



# YORKTON

## NATURAL RESOURCES

890047

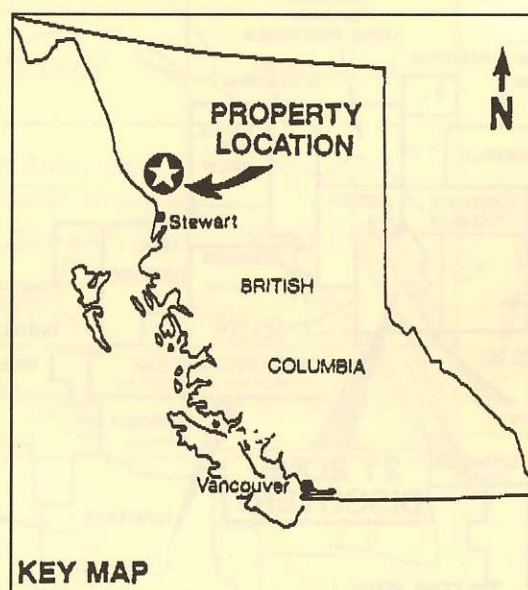
### THE ESKAY CREEK PROJECT

	Symbol	Price	Shares O/S	Fully-Diluted
Calpine Resources Inc.	CLP	\$ 8.50	18,478,186	21,796,440
Consolidated Stikine Silver Ltd.	CKI	\$52.50	2,851,324	3,191,324
Prime Explorations Ltd.	PMR	\$ 5.37	58,596,380	63,284,090
Adrian Resources Ltd.	ADL	\$ 4.20	5,405,843	8,238,310

All above stocks listed on VSE

#### SUMMARY

A major precious and base metal discovery has been made in the Eskay Creek area in Northwestern British Columbia. A stratabound mineralized zone in an open pit configuration with high gold and silver values and significant base metal intersections is being developed in a 50/50 Joint Venture between Consolidated Stikine Silver Ltd. and Calpine Resources Inc. Sufficient drilling has been reported to conclude that a multi-million ounce gold deposit is present on the property. While we are well aware of the perils of investing in exploration stocks after a strong price appreciation, we believe the market capitalizations of Calpine, Consolidated Stikine and Prime Explorations still do not reflect the full value of this potential world class deposit and shares in these companies should be purchased at current levels. Adrian Resources represents the logical speculative proximity play since its claims appear to be on strike with the Eskay Creek mineralized zone.



The Eskay Creek Project may turn out to be one of the truly large, rich deposits in the world and a continuance of current drill results should continue to focus investor and mining industry attention on the area.

#### PROPERTY DESCRIPTION

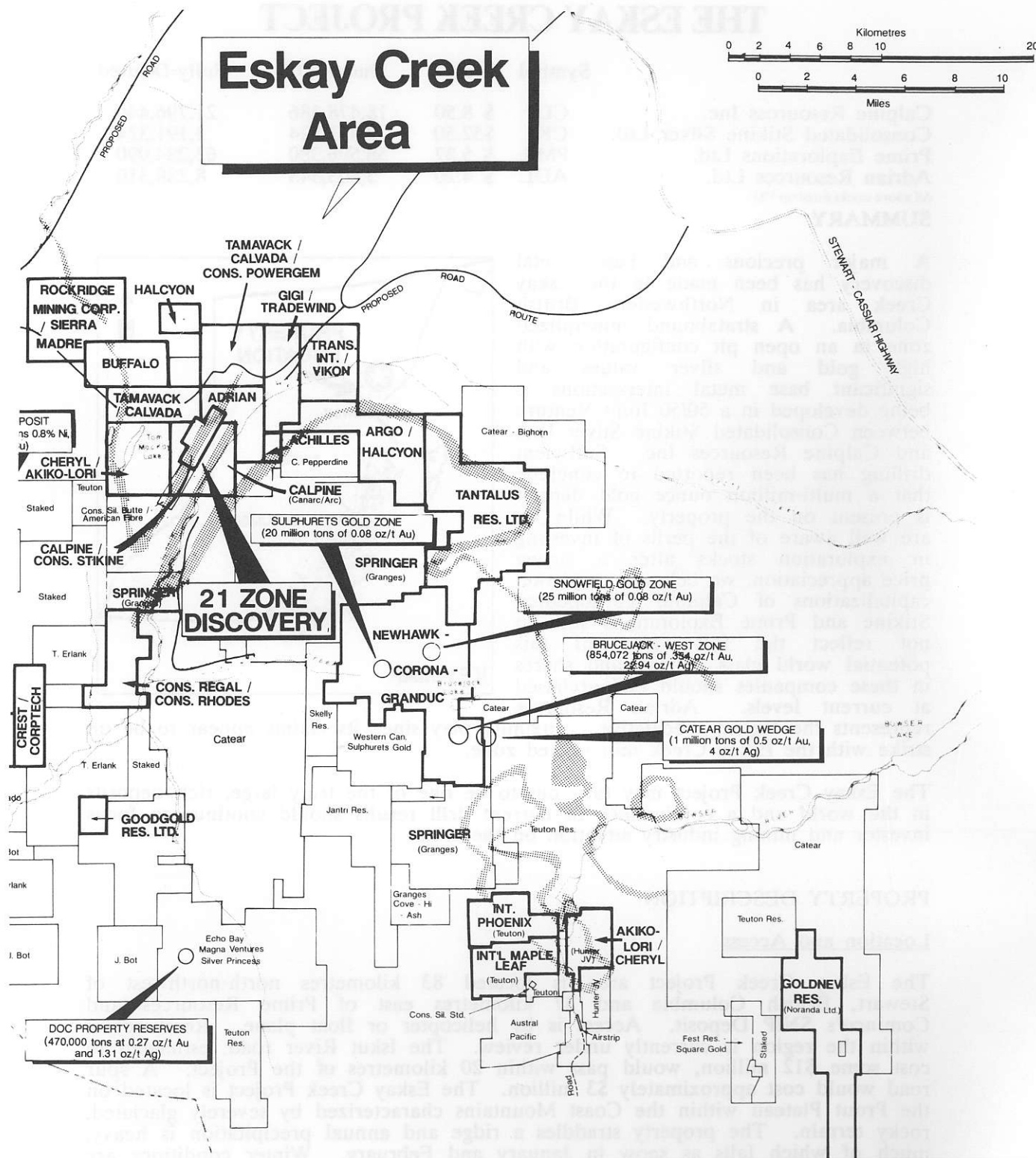
##### Location and Access

The Eskay Creek Project area is located 83 kilometres north-northwest of Stewart, British Columbia and 37 kilometres east of Prime Resources and Cominco's SNIP Deposit. Access is by helicopter or float plane. Road access within the region is currently under review. The Iskut River road, estimated to cost some \$12 million, would pass within 20 kilometres of the Project. A spur road would cost approximately \$3 million. The Eskay Creek Project is located on the Prout Plateau within the Coast Mountains characterized by severely glaciated, rocky terrain. The property straddles a ridge and annual precipitation is heavy, much of which falls as snow in January and February. Winter conditions are difficult although drilling on the property was continuous through the winter of 1988-89 on a cost-effective basis.



## Claims and Agreements

The claims covering the known mineralization are owned by Consolidated Stikine Silver Ltd. which granted an option to Calpine Resources Inc. to earn up to a 50% interest in the property. The Project is now operated on a 50/50 Joint Venture basis between Calpine and Consolidated Stikine with Prime Explorations Ltd. as the Project Operator.



## GEOLOGY

### Regional Geology

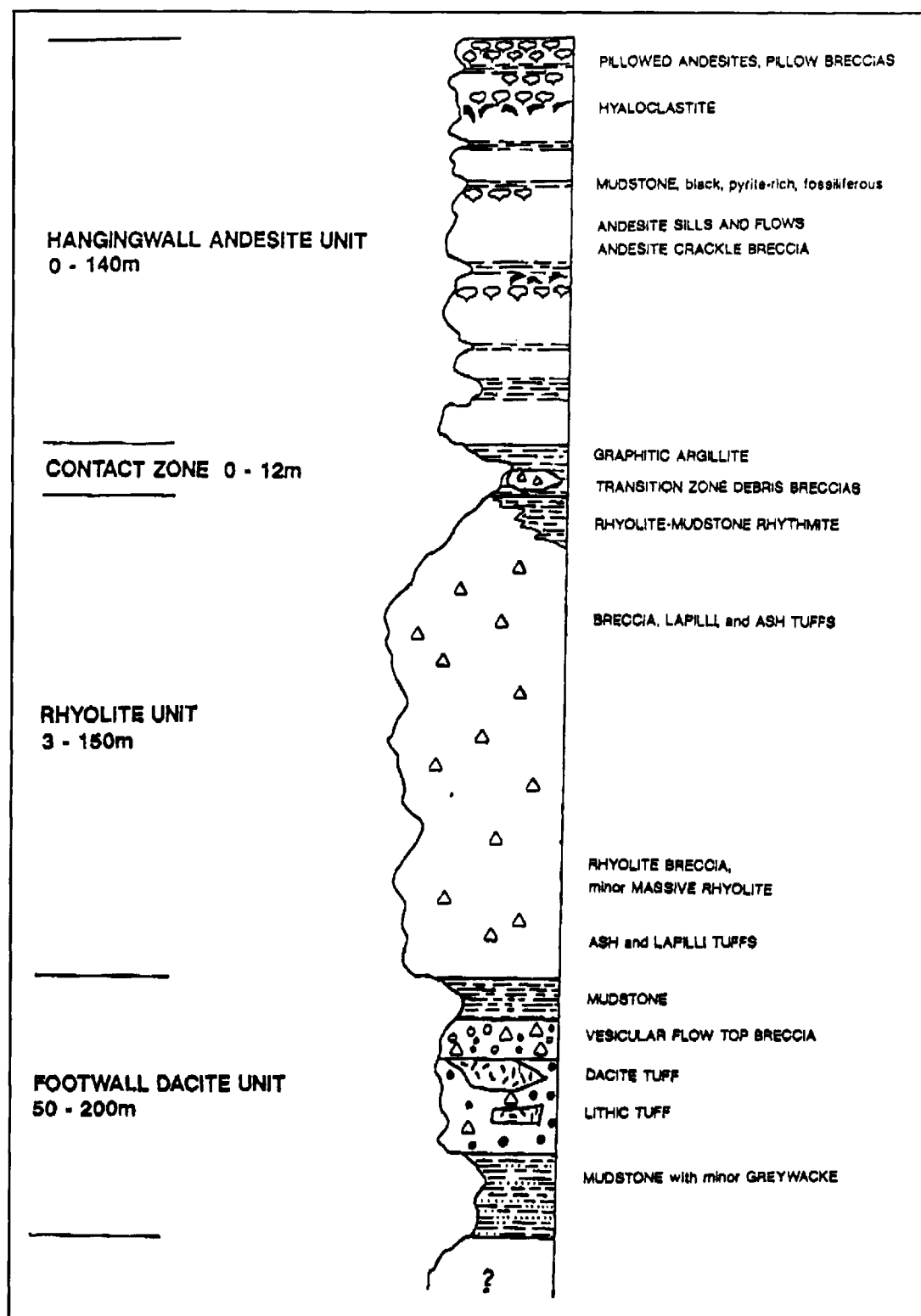
The Unuk River area is underlain by thick, weakly metamorphosed Upper Triassic to Lower Jurassic volcanic and sedimentary arc-related units overlain by Middle Jurassic successor basin sedimentary units. Large scale northeast plunging vertical folds and major north-trending cataclastic and fault zones are believed to be related to late Jurassic to early Cretaceous plutonism and orogenesis.

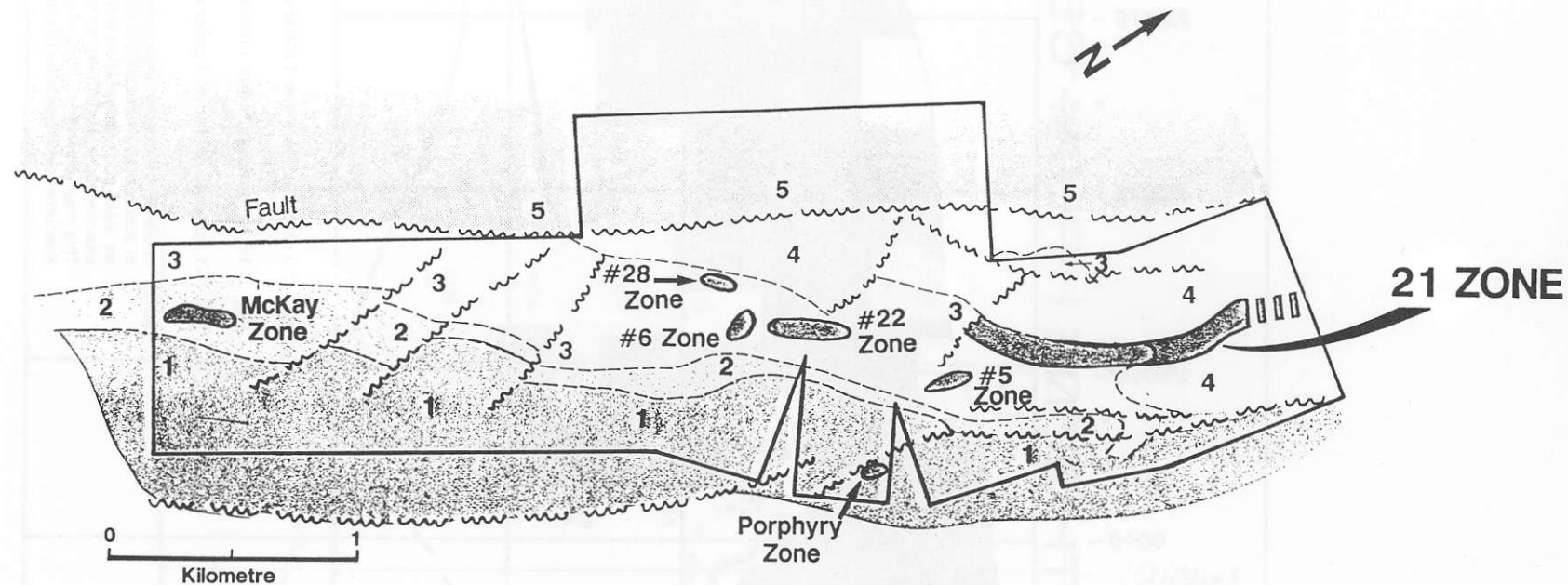
Period	Formation	Group
Middle Jurassic 190 Million Yrs	Ashman	Bowser Lake
	Salmon River	Spatsizi
Lower Jurassic 210 Million Yrs	Mount Dilworth	Hazelton
	Betty Creek	
	Unuk River	
Upper Triassic		Stuhini

### Property Geology

The property is underlain by the volcanic and sedimentary rocks of the Hazelton Group. Rock units are west facing, striking generally northeast to north. Dips are steep in the southern end of the property, becoming more shallow to the north. The mineralized zone is within rhyolite lapilli tuff and breccia with graphitic argillate tentatively correlated to the Mount Dilworth Formation. This zone is underlain by dacite tuffs, tuffaceous wackes, mudstone and conglomerate and andesite flows (Betty Creek Formation). It is overlain by pillowed andesites and interbedded sedimentary units (Salmon River/Ashman Formations). A shallow, northeast-plunging anticline with a steep eastern limb is the major structural feature.

## STRATIGRAPHIC COLUMN - 21 ZONE





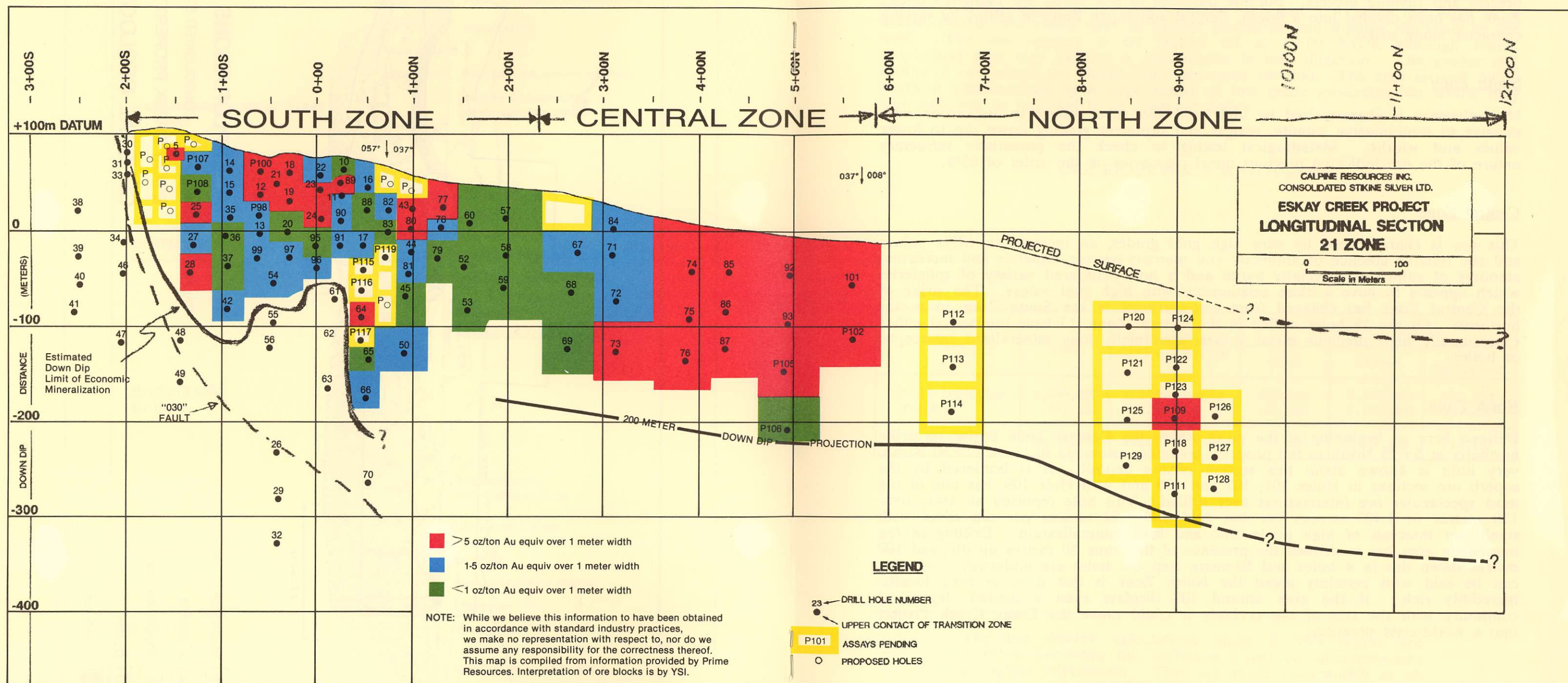
- 5** Mudstones
- 4** Andesites
- 3** Rhyolite breccias
- 2** Dacites
- 1** Tuffaceous wackes

## PRIME EXPLORATIONS LTD.

CALPINE RESOURCES INC. / CONSOLIDATED STIKINE SILVER LTD.

### ESKAY CREEK PROPERTY GENERAL GEOLOGY





## MINERALIZATION

The area currently under investigation is the "21 Zone" and the mineralized horizon is referred to as the "Contact Zone" and represents the target ore zone. Gold and silver mineralization occurs as a stratabound sheet traced by drilling over 1000 metres, down dip to a depth of 300 metres and with a maximum thickness over 200 metres. To the south, mineralization appears to be cut off by a 30 degree north, east dipping normal fault. Mineralization in the zone is hosted within variably sheared and schistose graphitic mudstone, carbonaceous debris breccia and rhyolite breccia. For the purposes of this report the defined Contact Zone has been divided into a South, Central and North Zone to reflect its varying character along strike.

### South Zone

Mineralization is characterized by high gold and silver values in association with massive to semi-massive stibnite, realgar and orpiment grading down dip to lower values and widths. Metallurgical testing to check the potentially refractory nature of the ore indicated precious metal recoveries on the order of 85%.

### Central Zone

This ore is characterized by very high gold grades, an increase in silver values and the relative absence of antimony and mercury-bearing minerals and increasing amounts of sulphides especially pyrite and a honey-coloured variety of sphalerite which appears to have a close relationship with high gold values. The strike of the Central Zone has changed from east-northeast in the South Zone to north-northeast. Of the 19 holes drilled in the Central Zone, 13 have intersected either exceptionally high precious metal values, abnormally long mineralized intercepts, or both.

### North Zone

Defined here as beginning at the point where the Contact Zone begins to strike northerly at 5+75 North to the property boundary estimated to be at 12+50 North, very little is known about this section of the deposit. It is bordered by the superb ore sections in Holes 101, 102 and 105 and with Hole 109, has one of the most spectacular ore intersections ever drilled. This hole reported an assay over 130 metres of 1.407 ounces per ton gold and 1.52 ounces per ton silver with significant intervals of high grade zinc and lead mineralization. Drilling in the immediate area has confirmed the presence of this zone 50 metres up dip and 100 metres down dip in 4 holes and 50-metre step out holes are underway. All that can be said with certainty about the North Zone is that it is, at least locally, incredibly rich. If the area around 109 displays even a modest degree of continuity with the rest of the orebody it could move the Eskay Creek Project into a world-class situation.

## ORE RESERVES

We have attempted an ore reserve estimate fully cognizant that the public record on this deposit is sufficient only for a rough calculation of final grades and tonnage.

### South Zone Reserves

Drilling on 25 metre centers is nearing completion and most of the ore in this Zone can be placed in the drill-indicated category. The ore zone is some 400 metres in strike length in an east-northeast direction. It takes the form of a wedge, thicker and richer near its surface projection and dipping shallowly to the west. The ore appears to be faulted off at 2+00 South although recent geophysical data may indicate a continuance in that direction. The grades and widths of ore within the South Zone are quite variable. The area around 2+00 North is characterized by a large extent of low grade mineralization which may ultimately not be included in an open pit design.

### ORE RESERVES\* - SOUTH ZONE

Class	Tons	Gold Oz/Ton	Silver Oz/Ton	Contained Ounces		
				Gold	Silver	Gold Equivalent
Drill-Indicated Probable	1,949,400	0.213	3.06	417,100	5,974,900	506,724
	777,500	0.226	2.71	175,900	2,102,200	207,433
Total	2,726,900	0.218	2.96	593,800	8,077,100	714,157

---

\* The ore reserve calculations made in this report are Yorkton Securities Inc. estimates based on interpretations of public information. They are made prematurely in an effort to assign market capitalizations and may only be rough approximations.



### Central Zone Reserves

As the drill program moved northward beyond 2+00N long intersections of exceptional precious metal values began to be consistently encountered. The results in this area, moving northward have been:

<u>Section</u>	<u>Hole #</u>	<u>Width (m)</u>	<u>Oz/Ton</u>	
			<u>Gold</u>	<u>Silver</u>
2+75N	67	18	0.217	3.27
2+75N	68	3	0.208	2.74
2+75N	69	7	0.091	0.32
3+00N	84	4	0.570	12.59
3+00N	71	10	0.125	14.20
3+00N	72	6	0.072	0.53
3+00N	73	26	0.231	2.83
3+75N	74	18	0.192	7.34
3+75N	75	12	0.471	27.56
3+75N	76	40	0.116	3.60
4+25N	85	2	2.07	67.69
4+25N	86	5.5	0.947	30.57
4+25N	87	12	1.670	57.75
5+00N	92	8	0.115	1.41
5+00N	93	28	0.453	19.64
5+00N	105	24	0.739	31.64
5+00N	106	12	0.040	0.05
5+75N	101	17	0.867	19.70
5+75N	102	14	1.787	55.96

The drilling in the Central Zone are on 50-75 metre centers and accordingly any tonnage should, at best, be placed in the probable category subject to fill-in drilling. However, Holes 73 through 106 above are remarkable in their consistency. This sequence was responsible for part of the dramatic rise in the share prices of Calpine and Consolidated Stikine. The drill holes in the 5+00N area also reported 5-6% combined lead-zinc values over long sections indicating that the deposit is becoming more sulphide rich towards the north.

### ORE RESERVES - CENTRAL ZONE

Class	Tons	Gold Oz/Ton	Silver Oz/Ton	Contained Ounces		
				Gold	Silver	Gold Equivalent
Probable Inferred	2,619,000	0.565	17.73	1,480,500	46,477,200	2,105,150
	1,050,900	0.350	10.68	367,800	11,225,000	536,175
Total	3,669,000	0.505	15.21	1,848,300	55,672,200	2,641,325

The inferred calculation is made by making a 50% down dip extrapolation of known mineralization.

### North Zone Reserves

Estimation of an ore reserve base in this area is sheer conjecture at this time. While ten holes have been completed in this zone only the assays for the phenomenal #109 are available. However, if the area represented by the seven holes at Section 9+00 North average 50% of the grade and width of Hole 109, an additional 2 million ounces of contained gold could be added to the overall reserve in this area alone. Holes 112 through 114 are of critical importance as they link the 9+00 North area to the Central Zone. The ultimate potential of the North Zone is perhaps best understood in the context of the overall extent of the Contact Zone. If it is assumed that economic mineralization extends down dip to a depth of 200 metres within the Central and the North Zones, then the North Zone represents 50% of the total mineralized horizon within open pit reach. We can only estimate that there are at least one million contained ounces of gold in the North Zone and possibly as much as 10 million.

### ORE RESERVE SUMMARY

	Category	Contained Ounces Gold Equivalent
South Zone	Drill-Indicated Probable	506,724 207,433
Central Zone	Probable Inferred	2,105,150 536,175
North Zone	Probable Inferred	1,000,000 0 - 9,000,000

It appears there are 3 separate ore zones. The South Zone may contain 2.8 million tons grading 0.218 oz/ton gold and 2.96 oz/ton silver. The Central Zone may contain 3.7 million tons grading 0.51 oz/ton gold and 15.21 oz/ton silver along with significant lead and zinc values. The North Zone remains virtually untested but contains the highest gold and base metal values drilled to date on the property and may contain some 50% of the favourable ore-bearing horizon. To date, there is direct evidence of more than 4 million ounces of gold equivalent on the property.

## EVALUATION

The early stage of development of the Eskay Creek Project precludes net present value or discounted cash flow analyses. Parameters cannot be defined accurately enough at this stage for these techniques. A more appropriate valuation method in this case would be to assign a cash value per ounce of gold in reserve for the property and divide by the diluted capitalization of the joint venture partners to obtain a "target range" of share prices appropriate for the asset value as it develops.

		\$ Canadian Per Gold Oz. Reserve		
		75	100	125
Contained Ounces Gold Equivalent (millions)	3	\$ 5.63/\$33.75	\$ 7.50/\$ 45.00	\$ 9.38/\$ 56.25
	4	\$ 7.50/\$45.00	\$10.00/\$ 60.00	\$12.50/\$ 75.00
	5	\$ 9.38/\$56.25	\$12.50/\$ 75.00	\$15.63/\$ 93.75
	6	\$11.25/\$67.50	\$15.00/\$ 90.00	\$18.75/\$112.50
	7	\$13.13/\$78.75	\$17.50/\$105.00	\$21.88/\$131.25
Calpine Share Price / Stikine Share Price				

The amount investors (or other mining companies) will pay for an in-ground ounce of gold depends on a variety of factors influencing future profitability. In this case the remote location, the likely high capital costs and the high proportion of probable and inferred versus proven ounces are offset by the open pit configuration of the deposit, the high grades encountered and the superb exploration potential. For the present, the market will probably use the \$75/Oz value until the ore reserve is better defined. Yorkton Securities Inc. believes that as more reserves are found and placed in the upgraded categories, the share prices will move significantly upwards from current levels. We continue to recommend purchase of Calpine Resources Inc. and Consolidated Stikine Silver Ltd. shares.

It is appropriate to comment on the position of Adrian Resources Ltd. Hole 109 was drilled only 250 metres from the boundary with Adrian's claims and Calpine is drilling northward in 50 metre stepouts. Adrian can begin drilling this fall and regional geology and geophysical evidence from Calpine's North Zone indicates that the Contact Zone moves onto Adrian ground. Adrian's fully diluted market capitalization now exceeds \$20 million without direct evidence of mineralization as yet. The extent of mineralization on the Adrian ground is anyone's guess right now but it is a legitimate proximity play likely to rise higher. We still rate it as a speculative buy but recommend hedging with Calpine or Consolidated Stikine.

The Eskay Creek Project has caused a dramatic reversal in the fortunes of Prime Resources. Prime owns 40% of Calpine, a large position in Adrian and is the main property holder in the Eskay Creek and Iskut River areas. Prime will also have a 40% interest in the SNIP Deposit some 20 km west of Eskay Creek, a million ounce deposit shared with Cominco. Despite the rather large share capitalization (58 million shares) Prime should appreciate in value as the true reserve position at Eskay Creek unfolds.

### YORKTON SECURITIES INC.

MEMBERS OF THE PRINCIPAL STOCK EXCHANGES IN CANADA, INVESTMENT DEALERS' ASSOCIATION OF CANADA  
AND THE SECURITIES ASSOCIATION IN THE U.K.

#### Principal Offices:-

1 First Canadian Place, Suite 2700 - P.O. Box 379, Toronto, Ontario. M5X 1J8 (416) 864 3500	609 Granville Street, Suite 1400, P.O. Box 10350, Stock Exchange Tower, Vancouver, B.C. V7Y 1G5 (604) 669 7752	400-3rd Ave. S.W., Suite 4400, Calgary, Alberta. T2P 4H2 (403) 260 8400	Suite 406-2nd Floor, Salisbury House, Finsbury Circus, London, England. EC2M 5RQ (441) 920 0011	Waldmannstrasse 6, P.O. Box 15, 8024 Zurich, Switzerland. (411) 261-0035
<i>also in Canada at:-</i>				
		Aurora (416) 727 0187	Burlington (416) 639 4190	Windsor (519) 256-7853