

expenditure on the Property by the one party as at a particular date bears to the total actual and deemed expenditures on the Property by both parties as at that particular date.

If the Issuer exercises the First Option, but not the Second Option both parties are deemed to have spent \$2,550,000.00 on the Property (and no actual expenditures) and to hold a 50% Proportionate Share. If the Issuer exercises the Second Option but not the Third Option, the Issuer is deemed to have expended \$4,550,000.00 on the Property (and no actual expenditures) for a 75% Proportionate Share and Beau Pre is deemed to have spent \$1,137,000.00 (and no actual expenditures) for a 25% Proportionate Share.

As mentioned above a party's Proportionate Share will be adjusted depending upon the actual additional amount expended by such party in relation to total deemed and actual amounts spent by both parties. If the Issuer chooses to contribute less than its Proportionate Share of any particular budget, Beau Pre may contribute up to the amount not contributed. If either party's Proportionate Share is reduced to less than 25%, that party's Proportionate Share is deemed to be transferred to the other party and its interest in the Property is limited to the greater of 25% of Net Profits or 5% of Net Smelter Returns (as those terms are defined in the Agreement).

Although the Issuer anticipates that the market value of Beau Pre's shares at the various times the Issuer is required to purchase units of Beau Pre will equal or exceed the prices at which the Issuer is required to purchase such units, there are no assurances that the prevailing market price of Beau Pre's shares will exceed the prices at which the Issuer is required to purchase Beau Pre units pursuant to the Agreement. In the event that the market price of Beau Pre's shares is lower than the price at which the Issuer is required to subscribe for units of Beau Pre, the difference between such prices will constitute an additional cost to the Issuer which may make further expenditures on the property uneconomical.

#### Description of Valentine Mountain Property

The Property is the subject of a report prepared by G.L. Garratt, P. Geol., F.G.A.C., of Garratt Geoservices Ltd., dated November 14, 1986 (the "Garratt Report"), which, together, with a work program dated May, 1987 prepared by Robert L. Akright, a copy of which report and work program is included in and forms a part of this Prospectus, forms the qualifying report on the Property, provides an extensive

review of data on the Property that was available at that time. The information contained in "A. Overview" below is primarily a reflection of material contained in the said report but has been updated to reflect certain subsequent events.

#### A. OVERVIEW

##### Location and Access

The Property is located approximately 42 kilometers west of the City of Victoria and 19 kilometers northwest of the town of Sooke, on Vancouver Island, British Columbia.

The Bear Creek and Diversion Reservoirs bound the property on the south, and Valentine Mountain lies on the central portion of the Property. Highway 1A and Sooke Road lead from Victoria to Sooke, from which an all-weather gravel road accesses the Property. Logging roads access most of the property though some require the use of a four-wheel drive vehicle. The main logging road access has weekday travel restrictions.

The surface rights to the Property are owned by CIP Inc. Pursuant to a Letter Agreement dated May 20, 1987, CIP Inc. granted the Issuer right of access to the Property for the purposes of mineral exploration, subject to closure for fire hazards and other specified events and subject to other access restrictions CIP Inc. may place on roads in the area from time to time. Management of the Issuer is of the view that the terms of access granted pursuant to this Agreement are sufficient for the present purposes of the Issuer.

Heavy conifer forest would typically cover the area but much of this has been clear-cut logged, leaving a predominant cover of second growth with some logging slash areas as yet unseeded or recently cut. The Property is amenable to year-round work, though a nine to ten month season is more reasonable due to moderate snowfall conditions.

##### General Geology

The Property is underlain by deformed and metamorphosed volcanic and sedimentary rocks of the Leech River complex, which comprises an allochthonous, fault-bound block that is unrelated to its surrounding terranes. The area has been intruded by granitic to dioritic sills and dykes which are believed to be synchronous with metamorphism and deformation; these events are interpreted to have concluded around 39 to 41 Ma. Subsequent shearing, related to the east-west trending Leech River fault, further affect the terrane.

### Prospecting History

A small gold rush followed the discovery, in 1864, of placer gold on a fork of the Sooke River, some ten kilometers east of the Property. Placer production has been estimated as being from \$100,000 to \$200,000 (in 1866 dollar terms) during the 1864 to 1866 rush.

In 1966 Fred Zorelli, involved in logging operations on the east slope of Valentine Mountain, discovered free gold in a rock turned up by a tractor. Mr. Zorelli mentioned this discovery to Robert Beaupre and Alec Low, who were prospecting the area. These latter individuals subsequently discovered, by prospecting, gold mineralization of the "A vein", in 1976. In the period 1976 to 1980, Beau Pre Explorations Ltd. ("Beau Pre") undertook prospecting, trenching and rock sampling, including bulk sampling. During 1977 and 1978, L.H. Fairchild undertook a mapping program leading toward his M.Sc. thesis at the University of Washington, and a portion of his thesis area is covered by the Property. In 1979 and 1980 limited grid-based soil sampling was carried out in the discovery area, as well as further trenching and sampling. Regional prospecting and silt sampling, followed by detailed prospecting and sampling were undertaken by Beau Pre in 1981. In 1982 further trenching and sampling were undertaken, again by Beau Pre, primarily in the discovery area. During 1983 the property was geologically mapped at a scale of 1:7200 and thirteen diamond drill holes were completed in the discovery area, totalling approximately 1,828 meters. An airborne magnetometer and VLF-EM survey, totalling 370 line kilometers were conducted in 1984 over the entire property. In 1985, Falconbridge Limited optioned the Property and carried out a program of trenching and sampling in the discovery area; this option was terminated following the acquisition by Falconbridge of Kidd Creek Mines Ltd., in early 1986, and the subsequent re-structuring of Falconbridge's exploration group.

### Mineralization

Quartz-vein systems, consisting of discrete veins and en-echelon masses are localized along fold and shear structures, and generally follow the east-west regional geologic trend. Gold occurs as fine particles to spectacular aggregate masses in quartz veins and, occasionally in wall rock to the veins. As indicated in the report prepared by Garratt Geoservices Ltd. ("Garratt") dated November 14, 1986, determining an average grade has proven problematic due to the free occurrence of the gold (i.e. the "nugget effect"). Garratt estimates that an area comprising approximately one fourth of the mineralized

structure on the original claims comprising the Property referred to as the "Discovery Zone" contains a tonnage potential of from 500,000 to 750,000 tons and that grades of 0.2 to 0.5 ounces of gold per ton with local zones of 2 to 4 ounces of gold per ton, across widths exceeding one meter, might be expected.

B. RECOMMENDED WORK PROGRAM

The Property is the subject of an Exploration Program Report prepared by Robert L. Akright, an independent geological consultant retained by the Issuer, dated May, 1987 (the "Work Program"). The Work Program, appended hereto and forming a part of this Prospectus, recommends an exploration program, consisting of two phases.

Phase I

Phase I consists of a three faceted exploration and development program as follows:

1. Geological mapping and sampling - \$502,600.00
2. Core drilling - \$592,300.00
3. Bulk sampling and pilot testing - \$871,700.00

and as more particularly set out in the attached report. The aggregate cost of Phase I is estimated at \$2,091,600.00, which also budgets for additional land acquisition (\$50,000.00) and general and administrative costs (\$75,000.00).

Phase II

Upon receipt of successful results from Phase I, the Phase II program consisting of extensive core drilling, trenching and geological work will commence. Preliminary mine feasibility studies would likely be initiated during Phase II.

Pursuant to an addendum to the Work Program, the following preliminary budget for the recommended Phase II program was recommended depending upon the success of the Phase I program.

Core Drilling	\$ 750,000
Trenching and Sampling	100,000
Geological Work	550,000
Preliminary Feasibility Studies	
Mine	100,000
Mill	100,000
Land Acquisition	100,000
General & Administrative Costs	<u>250,000</u>
TOTAL	\$ 1,950,000

C. WORK ALREADY DONE BY ISSUER

As of October 30, 1987, approximately 60% of the work recommended of the Work Program had been completed. The nature and results of the work are summarized below.

Initial Geological Evaluations

In November 1986, Glen Garratt, P.Geol., of Garratt Geoservices Ltd., was engaged to, among other things, study and sample drill core from earlier drilling programs. Much of this core had not previously been assayed for gold content; Garratt largely completed the gold sampling and assaying work and also analyzed the samples for numerous other elements. The results of this work have added considerably to the understanding of the geological and geochemical setting of the gold mineralization on the Property.

At the beginning of 1987, stream sediment samples collected on the Property under the direction of Dr. Giles Peatfield, Ph.D., P.Eng. of MineQuest Exploration Associates Ltd., an independent consultant retained by Beau Pre, were processed and analyzed. In his report dated March, 1987, Dr. Peatfield stated that when heavy minerals are preconcentrated from stream sediment samples collected from the Property significant anomalous gold values are found in some samples. This established one method by which areas of gold mineralization can be located on the Property.

1987 Exploration Program

The Issuer has taken a number of steps to implement Phase I of the recommendations set out in the Work Program. One of the first steps taken in the work for the 1987 season was compiling all geological and assay data from the gold bearing veins, shear zones and existing trenches of the Discovery Zone. These trenches had been excavated by Falconbridge Ltd., in an incomplete 1985/1986 exploration program. The Issuer located and assayed a number of previously unassayed samples and conducted a new supplementary program of sampling and assaying as well. The object of the Issuer's work was to define the gold bearing structures and thereby understand the nature and controls of this gold occurrence. This data will also be used for guiding the proposed Bulk Sampling program.

The Issuer's 1987 program consists of:

1. silt sampling;
2. soil sampling;
3. geophysical studies;

4. diamond drilling of 22 HQ holes (2.5 inch diameter) each approximately 110 metres in length;
5. mapping and rock sampling; and
6. bulk sampling.

The schedule for the program is found in Exhibit #2.

#### Silt Samples

In order to evaluate the vast project area for other gold occurrences, all major drainages have been sampled by collecting silts. The silts are screened and processed for heavy minerals concentration. The first phase of this sampling is complete with 474 samples having been taken. Background levels in unmineralized areas are considered to be in the 2 to 5 parts per billion ("ppb") range. Assay results are available for all of these samples and of these 151 are considered to be anomalous in the range of 10 ppb to 19,000 ppb (see Exhibit #3). Further investigation is occurring in these areas. Currently, a small number of silt samples are being taken at selected sites in an attempt to trace the source of the gold in the anomalous silt samples taken earlier in the season.

#### Soil Samples

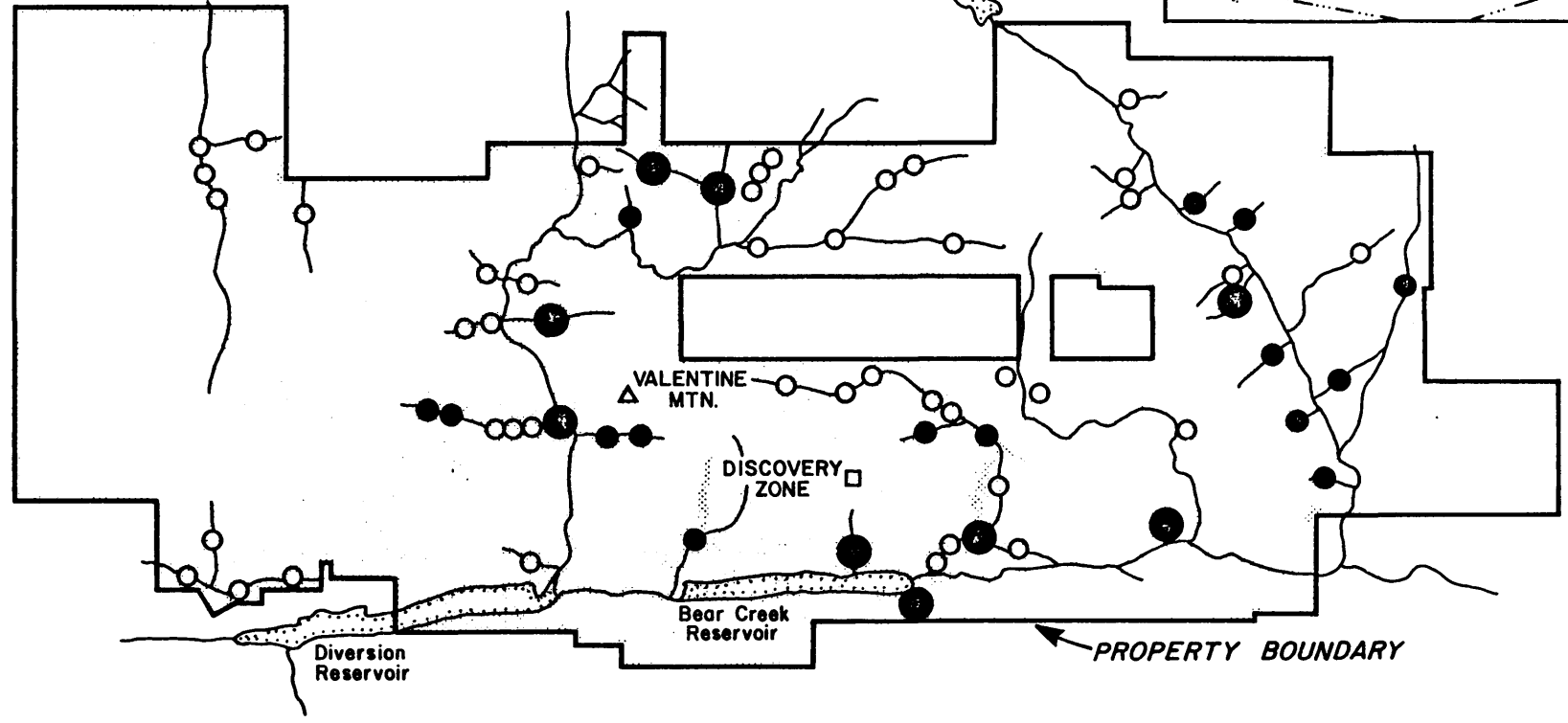
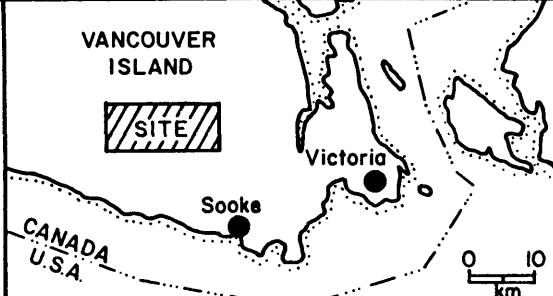
Soil samples have been taken on traverses 100 meters apart, orientated north-south at 20 m. sample intervals. Each sample is sent to a commercial laboratory for drying, screening and gold analysis. To date, approximately 5,100 soil samples covering over 80 line kilometers have been taken. Results are available for 4,200 of these samples. Background values, over non-mineralized areas are generally 5 ppb or less. Three areas of specific interest indicated as Zone "A", "B" and "C" in Exhibit #4, which are apparent along strike extensions of the Discovery Zone, have emerged. Exhibits #5, 6 and 7 summarize the extent of these anomalies.

#### Zone "A"

This area is located between 500 m and 1300 m due east of the Discovery Zone. Zone "A" shows anomalous gold values of up to 550 ppb in the soil apparently forming an east west trending pattern. 142 additional soil samples have been taken over previously identified gold soil anomalies. The spacing of these samples have generally been at least on 10 m intervals along north-south traverses 50 m apart. The object of this additional sampling was to more closely define these areas prior to trenching.

Results of this detailed sampling show two strong areas of anomalous gold values and several less well defined





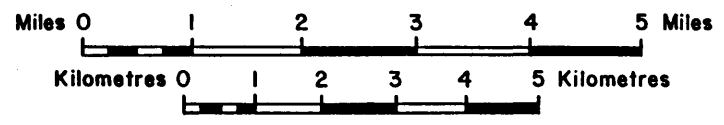
VALENTINE GOLD CORPORATION

SILT SAMPLE SUMMARY MAP

VALENTINE MOUNTAIN PROJECT

EXHIBIT # 3

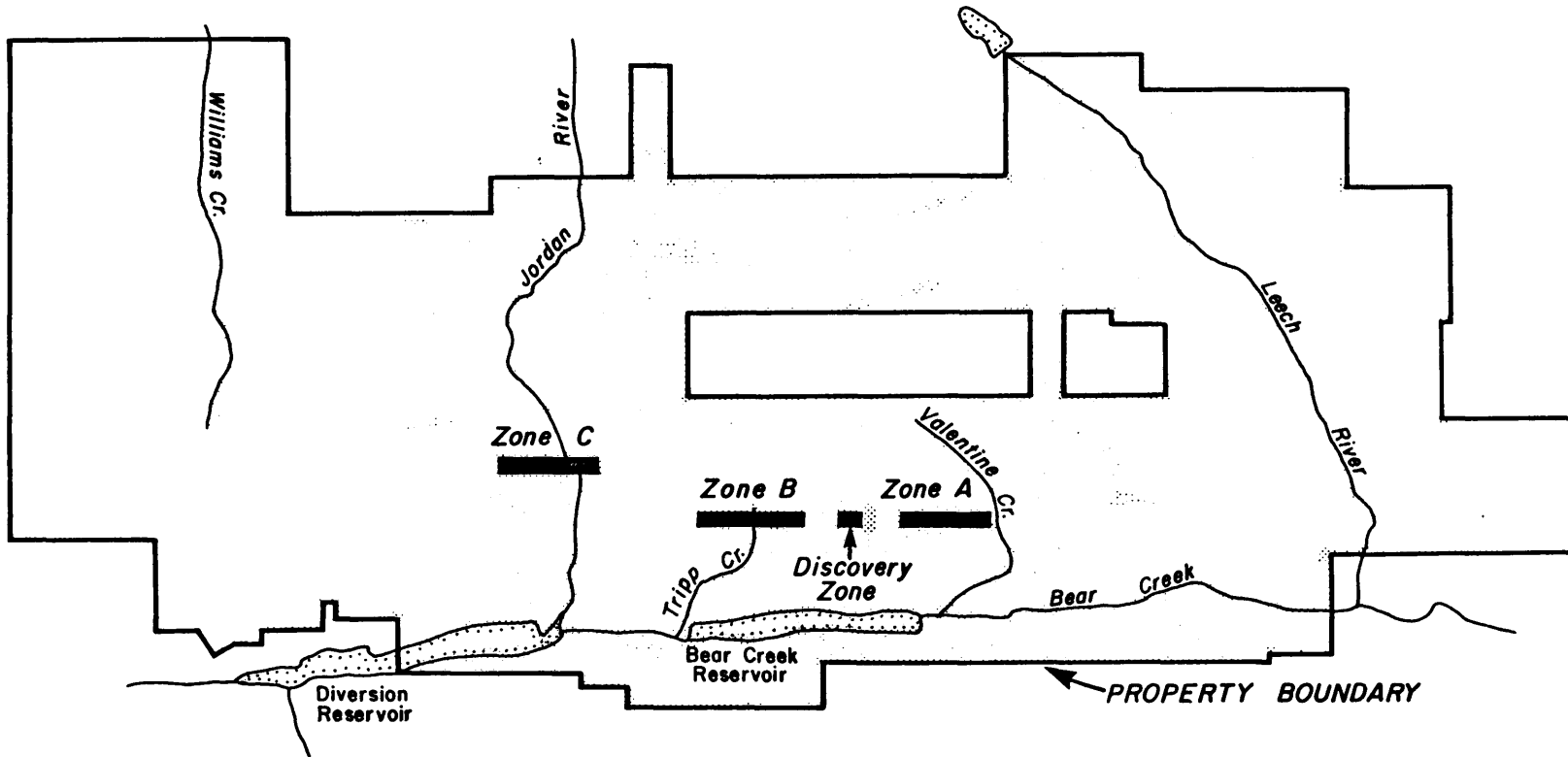
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GOLD

- 10 ppb
- 100 ppb
- 1000 - 19,000 ppb





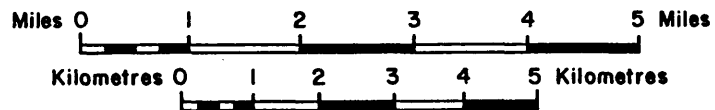
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SOIL SAMPLE SUMMARY MAP

VALENTINE MOUNTAIN PROJECT

EXHIBIT # 4

OCT. 1987



areas. The two stronger anomalies are each at least 200 meters long with values between 12 ppb and 550 ppb gold (see Exhibit #5).

#### Zone "B"

This area is located 600 m due west of the Discovery Zone. Approximately 167 closer spaced soil samples have been taken across previously identified gold soil anomalies (Exhibit #6). The results received to date show the presence of four east-west trending anomalies. Two of these appear to probably be continuous giving a total strike length of about 800 m but intervening marshy ground make the taking of meaningful soil samples impossible. The other two anomalies are at least of 100 and 200 meter strike length. Numerous elevated gold values up to 2250 ppb gold occur within the anomalous zones.

#### Zone "C"

This is a recently discovered area 4.5 km west of the Discovery Zone. About 2,000 soil samples have been taken to date with results available for about 1,400 of these.

The results show strongly anomalous gold values in soils in broad east-west aligned zones on both sides of the Jordan River; furthermore, these zones appear to be somewhat offset by faulting presumed to pass north-west through the Jordan River Valley (see Exhibit #7).

Both zones on the east and west of the river are wide, averaging at least 100 m and each appear to be at least 600 m long, although the eastern zone is still open to the east.

Soil geochemical techniques will not work adjacent to the Jordan River due to the presence of alluvium, however if these zones are continuous across the valley this would give a minimum strike length of 1,500 meters.

Gold values within the zones are strongly anomalous and there is a clear cut off at the margins to background levels of 5 - 10 ppb gold. The results to date show 130 values as being above background with 42 above 50 ppb gold and 20 samples being above 100 ppb gold.

#### Geophysics

The Issuer has used Very Low Frequency Electromagnetic "(VLF-EM)", a geophysical method for evaluating conductivity responses in the ground, to assist in understanding geological and structural characteristics of the area. Conductive zones associated with the Discovery Zone are

being traced east and west. To date, approximately 43 km of ground survey VLF-EM has been completed and a number of linear anomalies have been identified, some close to and apparently parallel to areas of elevated gold values in the soil. These linear conductive zones appear to extend considerable distances along strike lengths to the east of west of the Discovery Zone (see Exhibit 8).

### Drilling

The objective of the Issuer in conducting diamond drilling in the Discovery Zone as recommended in Phase I of the Work Program is to learn more about the geological setting of the gold mineralization, particularly with respect to structural features associated with the gold deposits, and to obtain lithological, alteration and geochemical information. As is common with the type of gold mineralization found on the Property, drilling is an unsuitable tool for estimating average gold grades due to the small unrepresentative size of the sample obtained from material in which gold is very erratically distributed. The assay results from these individual small samples tend to have low assay values with occasional very high values; this is known as the "nugget effect" and makes estimates of average grade very difficult.

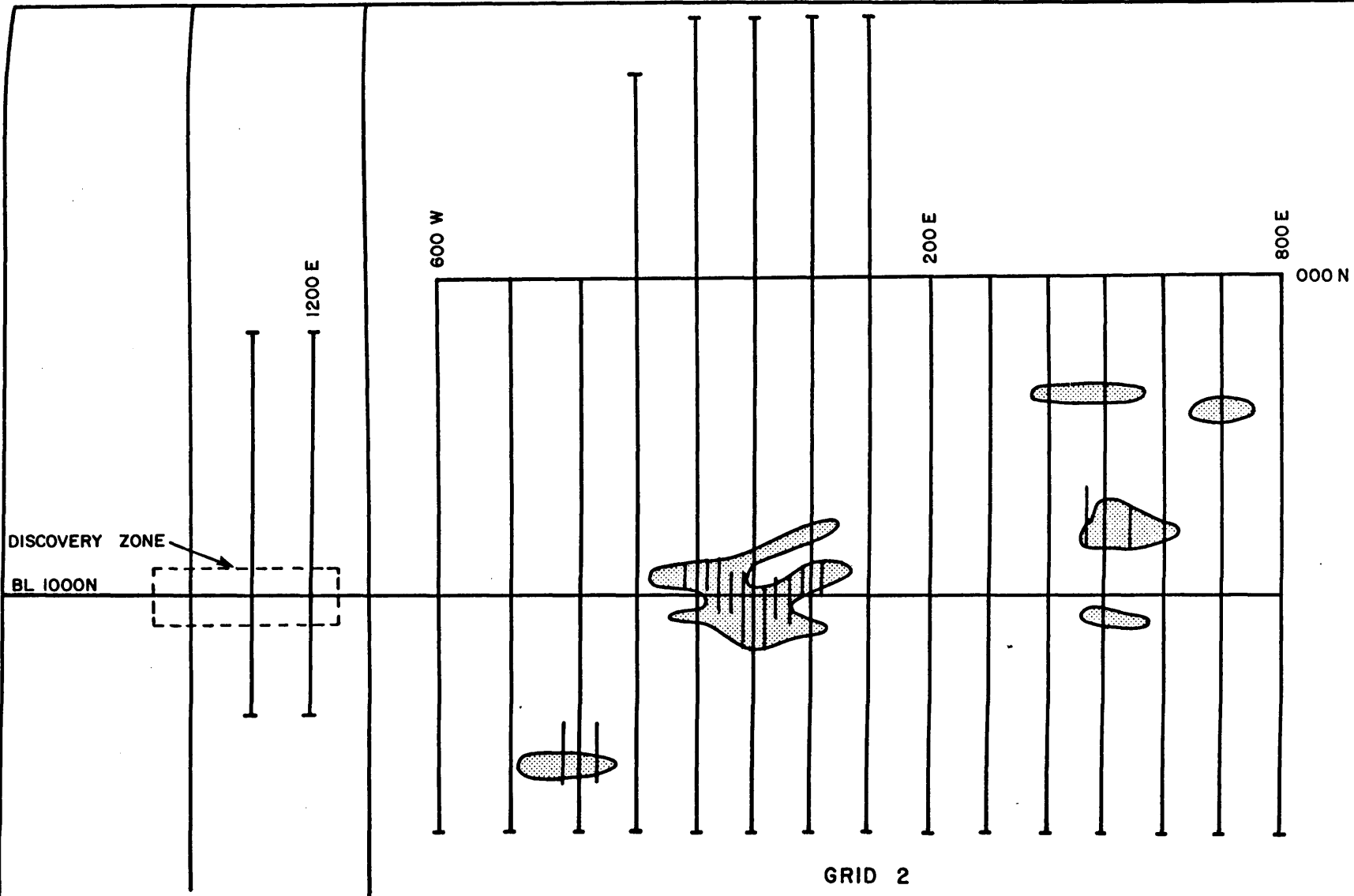
The pattern of drill holes (see Exhibit #9) is designed to give a clear three dimensional picture of the structural geology of the Discovery Zone over a 400 m strike length and across a width of about 300 m. All holes are drilled at a 45 degree angle to the north.

AS INDICATED BY DAVID PHILIP, P.ENG., IN HIS STATUS REPORT DATED OCTOBER, 1987 THE NATURE OF THE QUARTZ/QUARTZ CARBONATE VEINING IS NOT PRESENTLY WELL ESTABLISHED:

"THE QUARTZ/QUARTZ CARBONATE VEINING IN THE MAIN DISCOVERY ZONE COULD NOT BE TRACED FOR SIGNIFICANT DISTANCES. IN THE 36 TRENCH, SECTIONS OF A VEIN WERE APPARENT IN THE METAQUARTZITE. BETWEEN TRENCH 1 AND TRENCH 2 DISCONTINUOUS SCATTERED ZONES WERE SCATTERED THROUGH A SCHIST ZONE. THE DETAILED RELATIONSHIP OF GOLD MINERALIZATION AND THE VEINING IS NOT WELL IDENTIFIED. BETWEEN TRENCH 2 AND THE "A" TRENCH, VEGETATION AND OVERBURDEN HAD BEEN REMOVED BUT NO CLEAR VEIN SYSTEM WAS VISIBLE.

DOWN DIP CORRELATIONS OF SURFACE VEINING AND DRILL HOLE MINERALIZATION CANNOT BE ESTABLISHED."

The Issuer intends to use the analytical information obtained from the drill core to identify the low levels of gold mineralization, structural features, alteration patterns and rock types. The Issuer anticipates that this information can eventually be used to recognize and predict areas of economically significant gold mineralization on the



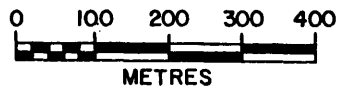
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**ZONE A SOIL SUMMARY MAP**

VALENTINE MOUNTAIN PROJECT

EXHIBIT #5

OCT. 1987

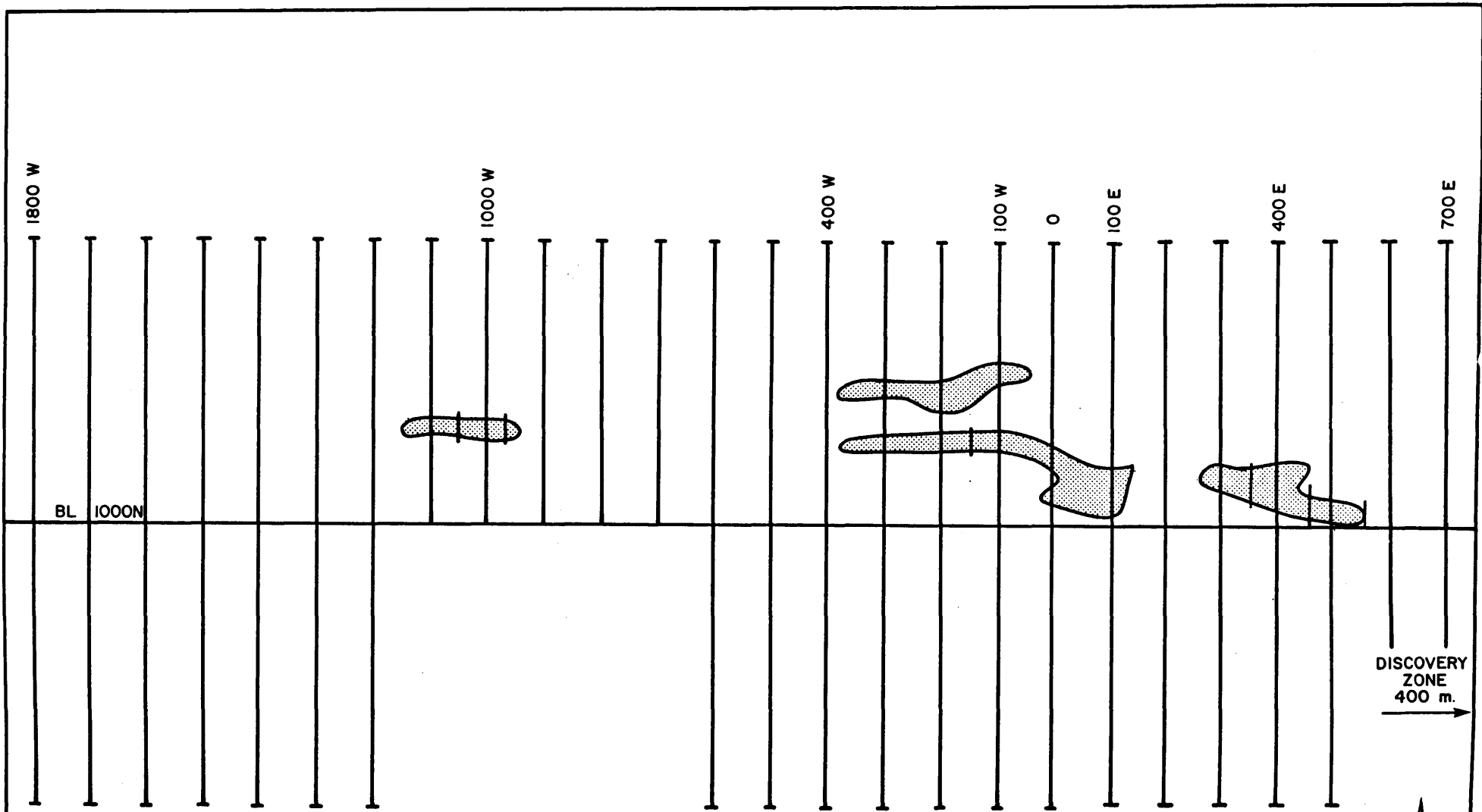


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SIGNIFICANT GOLD SOIL ANOMALIES





GRID I

DISCOVERY  
ZONE  
400 m.



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ZONE B SOIL SUMMARY MAP

VALENTINE MOUNTAIN PROJECT

EXHIBIT #6

OCT. 1987



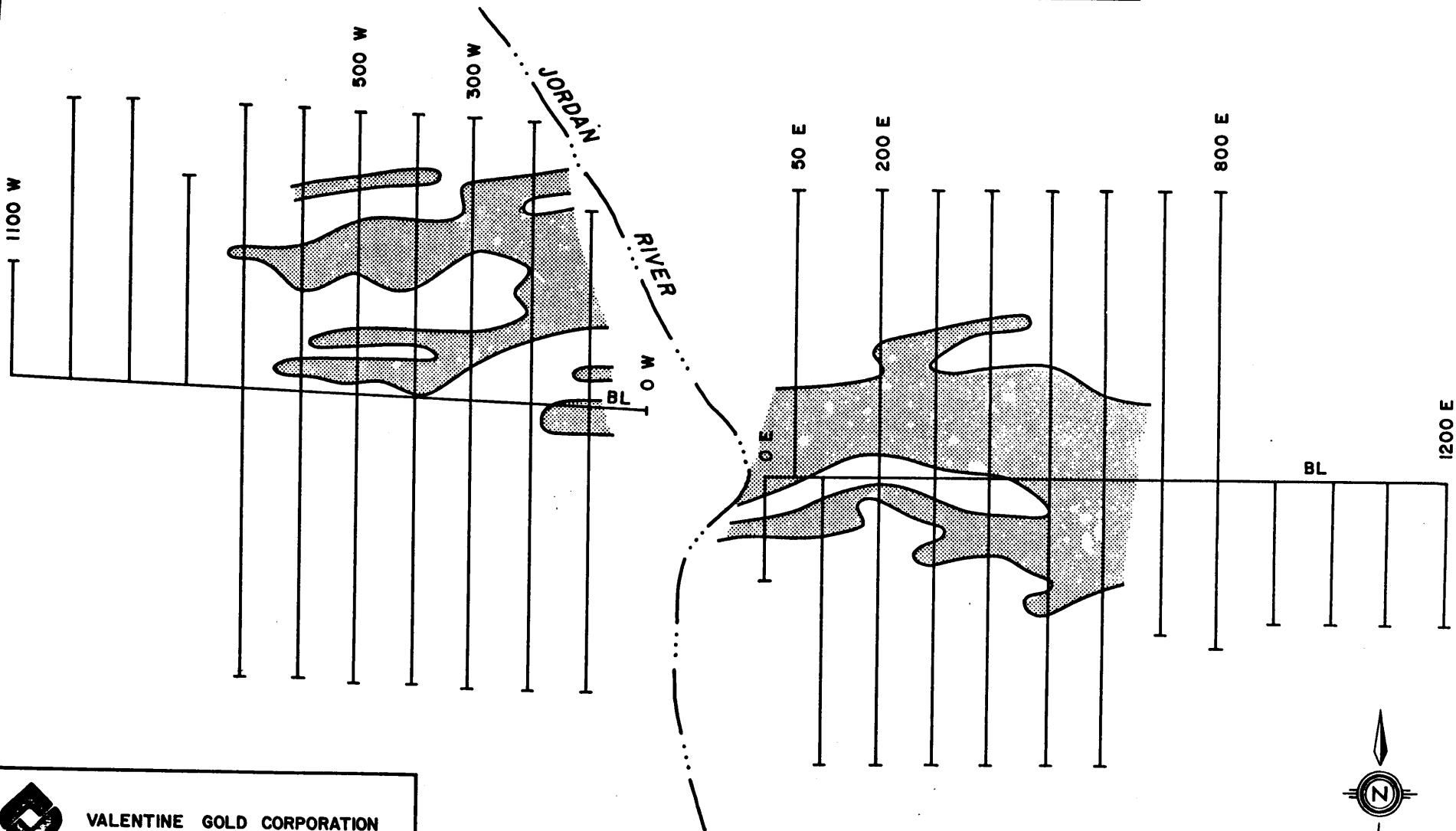
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SIGNIFICANT GOLD  
SOIL ANOMALIES

GRID 5

GRID 7



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ZONE C SOIL SUMMARY MAP

VALENTINE MOUNTAIN PROJECT

EXHIBIT #7

OCT. 1987



SCALE 1:10000



SIGNIFICANT GOLD SOIL ANOMALIES



Property.

Descriptive logs have been made of all drill core. It is then photographed and split in half for assaying. One half of all the core is sent to Chemex Laboratory in Vancouver for sample preparation and fire assay for gold.

An assay technique is being used with a low detection limit so that geochemically significant gold mineralization is detected.

As of October 30, 1987, all of the 22 planned drill holes (DDH 87-1 to DDH 87-22) have been completed by the Issuer in the Discovery Zone, for a total of 2,428 meters. Samples have generally been taken along 1 m. intervals of all the core and over shorter distances when features of particular interest are noted. The assay results for DDH 87-1 to DDH 87-22 are summarized in Exhibit #10. All values over 200 ppb (i.e. 40 times background) have been listed. Background gold values are typically less than 5 parts per billion (ppb). Check assays, taken on about 10% of all drill hole samples, show good correlation.

As can be seen, geochemically significant gold values are found in most drill holes especially directly under the main zone of known mineralization and north of this area.

Mapping and Rock Sampling

Geological staff of the Issuer are presently mapping and rock sampling in areas of interest outside of the Discovery Zone. Eventually, the Issuer intends to trench areas of interest and geologically map and sample the bedrock. In those areas which indicate highly anomalous values bulk samples may be taken and processed through the bulk sampling plant. Those areas which show encouraging results at this point in the program will be drilled.

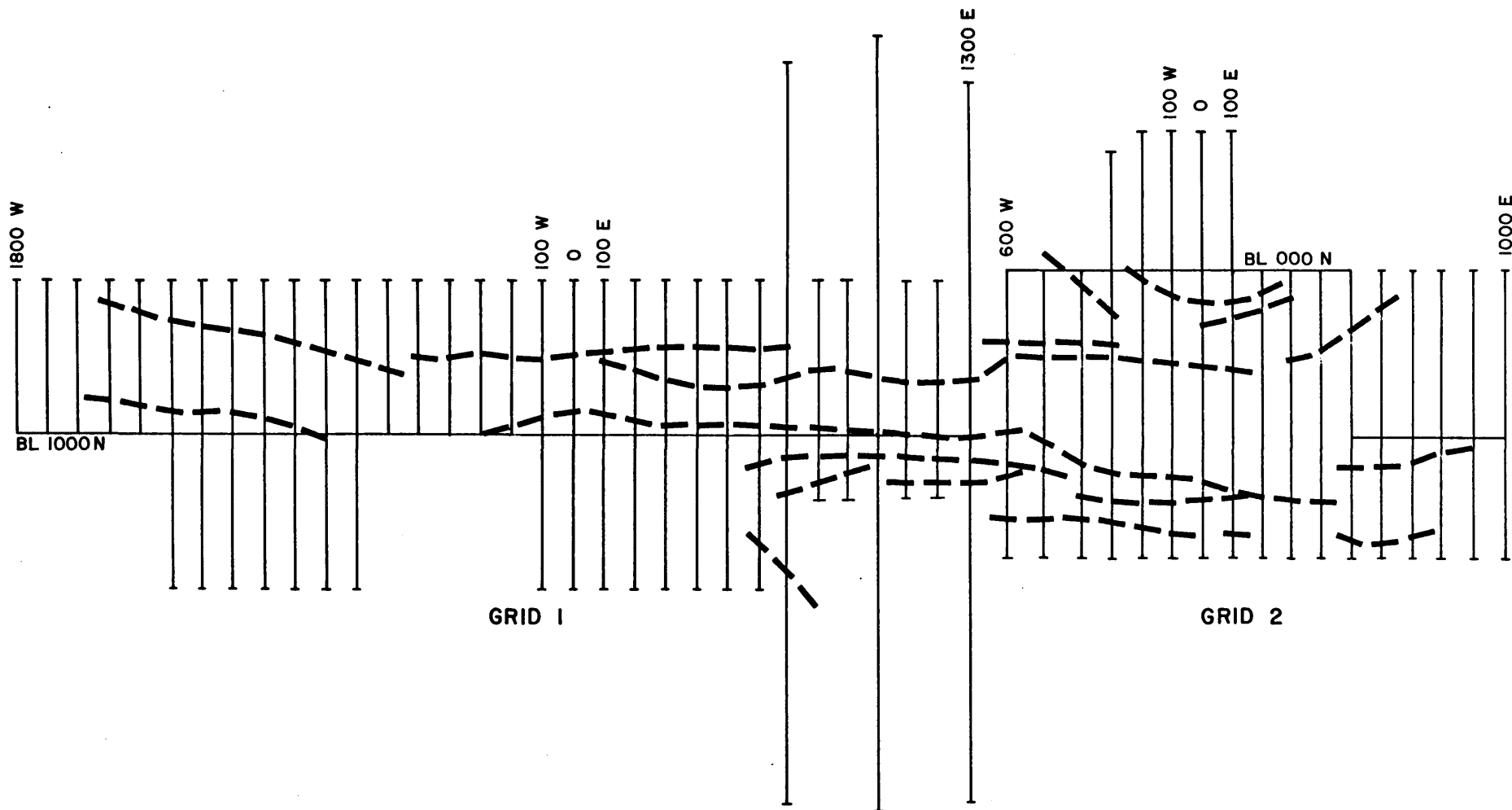
As of October 30, 1987, assay results from 676 rock chip samples are available. Many of these samples show elevated gold values, above the background of 5-10 ppb gold. Of particular interest are the following chip samples:

1) Zone "A"

6,000 ppb gold (0.18 oz/t) taken over 1 meter width.

2) Zone "C"

Grab sample 18,000 ppb gold (0.53 oz/t).



GRID 1

GRID 2

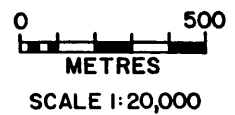
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VLF-EM SUMMARY MAP

VALENTINE MOUNTAIN PROJECT

EXHIBIT # 8

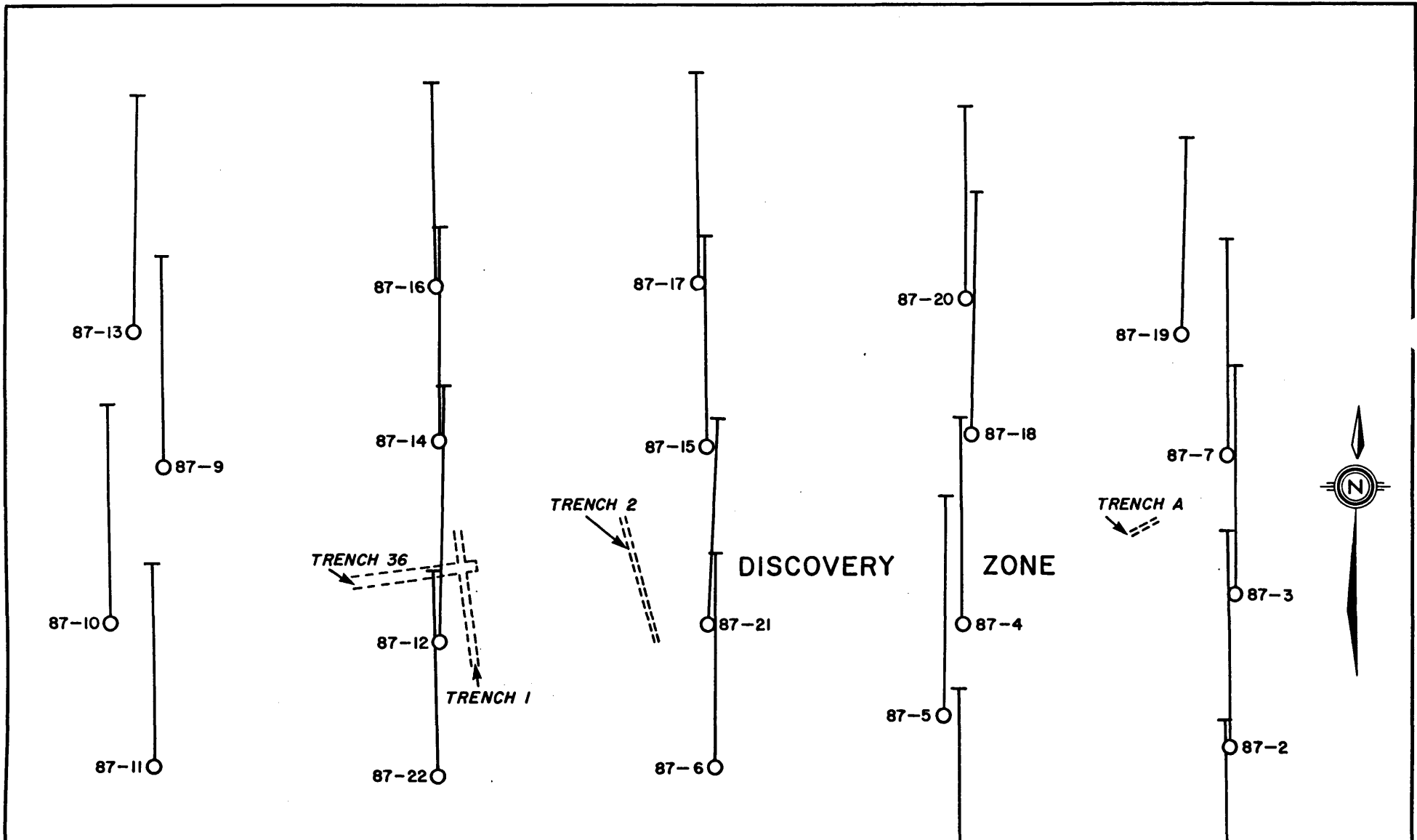
OCT. 1987



--- APPARENT CENTER LINES OF CONDUCTIVE ZONES







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DRILL HOLE SUMMARY MAP

VALENTINE MOUNTAIN PROJECT

EXHIBIT # 9

OCT. 1987

## EXHIBIT #10

## DRILL HOLE ASSAY SUMMARY TABLE

DRILL HOLE #	SIGNIFICANT INTERVALS			
	From to (Meters)	Length(Meters)	Pts per billion	Oz/ton
DDH 87-1	98.00-99.00	1.00	550	
DDH 87-3	28.54-29.07	0.53	1580	.046
DDH 87-3	34.00-35.00	1.00	200	
DDH 87-3	71.00-72.00	1.00	535	.016
DDH 87-3	110.00-111.00	1.00	555	.016
DDH 87-4	50.00-51.00	1.00	4680	.137
DDH 87-5	83.64-84.11	0.47	260	
DDH 87-5	84.11-85.00	0.89	1065	.031
DDH 87-5	86.00-87.00	1.00	260	
DDH 87-5	87.00-88.00	1.00	265	
DDH 87-6	40.00-41.00	1.00	345	
DDH 87-6	99.00-100.00	1.00	460	
DDH 87-6	100.00-101.00	1.00	2670	.078
DDH 87-7	67.00-68.00	1.00	215	
DDH 87-9	44.00-45.00	1.00	620	.018
DDH 87-9	49.00-50.00	1.00	320	
DDH 87-9	65.00-65.50	0.50	560	.016
DDH 87-9	79.00-80.00	1.00	935	.027
DDH 87-9	83.00-84.00	1.00	1665	.049
DDH 87-9	85.00-86.00	1.00	305	
DDH 87-10	31.00-32.00	1.00	800	
DDH 87-10	46.00-47.00	1.00	1265	.037
DDH 87-10	50.00-51.00	1.00	935	
DDH 87-10	51.00-52.00	1.00	245	
DDH 87-11	51.00-52.00	1.00	205	
DDH 87-11	57.98-58.24	0.26	> 10,000	5.856**
DDH 87-11	58.24-59.00	0.76	765	.022
DDH 87-11	95.00-96.00	1.00	3030	.088
DDH 87-11	99.00-100.00	1.00	340	
DDH 87-12	54.00-55.00	1.00	900	.026
DDH 87-13	62.00-63.00	1.00	1800	.052
DDH 87-14	47.00-48.00	1.00	6830	.199
DDH 87-14	48.00-49.16	1.16	220	.006
DDH 87-14	49.45-50.00	0.55	325	.009
DDH 87-14	60.00-61.00	1.00	315	.009
DDH 87-14	78.00-79.00	1.00	1115	.033
DDH 87-14	107.00-108.51	1.51	435	.013
DDH 87-16 (-50)	11.00-12.00	1.00	4180	.122
DDH 87-16	30.00-31.00	1.00	225	.007
DDH 87-17	10.00-11.00	1.00	375	.011
DDH 87-17	32.00-33.00	1.00	245	.007
DDH 87-17	33.00-34.00	1.00	360	.011
DDH 87-18	114.60-115.00	.040	265	.008
DDH 87-22	36.00-37.00	1.00	410	.012
DDH 87-22	26.00-27.00	1.00	3050	.089
DDH 87-22	94.00-95.00	1.00	275	.008
DDH 87-22	101.80-103.00	1.20	865	.025
DDH 87-22	103.00-104.00	1.00	370	.011

\*\* Average of 2 fire assays 6.286 and 5.426 oz/ton

3) "South Area"

Grab sample 14,000 ppb gold (0.41 oz/t) from a location 500 m south of the eastern end of Bear Creek Reservoir.

Further Work Planned

The Issuer plans follow-up silt sampling based upon results from initial phases of sampling. This will more closely define areas of interest.

The Issuer also plans to continue soil sampling to define areas of interest particularly west of the Discovery Zone. The objective is to obtain a continuous grid of soil samples taken along lines 100 m. apart and samples taken at 20 m. intervals between Zone "A" (east of the Discovery Zone) and the Jordan River drainage (west of the Discovery Zone). Also separate, outlying soil sample grids will be completed in other areas of interest. The present phase of soil sampling should be finalized when more detailed "fill in" soil sampling is completed in Zones "A", "B" and "C". This is anticipated to be completed by mid-November 1987.

The Issuer has completed the initial VLF-EM survey along possible strike extensions of the Discovery Zone. Currently, a VLF-EM and magnetometer survey is taking place over the Zone "C" soil anomalies; early results are inconclusive.

A test aerial VLF-EM magnetometer survey has been flown by a geophysical contractor. Results show that similar definition can be obtained from the air when compared to ground surveys.

The Issuer plans to continue mapping and sampling of potential target areas throughout most of the field season. After the results of the detailed soil sampling are available it is planned to dig trenches to bedrock across these zones containing anomalous gold values. The rock exposed in the trenches will be mapped, sampled and assayed. It is anticipated that if positive results are obtained, further bulk sampling and drilling will be conducted.

D. BULK SAMPLING FACILITY

Introduction

The purpose of the bulk sampling plant is to provide a facility for the bulk treatment of gold bearing rock from trenches to evaluate accurately the grade of material from various zones of the Property. The bulk treatment of these samples is designed to eliminate the so-called "nugget effect" referred to in the Work Program that may be present in the material.

Bench Test Work

In April 1987, the Issuer hired Bacon, Donaldson & Associates ("BDA") to carry out a metallurgical evaluation on three barrels of bulk sample material from the trenches on the Discovery Zone of the Property in order to provide parameters for the design of a 20 ton per day bulk sampling plant. The entire contents of each barrel weighing approximately 400 lbs. was processed to determine the grade of the material.

The contents from each barrel was crushed, screened, jigged and tabled to produce a jig concentrate and a table concentrate. The calculated head grades from each barrel are shown below:

Barrel	Calc. Head (oz Gold/ton)	Total Weight (lbs.)
A	0.391	372
FL1	0.382	365
FL2	0.144	404

In addition, a grab sample was taken from each barrel. The sample was crushed, ground, screened and jigged. The jig tails were treated by flotation. The use of flotation was shown to significantly improve gold recovery from the range of 44 - 74% to the range of 69 - 97%.

Based on the above testwork, the Issuer retained BDA to design and supervise the detailed engineering and construction of a 20 ton/day bulk sampling facility for the Property and also to supervise and manage the operation of the bulk sampling plant.

## Plant Design

The Bulk Sampling Facility is designed to treat 20 tons/day of material on a 24 hour per day basis. The plant is housed in a pre-engineered metal building.

The plant flowsheet includes a crushing and grinding circuit with ball mill product being jigged. The jig concentrate is tabled to upgrade the product with the table tails being returned to the grinding circuit. The jig tails are classified prior to going to flotation. The flotation concentrate is thickened and filtered while the tailings are pumped to a tailings disposal area.

The trench samples will be stored on a 200 ton storage pad. Material from the storage pad will be delivered to an 8 inch grizzly over the pilot plant coarse ore bin by front end loader. The crushing and grinding circuit consists of a jaw crusher for primary crushing and a roll crusher set at 1/4 inch for secondary crushing. The material discharged from the secondary crusher is fed to the fine ore bin.

Material from the fine ore bin is conveyed to the ball mill for wet grinding and then from the ball mill to the jig.

The jig concentrate is tabled to produce a table concentrate. The table tails are recycled to the ball mill for further regrinding. The jig tails are classified in a cyclone where the cyclone underflow is recycled to the ball mill and cyclone overflow goes to flotation.

The flotation concentrate is thickened, filtered and stores in lined drums. The flotation tails are piped to the tailings facility. The flotation of the jig tails is carried out at natural pH.

The table concentrate produced from each zone will be smelted and poured into dore bars on site. The flotation concentrate will be stored in lined barrels for further treatment off-site.

An extensive and continuous assaying schedule is planned for the facility to establish accurately the head grade of material processed from the various zones. Assaying will be performed off-site by an independent B.C. certified assayer.

The power for the pilot plant operation is supplied by a 200 kw diesel generator housed in a separate portable cargo container.

### Tailings Deposition

Tailings from the bulk sampling plant will be deposited into an area designed to contain the approximately 4160 cu. metres expected to be produced over the life of the bulk sampling program. This system will comply with all government regulations.

### Operation

The design of the facility was completed by June 1st, 1987. Construction commenced shortly afterwards and, except for completion of the tailings dam, is complete and operational. After a short commissioning period, the facility will commence operation, employing 8 mill operators. It is tentatively planned that the facility will treat 10,000 tons of material from the property over the life of the exploration program.

### Correlation of Bulk Sampling Data to Geological Data

It should be noted that only after large quantities of gold bearing rock have been processed through the bulk sampling plant will the average gold content of the various structures in the Discovery Zone be known. It will then be possible to relate this data to the geological and geochemical data currently being obtained from the diamond drilling program over the Discovery Zone. These relationships will then be used to evaluate the various targets emerging from the ongoing exploration program.

### E. SURFACE PLANT AND EQUIPMENT

In addition to the Bulk Sampling Facility on the Property, the Issuer has placed a work trailer on the Property for use as on-site operations offices. There is no underground plant or equipment on the Property and there are no underground exploration openings on the Property.

### II. AGREEMENT WITH POINT RESOURCES INC.

Pursuant to an agreement entered into on October 30, 1987, but effective from October 15, 1987, between the Issuer and Point Resources Inc. ("Point"), the Issuer, together with Point, executed a promissory note (the "Promissory Note") dated October 20, 1987 in favour of the Colorado National Bank of Denver (the "Colorado Bank") in the amount of \$600,000 (U.S.), payable in four monthly instalments of \$20,000 (U.S.) commencing May 1, 1988, plus interest at a rate the Colorado Bank charges its most credit worthy customers, plus 1.5% with the entire balance due on August 15, 1988. The Issuer also provided security for this