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K A N C A N A V E N T U R E S L I M I T E D

SUMMARY REPORT ON THE GEOLOGY AND MINERAL

POTENTIAL OF THE BLASTER MINERAL CLAIM

ALBERNI MINING DIVISION, B.C.

N.T.S. 92 F/3W

49° 11' NORTH LATITUDE 125° 25' WEST LONGITUDE

BY

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ADDER EXPLORATION AND DEVELOPMENT LTD.

AUGUST 1991

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SUMMARY:

Kancana Ventures Limited has an option to earn a 45 per cent interest in the Blaster Mineral Claim with the right of first refusal to acquire the balance of the Optionor's interest. The claim is located on the west side of Vancouver Island and is comprised of one Modified Grid Claim consists of 20-units. The property is readily accessible from the Port Alberni-Tofino Highway by approximately five kilometres of graveled, all-weather logging roads.

A detailed review of the data on the property indicates that, for relatively small expenditures on exploration, there is a high probability of rapidly establishing minable ore reserves.

The Elite Vein has been the principal target of previous exploration because of its surface exposure and potential for high-grade gold assays. The vein appears to be a secondary (splay) feature from what is termed the Elite II structure. In 1988, the Elite Vein was sampled at one metre intervals in two exposed sections. Sampling the west portions of the vein yielded weighted average grades of 0.78 oz gold over an average width of 0.39 metres along a strike length of ten metres; and sampling the east portion of the vein yielded 1.28 oz/ton gold over an average width of 0.54 metres along a strike length of 27 metres. Silver assays tend to be uniform at approximately 1.0 oz/ton. A total of 819 metres in 14 diamond-drill holes targeted the Elite and Rachel (a parallel structure) Veins. The Elite drilling (12 holes) focused on a small shallow segment of the vein proximate to high-grade surface showings. Apart from three, near-vertical drill holes, the potential of the vein is virtually untested along strike and below approximately 25 metres.

The Elite II structure, although the most important target, has only been explored on a cursory basis. The Canoe Creek Fault is a westerly trending feature which hosts the Elite II structure and is readily traceable for over 1500 metres. The Elite II structure is a shear zone up to 10 metres wide containing irregular quartz lenses and pods which are intermittently exposed over a strike length of 400 metres. Sampling one of the lenses returned gold values ranging from 0.064 oz/ton over 0.3 metres to 0.508 oz/ton over 1.1 metres. One select sample, containing abundant sulphides, assayed 3.566 oz/ton gold and 2.38 oz/ton silver.

Apart from the principal showing, the property has received little systematic exploration. Prospecting in less assessable areas has suggests that the claim host a number

of mineral showing including additional auriferous quartz veins and shear related copper-gold quartz veins in altered Karmutsen Formation volcanics, contact metamorphic pyrrhotite-chalcopyrite bands at intrusive-limestone contacts, and sulphide bearing calcite veins and quartz-calcite stringers in igneous rocks.

A two phase exploration program of systematic geologic mapping and prospecting, surface and sub-surface sampling is recommended. The first phase would require a minimum expenditure of \$300,000 and would include the following: air photo interpretation to locate structural features to focus prospecting and geologic mapping, geologic mapping of the entire claim, detailed geologic mapping and sampling of the Elite Vein and Elite II structure, geochemical orientation program to determine sampling techniques, backhoe trenching and sampling of the Elite Vein, and diamond drilling of the Elite II structure.

1.0 INTRODUCTION:

In June 1991, **Kancana Ventures Limited** optioned one Modified Grid Claim, totalling 20 units, in the Kennedy Lake area of the Alberni Mining Division. The writer was retained by D.N. Hagopian, **Kancana's** President and C.E.O., to examine the property, review previous work, appraise this areas potential, and if warranted, to make recommendations for further exploration. The writer examined the property, in the company with W.R. Epp, geologic consultant, and Kelly Gourley, the claim holder, on July 18-19, 1991. This report discusses the results of that field examination and summarizes previous exploration and outlines a two-stage exploration and development program.

Lode gold deposits in the Kennedy Lake area have been know since the turn of the century. The first commercial gold production in the area was in 1898 on the Rose Marie claim, four kilometres south-southeast of the Blaster claim.

A review of the available data on previous exploration has convinced the author, as well as previous explorationists that have work on the area, that there is a high probability of establishing ore reserves for the shear and vein structures, not only at depth but along its 1500 metres of known strike length, for relatively small expenditures on exploration. A strong commitment to careful, comprehensive exploration, should establish ore reserves in the order of several hundred thousand tonnes, at a cost of approximately \$2-3/tonne, within the outlined two-phase program.

1.1 LOCATION AND ACCESS:

The Blaster Mineral Claim lies within the Alberni Mining Division on Vancouver Island. The property is located approximately 57 road kilometres west of Port Alberni and 30 kilometres northeast of Ucluelet (Figure 1).

The claim is accessed via the Port Alberni-Tofino Highway (B.C. Highway No. 4) to whero the Highway crosses a bridge at Canoe Creek. Immediately east of the bridge, MacMillan Bloedel Limited has constructed a forest access road which crosses the southern and western portion of the claim. Access along the logging road is controlled by a locked gate.

1.2 TOPOGRAPHY, CLIMATE, AND PHYSIOGRAPHY:

The topography within the claim boundaries is rugged with elevations ranging from 150 metres along the southeast border to over 950 metres in the northwest corner. The property is

drained through its central and southwest portion by the easterly flowing Canoe Creek and its principal tributary, the northeasterly flowing, Olympic Creek. Devil's Club Creek drains the northeast corner and flows in a southeasterly direction. All Creeks are tributaries to Kennedy River which flows southward immediately east of the claim.

The climate of Vancouver Island, in general, is mild; however, infrequent Pacific Ocean born wind storms have been known to cause severe damage. The annual precipitation ranges from about 75 centimetres on the eastern coast to more than 275 centimetres on the western coast. Snowfall is light on the southern and eastern coast and on the immediate western coast, but becomes more abundant in the mountains, a few miles inland from the western coast. Because of the generally low elevation of the Blaster claim, more rain is received than snow. The greatest accumulation of rain fall occurs during the fall, winter, and early spring months, while the remainder of the year is considered dry.

The property lies within a physiographic subdivision, distinguished by Holland (1964) and named the Outer Mountain Area. The Vancouver Island Mountains, which includes almost all of Vancouver Island, are considered a division of the Outer Mountain Area and represent a rugged terrain where elevations range between sea-level, in the deeply penetrating inlets, or approximately a hundred metres in several northerly trending finger-lakes, to peaks over 2100 metres. Mt. Maitland at 1190 metres is the highest named point in the immediate area. Peaks in the Mackenzie Range, ten kilometres to the east, reach an elevation of nearly 1650 metres.

Most of Vancouver Island was covered by Wisconsin ice-sheet, continuous with that of the mainland and flowing southwestward across the Island. It was this ice-sheet that was responsible for the present day shape of the Island's mountains and valleys. Armstrong et. al., (1965) suggests that the sculpture of mountains in the central portion of the Island indicates that the thickness of Wisconsin ice reached a maximum of approximately 900 metres. During the height of this last glacial advance it is likely that most of the claim was covered by ice. As the ice retreated a thin mantle, varying from 2-4 metres of generally unsorted gravels and clays covered the property.

1.3 PROPERTY STATUS:

The Blaster Mineral claim is located on the west side of Vancouver Island and is comprised of one Modified Grid Claim consists of 20-units (Figure 2). The claim was staked on April 22, 1986 and recorded in Port Alberni on May 9th under Record Number 2899. The current Tenure Number is 200388. The recorded

holder is Kelly Gourley now living in North Vancouver, B.C. Sufficient assessment work has been recorded to maintain the claim until May 1992.

1.4 OPTION AGREEMENT:

Kancana Ventures Limited (Optionee) and Kelly Gourley (Optionor) have entered into an option agreement whereby **Kancana** can earn a 45 per cent interest in the Blaster Mineral Claim, with a right of first refusal for the Optionor's remaining 55 per cent interest. **Kancana** can earn its 45 per cent interest, subject to a 10% NSR, by making an initial cash payment of \$30,000 and 100,000 shares followed by a two phase exploration and development program. The first phase work performance requires an expenditure of \$300,000 and 800,00 shares prior to December 31, 1991. Upon completion of the first phase, and an Engineering Report recommending further work, a final work program of \$450,000 and a further issuing of 800,000 shares completes the option agreement.

1.5 HISTORY AND PREVIOUS EXPLORATION:

The earliest record of gold exploration and commercial production on Vancouver Island was from placer deposits along the west coast in the 1860's. It was not until 1892 that gold-quartz veins were found on the Island. The first discovery was on China Creek (40 kilometres to the east), followed in 1895 by discoveries on Kennedy (Elk) River and on the Bedwell River.

The first commercial gold production in the area was on the Rose Marie claim where, in 1898, a 4-stamp mill was reported to have been in operation for a couple of seasons (B.C. Dept. of Mines Annual Report, 1907). This property was located approximately 4 kilometres south-southeast of the Blaster claim.

In 1913, the Olympic and Titanic veins were discovered and are located immediately east of the claim. Additional vein discoveries and development continued intermittently until the Second World War.

According to Henneberry (1987a and 1987b), the Blaster Mineral claim was acquired in 1987 to cover the probable source area for anomalous gold concentrations detected in a geochemical silt samples survey. This survey outlined a potential source area along Canoe Creek with values of up to 90 parts per billion.

The silver-gold bearing, quartz-sulphide Elite Vein was discovered shortly after staking. The showing was stripped, hand-trenched, mapped, and sampled during late 1987 and early

1988. This vein is intermittently exposed for a strike length of approximately 85 metres.

The Elite II structure was discovered during the 1987 geochemical silt sampling survey.

In 1987, the property was optioned to International Coast Minerals Corp and (or) associated companies (Nationwide Gold Mines Corporation and Golden Spinnaker Minerals Corporation) (VSC News Release, Nov. 10, 1987). In 1988, 14 diamond-drill holes totalling 819 metres were drilled to test the Elite and Rachel Veins. Although none of this work was filed for assessment credits, the estimated cost of this program was \$94,000 (Carter, 1989).

In 1991, the holder to the Mineral Title recorded work in the form of prospecting and rock chip sampling. This work, although somewhat cursory, did outline several new targets including a number of auriferous quartz veins and shear related copper-gold quartz veins in altered Karmutsen Formation volcanics, contact metamorphic pyrrhotite-chalcopyrite bands at intrusive-limestone contacts, and sulphide bearing calcite veins and quartz-calcite stringers in igneous rocks. The size and importance of these new showings will require additional exploration.

KANCANA VENTURES LIMITED

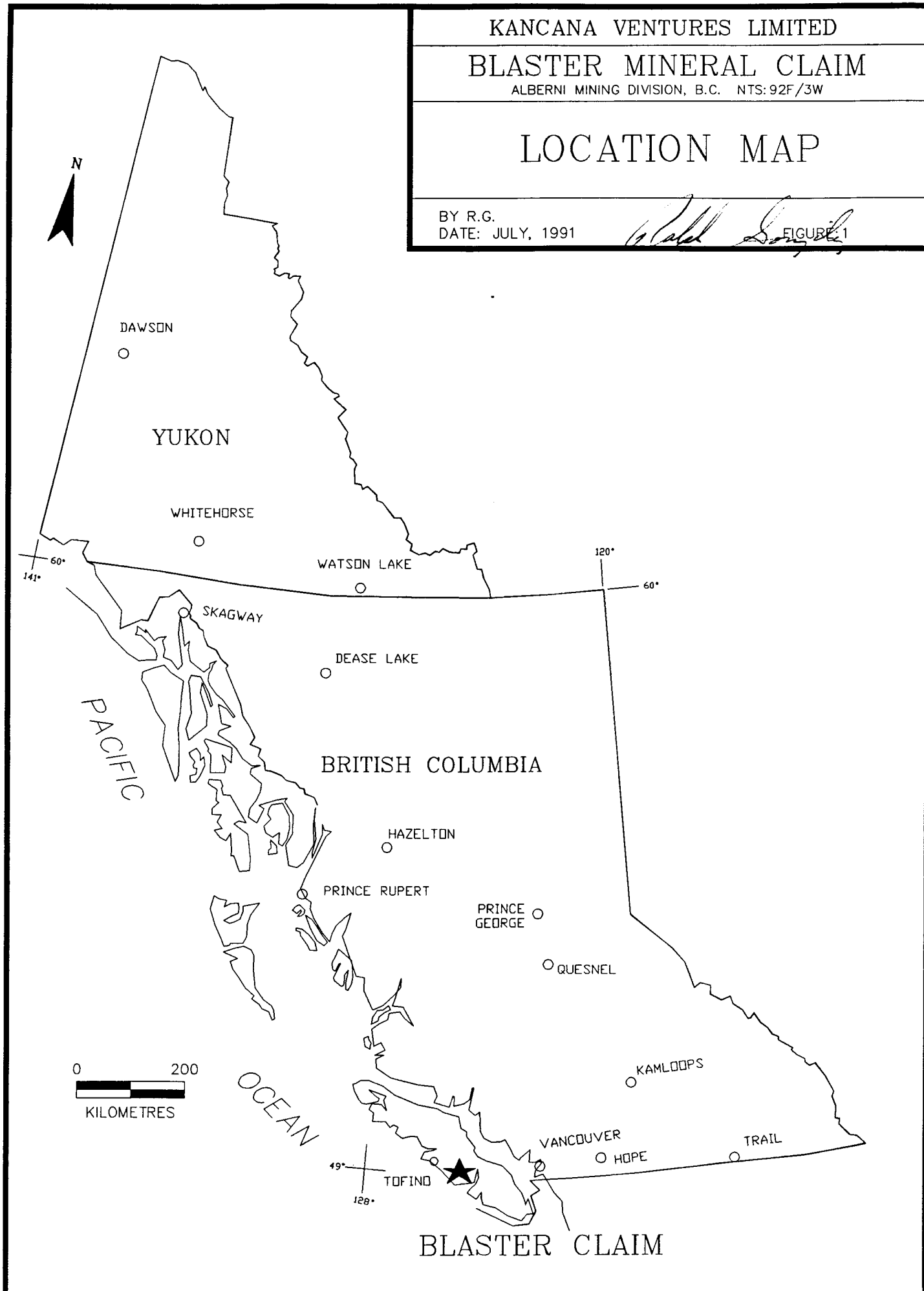
BLASTER MINERAL CLAIM

ALBERNI MINING DIVISION, B.C. NTS: 92F/3W

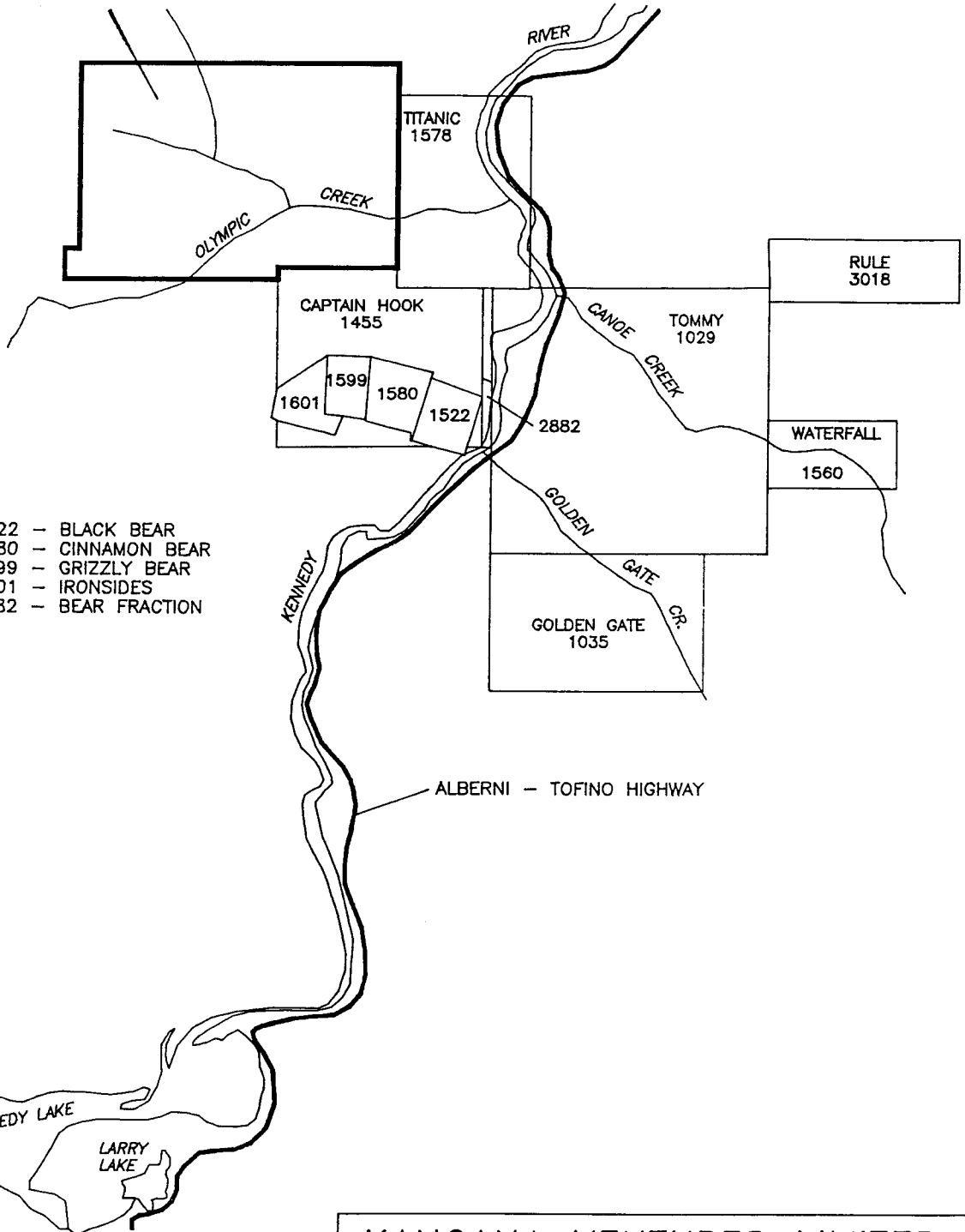
LOCATION MAP

BY R.G.
DATE: JULY, 1991

Walter Langille FIGURE 1



BLASTER CLAIM



- L1522 - BLACK BEAR
- L1580 - CINNAMON BEAR
- L1599 - GRIZZLY BEAR
- L1601 - IRONSIDES
- L2882 - BEAR FRACTION



KANCANA VENTURES LIMITED

BLASTER CLAIM

ALBERNI MINING DIVISION, B.C.

NTS: 92 F/3

CLAIM MAP

DATE: AUG. 15, 1991

BY: RAG/rwr

FIGURE: 2

2.0 REGIONAL GEOLOGY:

Most of Vancouver Island is underlain by rocks of the Insular Belt, of which the Island makes up the greater portion. In recent years, the lower part of the Insular Belt stratigraphy, including the Paleozoic Sicker Group and the Triassic Vancouver Group, has been recognized as part of an allochthonous terrain derived from more southern latitudes (Jones, et al 1977, Muller 1981, and Jones, et al 1982). This major allochthonous block has been named Wrangellia by Jones (1977). Wrangellia, the foundation of Vancouver Island, apparently docked with the North American Plate during the Early Jurassic, coincident with the deposition of the Bonanza Volcanics and contemporaneous Island Intrusions. Terrigenous sediments unconformably overlie the Bonanza Volcanics.

The Kennedy River District lies within a structurally active section of western Vancouver Island and is underlain by rocks of the Vancouver Group. The Vancouver Groups, which, as defined by Dawson (1887), include; the Karmutsen Formation, the Quatsino Formation, and the Bonanza Volcanics. Bancroft (1913) and Crickmay (1928) described two additional formations, Parson Bay and Harbledown, as lying between Quatsino Formation and Bonanza Volcanics. The Vancouver Group is intruded by rocks of Jurassic and Tertiary age. Gold mineralization is predominantly localized by west-northwest trending faults and shear zones, active during Tertiary time (Muller and Carsen, 1968) and probably related to Tertiary intrusions.

The Karmutsen and Quatsino Formations are the principal members of the Triassic aged, Vancouver Group. The Karmutsen Formation represents a thick accumulation (approximately 6000 metres) of submarine basic pillow lavas, pillow breccias, lava flows, related dykes, and sills, and intervolcanic limestone. Limestone is present only in the upper portion of the Formation and is usually less than one metre thick. Most of the Formation is characterized by weakly metamorphosed greenschist facies. The Quatsino Formation is a sedimentary unit composed primarily of massive limestone. It rests paraconformably on Karmutsen Formation and is disconformably overlain by the Bonanza Volcanics. The sedimentation represented by the Quatsino Formation indicates a prolonged cessation of volcanism. The limestone is massive, gray with little or no apparent bedding. The Quatsino Formation varies in thickness from 25 metres in the northern half of Vancouver Island to approximately 475 metres north of Victoria. The Formation may be contact metamorphosed to marble and (or) partly or completely silicified at intrusive contacts. At intrusive contacts, skarn is commonly present containing pyroxene (diopside), epidote, chlorite, and garnet together with magnetite, pyrrhotite, and chalcopyrite.

Bonanza Volcanics represents an assemblage of volcanic rocks comprised of andesitic to latitic flows, tuffs, and breccias

which overlies the Quatsino Formation and (or) the Parson Bay and Harbledown Formations as an erosional unconformity. The lithology of Bonanza Volcanics are varied and heterogeneous, in contrast to the monotonously uniform sequences of the Karmutsen Formation. Lavas range in composition from basaltic andesite, commonly amygdaloidal, to rhyodacite and are interbedded with maroon and green tuffs and breccias and several clastic sedimentary units, some of which contain Lower Jurassic fossils (Muller, et. al. 1973). The total thickness of this unit is estimated at over 2500 metres.

Two periods of intrusive activity have been documented in the district. The Jurassic Island Intrusions exhibit rocks varying in composition from leucocratic quartz monzonite to gabbro, but the majority are granodiorite and quartz diorite. Generally, small high-level bodies and cores of the larger plutons contain leucocratic granodiorite and quartz monzonite while deeper and marginal intrusives are composed of diorite and gabbro. Contacts with Karmutsen Formation rocks are generally sharp and well-defined. Tertiary plutons are confined to narrow belts crossing Vancouver Island and radiating out from the Tofino region and usually consist of small stocks (less than two square kilometres in surface area), dykes, and sills. According to Carson (1969), gold-quartz veins appear to be mainly or exclusively related to these Tertiary plutons. These stocks are medium-grained quartz diorite and consists mainly of quartz, oligoclase-andesine, and biotite. Outcrops are conspicuously jointed, with a bouldery or hummocky appearance due to rounding by exfoliation of angles between joint planes.

Contacts with older rocks can be either sharp or sheared. Muller and Carson (1969) speculate that several smaller Tertiary stocks are present within the Kennedy River District.

West-northwesterly to westerly trending faults of Tertiary age cut the rock units in the area. Gold mineralization is predominantly localized within these structures, suggesting a Tertiary age for the mineralization. Muller's (1977) map of Vancouver Island indicates several divergent and cross faults within the Kennedy River area. This structural setting is similar to the setting of the important epithermal gold districts of the southwestern United States (Buchanan, 1981) and western South America (Camus, 1990).

2.1 PROPERTY GEOLOGY:

Karmutsen Formation andesite and andesite porphyry crop out on the east and south side of the claim. These volcanics have been intruded by quartz diorite belonging to the Island Intrusions and are found to out crop in the central and northwestern portion of the claim. A small amount of Quatsino Formation limestone, approximately 40 metres thick, is found capping a

small hill in the southwestern portion of the claim. The Canoe Creek Fault passes through the central portion of the claim. This fault structure is about 20 metres wide and includes sheared, brecciated rock that has been locally silicified and bleached.

The principal economic feature on the claim is the silver-copper and gold-bearing Elite Vein and Elite II structure.

The Elite Vein is hosted in an easterly to northeasterly trending shear or fault which is likely a splay of Canoe Creek Fault (Pawliuk, 1988). This quartz-sulphide vein is 35 to 75 cm wide at ground surface and dips steeply to the north and northwest (Figure 3). It has been partially exposed by hand trenching for an indicated length of 85 metres.

Massive to weakly brecciated andesitic volcanics host the vein. Alteration is typical of the regional propylitic assemblage which consists of chlorite, carbonate and pyrite. Alteration is significantly stronger proximal to the Vein. Pervasive chlorite with lesser silicification, limonite, pyrite, and bleaching form a halo of approximately 40 centimetres in both the hanging wall and the footwall. No gouge was noted along vein contacts. Mineralization, occurring primarily as pods, seams, and fracture filling, consists predominantly of pyrite and pyrrhotite ranging in concentration from 10 to 25 per cent. Minor amounts of arsenopyrite and sphalerite have also been observed. The stronger mineralized sections of the vein are well oxidized within the surface exposures. Polished thin sections indicate that native gold which ranges in size from 0.005 to 0.05 millimetres is commonly associated with microfractures in pyrite or at the contact between pyrite and chalcopyrite.

The complex nature of the regional faulting is little understood in the southern portion of Vancouver Island; however, there is a strong correlation between gold deposits and the regional West-northwesterly to westerly faults. The Canoe Creek Fault is one of these westerly trending structures, and it divides the claim into two halves. The Elite II structure lies within the structure and is traceable, where the Creek has exposed bedrock, for approximately 400 metres. The shear, which in places is up to 10 metres wide, is made up of bleached and silicified volcanics and contains irregular lenses and pods of quartz. Two to six per cent disseminated pyrite and minor pyrrhotite are found throughout the shear. The most abundant sulphides are contained within the quartz lenses and pods. Rock samples that contain the most pyrite also contain the most gold and silver.

3.0 DISCUSSION AND CONCLUSIONS:

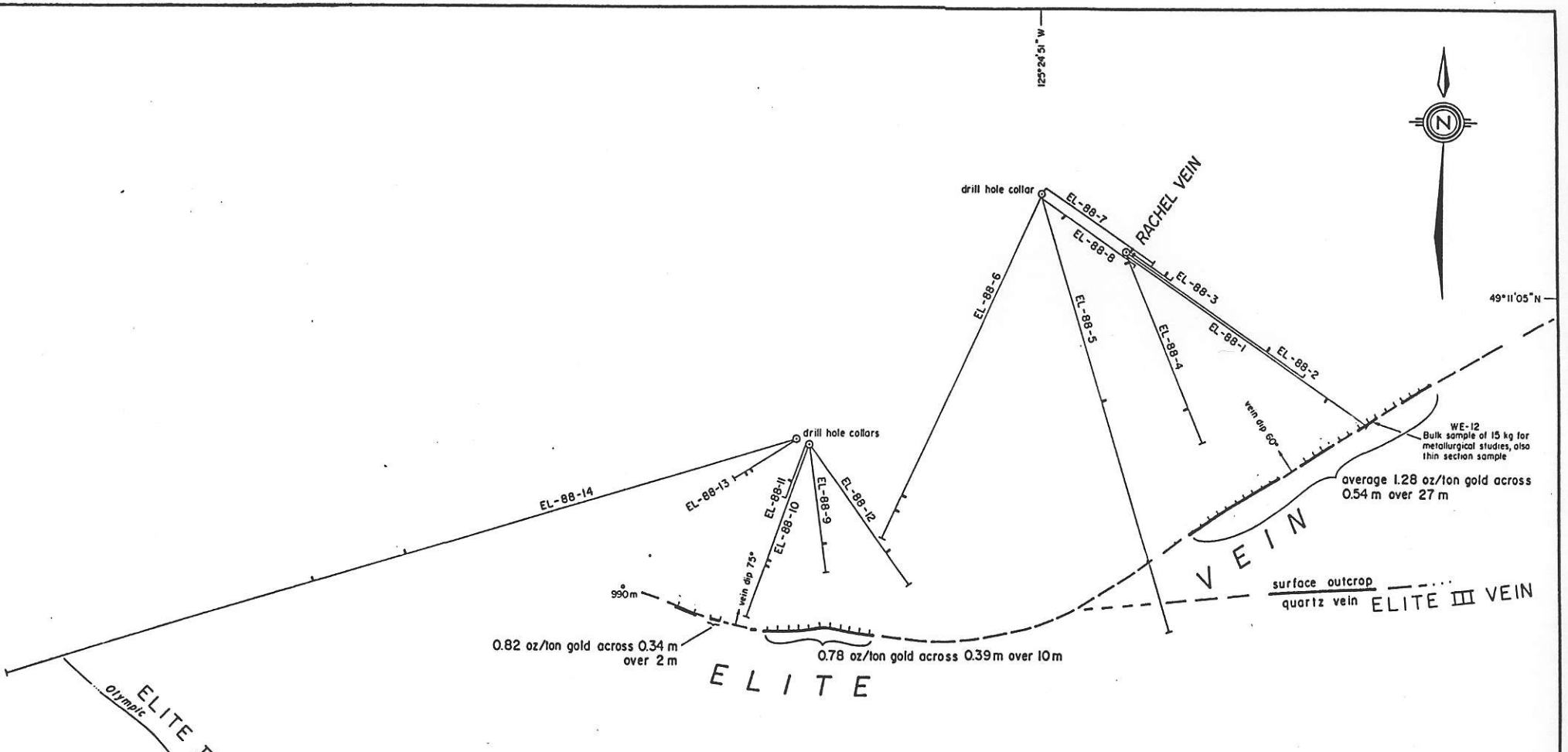
The claim optioned by **Kancana Ventures Limited** is situated within an area known to host gold bearing quartz veins related to regional tectonic features. Important gold mineralization appears to be localized within northwesterly and, secondary, northeasterly trending faults. The Canoe Creek Fault is one of the northwesterly faults and hosts the Elite II structure, and the Elite Vein appears to be confined to one of the northeasterly trending faults. Sampling and mapping within the presently exposed sections of the Elite Vein and the Elite II structure have uncovered significant gold mineralization. The Canoe Creek Fault is traceable for over 1500 metres and quartz lenses and pods are present within a 400 metre exposed section of the shear.

The substantial strike length and the character of the Canoe Creek Fault indicates that there is a high probability for outlining substantial ore reserves at a relatively low cost. The ore reserve potential for this feature and its enclosing wall rock has never been tested.

Previous exploration and prospecting has identified a number of mineralized areas; some of which have been partially tested. The main focus of previous exploration has been the Elite Vein. This vein remains a valid and relatively untested target. Its strike length has yet to be determined and the geometry of the high-grade surface samples has not been identified. Fan drilling from two set-ups on the north side of the Elite Vein were designed to test the subsurface extension of surface sampling. Eleven drill holes tested the structure (Figure 4). The highest assay value obtained from the drilling was 0.39 oz/ton Au across 32 cm. Drill holes intersected the vein to depths ranging to 49 metres below the surface; however, none of the holes penetrated the high-grade sections sampled on surface.

Except for the two principal showings (Elite Vein and Elite II showing), the property remains relatively unexplored. Prospecting has identified a number of mineral showing including additional auriferous quartz veins and shear related copper-gold quartz veins in altered Karmutsen volcanics, contact metamorphic pyrrhotite-chalcopyrite bands at intrusive-limestone contacts, and sulphide bearing calcite veins and quartz-calcite stringers in igneous rocks.

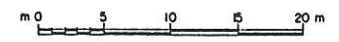
The area is amenable to relatively low-cost, rapid exploration and development because of year-round road access, climate, and established infrastructure.



SYMBOLS

Exposed gold-bearing quartz vein, assumed projection of vein; chip (?) sample site and number

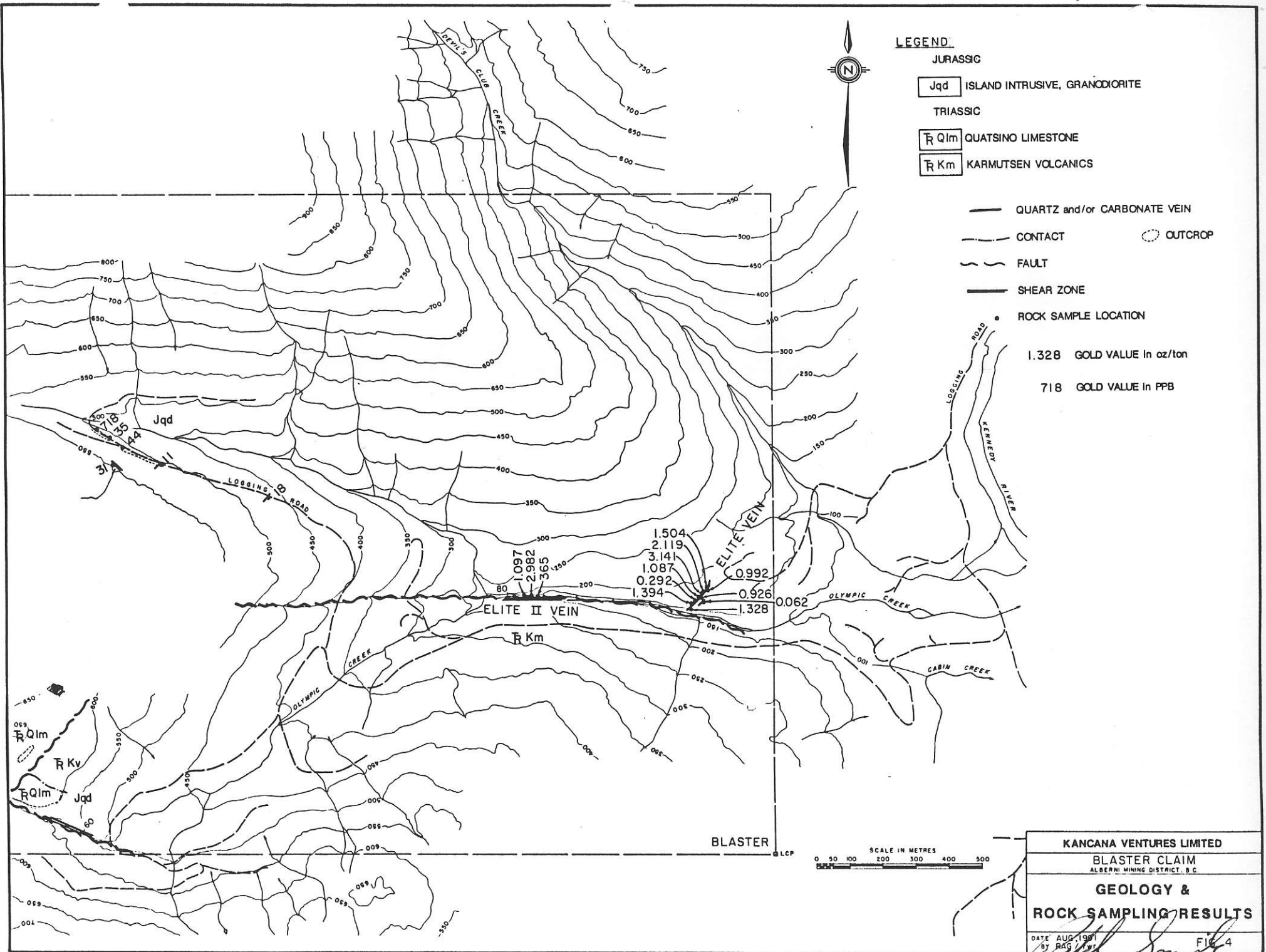
Surface projection of diamond drill hole, hole number; surface projection of quartz vein intersection



KANCANA VENTURES LIMITED	
ELITE PROJECT	
DIAMOND DRILLING GEOLOGY, SAMPLING BLASTER MINERAL CLAIM	
Drawn by: D.J.P.	Scale:
Date: AUG 15 1991	Figure: <i>[Signature]</i>

Note: Geology and sampling modified after Epp (1987b)

Modified from a report by David J. Pawluk, P. Geol.



LEGEND:

JURASSIC

Jqd ISLAND INTRUSIVE, GRANODIORITE

TRIASSIC

R Qlm QUATSINO LIMESTONE

R Km KARMTUSEN VOLCANICS

— QUARTZ and/or CARBONATE VEIN

- - - CONTACT

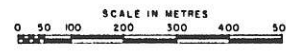
~ FAULT

— SHEAR ZONE

• ROCK SAMPLE LOCATION

1.328 GOLD VALUE In oz/ton

718 GOLD VALUE In PPB



KANCANA VENTURES LIMITED	
BLASTER CLAIM	
ALBERNI MINING DISTRICT, B.C.	
GEOLOGY &	
ROCK SAMPLING RESULTS	
DATE AUG. 1981	<i>[Signature]</i>
BY RAG	

4.0 RECOMMENDATIONS:

A two phase exploration program of systematic geologic mapping and prospecting, surface and sub-surface sampling is recommended to define the limits of the two known mineralized structures and establish ore reserves. The first phase would require a minimum expenditure of \$300,000 and would include the following: air photo interpretation to locate structural features to focus prospecting and geologic mapping, geologic mapping of the entire claim, detailed geologic mapping and sampling of the Elite Vein and Elite II structure, soil geochemical orientation program to determine sampling techniques and the validity of using geochemistry as an exploration technique on this property, backhoe trenching and sampling of the Elite Vein, and diamond drilling of the Elite II structure.

Contingent on favourable results of the prospecting and exploration stage and encouraging drill results in Phase I, additional surface diamond drilling, to extend the mineralized zones and develop ore reserves, would be warranted. A Phase II program would require a minimum expenditure of \$400,000.

PHASE I:

1) **Air Photo Interpretation:** Since structural features may be the most important mineralizing control, a detailed structural analysis of the claim is advised. Structural features, identified from the air photos, would then be the focal points for initial prospecting and geologic mapping. Estimated cost: \$2,500.00.

2) **Prospecting and Geologic Mapping:** Except for the area immediately adjacent to the Elite Vein, no geologic mapping has been done, and the claim has only been prospected in a cursory fashion. The mineral title holder is a seasoned prospector and is proficient at locating mineralization; he should, therefore, be funded to prospect the claim. Geologic mapping should be divided into two sections, property and detailed mapping. The regional geology is little understood and the lack of a sound data base makes geologic modeling difficult. Therefore, the entire claim should be mapped to identify the distribution of outcrops, rock types, alterations, structures, and mineral occurrences. Property mapping should be at a scale of 1:5000 or better. Also, all mineral showings should be mapped in detail with particular attention, in the case of the veins, to alteration and wall rock contacts. Detail mapping should be at a scale of 1:50 or better. Estimated cost: \$7,500.00.

3) **Geochemical Surveying:** Rock, heavy mineral concentrate, and soil sampling may be a useful exploration tools in this geologic environment. However, there is no information as to the validity of this technique. Therefore, it is recommended that

orientation surveys be conducted to determine the usefulness of these techniques. In 1987, silt sampling located the Elite II showing as a 90 ppb anomaly.

I believe heavy mineral concentrate sampling is a better technique especially for identifying some of the common but less soluble elements such as gold, lead, and tungsten. This technique should also out perform silt sampling in the high energy creeks such as Canoe, Devils Club, and Olympic Creeks. It is recommended that an orientation survey for HMC sampling be conducted on Canoe Creek starting where the Creek crosses the eastern boundary of the claim and progressing westward at 100 metre sampling stations. The sampling should attempt to remain in the Elite II structure and continue as far as possible upstream of the showing.

An orientation survey for soil sampling should be conducted to determine the effectiveness of this technique. A single line across one or more of the veins should be adequate. Pits at five or ten metres intervals, minimum seven pits, should suffice; note, one pit in each of the vein walls immediately adjacent to the vein is required. All pits should be dug to a sufficient depth so as to expose the principal soil horizons. Each horizon should be sampled to determine the optimum sampling medium.

Estimated cost for these orientation surveys, including assaying charges: \$2,500.00.

4) **Geophysical Surveys:** A magnetometer survey, for use in both prospecting and interpreting geologic mapping, is a useful technique. This technique is at its best for tracing geologic contacts and for identifying pyrrhotite and magnetite rich bodies, such as skarn and sulphide rich veins, in areas of thin to moderate overburden.

Previous explorationists have recommended VLF-EM surveying (Henneberry, 1987, Pawliuk, 1988, and Carter, 1989) to identify fault structures. Because of the thin overburden, I believe structural features can be readily identified using air photo interpretation and at a lower cost. Therefore, a VLF-EM survey is not recommended.

Estimated cost of a magnetometer survey including rental of two magnetometers (one unit to be used as the base station recorder) for one month: \$11,000.

5) **Backhoe Trenching:** Backhoe (excavator) trenching is to be considered for two specific functions, exposing of veins and road and drill pad preparation. The Elite Vein should be exposed along its entire length and especially at its eastern extent. Other veins identified in the prespecting and geologic mapping program should be exposed as part of their evaluation.

Much of the drilling done by ICM was poorly conceived because, due to lack of access, they confined their drill sites to only two set-ups. Therefore, drill pad preparation and access roads should be constructed.

A backhoe of Caterpillar 235 size or similar should be the minimum size considered. Estimated cost for one months work (176 hr. and a road builder, 42" bucket) including operator, fuel, and mob/demob: \$30,000.

6) **Bulldozer:** As part of the road and drill pad construction and back filling of trenches, a bulldozer is usually required. Therefore, a budget of 50 hrs. bulldozer is included. Estimated cost including operator, fuel, and mob/demob: \$10,000.

7) **Diamond drilling:** Two principal targets are readily available for drilling, Elite II and Elite Vein. The Elite II is the principal target and will require between 700 and 1000 metres of drilling. The Elite Vein warrants approximately 500 metres of systematic drilling. Estimated cost of a 1500 metre drill program using NQ size core including assaying and geologic services: \$175,000.

The total time to complete Phase I is estimated at approximately two months.

Respectfully submitted at Vancouver, British Columbia,



Ralph A. Gonzalez, MSc., F.G.A.C.

5.0 REFERENCES:

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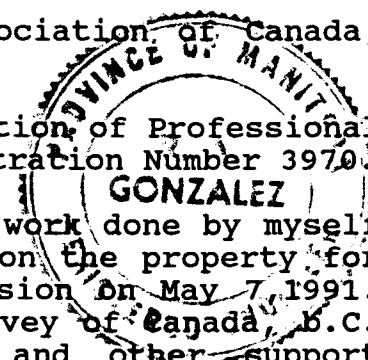
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6.0 CERTIFICATE:

I, **Ralph A. Gonzalez**, do hereby certify that:

1. I am a geologist and reside at 2784 Lawson Ave., West Vancouver, British Columbia.
2. I am a graduate of the University of New Mexico, U.S.A. with a B.Sc. in geology (1965) and a M.Sc. in geology (1968).
3. I have practiced my profession, since 1965, in Canada, North and South America, and Asia as indicated on the following page.
4. I am a Fellow in the Geological Association of Canada, Registration Number 4523.
5. I am a registered member of the Association of Professional Engineers of the Province of Manitoba, Registration Number 3970.
6. I have based this Assessment Report on work done by myself or under my supervision. I was physically on the property for the purpose of geologic mapping and supervision on May 7, 1991. Information obtained from the Geological Survey of Canada, B.C. Dept. of Mines, and engineering reports and other support documents provided by Messrs. Gourley and Gourley were also used as background and reference data.
7. I have no past or present, direct or indirect interest in any of the listed Mineral Claims or in any other property within the Alberni Mining Division.
8. This report may be used by **KANCANA VENTURES LIMITED** or their agents for a Statement of Material Facts or Shareholders' newsletter, etc. either in whole or in part.



Dated at Vancouver, British Columbia, this 9th day of August, 1991.

A handwritten signature in cursive script that reads "Ralph Gonzalez".

R.A. Gonzalez, M. Sc., P. Eng., F.G.A.C.

7.0 STATEMENT OF QUALIFICATIONS:

R.A. Gonzalez, M. Sc., P. Eng., F.G.A.C.

ACADEMIC:

1965 B.Sc. in Geology The University of New Mexico, USA.
 1968 M.Sc. in Geology The University of New Mexico, USA.

PROFESSIONAL:

1984 Adder Exploration & Dev. Ltd. President
 1983-1984 Archean Engineering Limited Overseas Manager
 1980-1983 Placer Development Y Cia Ass't. Exploration
 Ltd. (Chile) Manager
 1977-1980 Consultant attached to the Ass't. Project Manager
 Geol. Survey of Malaysia on a CIDA supported
 mineral exploration
 survey in Peninsular
 Malaysia
 1977 Registered with the
 Association of Professional
 Engineers of the Province
 of Manitoba
 1975-1977 Province of Manitoba Resident Geologist for
 the Manitoba Dept. of
 Mines
 1971-1975 Giant Mascot Mines Ltd. Senior Geologist
 1970-1971 New Jersey Zinc (Canada) Exploration Geologist
 Ltd.
 1968-1970 Anaconda American Brass Research Geologist
 Ltd.
 1965-1966 Mex-Tex Mining Co. (USA) Geologist