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**CONFIDENTIAL**

LINCOLN RESOURCES INC.

1986 - 1987

SUMMARY REPORT

MT. MILLIGAN PROPERTY

Omineca Mining Division

N.T.S. 93 N/1

Latitude 55 08'N, Longitude 124 04'W

by

Rebagliati Geological Consulting Ltd.

C.M. Rebagliati, P.Eng.

November 30, 1987

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SUMMARY

The Mt. Milligan property is located approximately 95 km north of Fort St. James, British Columbia. Good quality logging roads provide excellent access to the eastern side of the 275 unit claim group. Within the claims, drill roads provide local access. Topographic relief and climate are moderate and there are no identified environmental concerns which may hinder mine development.

The initial block of Phil claims was staked in 1983 by the Selco Division of BP Resources Canada Limited. In early 1984, prospector Richard Haslinger of Fort St. James staked the Heidi claims along the eastern boundary of the Phil group. Selco optioned the Haslinger claims in 1984 and staked additional claims to cover the entire prospective belt.

In 1984 and 1985, Selco conducted extensive soil geochemical, geological and geophysical surveys. Several IP and magnetic anomalies were located within an outstanding gold-copper geochemical anomaly. Some of the anomalies were trenched in 1985 and gold-bearing structures were discovered at the Esker, Creek and South Boundary Zones.

Lincoln Resources optioned the property and, in 1986 and 1987, undertook sequential trenching and drilling programs. A total of 23 NQ diamond drill holes, comprising 2304.96 m, were drilled to test various geological, geochemical and geophysical targets.

At the Esker Zone, propylitic altered andesitic volcanic units host a northeasterly-trending series of auriferous sulphide-rich replacement bodies occupying parallel fault/shear structures. Preliminary calculations from the widely-spaced holes indicate a mineral inventory in the order of 136,000 tons grading 0.20 oz/ton gold. Additional drilling is required to substantiate the continuity of the mineralization between drill holes and to define the full strike and dip extent of the zone.

A geologically similar series of replacement zones are present at the Creek Zone where an inventory of 82,000 tons grading 0.24 oz/ton gold is indicated. The full extent and the continuity of the mineralized structures in this zone have not been delineated.

A potentially large porphyry-related deposit is indicated in the Magnetite Breccia Zone, where potassic and phyllic altered volcanic and intrusive units host disseminated and stockwork gold and copper mineralization. Grades up to 0.30% copper and 0.806 grams per tonne gold are indicated over substantial widths.

Drilling within the terraced terrain of the Magnetite Breccia Zone revealed that the overburden is relatively shallow. Other similarly located gold-copper geochemical anomalies may be locally derived rather than transported as had been previously thought.

An aggressive diamond drilling program is warranted to delineate the Esker, Creek and Magnetite Breccia Zones and to investigate the remaining untested geophysical and geochemical anomalies. A diamond drilling program, budgeted at \$300,000.00 is proposed.

## INTRODUCTION

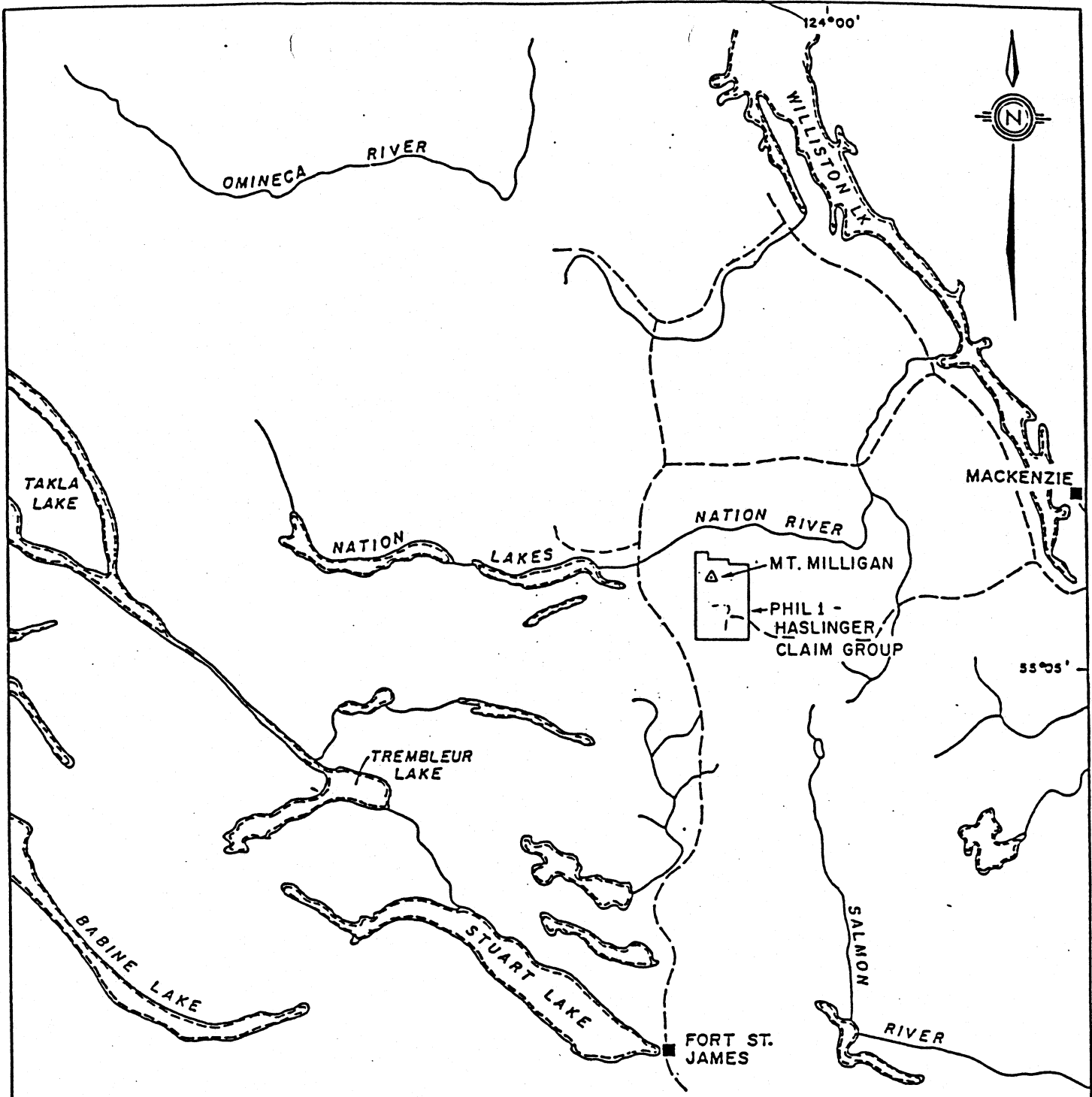
In 1986 and 1987, Lincoln Resources Inc. undertook sequential programs of backhoe trenching and diamond drilling on the Mt. Milligan property to explore for gold and gold-copper deposits.

This report summarizes the project activities and exploration results. Recommendations are made to guide future exploration.

## LOCATION AND ACCESS

The Phil and Heidi claims are located at latitude 55 09'N and longitude 124 04'W in the Omineca Mining Division. They are approximately 95 km north of Fort St. James and 10 km southeast of the Nation River bridge on the Manson Creek Highway (NTC 93N/1, Figure 1).

Access to the property is by a gravel road which extends 10 km beyond the Rainbow Creek bridge at the end of the Philips North Main Line logging road. Access to the Philips Main Line is gained from Windy Point on Highway 97, approximately 150 km north of Prince George.



LINCOLN RESOURCES INC.

Mt. Milligan Project  
LOCATION MAP

SCALE 1,000,000	DRAWN BY R.E.M.	FIG 1
DATE AUG 85	GRAFTED BY E.B.W.	
N.T.S. 93N/1,0/4		PROJ. 10131



The claims cover a series of northwest-trending ridges which extend from Mt. Milligan in the north to Rainbow Creek in the south. Local relief is in the order of 300 metres with an average elevation of 1200 metres. Drainage from the property is either east to Rainbow Creek or west to Suschona Creek, then north to the Nation River. Vegetation consists of continuous dense growth of pine, fir, spruce, balsam, alder and aspen. The entire property is below treeline.

### CLAIMS

The Mt. Milligan property is comprised of 19 claims totalling 275 units (Figure 2). The Phil claims are jointly owned by Lincoln Resources Inc. and BP Resources Canada Limited, whereas the Heidi Claims are held under option from Richard Haslinger of Fort St. James.

Essential claim data are listed as follows:

## MAGNETOMETER SURVEYS

Two areas were covered by the 31.1 km Proton magnetometer survey: the area to the northeast of the Creek Zone where the 1985 BP reconnaissance survey indicated an anomaly (Figure 3), and in the South Boundary Zone area. Line spacing was generally at 50 m intervals with readings taken every 10 m.

In the South Boundary Zone area, no magnetic features corresponding to the known mineralized areas were outlined and no other potentially interesting features were identified (Figure 4). The northerly-trending magnetic depressions may be related to tuffaceous argillaceous sediments.

North of the Creek Zone, a prominent 350 m long northeast-trending magnetic high corresponds to the location of the BP anomaly (Figure 5). A second linear anomaly, of moderate intensity, parallels the main anomaly some 50 m to the west. Diamond drill holes 87-12 and 87-13 tested this anomaly.

A small moderate contrast anomaly on line 89+50N at 131+50E has not been investigated.

## TRENCHING

Extensive trench sampling programs were undertaken in 1986 and 1987 to explore several lobes of the large multi-element gold soil geochemical anomaly centered over the Phil 9 and Heidi 1 and 2 claims (Figures 6-1, -2, -3, -4 and 7-1, -2, -3, -4).

Continuous three-metre long chip samples, weighing approximately 3 kg, were cut along the exposed bedrock. All samples were analyzed for gold by A.A. and for 30 elements by I.C.P.

## Esker Zone

Approximately 1,540 m of trenches were excavated to explore the Esker Zone soil anomalies (Figure 6-2). This trenching exposed a series of northeasterly-trending auriferous silicified sulphide-rich zones lying within an area of propylitic alteration geochemically enriched in gold and copper. These parallel auriferous zones have been traced by the trenching along strike for 350 m and occur across a 100 m wide interval. At some locations, the zones have the appearance of semi-massive replacement mineralization and, in others, they are less massive, more silicious and sericitic and appear to be shear-controlled. It is probable that replacement mineralization has formed along a series of parallel en echelon shears. With subsequent post-depositional movement some of the material has become sheared.

Samples 156, 309 and 1232, grading 99.0 g/t, 12.5 g/t and 26.3 g/t gold across 3.0 m, 2.0 m and 3.0 m, respectively, lie along the main structure. Several other structures host mineralization exceeding 1.0 gram.metre. The trenching has clearly demonstrated that a broad multiple zone of gold mineralization is present and that the mineralization is open along strike in both directions. The intensity and frequency of mineralization increases to the southwest and soil geochemistry indicates that the zone extends 250 m to the north beyond hole 87-2.

#### Creek Zone

The mineralization and related alteration exposed by the 360 m of trenching on the south side of King Richard Creek are, in general, similar to that occurring in the Esker Zone (Figure 6-2). Samples with 1.0 gram.metre of gold or better are exposed in a 15 m wide, 90 m long area. The highest grade sample ran 22.0 gram/tonne gold across 3.0 m.

On the north side of the creek, the mineralization is more porphyry related, comprising a stockwork of pyrite and chalcopyrite-bearing quartz-carbonate stringers in pyritic, K-feldspar, sericite and iron carbonate-altered feldspar porphyritic dykes and mafic volcanic units. The dyke may be of monzonite composition and could correlate with the porphyritic

monzonite-diorite intrusion at the Boundary Zone and the prophyritic monzodiorite dykes intersected in hole 87-12 at the Magnetite Breccia Zone.

Deep overburden prevents the tracing of the Creek Zone mineralization by trenching to the southwest or the northeast.

### North Slope Area

The broad area of the multi-element gold soil anomaly lying on the north slope of the valley, between Heidi Lake and the Esker Zone, was extensively trenched (Figure 6-1).

Soil values in this large anomalous area ranged up to 19,100 ppb gold. Trench samples were generally higher than background and do not explain the extent, nor the intensity, of the soil anomaly. It is possible that some surficial process of gold concentration occurred on these overgrown, stabilized talus slopes that produced soil values higher than they occur in the underlying rock.

An enticing quartz stockwork is hosted by a crowded diorite porphyry in the trenches near 111+75E at 94+00N and 95+00N, (Figure 7-1). Unfortunately, it is barren.

South Boundary Area

Extensive trenching away from the original gold prospect, which is situated between survey stations 195 and 196 (Figure 6-3), returned only a few scattered gold values exceeding 1.0 gram.metre. However, if the gold mineralization in this region is also controlled by northeasterly-striking structures, it is probable that the strike extensions have been obscured by deep overburden.

DIAMOND DRILLING

In total, 23 NQ diamond drill holes comprising 2304.96 m were drilled by Lincoln Resources Inc. on the Mt. Milligan Property.

In February/March 1987, 11 NQ diamond drill holes, totalling 1259.12 m, were sunk to evaluate the Esker and Creek Zones (Figure 8). Mineralized intersections were cut in both zones. Drilling was resumed in September/October 1987. During the second drilling program, 12 holes, comprising 1045.84 m, were sunk to expand the Esker and Creek Zones and to test other geochemical and/or geophysical anomalies (Figures 8, 6-4).

During the February/March 1987 diamond drilling program, holes 87-1,-2,-3,-4 and -10 were drilled to explore the Esker Zone where trenching of gold-copper-arsenic-antimony soil anomalies had exposed silicious semi-massive sulphide mineralization carrying high gold values.

Holes 87-5,-6,-7,-8,-9 and -11 were drilled to evaluate the Creek Zone where prospecting and trenching had located high grade gold values associated with sulphide-rich intervals in strongly propylitized rock hosting porphyry-type gold-copper vein mineralization.

The September/October 1987 diamond drilling program evaluated several geological, geochemical and/or geophysical anomalies. These are summarized as follows:

<u>Hole</u>	<u>Co-ordinates</u>	<u>Objective</u>
87-12	93+00N,130+45E 3270 ; -45 89.63 m	To test the peak a of magnetic high which coincides with a copper soil anomaly. These are situated on the western flank of a gold soil anomaly which, in turn, corresponds with a low contrast IP response with a slightly elevated resistivity response.

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<u>Hole</u>	<u>Co-ordinates</u>	<u>Objective</u>
87-13	92+00N, 129+80E @090 ; -45 105.18 m	To test a moderate contrast portion of the above magnetic anomaly in the core of the gold soil anomaly which is situated between two detached segments of the copper anomaly. Moderate intensity IP response, and slightly above background resistivity.
87-14	90+95N, 126+80E @090 ; -45 102.83 m	To test the southern end of the two parallel (moderate contrast) magnetic anomalies which are separated by a sharp magnetic low and which are coincident with gold and copper soil anomalies lying within a moderate contrast IP anomaly with slightly elevated resistivity.
87-15	90+00N, 127+60E @135 ; -45 107.01 m	To test for the projected NE strike extension of the Creek Zone auriferous pyritic-silicious shears.



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<u>Hole</u>	<u>Co-ordinates</u>	<u>Objective</u>
87-16	88+85N,127+90E @135 ; -45	To evaluate a high contrast gold anomaly associated with moderate arsenic and copper soil anomalies which are coincident with a strong IP response and low background resistivity.
87-17	87+06N,121+13E @135 ; -45 33.84 m	To test a high contrast gold and copper soil anomaly.
87-18	88+76N,124+24E @135 ; -45 107.01 m	To test the southwest strike extension of the Creek Zone.
87-19	89+00N,124+00E @135 ; -43 115.85 m	To test the dip extension of the massive sulphide intersection encountered in 87-18.-Creek Zone.
87-20	88+61N,123+13E @135 ; -45 102.01 m	To test the southwest strike extension of the massive sulphide intersected in 87-18.-Creek Zone.

<u>Hole</u>	<u>Co-ordinates</u>	<u>Objective</u>
87-21	90+05N,122+12E @145 ; -45	To test the southwest strike extension of the Esker Zone.
87-22	90+05N,122+12E @145 ; -55	To evaluate the sulphide zone encountered while sinking the casing into oxidized bedrock in hole 87-21.-Esker Zone.
87-23	83+00N,119+75E @90 ; -50	To test strong gold and copper soil anomalies coincident with a moderately high contrast IP anomaly-Boundary Zone.

## GEOLOGY AND MINERALIZATION

### Esker Zone

The Esker Zone comprises three or more related northeasterly-trending semi-massive pyrite-chalcopyrite-quartz-carbonate-sericite bodies hosted by propylitic altered andesitic flows and fragmental units and augite porphyritic units. This volcanic assemblage is typical of the Takla/Nicola Groups in the Quesnel Trough.

The northeast-trending series of sulphide-rich auriferous bodies appear to occupy three or more closely-spaced, parallel, silicified shear zones (Figure 8). The shears may be related to the intrusion of the northeasterly-trending group of diorite-monzodiorite-monzonite dykes and/or elongate intrusions intersected in hole 87-12 and exposed at the Creek Zone. These shears lie within a large irregularly-developed propylitic alteration envelope which appears to have a potassic core centered over the porphyritic monzonitic dykes.

The propylitic alteration occurs in three forms which are variable in their intensity and distribution. The most common is a pervasive epidotization of feldspar laths and the fine-grained matrix of the flow and fragmental units. Approximately 1-5% disseminated pyrite accompanies this alteration. Numerous epidote and epidote-pyrite veinlets fill later cross-cutting fractures. In areas of intense alteration epidote-pyrite-calcite-chlorite clots up to 4 cm in diameter are formed which totally obliterate rock textures. All of the propylitic altered rock is geochemically enriched in gold and copper. Gold values are generally in the 25 to 600 ppt range.

The semi-massive sulphide mineralization is comprised of granular pyrite and subordinate chalcopyrite in a matrix of quartz, carbonate and sericite. The mineralization resembles

replacement type deposits occupying shear-related dilation zones. Some post-depositional movement is indicated by the alignment of sericite along minor internal schistose shears.

Multi-element analyses of the auriferous sulphide-rich intervals suggest that two forms of mineralization may be present. Holes 87-1 and 87-3 each contain intervals enriched in arsenic and antimony and samples which are at, or modestly above, background levels. Both of the auriferous intervals in hole 87-10 are enriched in arsenic and antimony. All samples enriched in one of these elements is enriched in both and all carry high gold and silver values. There are no samples with high arsenic and antimony concentrations that do not carry appreciable gold and silver. However, the converse is not the case. It is not clear, with the information at hand, if the arsenic and antimony-rich samples represent different mineral zones or imply an irregular distribution of elements along a single zone. Multi-element analysis of all auriferous intervals would assist in resolving this question, which may have important implications for reserve calculations.

Trenching and diamond drilling have traced the auriferous sulphide zone for 400 m along strike and to a vertical depth of 90 m. The zone is open to the northeast, southwest and to depth.

The 7 holes, comprising 749.38 m, sunk on the Esker Zone give a possible drill-indicated mineral inventory of 136,000 tons grading 0.20 oz/ton gold. Low copper and silver values accompany the gold. Additional drilling is required to establish the strike and dip continuity of the mineralization between the present drill holes before reserves can be calculated with a reasonable level of confidence.

A summary of significant mineralized intervals exceeding 1.0 gram.metre of gold are tabulated as follows:

ESKER ZONEDrill Intersections Exceeding 1.0 gram.metre of Gold

<u>Hole</u>	<u>From-To</u> <u>(m)</u>	<u>Length</u> <u>(m)</u>	<u>Gold</u> <u>g/t</u>	<u>Silver</u> <u>g/t</u>	<u>Gold Equiv.</u> <u>g/t</u> <u>Au+(Ag-70)</u>	<u>Copper</u> <u>%</u>
87 - 2	59.0 - 61.0	2.0	1.47	0.7	1.47	0.05
87 - 10	22.5 - 23.1*	0.6	8.70	39.8	9.27	0.18
	36.0 - 45.0*	9.0	1.37	37.07	1.90	0.04
87 - 1	8.5 - 11.5	3.0	6.63	30.63	7.07	0.02
	28.0 - 29.5*	1.5	1.61	20.70	1.91	0.08
	36.5 - 38.0	1.5	1.32	3.60	1.37	0.01
	78.0 - 80.0	2.0	2.11	0.20	2.11	0.01
87 - 4	93.0 - 94.0	1.0	4.62	3.80	4.67	0.10
87 - 3	8.2 - 9.5*	1.3	6.39	72.80	7.43	0.71
	106.7 - 108.0	1.3	42.70	7.30	42.80	0.03
87 - 21	9.75 - 9.92	0.17	5.81	-	5.81	0.99
	11.05 - 11.30	0.25	5.00	-	5.00	0.46
	92.55 - 94.07	1.52	11.76	-	11.76	0.33
	97.27 - 98.00	0.73	2.63	-	2.63	0.04
87-22	6.5 - 7.3	0.8	4.29	-	4.29	0.13
	7.93 - 8.60	0.67	1.33	-	1.33	0.14

\* arsenic and antimony enriched intervals

Creek Zone

Geologically, the Creek Zone is similar to the Esker Zone where silicious semi-massive pyrite-chalcopyrite replacement mineralization lies within propylitic altered andesitic units. Evidence of shearing is less apparent, but it is present. An intensely iron carbonate and potassic (K-feldspar, sericite) altered feldspar porphyry dyke, of possible monzonite composition, is intimately associated with pyrite-chalcopyrite quartz stockwork mineralization. In the dyke, gold and copper values occur in the range of 300 ppb and 0.25% respectively. Volcanic units, rather than the monzonitic dyke, host the semi-massive sulphide mineralization. Arsenic and antimony concentrations are moderately enhanced, but do not attain the high levels encountered in some of the Esker Zone samples.

The nine holes, totalling 951.16 m, drilled to evaluate the Creek Zone, indicate an inventory of 82,000 tons grading 0.24 oz/ton gold. More drilling is required to determine the continuity of the mineralization between drill holes and to differentiate between the various mineralized structures.

Intervals exceeding 1.0 gram.metre gold are tabulated as follows:

CREEK ZONEDrill Intersections Exceeding 1.0 gram/meter of gold

Hole	From-To (m)	Length (m)	Gold g/t	Silver g/t	Gold Equiv.		Copper %
					g/t	Au+(Ag-70)	
87 - 8	9.2 - 10.2	1.0	1.01	1.2	1.03	0.20	
	46.5 - 47.3	0.8	1.75	12.5	1.93	0.13	
	63.8 - 64.7	0.9	2.21	15.1	2.43	0.07	
	88.5 - 90.5	2.0	2.40	4.0	2.46	0.04	
	138.0 - 140.0	2.0	1.53	1.7	1.55	0.05	
87 - 5	25.0 - 26.0	1.0	3.38	4.9	3.45	0.08	
	43.0 - 45.0	2.0	1.18	1.7	1.20	0.02	
	74.0 - 76.0	2.0	11.88	6.4	11.97	0.06	
87 - 11	18.0 - 20.0	2.0	2.47	4.5	2.61	0.09	
	30.0 - 32.0	2.0	2.99	10.1	3.13	0.27	
	48.0 - 50.0	2.0	1.85	0.6	1.85	0.01	
	66.0 - 68.0	2.0	1.14	2.3	1.17	0.29	
	69.0 - 71.0	2.0	2.26	3.2	2.31	0.27	
87 - 6	24.5 - 25.1	0.6	3.96	14.8	4.20	0.05	
87 - 7	20.5 - 24.0	3.5	2.43	6.54	2.52	0.09	
	97.0 - 98.0	1.0	4.19	82.0	5.36	0.65	
87 - 18	28.6 - 29.9	1.3	21.70	17.5	21.95	1.65	
87 - 19	75.0 - 76.0	1.0	2.21	-	2.21	0.10	
87 - 20	59.3 - 60.0	0.7	3.57	-	3.57	0.05	



### Magnetite Breccia Zone

A reconnaissance magnetometer survey conducted in 1985 by Selco/BP roughly outlined a magnetic anomaly in an area of gravel terraces devoid of outcrop. The gold and copper soil geochemical anomalies in this region of anticipated deep overburden were initially discounted as being glacially transported. Coincidental magnetic and IP anomalies, however, continued to maintain interest in the area.

In 1987, Lincoln Resources conducted a detailed magnetometer survey which clearly defined the previously identified magnetic features. In September three holes, totalling 297.64 m, were drilled to test the coincidental magnetic, IP and gold-copper soil anomalies (Figures 8).

At the Magnetite Breccia Zone a swarm of monzonitic dykes have intruded a sequence of typical Takla Group andesitic flows and fragmental units. Unique to this area of drilling are two thick beds of massive siltstone/ash tuff and a felsic, fragmental latite-trachyte unit. In hole 87-12, the monzonite dykes and the enclosing volcanic units have been subjected to strong potassium feldspar alteration. Within the dykes, the fine-grained matrix is pervasively potassium feldspar altered; whereas the

enclosing volcanic units are cut by quartz veinlets with pink potassium feldspar selvages. These veinlets carry appreciable disseminated pyrite and chalcopyrite. Thin films of chalcopyrite also coat dry fracture surfaces and disseminated grains and grain aggregates are common. Very fine disseminations also occur within ferromagnesian minerals. Disseminated pyrite is ubiquitous with concentrations ranging from 1 - 15%. Adjacent to one of the monzonitic dykes, in hole 87-12, a polyolithic andesitic fragmental unit hosts a breccia with a magnetite-chalcopyrite matrix. It is this 50 m wide breccia that is the cause of the magnetic anomaly. A similar, but much narrower, interval of magnetite veining was intersected in hole 87-13.

In hole 87-13, there is a long pyritic interval of biotite hornfelsed, feldspar porphyritic andesite carrying appreciable chalcopyrite. Below this, the andesite becomes progressively more pale coloured, sericitic and silicified. This phyllic-type alteration continues from 50 m to the bottom of the hole at 105 m. The sulphide content is moderate, generally in the 2 to 5% range, comprising equal proportions of disseminated chalcopyrite and pyrite. Fractures hosting thin pyritic quartz veinlets have silicified envelopes which, when the fracture density increases, coalesce to form intensely-silicified intervals. The bottom 3.83 m in hole 84-14 intersected similar siliceous sericitic alteration carrying very significant gold concentrations.

The two styles of gold-copper mineralization, associated with the potassic and phyllic alteration assemblages, are characteristic of large porphyry-type mineral deposits.

Significantly mineralized intervals from the Magnetite Breccia Zone are tabulated as follows:

MAGNETITE BRECCIA ZONES

Drill Intersections Exceeding 1.0 gram.metre gold

<u>Hole</u>	<u>From-To</u> <u>(m)</u>	<u>Length</u> <u>(m)</u>	<u>Gold</u> <u>g/t</u>	<u>Copper</u> <u>%</u>
87 - 12	5.49 - 25.0	19.51	0.271	0.15
	25.00 - 56.0	31.00	0.806	0.30
87 - 13	7.00 - 105.0	97.00	0.617	0.27
87 - 14	4.90 - 14.0	9.10	0.322	0.23
	99.00 - 102.83	3.83	1.232	0.11

### Other Areas

Hole 87-15, which was drilled to test for the northeast strike extension of the Creek Zone, encountered anomalous concentrations of gold and copper throughout its length (Figure 8). However, no well-mineralized structures were intersected. The intensity of alteration and the geochemistry of this hole suggest that it lies on the periphery of a large mineralized alteration zone.

Hole 87-16, situated 200 m east of the Creek Zone, generally encountered only weak propylitic alteration and minor pyrite (Figure 8). The cause of the soil geochemical anomaly was not explained. Soil sample sites in this area are adjacent to the creek and may have been organic rich or derived from fluvial-glacial debris.

Hole 87-17, sunk to test the southern end of a strong gold-copper anomaly extending southward from the Esker Zone, was lost in deep overburden at 33.84 m (Figure 8).

Hole 87-23, while geochemically enriched in copper and gold and displaying some silicification and carbonization, did not encounter any significantly mineralized intervals (Figure 6-4). The 18 m of overburden encountered suggest that the anomaly may be displaced downslope and/or down-ice from its source.

CONCLUSIONS

The trenching and diamond drilling programs conducted on the Mt. Milligan property in 1986 and 1987 have advanced the understanding of the geological environment and have identified four areas of mineralization have ore-making potential. In addition, other areas on the property are recognized as having significant potential, but have not been investigated beyond the preliminary geochemical and geophysical surveys.

The 400 m long Esker Zone has a possible drill-indicated geological inventory of 136,000 tons grading 0.20 oz/ton gold. Closely spaced infill drilling is required to establish the continuity of the mineralization between the present drill holes and to assess the potential of the closely-spaced, mineralized parallel structures. All of the mineralized structures in the Esker Zone are open for extension to the southwest, northeast and down dip.

An aggressive diamond drilling program is justified to expand and better define the mineral reserves on the Esker Zone.

At the Creek Zone, drilling and trenching have established a 200 m strike length on a complex 15 m wide zone in which there are two or more auriferous structures. Diamond drilling is of insufficient detail to determine, with a high degree of

certainty, the mineral reserves. However, a rough geological inventory of 82,000 tons grading 0.24 oz/ton gold is inferred. The continuity of the mineralization to the northeast and southwest beyond the area drilled, has not been substantiated. To the southwest, it is clear that the propylitic alteration zone continues past hole 87-20. However, it is not known if this hole penetrated a lean segment of the zone, simply missed the main mineralized structure or if the mineralization terminates. To the northeast, the porphyritic dyke complicates the structural setting.

Insufficient drilling has been undertaken to conclusively determine if the geologically similar Creek and Esker Zones are separate subparallel mineral zones or are faulted offsets of the same auriferous zone.

In planning the next phase of drilling on the Esker and Creek Zones, the possibility of a plunge to the thicker and richer ore shoots must be taken into consideration.

Diamond drill holes 87-12, -13 and -14 have confirmed the presence of a large porphyry-type gold-copper prospect on the Mt. Milligan property warranting an immediate, aggressive drilling program. The surprisingly thin cover of till and fluvial-glacial gravels, in this region of terraced land forms lying along the

eastern side of the large anomalous geochemical trend, dictate that these long-discounted gold-copper soil anomalies be thoroughly tested.

Thick overburden has severely hampered the evaluation of the South Boundary Zone and the strong gold-copper soil anomalies between the South Boundary and the Creek Zones. Diamond drilling will be required to further assess this 1,200 m long area of geochemical anomalies and gold prospects.

Within the North Slope Zone, the potential to discover mineralization has been substantially reduced. The best potential lies in relocating the sample site above the east end of Heidi Lake where a 1984 reconnaissance rock chip sample ran in the order of 2,000 ppb gold.

The four areas of gold mineralization on the Mt. Milligan property offer excellent mine-making potential and warrant continued exploration.

#### RECOMMENDATIONS

1. Diamond drilling is recommended to determine the extent and continuity of the gold mineralization at the Esker, Creek and Magnetite Breccia Zones.

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2. Drilling is recommended to test the gold-copper soil geochemical and IP anomalies located between the South Boundary and Creek Zones and those anomalies lying along the eastern side of the anomalous geochemical trend, in the area of the easterly-sloping terraces.
  
3. The gold prospect above Heidi Lake should be relocated and assessed.

PROPOSED BUDGET

Project Manager	20 days @ \$450/day	\$ 9,000.00
Site Geologist	55 days @ \$275/day	15,125.00
Labourer-core splitting	50 days @ \$175/day	8,750.00
Room and board	125 days @ \$ 50/day	6,250.00
Camp costs		3,000.00
Truck rental including operating costs	75 days @ \$100/day	7,500.00
Travel		1,300.00
Freight		2,000.00
Communications		300.00
Road maintenance and snow removal		5,175.00
Assays	900 @ \$14.00	12,600.00
Diamond drilling	2,500 m @ \$80/m	<u>200,000.00</u>
		\$275,000.00
Contingencies		<u>25,000.00</u>
	TOTAL	\$300,000.00



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December 6, 1986

Mr. D. Copeland,  
Lincoln Resources Inc.,  
1440 - 625 Howe Street,  
Vancouver, B. C. V6C 2T6

Re: Project Review - Mt. Milligan Property, B. C.

Dear Mr. Copeland:

The following is based on my personal knowledge of the property, a review of the geological and lithogeochemical plans from the 1986 trenching program and a Summary Report by J. D. Blanchflower.

The 1986 trenching and rock sampling program substantiated the broad distribution of enhanced gold concentrations in pyritic andesitic volcanic rocks indicated by the preceding soil geochemical survey.

From the 1986 work, it is apparent that the alteration and metal assemblages and distributions are controlled by the monzodiorite intrusion exposed in King Richard Creek at the Creek Zone. Magnetic data indicates that the main body of this intrusion is situated to the northeast of Survey Point #241. It is probable that the observed outwardly-trending metal and alteration zones represent only the western half of a potentially much larger alteration zone encompassing the entire pluton.

In general, there is a close spatial association between copper mineralization (greater than 2000 ppm) and enhanced gold concentrations (greater than 100 ppb). This relationship is best observed at the Creek Zone and near DDH P73-03. The converse is not true. At the Esker Zone, there is a gold-silver (-arsenic) association, although a few of the samples with enhanced gold also carry copper.

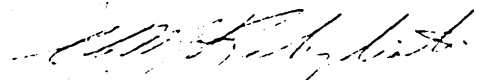
In all zones where samples contain greater than 1000 ppb gold the copper content is low. This indicates two periods of mineralization: an early episode of copper-gold mineralization followed by a later period of gold-silver-arsenic mineralization associated with intense silicification.

To the west, in less intensely altered rocks, the highly silicified zones carry progressively lower gold concentrations and diorite. Porphyry dykes, offshoots from the main intrusion, are in close proximity to several of the auriferous intensely-silicified zones. These relationships are consistent with the thesis that the gold and copper mineralization is controlled by an intrusive lying to the east of the trenched area.

### Recommendations

1. The multi-element I.C.P. lithogeochemical data should be plotted, combining the 1985 and 1986 data, to more accurately ascertain chemical zoning patterns which will assist in identifying the potential core of the gold mineralization.
2. If overburden conditions permit, trench the projected strike extension of the auriferous zones located at or near survey points 57, 232 and 239.
3. Diamond drill to investigate the gold zones situated at sample sites 156 and 309. Three parallel angle holes spaced 20m apart, with the center hole directly beneath the surface exposure, should be sunk to test each of these prospects. Additional drilling along strike and down dip will be required if the indicated grades and thicknesses are substantiated.
4. Trenching failed to expose bedrock along the projected strike extension of the 22000 ppb gold sample from the Creek Zone. Diamond drill to test this zone.
5. Exploration of the central and eastern portions of the alteration zone offer the potential for the discovery of two deposit types: a large tonnage low to moderate grade gold-copper deposit, as indicated by the style of the mineralization encountered in the Creek Zone and near hole P73-03; or higher grade gold-quartz lodes similar to those in the Esker Zone situated at sample sites 156 and 309. Angle holes drilled in a grid pattern are required to test this recessive, overburden-covered area.

Respectfully submitted,



C. M. Rebagliati, P. Eng.

