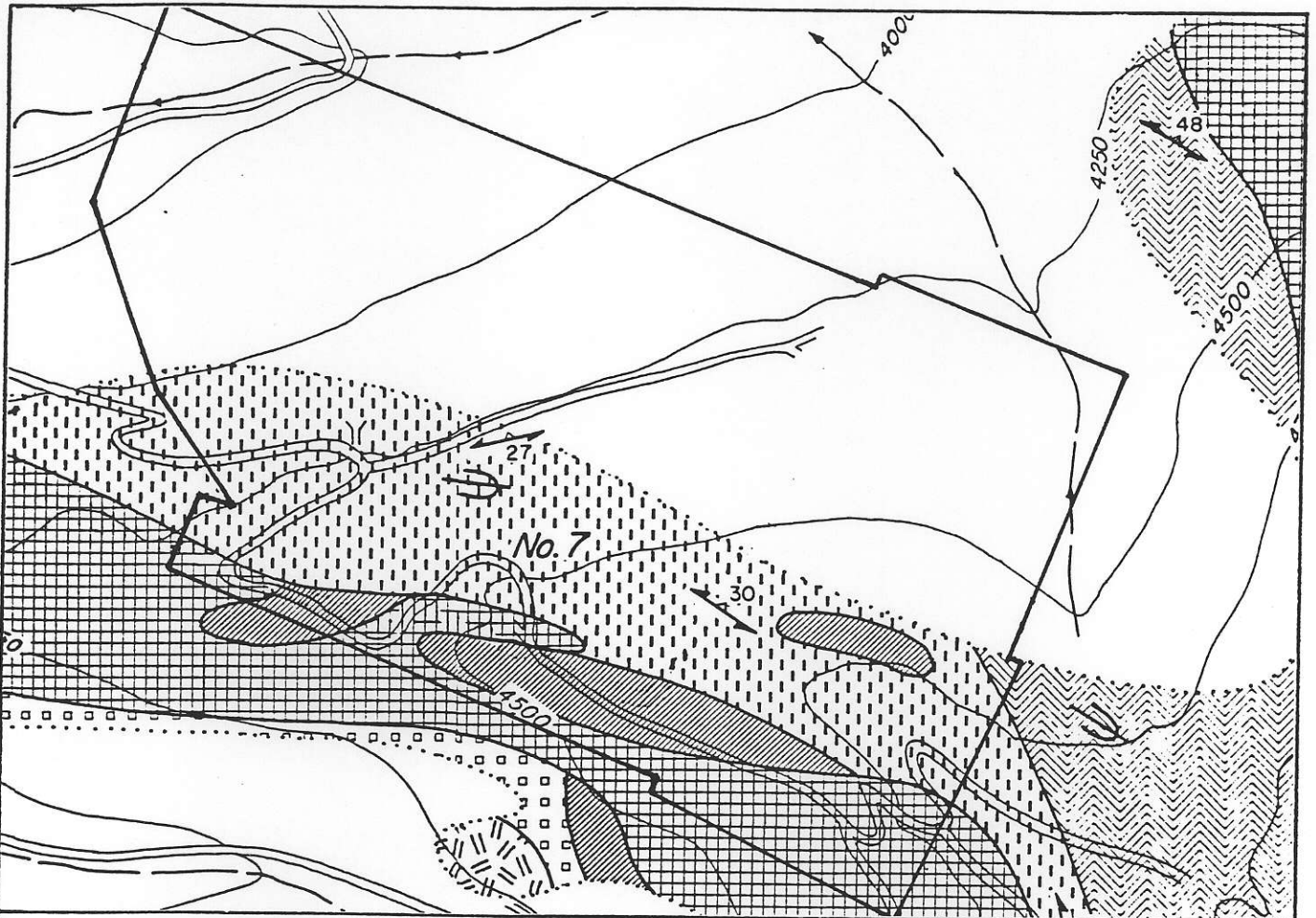
The claims were acquired in 1967 by W.E. McArthur Jr. of Greenwood. Minor surface and sub-surface development was undertaken.

The No. 7 property was held under option by Kettle River Resources Ltd. in 1983. Kettle River conducted geological, geochemical and geophysical surveys over the property as well as some underground rehabilitation.

All of the No. 7 workings are presently inaccessible due to caved conditions of the 60 and 300 foot levels. The main shaft is blocked at surface by rock and collapsed timbers. Through ventilation was noted by the author at a surface shaft which corresponds with the caved portion on the 300 foot level. As such, it is believed that the 300 foot level could be readily rehabilitated to provide access to the mine.

PROPERTY GEOLOGY

The No. 7 property was mapped in 1970 by British Columbia Department of Mines geologist, Mr. B.N. Church (fig. 4). More recent geological mapping has been conducted by Mr. B. Kyba (1984), geologist for Kettle



GEOLOGY OF THE McCARREN CREEK AREA

EARLY MESOZOIC OR LATE PALEOZOIC (ATTWOOD FORMATION)



1. SANDSTONE, SILTSTONE AND PEBBLE CONGLOMERATE.
2. BLACK PHYLLITIC ARGILLITE AND CHERTY ARGILLITE
3. ANDESITE AND DACITIC ANDESITE LAVA AND VOLCANIC BRECCIA.

INTRUSIVE IGNEOUS ROCKS



BIOTITE DIORITE



SERPENTINE



FELSITE DYKES
QUARTZ PORPHYRY
QUARTZ FELDSPAR PORPHYRY

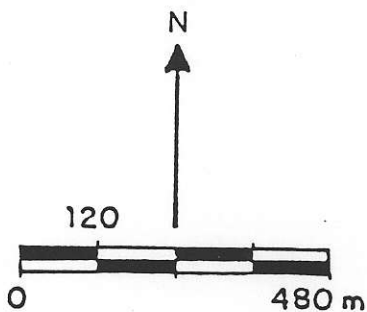
BASEMENT METAMORPHIC COMPLEX



1. QUARTZ-CHLORITE GNEISS WITH MINOR MUSCOVITE SCHISTS, GRAPHITIC SCHISTS, QUARTZITES, AND UNDIVIDED SMALL BODIES OF HORNBLENDE DIORITE
2. CHLORITIC AND AMPHIBOLITIC SCHISTS



SCHISTOSE TONALITE



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No.7 PROPERTY - GREENWOOD B.C.

GEOLOGICAL MAP

[after Church '70]

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Jan. 31/88

Fig. no. 4

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River Resources Ltd.

The property is underlain by southeasterly striking belts of greenstone, schist and amphibolite of Paleozoic and early Mesozoic age. These rocks are cut by a wide variety of igneous intrusions, including serpentinite, quartz porphyry and diorite. The No. 7 quartz vein system with associated gold-silver mineralization lies along the contact between the metamorphic amphibolite and the intrusive serpentinite igneous rocks.

The amphibolite is a light to dark grey-green, fine grained schistose rock with up to 5% dark green amphibole phenocrysts. It displays a well developed northwest striking northerly dipping ($35-65^{\circ}$) foliation and commonly forms the hanging wall of the No. 7 vein.

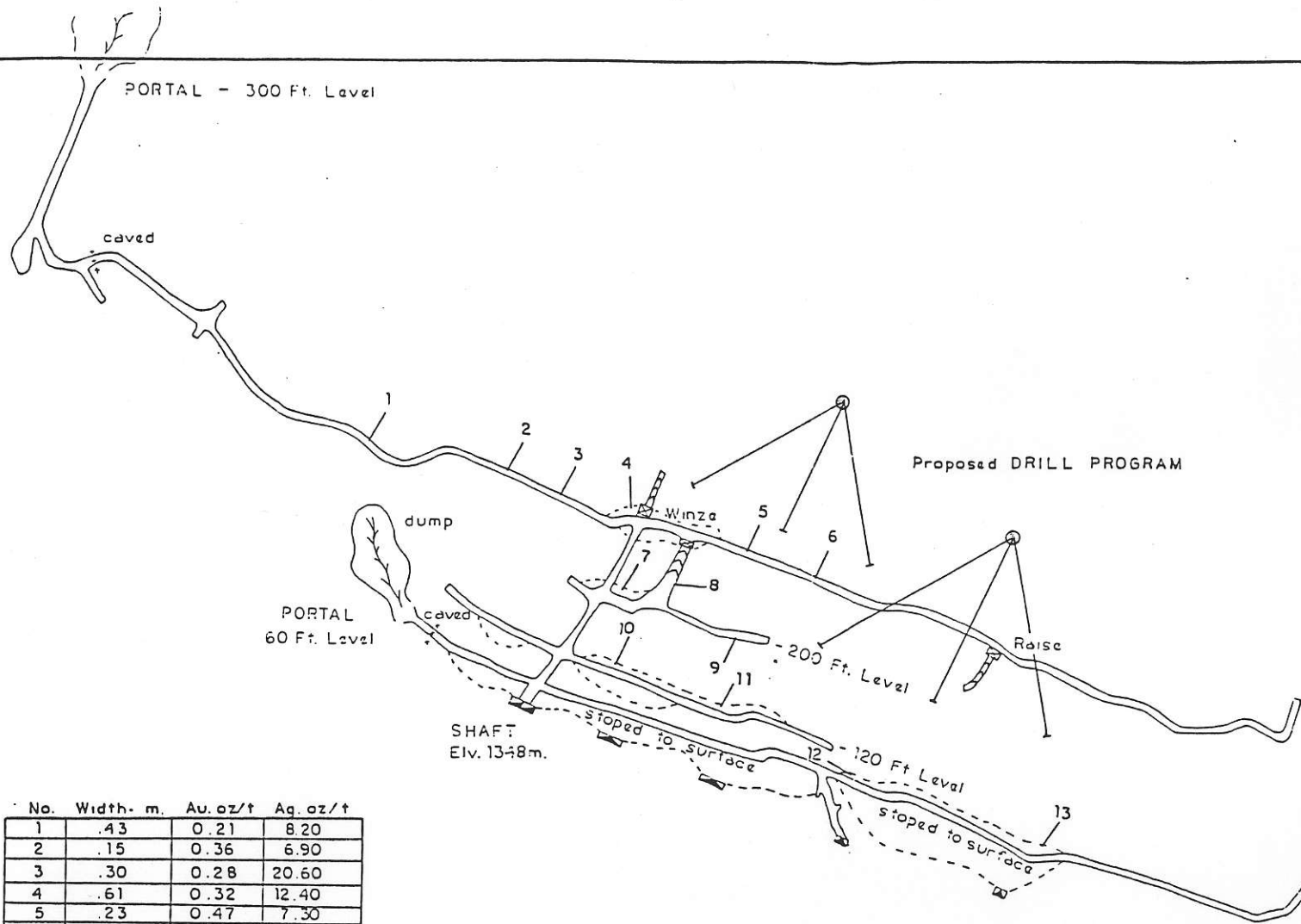
The serpentinite occurs as a 300 meter wide northwest striking dyke which extends south of the International Boundary to McCarren Creek. This rock unit is commonly weathered a rusty brown color but varies from a sheared, bright green color near its margins to a hard, dense, dark green rock in the center of the dyke. It may contain up to 2% disseminated magnetite. The serpentine commonly forms the footwall of the No. 7 vein.

The contact, between the above two rock units, and hence the No. 7 vein, strikes about 115° and dips 40° to 65° to the northeast.

Other major rock types on the property include a sheared quartz porphyry (church-schistose tonalite) which is roughly conformable with the serpentine. Other intrusive rocks are hornblende porphyry and biotite diorite dykes which cut all of the above rock units.

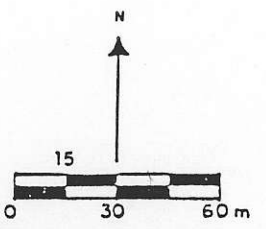
MINERALIZATION

The No. 7 vein varies in width from a few inches to 7 feet (2.13 m.) and has been traced for approximately 1,000 feet (300 m.). Disseminated pyrite, galena and sphalerite with associated gold and silver mineralization occur in a gangue of white quartz. Gold values range from less than



No.	Width- m.	Au. oz/t	Ag. oz/t
1	.43	0.21	8.20
2	.15	0.36	6.90
3	.30	0.28	20.60
4	.61	0.32	12.40
5	.23	0.47	7.30
6	.13	0.47	14.50
7	.61	0.30	10.70
8	.25	0.20	12.00
9	.66	0.16	13.80
10	.75	0.17	6.80
11	.60	0.50	15.70

Proposed DRILL PROGRAM



KENAR EXPLORATION INC.		
No. 7 PROPERTY - GREENWOOD B.C.		
MINE PLAN		
(after Cominco, 1910)		
MONASHEE GEOLOGICAL CONSULTANTS	nts: 82E/2E Dec. 5 / 88	Fig. 4

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0.28 oz/ton to 0.50 oz/ton with average grade from 15,152 ton shipped, in 1941 there was 334,11 tons of ore shipped, gold value was .351 oz/ton and silver averaged 12.00 oz/ton.

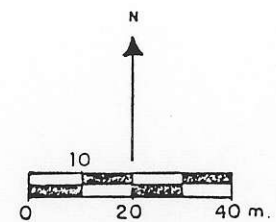
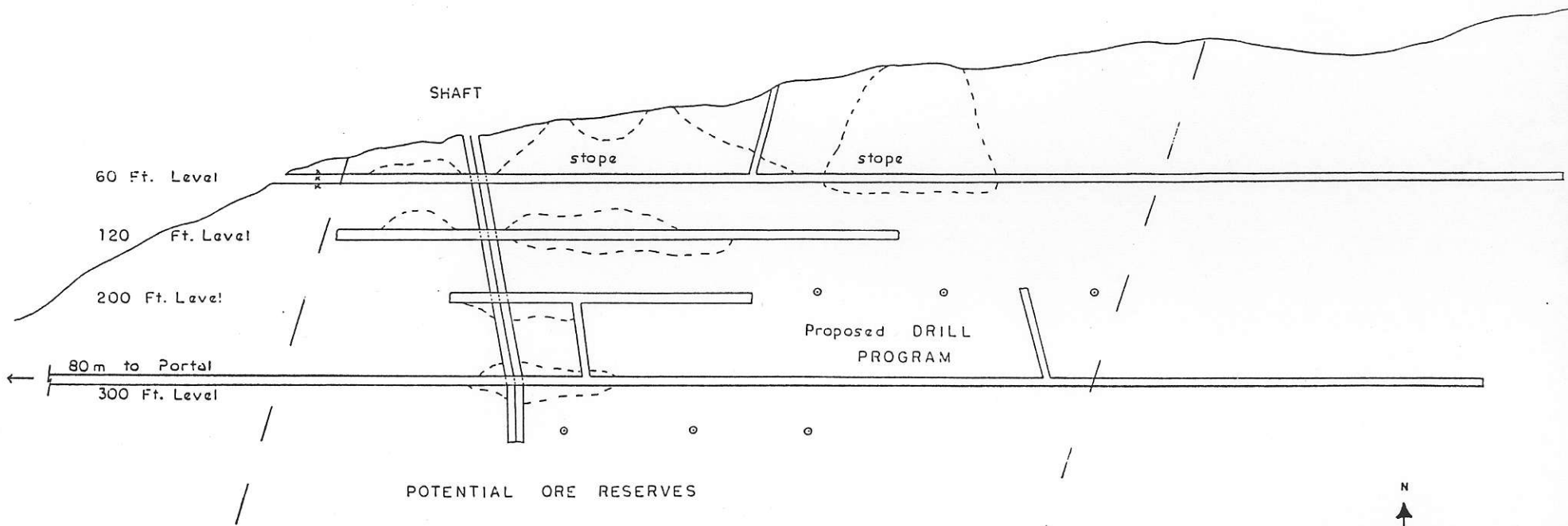
In addition to the mineralization associated with the No. 7 vein, Kettle River Resources discovered three other modes of mineralization during their 1983 exploration program (Kyba, 1984). These are:

1. Fracture fillings and disseminations of pyrite which occur with altered chlorite schists and a sheared quartz porphyry. Anomalous gold values in soil samples occur over this zone. One 10 foot (3 m.) rock chip sample assayed 0.012 oz/ton gold with litho-geochemical samples analyzing up to 400 p.p.b. gold:
2. Copper staining associated with disseminated chalcopyrite was observed in serpentine shear zones in an area south of the No. 7 mine. Similar mineralization is found further south in the Mabel and City of Paris areas with assays retaining 3.45% copper (Church, 1970).
3. Fine grained pyrite occurs as disseminations and small stringers in greenstone and volcanic breccia. The soils in this area were noted to be anomalous in gold, copper and zinc.

CONCLUSION

The No. 7 mine, near Greenwood, B.C., has an historical production record of approximately 15,000 tons grading 0.20 oz/ton gold and 6.60 oz/ton silver. Gold values of up to 0.50 oz/ton and silver values up to 20.60 oz/ton are reported to occur over widths from a few inches to 7 feet (2.1 m.). Average vein widths have been reported to be 2.5 feet (0.8 m.) but a calculated width average is closer to 1.2 feet (0.37m.).

Though a small amount of ore has been mined on the bottom level with good grade ore being reported in the winze and in the raise on the



KENAR RESOURCES LTD.		
No. 7 PROPERTY - GREENWOOD B.C.		
VERTICAL SECTION		
MONASHEE GEOLOGICAL CONSULTANTS	nts: 82E/2E Jan. 31/88	Fig. 6

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300 foot level, the No. 7 vein has not been tested at depth nor along strike to the southeast.

Development and exploration of the mine area could prove up an additional tonnage which could be significantly increased if the No. 7 vein extends to depth.

Any ore production from the No. 7 mine could be treated on a custom milling basis at locations within 20 kilometers of the mine site.

In addition, several areas of mineralization were outlined by the Kettle River Resources exploration program that should be further investigated.

Based on these favourable factors, the following recommendations are proposed for the No. 7 property:

RECOMMENDATIONS

Phase I

Because of the potential for ore production from the present workings, it is necessary to:

1. Gain access to and rehabilitate the 300 foot level in order to examine, map and sample the No. 7 vein;
2. Survey the accessible areas of the mine as well as the surface features so as to effectively lay-out a surface drill program.

Phase II

500 meters of diamond drilling to test the No. 7 vein for depth and strike continuity.

ESTIMATED COST OF RECOMMENDED PROGRAM

Phase I

1. Access and rehabilitation of the 300 foot level:
 - a) 3 miners: assume 30 days @ \$432.00/day.....\$ 12,960.00

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Equipment rental: assume 200 hrs.@ \$35.00/hr.....	\$ 7,000.00
(Compressor, rock drills, cars etc.)	
Supplies (timber, rock bolts, screening etc.).....	\$ 4,000.00
Food and Accommodation.....	\$ 3,600.00
Transportation.....	\$ 1,000.00
b) Geologist - 10 days @ \$250.00/day.....	\$ 2,500.00
Assistant - 10 days @ \$100.00/day.....	\$ 1,000.00
300 Chip samples collected at 1 m. intervals @ \$14.25/sample.....	\$ 4,275.00
2. Surveyor and Geologist	
10 days @ \$500.00/day.....	\$ 5,000.00
Supervision and Engineering.....	\$ 2,000.00
<u>Phase II</u>	
1. 500 meters of BQ Diamond Drilling	
@ \$100.00/meter; all inclusive.....	\$ 50,000.00
Geological Supervision.....	\$ 5,000.00
Engineering.....	\$ 5,000.00
Sub-Total	\$ 103,335.00
Contingencies 10%	\$ <u>10,333.50</u>
TOTAL	\$ 113,668.50

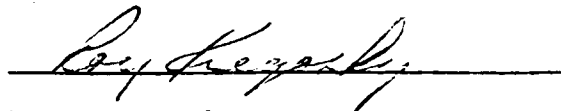
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CERTIFICATE

I, Roy D. Kregosky, of Vernon, British Columbia, do hereby certify that:

1. I am a Consulting Geologist with a business address at 3501 - 16th St. Vernon, B.C. V1T 3X7.
2. I am a graduate of the University of Calgary from which I received a B.Sc. degree in Geology in 1970.
3. I am a Fellow of the Geological Association of Canada.
4. I have practiced my profession for the past 17 years.
5. This report, dated January 31, 1988 is based on personal field examinations of the No. 7 property as well as information gathered from available maps and published reports.
6. I have no interest, direct or indirect, in the securities of Kenar Resources Ltd.
7. Permission is hereby granted to Kenar Resources Ltd. to submit this report in support of a Prospectus or statement of Material Facts.

Dated at Vernon, British Columbia, this 31st day of January, 1988.



R. D. Kregosky
B.Sc., F.G.A.C.

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REFERENCES

British Columbia Minister of Mines

1896

1902

Index No. 3

Church, B.N. Annual Report - 1970

Geology of Lexington Area

Kyba, B. Report on the No. 7 Property - 1984

E. W. WIDDOWSON and CO.

PROVINCIAL ASSAYERS AND ANALYTICAL CHEMISTS
METALLURGICAL AND CHEMICAL ENGINEERS

No. 85726

NELSON, B. C., March 13th., 1935.

IN REFERRING TO THIS PLEASE QUOTE NUMBER

ASSAY CERTIFICATE

WE HEREBY CERTIFY that the samples of Ore as received and assayed for Mr. W. E. McArthur.

Greenwood, B.C.

gave the following results:

MARK OR DESCRIPTION	GOLD OUNCES	VALUE AT 222 100 PER OZ.	SILVER OUNCES	VALUE AT PER OZ.	COPPER PER CENT AT C. PER LB.	LEAD PER CENT AT C. PER LB.	ZINC PER CENT	TOTAL VALUE PER T
		\$34.00						
Sample No. 78.	.10	\$3.40	11.4	\$6.61				\$10.01
Sample No. 79.	.51	\$17.34	6.5	\$ 3.77				\$21.11
Sample No. 80.	.59	\$20.06	6.4	\$ 3.71				\$23.77

*Int. at 100 per cent
Copper 1.11%
Lead 1.11%
Zinc 1.11%*

CHARGES \$ 4.50

SIGNED

E. W. Widdowson.

PROVINCIAL ANALYST

E. W. WIDDOWSON and CO.

PROVINCIAL ASSAYERS AND ANALYTICAL CHEMISTS
METALLURGICAL AND CHEMICAL ENGINEERS

No. 84892

NELSON, B. C., December 10th., 1934.

IN REFERRING TO THIS PLEASE QUOTE NUMBER

ASSAY CERTIFICATE

WE HEREBY CERTIFY that the samples of Ore as received and assayed for Mr. W. E. McArthur.

Greenwood, B.C.

gave the following results:

MARK OR DESCRIPTION	GOLD OUNCES	VALUE AT PREV. PR. PER OZ.	SILVER OUNCES	VALUE AT PER OZ.	COPPER PER CENT AT C. PER LB.	LEAD PER CENT AT C. PER LB.	ZINC PER CENT	TOTAL VA PER TO
		\$34.00						
Sample No. 54.	.38	\$12.92	8.7	\$4.87				\$17.79
Sample No. 55.	.07	\$ 2.38	7.6	\$4.26				\$ 6.64

#1 East of East shaft 10 ft down
Skt of bank from below ore line

CHARGES \$3.00

SIGNED

E. W. Widdowson.

PROVINCIAL ANALYST

E. W. WIDDOWSON and CO.

PROVINCIAL ASSAYERS AND ANALYTICAL CHEMISTS
METALLURGICAL AND CHEMICAL ENGINEERS

No. 82386

NELSON, B. C., July 27th., 1934.

IN REFERRING TO THIS PLEASE QUOTE NUMBER

ASSAY CERTIFICATE

WE HEREBY CERTIFY that the samples of Ore as received and assayed for Mr. W. E. McArthur.

Greenwood, B.C.

gave the following results:

MARK OR DESCRIPTION	GOLD OUNCES	VALUE AT 1220 1200 PER OZ.	SILVER OUNCES	VALUE AT PER OZ.	COPPER PER CENT AT C. PER LB.	LEAD PER CENT AT C. PER LB.	ZINC PER CENT			TOTAL VALUE PER TON
# 7		\$34.00								
Sample No. 18.	.34	\$11.56	16.5	\$ 7.76	3rd level East - starting 2 ft from base					\$19.32
Sample No. 19.	.26	\$ 8.84	7.6	\$ 3.57	2nd level of vein					\$12.41
Sample No. 20.	.40	\$13.60	10.1	\$ 4.75	Surface at vein line					\$18.35

CHARGES \$ 5.25

SIGNED

E. W. Widdowson.

PROVINCIAL ANALYST

E. W. WIDDOWSON and CO.

PROVINCIAL ASSAYERS AND ANALYTICAL CHEMISTS
METALLURGICAL AND CHEMICAL ENGINEERS

No. 82203

NELSON, B. C., July 18th., 1934.

IN REFERRING TO THIS PLEASE QUOTE NUMBER

ASSAY CERTIFICATE

WE HEREBY CERTIFY that the samples of Ore as received and assayed for Dr. W. E. LeArchur.

Greenwood, B.C. gave the following results:

MARK OR DESCRIPTION	GOLD OUNCES	VALUE AT PER OZ.	SILVER OUNCES	VALUE AT PER OZ.	COPPER PER CENT AT C. PER LB.	LEAD PER CENT AT C. PER LB.	ZINC PER CENT	TOTAL VAL PER TON
		\$34.00						
#7								
Sample No.1.	.51	\$17.34	13.9	\$ 6.53				\$23.87
Sample No.2.	.18	\$ 6.12	10.2	\$ 4.79				\$10.91
Sample No.3.	.20	\$ 6.80	9.4	\$ 4.42				\$11.22

*Surface of an ore (new)
1st level floor of shaft 4 1/2 ft
1st level West of shaft for 4 1/2 ft
width over 24 in*

SIGNED

E. W. Widdowson.

CHARGES \$ 5.25

PROVINCIAL ANALYST