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TO: MARY-CLAIRE WARD
Watts Griffis and McOuat Limited

RE: TILlicum PROJECT, Slocan Mining Division, British Columbia
FIELD PROGRAM

Introduction

Four days (July 31 - August 3) were spent on the Tillicum property. An inspection of camps and equipment on site was undertaken and examinations of the Heino-Money, East Ridge, Grizzly and Silver Queen zones and the central property area were completed. Sampling involved the collection of 79 stream sediment, soil and rock samples for future analyses.

On-Site Conditions

Roads- the main access road between Caribou Creek and the upper camp area is serviceable for 4-wheel drive vehicles. Minor rock and tree clearing was required in only a few areas. Access roads to the East Ridge and Heino-Money workings and to most of the other zones are suitable for all-terrain vehicles.

Camps and Equipment - A lower camp area, immediately west of Londonderry Creek on the Halifax claim and at an elevation of 1340 metres above sea level, consists of one 12 x 18 metres garage/shop building which is locked but is believed to house a caterpillar bulldozer and an excavator. Other buildings on site include joined Atco trailer units forming a 10 x 15 metres kitchen-sleeping units facility with most cooking facilities intact. Smaller Atco units include a dry and an office and a generator shack. The kitchen and dry units are open, the office is locked. Roofs of all units are in good shape. The general camp area is in a clean state save for an abandoned pickup truck.

The camp and equipment are believed to be owned by AMT Resources Ltd., the last company to work on the property in 1996.

An upper camp area, at an elevation of 2040 metres and several hundred metres north of the principal workings, includes the core storage area. Only one wooden building, in reasonably good shape and initially used as the exploration office, remains at this site. Equipment stored inside the building and scattered around the general area includes 2 mine cars, slusher and motor, one electric motor, a small generator, various first aid equipment, underground track, drill steel, rock bolts and plates and miscellaneous parts. (An electric locomotive is stored behind a tarp just inside the portal of the Heino-Money main haulage level. This and other underground equipment is believed to be the property of Procon Mining, the contractors to Bethlehem Resources in 1993).

Drill Core - Core is stored in racks and as cross-stacked piles covered with polyethylene sheets. All of the core racks were covered with aluminum roofs in 1996 but by then considerable damage had been done to upper rows by winter snow cover.

A quick assessment of the condition of the drill core suggests that 50% is not recoverable, mainly due to the fact that the boxes are not marked. Plastic dymo tape has disintegrated or is missing altogether. Many of the boxes may have been initially marked with felt pen which is no longer evident. Most of the non-recoverable core is thought to be from surface and underground holes on the Heino-Money zone; most of the East Ridge Zone core appears to be accessible.

Underground Workings - these were not entered - the three adit portal areas in the Heino-Money zone and the two on East Ridge zone are fairly clean with no obvious flowing water. None of these adits are barred to entry and this should be addressed since it is not in compliance with the B.C. Mines Act.

Exploratory Program

Much of the central property area was examined and several of the known mineralized zones were examined and sampled, including:

Grizzly Zone - situated about 800 metres southeast of East Ridge zone, this zone was explored in the past by way of trenching and four diamond drill holes. Two of these holes returned gold values of 19.9 g/t over 0.9 metre and 10.4 g/t over 1.2 metres. The northernmost hole intersected 2.64 g/t over 14.6 metres. To further explore the northern extension of this zone, 24 soil samples were collected at 10 to 20 metres intervals over a distance of 330 metres normal to the strike. Two panned stream sediment samples were collected from a drainage within the area of soil sampling.

Silver Queen Zone (Black Bear Claim) and Golden Hope Claim - a traverse from the Heino-Money - East Ridge zones, involving a 1 km distance south to Golden Hope Peak and 2 km east to Grey Wolf Mountain, was undertaken to get a better appreciation of the general geological setting and to undertake assessment work on the Golden Hope and Black Bear claims (tenure numbers 255530 and 255531). Three rock samples were collected from these claims.

Ridge West of Heino-Money Zone - a traverse of this ridge, on the west flank of Tillicum Mountain, was undertaken in part to collect soil samples (10) from the Little Joe and Molly claims (tenure numbers 255532 and 255533) for assessment work purposes. An additional 27 soil samples were collected at 50 metres intervals along the ridge east of these claims - this area is mainly underlain by Cretaceous granitic rocks of the Goatcanyon stock. Of note is the fact that the area of the Little Joe and Molly claims appears to be underlain by a screen of more prospective late Palaeozoic - early Mesozoic phyllites similar to the host rocks in the Heino-Money and East Ridge zones.

Northern Property Area - Thirteen -10 mesh, 2-3 kg stream sediment samples were collected from Miller, Juanita and Londonderry Creeks and other parallel drainages in the northern (Gold Till I, Juanita and Halifax claims). Little is known of the potential of this area and the recent program is believed to be the first exploratory work undertaken in this area which is mainly underlain by Cretaceous granites of the Halifax stock.

General Comments

The various mineral zones on the Tillicum property have been described as precious metals enriched skarn deposits. Regardless, all are structurally controlled and strike slightly east of north and dip moderately east and east. Complicating the picture are post-mineral lamprophyre dyke swarms which also strike north-northeast but are vertical or nearly so. These are particularly evident in the East Ridge zone and may in part explain the segmented nature of this zone seen in both vertical and longitudinal sections.

With respect to the mineral claims, it is recommended that following the grouping of all claims prior to filing assessment work, the following options be explored:

(1) It may be possible to have the ten 2-post claims in the central property area included within the TIL #1, #2, #3 and #4 four-post claims. This would effectively eliminate the 2 post claims which result in additional (and unnecessary) assessment requirements. This option, a relatively new feature of the Mineral tenure Act, was not available at the time of the initial staking of these claims. It may also be possible to have the four reverted Crown granted mineral claims included as well but the Mining Lease (ML 16977) would obviously remain as a separate entity.

(2) It may also be advisable to designate a common anniversary date for all claims. Ministry of Energy and Mines staff can prepare several recommendations in this regard for our consideration. Going to a common anniversary date commonly results in expanding existing assessment credits. Written permission from Mustang Minerals would be required to proceed with this. The objective should be to place all claims in good standing until sometime in 2003.

Incurred Costs to Date

Direct field costs to date, including, professional fees, wages, expenses, a road survey and the anticipated costs of analytical work, are in the order of \$14,000. This leaves about \$2,000 - \$3,000 for some core logging and sampling if required.

"N.C. Carter"