

JULY, 1988
(X)

During 1988 Continental Gold is carrying out an aggressive \$2 million program including diamond drilling. Homestake Mining Co. has purchased a number of shares in the project. Mapping and sampling has returned gold values ranging up to 32 g/t Au across 1 metre in the Ptarmigan north extension zone. A continuous 56 metre chip sample across the Ptarmigan A zones is also reported to have assayed 2.4 g/t Au.

During our visit we examined the Ptarmigan A zone and the adjacent epidotized and chloritized monzonite. Although first interpreted as being a conglomerate, evidence suggests that the host rock is a hydrothermal breccia with well rounded ('milled') heterolithic fragments in a highly altered matrix of quartz and sericite. Although pyrite (auriferous) predominates, quartz veins (including grey chaledony) contain galena, sphalerite, arsenopyrite and electrum. Even though assays of 170 to 205 g/t Ag exist, company personnel still don't know what the silver mineral is.

The drill was being mobilized on to the property during our visit. By month's end 3 holes had been completed on the Ptarmigan A and B zones.

TOM MacKAY area (MI-104B-008 and 119)

On July 19th we visited the Tom MacKay Lake area with Dani Alldrick acting as tour guide. The Kay property, owned by Consolidated Stikine Silver, has recently been optioned by Calpine Resources Inc. (a Pezim-Prime Capital affiliate). The property has been sporadically explored during the past 50 years. The property covers six linear mineralized zones with significant precious metal values. These zones are up to 365m long and are localized within a broad, 1525 metre long by 500 m wide belt of silicified and intensely sheared Jurassic volcanic rocks on the east and sediments on the west. Host rocks in the zone consist of fragmental volcanics, tuffs, and banded to brecciated rhyolites. The trend of the zone is marked by large, rusty, pyritic, siliceous volcanic tuff bluffs, locally referred to as the Red Bluff showings. The Emma adit is located here. During 1987 Consolidated Stikine completed limited drilling in rhyolite flows and breccias.

CANARC RESOURCE CORP. has acquired the GNC property which surrounds the Kay-Tok claims (above) (Stkwth, July 12, 1988, p.6). The operator, according to Dani Alldrick, will be Magna Ventures (Brad Cooke).

While examining old trenches located by Dani and his crew, we also discovered the original claim posts staked by Tom MacKay in 1952. (paper in tin can nailed to posts)!

This area represents the northern extension of the prolific Premier-Sulphurets gold camps and should yield interesting results.

KERR - Western Canadian Mining (70%) and Sulphurets Gold Corp. (30%) (MI 104B-100)

On July 19th we visited the Kerr property which adjoins the Sulphurets project on the west. Hosts were Bob Hewton, Brian Butterworth, David Shaw (structural consultant), Scott Casselman, and Mike Jermya (prospector). The 1988 program is budgeted at \$1 million with approximately 4000m of diamond drilling planned to test three gold bearing zones. The most advanced, the A zone, has returned surface samples up to 143 g/t Au with 430 g/t Ag and 1.05% Cu. The zone has been traced on surface over 300 metres. Zone C, located 610 metres east of zone A, contains disseminated mineralization within an area 700m long and 90m wide. Zone B, a

copper-gold target 915m long and 180m wide, is located between zones A and C. Drill hole 87-8 within this zone returned 0.96% Cu and .34 g/t Au over 102 metres. The potential exists for a large tonnage open pit Cu-Au deposit. Host rocks include pervasively sericitized, pyritized and silicified andesitic pyroclastics and sandstones. Tension gashes (often occupied by quartz veins) are conspicuous in volcanic rocks (see photos). In soils, values > 700 ppb Au are considered anomalous.

Chalcocite and native copper exist with predominantly pyrite and minor chalcopyrite.

The drilling program was ahead of schedule, although assay results were behind.

Western Canadian Mining has just optioned the Tedray claims, located on the southern boundary of the Sulphurets property (Stkwtch , July 25, 1988, p.12)

SULPHURETS - Newhawk (60%), Granduc (40%) (MI-104B-118)

On July 20th we made a very brief visit underground to the Sulphurets project. Tom Drown, Norm Tribe, Mohan Vulmiri (consultant), and John Michelle (Mine Manager) were hosts. Norm Tribe is doing a surface compilation of geology and all known showings. Phase 1 of the 1988 program was recently completed. Work was concentrated on the West Zone and included work on the 1350 and 1300 levels, raising on ore grade mineralization, deep surface diamond drilling, and road construction. Two drill holes were completed to depths of 580m from surface and intersected the structures (assays pending). We examined mineralization on the 1350 and 1300 m levels. Currently the joint venture is working on three sides of potential ore 'shoots' in order to determine proven ore reserves. The east side of the West Zone shear appears to have remained 'in tact' with quartz veining and mineralization extending westerly, associated with tension fractures (+ ruby silver). Two stages of mineralization appear to exist: early quartz veins with low sulphide content (+ sulphosalts and pyrite and galena and sphalerite and electrum) and later quartz veins with high sulphide content (+ ruby silver).

Regionally it appears that a number of NW-trenching synclinal structures (with plunges to the south?) occur between the Shore Fault on the east and the Brucejack Fault on the west. Movement on the Brucejack Fault is reported to be left-lateral. Within the West Zone, over a 45m wide area, a sigmoidal pattern of veining has been developed with higher grade material occurring on the 'arms' of the loops. The same exists at the Near Shore Zone. This structural interpretation could prove significant to future exploration and mining. At the Gossan Hill zone, a Premier-porphry type rock exists.

The company is using the MAP instrument to test for gold and silver values on surface and underground, apparently with satisfactory results.

The 1988 Phase 2 budget of \$5.2 million for the period to Oct. 31, 1988 was recently approved. Exploration on the West Zone will include extending the underground level to the South to prepare for diamond drilling and advancing the decline to the 1250 level (about 200m from surface). Surface work will include detailed mapping and investigation of the "5.9" vein to the South of the Zone as well as investigating the northern extension of the zone.