

ST. JOE CANADA INC.

SUMMARY UPDATE ON SILVER POND PROJECT

AND

PROPOSED OUTLINE OF EXPLORATION PROGRAM

St. Joe has successfully delineated several areas with epithermal Au-Ag mineralization which need follow-up exploration. Specific targets and recommended additional work are outlined below. Three of the areas - West Zone, Silver Creek and North Zone - constitute sections of a major NW to NNW trending lineament of which a strike length of circa 5.5 km is covered by the Silver Pond claim group.

1. WEST ZONE

The "West Zone" was located by St. Joe in 1984 as the result of soil sampling and prospecting. Soil geochemistry located an area some 600 m long with several gold values over 100 ppb, peaking at 740 ppb. Prospecting located numerous quartz floats in talus which assayed up to 17.8g/tonne Au and 252.0g/tonne Ag.

In 1985 detailed magnetic and resistivity surveys were carried out. The magnetics showed a northwest - southeast trend. This is interpreted as representing destruction of the magnetite present during epithermal alteration. The resistivity survey outlined a linear trend some three to four times background which correlates with quartz breccia containing gold and silver values in outcrop. Trenching on this resistivity high resulted in the discovery of a 6.5 metre true width averaging 9.0g/tonne Au and 24.2g/tonne Ag.

Four holes have been drilled on the West Zone to date; results are summarized below:

Hole No.	Interval (m)	True Width (m)	Au (g/tonne)	Ag (g/tonne)
85-26	52.00 - 54.00	1.60	8.07	9.9
	Incl.			
	52.00 - 53.00	0.80	13.80	15.6
	64.00 - 65.00	0.80	0.59	9.0
	71.34 - 72.00	0.50	2.40	11.7
85-27	46.00 - 47.00	0.80	0.79	51.9
	58.45 - 58.65	0.16	5.50	273.0
	65.00 - 66.00	0.80	12.69	6.9
	68.14 - 69.00	0.70	2.40	3.4
85-28	85.50 - 86.46	0.77	11.00	32.0
85-29	119.00 - 120.60	1.30	5.43	6.8
	Incl.			
	119.80 - 120.60	0.64	8.30	7.8

It is noteworthy that the trench which yielded ore grade material is located 215 m SE of the closest drill intersection along the strike of the mineralized structure. It was discovered after drilling was completed.

Between L 8+00 NW and 10+00 NW, a well defined parallel resistivity high splays off the main anomaly. The entire strike length of this resistivity high is highly prospective and should be drilled at close centers and trenched where possible. The EM 16R (resistivity) survey coverage should be extended towards the SE.

The resistivity high, reflecting strong silico argillic alteration associated with the gold, silver mineralization, is a first priority drill target. We propose to test it along strike at 25 m intervals. The first series of holes can be relatively short, in the 50 to 75 metre length generally. Deeper holes will be deferred until the results of shallow drilling are

obtained so as to spot the deeper holes under the best shallow intersections. Approximately 2000 metres of shallow hole diamond drilling are allocated to testing of the west zone along strike in approximately 25 holes. Another 2,000 metres are allocated to deeper drilling where results warrant under the shallow holes.

Detailed soil geochemistry on the new (geophysical) grid is also planned. Approximately 350 samples provides coverage at a 25 m sample interval across a 300 m width, (50 m line spacing). The density will be increased to 12.5 m spacing along the line over the resistivity high. It is proposed that this sampling be carried out immediately upon our arrival. The results will aid in guiding both the trenching and drilling programs.

2. SILVER CREEK

The Silver Creek zone was located by Kennco in the early 1970's who drilled two holes. The first hole went parallel to and under the zone, the second was oriented correctly but stopped before the target was reached.

Sampling in this area was carried out by St. Joe in 1984. Grab samples of silicious material returned up to 45.35g/tonne Au and 3,610g/tonne Ag. A panel sample (P3) taken near the Kennco drilling averaged 6.26g/tonne Au and 287.9g/tonne Ag across 5 metres. Six Trenches along a 180 m strike length produced the following results:

Trench	Location	Width (m)	g/tonne Au	g/tonne Ag
P4	40 m NW of above panel (P3)	4.0	0.48	22.8
P5	8 m NW of P4	5.0	3.49	19.2
P2	10 m SE of P4	0.5	1.99	41.4
P1	15 m SE of P2	3.0	3.24	77.0
ACT1	25 m SE of P1	10.0	2.21	120.6
ACT2	80 m SE of ACT1	5.0	1.43	48.2

Detailed magnetic and resistivity surveys were carried out in 1985. The mineralized zone

correlates with a broad magnetic trough. The same hydrothermal processes which emplaced the mineralization probably also destroyed the magnetite in the rock thereby producing the magnetic low. The resistivity survey outlined a discontinuous zone of higher values in the mineralized area. Other higher resistivities were also outlined but trenching so far (trenches E, H, ACT3) has not located significant gold and silver values even though altered and silicified volcanics were present.

Silver Creek zone was tested by 19 drill holes totalling 1424 m representing a strike length of 250 m over circa 150 vertical metres. The results of significant intersections are tabulated below.

Hole No.	Interval (m)	True Width (m)	Au (g/tonne)	Ag (g/tonne)
85-01	44.0 - 45.0	0.95	3.77	106.3
85-02	58.0 - 76.5	12.5	0.48	3.3
	Incl.			
	58.0 - 59.0	0.7	1.37	6.9
	63.0 - 64.0	0.7	1.71	3.4
	76.0 - 76.5	0.3	7.61	7.4
85-03	45.0 - 55.0	8.0	0.62	16.5
	Incl.			
	45.0 - 46.0	0.8	2.06	6.9
	52.0 - 53.0	0.8	1.03	61.7
	54.0 - 55.0	0.8	1.03	65.1
85-04	71.0 - 80.0	4.0	0.87	1.1
	Incl.			
	71.0 - 72.0	0.44	4.46	3.4
	79.0 - 80.0	0.44	3.43	6.9
85-07	11.0 - 19.0	7.0	1.67	42.8
	Incl.			
	11.0 - 16.0	4.40	1.64	54.2
	18.0 - 19.0	0.87	4.11	41.1
85-08	18.0 - 41.0 ^{31.0}	8.5	1.35	58.5
	Incl.			
	18.0 - 19.0	0.65	2.40	3.4
	24.03 - 25.10	0.69	1.03	61.7
	29.0 - 31.0	1.3	5.38	255.0
	Incl.			
	29.0 - 30.0	0.65	7.92	378.0
85-10	30.0 - 32.0	1.5	1.47	12.0
85-16	33.0 - 34.0	0.8	1.90	4.3
85-24	195.0 - 196.0	0.8	1.33	3.9
85-25	140.0 - 141.0	0.8	1.88	5.8

Drilling indicates that the alteration which is principally silicification and propylitization associated with the fault zone persists along strike and down dip. The higher grade intersections appear to represent lenses or pods of mineralization within the alteration

zone. Trenches along strike southeast of the drilled area have high silver values accompanied by low-grade gold values. This is similar to the situation at Lawyers where a silver halo surrounds the gold mineralization. These similarities to Serem's Lawyers deposit are encouraging and further work is warranted on the zone. Trenching will be carried out northwest of the drilled area to evaluate the anomalous soil geochemistry values (peaking at 185 ppb Au and 5.4 ppm Ag) located about 200 metres along strike from the drilled area. No trenching was carried out here in 1985 as the wheel-mounted backhoe could not operate in this relatively wet area. The track-mounted backhoe planned for this field season should be able to successfully operate in this area. No specific drill targets are indicated at the moment but any encouraging values in trenching will be followed up with diamond drilling. The possibility that the lenses intersected in drilling have a plunge has not been investigated hence the down dip potential has not been fully explored. The area where high silver values were encountered along Strike to the southeast warrants drilling (because it has similarities to the Lawyers Deposit). However, this area is rated a secondary target, whereas gold in outcrop or trenches is given higher priority.

NORTH ZONE

The North Zone is interpreted as being the northern extension of the Silver Creek - West Zone structure.

A soil geochemical survey carried out in 1984 outlined an anomalous area 800 m long, the values peaking at 250 ppb Au. A silicious alteration zone is associated with the geochemistry. A detailed magnetic survey shows a north - northwest trend with isolated highs and lows. One area of very high magnetics associated with unaltered rock was noted. This is interpreted as a post alteration flow. Resistivity surveys located long linear northwest trending zones with values four to five times background. These correlate with mapped silicified fault zones. A few cat trenches were put in but the cat was not really satisfactory as it could not follow the rough bedrock topography. A backhoe should be a much more effective tool in this area. One hole was drilled through a resistivity high associated with silicious rock just south of the geochemical anomaly. The hole produced altered rock containing 1 - 3 % pyrite from beginning to end but assays were uniformly low.

Further trenching is warranted on the resistivity and geochemical highs. Encouraging values from this work should be followed up by drilling.

Current thinking (see Panteleyev and Schroeter 1985 B.C. Epithermal Model) is that the North Zone together with Albert's Hump represent the upper most portion of an epithermal system. If this interpretation by B.C.D.M. is correct, the high angle fault seen in the Silver Creek and West Zones can be expected to branch out into several zones on the North Zone.

In the center of the North Zone, a supergene oxidation overprint has obscured the hydrothermal alteration pattern.

RIDGE ZONE

Prospecting on a topographic high immediately west of camp located quartz float which ran up to 5.28 g/tonne Au and 5.34 g/tonne Ag. Subsequent magnetic and resistivity surveys were carried out. A magnetic low trends along the baseline with the quartz float area. A resistivity high (3 - 5 times background) occurs in the same area, the gold bearing quartz float is located on the western margin of the resistivity high.

Overburden in the area is minimal, several trenches can probably be dug across the anomalous area in a couple of days. Positive results in the trenches would dictate diamond drilling on this zone.

CLIFF CREEK EXTENSION

The Cliff Creek Extension is actually a separate zone located west of Serem's Cliff Creek zone and appears to be a somewhat weaker structure. The 800 m zone was outlined as a VLF conductor, a magnetic low and a soil geochemical anomaly peaking at 1950 ppb Au. Trenching returned assay values up to 5.25 g/tonne Au over a 1 metre width. Three diamond drill holes were put across parts of the zone in 1985. A 1.0 m section in hole 85 - 22 returned 1.08 g/tonne Au and 0.5 m section in hole 85 - 18 assayed 1.71 g/tonne Au. The values to date suggest a weakly mineralized zone and no additional drilling is planned.

There is some suggestion from the geochemistry that there may be a mineralized east-west trend which has not been tested. A few trenches across this east west trend is proposed for 1987.

AMETHYST ZONE

The Amethyst is with reasonable certainty the extension of Serem's Cliff Creek Zone. The zone extends for 350 m on the Silver Pond Property and consists of multi phase quartz veining and quartz/chalcedony breccia. The zone is associated with a magnetic through. On the Serem property the zone extends for at least 1.5 km, however, the published reserves of 600,000 tons at 14 g tonne Au equivalent occur within a 160 m strike length.

Two holes and three trenches have exposed widths of up to 20 m which visually look identical to the mineralized section on the Serem property. Assay values have been geochemically anomalous but no ore grade mineralization was encountered.

A hand trench or two near the Serem property boundary is proposed to eliminate this part of the zone. Hand trenching will be necessary as the slope will not permit a backhoe to operate in this area.

E-ZONE

A frothy barite silica outcrop was discovered on a small knoll about 1.5 km due west of the West Zone. Trenching in this area indicates that the barite silica is of limited extent and only silver values were encountered at this particular location. A detailed resistivity survey indicates an area of higher resistivity north of the trenched area. The similarities of the frothy barite and silica found here to be the high grade Bonanza Zone on the Energex property make additional trenching in this area worthwhile.

EOS GRID

A 1m wide dark grey blue quartz vein with minor amethyst was located here by Kidd Creek. Detailed soil geochemistry detected gold values of up to 102 ppb Au and 16.5 ppm Ag. A magnetic trough is associated with the trend of the vein. Sampling to date on the exposed vein has not yielded significant assay values but the favourable geology and soil values suggest a few backhoe trenches across the area would be worthwhile. One to two days work should be sufficient to expose the vein in several locations.

CAMP ZONE

Heavy mineral stream sediment sampling resulted in the discovery of several extremely anomalous values in Cloud Creek near camp. An altered zone containing a felsic dyke with argillic to propylitic alteration was noted just above the highest (71,000 ppb Au) value. Two trenches were placed along strike to the north, both crossed altered material but no significant values were encountered. A resistivity high occurs near the claim boundary to the east. This may or may not be related to the geochemical values but is worth trenching to determine its cause.

ARCTIC AND MAMMOTH GRIDS

Reconnaissance Soil Geochemistry was carried out on the western part of the property several linear geochemical anomalies were detected though the sample pattern was fairly open (50 m sample interval on lines spaced 100 m apart) Silver tended to produce larger anomalies and produced values of up to 6.6 ppm with locally anomalous gold values up to 169 ppb Au. These areas require follow-up detail grids which will include resistivity and magnetic surveys.