

884255

EXPLORATION AND DEVELOPMENT PROPOSAL

FOR

INEL RESOURCES LTD.

ON THE

INEL PROPERTY

IN THE

ISKUT RIVER AREA N.W. BRITISH COLUMBIA

LIARD M.D., N.T.S. 104B/10W

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VICTORIA, B.C.

MARCH 6, 1987



INEL RESOURCES LTD.

NOTES TO FINANCIAL STATEMENTS

APRIL 10, 1987

1. The company was incorporated under the British Columbia Company Act on March 25, 1987. Other than acquiring the option referred to in Note 3, it had not commenced operations by April 10, 1987.
2. The company is a wholly owned subsidiary of Skyline Explorations Ltd.
3. The company paid \$5,000 for an option to acquire a 100% interest in 13 mineral claims comprising 1,986 units in the Liard Mining Division of British Columbia by expending \$1,000,000 per year on exploration and development on the claims until a total of \$4,800,000 has been expended. Upon the expenditure of \$2,400,000, the company will have acquired a 50% interest in the claims.
4. SUBSEQUENT EVENTS
 - (a) The company has negotiated an arrangement under which it intends to issue 7,122,355 Class A rights to the shareholders of Skyline Explorations Ltd. to acquire common shares of the company at \$.50 per share. In consideration of providing a standby guarantee that such rights will be exercised, the directors will be granted warrants to purchase a further 300,000 common shares from treasury at \$.50 per share. The company also intends to issue 250,000 common shares for \$.50 per share pursuant to a public offering dated July 10, 1987.
 - (b) The company has granted an option to a director to purchase up to 150,000 common shares from treasury at \$.50 per share for a period of five years from the date of the company's prospectus.

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SUMMARY

The INEL mineral deposit lies due east of, and adjacent to the REG property owned by Skyline Explorations Ltd. where a major new high grade gold deposit is being prepared for production. The INEL mineralization shows strong similarities to the REG Stonehouse Gold Deposit where free gold has been defined in porphyry-like K feldspar zones, and in K feldspar rich sulfide veins which cut the porphyry and altered country rocks. At the INEL sulfide-gold mineralization has been superposed upon older stratabound Au, Ag, Pb, Zn, Cu mineralization localized along basalt lava - sediment boundaries. The overall effect has been to produce an extensive zoned deposit comprising at least nine major showings within an area about two miles square on the west side of the property. Extensive Cu, Zn, Pb, Ag, Au tactite-like mineralization has also been found in the northeast part of the claim area.

Exploration by Skyline prospectors in 1983 and 1984 has uncovered promising Au, Ag, Cu, Pb, Zn mineralization from the base to the top on both sides of Snippaker Ridge on the INEL claims in a variety of host rocks. Anomalous stream silt and soil results from the 1983 program were followed up by detailed ground prospecting. As a result eight major new zinc, silver and gold bearing zones have been distinguished within the limits of the INEL claims. In addition to locating two new zinc rich areas south of the Main Sulfide Zone, three new gold and silver zones were discovered in the sedimentary rocks above the main mineralization. This Inel Ridge Zone has now been partially explored over a length of about 1000 meters giving results of up to several tens of ounces per ton silver and up to 3 ounces per ton gold across one 50 foot wide exposure of veined, pyritic sediment. Detailed work on this mineralization has included surface sampling of the Main Sulfide Zone at 5 meter intervals, 10 Winkie core holes on one small part of the Main Sulfide Zone, trenching along the lowest exposures, and 12 core holes on part of the Discovery Zone. Detailed geological mapping of this area and study of the core has disclosed at least five stratabound sulfide zones in the basalt flow - sediment sequence which has been traced over a length of 1,350 feet within a 350 foot thick portion of the Upper Unit. The Discovery Zone lies on the north side of the Main Sulfide Zone which has a width of at least 1,000 feet and is exposed over a vertical height of 600 feet. The sulfide zone includes massive, thick, pyrite - K feldspar veins which cut across mineralized country rock similar to the Discovery Zone. K feldspar alteration is typical of the host rock sequence.

Other major zones include gold bearing porphyry immediately above Bronson Creek, vein and disseminated auriferous sulfide below the Main Sulfide Zone.



Skyline Explorations Ltd.'s work on the INEL property in 1983 and 1984 which included mapping, prospecting, trenching and core drilling has disclosed large areas of considerable potential for the development of a major new gold-silver, polysulfide mineral deposit. The close proximity to the REG property and the similarity of mineralization to the Stonehouse Gold Deposit suggest that the INEL property warrants an intensive exploration and development program to test grade and tonnage potential by both surface and underground methods.

The cost of the proposed 1987-1988 INEL exploration and development program is estimated at about \$4,800,000.00.

RECOMMENDATION

Experience at the REG property in 1986 has shown that underground development including mapping, sampling, and core drilling produces the best results and allows a considerably longer work period. The heavy equipment for underground work could be flown in from the REG but a connector road would be of more long term value. A road would allow movement of men and materials and in addition would provide extensive rock cuts for mapping and bulk sampling of the lower western porphyry zone. Exploration should also include detailed mapping and sampling of the Ridge Zones followed by core drilling.

The program would proceed in several major stages commencing with 1) road building including mapping and sampling, 2) camp construction and preparation of the adit site including installation of equipment, 3) collaring the adit, driving the cross-cut and drifts, and 4) exploring the ridge zones.

The road building will require a D-8 size bulldozer and a complementary loader. The length of the proposed road from the existing road on the REG property along Bronson Creek to the INEL camp at 4,750 feet is estimated at about 15 miles. The adit which will be 9 feet high by 10 feet wide should be located due east of camp at about elevation 4,900 feet in order to collar in solid rock. The length of the cross-cut should be at least 1,000 feet and the north and south drifts will total at least 1,000 feet in order to access both the Discovery and Main Sulfide zones for mapping, sampling and core drilling. Because of limited time and accessibility the Inel Ridge zones will have to be explored using helicopter support. A standby helicopter which will be required during the program can be cost shared with Skyline Explorations Ltd.'s REG project.

The major program recommended for the INEL property and outlined above is estimated to cost about \$4,800,000.00.



INTRODUCTION

The INEL group of staked mineral claims held (100%) by Skyline Explorations Ltd. extend from Bronson Creek and the adjoining REG group property east about 7 miles across Snippaker Ridge to Snippaker Creek. Gold and silver bearing sulfide mineralization has been found at nine major locations on the property. The most extensively explored Discovery and Main Sulfide zones have now been sampled on surface and by drilling over a width of 3,500 feet and over a vertical height of about 1,000 feet. Detailed sampling of this area as well as newly found peripheral sulfide deposits show the zoned nature of the INEL mineralization.

Access to the INEL property has been from the REG property camp about 5 miles to the west. Like the REG it is about 40 miles west of Bob Quinn Lake and about 55 miles east of Wrangell, Alaska, the main supply center. The INEL camp site is about a 3 minute helicopter ride from the REG camp and strip. A road proposed to link the INEL to the REG property would provide access to a proposed new airstrip on lower Bronson Creek.

The writer first examined the property for Skyline Explorations Ltd. in 1981, and in 1983 and 1984 supervised detailed sampling, geological mapping, and prospecting on the property. In addition, the writer has worked in the general area since 1964 and has been responsible for regional mapping, mineral deposit and metallogenic studies.

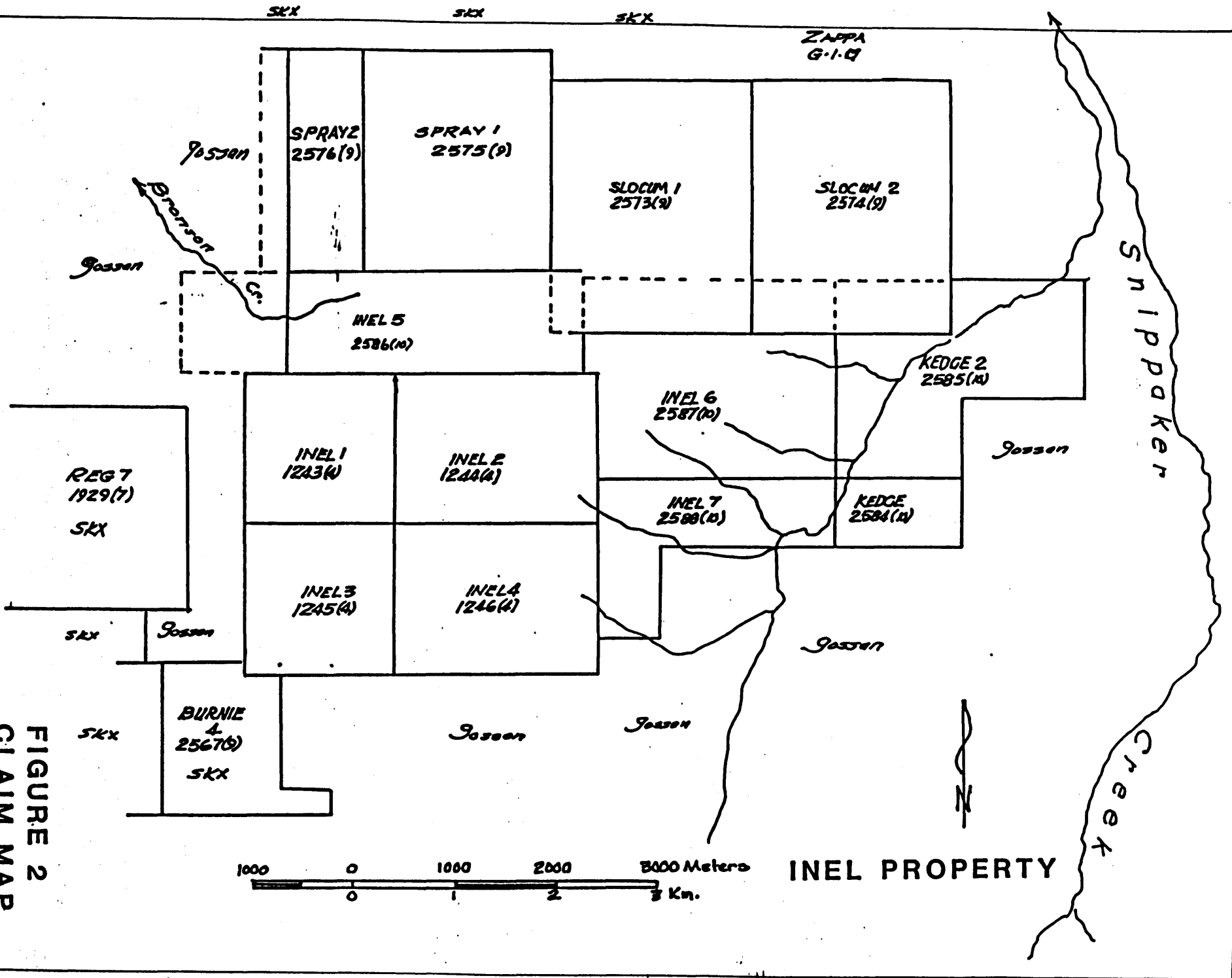
This report was compiled at the request of Mr. R.E. Davis, President, Skyline Explorations Ltd. and is based upon work at the property in 1981, 1983, and 1984. The writer has logged some of the 1984 drill core and supervised splitting and sampling of much of the mineralized intersections. The report describes the work carried out to date, the results obtained, an interpretation of the observations, and recommendations for further work.

LOCATION AND ACCESS

The INEL claim group lies on the south side of the Iskut River in northwestern British Columbia astride the southerly portion of Snippaker Ridge east of Bronson Glacier (Fig. 1). Elevations on the property vary from about 800 meters near Bronson Creek to more than 2100 meters on Snippaker Ridge. Both sides of the ridge are steep and marked by vertical to near vertical bluffs rising step-like to the narrow ridge top. Much of the claims area is open except for sparse alpine vegetation but is covered by talus, snow patches and small glaciers. Like most of this area ablation of ice and snow has increased dramatically since 1972 with the result that new outcrop areas are exposed annually.



FIGURE 2
CLAIM MAP



However, as the ice and snow retreat talus areas expand and slowly cover previously bare rock.

The INEL property lies only 82 kilometers from Wrangell, Alaska, and 50 km from the airstrip at Bob Quin Lake on the Cassiar-Stewart Highway. To date the property has been serviced by helicopter from the REG camp at Johnny Mountain, a three minute flight. For the purpose of surface exploration work the best period is from late June through early September. Experience at the nearby REG in 1986 suggests that with preparation underground work can continue through into the winter.

INEL CLAIM GROUP

The INEL property includes 13 contiguous staked mineral claims comprising a total of 208 units held (100 %) by Skyline Explorations Ltd. The claims include (Figure 2):

	<u>Units</u>	<u>Record No.</u>	<u>Anniversary Date</u>
INEL 1	9	1243	April 1, 1987
INEL 2	12	1244	April 1, 1987
INEL 3	9	1245	April 1, 1987
INEL 4	12	1246	April 1, 1987
INEL 5	16	2586	October 18, 1987
INEL 6	20	2587	October 18, 1987
INEL 7	20	2588	October 18, 1987
KEDGE	20	2584	October 18, 1987
KEDGE 2	20	2585	October 18, 1987
SLOCUM 1	20	2573	September 13, 1987
SLOCUM 2	20	2574	September 13, 1987
SPRAY 1	20	2575	September 13, 1987
SPRAY 2	10	2576	September 13, 1987

HISTORY

Stream silt sampling of the Iskut River tributaries by Scud Venture in 1965 led to prospecting of the Bronson Glacier area and the location of mineralization in 1966. In 1971 the well exposed bare hillside east of Bronson Glacier was staked by Skyline Explorations Ltd. and optioned to Texas Gulf, Inc. Texas Gulf's 1972 field program included geological mapping and surface sampling. In 1973 Texas Gulf continued mapping, sampling, made a number of surface cuts and covered a portion of the property by reconnaissance magnetic, R.E.M., and Radem geophysical surveys. Although the surface work disclosed a large number of mineral occurrences, and massive sulfide float boulders, the geophysical coverage failed to locate any obvious anomalous targets. No further work was done on the INEL until 1980 when Skyline Explorations Ltd. restaked the area. Limited sampling, trenching, and geological surface mapping took place during 1980 and 1981.



AL ALASKITE
 BC BETTY CREEK FM.
 UR UNUK RIVER FM.
 P PALEOZOIC
 C CATACLASTIC ZONE

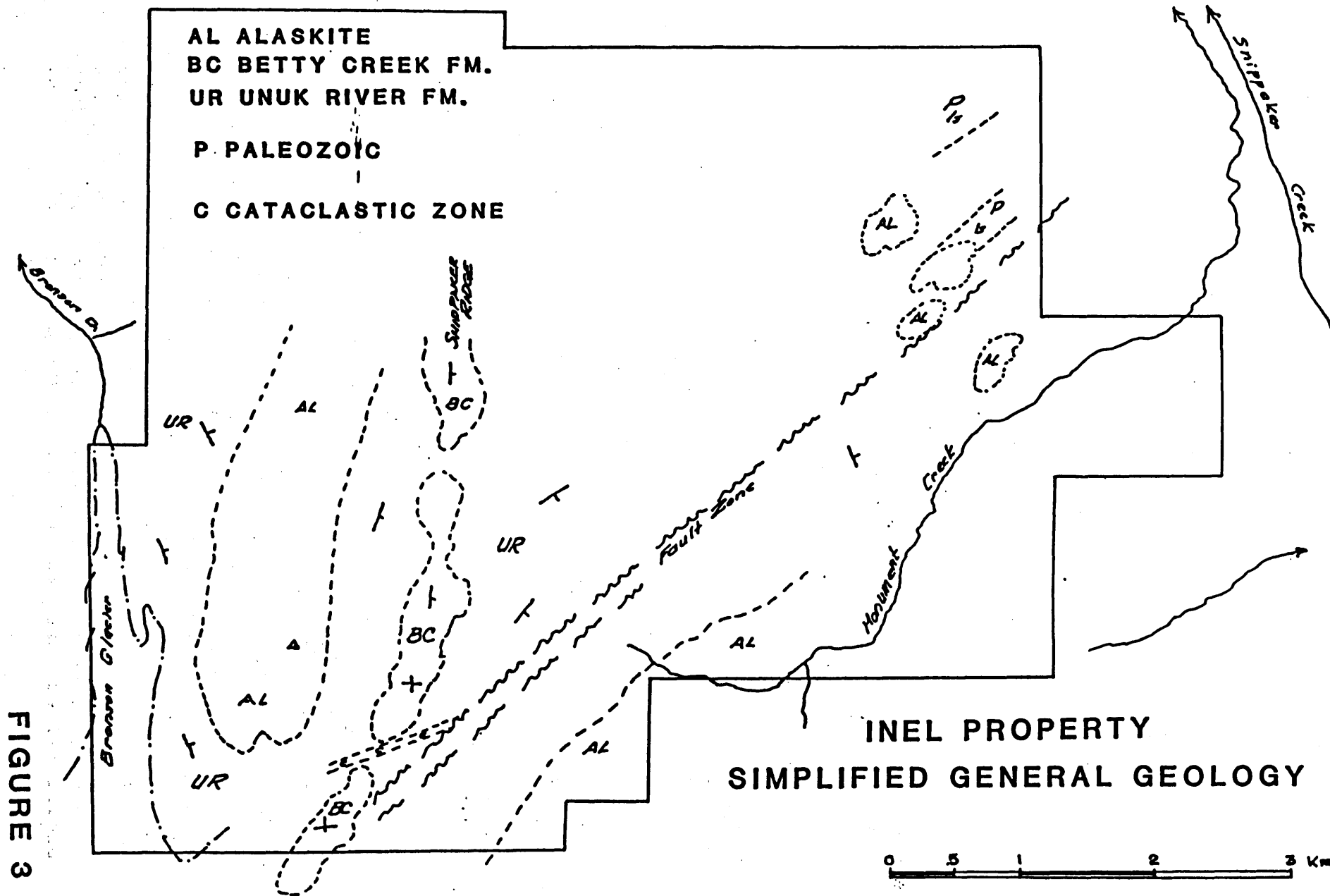


FIGURE 3

INEL PROPERTY
 SIMPLIFIED GENERAL GEOLOGY



In 1983 Skyline Explorations Ltd. commenced its first major work on the property. This included detailed chip sampling in the Main Sulfide Zone of an area about 250 meters square at 5 meter intervals on lines 25 meters apart. Parts of claims INEL 1 to 4 were mapped utilizing the detailed sampling grid, and reconnaissance work was carried out along the main ridge. Prospecting including soil and silt sampling was extended to the east side of the ridge opposite the main showings. In addition, as part of a regional airborne survey, the INEL claim group was flown utilizing helicopter borne VLF-EM and magnetometer systems. All of the 1983 results were incorporated in a geological report by the writer (Grove, 1983).

In 1984 Skyline's work on the property started in late June by erecting a cookhouse/dry as well as upgrading the camp with tent frames. Because of the late spring and snow prospecting, core drilling, and geological mapping were not started until late July. Prospecting, trenching, sampling and geological mapping were completed on August 30, and core drilling on the Discovery Zone was completed September 17.

During the 1984 season 22 core holes totalling 5,350 feet were drilled on the Discovery and Main Sulfide zones, 943 feet of trench was cut on the lowest part of the Main Sulfide Zone and portions of 5 new discoveries were sampled by short trenches. The lower Bronson Glacier and upper Discovery-Main Zone and Inel Ridge areas were remapped by the writer and Bob Bagshaw who also made a preliminary sketch of part of the SLOCUM 2 - INEL 3 claim area where prospectors located an extensive high grade gold bearing copper skarn.

As part of the overall program a small jaw crusher and sample splitter were installed at the camp. This preparation unit handled 1,292 samples during the season thereby speeding handling, saving helicopter and fixed wing freight costs, and provided a complete set of duplicate samples stored at the camp.

No significant work was done on the property in 1985 and 1986 because of priority commitments to the REG property.

GENERAL GEOLOGY

The general geology of this portion of the Iskut River area has been undergoing considerable revision as a result of the writer's work on the REG and INEL properties, and work by B.C. Hydro to the east along Forrest Kerr Creek. The area has now been included by the writer as part of the larger Stewart Complex (Grove, 1969, 1970, 1973, 1982, 1987), one of the most highly mineralized areas in the Western Canadian Cordillera.



TABLE I

SUMMARY TABLE OF FORMATIONS - ISKUT RIVER AREA

SEDIMENTARY AND VOLCANIC ROCKS

ERA:	PERIOD/EPOCH	FORMATION	LITHOLOGY	
C E N O Z O I C	Recent	Lava Fork	hotspring, ash, basalt flows	
		Iskut	basalt flows, ash	
		Hoodoo	basalt flows	
-----Unconformity-----				
M E S O Z O I C	Upper Jurassic	Nass Formation	siltstone, sandstone, conglomerate	
	Middle Jurassic	Salmon River Formation	siltstone, greywacke, sand- stone, conglomerate, carbonate	
	Betty Creek Formation	rhyolite breccia, sandstone tuff, volcanoclastics, conglomerate, carbonate, volcanics		
-----Unconformity-----				
P R E C A M B R I A N	Lower Jurassic	Unuk River Formation	volcanoclastics, siltstone, greywacke, porphyry, carbonate, rhyolite	
	Upper Triassic	Stuhini Formation	volcanoclastics, volcanics, siltstone, sandstone, chert carbonate	
	-----Unconformity-----			
P E R M I A N	Permian		crinoidal limestone	
	-----Unconformity-----			
	Pennsylvanian:	not yet recognized	?	
-----Unconformity-----				
Z O O G R A P H I C	Mississippian:		crinoidal limestone, clastic sediments, volcanic	
	-----Unconformity-----			
	Devonian		grey limestone	
-----Unconformity-----				
-----?-----				
Basement Unknown				



TABLE I CONTINUED

SUMMARY TABLE OF FORMATIONS - ISKUT RIVER AREA

PLUTONIC ROCKS

COAST PLUTONIC COMPLEX

ERA	PERIOD	LITHOLOGY
C E N O Z O I C	Late Tertiary	granodiorite, diorite, basalt
		Intrusive Contacts
	Early Tertiary	quartz diorite, granodiorite, quartz monzonite, feldspar porphyry, granite
		Intrusive Contact
M E S O Z O I C	Middle Jurassic	quartz monzonite, feldspar porphyry, syenite
		Intrusive Contact
	Lower Jurassic	diorite, syenodiorite, granite
		Intrusive Contact
	Late Triassic	diorite, quartz diorite, granodiorite
P A L E O Z O I C	?	
	NOT DETERMINED	quartz diorite, ?



Although the area was included in the regional Operation Stikine (GSC 9-1957), the geologic units mapped by Kerr (1948) in the late 1920's and early 1930's were retained with little change. Parts of Kerr's work in the Upper Stikine have been remapped and shown to be fairly accurate. However, Kerr's work in the Iskut area marks the limit of his mapping where stratigraphic units, mainly volcanic, lack fossils and have been in part highly deformed and requires severe modification.

From Craig River west to the Stikine junction the Permian limestone can be seen to form a thick northerly dipping slab extending along the valley to Mt. Claude. It is partly overlain near Mt. Fizzle by an apparently conformable but deformed, fossiliferous Upper Triassic (?) shale unit. These in turn were thought by Kerr to overlie older deformed pre-Permian both north and south of the Iskut River. These units which appear to lack useful macrofossils are rather monotonous in aspect and were correlated through the area by Kerr on the basis of the intense deformation, metamorphism and alteration, and the fact that they are directly overlain by recognizable Permian carbonates.

The writer's detailed and regional studies in the Stewart District have extended from the Iskut River to Alice Arm and have resolved many of the perplexing stratigraphic and lithostructural problems which still confuse most of the current workers (Table I). During the past four years the writer has been studying several mineral deposits found along the Iskut River east of Craig River. These rocks were mapped as pre-Permian and Triassic by Kerr on the basis of appearance. The shaly units forming Snippaker Mountain are fossiliferous and appear to represent variably deformed thick slabs of Carboniferous strata trending along the river and dipping northerly down the slope very much like the zone west of Craig River. The ridge east of Snippaker was also mapped in some detail in 1983 and 1984 and deformed units which include blocks of crinoidal Mississippian limestone form the crude dip slope. The property mapping provides information which suggests that - these Carboniferous slope forming slabs unconformably overlie correlatives of the late Lower Jurassic to early Middle Jurassic Betty Creek Formation and Lower Jurassic Unuk River Formation mapped as extending from Tom McKay Lake southeasterly through Stewart to Alice Arm.

The highly contorted, deformed nature of the Carboniferous strata can be seen in the steep cliffs between Bronson Creek and Snippaker Creek. The unconformable nature of the Carboniferous Middle Jurassic overlap is well exposed on both sides of Snippaker Ridge north of Snippaker Peak. The same unconformable relationship between these major rock units appears to extend from Forrest Kerr Creek west along the Iskut River to the Stikine River junction. Present interpretation suggests an east-west trending thrust along the axis of the Iskut River which like



the King Salmon Thrust Fault pushed up and over to the south. However, this is probably only part of the explanation of the Iskut River Structural Zone, and only part of the tectonic record exposed in the area.

Together these geological studies including the detailed mineral deposit programs have served to define a geo-entity termed the Stewart Complex which along with the Bowser Basin, the Coast Plutonic Complex, and a number of other features combine to form the framework of this part of northwestern British Columbia.

UNUK RIVER FORMATION

The Lower Jurassic Unuk River Formation (Grove, 1973, 1987) is described here as a stratified volcanic sedimentary sequence. Scattered areas of uppermost Unuk River Formation in the Stewart and Portland Canal districts of the Stewart Complex were mapped in the past by early workers as Bear River Formation or Hazelton Group. As a result of the writer's study of the Lower Jurassic rocks of the Stewart Complex, the Unuk River Formation now supersedes and replaces the previous descriptions and nomenclature. The lithology, age, and structural relations of the formation are now fairly well known. This formation is the oldest of the Hazelton Group and unconformably overlies Triassic and older units. In turn, the Unuk River Formation is overlain by the younger members of the Hazelton Group with angular unconformity.

Within the Stewart Complex the Unuk River Formation is best exposed in the Unuk River area where this unit as well as the Upper Triassic rocks are strongly deformed. The base of the formation has not been identified outside the Unuk River-Treaty Creek area. The Unuk River Formation includes diagnostic Hettangian, Upper Pleinsbachian, and Lower to Middle Toarcian fossil assemblages, spans most of the Lower Jurassic period, and is a mappable unit throughout the Stewart Complex, distinguished and delimited on the basis of lithologic characteristics. In the type area this formation has a measured cumulative thickness of over 43,000 feet showing its importance in the development of the region.

BETTY CREEK FORMATION

The early Middle Jurassic Betty Creek Formation was first recognized and mapped by the writer in the Stewart area and later extended throughout the Stewart Complex from the Iskut River to Alice Arm. This distinct volcanoclastic unit was not recognized by previous workers in the region. Recognition of this unit and its stratigraphic relationship to the underlying Unuk River Formation has provided a key to understanding the tectonic development of the region and in particular has been important in recognizing mineral deposit forming episodes. The recognition of



the Betty Creek, together with the Lower Jurassic Unuk River, Middle Jurassic Salmon River, and Upper Jurassic Nass Formation, has made it possible to establish and formalize the terminology of the Hazelton Group.

The Betty Creek Formation is characterized by the common intercalation of planar bedded, bright red and green volcanoclastics, with intercalated, andesitic volcanic flows, pillow lavas, tuffs, breccias, sedimentary members including chert, and carbonate lenses. Fossil collections made from the various sedimentary units have defined the age of the unit as lower to middle Bajocian, that is, lower Middle Jurassic. In the type area the formation has a thickness of 2,500 feet, but at Sulphurets Creek it exceeds 4,500 feet, and in the Anyox area exceeds 8,000 feet. Apart from these regional variations which reflect warps, old topographic surfaces, and provenance the overall Betty Creek sequence maintains an unusual continuity from the Iskut River to Alice Arm and in the Smithers area.

In the Stewart Complex the Betty Creek sequence can be used as a reliable major marker horizon because of its common occurrence as structural remnants. Most important to this report is the fact that in a number of situations such as at Silbak Premier, Big Missouri, and Sulphurets Creek, Betty Creek strata formed lithostructural traps, or dams, controlling mineralizing fluids, and causing the formation of major ore deposits.

LOCAL GEOLOGY

At this time about one quarter of the INEL property has been examined by either preliminary or detailed mapping (Figure 3). The bulk of the country rocks underlying Snippaker Ridge and the INEL property include a layered Unuk River Formation sequence comprising basal rhyolitic breccias, flows and clastic sediments, andesitic volcanoclastics, conglomerates, minor limestones and intercalated basalt flows and breccias. North of the property line and south of Snippaker Peak this Lower Jurassic sequence includes a thick southerly dipping fossil rich coquina in which specific macrofossils date the rocks as Toarcian, that is, late Lower Jurassic and equivalent to the Upper Member of the Unuk River Formation (Grove, 1973, 1987). Farther north along the south side of the Iskut River these Toarcian and older units have been overthrust by Mississippian and Permian limestone units. These Paleozoic rocks are present as irregular slabs and remnants. Permian limestone units have now been mapped over parts of SLOCUM 2 and INEL 7 claims where they are in fault contact with underlying volcanoclastics.



South of Snippaker Peak the Lower Jurassic units are unconformably overlain by gently dipping to warped early Middle Jurassic Betty Creek Formation equivalents found as structural remnants. These ridge forming members include volcanic sandstone, volcanic breccia, porphyritic andesitic and basaltic flows. Similar units form the ridge crests on Johnny Mountain to the west and on ridges to the south throughout much of the Stewart Complex.

The Lower Jurassic sequence has been cut by a long, narrow, high angle alaskite (leucocratic quartz feldspar porphyry) pluton that has been mapped in some detail on the INEL 1 to 4 claims. This intrusive extends from about the south boundary of the INEL group and northerly cutting across Snippaker Ridge south of Snippaker Peak. At the south the contacts are marked by wide granitized margins with zinc-silver mineralization on the west, and oxidized copper-molybdenum on the east. In the Main Sulfide Zone area the east contact is marked by an unusual swarm of narrow dikes. Field relationships indicate the presence of diorite, syenodiorite, quartz monzonite, and alaskite dike in order of decreasing age. These dikes, and mineralized country rocks have been faulted, partly deformed, and cut by wide pyrite-quartz-feldspar injection breccia dikes. Together with the mineralized country rocks and quartz-sulfide veins these pyritic injection breccias form the broad Main Sulfide Zone.

LOWER UNIT

In this report the term Lower Unit refers to the Unuk River Formation correlatives lying above Bronson Glacier which are overlain unconformably along Snippaker Ridge by Betty Creek Formation correlatives. The basal units of this Lower Unit sequence include a thick sequence of dark volcanic breccias and volcanic conglomerates in which structural layering is marked by intercalated thin argillaceous siltstone, sandstone and conglomerate. The thickness of the sequence is about 1,500 feet but no definite base has yet been determined. The members trend northwesterly and dip easterly at moderate to high angles. This essentially fragmental andesitic lower member is overlain by a contrasting light colored rhyolitic fragmental/flow sequence in which bedding is outlined by epiclastic rhyolite members. This middle sequence has an apparent thickness of at least 1,600 feet forming layered units trending northwesterly to northerly and dipping moderately to gently to the east (Figure 4).

Both of the above units have been intruded by the underlying alaskite pluton which has an apparent width of about 5,000 feet between Bromley Glacier on the west and the Main Sulfide Zone on the east.

The upper member of the Lower Unit sequence lies east of the main alaskite intrusive and is unconformably overlain on the



ridge by the Betty Creek sequence. This upper member includes most of the best known mineralization including the Discovery and Main Sulfide zones, as well as most of the new gold/silver bearing sulfide prospects. In ascending order this member includes thick bedded volcanic sandstone, thin bedded somewhat finer grained volcanic sandstone marked by tuffaceous banding and minor carbonate lenses, a finely banded light/dark lithic tuff/sandstone sequence in which thin olivine basalt flows are intercalated and in which the basalt flows increase in thickness and number upwards and to the north. To date most of the known bedded/stratobound sulfide mineralization has been outlined within this complex tuff/basalt sequence. This important tuff/basalt zone is overlain by bedded coarse sandstone, conglomerate and volcaniclastics marked by thinly intercalated siltstone/argillaceous siltstone layers.

The upper member has an apparent aggregate thickness of at least 2,500 feet as measured north of the main camp in Big Bowl and Super Bowl creeks cirques. The overall structure of this gently undulating sequence as measured in outcrop and drill core shows a northerly trend with an overall easterly dip of about 25'.

The Lower Unit is unconformably overlain by the Middle Jurassic Betty Creek correlative on Snippaker Ridge and cut by the main alaskite pluton, related dikes and by several strong north-northeast trending cataclasite zones.

UPPER UNIT

The ridge forming unit found along the spine of the INEL property has been linked homotaxially to the regionally very extensive, and very distinctive early Middle Jurassic sedimentary-volcanic sequence first recognized in the Stewart area (Grove, 1971, 1973, 1982, 1987). This unit is now recognized from the Iskut River to Smithers and is typically found as structural remnants forming distinctive cliffs and castlements. Although this formation is relatively well exposed along the crest-line on the INEL property, the actual contact and the unconformable relationship with the underlying Unuk River sequence strata has been largely obscured by the ice and snow patches dotting the ridge, and by the recently forming talus slides. The contact is well exposed south and southwest of the camp area where undulating to flat lying graphitic siltstone, sandstone, and volcaniclastic members overlie granitized, steeply dipping rhyolite and rhyolite breccia members of the local Unuk River Formation (Lower Unit). In the INEL area, like the REG, these Betty Creek rocks comprise a variety of sediments, lithic and crystal tuffs, and porphyritic andesitic flows with the latter forming much of the crest-line of the ridge.



STRUCTURE

The general overall structure of the Lower Unit now appears to be that of a northerly trending easterly dipping homoclinal sequence which has been partly truncated on the west side of the ridge by the Alaskite stock shown in Figure 4, and by similar plutons well to the east in the next valley. In detail, the various sedimentary members of the Lower Unit show moderate to strong folding in the vicinity of the dike swarm, but are rather more undulating elsewhere. In the southwest part of the map area the various rhyolite flows, rhyolite breccias, intercalated lapilli tuffs and lithic tuffs have been indurated and variably granitized along the border of the Alaskite stock. These country rocks now comprise indurated zones, hornblendic, somewhat granitized zones and inclusions, and ghost-like to almost completely altered zones and inclusions within the margin of the stock.

The general structure of the overlying Upper Unit - Betty Creek Formation equivalent, appears to fit readily into the regional pattern. That is, it is draped across preexisting country rocks, and displays a succession of flats, rolls and homoclines. Distinctively, sudden thickenings in this sequence generally imply graben or half-graben structural development during deposition related to normal fault motion in the underlying older country rocks. These troughs typically include thick successions of graphitic sediments, sandstones and volcanics. The abrupt thickening of the crest-line volcanics to include such a sedimentary complex at the south end of the property (Fig 4) implies fault motion and a fault system currently obscured by the line of ice falls and glaciers south of the INEL and REG properties. North of the INEL property, towards the Iskut River, the Betty Creek strata thicken considerably and overlie faulted, deformed and altered Lower Jurassic and Triassic sequences.

As in other parts of the Stewart Complex, the extensive sulfide mineralization found in association with shears in the Lower Jurassic appear to be related to a late Lower Jurassic period of plutonism. Uplift and erosion planed off these zones which were then depressed and covered by early Middle Jurassic sequences. It appears that these generally steep, northwesterly trending zones extend from the INEL property across under Bronson Glacier to Johnny Mountain. The easterly extension of these sulfide zones was not traced.

Mapping of parts of the alaskite contact zone during 1983 and 1984 showed the presence of a broad zone of inclusions rather than a single sharp contact. In addition, better exposures on the east side of the stock showed that the stock is more complex than first known where it cuts the main sulfide exposures. Similar



leucocratic quartz monzonite plutons have also been noted several kilometers to the east along the main west fork of Snippaker Creek and at the REG property to the west. All of these plutons have a similar aspect and all appear to be spatially related to zones of widespread mineralization and to major gold-silver bearing mineral deposits.

Detailed mapping in 1983 also showed the presence of a small dike swarm localized within the main sulfide showings (Figure 4). Two distinct types of dike were mapped; one, quartz monzonite or alaskite and probably offshoots related to the main stock, and two, syenodiorite generally distinguished by dark color and coarse to very coarse orthoclase phenocrysts. This second type has also been found in many other parts of the property generally related to mineralized zones and vein systems.

Spatial relationships show that all these intrusive units cut the Lower Unit (Lower Jurassic) and the mineralized zones but little good evidence has yet been observed to show spatial relationships to the local Betty Creek Formation equivalents. In the Unuk River area a variety of syenite, syenodiorite and alaskite plutons have been mapped in detail and shown to be of early to late lower Middle Jurassic age (Grove, 1973, 1982, 1987). These plutons are also related to extensive gold, silver, copper, molybdenum and lead-zinc mineralization such as now being developed at the REG and at Sulphurets Creek. On the basis of the present spatial and petrologic relationships the alaskite stocks and dikes and syenodiorite dikes are interpreted to be of an early Middle Jurassic age. The observations that the alaskite stock and dikes, and the syenodiorite dikes cut the main sulfide mineralization on the INEL property suggests an early Lower Middle Jurassic age for much of the mineralization and alteration of the Lower Jurassic strata.

ALTERATION

General studies during 1983 and 1984 of the macro-relationships on the INEL property show a broad alteration zoning related to the overall sulfide mineralization and to intrusive activity. The general alteration picture enunciated in the 1983 report (Grove, 1983) has not changed significantly and is largely repeated here.

The most obvious alteration affecting the Lower Unit members is the intense pyritization, silicification and feldspathization found in the area of the main showings extending over at least 500 meters and over more than 1200 meters if the Discovery Zone is included. As shown on Figure 4 a considerable number of new mineralized zones north and south of the main showings and on the east side of the ridge were discovered in 1983 and 1984. Examination of these areas suggests that the main pyritic showings are crudely outlined by a halo dominated by carbonate veining and

alteration, and by the presence of barite veins. This halo appears to have a width of at least 2000 meters and extends easterly another 2500 meters. This is in turn crudely surrounded by an outer zone dominated by bright green chlorite and other low temperature minerals (gypsum etc.). This distinctive green chlorite is also found in quartz and calcite veinlets in Betty Creek rocks overlying the sulfide zone on the crest-line of the ridge and higher in this sequence to the east. Thus the INEL pyritic mineralization can be characterized as outlined by shell-like halos of high to low temperature alteration within host rocks which appear to have been thin bedded color banded siltstone and sandstone. The same emerald green chlorite is found at the REG property where it is localized at the margins of the sulfide veins and K feldspar zones.

Core drilling of the Main Sulfide and Discovery deposits in 1984 has confirmed the extensive alteration of sediments within the mineralized areas and has shown K feldspar, quartz and carbonate stockwork veining, and secondary biotite to be considerably more pervasive than suggested by outcrop studies. This compares favorably to results from studies at the REG property. Core studies also revealed extensive induration, bleaching, and mottling of the host rocks as well as scattered epidote and hematite alteration within parts of the Discovery Zone.

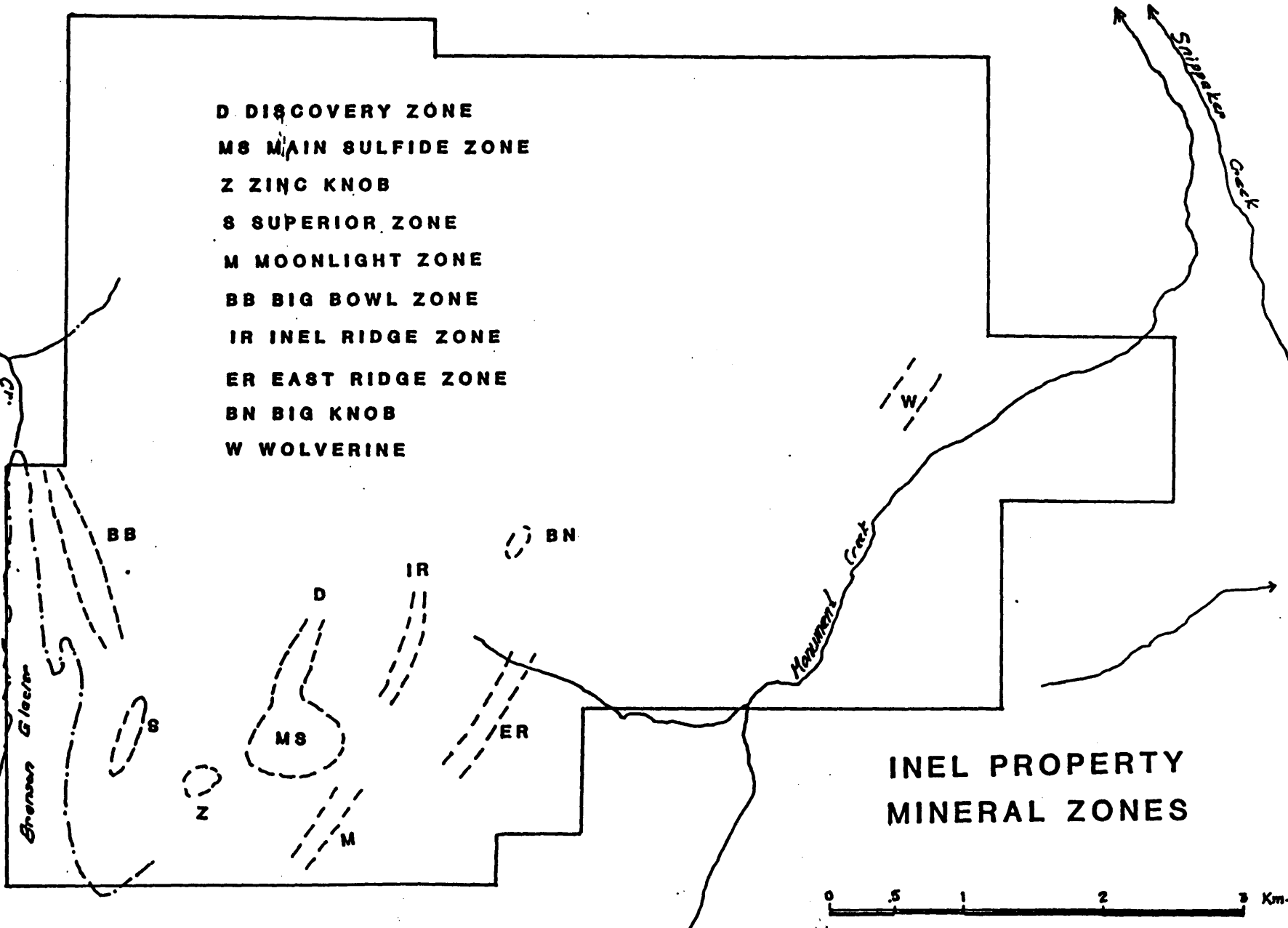
Work on the REG property on the major Stonehouse Gold Deposit has shown the major importance of K feldspar alteration in both hosting major gold mineralization (Zephrin Zone) and in playing the role of host to younger gold bearing sulfide-quartz-K feldspar veins.

REGIONAL STRUCTURE

The deeply eroded Iskut River valley trends due east-west over a length of 40 miles representing a major structural zone terminated on the west by the Tertiary Coast Plutonic Complex and on the east by Late Jurassic/Cretaceous Meziadin Hinge or Graben (Grove, 1973). The Iskut zone marks one of the region's major thrusts involving Paleozoic strata that have been pushed southerly across Mesozoic units. Prior to this major event mass gravity sliding of Middle Jurassic and younger rocks across Lower Jurassic and Triassic strata took place during development of the Bowser Basin (Grove, 1972, 73, 87). These major structures are exposed in the INEL area and probably represent only part of the region's complex tectonic development.



FIGURE 5



INEL PROPERTY
MINERAL ZONES

0 .5 1 2 3 Km.

MINERALIZATION

STEWART DISTRICT

More than 500 mineral deposits have been found within the various rocks forming the Stewart Complex. Of these, 70 deposits have shown some production including the world class Hidden Creek and Granduc copper mines, the B.C. Molybdenum mine, the Silbak Premier gold-silver base metal mine, and the Torbrit-Dolly Varden silver mine, as well as 16 other major B.C. producers. All of these mineral deposits plus several hundred other small or poorly explored showings are located in Mesozoic and Cenozoic units bounded by the Coast Plutonic Complex on the west and the Upper Jurassic strata forming part of the Bowser Basin on the east. The northerly limit of this irregular area lies crudely along the Iskut River where Paleozoic strata predominate.

PROPERTY MINERALIZATION

Texas Gulf Sulphur Company personnel carried out geological mapping, float sampling, trenching, and ground geophysics on exposed mineralization above Bronson Glacier on the west side of Snippaker Ridge in 1972 and 1973 (Assess. Repts. 3980, 4732). This work showed the presence and widespread nature of gold and silver bearing sulfide mineralization and crudely outlined the Big Creek (Discovery), Inel (Main Sulfide), Nunatak (Zinc Knob) zones and scattered sphalerite veining between the glacier and Nunatak trenches. At that time exploration was seriously hindered by snow and ice cover. In only ten years rapid ablation taking place throughout the area has opened most of Snippaker Ridge, except for the small cirque glaciers, to summer exploration.

In 1983 Skyline Explorations Ltd. investigated the Main Sulfide Zone by close spaced sampling and geological mapping and extended prospect sampling beyond the known areas (Grove, 1983). In 1984 Skyline mounted a major program which included drilling portions of the Main Sulfide and Discovery zones, trenching new prospects and further property mapping, prospecting and sampling (Figure 5). All the Skyline Explorations Ltd. prospect, trench and core sample logs and results were appended to the 1985 report which should be used in conjunction with this revised version.

MAIN SULFIDE ZONE

The 1983 sampling and mapping outlined an area of extensive pyritization cut by two major sets of dikes, high grade sulfide veins, and marked by discrete gold rich pyritic lenses (1983, Figures 5a, 5b, and 6). The overall sampling results showed marked metal zoning upwards and outwards from the pyritic 'core' as well as discrete high grade gold and silver.



The 1984 program tested part of the Main Sulfide Zone by Winkie drilling the heavily pyrite veined High Grade Zone on line 7+25S where 1983 sampling first showed 8.940 opt gold and 3.39 opt silver across 5 meters with adjacent values of 0.219 opt Au/0.33 opt Ag and 0.13 opt Au/0.14 opt Ag on adjoining sample sections. The Winkie drill was chosen because of the location of site on rough bare rock (Figure 4). Ten Winkie AX core holes were completed on the Main Sulfide Zone to test the continuity of the 1983 sampling and showed the following results:

	Footage		Length	Cu	Pb	Zn	Silver	Gold
	From	To	Feet	%	%	%	oz/st	oz/st
DDH-H-1	10.0	13.6	3.6	.03	.01	.01	.29	.114
drilled S	77.0	79.0	2.0	.09	.01	.02	1.66	.224
DDH-H-3	10.5	13.5	3.0	.55	.01	.02	.85	.150
drilled S	(same zone as DDH-H-1 10.0 - 13.6)							
DDH-H-4	18.6	22.4	3.8	.17	.06	.13	3.75	.108
drilled N	22.4	26.5	4.1	.40	.10	.46	20.22	.379
	26.5	30.8	4.3	.48	.02	.25	3.87	.138
overall	18.6	30.8	12.2	.38	.06	.29	9.25	.210
DDH-H-5	80.0	82.0	2.0	.14	<.01	.02	.50	.122
vertical								

In summary, the overall Winkie drilling results show continuity of the copper-silver-gold bearing pyritic mineralization in altered sediments as east-west trending sheets dipping moderately to steeply south which coincide with the 1983 surface sampling of the same zone. This limited drilling tested only a tiny segment of the heavily sulfidized Main Zone.

In addition to the Winkie core drilling the lower accessible portion of part of the Main Sulfide Zone was opened by three sub-parallel, contour trenches aggregating a total of 943 feet. This mineralized area was tested by the 1983 sampling but because of deep oxidation the nature and structure of the material was completely obscured. Trench mapping has now shown that the sulfide lenses or dike-like shoots shown on Figure 4 are coarse south dipping injection breccia dikes comprising up to 60 per cent (or more) broken pyrite, with quartz and fragmental K feldspar gangue. Detailed sampling showed that this lower part of the Main Zone is relatively low grade but that significant gold/silver sections do occur. The sampling showed relatively uniform metal values through this lower area with the best values in trench #2 from 0-17 m (55 feet) averaging 0.086 ounces gold per short ton. Apart from the apparently low grade nature of the few veins sampled, the overall characteristics such as the angular fragments of K feldspar in the pyritic vein material compares strongly to the Discovery vein at the REG property.



DISCOVERY ZONE

In 1984 Skyline's core drilling program concentrated on the Discovery Mineral Zone which had previously been located by located by surface sampling and limited trenching which indicated significant gold, silver, zinc, copper and lead over narrow widths over a length of 750 feet. Twelve BQ core holes drilled at (30 m) 100 foot intervals have shown the Discovery Zone to be considerably more extensive than indicated by the trenches. The 1984 work shows the presence of at least five easterly dipping complex sulfide zones within a 110 meter (350 feet) thick sequence comprising thin bedded sedimentary and volcanic rocks over the known length of more than 230 meters with a drilled down dip length of at least 150 meters (Figures 4, 5).

DISCOVERY ZONE 1984 CORE DRILLING

	FOOTAGE		WIDTH FEET	ZINC %	SILVER Oz/Ton	GOLD Oz/Ton
	FROM	TO				
D-1	145.0	161.0	16.0	6.80	.92	.120
D-2	190.0	193.5	3.0	4.40	1.24	.270
D-5	73.3	82.0	8.7	.61	.17	.110
	94.8	103.0	8.2	2.71	.22	.180
D-6	39.5	41.0	1.5	7.22	1.16	.440
	57.2	66.7	9.5	4.00	.43	.120
	161.7	174.8	13.1	.56	1.06	.260
D-7	14.0	21.5	7.5	.94	2.82	.006
D-8	101.3	107.0	5.7	1.30	.31	.011
	131.0	135.0	4.0	1.23	.12	.035
	176.0	182.7	6.7	3.33	1.51	.940
	213.0	233.0	20.0	.60	.73	.054
D-9	70.4	87.5	17.1	1.48	.16	.007
	267.0	272.0	5.0	.45	.06	.145
D-10	110.5	111.5	1.0	31.60	.67	.128
	144.8	147.8	3.0	3.75	.67	.185
D-11	26.5	34.5	8.0	1.50	.32	.030
	131.5	134.0	2.5	8.96	.98	.198
	272.0	281.6	9.6	3.39	.48	.086
	292.0	294.0	2.0	7.64	.61	.090
D-12	86.2	89.7	3.5	9.69	1.67	.120
	96.7	102.0	5.3	1.57	.11	.055
	120.5	128.5	8.0	5.04	.17	.029
	156.0	159.3	3.3	6.29	.78	.158
	166.0	170.0	4.0	5.28	.72	.114

The interpretation given in the cross-sections (Figure 9a, b, c, d, 1985) presents one of several possible situations. This was presented because the observed planar banding in the trench mineralization parallels bedding. In the core the sulfide sulfide was noted as both parallel bands and as vein-like,



possibly remobilized, mineralization. This drilling showed the Discovery Zone mineralization to contain significant gold, silver, and zinc throughout a much more extensive length, width and depth than previously known.

As a result of this new drilling and detailed geologic mapping the geologic nature of the Discovery and Main Sulfide zones has been extensively revised. It is now apparent that the geologic sequence includes a thick succession of gently undulating, gently easterly dipping, fine grained sediments and intercalated olivine basalt flows. Mineralization has now been outlined over a 600 meter (2,000 feet) length of the sequence.

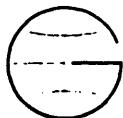
The Main Sulfide Zone which has a width of at least 1,000 feet has now been shown to comprise a sequence which in fact forms an extension of the Discovery Zone but which has in addition been cut by thick dike-like injection sulfide/K feldspar breccias which now form about 50 per cent of the zone. Like the Discovery Zone, the original sequence in the Main Sulfide Zone comprised intercalated fine grained clastic sediments and thin olivine basalt flows. In the Discovery Zone the observed gold bearing, basically zinc rich mineralization is found along and near the basalt/sediment contacts and within the sediments. In the Main Sulfide Zone the mineralization includes strata-bound sulfides, remobilized vein sulfides and disseminated gold in the massive injection breccia veins.

ZINC KNOB

This isolated rock mass was partly trenched by Texas Gulf Sulphur and was called the Nunatak Zone; and forms part of the mineralized Lower Unit south of the Main Sulfide Zone. New mapping and trenching have revealed an altered, folded, thinly bedded sedimentary sequence including apparently stratabound sulfides with pyrite, galena, and sphalerite cut by quartz, pyrite, and arsenopyrite veins (Figure 6). The new Skyline trench has cut across part of the mineralization giving 0.03% Cu, 0.63% Pb, 1.91% Zn, 0.455 opt Ag and 0.12 opt Au across 7 meters (23 feet). This work shows that mineralization in this part of the Lower Unit is also more significant than first realized.

SUPERIOR ZONE

Prospecting in 1983 and 1984 led to trenching above Bronson Glacier southwesterly of the main mineral areas and the discovery of the pyrrhotite, sphalerite rich Superior Zone (Figure 7). Attention was focused on this area by the location in 1983 of blocks (up to 3' x 4') of massive high grade silver bearing galena, sphalerite and pyrite in talus which covers most of the area above Bronson Glacier. Simple trenching in 1984 through thin talus disclosed a number of sub-parallel quartz-sulfide veins in



which pyrrhotite and sphalerite were abundant. The trenched material graded as high as 0.15% Cu, 1.79% Pb, 12.99% Zn, 1.97 opt Ag, and 0.012 opt Au. The host rocks in this limited area are thin bedded volcanic sandstone and siltstone and represent sediments intercalated within the lower thick andesite breccia sequence. The source of the large high silver blocks has not yet been found, but this preliminary trench also shows the obvious wide extent of sulfide mineral in the as yet poorly prospected lower andesite member which should receive more attention in future as the glacier continues ablation.

BIG BOWL ZONE

The Big Bowl Zone lies above Bronson Glacier and at present appears to extend at least 1600 meters (5,300 feet) across INEL 1 and part of INEL 3 as part of a broad alteration zone within the Lower Unit (Figure 5). The area is marked by thick marginal moraine cut by fairly closely spaced, steep creeks in which scattered outcrop forms water falls. Preliminary mapping in 1984 suggests the host rocks are volcanic conglomerates and breccias of the lower member which have been complexly intruded and altered to feldspathic, pyritic material in which sphalerite, galena and chalcopryite are disseminated. Most of these rocks are deeply weathered forming bright gossan areas along the lower slope. The alaskite intrusive is also strongly altered but in contrast appears to contain mostly fine disseminated pyrite and has resisted oxidation. These rocks have all been cut by narrow diorite dikes and northeast trending faults. To date the best results have come from the south fork of Big Bowl Creek - 0.04% Cu, 1.08% Pb, 2.60% Zn, 1.07 opt Ag, and 0.168 opt Au; and from adjacent upper Zinc Creek - 0.16% Cu, 0.32% Pb, 3.90% Zn, 0.48 opt Ag, and 0.08 opt Au. Similar, yet somewhat lower values have been obtained from about 80 rock samples collected from mineralized showings along the full zone. Silt and soil samples taken from the same area show anomalous values with golds ranging from 115 to 1980 parts per billion. Rock, soils and silts all suggest an increase in overall metal grades towards the north part of the zone. Because of the extensive overburden this large zone has received only cursory attention, but it appears to have significant potential and requires further mapping, and sampling with follow-up trenching and possible drilling. The proposed road to the camp area would open this zone to detailed sampling.

INEL RIDGE ZONE

Good results from the 1983 preliminary prospecting suggested that the upper sedimentary part of the main Lower Unit required further work. In 1984 when conditions were optimum prospecting was concentrated along both sides of upper Snippaker Ridge below the Betty Creek strata (Upper Unit). As a result the Inel Ridge Zone on the west side, and the Moonlight Zone on the high

east side have been recognized and partially outlined (Figure 5).

Preliminary prospecting and sampling on the west side of the ridge has now indicated quartz-calcite-sulfide vein and disseminated sulfide mineralization in fine grained thin bedded sandstone/siltstone over a length of about 1000 meters (3,200 feet) below the dominantly volcanic Upper Unit (Betty Creek). Fifty prospect samples of vein and host rock from this zone assayed as high as 5.80% Cu, 63.10% Pb, 22.50% Zn, 85.32 opt Ag, and 3.166 opt Au (INEL, White Bear samples). Soil samples from this zone were particularly anomalous assaying from 285 - 4,400 ppm Cu, 658 - 8,800 ppm Pb, 1,612 - 38,900 ppm Zn, 0.7 - 437.1 ppm Ag, and 375 - 5,600 ppb Au. Many of the high grade samples were taken from quartz-carbonate-sulfide vein stockwork zones, but one sample (R-177) which assayed 3.166 opt gold was a grab from across a 50 foot wide veined, pyritized zone.

The Inel Ridge Zone has not yet been mapped. The apparent stockwork nature of the vein-sulfide mineralization, gold bearing disseminated sulfide mineralization in altered sediments, and apparent overall size of this zone warrants continued exploration including detailed mapping, sampling and core drilling.

MOONLIGHT ZONE

Preliminary sampling of the new Moonlight Zone veins found in late 1984 by Skyline prospectors gave values as high as 0.18 per cent copper, minor lead, 6.56% Zn, 0.44 opt Ag, and 0.390 opt Au. This new prospect lies on the high east side of Snippaker Ridge south of the Inel Ridge Zone (Figure 8). Like the Inel Ridge Zone the mineralization comprises quartz-carbonate-sulfide stockwork veins in a fine grained volcanic sediment host rock. These strata form part of the upper member of the Unuk River equivalents (Lower Unit) which are overlain to the north and south on the ridge by Betty Creek equivalents.

Both the Inel Ridge and Moonlight zones display widespread vein stockworks and sulfide mineralization and both show significant values in gold and silver as well as zinc and copper. Because of their proximity these two new zones should be included in an overall detailed geological study of the upper member, detailed trenching and appropriate exploration core drilling.

EAST RIDGE ZONE

Parts of the east side of Snippaker Ridge were prospected during 1983 and 1984 revealing a large number of quartz-sulfide veins cutting thinly banded lithic tuff and volcanic sandstone forming part of the Lower Unit (upper member). These veins usually contain arsenopyrite and pyrite as well as occasional



sphalerite and galena and apparently fall within a restricted zone due east of the Main Sulfide Zone (Figure 5). New veins sampled during 1984 gave relatively uniform low values with up to 5.04% Cu, and 2.00% Pb, 9.95% Zn, 1.06 opt Ag, and 0.178 opt Au. Assay values from the 1983 prospect results were higher overall (1983, Figure 3).

Further soil and silt sampling on the east side of the ridge during 1984 produced a number of anomalous results which along with the 1983 results indicate significant gold and silver bearing sulfide mineralization towards the top of the ridge and may reflect the new Moonlight and Inel Ridge zones.

BIG ROCK SHOWING

The new Big Rock showing found in 1984 was located by Skyline prospectors following-up an anomalous silt sample. Trenching and mapping of a small exposed area on the east side of Snippaker Ridge disclosed at least one massive sulfide lens localized at the contact with the main alaskite stock and host sediments (Figure 9). Extensive talus and snow precluded further exploration in 1984; and in spite of the high grade silver assays, this area should rank as low priority in future programs.

WOLVERINE ZONE

The new Wolverine Zone is located near the northeast corner of the INEL property where massive Paleozoic slabs have been overthrust onto Lower and Middle Jurassic strata (Figure 5). Prospecting and preliminary mapping indicate a number of small stock-like alaskite plutons and dikes have cut a dominantly volcanoclastic sequence which on the higher ridges is overlain by structural remnants of the thrust sheet. The Wolverine Zone is located in the steep forested bluffs above the main stream where prospect sampling has produced assay results as high as 5.55% Cu, 1.48% Pb, 7.0% Zn, 2.2 opt Ag, and 0.016 opt Au. The high grade assay results reflect mineralization in which chalcopyrite, magnetite, pyrite as well as copper oxides were found in limestone bands up to 20 feet wide intercalated within volcanic sediments. Lower assay values reflect quartz-sulfide stockwork vein systems cutting the same host rocks. The overall mineralized zone appears to be up to 200 meters (700 feet) wide, but has not yet been traced laterally. The relatively low elevation of this new zone allows easy early access, but the low gold values so far indicated place it as medium priority for further exploration.

CONCLUSION

Prospecting, mapping and revision of the geology of the INEL claims by Skyline personnel and the writer, particularly in the Discovery and Main Sulfide zones area, have considerably enhanced the mineral potential of the property. In two short seasons Skyline Explorations saturation prospecting/exploration has shown the extensive nature of the gold bearing and zinc rich sulfide strata-bound, vein-type and porphyry-like mineralization throughout the INEL property.

In the Discovery and Main Sulfide zones the mineralization has been shown to include strata-bound sulfides, remobilized vein sulfides and disseminated gold in the massive injection breccia dikes.

Anomalous stream silt and soil results from the 1983 program were followed up by detailed ground prospecting. As a result eight major new zinc, silver and gold bearing zones have been distinguished within the limits of the INEL claims. In addition to locating two new zinc rich areas south of the Main Sulfide Zone, three new gold and silver zones were discovered in the sedimentary rocks above the main mineralization. This Inel Ridge Zone has now been partially explored over a length of about 1000 meters giving results of up to several tens of ounces per ton silver and up to 3 ounces per ton gold. Prospecting at higher elevations above the Main Sulfide and Discovery zones has shown the occurrence of a large number of new veins containing extensive galena, sphalerite and arsenopyrite.

Preliminary sampling of the new Moonlight Zone veins southeast of the Main Sulfide Zone gave values as high as 0.390 ounces gold per ton, 0.44 ounces silver per ton, 6.56 per cent zinc, 0.18 per cent copper, and variable lead. Work on the new Zinc Knob prospect southwest of the Main Sulfide Zone gave results showing 0.63 per cent lead, 1.91 per cent zinc, 0.455 ounces silver per ton and 0.012 ounces gold per ton over a width of 23 feet. Selected samples from a 30 foot wide trench in the new Superior Zone west of the main area gave assays of up to 0.15 per cent copper, 1.79 per cent lead, 8.43 per cent zinc, 1.77 ounces silver and 0.004 ounces gold per ton. The possibility of a large low grade gold bearing sulfide deposit has been recognized in the Big Bowl Zone, and the copper-rich Wolverine Zone appears to have future potential.

Part of the successful 1984 season involved revising, remapping, and extending geological concepts regarding the detailed geology and mineral controls on the INEL property. In the Discovery and Main Sulfide zones area this led to the recognition of the presence of conformable thin olivine basalt flows and breccia within the thinly bedded altered sedimentary sequence and

above the high grade mineralization. In addition, the writer completely revised the 1983 Betty Creek/Unuk River contact showing that this was in fact a wide north-northeasterly trending cataclasite zone that extends from the Bronson Glacier cirque on the south, across Snippaker Ridge north towards the Iskut River. As a result the Main Sulfide Zone mineralization has been extended south, and the Betty Creek strata have been limited to a cap on the ridge where it overlies Toarcian sandstone members.

It has now been shown by revised mapping and prospecting that the Inel Lower Sequence is mineralized from the south property boundary to well north of the Discovery Zone. To date only a few of the most obvious, most accessible portions of the mineralized Lower Unit have been examined in any detail. The vast extent of this mineralized zone requires further careful study in order to assess its commercial potential. This can be best achieved by a major exploration campaign involving extensive underground development to test the Discovery and Main Sulfide zones by detailed mapping, sampling and core drilling. In addition exploration of the Inel Ridge zones should be completed allowing deep test drilling from the proposed underground headings. Because of the extensive work recommended the program has been outlined in two stages.

1987-1988 EXPLORATION & DEVELOPMENT BUDGET - INEL PROPERTY

Stage I

1. Underground Development

Adit, drifting, cutouts, core drilling
9' x 10' trackless, all inclusive @ \$500/foot \$350,000

2. Camp

1 - 24 person winterized camp \$200,000
(all inclusive)
Camp installation 35,000
235,000

3. Equipment - to be acquired as required.

1 - Tamrock 2 boom jumbo	275,000	
1 - 3412 GEN plant	55,000	
1 - 600 cfm compressor	25,000	
1 - 2 yd ³ scoop tram (used)	50,000	
1 - D-8 tractor crawler	85,000	
1 - 966 loader	60,000	
1 - air track (new)	40,000	
1 - underground 10 ton truck	<u>50,000</u>	
		640,000
Maintenance, including parts, lube etc.	50,000	
Transportation to property	<u>60,000</u>	
		110,000

4.	<u>Personnel</u>		
	1 - Camp manager	@ \$4,500/mo	
	1 - Underground superintdt	@ \$6,000/mo	
	1 - Cook	@ \$4,000/mo	
	1 - Bullcook	@ \$3,000/mo	
	1 - First Aid Attendant	@ \$3,500/mo	
	1 - Geologist	@ \$3,500/mo	
	1 - Sampler	@ \$3,000/mo	
	1 - Cat operator	@ \$6,000/mo	
	1 - Loader operator	@ \$6,000/mo	
			\$100,000
	Miners, scoop tram operator, drillers, mechanic/ electrician and bonus are included in footage est.		
5.	<u>Room & Board</u>		
	Cost per day @ \$60/man		40,000
	Underground personnel included in footage estimate		
6.	<u>Road building, Trenching</u>		
	INEL 1, 3, 5, SKX 1		
	Sampling and assaying		400,000
7.	<u>Fuel & Fuel Tanks</u>		
	delivered to camp		90,000
8.	<u>Surface Exploration</u>		
	Trenching & sampling & assaying		
	Big Bowl & Inel Ridge zones	30,000	
	Core drilling - Inel Ridge Zone		
	(incl helicopter etc. - all found)	40,000	
	2 - Prospectors @ \$3,000/mo	20,000	
	1 - Geologist @ \$3,500/mo	10,000	
	Local helicopter	<u>20,000</u>	
			120,000
9.	<u>Transportation</u>		
	Local helicopter, 2 ATV's		
	Equipment & supplies to camp		
	Local airstrip to INEL camp		35,000
10.	<u>Transportation - to and from camp</u>		25,000
	2 snowmobiles		
11.	<u>Engineering</u>		<u>35,000</u>
	Supervision, documentation & reports		
		Sub-Total	\$2,180,000
12.	Expediting/Administration	@ 5%	105,000
		Contingencies @ 10%	<u>215,000</u>
	TOTAL STAGE I BUDGET		\$2,500,000

Stage II

1.	<u>Underground Development</u> Drifting, cutouts, core drilling (9' x 10', inclusive)	\$1,200,000
2.	<u>Camp Maintenance</u> Repairs, etc.	50,000
3.	<u>Equipment</u> Maintenance and upgrading	100,000
4.	<u>Personnel</u> 1 - Camp manager @ \$4,500/mo 1 - Underground superintdt @ \$6,000/mo 1 - Cook @ \$4,000/mo 1 - Bullcook @ \$3,000/mo 1 - First Aid Attendant @ \$3,500/mo 1 - Geologist @ \$3,500/mo 1 - Sampler @ \$3,000/mo 1 - Cat operator @ \$6,000/mo 1 - Loader operator @ \$6,000/mo	250,000
5.	<u>Room & Board</u> Cost - \$60/man/day Underground personnel included in footage est.	90,000
6.	<u>Roads, Trenching</u> Improvements, sampling, assaying	120,000
7.	<u>Fuel</u> Delivered to camp	80,000
8.	<u>Surface Exploration</u> Prospecting, sampling, assaying, mapping, core drilling, local helicopter	50,000
9.	<u>Transportation</u> To and from camp, local helicopter	20,000
10.	<u>Engineering</u> Analysis, documentation and reports	40,000
11.	Expediting/Administration @ 5%	100,000
	Contingencies @ 10%	<u>200,000</u>
	Total STAGE II BUDGET	\$2,300,000
	TOTAL 1987-1988 BUDGET - STAGE I + STAGE II	\$4,800,000

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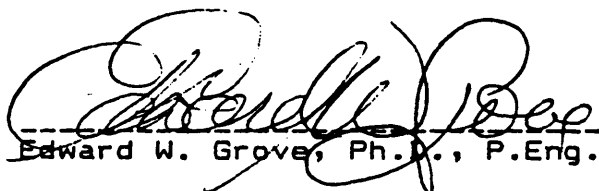
G.S.C. Map 9-1957

CERTIFICATE

I, Edward W. Grove, of the Municipality of Central Saanich, do hereby certify that:

1. I am a consulting geologist with an office at 6751 Barbara Drive, Victoria, British Columbia.
2. I am a graduate of the University of British Columbia (1955) with a Master's degree, Honours Geology (M.Sc. Hon. Geol.) and a graduate of McGill University (1973) with a doctorate in Geological Sciences (Ph.D.).
3. I have practiced my profession continuously since graduation while being employed by such companies as the Consolidated Mining and Smelting Co. of Canada Ltd., British Yukon Exploration Ltd., the Quebec Dept. of Natural Resources, and the British Columbia Ministry of Energy, Mines and Petroleum Resources. I have been in corporate consulting practice since January 1981.
4. I have no direct interest in Inel Resources Ltd. however E. W. Grove Consultants Ltd. acquired 50,000 shares of Skyline Explorations Ltd. at market value pursuant to a letter of undertaking dated the 5th of November, 1985 and currently holds 41,000 of these shares.
5. I am a member in good standing of the Association of Professional Engineers of the Province of British Columbia.
6. I consent to the use of this report in connection with a Prospectus or Statement of Material Facts.

April 15, 1987
Victoria, B.C.


Edward W. Grove, Ph.D., P.Eng.

CERTIFICATES

DATED: July 10 , 1987

INEL RESOURCES LTD.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the Securities Act and its regulations.

(Signed)

On Behalf of the Board of Directors:



(Signed) **MYLES NORMAN ANDERSON**
Chairman of the Board,
Director



(Signed) **REGINALD EDWARD DAVIS**
President, Director

Promoter:

SKYLINE EXPLORATIONS LTD.

Per:



Promoter

The Agent

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the Securities Act and its regulations.

CONTINENTAL CARLISLE DOUGLAS

By: (Signed)

