

Property Submission - Harrison Lake
Au Property
826727
92H/12

6415 - 64th Street, Delta, B.C.

INTER-OFFICE MEMORANDUM

DATE: February 21, 1983

TO: D. H. Watkins

COPIES TO:

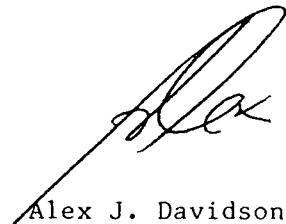
FROM: Alex J. Davidson

SUBJECT: Rhyolite Resource's Harrison Lake Au Property NTS 92H/12

This property, brought to our attention by S. Handelsman of Canadian Geoscience Corporation, is located on the west shore of Harrison Lake approximately 160 km from Vancouver. The property is accessible by road.

The property lies at or near the contact of a series of fragmental volcanics and later diorites. Gold occurs in quartz - calcite veins which crosscut the volcanics. A discontinuous zone of mineralization grading up to .11 oz/ton Au has been defined by drilling. However grades are extremely erratic, thicknesses are narrow and drilling has been sporadic. A "possible mineral reserve" calculated by C.G.S. gives "31,510 tonnes of 0.124 oz/short ton". This however is largely based on one hole which intersected 0.375 oz/ton Au/2m. and which has been parlayed into 7000 tonnes of 0.212 oz/ton. Approximately 30 holes have been drilled on the property, and more drilling is supposed to be underway at present.

No further action is recommended at this time.


Alex J. Davidson

AJD/ik

COPY

MEMORANDUM

CORPORATION FALCONBRIDGE COPPER

DATE: March 3, 1983
TO: D. H. Watkins
COPIES TO: M. J. Knuckey, I. D. Pirie
FROM: Alex J. Davidson
SUBJECT: RHYOLITE RESOURCES Au PROPERTY - HARRISON LAKE - NTS92H/12

INTRODUCTION

This property is located on the west shore of Harrison Lake approximately 160 km from Vancouver. It has been receiving considerable attention lately and was visited by I. D. Pirie and myself on March 1. We examined three of the drill holes in detail and visited most of the surface exposures.

MINERALIZATION

Gold occurs in bleached and intensely altered zones of a volcanic breccia near the margins of the diorite stock. The altered zones also occur with gold in the diorite itself. The gold is associated with arsenopyrite, and traces of chalcopyrite and pyrite. Recent assay results from the Main Zone are:

<u>Hole No.</u>	<u>Interval</u>	<u>Length</u>	<u>Oz Gold/t</u>	<u>Oz Silver/t</u>
83-R-1A	18.8-25.5	6.7(22ft)	0.128	0.30
83-R-2	22.8-30.8	8.0(26.2ft)	0.099	0.31
83-R-16	20.8-26.6	5.8(19.0ft)	0.088	0.20
83-R-18	11.4-18.0	6.6(21.6ft)	0.084	0.14

As values can run up to 8.6%.

One problem with these results is that the intersection in 83-R-18 breaks down as 1 m of 0.482 oz/t Au and 5.6 m of nothing greater than 0.025 oz/t.

RESERVES

The altered zone which appears to be about 3 - 7 m thick trends northwest, roughly parallel to strike but is flat lying to gently east dipping. The main zone is very close to surface and could be amenable to open pit methods. The zone appears to have a length of approximately 200 m (still open to north) and it varies from 30 - 125 m wide (still open on east).

A Rhyolite Resources geologist estimated a possible reserve to date of 200,000 tons of about 0.12 oz/ton. However, results from most of the 28 holes put down since Jan. 1, 1983 are still awaited.

OPTION TERMS

Rhyolite Resources optioned the property in July 1981 from George L Nagy. This agreement provided for the payment of the purchase price of \$550,000 in installments, \$100,000 on execution, \$150,000 on the first anniversary date and \$300,000 on the second anniversary date. This agreement also provided that Nagy, the vendor, retained a 15% net carried interest in the property increasing to a 30% net carried interest after all costs were recouped.

On July 19, 1982 the parties entered into an amending agreement which restructured the payment schedule so that the second installment August 1982 was reduced to \$80,000, \$100,000 is due August 1983 and the balance of \$270,000 is due August 1984. The Amending Agreement also provided for the reduction from 30% to 20% of the vendor's net carried interest. The Company (Rhyolite) also agreed to spend not less than \$100,000 per year on the property and to put the property into production no later than the year 1986.

This extremely steep deal between Nagy and rhyolite would presumably be one of the major stumbling blocks should we wish to acquire the property. Mr. Stewart indicated to me that he wants to get a major involved either as a JV partner or to take over the property completely.

Other major companies, Lacana, Utah, Placer etc. have visited the property but the president Jon Stewart has so far received no offers.

POTENTIAL

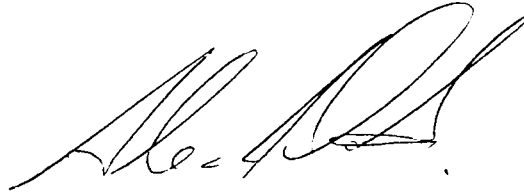
As can be seen by the accompanying figure the presently defined mineralization and the showings are all near the diorite contact. Few of these showings have been drilled, little mapping has been done, no hole has been drilled more than 50 feet beneath the zone, and no rock geochemistry or geophysics has been carried out. There is not even a cut grid on the property. There is also quite a bit of faulting in the area and no attempt has been made to relate these to the ore zone or to look for additional zone. In short potential is excellent.

CONCLUSIONS AND RECOMMENDATIONS

Rhyolite Resources have intersected significant gold values over an area 200 m long by up to 100 m wide. The gold occurs in altered volcanics and breccia in zones up to 5 m wide adjacent to a diorite stock. Potential to extend the known zone and to find additional zones is excellent. A very steep deal with the vendor of the property is a major drawback.

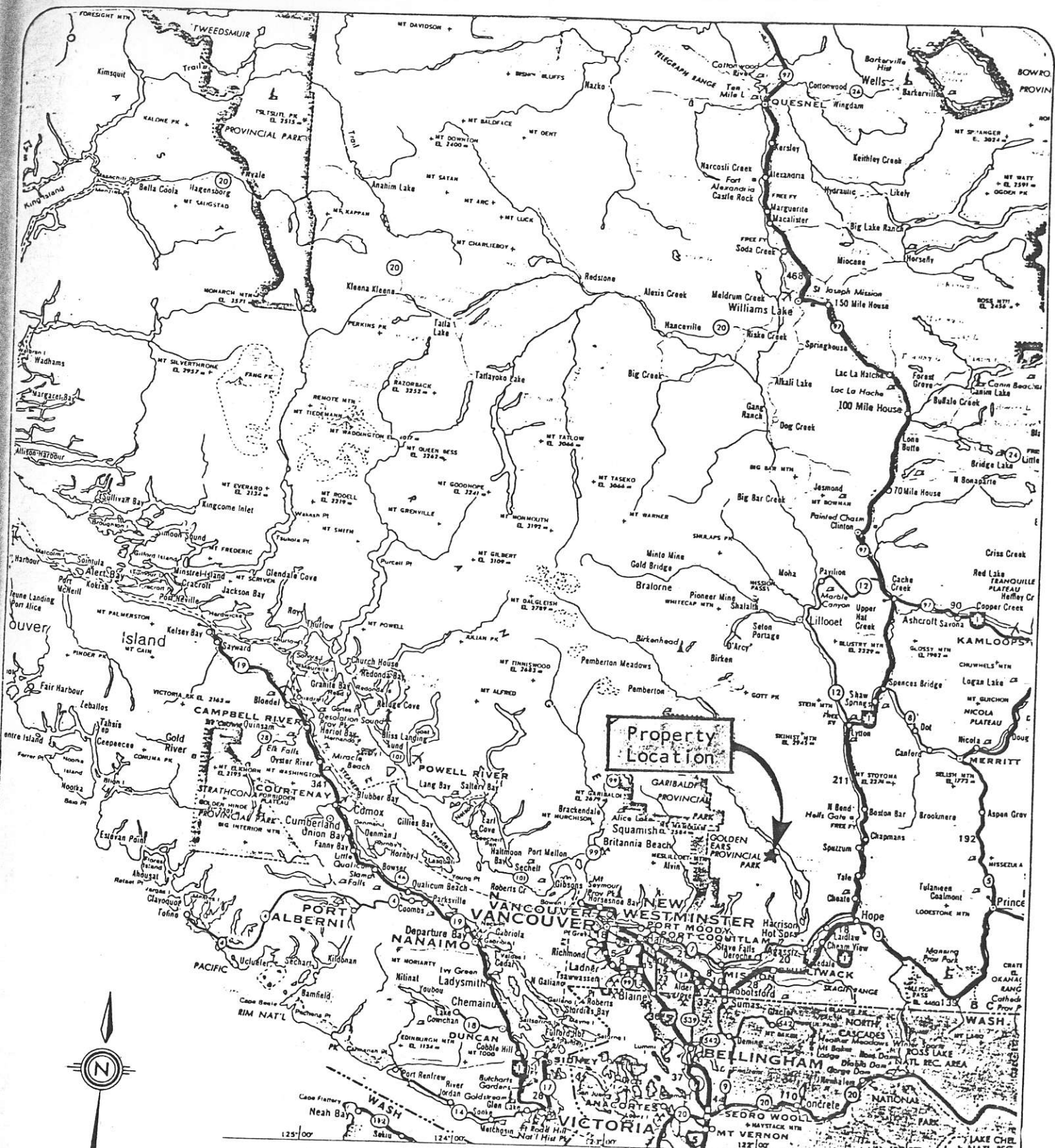
I will be meeting with Jon Stewart, president of Rhyolite Resources, during the week of March 14 to review all the not yet completed drill sections and assays. More will be learned at that time about possible terms. Thought should be given to what form a suitable deal could take.

I recommend that we be prepared to make a preliminary offer on the property after our next meeting with Rhyolite depending on the results of that meeting and the complete data review.

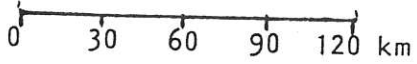
A handwritten signature in black ink, appearing to read 'Alex J. Davidson', with a stylized, cursive flourish at the end.

Alex J. Davidson

AJD/ik



SCALE



CANADIAN GEOSCIENCE CORPORATION
 Vancouver, Canada

PROJECT **RHYOLITE RESOURCES INC**

TITLE **KEY MAP**

Figure 1

CGC

CANADIAN GEOSCIENCE CORPORATION

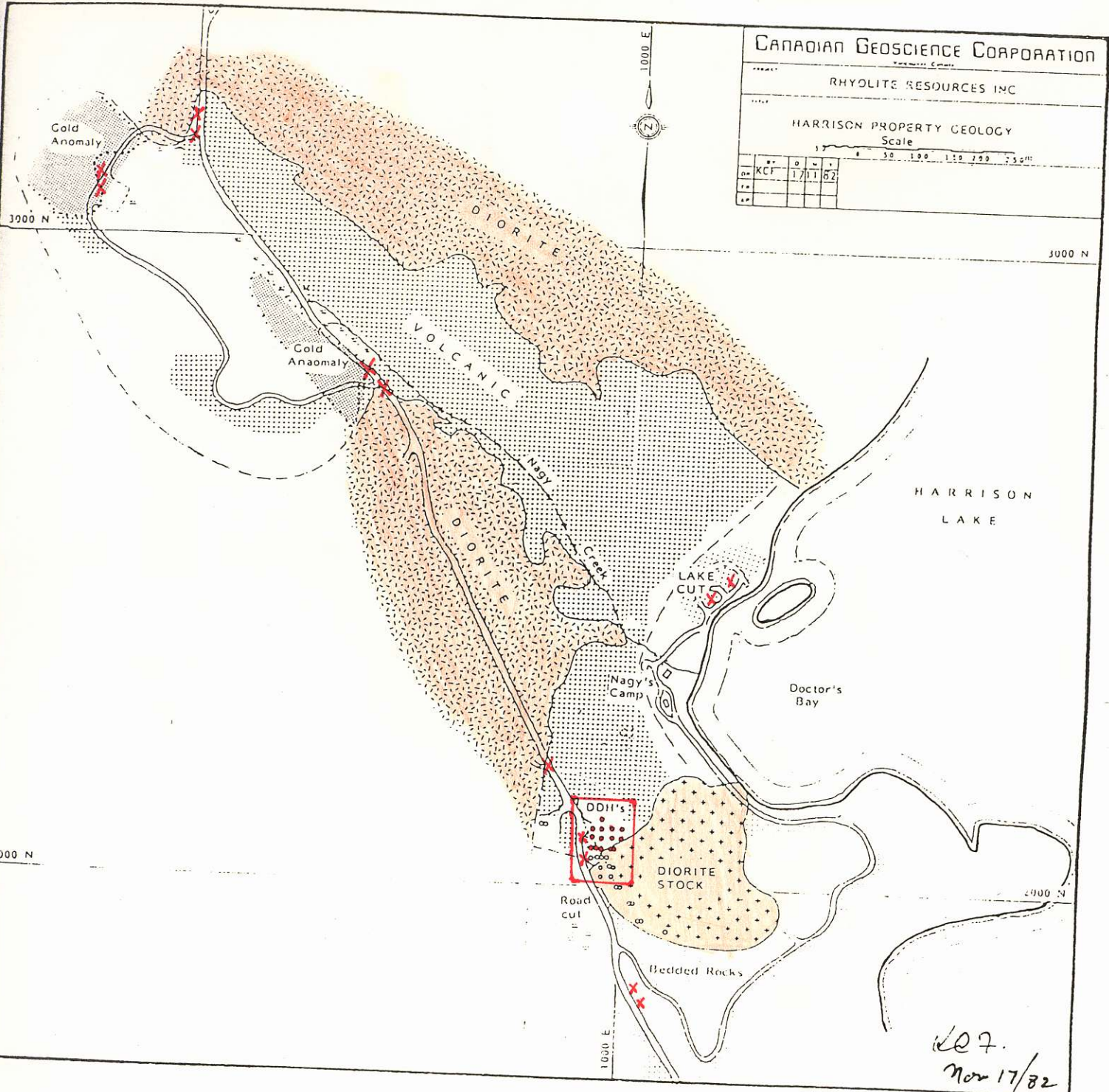
RHYOLITE RESOURCES INC

HARRISON PROPERTY GEOLOGY

Scale

DATE	BY	REV	BY
KCF	17/11/82		

1:50,000 1:100,000 1:200,000 1:500,000



KCF
Nov 17/82

- X Showings
- Drill Area

CORPORATION FALCONBRIDGE COPPER
6415 - 64th Street
Delta, B. C.
V4K 4E2

March 3, 1983

Mr. Jon Stewart
Rhyolite Resources Inc.
301-1285 W. Pender Street
Vancouver, B.C.

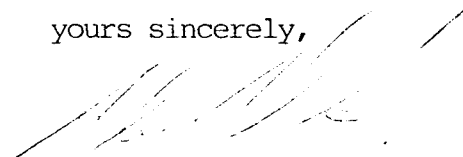
Dear Jon,

I wish to thank you and your geological staff for our recent visit to your Harrison Lake property. We were quite impressed by the work you have done and the results.

As I mentioned to you on the road I would like to review all the geological and assay sections as soon as possible and I will be in touch the week of March 14. Corporation Falconbridge Copper is very interested in exploring further the possibility of becoming involved in this project.

Please express my thanks to Jeff and April for an excellent tour.

yours sincerely,



Alex J. Davidson
Senior Exploration Geologist

AJD/ik