

Joint Venture Proposal

Galore Creek

British Columbia

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1.0 INTRODUCTION

Pass Lake Resources has assembled a large claim holding (101.5 sq. km. or 39.2 sq. mi.) in the emerging Galore Creek gold camp in north western British Columbia (Fig 1). The Company believes that Galore Creek has the potential to host economic precious-metal deposits equivalent to the high-grade Delaware and Skyline vein-type orebodies just 50 km (30 miles) to the south. This proposal constitutes an invitation for an incoming party to participate in the early exploration phase of certain claim blocks held 100% by Pass Lake.

2.0 REGIONAL SETTING

Galore Creek lies in the centre of British Columbia's most exciting gold belt, which extends at least 300 km (180 miles) from the Stewart camp in the south to the Golden Bear mine in the north (Fig 2). Major developing mines in the belt include Silbak-Premier (Westmin), Sulphurets (Newhawk - Granduc), Doc (Echo Bay - Magna Ventures), Reg (Skyline), Snip (Cominco - Delaware) and Golden Bear (Chevron - North American Metals). Total contained gold in these deposits exceeds five million ounces based on known ore reserves. Several other promising silver-gold properties are at various stages of exploration.

Most of the deposits occur in an Upper Triassic volcano-sedimentary assemblage along the eastern flank of the Coast Crystalline Complex, which comprises plutonic rocks of Upper Triassic to Tertiary age. Several of the vein gold deposits are spatially related to Upper Triassic alkalic intrusions (syenite, monzonite, diorite). A genetic relationship is also strongly suspected.

2.1 Gold Deposit Types

Four types of deposits are recognized within the belt, porphyry gold-copper, volcanogenic massive sulphides (Cu-Au, Cu-Pb-Zn-Au), vein/shear replacement (Au-Ag-base metals) and skarns (Cu-Au-Ag).

(1) Porphyry Gold-Copper

These large low-grade deposits are typified by the Galore Creek gold-copper body owned by Stikine Copper (Kennco - 60%, Hudson Bay

Mining and Smelting - 35%, Cominco - 5%). This deposit alone contains 125 million tons grading 1.08% copper and 0.012 ounces/ton gold, equivalent to 1.5 million ounces of gold. Higher-grade gold sections (ie. up to 0.10 ounce/ton) are believed to exist within the much larger low-grade body. The recently announced discovery of Western Canadian Mining at Sulphurets (66 million tons of 0.84% copper and 0.01 ounces/ton gold) is another good example. Both of these and several smaller porphyry prospects (ie TREK) along the belt are characterized by their alkalic-suite affinities - syenite, monzonite porphyries. These alkalic intrusions are believed to be subvolcanic equivalents of the Upper Triassic volcanic assemblage in which they occur.

(2) Volcanogenic Massive Sulphides

The importance of this type has been recognized only recently in the belt. Two variants exist.

The first is gold-copper rich and is associated with mafic to intermediate volcanic rocks of Upper Triassic age. This subtype is exemplified by the Gully Zone on Pass Lake's TREK property at Galore Creek. The Gully Zone was discovered in the summer of 1988 and carries 4-5% copper with 0.2 ounces/ton gold over widths of 2 - 4 metres. Its strike length could reach 800 metres (2600 ft).

The second variety is represented by the Calpine gold-silver (lead-zinc) discovery at Eskay Creek announced in November, 1988. Details of this find are sketchy at this stage but the deposit is said to be associated with felsic volcanics. A volcanogenic origin has been postulated by Calpine geologists although the ore is not thought to be massive in nature.

(3) Vein/Shear/Replacement

This class of deposit has received the most attention in recent years due to the potential for bonanza ore grades. Typical deposits are Snip (1.65 million tons of 0.65 ounces/ton Au), Reg (1.0 million tons of 0.72 ounces/ton Au), Sulphurets (1.6 million tons of 0.34 ounces/ton Au and 22.9 ounces/ton Ag), Silback Premier (4.7 million tons of 0.39 ounces/ton Au and 8.8 ounces/ton Ag) and Doc (207,000 tons of 0.35 ounces/ton Au). Several of these ore bodies occur peripheral to porphyry gold-copper systems associated with syenitic intrusive bodies.

(4) Skarns

This type is associated with the contact of intrusive rocks and carbonate-bearing rocks. The carbonate hosts may lie within the Upper Triassic volcano-sedimentary assemblage or older Paleozoic limestones which underly much of the volcanic belt. Examples include the Gulf International property in the Iskut River district and Pass Lake's TREK property. In the latter instance, lead, zinc and silver (30% Pb-Zn, 49 ounces/ton Ag) have been found in epidote-garnet-bearing skarn float.

Taken as a whole, the entire Upper Triassic package in north western British Columbia appears to have been remarkably productive for precious and base metals throughout the evolution of the belt from early volcanism and sedimentation (volcanogenic deposits) through late-stage plutonism (porphyry gold-copper, skarn gold, vein gold-silver).

3.0 GALORE CREEK CAMP

3.1 Overview

Within the last year, Galore Creek has been recognized as a natural northward extension of the Stewart, Sulphurets and Iskut gold camps to the south. Major gold exploration projects currently underway include Continental Gold's Trophy project and Pass Lake/Lorica's TREK joint venture. A major staking rush during 1988 involving both major and junior companies promises that the 1989 season will witness a much higher level of activity (Fig 3). Pass Lake's claim holdings now comprise eight well-located blocks (406 units) of which seven are available for joint venture participation in four packages.

3.2 Geology and Ore Deposits

The Galore Creek camp is underlain by Upper Triassic intermediate to mafic flows and breccias and related sediments deposited on a basement of Paleozoic carbonates and fine grained clastic rocks (Fig 4). The Coast Crystalline Complex of mainly Jurassic and younger granitoid intrusions dominates the western margin of the map sheet. The large Galore Creek alkalic complex forms the core of the camp. Structurally, the region is very complex, being dominated by major steep-angle faults trending north west, north east and north. Thrust faults are believed to be much more extensive than indicated on the map.

Several mineral occurrences are shown on the map dating from the early days of porphyry copper exploration in the camp during the 1950's and 1960's. Foremost among them is the Galore Creek porphyry gold-copper deposit (occurrence 2) as previously described.

Other smaller porphyry-style prospects include Copper Canyon (occurrence 12) held by Canamax and Goat (occurrence 15) comprising a small claim block held by Consolidated Silver Standard and completely encompassed by Pass Lake's TREK property.

The JW (occurrence 11) is reported to have returned gold assays up to 2 ounces/ton from a quartz vein sampled in the early days of exploration in the region. Recent reports by the present property owners (Sarabat, Bellex) confirm high-grade gold (4-6 ounces/ton) from quartz-sulphide veins on the claims.

The Paydirt property (occurrence 13 - formerly Ann and Su) of Consolidated Silver Standard/Longreach Resources has drill-indicated reserves of 204,000 tons grading 0.12 ounces/ton gold in silicified and sericitized volcanic rocks adjacent to a syenite stock.

3.3 Current Exploration Activity

Two major exploration projects were initiated in the camp during 1988.

Continental Gold expended over \$1,000,000 on its large Trophy property (184 sq. km/ 71 sq. miles). Drilling focused on two or three wide zones of gold-silver mineralization. Prospecting is believed to have identified at least a dozen other significant precious-metal prospects, which will be followed up in the 1989 field season.

On Pass Lake's TREK claims (111 units/ 28 sq. km) immediately to the south of the Trophy block, Lorica Resources spent \$100,000 in the first full season of exploration on the property. The program yielded five base/precious-metal targets of significance. Of these, the Gully Zone initially appears to be the most interesting. It is a volcanogenic massive sulphide deposit with a potential strike length of 800 metres (2600 ft) based on geophysics and geochemistry. Where exposed over a 60-metre length, two channel samples assayed as follows:

Width (m/ft)	Cu %	Au (oz/t)	Ag (oz/t)
3.6/11.8	5.31	0.26	0.42
2.0/6.6	4.11	0.10	0.36

The Gully Zone lies within mafic and intermediate volcanic breccias peripheral to a small porphyry gold-copper deposit associated with several stocks of altered syenite and monzonite.

4.0 JOINT VENTURE PROPOSAL

Pass Lake Resources wishes to enter into a joint venture with an incoming party to undertake a thorough exploration program on its mineral claims (per appendix "A" attached). Financial terms are outlined as follows:

	Cash	Shares	Expenditure Commitment
Upon signing	\$10,000	50,000	
Year 1		50,000	\$60,000
Year 2		50,000	140,000
Year 3		50,000	300,000
Totals	\$10,000	200,000	\$500,000

For the expenditure of \$500,000 and satisfying the other conditions, the incoming party will earn a 51% interest in the claims. After vesting, funding will be on a pro rata basis with provision for dilution if either party elects not to contribute its share of the costs. The incoming party will have management of the project during the vesting period and after vesting provided it maintains over 50% interest in the project.

APPENDIX "A"

JD 1, 2 AND PL 1 GROUP

4.1 Geology and Prior Work

The group comprises 60 units (15 sq.km) in two separate blocks straddling Scud River (Fig 5). According to the GSC, they are underlain by Paleozoic clastic sediments/greenstones and carbonates (units 2 and 3) 15 km north west of the Galore Creek porphyry gold copper deposit. On Pl 1, the sedimentary rocks have been intruded on the west side by a granodiorite pluton (unit 17) of uncertain age. It is to be noted, however, that there are known serious inaccuracies in the GSC mapping such that the claim geology must be considered tentative at the present time. Detailed mapping is clearly required. Potential targets on these claims are volcanogenic massive sulphide, skarn and vein deposits.

There is no record of early work on the JD claims. During 1988, Pass Lake conducted preliminary heavy-sediment, soil and rock sampling and prospecting on parts of the property. Three of four heavy-sediment samples carried between 700 and 3720 ppb Au in the main creek draining the north-central part of the block. Of the 15 soil samples collected, one returned 40 ppb Au in the same area. Ten of 15 rock samples returned anomalous gold of 70 - 9620 ppb, silver of 3.6 + over 200 ppm and base metals, also in the north-central sector. Five of these exceeded 3400 ppb Au. Selected rock geochemical anomalies were confirmed by four fire assays, which gave 0.102 - 0.270 ounces/ton Au and up to 6.25 ounces/ton Ag.

No prior work is known to have been carried out on the PL 1 claim, which was staked by Pass Lake in mid-October, 1988. However, the underlying geology is considered to be favourable and the ground lies only one kilometer north west of a high-grade gold showing located on Jack Wilson Creek.

In conclusion, the JD 1, 2 and PL 1 claims offer a unique opportunity to participate in a promising gold project in an emerging gold camp. The presence of gold and silver in rock has been demonstrated on the JD claims in the course of a very preliminary exploration campaign and the PL 1 claim is situated close to a known high grade vein occurrence. A major exploration program is needed to establish the mine-making potential of the properties.

APPENDIX "A"

PL 2, 3 AND PL 4, 5, 6 GROUP

The group comprises two blocks totalling 75 units (19 sq. km) lying to the west of the Galore Creek porphyry gold-copper deposit (Fig 5). The PL 2, 3 claims are shown as entirely underlain by granodiorite (unit 17) of uncertain age. However, it is known that the contact between the pluton and Upper Triassic volcanic rocks (unit 9) traverses the eastern side of the block. PL 4, 5 and 6 are underlain by Upper Triassic volcanic rocks on the margin of the Galore Creek alkalic complex (unit 12). Potential targets on these claims are volcanogenic massive sulphides and vein deposits.

No prior work has been recorded on these claims, which were staked by Pass Lake in mid-October, 1988. In 1964, Conwest held a large claim block to the north but their work focused on the porphyry-copper potential of the terrain west of the large Galore Creek gold-copper deposit. Preliminary prospecting in 1988 on the Consolidated Silver Standard claims immediately to the west of the PL 4, 5, 6 block is reported to have encountered gold-bearing vein material grading up to 1.5 ounces/ton.

In conclusion, the PL 2, 3 and P 4, 5 and 6 claims represent two pristine properties well located with respect to the Galore Creek gold-copper deposit and other gold-bearing properties in the area. A major exploration program is required to establish the mine-making potential of the ground.

APPENDIX "A"

PL 7 - 11 GROUP

The large contiguous block of 100 units (25 sq. km) is situated adjacent to the Paydirt property of Consolidated Silver Standard and Longreach Resources where drill-indicated reserves of 204,000 tons of 0.12 ounces/ton gold have been announced (Fig 5). Pass Lake's claims are shown as underlain entirely by Upper Triassic volcanic rocks (unit 9). A small granodiorite stock (unit 17) on the south-east edge of the claim block is said to carry some disseminated molybenite. On the Paydirt property, plugs of granodiorite and also syenite have been mapped, the latter lying immediately north-east of the ore zone discovered on the property. Similar favourable intrussive rocks could exist on the PL 7-11 claims, which have been poorly mapped and explored.

Little previous work has been done on the PL 7-11 claims, which were staked by Pass Lake in the mid-October, 1988. In 1965, Bralorne-Pioneer Mines carried out a program of geological mapping and soil geochemistry for copper on a small claim block lying west of Split Creek near its confluence with Porcupine River. Results were inconclusive.

In conclusion, the PL 7-11 claims represent a large pristine property well located in the Galore Creek camp. Significant gold has been found on adjacent ground and the large Galore Creek porphyry gold-copper deposit lies only eight kilometers to the north east. A major exploration program is required to establish the mine-making potential of the property.

APPENDIX "A"

WISER 1, 2 AND CUTTY

These two claim blocks constitute 60 units (15 sq. km) located a short distance west and north of Pass Lake/Lorica's impressive TREK property and within a radius of 10 kilometers from the Galore Creek porphyry gold-copper deposit (Fig 5). The Wisser claims are underlain by Upper Triassic volcanic rocks (unit 9) intruded by a granodiorite stock (unit 17) near the western boundary. The Cutty claim is underlain by Upper Triassic volcanics (unit 8) and Permian limestones (unit 4) in fault contact along a major north-south structure.

No previous work is recorded for the two claim blocks. During 1988, Pass Lake conducted preliminary heavy sediment (3 samples), soil (26 samples) and rock (13 samples) sampling and prospecting on the eastern part of the Wisser claims. One heavy sediment sample returned 530 ppb Au and one soil sample 370 ppb Au. Five rock samples carried 35 -75 ppb Au with one sample reporting 4.0 ppm Ag. Base metals were locally strongly anomalous. No work was done on the Cutty claim.

In conclusion, the Wisser and Cutty claims represent an excellent opportunity to participate in two well located properties in the emerging Galore Creek gold camp. The existence of anomalous gold and base metals has been established on the Wisser claims, and the Cutty claim sits astride a strong regional fault. A major exploration program is required to establish the mine-making potential of the properties.