



April 10/89

To R. T. Heard

From E. A. Schiller

Subject Dragon Resources and Greenstone Resources property review,
British Columbia

Mineral properties held by Dragon Resources and Greenstone Resources were reviewed in the offices of the companies in Cranbrook, B.C. on March 31, 1989. The companies jointly explore a number of projects in southeast B.C. utilizing the services of consultant Michael Bapty, formerly with Cominco in Kimberley.

Principle projects reviewed are as follows;

GILL 082654034

Based on a gold-mercury occurrence discovered in 1988, some 100 units were staked to cover an expected favourable, mineralized belt of Paleozoic sedimentary rocks southeast of Cranbrook to the U.S. border.

Six holes were drilled to test the character of the prospect. Argillic and chloritic alteration were encountered but only trace amounts of gold were intersected (100 - 300 ppb).

The companies will undertake a regional heavy mineral stream sediment survey this spring to assess the potential of this little known belt.

Conclusions

The area has some potential but until the proper sequence of prospecting methods is used, the belt's importance cannot be judged at this time. (why they drilled a mercury-gold anomaly before they had any idea on the nature of the areas mineralization is not good exploration, sequential sense).

The absence of young volcanic rocks and/or high level intrusive igneous rocks at this time down grades the area's potential.

McNEIL

In an attempt to find another Sullivan, of Kimberley fame, eight holes were drilled totalling 7500 feet, southwest of Cranbrook, and 40 miles south of Sullivan. Three narrow, lead-zinc-silver veins were intersected in 3 separate localities of the St. Eugene type (a former Pb,Zn & Ag vein-type deposit mined over 25 years ago) located south of Lumberton.

One 3000 foot hole intersected a 0.4 meter of massive sulphide within, and at the base of the Sullivan Zone in the Middle Aldridge Formation. It assayed 0.8% Pb, 563 ppm Zn, 425 ppb Au and 13.4 ppm Ag.

Even though Place Dome acquired an option on adjoining ground to the McNeil recently, I believe this project has a very high risk to reward potential.

Dragaon/Greenstone plan to drill 2 or more 3500 foot holes this year in an effort to trace the Sullivan zone to depth and hopefully to find it to be economically mineralized.

Conclusions

I suspect, that if a Sullivan type ore body is found at depths at 3500 feet or deeper, it is going to have to be equal or better grade than Sullivan, to be economic, assuming it can be found at all. Risk/reward returns do not favour Equity participation (see joint venture arrangement sought by the companies)

MILLIE MACK

This is probably the best project the companies are involved in. Claims are held east of Barton, south of Nakusp and north of Esperanza's Tillicum gold project.

The claims are underlain by a klippe of graphitic fine grained sediments somewhere between 4 to 10 meters thick that appear to be gold-bearing through out the sequence.

They have outlined a low dipping body, circular in plan totalling some 150,000 square meters (500 x 300) underlain by volcanic rocks and overlain by clastic sedimentary rocks. The gold-bearing graphitic unit probably represents a low angle thrust plate that contains the gold, (see sketch)



CROSS-SECTION OF OCCURRENCE

Four separate localities have been bulked sampled and found to contain the following:

1. Billie Pit	0.013 oz/t
2. Great Western Pit	0.02 oz/t
3. Millie Mack	0.028 oz/t
3a. Lower Millie Mack	0.166 Oz/t
4. Northwest Aid	0.03 oz/t

These results represent analyses of one to two ton samples from which minus and plus 100 mesh separate samples were assayed. The above grades are based on composites of several samples at each sample site. It was found that the minus 100 sample material was consistently higher than the plus 100 material.

Conclusions

- a) Sampling to date indicates a large, low grade gold deposit could be present here, contained in thrust plate body, sampled along its southern extremity at four localities.
- b) The problem at this stage is - what is the average grade of the four sites, from five samples. The companies have averaged the five samples as if they represent individual sites. If you average site 3 as one sample, then average the four sites you end up with 0.04 oz/t versus 0.051.

The companies in 1989 will infill drill the graphite body over its entirety and try to obtain additional bulk samples similar to the 1988 sampling.

The project is worth watching for eventual Equity participation.

Expected deal sought by companies

The companies want somebody to take down stock in one or both companies. They do not want to sell an interest in any of the properties, at least at this time.



**DRAGON RESOURCES LTD. (DGN-V)
 GREENSTONE RESOURCES LTD. (GRE-T, M; Nasdaq)
 MINERAL PROPERTY HOLDINGS LOCATION MAP**

SOUTHEASTERN B.C.

April 1989

DRAGON RESOURCES LTD.
 305-675 West Hastings Street
 Vancouver, B.C.
 V6B 1N2
 Telephone: (604) 669-0115
 Fax: (604) 669-5572

