

825939

EXPLORATION PROPOSAL ON THE CINOLA PROPERTY

SKEENA MINING DIVISION,
GRAHAM ISLAND
QUEEN CHARLOTTE ISLANDS, BRITISH COLUMBIA

LOCATION:

N.T.S.: 103 F/9E
LATITUDE: 53° 32'N.
LONGITUDE: 132° 13'W.
B.C. GOVERNMENT MINERAL INVENTORY 103F-G-35

CLAIMS:

BABE 1 TO 32; RIC 1 TO 12; RIC 20 FR TO 26 FR; ROBIN FRACTION

PREPARED FOR

CITY RESOURCES (CANADA) LIMITED
SUITE 2000, PARK PLACE, 666 BARRARD STREET
VANCOUVER, B.C. CANADA V6C 2X8

PREPARED BY:

Peter A. Christopher Ph.D., P.Eng.
PETER CHRISTOPHER AND ASSOCIATES INC.
3707 WEST 34TH AVENUE,
VANCOUVER, B.C. V6N 2K9



FEBRUARY 3, 1988

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SUMMARY

The Cinola Gold Project area, consisting of a group of 52 contiguous mineral claims and fractions covers approximately 1750 acres (708 ha.) in central Graham Island, in the Queen Charlottes. The project area contains a hot-spring type epithermal gold deposit with a mineralized zone containing 43,500,000 tonnes at an average grade of 1.65 grams per tonne and "mineable ore reserves estimated by H.M.C. are 24,800,000 tonnes at an average grade of 2.11 grams per tonne." (William Hill Mining Consultants Ltd. Report in December 1987 Feasibility Study). The mineable reserves are calculated to sea level at about 200 meters below the present surface with drill indications of excellent values at or below the proposed final pit bottom.

Geological features, including the presence of open spaces in fluid breccias and possible scinter material indicate that the Cinola Gold Deposit formed in a near surface, hot-spring environment and has suffered only modest erosion. The feeder zones for the hot-springs represent excellent targets for either high grade lode or additional bulk mineable reserves. The writer recommends additional drilling be conducted to evaluate possible reserves below the proposed ultimate pit depth.

An initial deep drilling program is recommended to further test sections with high-grade intersections near the proposed ultimate pit bottom. A recommended 5 hole, 1500 meter drill program is estimated to cost \$ 240,000. Contingent on the results of the initial drilling, a 4000 meter follow-up drill program is estimated to cost \$ 640,000.

INTRODUCTION

City Resources (Canada) Limited is presently planning to exploit a hot-spring-type gold deposit in central Graham Island, Queen Charlotte Islands, British Columbia. The writer was retained by the management of City Resources (Canada) Limited to review the geological setting and previous drill results to recommend areas for deep drilling, if warranted. The writer has not made a recent examination of the property but examined the property in July 1983.

The writer is of the opinion that an excellent possibility exists for developing deeper reserves and that present deep drilling is required to insure that initial pit development work does not block either underground or open pit exploitation of possible deep reserves. A success contingent, staged drilling program is recommended to further test below the presently proposed pit.

LOCATION AND ACCESS (Figures 1, 2 & 3)

The property is located on central Graham Island, in the Queen Charlottes, some 740 km northwest of Vancouver and 17.6 km south of Port Clements. The claims are centred at geographic coordinates 53° 32' N. latitude and 132° 13' W. longitude in N.T.S. map sheet 103 F/9E. The southern boundary of the property is within 0.5 km of the Yakoun River.

Project Location Map

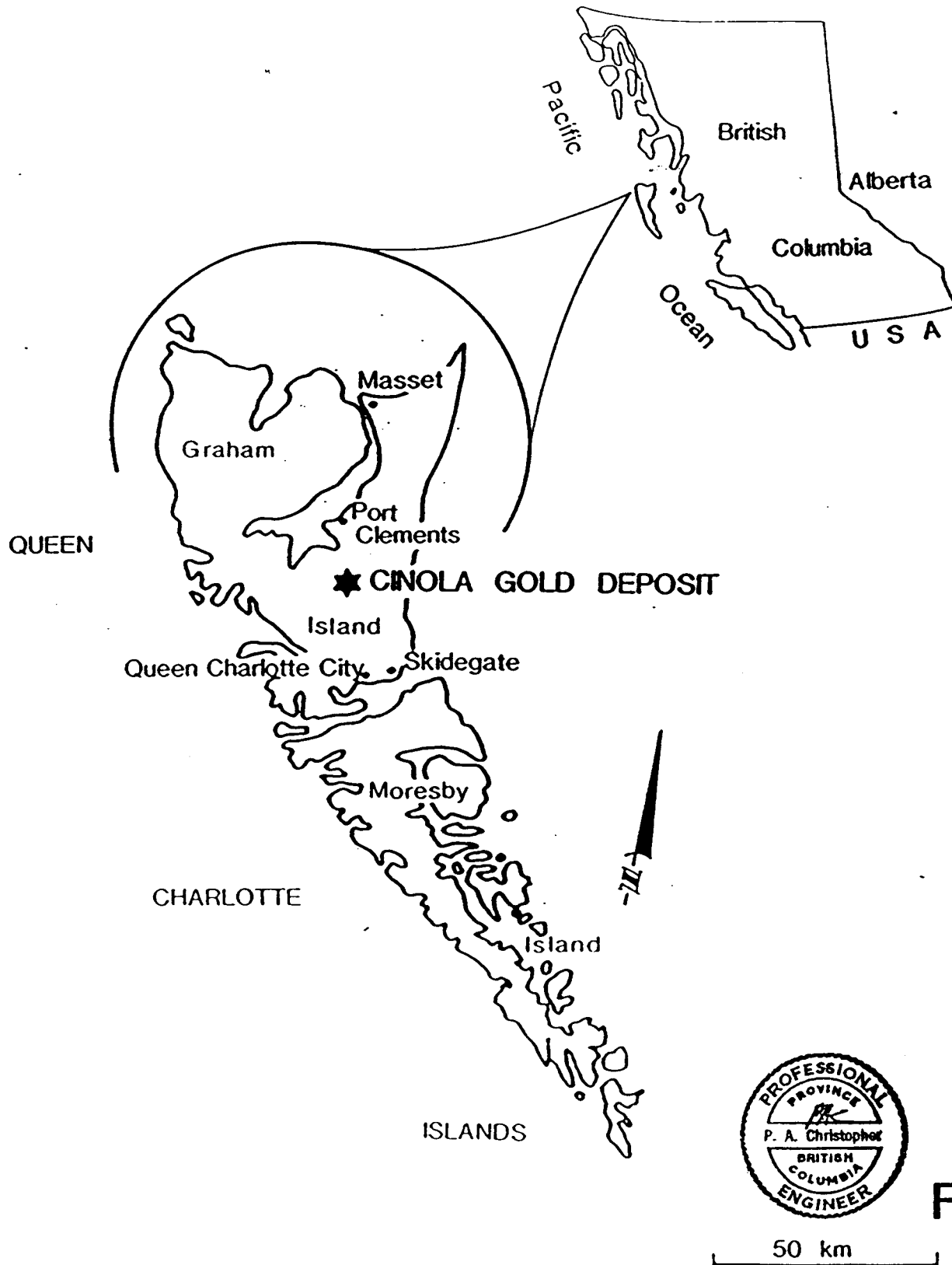


Fig. 1

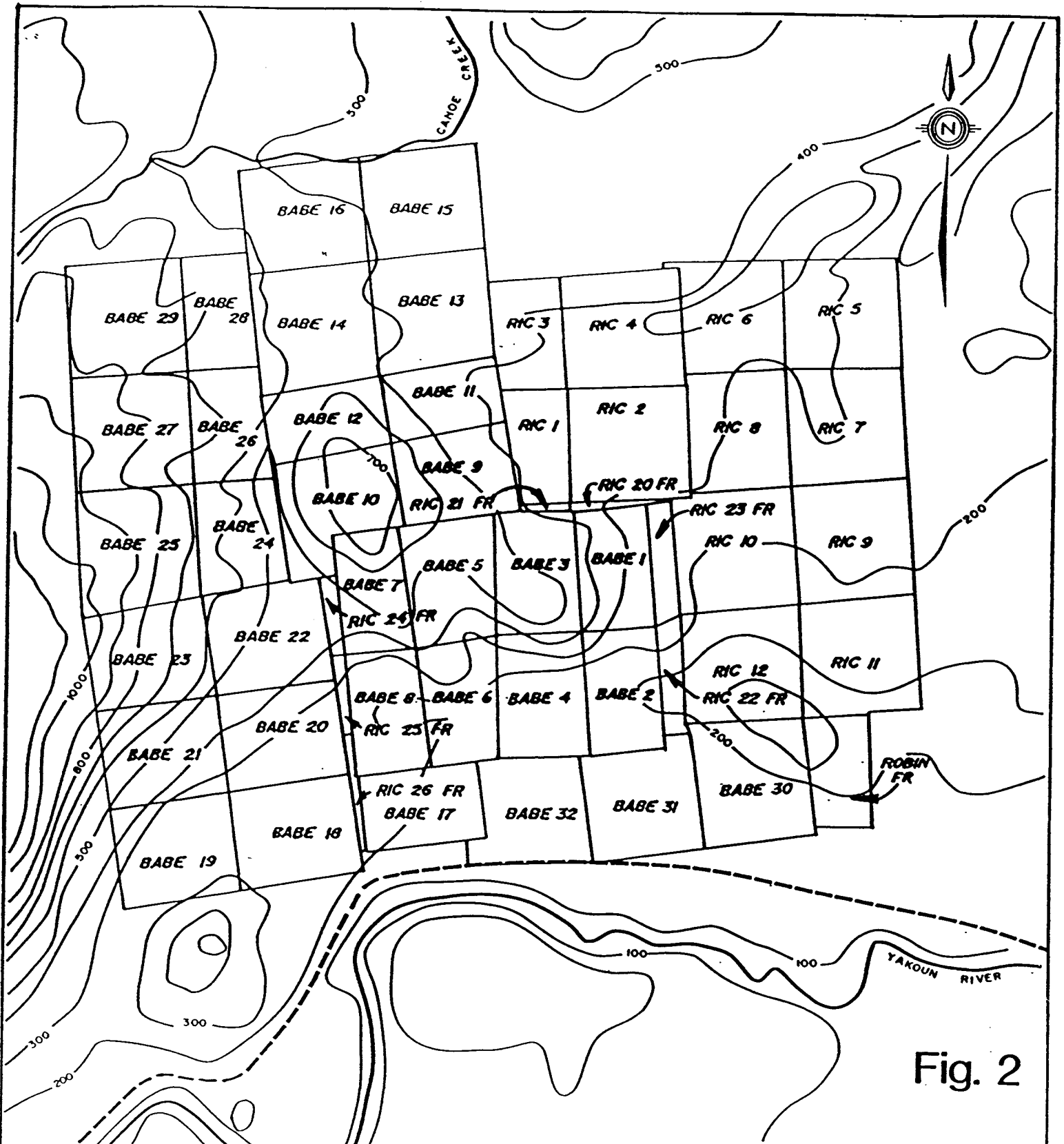
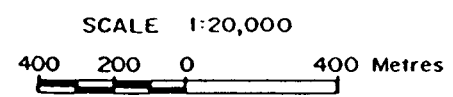


Fig. 2

Prepared for P. Christopher & Assoc.



**CINOLA GOLD PROJECT
CLAIM LOCATION MAP**



Prepared for P. Christopher & Assoc.

Fig. 3

SCALE 1:20,000



ELEVATION CONTOURS IN METRES



CINOLA GOLD PROJECT

LOCATION OF

PROPOSED ULTIMATE PIT

 Extent of Proposed Ultimate Pit

The islands may be reached by regular scheduled Canadian International Airlines jet service from Vancouver, or twice weekly ferry service from Prince Rupert. Drive in access from Port Clements is via 40 km of logging roads with the deposit near the end of MacMillan Bloedel logging road Branch 42.

PROPERTY DEFINITION

The Cinola Gold Project area consisting of 52 contiguous mineral claims and fractions covering approximately 1,750 acres (708 ha.) is 100% owned by City Resources (Canada) Limited. The claims were acquired using the two-post staking method with fractions subsequently staked and claims surveyed to eliminate possible open ground. The Robin Fraction was staked using the metric system and replaces the Bill two-post claim.

Pertinent claim data is summarized in Table 1 and approximate claim locations are shown on Figure 2.

TABLE 1. PERTINENT CLAIM DATA

<u>NAMES</u>	<u>CLAIMS</u>	<u>RECORD #</u>	<u>EXPIRY DATES</u>
BABE #1 - #3	3	34966-34968	MARCH 5, 1989
BABE #4 - #7	4	34969-34972	MARCH 26, 1994
BABE #8	1	34973	MARCH 5, 1989
BABE 9 - 10	2	35222-35223	MARCH 26, 1994
BABE 11	1	35224	MARCH 26, 1993
BABE 12	1	35225	MARCH 26, 1994
BABE 13 - 17	5	35226-35230	MARCH 26, 1989
BABE 18 - 23	6	36578-36583	APRIL 3, 1989
BABE #24 - #29	6	36601-36606	APRIL 28, 1989
BABE #30 - #32	3	36746-36748	JUNE 14, 1989
RIC #1 - #12	12	36589-36600	APRIL 28, 1989
RIC #20-#23 FRAC.	4	36739-36742	JUNE 14, 1989
RIC #24 FRACTION	1	36743	JUNE 14, 1995
RIC #25-#26 FRAC.	2	36744-36745	JUNE 14, 1989
ROBIN FRACTION	1	5762 (metric)	JAN. 26, 1989
Total Claims	52		

HISTORY

Jarositic gossan and quartz veining was discovered in 1970 by Efrem Specogna and Johnny Trinco while prospecting along the trace of the Sandspit fault zone. Vein and wallrock samples carried gold and the Babe Property was located in 1970.

The claims were first optioned by Kennco Exploration, (Western) Limited who conducted geological mapping, geochemical surveys and drilled two packsack diamond-drill holes totalling 55.2 meters (181 feet). The geochemical surveys (Assessment Reports 2890 and 3517) revealed a considerable mercury anomaly as well as weak gold and arsenic anomalies. Following Kennco Exploration, (Western) Limited work the property was optioned to Cominco Ltd. in 1972, Placer Development Ltd, Silver Standard Mines Limited, and from the later to Quintana Minerals Corporation.

In 1972 Cominco Ltd. drilled nine holes totalling 500 meters (1642 feet) before relinquishing their option. In 1973 Placer Development Limited explored the property and from 1974 to 1975 Quintana Minerals Corporation drilled 18 percussion holes totalling 633 meters (2,077 feet), four packsack diamond drill holes totalling 58 meters (191 feet) and five BQ hole totalling 690 meters (2264 feet).

Consolidated Cinola Mines Ltd., a predecessor to City Resources (Canada) Ltd., acquired an option to purchase the present Cinola Gold Project area in 1977 (the Robin Fraction replaced the Bill claim in 1987). In 1979, Consolidated Cinola acquired title to the claims before entering into a joint venture agreement with Energy Reserve Canada, Ltd. (Energy Reserve). Energy Reserve acquired a 50% working interest in the claims for \$5,000,000 relating to initial exploration and development cost incurred on the property. Consolidated Cinola retained the operator position in the joint venture.

During a three year period ending in 1982 the joint venture expended about \$18,000,000 in exploration and development work on the Cinola Project. With Consolidated Cinola as operator, 165 holes totalling about 25,329 meters (83,100 feet) of surface drilling, a 968 foot (300 m.) adit, 548 feet (178 m.) of crosscuts and 12 holes totalling 5,100 feet of underground drilling was conducted. In 1981, about 4,500 tonnes from the underground workings were treated on site in a 45 tonnes per day pilot mill.

In September 1982, the joint venture completed a feasibility study for a 13,000 to 15,000 tons per day throughput with extraction based on a complex roasting process. The proposal was for a high capital cost operation with potential for permitting and environmental problems and the joint venture did not proceed.

In August 1984, Misty Gold Inc. acquired all of Energy Reserves interest in the property for \$5,000,000 plus a net smelter royalty. In November 1984 Misty Gold shares were exchanged for 1,500,000 shares of Consolidated Cinola Mines Ltd.

Since 1983 Consolidated Cinola Mines Ltd. and City Resources (Canada) Limited conducted additional bench scale metallurgical tests, drilled 45 diamond drill holes and 63 reverse circulation holes totalling 35,346 feet (10773 m.), extended the adit 190 feet (58 m.) to 1,158 feet (353 m.) and drove 216 feet (66 m.) of additional crosscut. City Resources objective was to validate previous work and obtain material for new metallurgical work.

In December 1987, Wright Engineering Limited completed a feasibility study for City Resources (Canada) Limited on the Cinola Gold Project. The report summarizes reserves calculated by William Hill Mining Consultants Ltd. as follows, "The mineable ore reserves are 24,800,000 tonnes grading 2.11 grams Au/t (27,300,000 short tons at 0.062 oz/st.) An additional 200,000 tonnes grading 1.90 grams Au/t have been classified as possible reserves. The mineable reserves were calculated using a 1.10 gram Au/t (0.032 oz/ton) cut-off grade and the overall waste to ore stripping ratio will be 2.08:1."

Peter Christopher & Associates Inc. was retained in January 1988 to assess the merits of drilling below the proposed ultimate pit depth.

GENERAL GEOLOGY (Figure 4)

The Queen Charlotte Islands are part of the Insular Belt of the Canadian Cordillera. They are separated from the Pacific Ocean floor by the Queen Charlotte Transform Fault. The area is included within the Pacific Continental Shelf physiographic region and has been divided into the Queen Charlotte Ranges, Skidegate Plateau and Queen Charlotte Lowlands. The boundaries between the physiographic units follow major northwest trending fault zones.

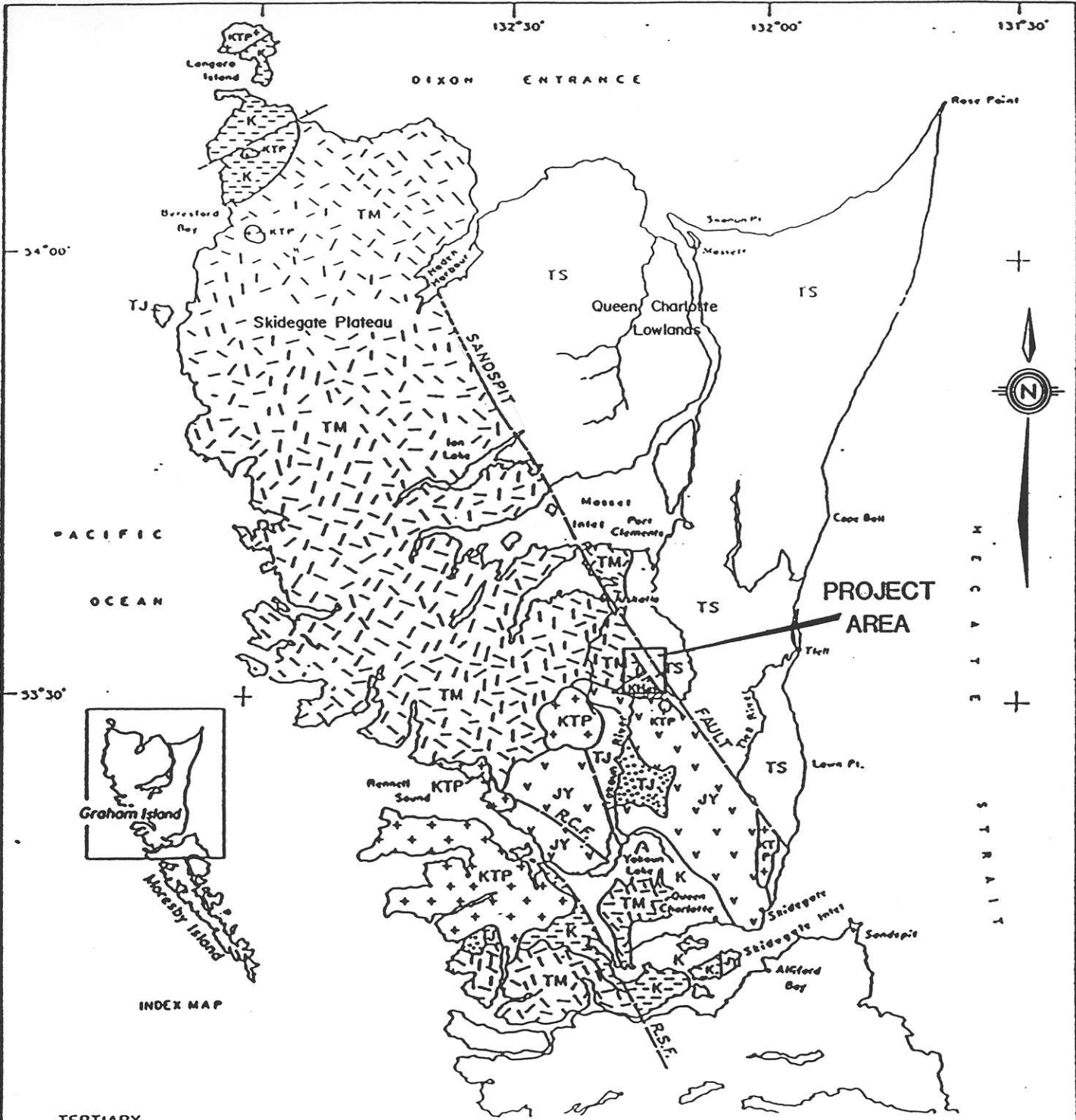
The general geology of the Queen Charlotte Islands has been mapped and reported on by A. Sutherland-Brown in British Columbia Department of Mines Bulletin No. 54 (1968). The area of main interest for precious metals is near the Sandspit fault at the boundary of the Skidegate Plateau and Charlotte Lowlands. Sutherland Brown (1968) defined four main rock formations in Cinola Project area: the Haida and Honna Formations of Cretaceous age, the Masset Formation of Early Tertiary age, and the Skonun Formation of Mio-Pliocene age. West of the Sandspit Fault system, the Skidegate Plateau is underlain by Masset Formation volcanic rocks of mafic to felsic composition and the Haida Formation composed of a Lower sandstone member and an upper shale member. A conglomeritic unit in the area of the Cinola Gold Deposit has been variably mapped as an extension of the Haida Formation, the Honna Formation and part of the Skonun Formation. East of the Sandspit Fault system, the Queen Charlotte Lowlands are underlain by poorly lithified sands, shale, and conglomerate of the Skonun Formation.

LOCAL GEOLOGY (Figure 5 - 11)

A synopsis of local geology is shown on Figure 5 with proposed drill holes and sections shown on Figures 6 through 11. Mineralization occurs in quartz veins, siliceous breccia and replacement zones within silicified conglomerate of the Skonun Formation along a faulted contact with Haida shale in association with rhyolite dikes or sills. The mineralized block is situated between the N30°W trending Sandspit Fault system and a N35°W trending 40-60°E dipping splay referred to as the Specogna or Footwall Fault. Champigny and Sinclair (1980) stated that, "Displaced gold geochemical anomalies, drainage patterns and topography suggest a dextral fault with a downward movement of the east block. This is the same movement picture observed for the Sandspit fault system (Sutherland Brown, 1968)."

MINERALIZATION

The Cinola Gold deposit formed in a shallow hot spring environment localized by the Specogna fault with heat supplied by emplacement of rhyolitic porphyry bodies along the fault. Intrusion of the porphyry created a hydrothermal system with solutions rich in gold, silver, mercury, arsenic and antimony causing mineralization and alteration of fractured or brecciated rhyolite and a porous clastic sequence. The mineralized zone is characterized by pervasive silicification and argillic alteration.



- TERTIARY**
- TS Skonun Fm.
 - TM Masset Fm.
- CRETACEOUS**
- Kto Haida Fm.
 - K Undivided sediments
- JURASSIC**
- Jy Yakoun Fm.
- TRIASSIC-JURASSIC**
- TJ Kunga Fm.
- INTRUSIVES**
- CRETACEOUS-TERTIARY**
- KTP



- FAULTS:**
- fault
 - R.C.F. Riley Creek Fault
 - R.S.F. Rennell Sound Fault

SCALE 0 5 10 15 20 25
KILOMETRES

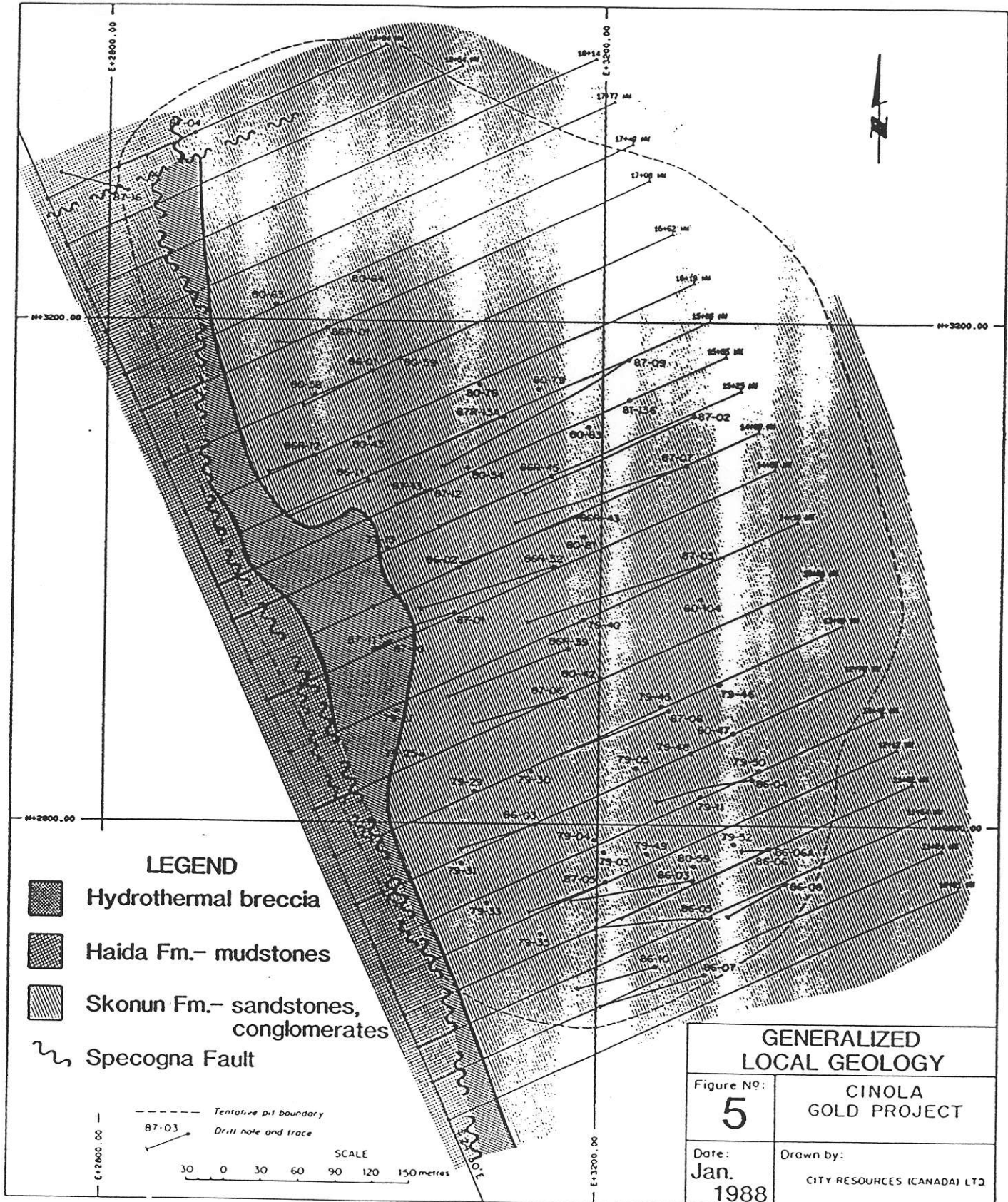
Prepared for P. Christopher & Assoc.

City Resources (Canada) Limited





REGIONAL GEOLOGY
GRAHAM ISLAND

QUEEN CHARLOTTE ISLANDS, B.C.

SCALE	DATE	NTS	FIG. NO
as noted	Jan. 1988	103 S.E.	4



LEGEND

-  Hydrothermal breccia
-  Haida Fm.- mudstones
-  Skonun Fm.- sandstones, conglomerates
-  Specogna Fault

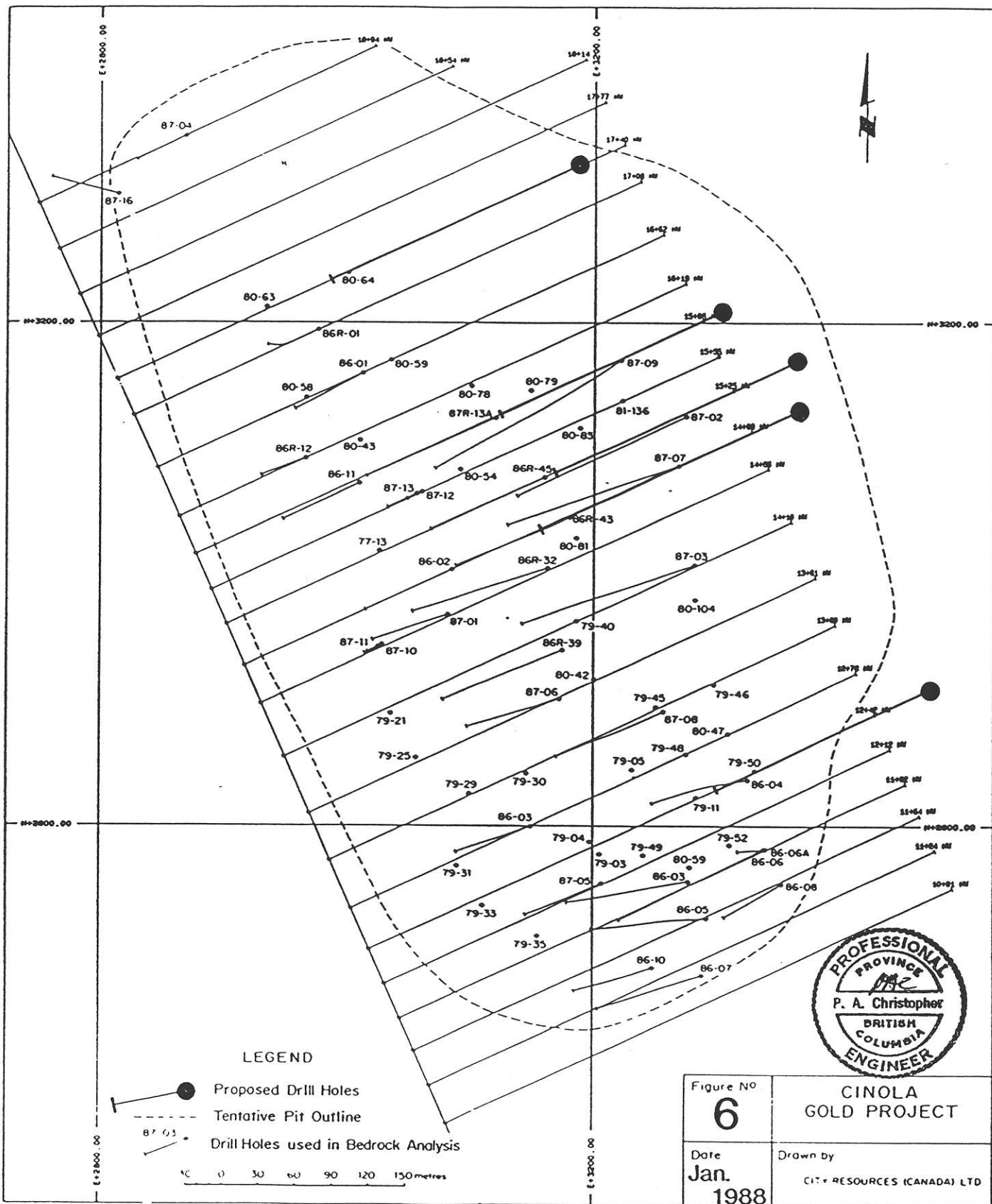
--- Tentative pit boundary
 --- Drill note and trace

SCALE
 30 0 30 60 90 120 150 metres

GENERALIZED LOCAL GEOLOGY	
Figure No: 5	CINOLA GOLD PROJECT
Date: Jan. 1988	Drawn by: CITY RESOURCES (CANADA) LTD

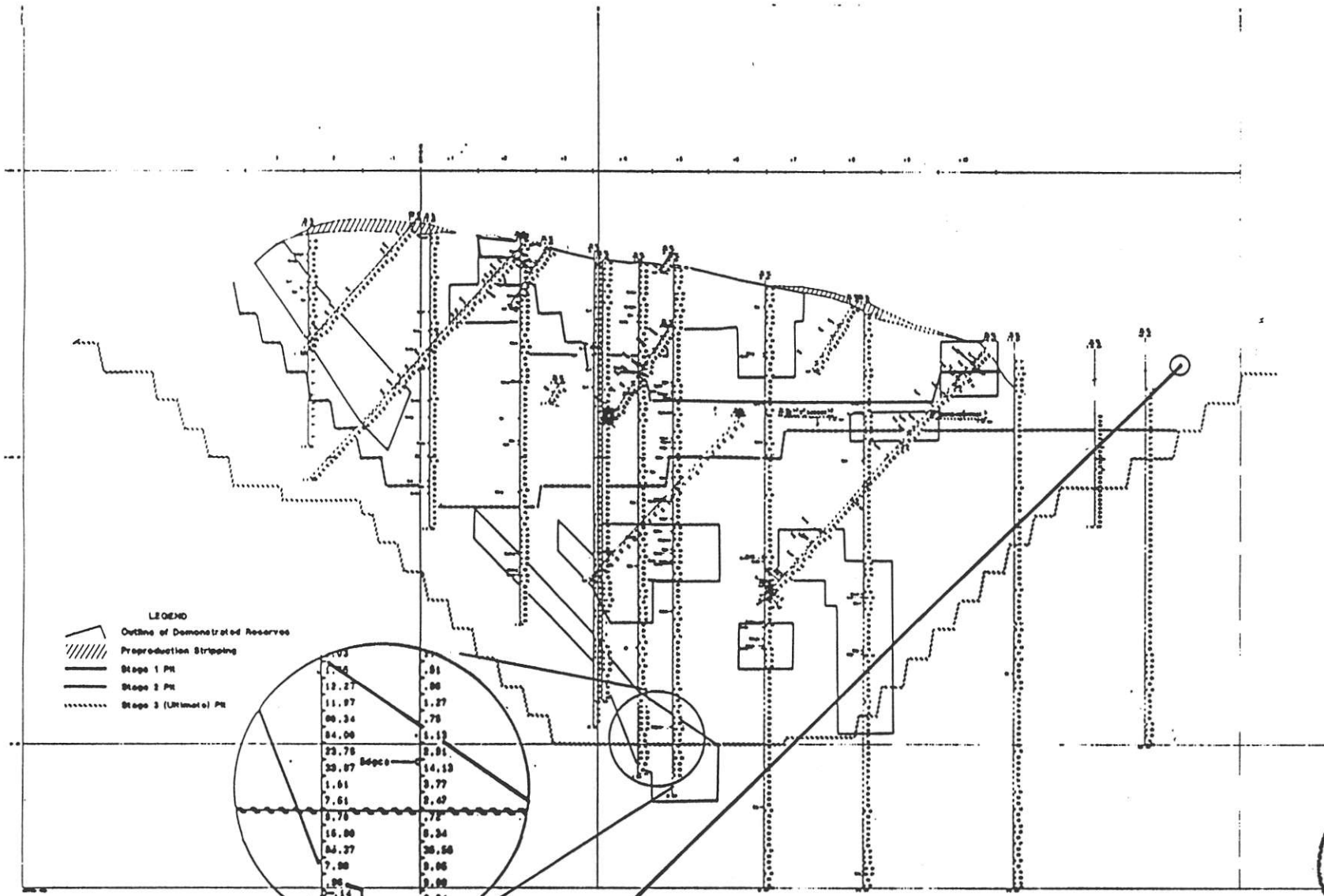
Prepared for P. Christopher & Assoc.



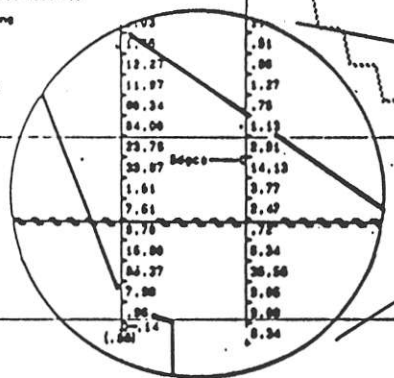


PLAN OF VERTICAL SECTIONS SHOWING PROPOSED DRILL HOLES

Prepared for P. Christopher & Assoc.



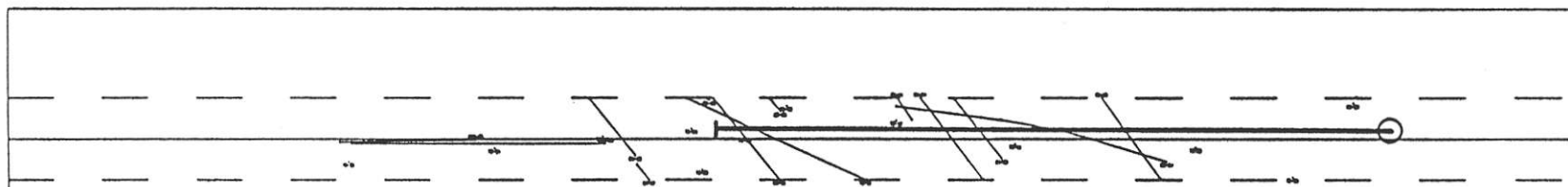
- LEGEND**
- Outline of Demonstrated Reserves
 - Preproduction Stripping
 - Stage 1 Pit
 - Stage 2 Pit
 - Stage 3 (Ultimate) Pit



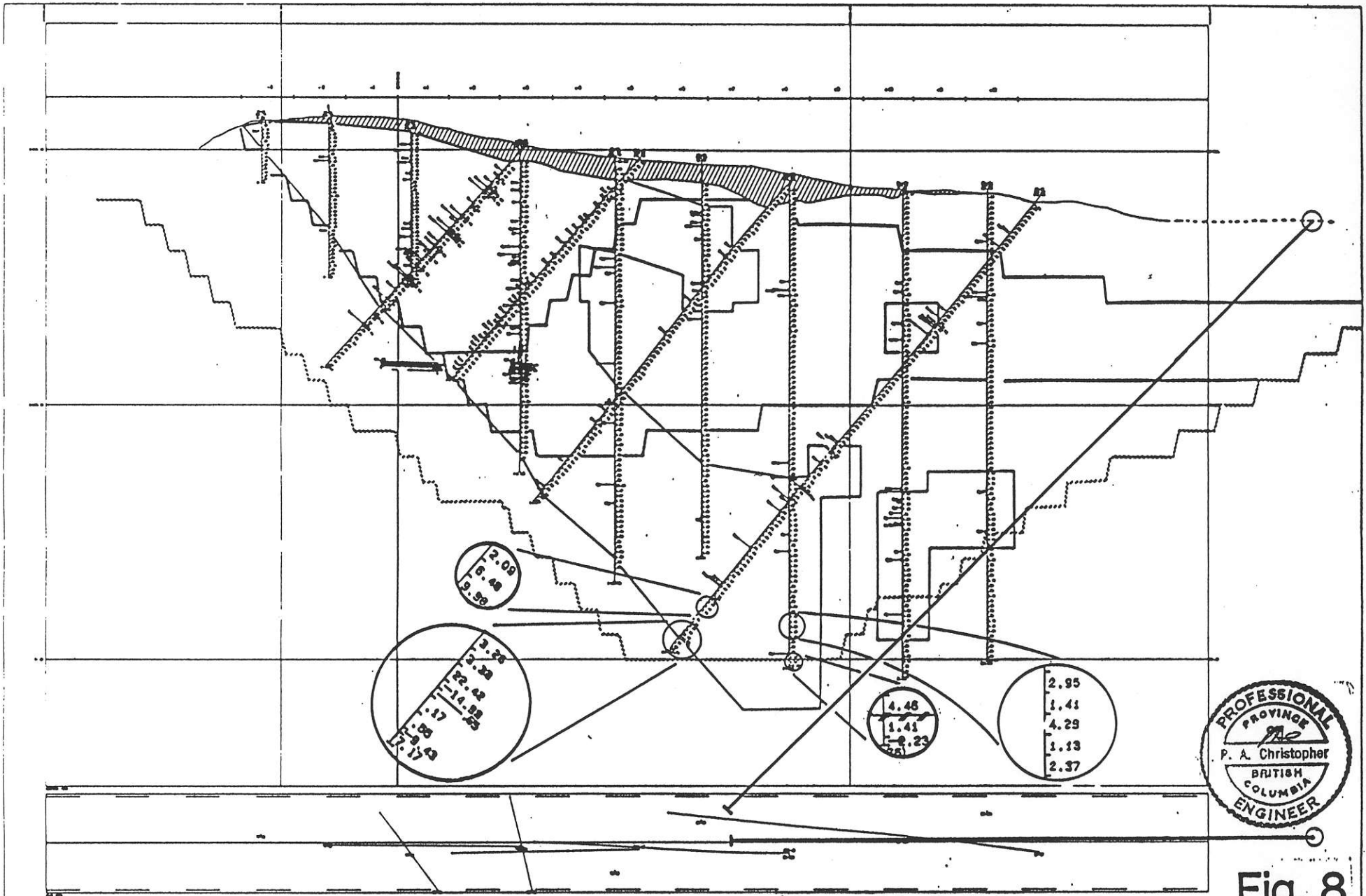
OPEN PIT CROSS - SECTIONS
Based on Demonstrated Reserves
(at 1.1 gm/T Cut-off Grade)



Fig. 7



Prepared for P. Christopher & Assoc.



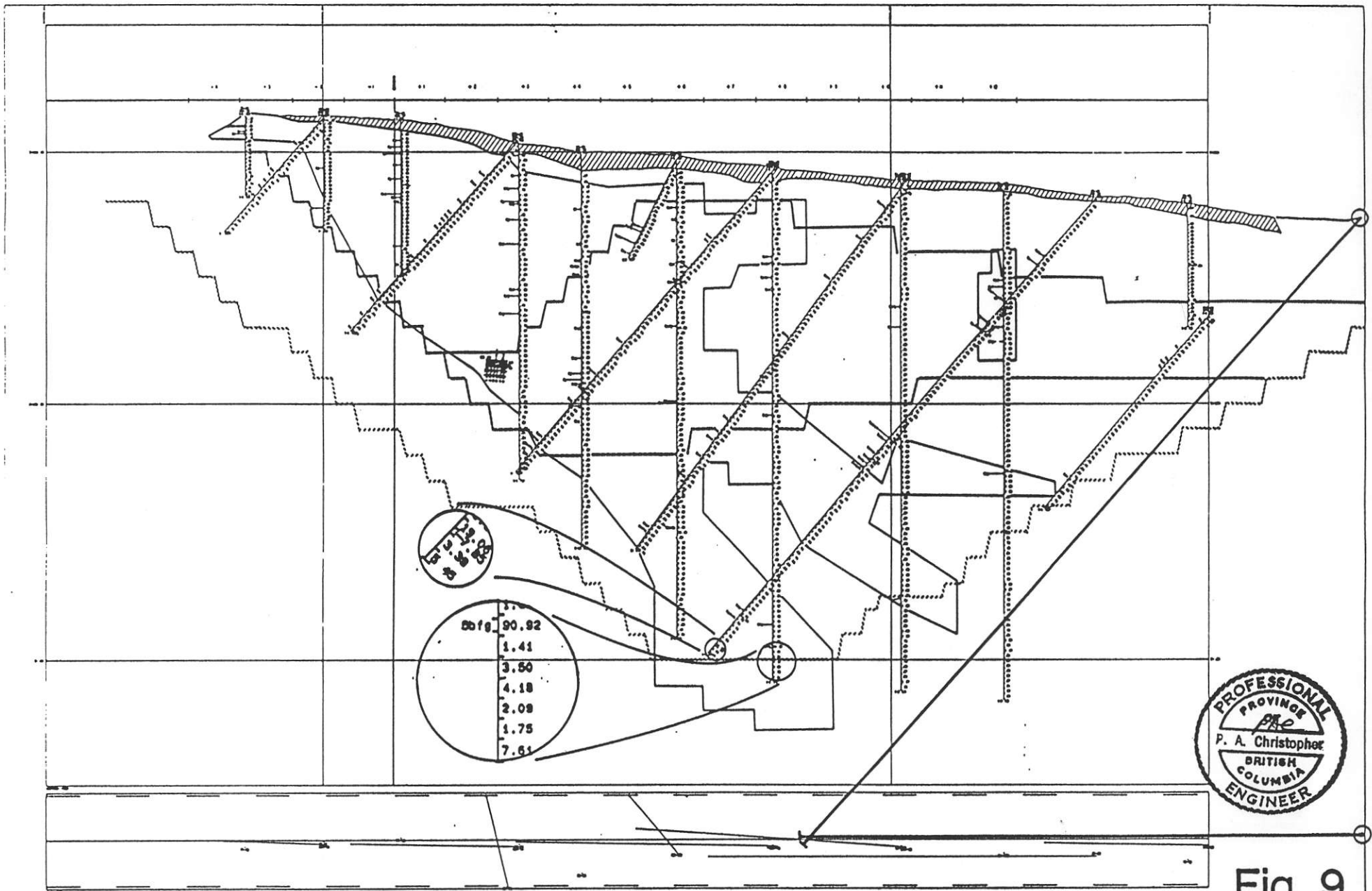
Prepared for P. Christopher & Assoc.

Fig. 8

- LEGEND
- Outline of Demonstrated Reserves
 - Preproduction Stripping
 - Stage 1 PR
 - Stage 2 PR
 - Stage 3 (Ultimate) PR






OPEN PIT CROSS - SECTIONS
Based on Demonstrated Reserves
(at 1.1 gm/T Cut-off Grade)

PCXPLOR VERSION 1.00	
City Resources (Can.) Limited	
SECTION 14-03 DE	
ASBMS	
Working & As Issued	
27/ 6/1987	SCALE 1: 500



Prepared for P. Christopher & Assoc.

Fig. 9

- LEGEND**
-  Outline of Demonstrated Reserve
 -  Production Stripping
 -  Stage 1 PR
 -  Stage 2 PR
 -  Stage 3 (Ultimate) PR

OPEN PIT CROSS - SECTIONS
Based on Demonstrated Reserves
(at 1.1 gm/T Cut-off Grade)

PCXPLOI VERSION 1.00	
City Resource (Can.) Limited	
SECTION 15-25 20	
ABBYTS	
Mining & Air Spn/tonne	
27/ 8/1987	SCALE 1: 500

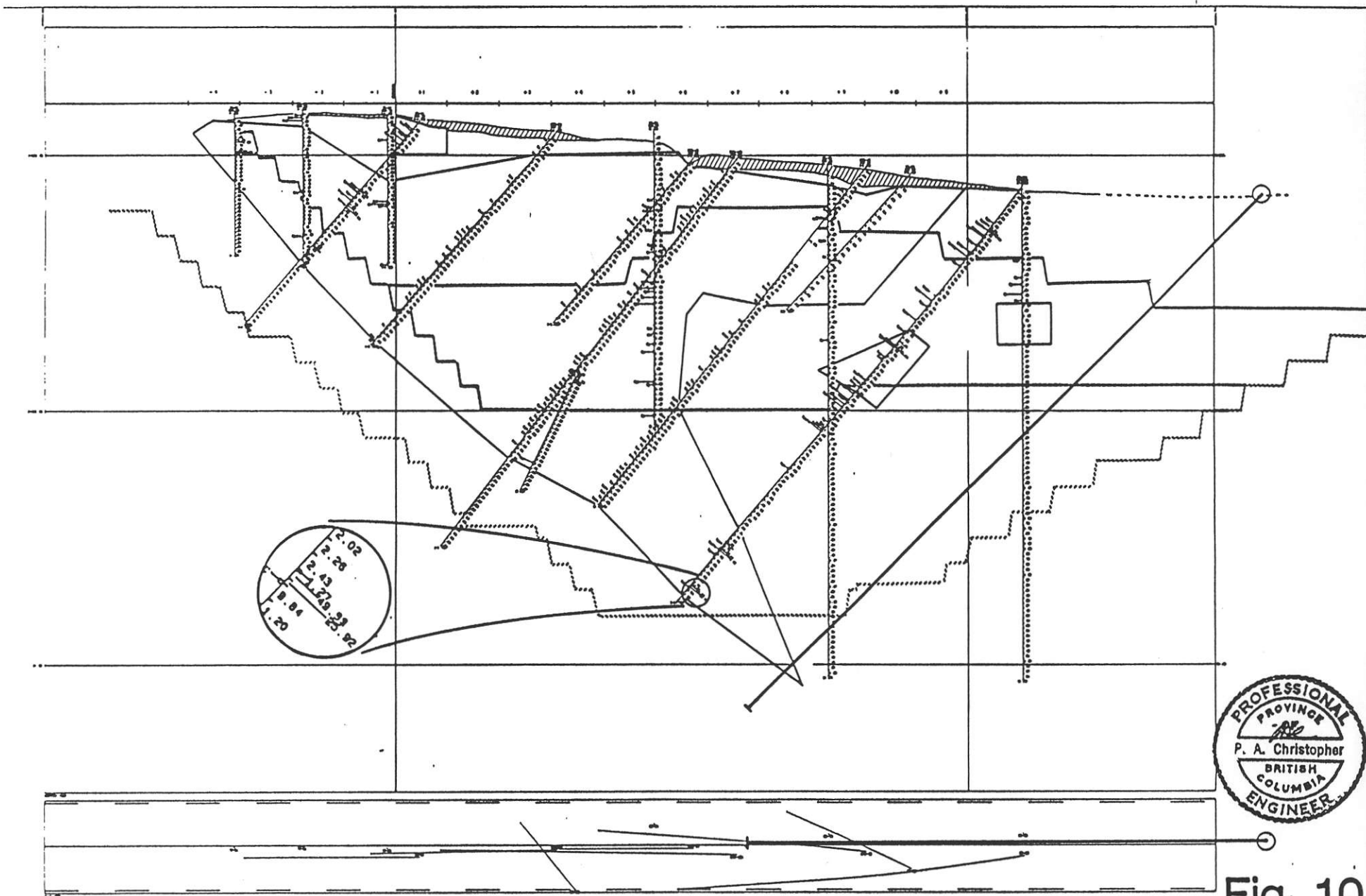







Fig. 10

Prepared for P. Christopher & Assoc.

- LEGEND**
-  Outline of Demonstrated Reserves
 -  Production Stripping
 -  Stage 1 PR
 -  Stage 2 PR
 -  Stage 3 (Ultimate) PR

OPEN PIT CROSS - SECTIONS
Based on Demonstrated Reserves
(at 1.1 gm/T Cut-off Grade)

PCXPLOR VERSION 1.00	
City Resources Edm. I Limited	
SECTION 10-05 00	
ASSAYS	
Mining & M. (m/level)	
27/ 8/1987	SCALE 1: 500

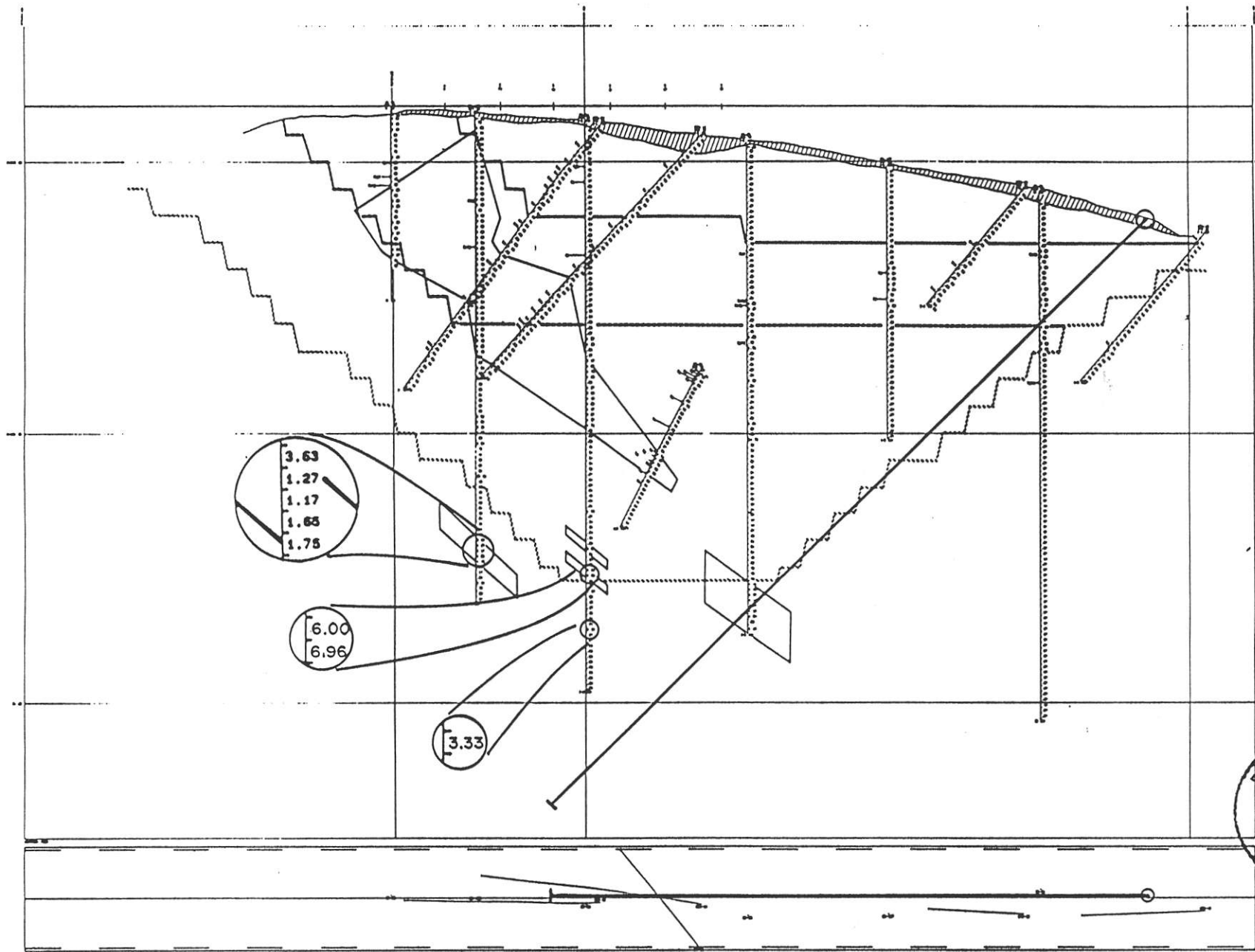


Fig. 11

Prepared for P. Christopher & Assoc.

- LEGEND**
- Outline of Demonstrated Reserves
 - Production Stripping
 - Stage 1 Pit
 - Stage 2 Pit
 - Stage 3 (Ultimate) Pit

OPEN PIT CROSS - SECTIONS
Based on Demonstrated Reserves
(at 1.1 gm/T Cut-off Grade)

PCXPLOR VERSION 1.00

City Resources (Can.) Limited
SECTION 17-40 00
ABASYS
Mining & Dr. (pvt/limited)

27/ 8/1987 SCALE 1: 500

Metallic mineralization consists in decreasing order of abundance: pyrite, marcasite, hematite, native gold, and cinnabar with rare chalcopyrite and sphalerite. A jarositic limonite staining is present from the surface to about 20 meters. Hematite occurs as finely disseminated grains in quartz veins and as massive veinlets in rhyolite porphyry. Iron sulphides are ubiquitous in the deposit and range from 0.5 to 10 per cent, with an average of about 3 per cent. A defined correlation has not been established between sulphide content and gold grades. Visible gold has been identified in quartz veins but in most case gold is very fine.

The ore reserves at the Cinola Gold deposit are contained in a mineralized zone totalling 43,500,000 tonnes at an average grade of 1.65 grams gold per tonne, using a cut-off grade of 0.69 grams per gold per tonne (William Hill Mining Consultants Limited (HMC) Limited, Nov. 1987 report; Section 3 of Dec. 1987 Feasibility Study). The above geological reserves have been categorized by HMC as follows:

Proven and Probable: 40,700,000 tonnes at 1.65 grams/tonne
Possible : 2,800,000 tonnes at 1.71 grams/tonne

HMC conducted a rigorous treatment of data to establish mineable reserves at a cut-off grade of 1.1 grams gold per tonne for the Cinola Gold Project as follows:

	<u>Tonnes</u>	<u>Grams Au/Tonne</u>
Proven :	2,900,400	2.22
Probable :	21,899,600	2.10
Sub-Total Demonstrated:	24,800,000	2.11
Possible :	200,000	1.90
<u>Total</u>	<u>25,000,000</u>	<u>2.11</u>

DISCUSSION

The Cinola Gold deposits represents is an example of a bulk tonnage epithermal gold deposit of the Carlin Type (Richards et. al., 1976). Recent exploration in the Carlin belt and in other epithermal gold camps have demonstrated large vertical extents for mineralized zones with higher grade deposits at depth. Limited deep drilling conducted on the Cinola deposit has demonstrated the continuation of the mineralized zone at depth and presence of high grade intervals.

City Resources personnel believe and the writer agrees that the Cinola deposit has excellent potential for development of underground reserves or deeper pitable reserves. Further deep drilling should be conducted to allow present mine planning to accommodate deeper reserves.

CONCLUSIONS AND RECOMMENDATIONS

The writer agrees with the classification of the Cinola Gold Deposit as a Carlin Type epithermal gold deposit. The recent success in locating deep high-grade zones in feeder zones along the Carlin trend provides encouragement for deep drilling at the Cinola Gold Deposit at a time when possible reserves can be worked into the long range mining plan.

An initial five hole program is recommended to test sections 12+42NW, 14+89NW, 15+25NW, 15+86NW, and 17+40NW (Figures 7 to 11) from which previous encouraging results has been obtained. A recommended Phase 1 initial drill program of 1,500 meters is estimated to cost \$ 240,000. Contingent on the results of the initial diamond drilling, a Phase 2, 4000 meter drill program is estimated to cost \$ 640,000. program. Cost estimates for the programs follow:


COST ESTIMATES


PHASE 1. DIAMOND DRILLING 5 HOLES TOTALLING 1500 METERS

PROJECT PREPARATION & MOBILIZATION.....	\$ 5,000
TRANSPORTATION AND LIVING ALLOWANCE.....	10,000
SITE PREPARATION & RECLAMATION	10,000
SUPERVISION & LOGGING	15,000
DIAMOND DRILLING 1,500 METERS @ 100/METER	150,000
GEOCHEMICAL ANALYSES 700 @ \$ 15 EA.	10,500
CONSULTING AND REPORT PREPARATION	9,500
CONTINGENCY	<u>30,000</u>
PHASE I TOTAL	\$ <u>240,000</u>

PHASE 2. DIAMOND DRILLING 4000 METERS

PROJECT PREPARATION & MOBILIZATION	\$ 10,000
TRANSPORTATION AND LIVING ALLOWANCE	25,000
SITE PREPARATION & RECLAMATION	25,000
SUPERVISION & LOGGING	50,000
DIAMOND DRILLING 4,000 METERS @ 100/METER	400,000
SUPPLIES AND MATERIALS	15,000
GEOCHEMICAL ANALYSES 2000 @ \$ 15 EA.....	30,000
CONSULTING AND REPORT PREPARATION	20,000
CONTINGENCY	<u>65,000</u>
PHASE 2 TOTAL	\$ <u>640,000</u>


Peter A. Christopherson, P.Eng.
February 3, 1988



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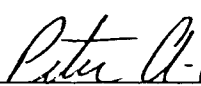
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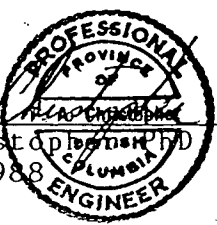
CERTIFICATE

I, Peter A. Christopher, with business address at 3707 West 34th Avenue, Vancouver, British Columbia, do hereby certify that:

- 1) I am a consulting geological engineer registered with the Association of Professional Engineers of British Columbia since 1976.
- 2) I am a Fellow of the Geological Association of Canada and a member of the Society of Economic Geologists.
- 3) I hold a B.Sc. (1966) from the State University of New York at Fredonia, a M.A. (1968) from Dartmouth College and a Ph.D. (1973) from the University of British Columbia.
- 4) I have been practising my profession as a Geologist for over 20 years.
- 5) I have no direct or indirect interest, nor do I expect to receive any interest directly or indirectly in the property or securities of City Resources (Canada) Limited or associates or affiliates of City Resources (Canada) Limited.
- 6) I have based this report on all available geological data on the property and adjacent mineral deposits. I conducted a field examination of the Cinola Property on July 17, 1983 while evaluating an adjacent property.
- 7) I consent to the use of this report by City Resources (Canada) Limited in any Filing Statement, Statement of Material Facts, or Prospectus.

Peter Christopher & Associates Inc.


Peter A. Christopher, P.Eng.
February 3, 1988



Peter Christopher & Associates Inc.

GEOLOGICAL & EXPLORATION SERVICES

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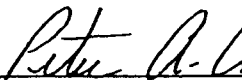
February 3, 1988

City Resources (Canada) Limited
Suite 2000, Park Place
666 Burrard Street
Vancouver, B.C. Canada V6C 2X8

Dear Sirs:

I Peter A. Christopher, Ph.D., P.Eng., hereby consent to the use of my report dated February 3, 1988 on the Cinola Gold Project, Skeena Mining Division, British Columbia, in any Filing Statement, Statement of Material Facts or Prospectus to be issued by City Resources (Canada) Limited.

DATED at Vancouver, British Columbia, this 3rd day of February, 1988.


Peter A. Christopher, P.Eng.

