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REPORT

ON

THE AMERICAN CREEK PROPERTY

OF

KOMODY RESOURCES LTD.

(#326 - 510 W. Hastings,)

Vancouver, B.C.

BY

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Vancouver, B.C.

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INTRODUCTION

This report was prepared for Komody Resources Ltd., #326 - 510 W. Hastings, Vancouver, B.C., pursuant to a request by Mr. Gene Stonehocker.

The basis for this report is a personal examination of the ground covering the period September 4 - 7, 1980 inclusive, personal communications with E.W. Grove of the B.C. Department of Mines (who wrote Bulletin No.58 on the Stewart area) and a study of the available maps and reports on the 'Virginia K' group which date back to 1929.

Accompanying the author during the examination of the property were Mr. John Lunek of Stewart, B.C. (a local miner and prospector whose familiarity with the showings proved to be of great assistance) and Mr. J. McDonald and Mr. D. Cremonese, directors of Komody Resources Ltd.

The purpose of this report is to evaluate the mineral potential of the claim group.

A program of mineral exploration and small-scale production is recommended.

SUMMARY

1. The property comprises 8 reverted crown grant claims, part of a group of 14 crown grant claims originally staked in 1929 and designated as the "Virginia K" group.
2. The claims are situated at the head of American Creek approximately 24 air miles north-northeast of Stewart, British Columbia. Access is by helicopter from Stewart.

3. The claims have been explored by past owners who cut trenches and drove short adits. High values in silver from mineralized zones occurring on the property have been reported. Minor production of hand-sorted ore has also been reported.

4. During the author's examination of the property several showings containing lead, zinc and silver mineralization (with minor values in gold) were visited. One of the showings contained mineralization classifiable as "shipping" grade. Since accees to the property is by helicopter, cost of transporting ore is high. Values in excess of $600/ton are required to justify shipping.

5. A 1,500 pound bulk sample from a newly discovered, highly argentiferous vein on the property assayed: Silver - 181.74 oz./ton; Gold - .005 oz./ton; Lead - 28.38%; Zinc - 6.91%. Gross value of this ore at present metal prices is approximately $3,900/ton. Since this is well in excess of the break-even value of $600/ton, an attractive profit potential is indicated. It is recommended that mining and shipping of this vein material begin as soon as weather conditions permit.

6. Some of the showings visited by the author contained mineralization which, although not rich enough to classify as "shipping" grade, could nevertheless justify a milling operation were enough volume present. For this reason a program of diamond drilling and tunnel re-opening has been recommended in order to prove up tonnage. It is also recommended that material from one of these showings,

"No. 1 Tunnel", be subjected to metallurgical analysis to test extractability of contained values.

7. A program of careful prospecting is recommended with a view to locating both "shipping" and "milling" grade occurrences elsewhere on the property. Geological conditions are favourable for this endeavour - many red-iron discoloured areas and fault zones (hosts for mineralization) remain to be investigated.
8. If results of the exploration program are positive, the economics of placing a mill on the property should be studied. Cost of building a road into the property should also be investigated.
9. A total of $130,000 is allocated to carry out the recommended work program.

PROPERTY - LOCATION, ACCESS, PHYSIOGRAPHY

The property is situated at the head of American Creek approximately 24 air-miles north-northeast of Stewart (See Location Map, Fig. 1) Access is by helicopter. The nearest road is some 12 miles to the south at the junction of American Creek and Bear River.

The claim group lies between elevations 3,000 and 4,000 feet on both slopes of American Creek. It straddles a narrow valley at the head of American Creek formed along an anticline in the Bitter Creek sediments. The main showings are located on the eastern slope of the valley. Timber is scarce. In places large talus slopes obscure the bedrock but otherwise the geology is amply defined by weathered outcrops. Water is plentiful as there are numerous streams flowing down the valley walls into American Creek.

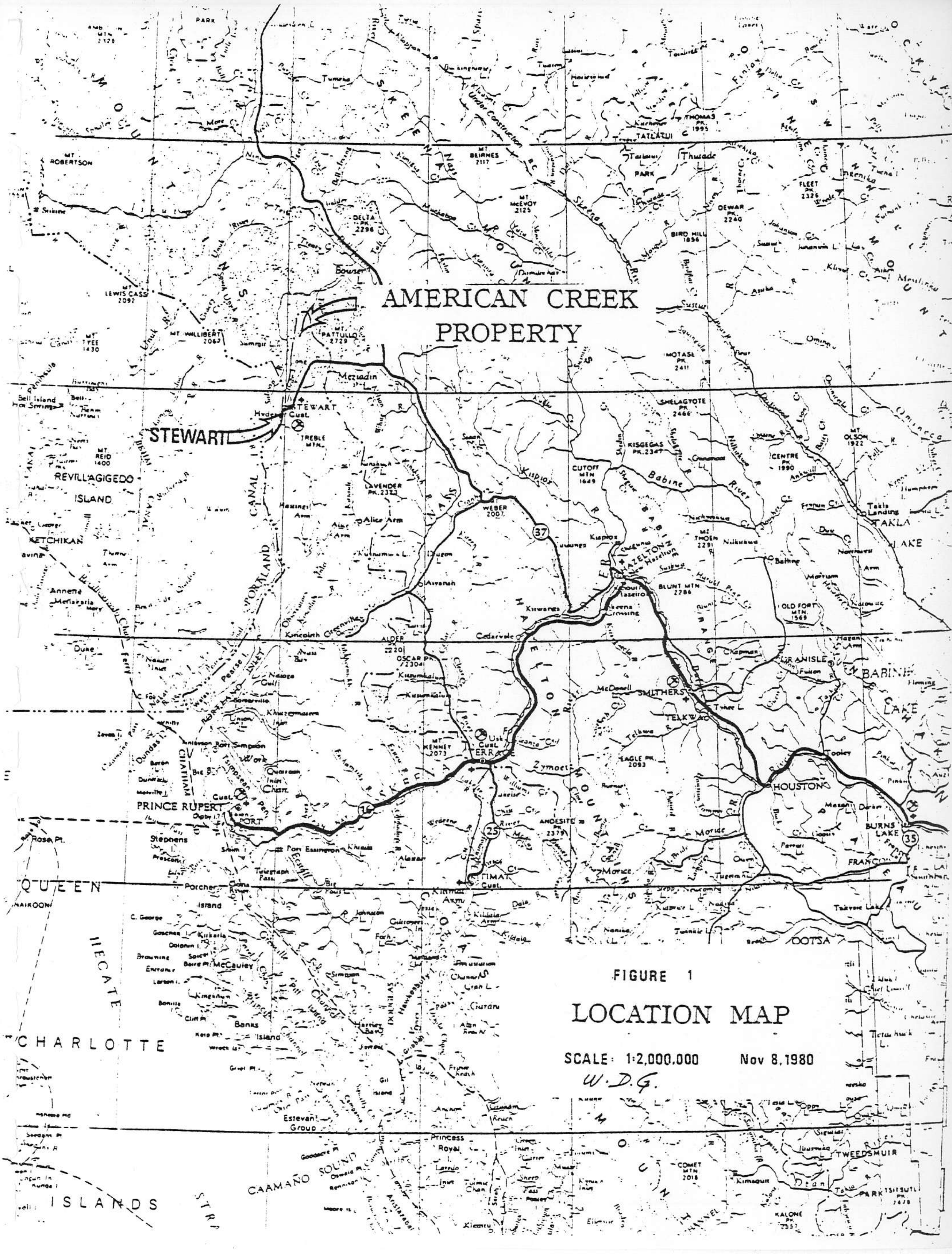

FIGURE 1

LOCATION MAP

SCALE: 1:2,000,000 Nov 8, 1980

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On one raised rock bench to the east of a gravel flat along the valley floor one sees the remnants of a cabin used by early miners. Another cabin is visible on the western wall of the valley high up on a bench among a fringe of dwarf trees. It is said to be part of the camp of the Moonlight claims on which small high-grade gold showings were reportedly worked (Ref. 1, p. 139).

There is a 3,000 foot long gravel flat lying along the valley floor in the southern portion of the property. Grade is a uniform one to two degrees. With minor imporvements it could be used as an aircraft landing site.

Because of the frequency of snow slides in the valley of upper American Creek, care must be exercised in the location of a camp. Prior to the bulk sampling program described in this report, a framed tent was erected on a rocky knoll just above one of the showings. This site should be suitable for housing personnel in the upcoming field season.

STATUS OF PROPERTIES

The property consists of eight reverted crown grant mineral claims located in the Skeena Mining Division, British Columbia. It is the author's understanding that Komody Resources Ltd. is the beneficial owner of the claims. Information on file with the Government Agent, Vancouver, British Columbia, on October 20, 1980 was as follows:

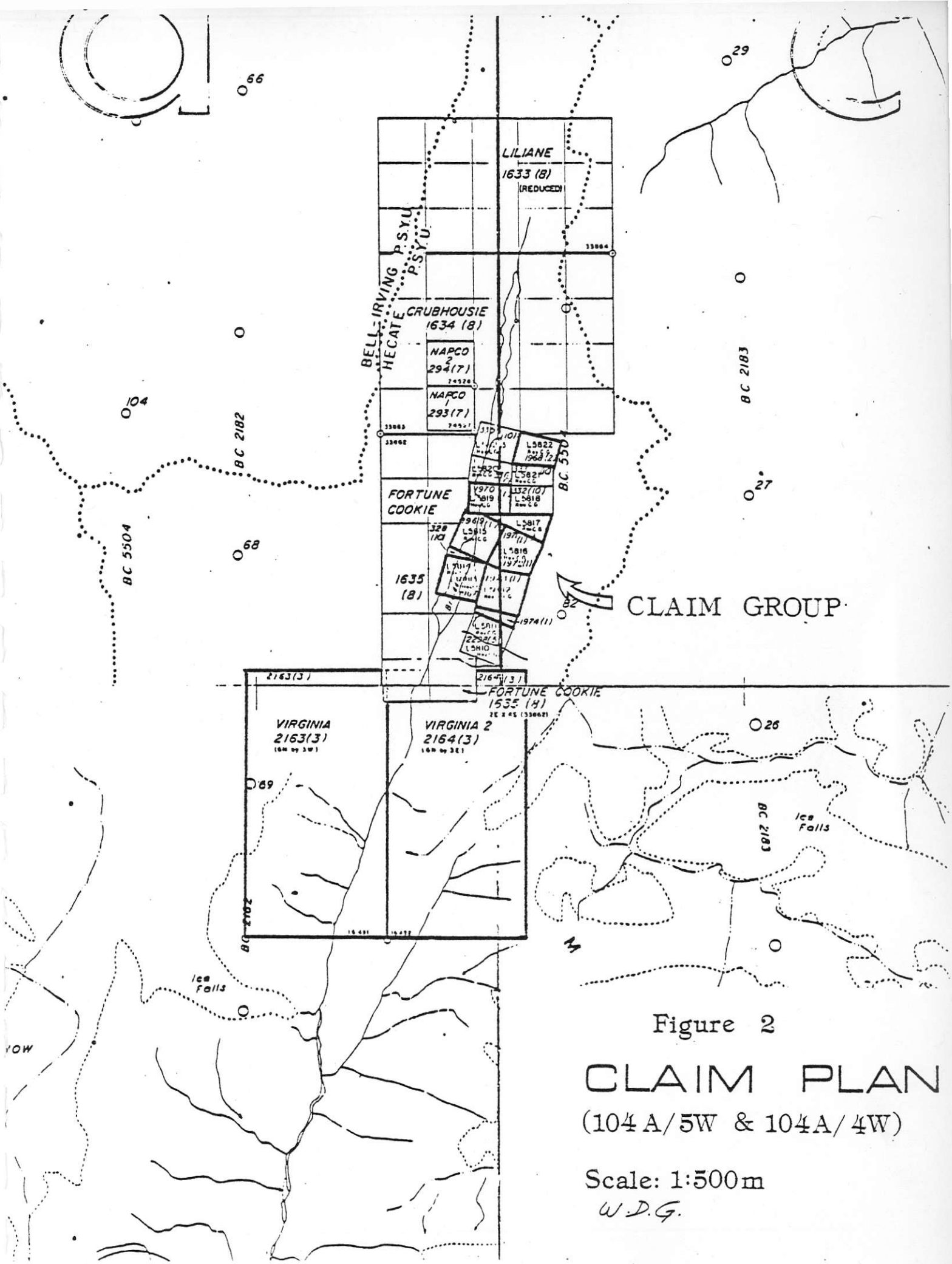

Figure 2

CLAIM PLAN

(104 A/5W & 104 A/4W)

Scale: 1:500m

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Claim Name	Lot No.	Record No.	Area Hectares	Recorded Holder
Virginia K Ext. No.1	5822	1968	37.55	J.G. McDonald
Virginia K Ext. No.4	5819	1970	37.06	" "
Virginia K Ext. No.5	5815	1969	50.66	" "
Virginia K Ext. No.6	5813	1967	51.65	" "
Virginia K No. 2	5812	1973	51.65	" "
Virginia K No. 3	5816	1972	49.22	" "
Virginia K Fraction No. 3	5817	1971	31.23	" "
Star No. 3 Fraction	5811	1974	10.41	" "

The claims are shown on Figure 2 and in greater detail on Figure 3. They are part of a group of 14 reverted crown grant claims. During the examination of the property, the author located some survey pins marking the corners of the crown grants. These posts were tied into a baseline by compass, and ground measurements were made using a Topo-fill line reading in metres. Field locations were then checked against a showings map (see Ref.3).

It is also the author's understanding that Komody Resources Ltd. is the beneficial owner of the VIRGINIA claims and the VIRGINIA 2 claims lying south of the eight reverted crown grants enumerated above (see Fig.2). They comprise two contiguous blocks of 18 units each, located by the four-post method (one unit is 500 metres square). Neither the geology nor the claims posts for these claims were examined by the author owing to time limitations. At this point these claims are considered to be of secondary interest; only a very minor aspect of the recommendations presented below is concerned with propsecting the VIRGINIA and VIRGINIA 2 claims.

*CLAIMS OWNED BY KOMODY RESOURCES LTD. ARE SHOWN WITHOUT CROSS-HATCHING

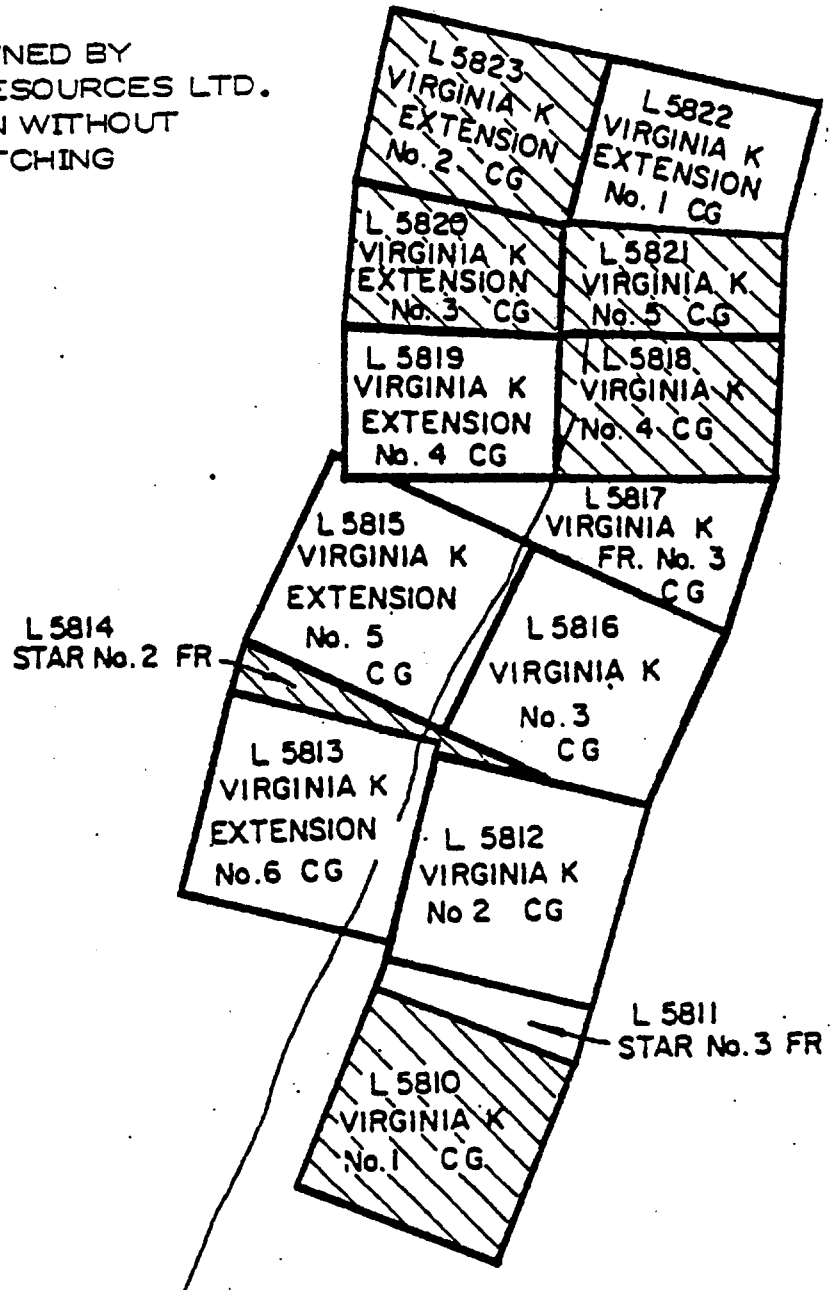

FIGURE 3

DETAILED CLAIM PLAN

(After Fig. 15c; Bull. 58; see Reference 1; 1971)

Scale: 1 in. = 1,300 ft. (approx.)

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HISTORY

The Stewart area has been one of the richest and most prolific producers of silver in British Columbia (ranking third after Fort Steele and the Slocan district). Mineral exploration began around the turn of the century and with the passage of years several important mines were located and developed, among the better known being the Premier and the Big Missouri. Owing to recent increases in prices of precious metals, interest is again focussing on this area.

Ths reverted crown grant claims forming the subject matter of this report are part of the original Virginia K group of 14 crown grant claims and fractions staked in 1929 at the head of the American Creek. Development was undertaken by the Excelsior Prospecting Syndicate which reported several high-grade occurrences of silver mineralization on the property (see Ref.4). An excerpt from E.W. Grove (Ref. 1, p. 169) follows:

> "The mineralization primarily consists of quartz-calcite veins and stringers which occur as fissure veins in minor shears and fractures and along bedding fractures. The various veins have been explored by trenches and short adits located on the Star No.2 Fraction, Virginia K. Fraction, and the Virginia K. No. 5 claims. The continuity of this apparent northeasterly zone has been tested by scattered trenches but not proved. Sulphide minerals in the veins include pyrite, galena, sphalerite, minor chalcopyrite, and tetrahedrite. Native gold and silver, as well as rare electrum, have been reported from the quartz calcite stringers.
>
> Since 1938 the property has been largely inactive with minor exploration and hand-mining of high-grade sections."

The Moonlight claims were also staked in 1929 and lie just west of the Virginia K group. High values in gold have been reported from this property which is now covered by claims reputedly belonging to Tournagain Mining and Exploration Co. of Vancouver.

REFERENCES

1. E.W. Grove - Bulletin No. 58, "Geology and Mineral Deposits of the Stewart Area", 1971, B.C. Department of Mines.

2. J.A. Mitchell - "Report on Excelsior Prospecting Syndicate, Virginia K Group, American Creek, Portland Canal District", 1936.

3. Map - "Excelsior Prospecting Syndicate Ltd.; Preliminary Survey Shewing Claims of the Virginia K Group", Scale: 1 inch = 300 feet, c. 1936.

4. Annual Reports of the Minister of Mines, B.C. for the years

   1929 - p. 104;

   1931 - p. 44;

   1932 - p. 59.

GENERAL GEOLOGY

The main rock units in the area are Bowser sediments (locally black argillites containing a laminar blue-weathering limestone member and minor rhyolite flows), massive andesitic to dioritic intrusives, and massive fresh purple porphyritic extrusives. The massive intrusives cut the Bowser off at the southern end of the property and the purple porphyry tops the section, capping the ridge on the eastern side of the valley.

The American Creek anticline (or crumpled anticlinorium) exposes Bowser rocks at the present erosion level in the American Creek valley. The strong north-south linear of the valley indicates an axial plane fault which has been the locus of glacial erosion. Reinforcing the idea of a mineralized axial-plane fault is the presence of a notch gulley with red-iron discolorations in the steep headwall of the valley. Similar red-iron discolorations occur high on the western wall of the valley some four to five miles downstream of the property. They lie north and south of the only prominent side glacier entering from the west.

Crumpling of the black Bowser argillites in the valley floor below Kimball Lake (a small pond in the upper valley of ths creek) shows an almost random direction of axes. Here there are crumpled "folds" that assume a dome-shaped configuration as well as drag folds in various orientations and amplitudes. The section dips west at about 50 degrees to a point one-half way up the eastern side of the upper portion of the valley (so that on a purely local scale, the valley is a syncline). Major drag

folds are evident having roughly north to south axes; drag movement is up the west side of the valley in a 200 to 3oo foot thickness of limestone, intercalated with rhyolite flows. This part of the Bowser proved to be somewhat resistant to erosion. Narrow "benches" on an otherwise 50 degree hillside are formed in the eroded crests of these drags, particularly where the western limb of the structure dips more steeply west than the hillside so that the rim of the bench is a resistant rib of the lime. These locations are important as possible helicopter landing pads and campsites. Fringes of dwarf trees on these rims suggest that they are not regularly overrun by the winter snowslides whose action is evident elsewhere.

At about one-half way up the eastern wall of the valley in the vicinity of Kimball Lake, sediments are in contact with intrusives. One mile south of Kimball Lake, a massive andesite-diorite intrusive cuts east-west across the whole section. Slopes in this area are marked by enormous screes.

The western wall of upper American Creek valley was not climbed during the author's visit. However, from the valley floor it is apparent that the Bowser sediments form a steeply east-dipping sequence which "benches" about 1,000 feet above the creek bed (for much the same reason that the east wall is benched).

MINERALIZATION - GENERAL

Three types of mineral occurrences were identified in the upper valley of American Creek. They are briefly discussed below.

1. The massive andesitic-dioritic intrusive at the south end of the claims is irregularly block-jointed. Tension-joints, some also showing slight movement (slickensides), occasionally contain pockets of epidote, chlorite, calcite, quartz and "plates" of slickensided, steely specular hematite. In one case minor tetrahedrite was noted surrounded by small green malachite stains. Although visually resembling the silver-rich "steely" galena found in this area, the specularite (which has a rusty red streak) is barren of precious metal values.

2. The rhyolite flows in the Bowser, which become more prominent at the southern end of the property on the east side of the valley, have been deformed by regional folding of the section. This rock is marked by fracture cleavages and altered margins. In places the rhyolite has also intruded the limestone and small masses of pyrite have formed in and near the contacts. There is also fine syngenetic pyrite in the rhyolite approaching 1 (one) % of the rock mass. Samples of the pyrite and pyritic rhyolite proved to be essentially barren of both precious and base metals. (A pyrite lens in the limestone just north of No.1 Tunnel ran: Gold - .002 oz./ton; Silver - 0.5 oz./ton; Lead - .29%; Zinc - .09%; see Assay Sheet, Sample "AM-R5").

3. Small veins, rubble fillings and replacements in minor faults in the Bowser (in the vicinity of the intrusive contact) are marked by rusty stains on the hillside. The ones examined by the author were on the eastern wall of the upper valley of American Creek (See Section entitled "Showings"). Another stain, reported to be of the same type, was obscured in a fault, the trace of which angled up the western wall of the southern part

of the property. Time constraints and weather conditions made it impossible to examine this stain.

Argentiferous galena and much less argentiferous, white to dark brown sphalerite, with minor tetrahedrite, are the predominant economic minerals found in these small veins, rubble fillings and replacements. Together with the galena and sphalerite are sulphates and carbonates of barium and lead and what appears to be a lead antimonide. A variation of the same type of mineralization is composed mostly of white to pale tone sphalerite in a small replacement zone on a lime-rhyolite contact.

SHOWINGS

The following showings were determined to the author's satisfaction to be within the boundaries of the reverted crown grants listed as beneficially owned by Komody Resources Ltd. in the section of this report entitled "Claims".

(a) "No. 1 Tunnel" - This thirty-foot long adit is driven north 20 degrees east into a fault and rubble zone on the Virginia K Fraction #3 (See Figure 4). Outcrop is in a small southward facing cliff at the southern end of a little bench adjacent to a large scree gully. The bench is "held up" by a 50 foot thick rhyolite flow. The section here strikes generally north-northwest and dips 60 degrees west. Looking northward at the adit, the rhyolite forms a steep hanging wall and its eastern edge is marked by a smooth, polished fault plane. The

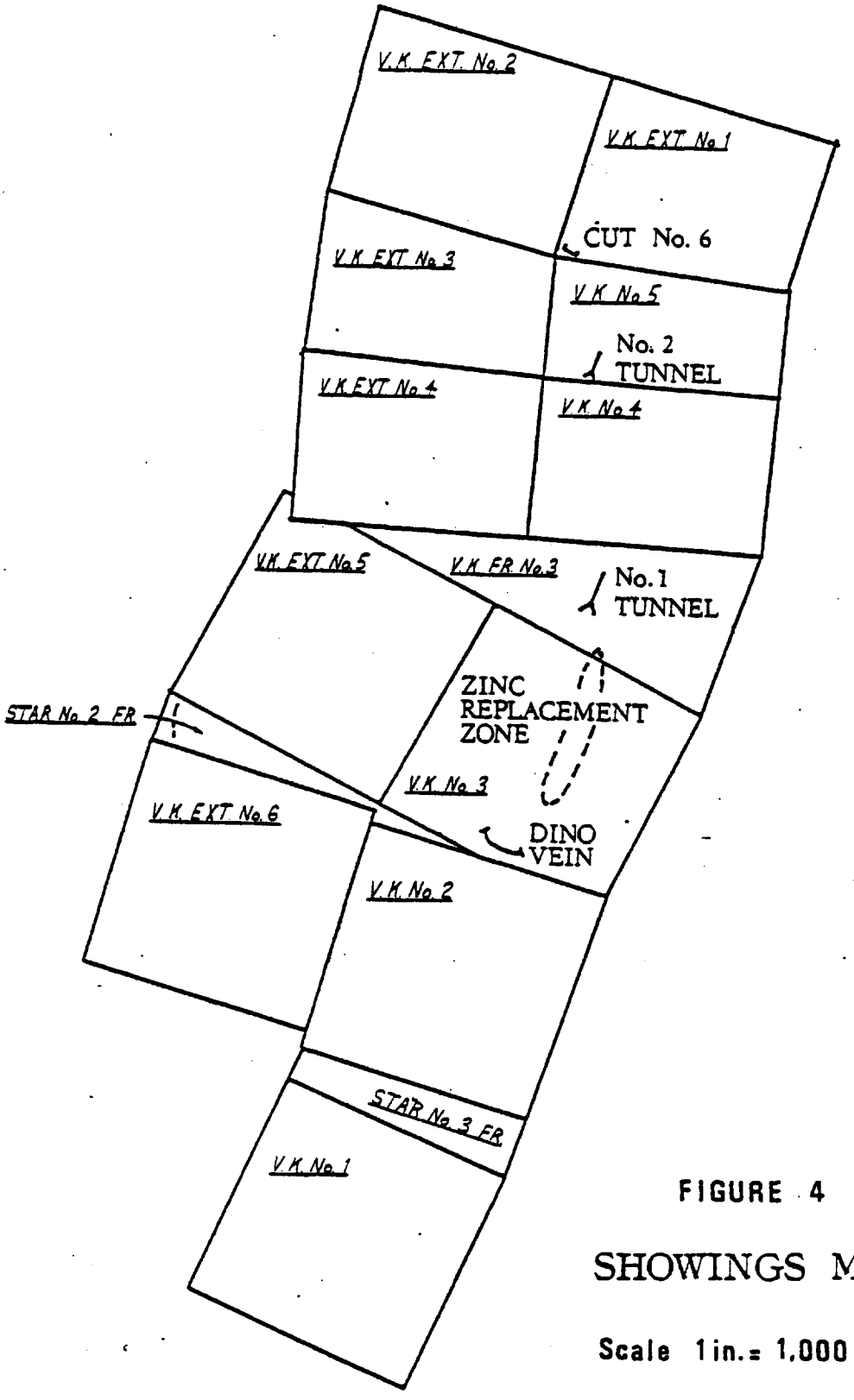


FIGURE 4

SHOWINGS MAP

Scale 1 in. = 1,000 ft. (approx.)

W. D. Groves, P. Eng.

W.D.G.

rhyolite locally carries "fish-eye" high temperature quartz granules and is silicified in the fault area. The sequence going eastward 20 feet from the fault face is as follows: four to five feet of highly mineralized blackish to brown-stained argillite fault rubble, including some "rolls" (up to ten feet high and three feet wide) which have been partially replaced by lead and zinc sulphide, trending into massive, silicified black argillite fault material and finally into fresh, finely cleaved, slatey Bowser. The main fault rubble zone is about four to five feet wide on the footwall of the fault plane. The extent of this fault along strike to the north-east is not easily defined - it may be pared off by another diorite intrusion higher up the hill which also buries the slope in blocky talus. Samples taken in the area of No. 1 Tunnel assayed as follows:

(i) Sample "AM-R2": A three foot chip sample of a lens of pyritic, cleaved, sheared and limonite-stained rhyolite located 50 feet above No. 1 Tunnel. It assayed: Gold - .002 oz./ton; Silver - .05 oz./ton; Lead - .04%; Zinc - .02%.

(ii) Sample "AM-R3": A chip sample taken across a 20 foot horizontal cut four feet above the entrance to No. 1 Tunnel. This sample is from the fault plane going east out into fresh argillite across fault rubble and replacement zones as described above. The last eight feet is in relatively fresh argillite. It assayed: Gold - .004 oz./ton; Silver - 6.71 oz./ton; Lead - 1.29%; Zinc - 1.32%.

(iii) A grab sample of the massive replacement material from a "roll" in the fault rubble gave an assay of 30 oz./ton of silver (assayed by the assay lab of Scottie Gold Mines in Stewart, B.C.).

The richest mineralization in the vicinity of No. 1 Tunnel lies close to the fault plane. Estimating 100 feet of backs about the adit (bottom open, top at hillcrest), 50 feet along the

strike into the hill (north 20 degrees east, open to the northeast) and a 10 foot width of zone from the fault plane east (hanging wall is fault face), and assuming a density of 10 cubic feet/ton: there are about 5,000 tons in this zone. It is open in two dimensions.

(b) "Dino Vein" - This vein (see Fig. 4) marks a small strike-slip fault in a laminar blue limestone, the same unit which outcrops northward along the hill at No. 1 Tunnel. The fault strikes about north 40 degrees west and dips approximately 35 degrees to the northwest. Its plane is curved - the dip steepens going up the hill (i.e., south east). The fault "slices off" a small drag-fold bench and the down-dip fault plane cuts up across beds and comes out of the hill both on the down-dip side (on the steep hillside) and also on top of the knoll. The northeasterly strike length is obscured by talus. The vein is exposed on a small south-facing cliff on the southern end of the little knoll. Just to the east, massive rhyolite is in evidence and a half mile to the south, a massive andesitic dioritic intrusive cuts off the whole Bowser formation. The fault plane is flatter than the bedding attitude in the limestone. Bedding strikes north-northeast and dips 50 degrees west down the hill at this point. The location is thus fairly hazardous, since it is on the edge of a 50 degree dipslope.

Elevation of this showing is a few hundred feet higher than No. 1 Tunnel. Mineralization here occurs as a vein of highly argentiferous galena from one to six inches thick on the footwall

of the fault overlain by approximately a foot of fault rubble containing lead-zinc mineralization and considerable oxidized material in the limestone. A grab sample across the entire breadth of the 1½ foot fault zone assayed:

Sample "AM-R4": Gold - .012 oz./ton; Silver - 124.84 oz./ton; Lead - 17.45%; Zinc - 2.31%.

On the recommendation of the author, a pilot mining program was implemented in order to obtain a bulk sample from this vein of highly argentiferous galena. Mr. John Lunek and Mr. Barry Burgess of Stewart, British Columbia oontracted to do the mining. Because of equipment breakdown and inclement weather, the latter preventing shuttling in of necessary parts by helicopter, only about 1,500 pounds of vein material was mined before winter shutdown. This vein material was sacked and transported to Stewart by helicopter. A composite sample taken from the sacked ore assayed as follows:

Sample "Bulk #1": Gold - .005 oz./ton; Silver - 181.74 oz./ton; Lead - 28.38%; Zinc - 6.91%.

Several grab samples were taken from the vein and fault rubble in order to determine mineralogical associations in the argentiferous rock. These are enumerated below:

(a) Sample "H1-G": Gold - .032 oz./ton; Silver - 396.50 oz./ton; Lead - 66.78%; Zinc - 1.67%.

This was a sample of the "steely", fine-grained galena, readily distinguished by the ease with which it could be shaved by a knife (i.e., sectile).

(b) Sample "COBB": Gold - .008 oz./ton; Silver - 139.67 oz./ton; Lead - 35.67%; Zinc - 2.65%.

A sample of the coarse, large-grained galena.

(c) Sample "HI-ZN": Gold - .004 oz./ton; Silver - 43.75 oz./ton Lead - 2.01%; Zinc - 26.39%.

This sample was taken from a zinc rich section in the fault rubble.

(c) Sample "LOW-SH": Gold - .008 oz./ton; Silver - 43.75 oz./ton; Lead - 22.04%; Zinc - 1.13 oz./ton.

This sample was taken from a highly leached and oxidized section of the fault rubble.

The assay results indicate that the lead-rich phase of the mineralization carries at least ten times as much silver as the zinc-rich phase, with the "steely" galena carrying the highest silver values. Some of the highly oxidized portions of the fault zone also carry significant silver values.

The author estimates a lower limit of about 300 tons in the fault zone. This figure is computed as follows: one foot thickness times 50 feet (dip dimension) times 50 feet (strike into hill-open) equals 2,500 cubic feet - at eight cubic feet/ton for this dense material calculate approximately 300 tons.

(c) "Cut No. 6": This is an old cut located in the southwest corner of the Virginia K Extension No. 1 claim (See Figure 4). Here, a mineralized cross-fault contains two dykes of different composition: a competent coarse green andesite and a purple porphyry, both two to three feet thick. The fault and dykes strike north 60 degrees west and dip steeply north. The south wall of the fault is in a folded rhyolite flow about 400 feet above the valley floor on the east side of Kimball Lake. Argentiferous galena and sphalerite are visible in a one foot wide zone in between the dykes and the south wall. A net of small quartz stringers containing the same minerals penetrates several feet into the silicified rhyolite before petering out away from the influence of the fault. The zone is marked by a light brown

iron stain. Disseminated lead and zinc mineralization was also noted on the northern wall of the small gulley marking the fault. A chip sample of the one-foot wide zone along a length of twenty feet combined with random chips from the veinlets in the south wall assayed as follows:

Sample "AM-K4": Gold - .012 oz./ton; Silver - 22.84 oz./ton; Lead - 1.76%; Zinc - 2.61%.

A pale felsite or rhyolite dyke can also be seen on strike with this showing on the western wall of the valley of American Creek. It appears to climb up to the "Moonlight" group now reportedly held by Tournigan Mining & Exploration Ltd. Whether or not this dyke is related to the Cut No. 6 dykes or fault is unknown, however, it is a point worth investigating.

(d) "Zinc Replacement Zone": In the area between the Dino vein and No. 1 Tunnel, contact replacement of the limestone by "white" sphalerite was noted from place to place in the talus, corresponding to a large rusty zone visible from the valley floor. A systematic evaluation of this zone could lead to development of a moderate tonnage of zincblende carrying some silver values. More work on defining the geometry of this replacement is required in the area of the limestone-rhyoite contact on the steep hillside.

Showings NOT on "Komody"-Owned Claims:

Some of the showings examined were on reverted crown grants not belonging to Komody Resources Ltd. They were inspected to establish characteristic silver/lead and silver/zinc ratios and

to learn more about fault geology and mineralization in the general area of upper American Creek. These showings are described below.

(a) "No. 2 Tunnel": This tunnel is on the Virginia K #5 claim (see Figure 4). The adit is about 30 feet long, driven north 15 degrees west with the last ten feet turning eastward. The mineralized structure is localized in a rather flat, planar fault (striking about north and dipping 15 degrees east) which cuts a massive section of banded argillites. The argillites dip at about 50 degrees east, into the hillside. A two inch thick vein of massive, highly argentiferous galena marks the fault plane on the footwall side. Fault rubble and oxidized portions of the mineralization are also quite argentiferous. Some sphalerite is mixed with galena in the fault rubble. Assays were as follows:

Sample "AM-K1": Gold - .065 oz./ton; Silver - 257.54 oz./ton; Lead - 37.65%; Zinc - 0.60%.

(A grab sample from the vein of argentiferous galena).

Sample "AM-K2": Gold - .018 oz./ton; Silver - 80.34 oz./ton; Lead - 2.82%; Zinc - 0.64%.

(A grab sample from the fault rubble).

(b) "Star #2 Showing": On the western wall of the valley there is a reported showing which was not visited on this trip. A brown-stained area near the extreme western edge of the Star No. 2 Fraction just above the talus seems to indicate another small mineralized fault. This is mentioned as a target for further examination particularly because an old report (see Reference 2) mentions this zone as passing through both Virginia K Ext. No. 5 and Virginia K Ext. No. 6, these two claims belonging to Komody Resources Ltd.

DISCUSSION

The property is situated in an area of high transportation costs, requiring an unusually rich grade of ore to merit shipping. Using a combination of a Sikorski Skycrane helicopter and a smaller 206 Jet Ranger, it would cost approximately $200/ton to ferry ore from the property to the nearest road 12.5 miles south. The smaller Jet Ranger would be used to relay ore from the hillside to a central loading point (there is a flat bedrock knoll in the gravel flat below Kimball Lake which would be ideal for this purpose). Thereafter the Sikorski Skycrane could fly the ore out in ten ton lots to the Meziadin Highway. There is a Skycrane currently being used in the Stewart area for helicopter logging.

Alternatively, one could hire the Skycrane to fly in a small D-2 Cat or John Deere loader which would be used to smooth out a landing strip on the 3,000 foot long gravel flat along the valley floor. With its gentle one to two degree slope, this hard-gravel flat could be converted into an airstrip suitable for a Twin Otter. The flat was carefully walked by the author and photographed from several elevations. Cost of transporting ore out by Twin Otter aircraft would be considerably less than using a helicopter.

Freight from Stewart to the smelter at Trail would incur an additional cost of about $150/ton. Cost of small-scale mining would be about $150/ton, and smelter charges another $100/ton. Total cost from mine-site to smelter then, would be in the vicinity of $600/ton. At a price of $20/oz. of silver, and

assuming in the extreme case no added value for contained lead and zinc, a break-even grade for shipping ore would be approximately 30 oz. of silver per ton.

A composite sample taken from 1,500 pounds of hand-mined vein material from the "Dino Vein" assayed: Gold - .005 oz./ton; Silver - 181.74 oz./ton; Lead - 28.38%; and Zinc - 6.91%. At present market prices, the contained metal value is about $3,900 a ton. This represents a substantial increment above the break-even price of $600/ton. For this reason the author is recommending a small-scale mining operation on the Dino vein to coincide with further exploration on the property in the 1981 field season (see Section entitled Recommendations).

Should future exploration on the property prove up a viable tonnage of milling-grade ore, for example in the "No. 1 Tunnel" area, the merits of bringing in a small 20 to 30 ton/day, portable, gravity and flotation mill would be worth investigating. It would have to be flown in in pieces to be assembled on the bedrock knoll on the edge of the gravel flat (this area appears to be well protected from snowslides). High-grade concentrate from the mill would be flown out in the same manner. Such a decision would depend on a variety of factors, some of the most important being tonnage, grade and reduction of transportation costs through beneficiation.

The economics of constructing a road to the property should also be studied at a future date, depending again on the success of the exploration program. At the moment such an undertaking would be extremely expensive even with government

assistance. There is a steep canyon just to the south of the property which would present a formidable obstacle. Moreover, frequent snow slides along American Creek would result in high maintenance costs.

RECOMMENDATIONS

1. As soon as weather conditions permit, it is recommended that a small-scale mining operation begin on the Dino Vein. An experienced two-man mining team should be adequate to handle the job. Camp facilities on the bench just above the vein will have to be upgraded to provide adequate accommodation for the field season. Supplies and personnel will be ferried in by helicopter, shipping ore to be taken out by Sikorski Skycrane (if this unit is not available, the smaller 206 Long Ranger will have to be used). Provision is made in the budget for start-up costs of the mining operation, assuming that smelter returns will be used at a later date to finance further work.

It is also recommended that a small John Deere Track loader be brought into the property on a back-haul trip by the Sikorski Skycrane. This machine would be used to smooth out an airstrip on the 3,000 foot long gravel flat. If possible, it could also be used to construct tote roads connecting the showings to the central loading points on one side of the gravel flat.

2. It is recommended that the existing No. 1 Tunnel be re-opened using equipment from the Dino Vein operation. Thereafter, the tunnel should be comprehensively sampled.

3. It is recommended that 1,000 feet of diamond drilling be

done to block out the fault zone around No. 1 Tunnel for potentially millable ore. One hole in this program should be saved to test the zone around Cut No. 6.

4. A milling test should be performed on a 200 pound sample from the No. 1 Tunnel deposit. Using a simple table and flotation circuit at a 50 - 80 mesh grind, recovery of silver, lead and zinc values would be determined. It is important to see whether a loss in oxidized silver values occurs. In the event that the drill program turns up a viable tonnage of ore, it is recommended that the economics of moving a mill onto the property be investigated.

5. At least a week should be spent carefully prospecting the entire property. This includes both the eight reverted crown grants and the two blocks of eighteen units to the south (VIRGINIA and VIRGINIA 2 claims). Red stains along the western side of American Creek on the VIRGINIA claim block merit special attention.

BUDGET

1. The following costs are estimates covering mining and shipping of two thirty-ton lots. It is assumed that, thereafter, receipt of smelter returns would be sufficient for working capital requirements.

Extraction and shipping 60 tons @ $600/ton	$ 36,000
Rental of Mining Equipment	$ 3,000
Fuel, Supplies, etc.	$ 1,000
Upgrading camp	$ 2,000
Rental and operation of small Track-Loader	$ 8,000
	$ 50,000
2. Re-open No. 1 Tunnel. Sample. Assays.	$ 10,000
3. Diamond Drilling - 1,000 feet. @ fully-loaded cost of $50/foot	$ 50,000
4. Milling test on material from No. 1 Tunnel	$ 1,000
5. Prospecting: two men for 10 days. Includes helicopter, assays, minor geochem.	$ 5,000
6. Engineering	$ 2,000
	$ 118,000
Plus Contingency @ 10%	$ 12,000
Proposed Budget - Total	$ 130,000

Respectfully submitted,

William D. Groves

Dr. W.D. Groves, P. Eng.
November 10, 1980.

CERTIFICATE

I, William D. Groves, do hereby certify that:

1. I, William D. Groves am a consulting engineer (geological) with an office at #152-890 W. Pender, Vancouver, B.C.

2. I am a graduate of the University of British Columbia (B.A.Sc. in Geological Engineering, 1960). I am a graduate of the University of Alberta, B.Sc. in Chemical Engineering in 1962, and of the University of British Columbia with a Ph.D. in Chemical Engineering in 1971.

3. I am a registered Professional Engineer in the Province of British Columbia.

4. I have practiced my profession since 1960.

5. I examined the Viriginia K property on upper American Creek, Stewart area, Sept. 4-7 inclusive, 1980, and sampled showings, trenches and adits and evaluated the local geology. I read reports on the property by E.W. Grove (1971) and J. Mitchell (1936) and discussed the property with the former.

6. I have no direct, indirect or contingent interest in the Virginia K Property nor do I beneficially own, directly or indirectly, any securities of Komody Resources Ltd., nor do I intend to receive any such interest.

7. I hereby consent to the use of this report in a Prospectus or Statement of Material Facts to be filed with the Vancouver Stock Exchange and Superintendent of Brokers for British Columbia.

Respectfully submitted,

William D. Groves.

Dr. W.D. Groves, P. Eng.
November 10, 1980.

General Testing Laboratories
A Division of SGS Supervision Services Inc.

1001 EAST PENDER ST., VANCOUVER, B.C., CANADA, V6A 1W2
PHONE (604) 254-1647 TELEX 04-507514 CABLE SUPERVISE

TO:
KOMODY RESOURCES LTD.
152 - 890 West Pender Street
Vancouver, B.C.

CERTIFICATE OF ASSAY

No.: 8011-0551 | DATE: Nov. 7/80

We hereby certify that the following are the results of assays on: Ore

MARKED	GOLD oz/st	SILVER oz/st	Lead Pb (%)	Zinc Zn (%)	XXX	XXX	XXX	XXX
Bulk # 1	0.005	181.74	28.38	6.91				

NOTE: REJECTS RETAINED ONE MONTH. PULPS RETAINED THREE MONTHS. ON REQUEST PULPS AND REJECTS WILL BE STORE FOR A MAXIMUM OF ONE YEAR.

L. Wong
PROVINCIAL ASSAYER

General Testing Laboratories
A Division of SGS Supervision Services Inc.

1001 EAST PENDER ST., VANCOUVER, B.C., CANADA, V6A 1W2
PHONE (604) 254-1647 TELEX 04-507514 CABLE: SUPERVISE

TO:
KOMODY RESOURCES
326 - 510 West Hastings Street
Vancouver, B.C.

CERTIFICATE OF ASSAY

No.: 8010-0874 | DATE: Nov. 3/80

We hereby certify that the following are the results of assays on: Ore

MARKED	GOLD oz/st	SILVER oz/st	Lead Pb (%)	Zinc Zn (%)	xxx	xxx	xxx	xxx
A1-R1	0.002	0.28	0.33	0.67				
A1-R2	0.002	0.05	0.04	0.02				
A1-R3	0.004	6.71	1.29	1.32				
A1-R4	0.012	124.84	17.45	2.31				
A1-R5	0.002	0.05	0.29	0.09				
A1-E1	0.065	257.54	37.65	0.60				
A1-E2	0.018	80.34	2.32	0.64				
A1-E2	0.034	153.72	19.07	1.60				
A1-E4	0.012	22.34	1.76	2.61				
F #1	0.004	6.21	0.58	6.41				
F #2	0.002	2.19	1.82	4.01				
BELOW #1	0.002	0.05	7.03	10.45				
E1-G	0.032	396.50	56.72	1.67				
E1-ZN	0.004	12.22	2.01	26.39				
LOW-MIX	0.002	10.70	2.72	1.94				
LOW-SH	0.008	43.75	22.04	1.13				
COMB	0.008	139.67	35.67	2.65				

cc. Dr. Groves

NOTE: REJECTS RETAINED ONE MONTH. PULPS RETAINED THREE MONTHS. ON REQUEST PULPS AND REJECTS WILL BE STORE FOR A MAXIMUM OF ONE YEAR.

REPORTS ARE THE CONFIDENTIAL PROPERTY OF CLIENTS. PUBLICATION OF STATE-MENTS, CONCLUSION OR EXTRACTS FROM OR REGARDING OUR REPORTS IN NOT PERMITTED WITHOUT OUR WRITTEN APPROVAL. ANY LIABILITY ATTACHED THERETO IS LIMITED TO THE FEE CHARGED.

L. Wong
PROVINCIAL A

EXAMINATION REPORT

on the

GLACIER MINERAL CLAIMS

for

KOMODY RESOURCES LTD.

by

E.D. CRUZ, P. Eng
1006-750 W. Pender St.
Vancouver, B.C.

Nov. 26, 1980

CONTENTS

ILLUSTRATIONS

SUMMARY:

The Glacier mineral claims of Komody Resources Ltd. are situated about six kilometers northeast of Stewart, British Columbia, in the Skeena Mining Division. It consist of four claims partly overlapping some Crown grants and includes the Mobile Prospect.

The area is underlain by graphitic argillites of the Bowser group intruded to the east by the Glacier Creek augite diorite and related dykes. Hazelton volcanics and sediments underlies the Bowser sediments in the western boundary of the Bowser formation.

Two mineralized shear zones are present in the property; namely, the East and West zones. The East zone was explored by three adits and six open cuts over its entire strike length of about 600 meters and the West Zone was explored by a 34 - meter cross cut adit.

Mineralization consisting of sphalerite, galena, pyrite, minor argentite, tetrahedrite and rare native silver occur as discontinuous replacement localized in sheared graphitic argillite.

Examination of the workings and sampling of the mineralized veins and lenses have disclosed one lenticular mineralized body, about 1.2 meters wide in trench no. 1 and yielding weighted average assays of 37 ounces per ton in silver, 0.028 ounces per ton in gold, 0.84% lead and 0.35% zinc. Elsewhere in the sampled area on the East Zone showed sub-economic values.

The West zone appear to be more promising because of its indicated surface width (about 7 meters) and reported sub-surface assays of Silver, 18.5 to 111 oz/ton; Gold, 0.02 to 0.04 oz/ton;

Lead, 4 to 19% and Zinc, 30 to 12% over 5.8 meters.

Previous geochemical soil sampling in the property revealed a high magnitude lead - zinc anomaly possibly reflecting the southeast continuation of the west zone and related vein systems.

As the Mobile prospect represent only a small fraction of the claim area on a geologically favourable environment, future exploration programme should also be directed to other parts of the claim.

A work programme with an estimated cost of $94,000 is recommended.

INTRODUCTION:

Komody Resources Ltd. have acquired by staking Glacier Nos. 1, 2, 3, 4, including the old Mobile Property worked for silver-bearing veins.

The writer, at the request of Mr. James McDonald of Komody Resources Ltd., conducted an examination of the property focusing mainly on the mineralized zones of the Mobile.

This report presents the writer's assessement and recommends a work programme for the property.

LOCATION AND ACCESS:

The Glacier claims are situated in the Glacier - Albany Creek areas about 6 kilometers northeast of Stewart, B.C., Skeena Mining Division. The common legal corner post of the claims as per the B.C. mineral claim map (See Fig. 1) is located at the confluence of Glacier Creek and Maude Gulch. The workings at the old Mobile Property are situated on a ridge, west of Albany Creek.

Access to the claims is by helicopter from the town of Stewart. Stewart, a mining community located at the head of Portland Canal, is reached by boat or plane from Vancouver via Prince Rupert or by road thru the Stewart - Cassiar - Alaska highway that links to the main Prince George - Terrace highway at Kitwanga.

PROPERTY:

Outline of the Glacier claims are shown in Fig. 1. The old mobile property are included on the northern half of Glacier No. 3. Following are the details of the Property.

Name of Claim	Record No.	Date Recorded
Glacier No. 1	2155	March 3, 1980
Glacier No. 2	2156	March 3, 1980
Glacier No. 3	2157	March 3, 1980
Glacier No. 4	2158	March 3, 1980

PHYSIOGRAPHY:

The property is situated on the north-south trending mountain range east of Bear River centrally dissected by Glacier and Albany Creeks and their tributaries forming steep precipitous narrow valleys. Relief range from 300 meters on the Glacier Creek Valley floor rising steeply to 1370 meters on the southwest corner of Glacier No. 3.

In the Mobile workings on the northern section of a ridge west of Albany Creek, the terrain is characterized by gentle slopes

Water for future drilling operation is abundantly available in this particular part of the claims.

HISTORY:

From about the year 1920, when the property was discovered and staked as Gibson Group which name was latter changed to Mobile Group, to 1930, considerable amount of surface and underground exploration work was done by different individuals and mining companies. All the above work resulted to the discovery of a southeasterly trending mineralized shear zone traced along strike for a distance of almost 600 meters and a simillar zone explored by a short cross - cut adit.

In 1965, the property was acquired by G.H. Kendrick of Meritt, B.C. and optioned to Anglo Development Corporation Limited. This company undertook a program of geological mapping and sampling of the adits as well as geochemical soil sampling. The option was dropped in 1966.

The increase in price of Gold and Silver created renewed interest in the Stewart area which resulted to extensive exploration and ground acquisition. Old mining properties were re-evaluated and explored resulting in their re-opening as potentially profitable operation exemplified by Scottie Gold, Primier Mines, etc.

When the Mobile property came open for staking Komody Resources acquired not only this ground but also the adjoining areas outside the old crown grants. (See Fig. 1).

GEOCHEMISTRY:

Soil geochemistry conducted by United Development Corporation in 1965 delineated an anomalous area, the eastern edge of which appear to be along the projected strike of the West Shear Zone. It is about 156 meters long and 96 meters on its widest dimension to the south. This anomaly possibly reflect the southern continuity of the West zone and possibly other related veins. The anomaly is strong with lead and zinc values ranging from 65 ppm to 1100 ppm and 95 ppm to 1600 ppm, respectively. No follow-up trenching nor diamond drilling was conducted to test this anomaly.

GENERAL GEOLOGY AND MINERALIZATION:

Several geological reports on the Stewart area had been published both by the GSC and B.C. Department of Mines in the form of Memoirs, Bulletins and Annual Reports. These references are listed on Appendix I of this report.

The Stewart area is essentially underlain by the non - marine Hazelton Volcanic epiclastic and sedimentary strata overlain in places by predominantly marine Bowser sedimentary strata of middle to upper Jurassic age. The above rock assemblages are intruded by intrusive rocks ranging in age from middle Jurrassic to Tertiary. Collectively known as the Stewart Complex, the above rock assemblages as a unit was considered to be important host for sulphide deposits.

Silver, gold, lead and zinc in the form of veins are hosted by all the above rock assemblages, the most productive deposits of which are found in deformed and altered equivalents of the Hazelton Volcanic package. For example the Silbak Premier, Big Missouri and Indian Mines properties to name a few.

The graphitic argillite member of the Bowser Assemblage hosts the mineral occurence of the Mobile Prospect, to which this present examination is confined. This host rock has produced about 2% of the ore extracted in the Stewart area largely from the nearby Dunwell Mines. Other occurrences are found within the Portland Canal Dykes, Texas Creek granodiorite and in the Augite Porphyry Stocks.

PROPERTY GEOLOGY AND MINERALIZATION:

The area covered by the Clacier mineral claims including the Mobile prospect is underlain by the Bowser sediments. The Bowser is bounded on the west by the underlying Hazelton formation and intruded by the Glacier Creek augite diorite pluton to the east.

Host rock of the mineral occurence consist of contorted and sheared graphitic argillite. Two prominent northwest striking and steeply dipping shear zones occur. This shear served as the structural control of the mineral showings known, one of which was traced 600 m. along strike. Mineralization consist of discontinous quartz-sulphide replacement pods and veins containing sphalerite, galena, pyrite, tetrahedrite and possibly native silver.

The East shear zone, indicated on the geology map, is explored by three adits and six trenches over its entire strike length of about 600 meters. Other than the high grade quartz-sulphide lense intersected by the upper adit at about 10 meters from the portal and further exposed at trench no. 1 on the surface, no other significant economic mineralization of this kind was found. The rest of the shear zone showed apparent narrow quartz veins containing predominantly pyrite and minor sulphides of lead and zinc with sub-economic grade (less that 2 oz/Ton Ag). The high grade lense returned an average weighted assay of: silver, 37. oz/ton; Gold, .028 oz/ton; Lead, 0.84% and Zinc, .635% over a total sampled width of 2.1 meters. A sample across 14 cm. of the presumed vertical continuity of the same lense at the upper adit about 15 meters below, assayed: Silver, 13.37 oz/ton; Gold, 0.068 oz/ton; Lead 0.86% and Zinc, 0.52%.

The West shear zone, located about 189 meters west of the lower adit is exposed on the west bank of a Creek and explored by a cross - cut adit. The adit at the time of this examination is not accessible.

Mineralization consist of galena, sphalerite, pyrite and rare native silver. They occur as discrete lenses, blebs and disseminations in quartz carbonate gangue, but is restricted in sheared argillite host rock. The mineralized zone is about 7 meters wide on the surface, yielding 3.14 oz/ton Ag.; .032 oz/ton Au; 2.59% Pb and 11.09% Zn. across 75 cm. wide of massive sulphide lense on the footwall side.

The cross cut adit was reportedly driven for about 34 meters and intersected good grade vein material. Excerpts from the Minister of Mines Annual Report of 1931 are as follows:

> "This cross cut adit had advanced 112 feet and intersected about 10 feet of good grade silver - lead - zinc ore with some ruby silver in a lime replacement gangue on the hanging wall side of the shear zone. A selected sample of this material assayed; Gold, 0.04 oz/ton; Silver, 111 oz/ton; Lead, 19%; Zinc, 12%. Next to this on the footwall is about 9 feet of mill grade ore with finely disseminated galena - sphalerite ore, in brecciated argillite. Sample of this material assayed Gold, 0.02 oz/ton; Silver, 18.5 oz/ton; Lead, 4%; Zinc, 3%."

CONCLUSION AND RECOMMENDATIONS:

On the basis of this examination plus previous documented exploration work done on the property and the surrounding areas, the writer concluded the following:

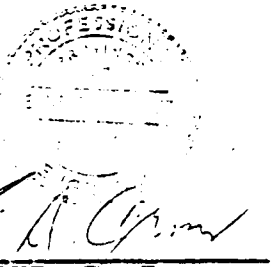
1. The mineralization in the property are localized along two (2) northwesterly trending, steep dipping shear zones in graphitic argillite of the Bowser group. The deposit occur as quartz - carbonate - sulphide lenses, discontinously distributed within the shear structure.
2. A good possibility of good grade Ag, Au, Zn and Pb mineralization exist particularyly on the West zone.
3. The trace of geochemical anomaly seemingly reflects southeasterly continuation of the West zone and possibly, other related mineralized structures.
4. The Mobile prospect represent a small fraction of the Glacier claims, which as a whole, is situated in an area of favourable geological environment. It is finally concluded that the claims represent a valid exploration target that might lead to other discoveries.

Further exploration work is therefor recommended. Specifically, diamond drilling of the West Zone, and to locate a more definitive target in the surrounding area, by:

1. Soil Sampling
2. Geological mapping & Prospecting
3. VLF-EM Survey
4. Trenching

ESTIMATED COST OF THE PROGRAMME:

1.	Diamond Drilling - X-Ray 1500 feet @ $20.00/ft	$30,000.00
2.	Meals & Accom. 6 men @ $20/Man/day for 45 days geologist & 2 helpers 2 Diamond Drillers, 1 cook	5,400.00
3.	Wages: 1 geologist - 45 days @ $200.00/day 1 cook - 45 days @ $75.00/day 2 Helpers - 45 days @ $150.00/Man/day	9,000.00 3,375.00 13,500.00
4.	Transportation (includes truck rental, gas, mobilization & Demobilization)	3,000.00
5.	Assaying - Rock samples 60 Samples & $22.00/Sample	1,320.00
6.	Soil Analyses (Geochem) 1000 Samples @ $4.00/Sample	4,000.00
7.	Helicopter Support 10 hrs. @ $400.00/hr.	4,000.00
8.	Miscellaneous (Supplies, etc.)	2,000.00
9.	Rehabilitation of adit & Trenching	5,000.00
10.	Data Compilation & Documentation	5,000.00
11.	Contingencies	8,000.00
		93,595.00
	Say	$94,000.00



E.D. CRUZ, P. Eng.

IPLINC AND ANALYSES:

Sample No.	Oz/Ton Silver	Oz/Ton Gold	% Lead	% Zinc	Description
M#1	0.15	0.002	0.02	0.05	Trench #6 - 90 cm. wide sheared argillite, qtz veining, pyrite
M#2	1.08	0.026	0.12	0.17	Trench #5 - 60 cm., silicified vein material, qtz, py.
M#3	0.28	0.002	0.11	0.29	Trench #5 - 1.7M., qtz veining, py. HW side of sample #2
M#4	0.17	0.008	0.29	0.07	Trench No. 5 - 15 cm. lense of silicified rock.
M#5	Tr.	0.002	0.02	0.04	Trench No. 4 - 90 cm. wide sheared, pyritized argillite
M#6	0.44	0.038	0.04	0.02	Trench #3 - 30 cm. - silicified vein material, py.
M#7	Tr.	0.002	0.02	0.03	Trench #3 - 80 cm. wide - pyritized argillite wallrock
M#8	1.4	0.052	0.12	0.05	Trench #2 - 55 cm. wide - silicified vein material, py
M#9	28.27	.054	0.55	0.70	Trench #1 - 45 cm. wide silicified vein material, Tetrahedrite, Galena, Sphalerite, native silver (?)
M#10	29.17	.016	0.54	0.65	Trench #1 - 1.5 meters wide silicified rock on HW side of M#9. Tetrahedrite, galena, sphalerite, native silver (?)
M#11	141.68	0.08	4.74	0.29	Trench #1 - 15 cm. wide silicified vein material. Tetrahedrite, galena, sphalerite, native silver (?)
M#12	0.74	0.002	0.07	0.03	Face of upper adit - 10 cm. wide lense of silicified vein material.

Sample No.	Oz/Ton Silver	Oz/Ton Gold	% Lead	% Zinc	Description
M#13	13.37	0.068	0.86	0.52	Upper Adit - below raise 14 cm. wide silicified vein material, py, tetrahedrite, galena, sphalerite
M#14	3.92	0.002	0.16	1.10	Face of Middle adit - 75 cm. wide qtz veining in argillite sphalerite, galena
M#15	3.14	0.032	2.59	11.09	Trench on west zone. 75 cm. wide massive sulphide lense on FW side of zone. Sphalerite, galena, py.

APPENDIX I

REFERENCES:

Groves, E.W. (1971):	Geology and Mineral Deposits of the Stewart Area, Northwestern British Columbia, B.C. Dept. of Mines Bulletin No. 58.
Hanson, George (1935):	Portland Canal Area, B.C., CSC Memoir No. 175.
Minister of Mines Annual Reports:	1920, 1921, 1922, 1927, 1929, 1930, 1931.
Lorimer, H.K. (1966):	Report on the Geochemical Survey of a portion of the Mobile Croup, A.R. #745.

APPENDIX II

CERTIFICATE

I. Ernesto D. Cruz, DO HEREBY CERTIFY AS FOLLOWS:

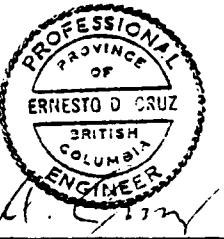
1. That I am a consulting mining engineer-geologist and reside at 7734 Garrett Drive, Delta, B.C.

2. That I am a graduate mining engineer of Mapua Institute of Technology, Philippines (BSEM), Missouri School of Mines and University of Washington (MSEM).

3. That I have been engaged in mineral exploration for the past nineteen years (6 years in the Philippines, 13 years in North America).

4. That I am registered with the Association of Professional Engineers of British Columbia.

5. That I have no interest directly or indirectly in the "GLACIER" Mineral Property or the securities of Komody Resources Ltd.



E.D. CRUZ, P. Eng

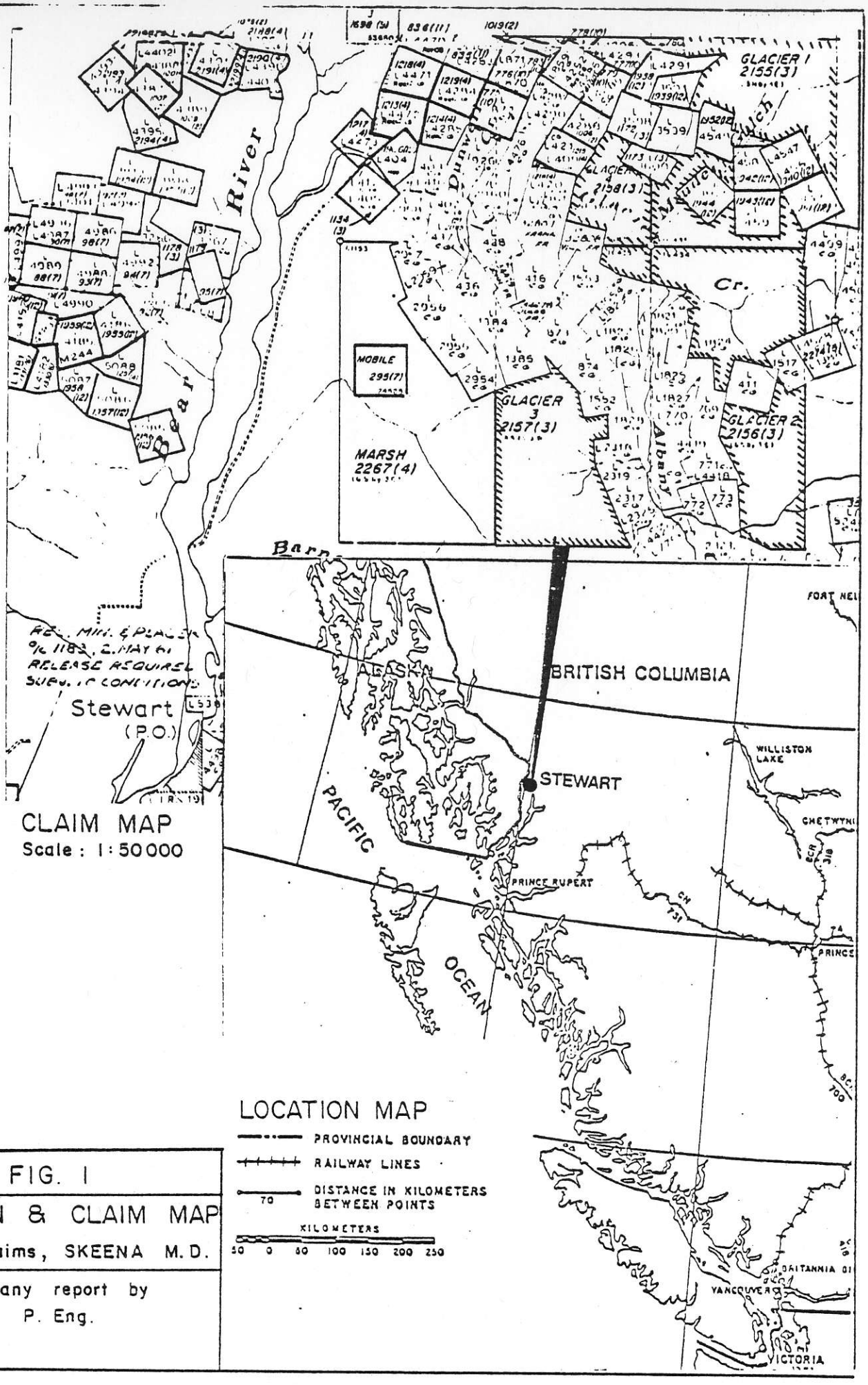
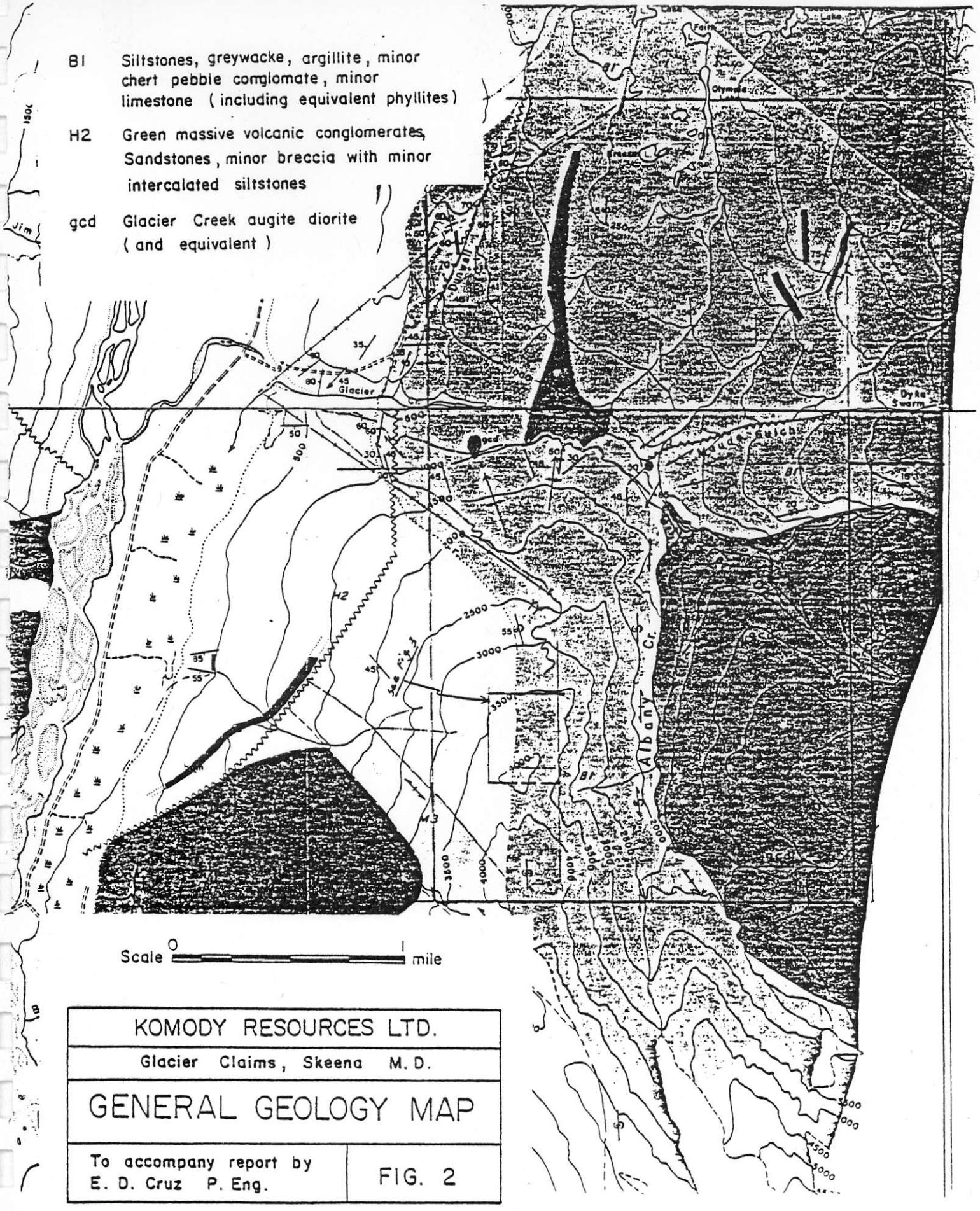


FIG. 1

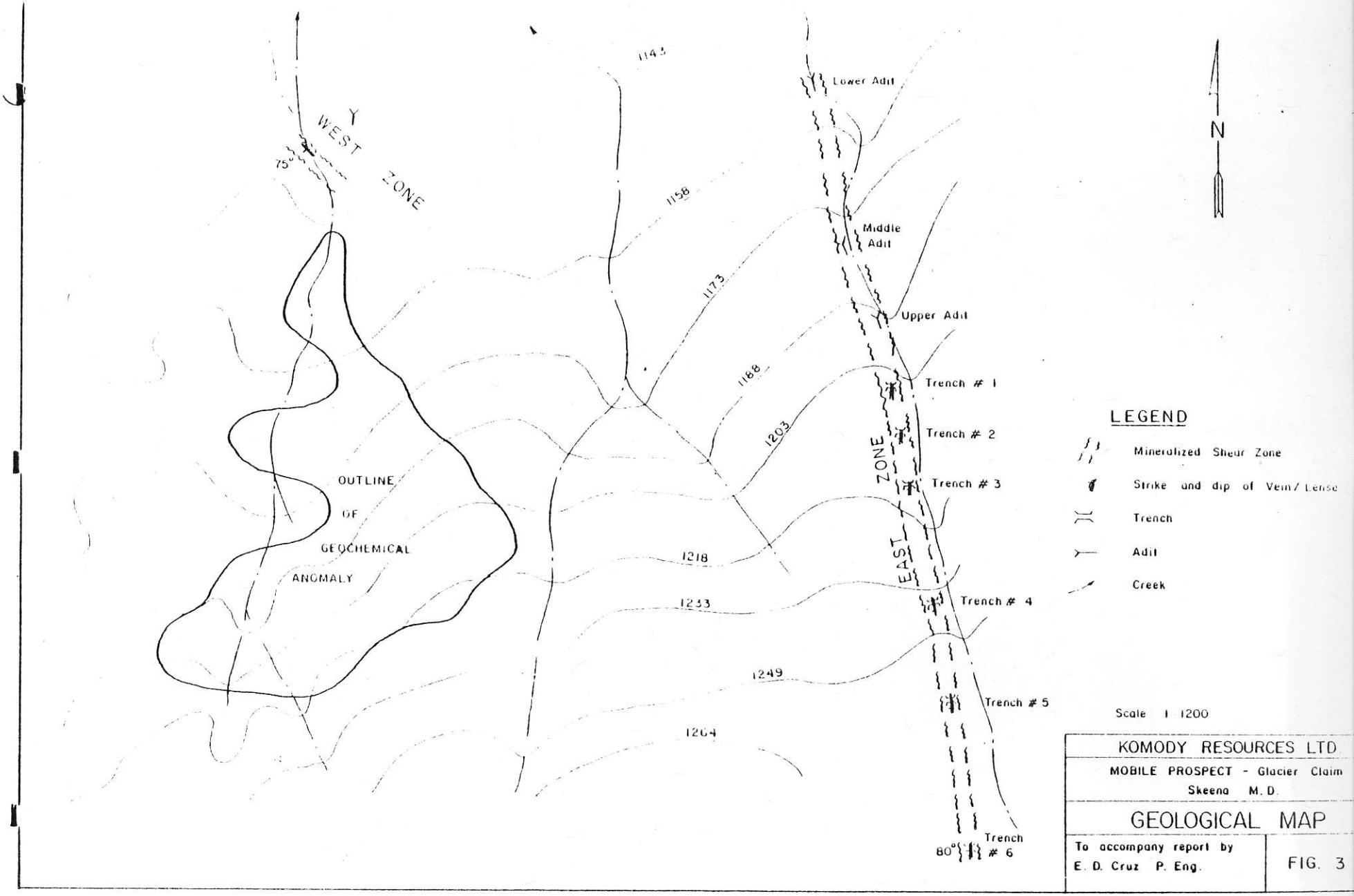
LOCATION & CLAIM MAP

Glacier Claims, SKEENA M.D.

To accompany report by
E. D. Cruz P. Eng.



KOMODY RESOURCES LTD.	
Glacier Claims, Skeena M.D.	
GENERAL GEOLOGY MAP	
To accompany report by E. D. Cruz P. Eng.	FIG. 2


WEST ZONE
75°
1143
1158
1173
1188
1203
1218
1233
1249
1264
OUTLINE OF GEOCHEMICAL ANOMALY
Lower Adit
Middle Adit
Upper Adit
Trench # 1
Trench # 2
Trench # 3
EAST ZONE
Trench # 4
Trench # 5
Trench # 6
80°
N
LEGEND
Mineralized Shear Zone
Strike and dip of Vein / Lense
Trench
Adit
Creek
Scale 1 : 1200
KOMODY RESOURCES LTD.
MOBILE PROSPECT - Glacier Claim
Skeena M. D.
GEOLOGICAL MAP
To accompany report by
E. D. Cruz P. Eng.
FIG. 3

EXAMINATION REPORT

on the

RED REEF MINERAL PROPERTY

for

KOMODY RESOURCES LTD.

by

E.D. CRUZ, P. Eng
1006-750 W. Pender St.
Vancouver, B.C.

Nov. 26, 1980

CONTENTS

ILLUSTRATIONS

SUMMARY:

Komody Resources Ltd. own two full size and one fractional reverted crown grants situated on the Silverado Creek about one to two kilometers southeast of Stewart, B.C.

These claims, originally part of the Red Reef Group of five crown grants, were explored by several adits and open cuts from 1910 to 1928.

The property is underlain by Hazelton volcanics and the intruding Coast range intrusive. The Contact zone, consisting of highly silicified and pyritized rock, represent a potential host to high grade silver-gold bearing quartz - sulfide veins. At least three vein systems striking north to northwest located along the Silverado Creek Channel at elevations of 274 meters, 427 meters and 581 meters were indicated by previous exploration. Sampling of the former returned 0.101 Oz/Ton Gold, trace in Silver, 0.02% Lead and 0.26% Zinc.

A two phase work programme estimated to cost about $47,500.00 is recommended.

INTRODUCTION:

On Octover 17, 1980, the writer undertook a reconaissance examination of the Red Reef mineral claims located on the east side of Bear River opposite the town of Stewart, B.C. Accompanying the writer is Mr. Nick Benkovich, an old time prospector in Stewart, who at one time or another, had prospected the claims and the surrounding grounds.

The purpose of the examination is to determine the necessary work programme to properly evaluate the economic mineral potential of the property.

LOCATION AND ACCESS:

The property, consisting of two full size and one fractional reverted crown grants, is situated on Silverado Creek, a tributary of Bear River, about one to two kilometers Southeast of Stewart, B.C. in the Skeena Mining Division.

Access to the property is by helicopter, or by boat across Bear River thence by foot to the various parts of the claims.

Stewart is reached from Vancouver by boat or plane via Prince Rupert or by road thru the Stewart - Cassiar - Alaska highway that leads to the main Prince George - Terrace Highway at Kitwanga.

PROPERTY:

Two full sizc and one fractional reverted crown grants comprising of about 39 hectares makes up the Red Reef Property.

Following are details of the claims:

Name of Claim	Lot No.	Record No.	Date Recorded
Red Reef No. 4	1408	1937	Dec. 21, 1979
Red Reef No. 1	1405	1950	Dec. 21, 1979
Red Reef Fr.	1390	1950	Dec. 21, 1979

Outline of the claims are shown in Fig. 1.

PHYSIOGRAPHY:

The property occupies a portion of the steep western slope of a north - south trending mountain range east of Bear River. Relief is about 580 meters, ranging from 30 meters above sea level and rising steeply to 610 meters on the northeast corner of the claims.

Silverado Creek and its tributary, which disects the claims to the south, serves as the main drainage of the area.

HISTORY:

The history of the Red Reef claims date back to 1910 when they were owned by H.E. Newton. From about this date to the year 1928, intermittent work consisting of aditing and open cutting were done. These works, judging from the locations of the adits, appear to explore the silicified volcanics above its contact with the coast intrusive.

Several narrow mineralized quartz veins were uncovered along the Silverado Creek Channel. Such veins, all striking north to northwesterly contain gold and silver values.

No recorded work was done on the property after 1928.

Komody Resources Limited acquired the three claims on Dec. 21, 1979.

GENERAL GEOLOGY AND MINERALIZATION:

Several geological reports on the Stewart area had been published both by the GSC and B.C. Department of Mines in the form of Memoirs, bulletins and annual reports. These references are listed on Appendix I of this report.

The Stewart area is essentially underlain by the non-marine Hazelton volcanic epiclastic and sedimentary strata overlain in places by predominantly marine Bowser sedimentary strata of middle to upper Jurassic age. The above rock assemblages are intruded by intrusive rocks ranging in age from middle Jurassic to Tertiary. Collectively known as the Stewart Complex, the above rock assemblages as a unit was considered to be important host for sulphide deposits. Silver, gold, lead and zinc in the form of veins are hosted by all the above rock assemblages, the most productive deposits of which are found in deformed and altered equivalents of the Hazelton volcanic package. For example, the Silbak Premier, Big Missouri and Indian Mines properties to name a few. Other occurrences are found in the graphitic argillite member of the Bowser assemblage, Portland Canal Dykes, Texas Creek granodiorite and in the Argite porphyry stocks.

PROPERTY GEOLOGY AND MINERALIZATION:

The Red Reef Mineral claims are underlain by the greenstone member of the Hazelton volcanic and sedimentary assemblage and by the intruding granodiorite of the Coast Range Intrusive. The contact zone made up of very highly silicified and pyritized greenstone is exposed at the Silverado Creek Canyon at about 900 feet elevation.

The silicified rocks are highly pyritized with chalcopyrite and pyrhotite in placoes. The width of this zone is not well defined.

Four adits, all located to the north of the Creek were examined. One adit located on the north bank of the creek was driven for about 10 meters from the portal on a bearing of N60°E. At about three meters from the portal, a 14 - cm. wide vein of massive pyrite and pyrhotite striking N-S and dipping steeply to the West was intercepted. A sample of the vein assayed: 0.101 Oz/Ton Gold, 0.86 Oz/Ton Silver, 0.02% Lead and 0.26% Zinc. About 30 meters north - northeast are three adits driven at different levels exploring the silicified zone. The uppermost of this three adits is in highly silicified volcanics with pyrite dissemination but of no consequent values in gold and silver (a sample assayed 0.002 Oz/Ton Gold and Trace in Silver). The middle adit is not available for examination. The lowest adit, driven at a bearing of S 45°E is about 40 meters long. It is driven in the volcanic - intrusive contact but no mineralization was encountered.

Two other showings along the Silverado Creek Channel up to 1700 feet elevation were reported but were not examined. Excerpts from the Minister of Mines 1928 are as follows:

"At 1,400 feet elevation, in Silverado Creek Channel, is a narrow northwesterly striking lense of pyrite, galena and sphalerite. The lense is apparently short but is said to carry good values in gold".

"About 300 feet higher, in the same channel, are two narrow northwest veins exposed in a 15 - foot cross cut. The northerly one crosses the creek and can be traced to the easterly boundary of the group at 1800 feet elevation. Good values have been found in this vein, and although the veins are very narrow, the values they contain justify further exploration".

Adjoining this claims to the southeast between elevations of 1800 feet and 4000 feet is the Silverado Group. Simillarly underlain by Hazelton volcanics, this property had produced high grade silver ore derived from silver - lead - zinc bearing quartz veins averaging 2 feet wide.

CONCLUSION AND RECOMMENDATIONS:

The Red Reef Mineral claims are situated in a favourable geological environment for high grade silver - gold deposits. In view of the above plus the occurrence of gold-silver bearing veins disclosed or indicated by previous work as well as its proximity to the high grade silver deposits of the nearby Silverado Property, the Red Reef claims warrants further exploration.

The following work programme is therefore recommended:

PHASE I:

1. Soil and Rock Geochemistry to define a potentially mineralized zone.
2. VLF-EM Survey.
3. Geological Mapping and Sampling.
4. Trenching.

Should the above work show a definite target, a second phase program of x-ray drilling should be conducted.

ESTIMATED COST OF THE PROGRAMME:

PHASE I

1.	Soil and Rock Ceochemistry (includes Grid Establishment)	$ 2,000.00
2.	Geological Mapping	3,000.00
3.	Trenching	2,000.00
4.	Sample Analyses (Geochem)	1,500.00
5.	Rock Assaying	1,000.00
6.	VLF-EM	1,500.00
7.	Helicopter Support 6 hours @ 400.00/hr.	2,400.00
8.	Documentation (Report & Data Compilation)	2,000.00
9.	Transportation	1,000.00
10.	Meals & Accomodations	1,500.00
11.	Contingencies	1,600.00
		$17,500.00

PHASE II:

Provision for x-ray drilling 1,000 @ 30.00/ft = $30,000.00

PROFESSIONAL ENGINEER
PROVINCE OF BRITISH COLUMBIA
ERNESTO D. CRUZ

E.D. CRUZ, P. Eng.

APPENDIX I

REFERENCES:

Groves, E.W. (1971): Geology and Mineral Deposits of the Stewart Area, Northwestern British Columbia, B.C. Dept. of Mines Bulletin No. 58.

Hanson, George (1935): Portland Canal Area, B.C., G.S.C. Memoir No. 175.

Minister of Mines Annual Reports: 1911, 1913, 1928.

APPENDIX II

CERTIFICATE

I. Ernesto D. Cruz, DO HEREBY CERTIFY AS FOLLOWS:

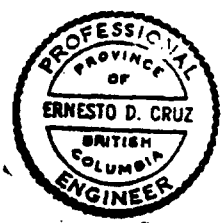
1. That I am a consulting mining engineer-geologist and reside at 7734 Garrett Drive, Delta, B.C.

2. That I am a graduate mining engineer of Mapua Institute of Technology, Philippines (BSEM), Missouri School of Mines and University of Washington (MSEM).

3. That I have been engaged in mineral exploration for the past nineteen years (6 years in the Philippines, 13 years in North America).

4. That I am registered with the Association of Professional Engineers of British Columbia.

5. That I have no interest directly or indirectly in the "RED REEF" Mineral Property or the securities of Komody Resources Ltd.



E.D. CRUZ, P. Eng.

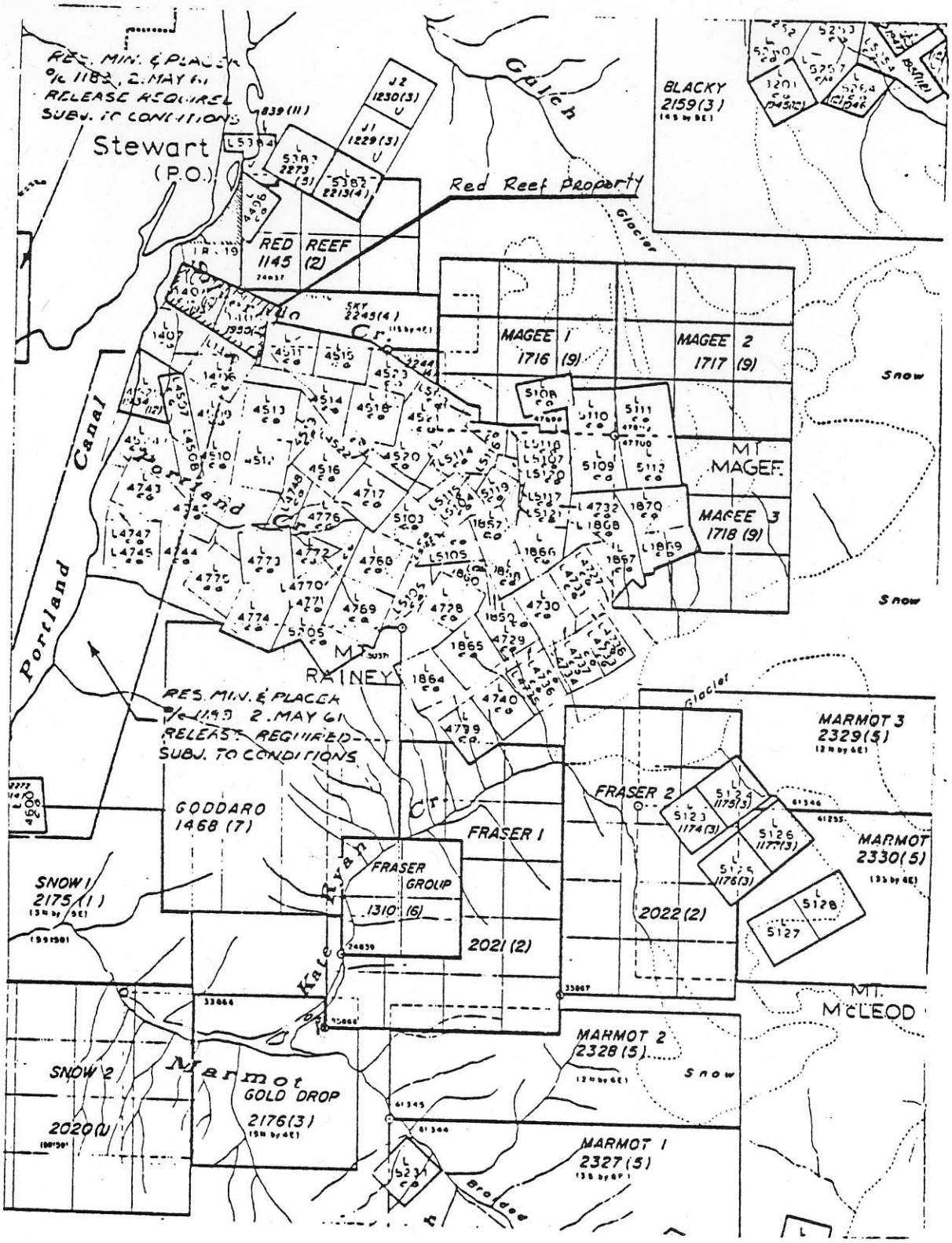


FIG. 1

LOCATION & CLAIM MAP

Red Reef Claims, Skeena M. D.

To accompany report by
E. D. Cruz, P. Eng.

Scale: 1:50 000

REPORT

ON

THE ALBANY CREEK PROPERTY

OF

KOMODY RESOURCES LTD.

326 - 510 W. Hastings

Vancouver, B.C.

BY

W.D. GROVES, P. ENG.

152 - 990 W. Pender

Vancouver, B.C.

January 3, 1991

TABLE OF CONTENTS

ILLUSTRATIONS

INTRODUCTION

This report was prepared for Komody Resources Ltd., #326 - 510 W. Hastings Street, Vancouver, B.C., pursuant to a request by Mr. Gene Stonehocker.

The basis for this report is a personal examination of the ground covering the period September 8 - 11, inclusive (1980), personal communications with E.W. Grove of the B.C. Department of Mines (who wrote Bulletin No. 58 on the Stewart area) and a study of the available maps and reports on the Albany Creek area.

The purpose of this report is to evaluate the mineral potential of the claim group.

A program of mineral exploration is recommended.

SUMMARY

1. The property consists of seven reverted crown grant claims and one modified grid claim of twenty units situated in the Skeena Mining Division.

... 2

2. The claims are situated at the head of Albany Creek approximately 5 air-kilometers east of Stewart, British Columbia.

3. Silver, gold, lead and zinc mineralization has been reported as occurring northeast of two of the reverted crown grants, the Black Hills No. 3 and No. 4, and northwest of the Rosalie and Alice reverted crown grants.

4. The author's examination of the mineralized zones northeast of the Black Hills No. 3 and No. 4 confirmed the presence of argentiferous mineralization in vein structures explored by adits.

5. Although no mineralized areas were noted during traverses of the property, the author is sufficiently encouraged by the presence of argentiferous zones northeast of the Black Hills No. 3 and No. 4 to reoommend a program of geochemical exploration on these claims.

6. A further recommendation for geochemical exploration is made with regard to that part of the property along the south-eastern projection of a shear and vein system known to host gold, silver, lead and zinc mineralization on the Ben Bolt and Jumbo claims.

... 3

7. A total of $15,000 is budgeted for Phase I of the work program focussing on geochemical methods. Dependent on a favourable outcome of Phase I, a further $20,000 is budgeted for stripping or trenching, or if impractical due to the terrain, some test drilling.

PROPERTY -- LOCATION, ACCESS, PHYSIOGRAPHY

The property is situated at the head of Albany Creek, a southward flowing tributary of Glacier Creek, approximately 5 air-kilometers east of Stewart. Access is by helicopter.

The claim group lies between elevations 3,000 and 4,500 feet along both slopes of Albany Creek. The upper portion of Albany Creek valley is a chasm; the creek flows out of a southwest facing cirque wall flanked on the northeast by a steep, timbered hillside and on the south by a 2,500 foot high cliff rising from valley glacial moraine. The timber in the area is sub-alpine, diameters range up to 2 feet.

Two old, vertical, split-log cabins on the Black Hills No. 3 claim are now in a state of disrepair. The cabins lie beside a well-beaten horse trail angling up to the northeast

... 4

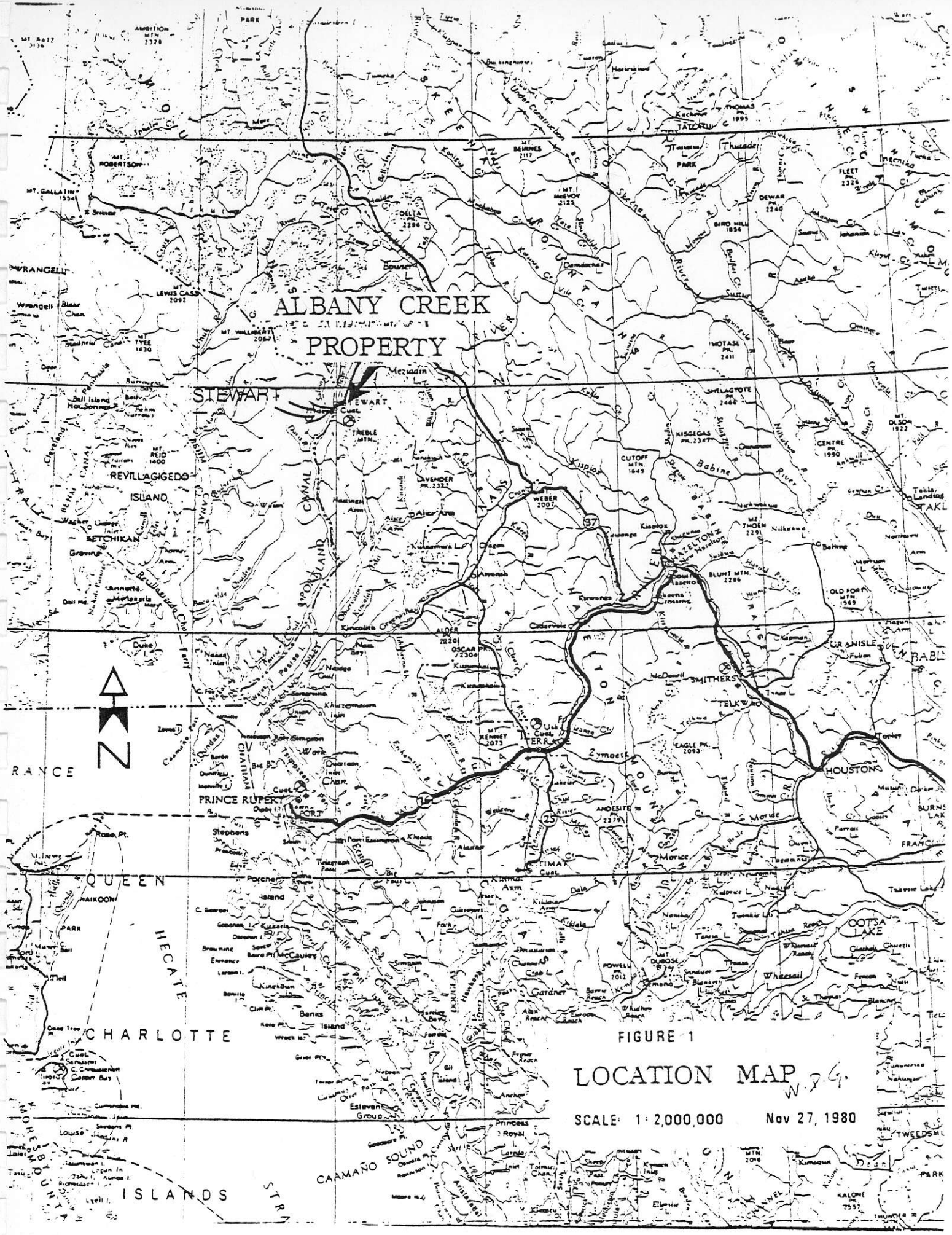


FIGURE 1

LOCATION MAP

SCALE: 1:2,000,000 Nov 27, 1980

side of Albany Creek valley. This trail continues past the cabins to the Black Hills Group adit (off-property) on the Nellie No. 1 Fraction. The adit contains steel rail and a few rusted ore carts. About 500 meters northeast, a well-maintained camp of two cabins sits in a small outwash flat on the John 1 claim. These buildings were used for accommodation during the author's visit.

Status of Properties

The property consists of seven reverted crown grant claims and one modified grid claim of twenty units located in the Skeena Mining Division. It is the author's understanding that Komody Resources Ltd. is the beneficial owner of the claims. Information on file with the Government Agent, Vancouver, British Columbia on October 20, 1980 was as follows:

Claim Name	Lot No.	Record No.	Type of Claim
ROSALIE	3201	1945 (12)	Reverted Crown Grant
ALICE #3FRACTION	5264	1946 (12)	Reverted Crown Grant
ALICE #4FRACTION	5255	1947 (12)	Reverted Crown Grant
BLACK HILL NO. 3	5242	1948 (12)	Reverted Crown Grant
BLACK HILL NO. 4	5243	1949 (12)	Reverted Crown Grant
ALICE FRACTION	5254	1951 (12)	Reverted Crown Grant
ALICE NO. 5	5256	1951 (12)	Reverted Crown Grant
BLACKIE	N/A	2159 (3)	Modified Grid (20 units)

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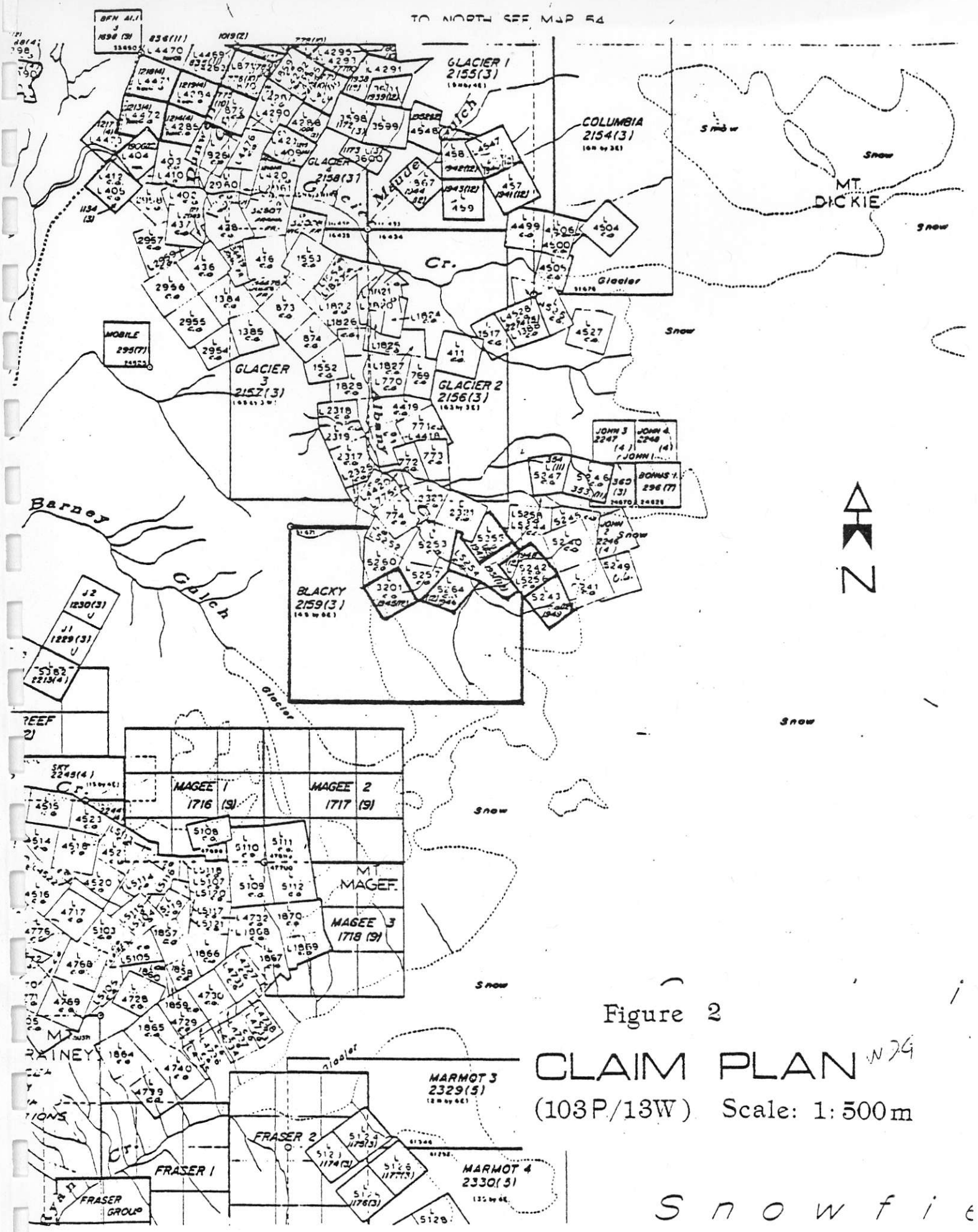

Figure 2

CLAIM PLAN

(103P/13W) Scale: 1:500m

Snowfie

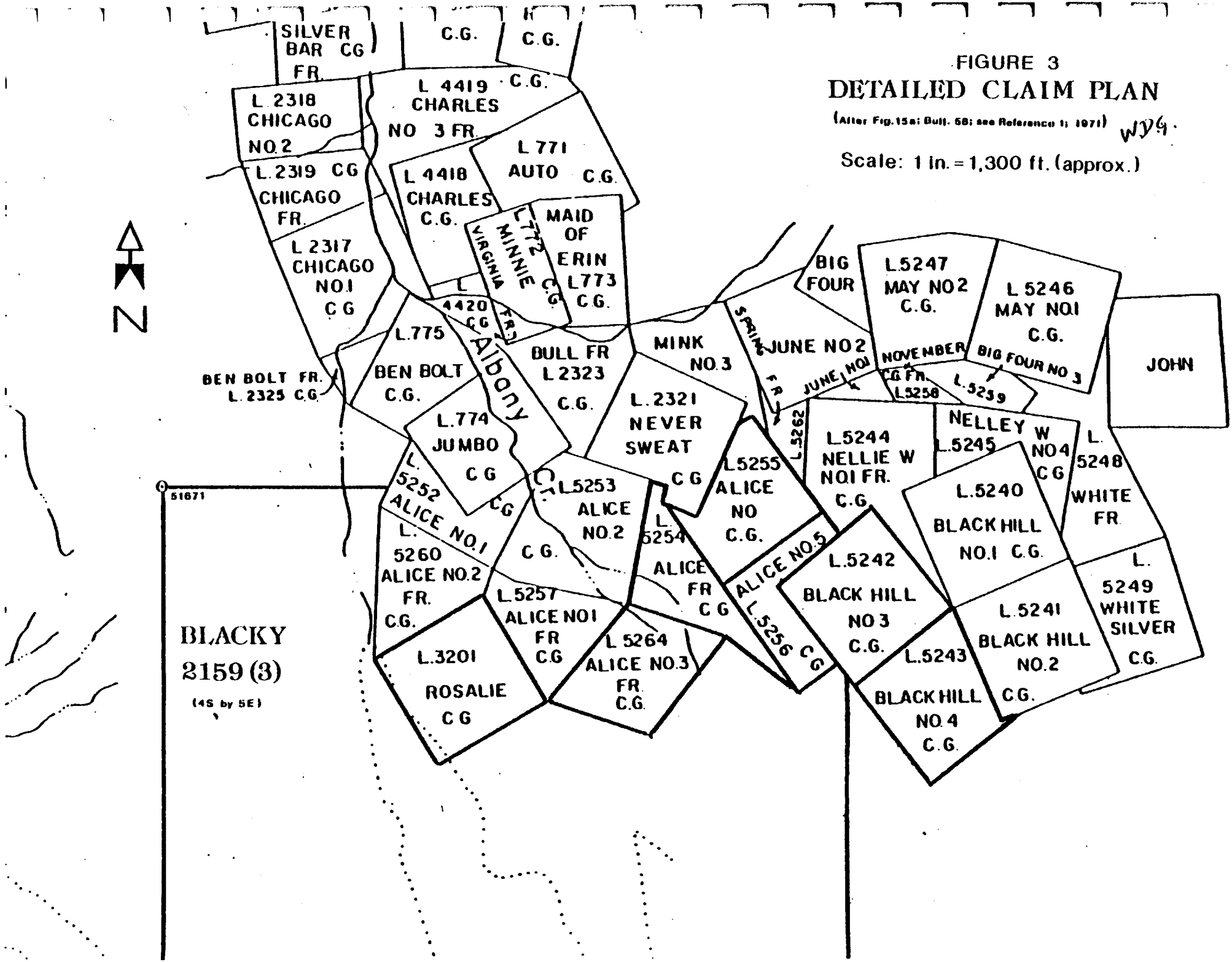
FIGURE 3
DETAILED CLAIM PLAN
(After Fig. 15a; Bull. 58; see Reference 1; 1971)
Scale: 1 in. = 1,300 ft. (approx.)
N
SILVER BAR CG FR.
C.G.
C.G.
L 4419 C.G.
CHARLES NO 3 FR.
L 2318 CHICAGO NO 2
L 771 AUTO C.G.
L 4418 CHARLES C.G.
L.2319 CG CHICAGO FR.
L 772 MINNIE VIRGINIA C.G.
MAID OF ERIN L773 C.G.
L 2317 CHICAGO NO 1 C G
L 4420 C.G. FR.
L.775 BEN BOLT C.G.
BEN BOLT FR. L.2325 C.G.
Albany
BULL FR L 2323 C.G.
MINK NO.3
BIG FOUR
L.5247 MAY NO 2 C.G.
L 5246 MAY NO 1 C.G.
JOHN
SPRING FR
JUNE NO 2
NOVEMBER C.G. FR. L.5258
BIG FOUR NO 3
L.5239
JUNE NO 1
L.5262
L.774 JUMBO C G
L.2321 NEVER SWEAT C G
L5244 NELLIE W NO 1 FR. C.G
NELLEY W L.5245
NO 4 C G
L. 5248 WHITE FR
51671
L. 5252 ALICE NO 1
L5253 ALICE NO.2
L5255 ALICE NO C.G.
L. 5254 ALICE FR C G
L.5240 BLACK HILL NO.1 C.G.
L. 5260 ALICE NO.2 FR. C.G.
C G.
ALICE NO.5
L.5242 BLACK HILL NO 3 C.G.
L. 5249 WHITE SILVER C.G.
L5257 ALICE NO1 FR C.G
L 5264 ALICE NO.3 FR. C.G.
L.5256 C G
L.5241 BLACK HILL NO.2 C.G.
L.5243 BLACK HILL NO.4 C.G.
L.3201 ROSALIE C G
BLACKY
2159 (3)
(4S by 5E)

The claims are shown on Figure 2 and in greater detail on Figure 3. During the examination of the property, the author located some survey pins marking the corners of the crown grants.

HISTORY

Exploration for metals began in the Stewart area about 1898 after the discovery of mineralized float by a party of placer miners. Glacier and Albany Creeks were among the first areas to be explored and between the years 1900 and 1940 many prospects were located. The intensity of this early exploration is witnessed to by the large number of claims accorded crown grant status along Glacier and Albany Creeks (see Figure 2 - Claims Map). Moderate production of base and precious metals was obtained from two mines in the area, the Dunwell and the Portland Canal. With regard to other properties, much small-scale shipping of high-grade ore is reported to have occurred. However, the post-war decline in precious metals prices led to a gradual decline of interest in the area and many of the claims reverted to the Crown because of non-payment of taxes.

... 6

Over the last few years a dramatic upsurge in gold and silver prices has sparked new interest in the Stewart area. Many of the old prospects and mines are being reinvestigated. Reverted crown grant claims are now a scarce commodity, most having been acquired by interested parties willing to pay the $25 application fee. It is the author's understanding that Komody Resources Ltd. acquired the reverted crown grant claims that are the subject of this report by application in December, 1979. The BLACKY claim was staked by Komody in order to cover any extension of favourable ground south of the crown grants acquired.

REFERENCES

1. E.W. Grove - Bulletin No. 58, "Geology and Mineral Deposits of the Stewart Area". 1971, B.C. Department of Mines.

2. McConnell, R.G. (1913): Portions of Portland Canal and Skeena Mining Divisions, Skeena District, B.C. Geol. Survey, Canada, Memoir 32.

... 7

3. Annual Reports of the Minister of Mines, B.C. for the years

1908 -- p. 56;

1919 -- p. 62;

1920 -- p. 59;

1921 -- p. 65;

1922 -- p. 75;

1923 -- p. 74;

1928 -- p. 99;

REGIONAL GEOLOGY

The property straddles the upper portion of Albany Creek, which flows from under the edge of the Cambria Icefield. The upper (east-facing) chasm of Albany Creek cuts a thick 45 to 50 degrees south-southwest dipping monoclinal sequence of thick pillow lavas, interflow black contorted slates and thin limestones grading up into about 3,000 feet of assorted marine sediments (chiefly greywackes). The pillow lavas jointed and reacted with seawater. As a result of this process, pillow rims and irregular joint fissures were mineralized with barite, zinc, pyrrhotite and minor copper.

... 8

The west side of the property on the west side of Albany Creek marks the southern extension of a shear and rubble fault zone the "Portland Canal Fissure Zone", also in contorted Bowser sediments. No plutonic rocks were exposed on the property.

Regional Economic Geology

A review of literature by the author on the Glacier and Albany Creek area failed to turn up any direct reference to mineralization on property held by Komody Resources Ltd. However, much has been written and reported concerning adjacent and proximate ground. A summation taken from available material on this area follows.

The Ben Bolt and Jumbo claims lie to the north of the western portion of the Komody Resources Ltd. property (see Figure 3). The geology of these claims has been described by McConnell of the Geological Survey of Canada (Reference 2). Ore shoots carrying from 5 to 6 ounces of silver per ton, 10 - 15% lead, 3 - 8% zinc, with minor values in gold (less than 0.1 ounce per ton), occur in a fissure zone up to a hundred feet in width. This zone, referred to as the "Portland Canal

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sure Zone", is traceable for four miles northwesterly
the Ben Bolt and Jumbo property.

The Portland Canal Mine from which 7,000 tons of gold-
er-lead ore were mined from 1907 to 1911 is located about
miles along the zone. Another two miles northwest is
old Dunwell Mine which produced 50,000 tons of ore
ween 1926 and 1941. Average grade of the Dunwell ore
approximately .2 ounces of gold per ton, 6.6 ounces of
er per ton, 1.85% lead and 2.44% zinc. It is reported
Silver Princess Resources is now actively exploring the
Bolt, Portland Canal and Dunwell properties.

The Report of the Minister of Mines for 1929 contains
xtensive description of the ground covered by the Black Hills
1 and Nellie No. 1 Fraction crown grants (both of which are
northeast of the claims owned by Komody Resources Ltd. --
Figure 3). It says in part:

> "The ore-deposit consists of a series of east-west striking, steeply dipping quartz veins 6 to 8 inches wide, sparsely mineralized with galena, zinc-blende, grey copper, and occasionally some chalopyrite. Another series of well-defined north-south striking, steeply dipping, quartz-calcitebarite veins 8 to 12 inches in width, well mineralized with zinc-blende, grey copper, galena, and jamesonite, carrying high

... 10

silver values, also occurs on the property. These latter show indications of sustained ore-shoots for lengths of about 40 feet, with intervening spaces in the veins of 20 to 30 feet of low-grade material. The property offers promise for development of small tonnages of high-grade shipping-ore, with interesting indications of possible augmentation at the junctions of the two series of veins."

ilver assays reported range from 5.1 ounces per ton to unces per ton; gold assays reported range from a trace ounces per ton.

Geology

raverses were made by the author across Black Hills No. 3 . 4 and across parts of Alice No. 3, No. 4 and No. 5 and e Fraction. Because of time restraints the Rosalie claim ot visited. Only the northeastern portion of the BLACKY s was examined. For the most part these claims are ed by bush and scrub forest; outcrop is rare except in slots (which run northeast following minor faults) and the first 300 feet of elevation from the floor of Albany valley (mostly rock and coarse talus). No mineralization nterest was noted on these traverses. As a consequence mples were taken from these claims.

... 11

n order to understand the local geology the author some time examining showings just northwest of the Resouroes Ltd. property. In this area, rock outcrop ch more abundant owing to the thinning of the scrub with higher altitude. There is an adit on the e-shaped portion of the Nellie W No. 1 Fraction just west of Blackhill No. 3 (see Figure 3). The adit was n north 10 degrees west into a fault zone. A vein aining coarsely crystalline sphalerite(?) outcrops in dit area in a black argillite of the Bowser group. ab sample of this vein material was assayed and returned: 2 ounce per ton in gold, 14.09 ounce per ton in silver, % lead and 2.89% zinc (sample BH 5).

The evident mineralizer in the area is exposed on the ck Hills No. 1 and No. 2 claims in the headwall chasm of ny Creek's north fork. In this region, a 300 to 400 foot ck submarine andesite flow is exposed. It lies in the tion which is monoclinal striking north-northeast and ping 50 degrees south-southeast. Well developed pillow uctures are visible on the glacially polished surface of headwall chasm. This is overlain by a thick succession argillaceous sediments, exhibited on the 2,500 foot high

... 12

that forms the south and east portions of the headwall. e of the flow is about two-thirds the way up the north Intense jointing of the flow has given rise to two quartz-carbonate veins, striking northwest and dipping 70 degrees to the southwest. The vein in the headwall appears to be very sparsely mineralized; it has been sively blast-pitted.

A similar vein crosses the southern boundary of John 1 m. A thin blue limestone and black contorted sediments m the interflow material. It would seem that the flow placed the Bowser before it in a "roll" structure, axis ending northwest, with the big quartz vein on the John 1 im at its front. (The name "Black Hills" undoubtedly es from this iron-stained and contorted structure). Zinc(?)* ins occur in tensions gashes in the plane perpendicular to is northwest "roll" axis. Two such veins were sampled and eturned marginal values in silver (see Assay Sheet, Samples H 3 and BH 4). A sample of pyrrhotite from one of these "joint veins" was assayed and showed only traces of mineralization (see Assay Sheet, Sample BH 6).

* The heavy brown massive mineral taken by the author to be sphalerite must have been barite: assays for zinc were an order of magnitude too low for such massive mineral to have been zinc.

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There are two short adits on the John 1 claim both of which were inspected by the author. They are driven north 50 degrees east. The adits explore a steep small fault and zoned vein. The mineralized zone contains a 2 inch thick band of galena and up to 8 inches of massive brown sphalerite(?). A sample of the galena was assayed and returned: 186.44 ounces per ton in silver, 0.006 ounces per ton in gold, 58.20% lead and 9.30% zinc (sample BH 2). A sample from the sphalerite(?) rich section of the vein returned: 32.41 ounces per ton in silver, 0.006 ounces per ton in gold, 3.36% lead and 6.07% zinc (sample BH 1).

CONCLUSIONS AND RECOMMENDATIONS:

The three day visit to the property confirmed the existence and nature of previously reported structures bearing argentiferous mineralization northeast of the Black Hills No. 3 and No. 4 owned by Komody Resources Ltd. Findings were in general agreement with previous descriptions contained in the annual Reports of the Minister of Mines for British Columbia. Traversing of the Komody claims along the northeast wall of upper Albany Creek canyon failed to disclose any mineralized zones. However, the south-western lateral extension of the

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barite fissures and veins associated with and around the upper margins of the big pillow lava flow exposed on Black Hills No. 1 and No. 2 would be expected to lie in the densely forested area along the northeast side of the upper part of Albany Creek on Komody owned ground. For this reason a program of geochemical exploration is recommended to test for undetected silver-bearing structures under the forest floor similar to those occurring off-property to the northwest.

Time restraints prevented traversing the slates on the western side of Albany Creek (on the Blacky claim) along the southward projection of the shear and vein system exposed in numerous workings on the Ben Bolt claims. On the strength of previous reports, the author is recommending geochemical exploration over this aree as well.

Phase I

1. The Black Hills No. 3 and No. 4 area should be soil sampled on a systematic grid. Suggested line spacing is 100 meters with 30 meter sample intervals. Samples should be analyzed for lead and silver.

... 15

2. The area along the southward projection of the shear and vein system exposed on the Ben Bolt and Jumbo claims should be sampled on a systematic grid. Suggested line spacing is 100 meters with 30 meter sample intervals. Samples should be analyzed for lead, silver, gold and arsenic.

Phase II

If the Phase I work results in some well defined targets a program of stripping or trenching would be warranted, or if impractical due to the terrain, some test drilling.

ESTIMATE OF COSTS

Phase I

1. Soil sampling of Black Hills No. 3 and 4 area: 300 samples @ $10.00 per sample including analyses	$ 3,000
2. Soil sampling of Ben Bolt shear and vein system extension area: 300 samples @ $12.50 per sample including analyses	$ 3,750
3. Helicopter support: 6 hours @ $400/hour	$ 2,400

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4. Transportation	$ 1,000
5. Meals, accommodation, camp support	$ 1,500
6. Report and data compilation	$ 2,000
7. Contingencies	$ 1,350
Total	$15,000

Phase II

Provisional allowance for stripping, trenching, or X-ray drilling as justified.	$20,000
Total Phase I and II	$35,000

William D. Groves.

January 5, 1981

W.D. Groves, P. Eng.

CERTIFICATE

I, William D. Groves, do hereby certify that:

1. I, William D. Groves am a consulting engineer (geological) with an office at #152 - 890 W. Pender, Vancouver, B.C.

2. I am a graduate of the University of British Columbia (B.A.Sc. in Geological Engineering, 1960). I am a graduate of the University of Alberta, B.Sc. in Chemical Engineering in 1962, and of the University of British Columbia with a Ph. D. in Chemical Engineering in 1971.

3. I am a registered Professional Engineer in the Province of British Columbia.

4. I have practiced my profession since 1960.

5. I examined the Albany Creek property, Stewart area, September 8 - 11 inclusive, 1980, and evaluated the local geology. I sampled trenches and adits outside the boundaries of the property in order to understand the local geology. I read reports on the general area by E.W. Grove (1971) and R.G. McConnell (1913).

6. I have no direct, indirect or contingent interest in the Albany Creek property nor do I beneficially own, directly or indirectly, any securities of Komody Resources Ltd., nor do I intend to receive any such interest.

7. I hereby consent to the use of this report in a Prospectus or Statement of Material Facts to be filed with the Vancouver Stock Exchange and Superintendent of Brokers for British Columbia.

Respectfully submitted,

Dr. W.D. Groves, P. Eng.
January 5, 1981

REPORT

on

THE PERRY 3 AND BUZZARD CLAIMS

for

KOMODY RESOURCES LTD.
326 - 510 West Hastings Street
Vancouver, B. C.

by

DR. W. D. GROVES, P.ENG.
152 - 890 West Pender Street
Vancouver, B. C.

March 16, 1981

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APPENDICES

ILLUSTRATIONS

SUMMARY

The Scud River property of Komody Resources Ltd. is situated in a remote area in northwestern British Columbia, some 26 air-kilometers east of the confluence of the Anuk and Stikine Rivers. Access to the property is by helicopter from Schaft Creek (where Teck Corp. is currently drilling up a large copper deposit).

Mineralized showings on the property were discovered in the 1960's and comprehensively mapped and sampled by Asarco personnel in 1964, indicating low-grade silver and modest copper values.

The author examined the property September 13-17 inclusive, 1980. Evaluation was made difficult because of the extremely rugged topography and because of inclement weather. Results were not encouraging. Nevertheless the author is recommending another look at the property by a geologist and a budget of $9,800 is allocated for this purpose. The showings not visited and the nature of the mineralization (green copper carbonate cleavage stains, similar to that at Schaft Creek) should justify this expense.

INTRODUCTION

During the period September 13-17 inclusive, 1980, the author made a reconnaissance examination of part of the area covered by the Perry 3 and Buzzard claims, situated southeast of the junction of the Scud River and Galore Creek in the Liard Mining Division. The purpose of the visit was to become familiar with the geology and topography of the area and to investigate mineralized showings reported by previous operators.

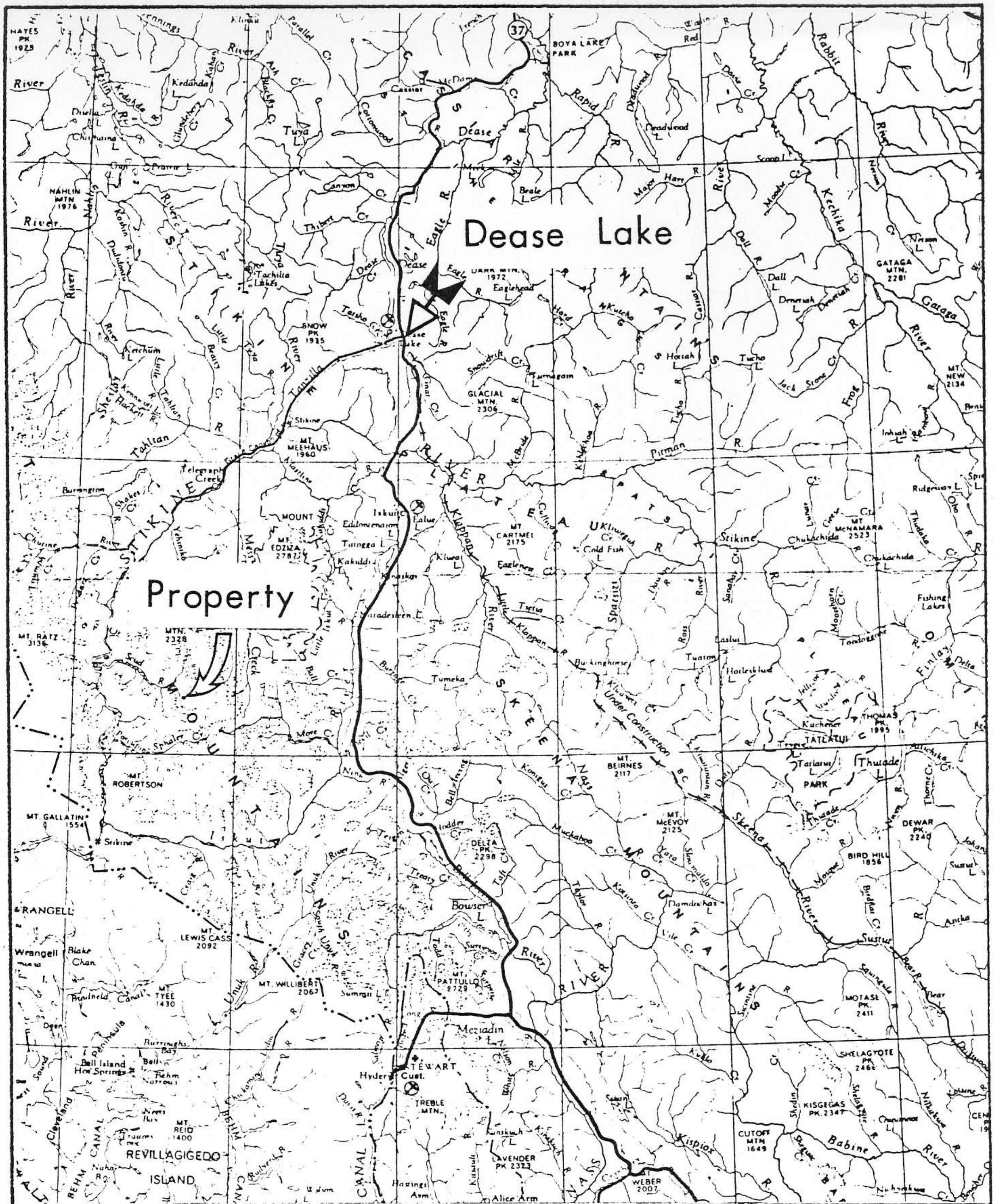

FIG. 1 - LOCATION MAP

SCALE: 1: 2,000,000

LOCATION, ACCESS & PHYSIOGRAPHY

The Perry 3 and the Buzzard claims are located some 26 air-kilometers east of the confluence of the Anuk and Stikine Rivers in northwestern British Columbia. Telegraph Creek is 82 air-kilometers to the north. Access is by helicopter from Schaft Creek (25 air-kilometers away north-east) to which there is a daily DC-3 flight from Terrace. The Stikine Copper project is located some 11 kilometers to the east on Galore Creek.

The claims area lies along a long north-south ridge top rising from about 1350 meters in the north (at timberline) to 2000 meters, going south, atop a razorback ridge. To the east there is a valley glacier and to the west a precipitous canyon through which a creek flows north into a braided gravel flat at its confluence with the Scud River. The terrain is extremely rugged. Many portions of the claim area are inaccessible without a helicopter. Most of the Perry 3 and Buzzard claims area is above timberline.

CLAIMS INFORMATION

The property consists of the Perry 3 and the Buzzard claims, owned by Komody Resources, Ltd., 326 - 510 West Hastings, Vancouver, B.C. The Perry 1, 2 and 4 claims, also owned by Komody, were not examined by the author. Details follow:

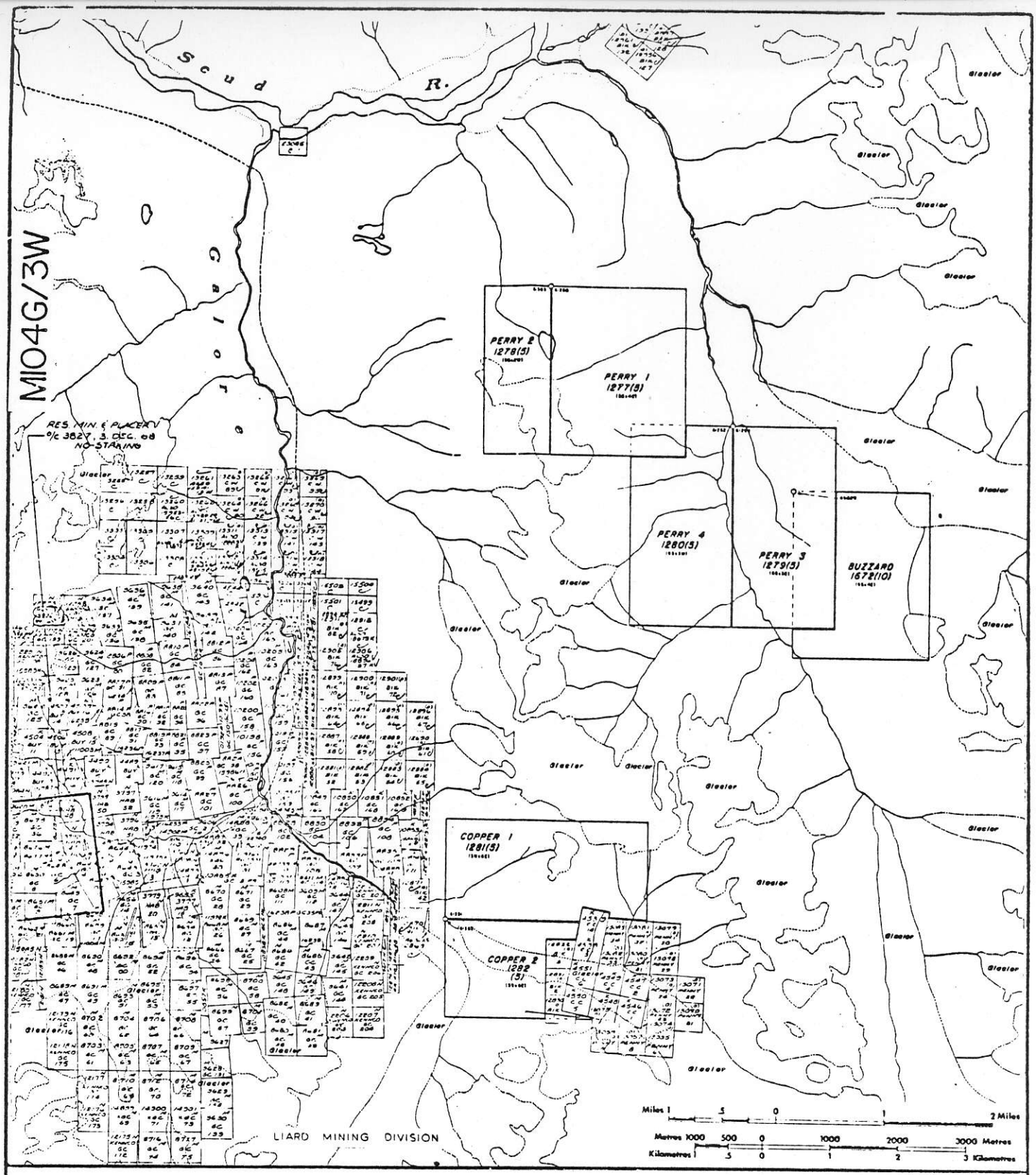

FIG. 2 - CLAIMS MAP

(PERRY 1-4 & BUZZARD)

Name	Record No.	Mining Division
Perry 3	1279(5)	Liard
Buzzard	1672(10)	Liard

The Buzzard claim was staked during the author's visit by Mr. B. Bannerd, an employee of Komody Resources, Ltd., in order to cover an old showing outside the boundaries of the Perry 3 claim. It is the author's understanding that Mr. Bannerd has vended the claim to Komody Resources Ltd.

A claim location map (Fig. 2) accompanies this report.

PREVIOUS EXPLORATION

The present Perry 3 and Buzzard claims occupy part of the area previously covered by the BIK 87-116 claims known as the South Scud group. This group was explored as part of a joint venture project by American Smelting and Refining Co. and Silver Standard Mines Ltd. Work on the claims was conducted in July and September of 1964. Initial interest in the area was aroused by nearby discoveries of two major mineral deposits: the Stikine Copper deposit at Galore Creek and the Schaft Creek deposit, the latter currently undergoing a major drill-up by Teck Corp.

Exploration activity on the claims focussed on detailed mapping and sampling of mineralized showings. Results are summarized in Assessment Report #623 on file with the Department of Mines and Petroleum Resources. Narrow bands of strong hydrothermal alteration in a conglomerate-breccia, containing pyrite-sphalerite mineralization, were found in the "Ptarmigan"

showing. Sampling indicated low-grade silver, gold, zinc and copper mineralization. Two samples taken over a true width of 80 feet were assayed and registered an average value of 4.2 oz/ton silver. The average of all samples taken on the showing (chip, grab and traverse) was Au-0.03 oz/ton, Ag-0.91 oz/ton, Zn-0.40%, Pb-0.08%, Cu 0.04%.

The "Hummingbird" showing was reported in Assessment Report #623 as being a 300 foot long by 100 foot wide skarn mineralized with chalcopyrite in flow breccias near a Permian limestone. Weighted average of four chip samples taken over the best exposed mineralization was: Au-0.02 oz/ton, Ag-0.3 oz/ton and Cu-0.60%.

Two other small showings were reported but they are not of significant interest.

NOTES ON PROPERTY GEOLOGY, TRAVERSES

An intrusion of rhyolite, elongate north-south and a few hundred feet thick, cuts Permian limestone and cherts with dips averaging about 50° west. The brownish weathering on the ridge running through the property is due to oxidation of a small amount of syngenetic pyrite in the rhyolite. In all likelihood, this weathering provoked the initial interest in the area. (However, sampling of this pyritized material proved it to be essentially barren of values.)

The "Hummingbird" mineral showing—a small area of green carbonate staining and cleavages in a rhyolite, right on top of the razorback

ridge, is centred about the legal corner post of the Buzzard claim (see Fig. 2). Sample "Scud-2" was taken from the Hummingbird showing. Just south of the Hummingbird showing, a kidney of slightly pinky-weathering pyrrhotite, in amphibolite replacing a limestone fragment in the volcanics which invaded the section to the east of the plug, was sampled and proved, on assay, to be barren.

There is a small pluton of andesite approximately 1/3 of a mile from a small conical prominence at the south edge of the cirque east of the razorback ridge.

The Ptarmigan showing is situated 0.5 mile to the east at the foot of a cirque glacier lying east of the razorback. Fog and a snow squall prevented an examination of the Ptarmigan showing (access was also hampered by cliffs). Reported as a small area of hydrothermal silver mineralization, it was viewed from a distance and appeared as a limonite-stained area (colour distinctive from the bricky brown and manganiferous weathering of the rhyolite). The Ptarmigan showing marked part of the northern contact of the plug against the limestone. A discoloured area south of the plug on the ridge line of the razorback, south of its highest point, turned out to be only a moraine ridge crest.

A traverse was attempted down the 50 to 60° slope west to a hydrothermal alteration zone observed in a side creek canyon on the western side of the main ridge. After several hours of climbing it could be seen to be a hematitic to limonitic stained area in the eastdipping dipslope

of Permian limestone making up the ridge to the west, about 1/4 mile up from the mouth of the side creek and in a very steep canyon. From the closest approach point, it looked as if it would be possible to land a helicopter on a tiny gravel bar just where the side creek canyon opened up before its final descent. Unfortunately, on the last day, weather conditions were too turbulent to attempt access.

SAMPLING RESULTS

The assay certificate covering the six samples taken, Scud 1-6, is appended to the report. Samples "WB", "FG", and "No name" belong to another, unconnected property.

Because the main showings in the area had been thoroughly and systematically sampled by Asarco personnel in 1964, (which results the author believes to be reliable) the author directed his efforts to examining other areas of the property according to the following rationale:

1. To find other hydrothermal zones, so as to increase the tonnage potential of the property (one such zone was spotted, but proved to be inaccessible) and

2. To determine whether there was other surface expression of the mineralization (copper carbonate in jointing, superficially similar to Schaft Creek surface mineralization) apparent in the Hummingbird showing.

Accordingly, random grab samples were taken from structures of interest examined during traverses. Details of the samples follow:

Scud-1: Au-0.002 oz/ton; Ag-trace (Cu, Pb, Zn, Ni, Co insignificant)
Grab sample. From 6'x4' bleb of pyroxenite-pinkish massive sulphide in small fault or joint.

Scud-2: Au-0.032 oz/ton; Ag-1.08 oz/ton; Cu-1.73% (Pb, Zn, Ni, Co insignificant.
Grab sample. From Hummingbird showing, malachite stains evident.

Scud-3: Au-0.002 oz/ton; Ag-0.10 oz/ton; Cu-0.31% (Pb, Zn, Ni, Co insignificant.
Grab sample. From a kidney of amphibolite-pentlandite.

Scud-4: Au-0.018 oz/ton; Ag-trace; (Cu, Pb, Zn, Ni and Co insignificant).
Grab sample. Float picked up by B. Bannerd on west side of the ridge. Siliceous volcanics - pyrite.

Scud-5: Au-0.002 oz/ton; Ag-0.09 oz/ton; (Cu, Pb, Zn, Ni and Co insignificant)
Grab sample. Amphibolite float picked up by B. Bannerd, west side of ridge.

Scud-6: Au-0.002 oz/ton; Ag-trace; (Cu, Pb, An, Ni and Co insignificant).
Sparsely mineralized chip sample from an east-west shear on hill behind camp (taken for mineralogical reasons).

DISCUSSION & RECOMMENDATIONS

Inclement weather and the extremely dangerous topography coupled with the lack of on-site helicopter transportation hampered efforts to evaluate the property. Samples taken and structures observed by the author during his examination of the property were not encouraging. The Hummingbird showing is small and, considering its remote location and low grade, offers little promise in itself.

However there are a few positive aspects which must be considered. Silver assays in the range of 4 to 5 ounces per ton across widths of 80 feet have been reported as occurring on the Ptarmigan showing (covered by the Buzzard claim—bad weather and cliffs prevented a visit). Moreover, the smallness of the Hummingbird showing is not conclusive of its potential. At Schaft Creek, now being drilled up as a major copper deposit, surface expression was of the same nature, namely insignificant green copper stains in cleavages.

For these reasons the author is recommending another brief look at the property. Allowance is made for a three day visit by a geologist and assistant. The visit should be undertaken in the height of the field season so as to minimize the likelihood of disrupting weather. A helicopter should be chartered on a standby basis to enable quick access over the length of the extremely rugged portions of the property. By this means, new areas, such as the side-creek hydrothermal alteration zone spotted by the author, could be evaluated. If enough encouraging information is gathered, it may be possible to convince a major exploration company to gamble on a drilling program. Such a venture, in the

author's opinion, is beyond the capacity of as small a company as Komody Resources Ltd.

PROPOSED BUDGET

Geologist: 3 days @ $250/day	$ 750
Assistant/Prospector: 3 days @ $150/day	450
Helicopter Support (stand-by basis)	4,000
Transportation to and from Schaft Creek	1,000
Food, Supplies, Fly Camp: 6 man-days @ $50/man-day	300
Assays and Sample Preparation	200
Mapping and Drafting Costs	500
Report, Documentation	1,000
	8,200
Contingency @ 20% (high, because of potential bad weather)	1,600
TOTAL ESTIMATED COST OF PROGRAM	$9,800

CERTIFICATE

I, William D. Groves, do hereby certify that:

1. I, William D. Groves, am a Consulting Geological Engineer, with an office at 152 - 890 West Pender Street, Vancouver, B.C.

2. I am a graduate of the University of British Columbia (B.Sc. in Geological Engineering, 1960). I am a graduate of the University of Alberta, B.Sc. in Chemical Engineering in 1962, and of the University of British Columbia with a Ph.D. in Chemical Engineering in 1971.

3. I am a registered Professional Engineer of the Province of British Columbia.

4. I have practiced my profession since 1960.

5. I examined the Scud River property (Perry 3 and Buzzard claims) during the period September 13 to 17 inclusive.

6. I have not received, directly or indirectly, nor do I expect to receive any interest, direct or indirect, in the property of Komody Resources Ltd., nor do I beneficially own, directly or indirectly, any securities of any of Komody Resources Ltd., nor do I intend to receive any such interest.

7. Written permission is required from the author to publish this report in any Prospectus or Statement of Material Facts.

Respectfully submitted,

Dr. W. D. Groves, P.Eng.
March 16, 1981

General Testing Laboratories
A Division of SGS Supervision Services Inc.

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TO:
MOODY RESOURCES
1006 - 750 West Pender Street
Vancouver, B.C.

CERTIFICATE OF ASSAY

No.: 8010-2155 | DATE: Nov. 10/80

We hereby certify that the following are the results of assays on: Ore

MARKED	GOLD oz/st	SILVER oz/st	Copper Cu (%)	Lead Pb (%)	Zinc Zn (%)	Nickel Ni (%)	Cobalt Co (%)	XXX
Scud - 1	0.002	trace	0.01	0.01	0.03	0.003	0.001	
" 2	0.032	1.08	1.73	0.02	0.15	0.006	0.010	
" 3	0.002	0.10	0.31	0.03	0.03	0.007	0.020	
" 4	0.018	trace	0.07	0.01	0.03	0.008	0.011	
" 5	0.002	0.09	0.05	0.03	0.04	0.020	0.007	
Scud - 6	0.002	trace	0.01	0.02	0.03	0.004	0.002	
WB	0.002	5.50	-	2.60	6.03	-	-	
FG	0.002	6.17	-	3.35	7.86	-	-	
No name	0.002	0.17	-	0.05	0.83	-	-	

NOTE: REJECTS RETAINED ONE MONTH. PULPS RETAINED THREE MONTHS. ON REQUEST PULPS AND REJECTS WILL BE STORE FOR A MAXIMUM OF ONE YEAR

L. Wong
PROVINCIAL ASSAYER