

KING JACK RESOURCES LTD.
1409 Front Street
Nelson, B.C.
V1L 4C5

830508

December 15, 1988

Mr. Frank Donis, President
King Jack Resources Ltd.
Suite 204, 5405-12th Street
Delta, B.C.
V4M 2B2

Dear Frank,

Re: Ore Reserves
King Jack Project
Slocan Mining Division, B.C.

We have recently completed a fairly comprehensive evaluation of the King Jack Property particularly in regards to the ore reserve potential of the property in order that we can formulate better our long range plans on the property.

After two years of intensive exploration on the property which included diamond drilling, the total ore reserves now at the King Jack Mine is 111,000 tons at .299 oz/ton Au and 3.528 oz/ton Ag and the total ore reserves at the Chapleau Mine is 88,400 tons at .574 oz/ton Au, and 21.50 oz/ton Ag. Between the King Jack and Chapleau orebodies there is now an ore reserve of 199,400 tons at .420 oz/ton Au and 11.496 oz/ton Ag. The limits of these orebodies have not been established and the prospect of finding more ore is excellent.

Some of the significant diamond drill intersections at the Chapleau Mine are as follows:

CH-88-21 : 2.5' @ .430 oz/ton Au, 20.89 oz/ton Ag

CH-88-23 " 1.5' @ .455 oz/ton Au, 7.22 oz/ton Ag

49,325,391.00
@ 260.05 Ton

CH-88-25 : 2' @ .64 oz/ton Au, 31.5 oz/ton Ag
 2' @ 3.53 oz/ton Au, 192.0 oz/ton Ag
CH-88-26 : 3' @ .289 oz/ton Au, 1.58 oz/ton Ag
CH-88-35 : 4' @ .379 oz/ton Au, 4.94 oz/ton Ag

Additional potential tonnages have been found at the Hollinger, Full House, Fran, Buenavista, and Morning Star areas of the property and there is now an estimated ore reserve potential of 556,900 tons with an estimated grade of .234 oz/ton Au and 6.94 oz/ton Ag coming from the vein-type orebodies in the property. It is a matter of drilling more additional holes to enable us to classify this tonnage into the Indicated category.

King Jack Resources is on the verge of making a major discovery of a large gold deposit in the breccia zones in the property. The lithoprobe conducted recently by the Geological Survey of Canada runs right through the property has located a deep-seated "suture" that runs underneath the property which is a probable ore-bringer. There is a series of gold-bearing mineral deposits adjacent to this structure and one of them is The Willa Mine which is a few kilometers north of The King Jack Property with a similar geological and geochemical characteristic as the breccia zones in The King Jack Property.

The High grade, gold veins at The Buenavista may be the fringe manifestation of a much larger breccia zone.

Tongues of this breccia have been mapped on the property and measurements on their dimensions indicate that the breccia zone could be a major deposit.

Yours truly,

A handwritten signature in cursive script, appearing to read "R. M. MacKenzie". The signature is written in dark ink and is positioned above the typed name.

R. M. MacKenzie, Director
King Jack Resources Ltd.

ORIGINAL

P. J. (PEC) SANTOS, P.Eng.
Consulting Geologist

626 - 9th Ave. Castlegar, B.C., Canada V1N 1M4
(604) 365-3078 — (604) 365-2432 Messages

December 14, 1988

Robert M. MacKenzie, Director
King Jack Resources Ltd.
1409 Front Street
Nelson, B.C.

Dear Sir:

Re: Ore Reserve Potential
King Jack Property,
Slocan Mining Division, B.C.

CONFIDENTIAL

As per your request, submitted herewith is an evaluation of the ore reserve potential of The King Jack Property in order that you can formulate a systematic long range plan for the exploration and development of the property. This ore reserve evaluation was done in the light of the two years intensive exploration we have conducted on the property and in the light of the results of the exploration and geological characteristics of the similar ore deposits in the region and elsewhere. In this evaluation, the following ore reserve categories are defined as follows:

Indicated Ore - is ore for which the tonnage is calculated from dimensions revealed in outcrops, trenches, or underground workings or diamond drill holes, and for which the grade is calculated from the results of detailed sampling and/or diamond drilling. The spacing of the sampling or diamond drilling are such that the geological character is well defined as to size, shape, and mineral content.

Possible Ore - is ore for which the tonnage and grade are calculated partly from samples and/or diamond drilling and partly from projections of continuity for a reasonable distance for which there is geological evidence. The spacing of the sampling and/or diamond drilling are more widely spaced than the Indicated Ore category.

Potential Ore - is ore for which tonnage and grade are estimated based on the broad knowledge of the character of the deposit for which there are relatively few samples and measurements. Continuity is assumed based on reasonable geological and geochemical indications.

It should be remembered that the limits of the orebodies evaluated in this report have not been established which means that the ore reserve potential presented herewith can be greater.

There are two principal sources of ore in the property: (a) from gold-bearing quartz veins and the adjoining mineralized wall rock, and (b) from gold-silver bearing breccia zones.

(a) King Jack Mine

There are 41,000 tons grading .229 oz/ton Au and 2.33 oz/ton Ag of Indicated and Possible ore. The orebody has an associated geochemical anomaly and only a portion of the orebody (and anomaly) is drilled and the limits are not yet reached, in fact the limits of the associated geochemical anomaly has not been reached either. About 700 feet of the presently known King Jack anomaly remains to be drilled. If the King Jack orebody does continue throughout this remaining 700 feet there is a potential ore of at least 70,000 ton of .340 oz/ton Au and 4.23 oz/ton Ag. The anomaly continues right up to the end of the last surveyed line (Line 12N) so the above ore potential should be considered a minimum.

(b) Chapleau Mine

At The Chapleau Mine there is a combined drill Indicated and Possible Ore reserves of 34,200 tons at .237 oz/ton Au and 5.66 oz/ton Ag. The limits of this orebody have not been established (along-strike and down-dip) and the associated geochemical anomaly continues up to the last line sampled (Line 38N, 200 feet to the northwest) and Line 25N, 700 feet to the southwest. If the Chapleau orebody continues to the northwest, there is at least a potential ore of 17,500 tons at .379 oz/ton Au and 4.94 oz/ton Ag to the northwest and

if the orebody continues to the southeast there is a potential ore of 36,500 tons at .984 oz/ton Au and 44.14 oz/ton Ag to the southeast or a combined ore potential of 54,520 tons at .788 oz/ton Au and 31.49 oz/ton Ag. - 191.74 TOTAL # 536.88 TON
 = \$ 29,222,720.00

54520. TON
 x .788

 29,270,696.00

(c) Fran Orebody

The Fran vein is exposed more or less along a strike length of 500 feet with a possible average thickness of 4 feet. A vein this thick usually is continuous for at least 200 feet down dip. The geochemical anomaly associated with this vein is part of a much larger geochemical anomaly, The Goldstream anomaly. A composite sample of this vein assayed .240 oz/ton Au and 3.97 oz/ton Ag. The Fran vein has a potential tonnage of 40,000 tons with a grade probably similar to the composite sample.

(d) Full House Orebody

The Full House vein is exposed more or less continuously along a strike length of 750 feet with an average thickness of 1.5 feet. A vein with such a strike length is usually continuous down-dip for at least 200 feet. The Full House geochemical anomaly is continuous for at least 2000 feet. A composite sample from this vein assayed .26 oz/ton Au and 36.2 oz/ton Ag. The Full House vein has a potential tonnage of 37,500 tons with a grade probably similar to the composite sample.

(e) Hollinger Orebody

The Hollinger vein has been traced on surface more or less continuously for 2000 feet and the associated geochemical anomaly is much longer than that. Where it is fully exposed it has a thickness of 3.5 feet. A bulk sample from this vein assayed .096 oz/ton Au and .20 oz/ton Ag. With a length and thickness such as these it is reasonable to expect that the vein is continuous for 200 feet to 400 feet. The vein therefore has an ore reserve potential of 280,000 tons with a grade similar to the bulk sample.

(f) Morning Star Vein

The Morning Star vein is a massive sulfide vein which is gold and silver bearing. The vein is associated with geochemical and geophysical anomalies and probably has a tonnage potential in the order of 75,000 to 100,000 tons.

(g) Buonavista Veins

The Buonavista is a collection of numerous narrow gold-bearing quartz veins occurring in all sorts of attitudes. Assays from these veins ranged as high as .51 oz/ton Au and 3.09 oz/ton Ag with an average of .167 oz/ton Au and 2.02 oz/ton Ag with a tonnage potential of 28,000 tons. The Buonavista veins lies on an area that is along the trend of the breccia zones in the For-Sure claim and may be the fringe manifestation of a much larger, deep-seated gold-silver-bearing breccia zone.

(h) For Sure Breccia Zones

The breccia zones in the For Sure claim are in a class by themselves by virtue of their sheer size. Geologic mapping, which is far from complete, revealed three breccia zones, two are located on the east side of the claim and one on the west side of the claim. The breccia on the east side has been traced from Line 5N to beyond Line 10N, a distance of at least 500 meters (1640 feet) from an elevation of 3000 feet to 4000 feet. The thickness ranged from 2 meters (6.5 feet) on Line 5 to at least 50 meters (164 feet) on Line 10N. This side along has a tonnage potential of 10 million to 15 million tons.

The lithoprobe conducted by the Geological Survey of Canada went right through the property has located a deep, steep "suture" that runs underneath the property which is a probable ore-bringer. There is a series of mineral deposits adjacent to the surface trace of this deep structure such as The Willa Mine of Northair Mines Ltd. which has an Indicated Reserve of 3.4 million tonnes averaging 1.34 grams Au and 4.8 grams Ag per ton (3.7 million tons at .039 oz Au and .14 oz Ag per ton) plus 1.8 million tonnes averaging 2.93 grams Au and 9.3 grams Ag per ton (1.98 million tons at .085 oz Au and .27 oz Ag per ton).

The geochemical data (which is far from complete) shows a low copper anomaly over the east breccia zone, similar to that of the Willa Mine, between Line 5N and Line 10N and a gold, silver, and base metal anomaly north of Line 10N where the zone is eroded deeper.

The following is a summary of the ore reserves potential of the property:

Summary of Ore Potential

<u>Orebody</u>	<u>Tonnage Potential</u>	<u>oz/ton Au</u>	<u>oz/ton Ag</u>
1. King Jack Mine	111,000	.299	3.528
2. Chapleau Mine	88,400	.574	21.50
Sub-total	199,400 tons	.420	11.496
3. Fran	40,000	.240	3.97
4. Full House	37,500	.26	36.20
5. Hollinger	286,000	.096	.20
Total of 1 - 5	556,900 tons	.234	6.94
6. Buenavista	28,000	.167	2.02
7. Morning Star	100,000	Not available	
8. For Sure	10 - 15 million tons	Not available	

16,440,591
32,884,800
47,325,391

41.64 Ag
99.22 Au
\$ 14,086
\$ 78,444,934.00

~~Avg 1.286~~

~~Avg 1.286~~

Based on the potential ore reserves of the property it is obvious that a long range exploration and development plan of the property is more than justified.

2024 424.52
SILVER 6.00

P. J. Santos
P. J. Santos, P. Eng.