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KERR ADDISON MINES LIMITED

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TO: D. A. Lowrie

DATE: March 8, 1985

FROM: N. Kacira

SUBJECT: Skyline Explorations Ltd., Reg Project, B.C.

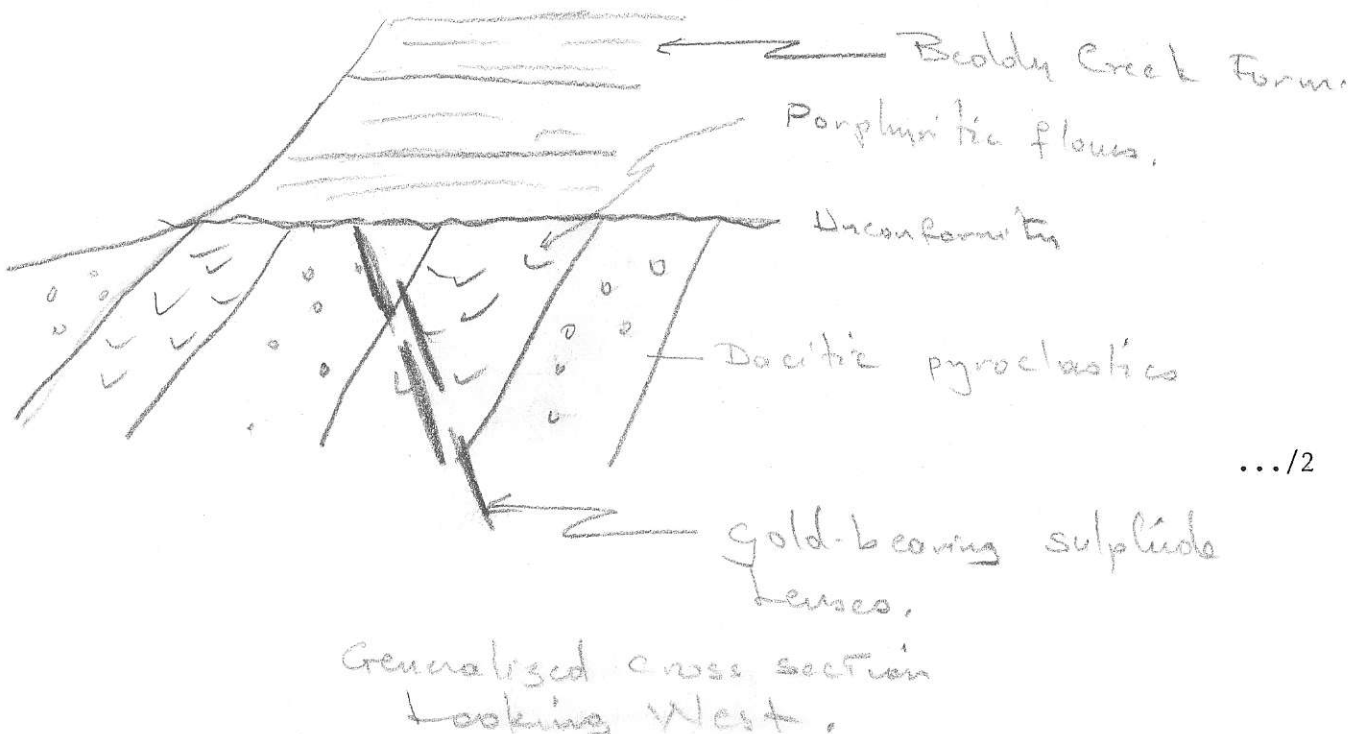
The company made a presentation at the Engineer's Club to attract a joint venture partner in this project. Some information on the mineral occurrences on the Reg claims is given in the appended brochure.

Stonehouse Gold Zone and McFadden Float Zone appear to have received most of the attention to date and the former is the primary focus of the planned work. Since 1980, \$3 million were spent on the Reg claims. Anaconda and Placer spent \$2.4 million of this total.

Stonehouse Gold Zone

This zone consists of a nearly E-W trending N dipping shear zone in the steeply south dipping volcanic rocks of Lower Jurassic age. These volcanic rocks are unconformably overlain by nearly horizontal Middle Jurassic volcanic and sedimentary rocks of Beddy Creek Formation. Dr. E. W. Grove, Consultant to the company, feels that this flat-lying unit acted as a barrier to solutions; he points out close association of many epithermal base and precious metal deposits in northwestern B.C. with this unconformity.

Stonehouse mineralization consist of gold, silver bearing sulphide lenses within the fracture zone. Main minerals are pyrite, Cp, sulfasalts of silver and native gold.



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The host fracture is reported to be 4,500 feet long. To date drilling was restricted to 1,100 feet of the structure and to a maximum depth of 520 feet. Based on this drilling the company reports 557,000 tons of "indicated" (130,000 tons) and "inferred" (427,000 tons) reserves expected to average 0.512 oz./t Au. Higher grade, NW plunging shoots occur within the gold-bearing sulphide lenses.

Bench scale metallurgical tests are in progress. Skyline proposes a 1985 program of \$2.5 million distributed as follows.

\$1.6 million: 1,350 foot long portal to intersect mineralization at a vertical depth of 300 to 500 feet, 1,000 feet of drifting-crosscutting and 20,000 feet of underground drilling.

\$0.6 million: prospecting, geology

\$0.3 million: Mob, demob, camp construction.

Skyline will be the operator of the project.

There is an airstrip for winter and summer use on the property. Hydro potential is said to be good. Skyline claims that Barges can be used on the Iskut River to Pacific to ship base metal concentrates. Skyline sees a production rate of 300 tons/day.

#### McPhadden Zone

The zone consists of gold-bearing sulphide talus breccia or moraine. The reserves are estimated at 30,000 tons averaging 2.8 oz./t Au. Apparently, Anaconda drilled six holes up slope, under the ice in an attempt to locate the bedrock source of this material. The effort was unsuccessful.

#### Comments

It appears that there is a fair probability of discovering additional zones of gold-base metal mineralization within the claim group. Average grade of the mill feed will probably be in the order of 0.25 oz./t Au. The project is not, however, attractive due to its remote location.

N. Kacira

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Attachment

